DDH 1 LIMITED

ANNUAL REPORT FY21

THE VALUE OF EXPERIENCE

ASX: DDH

CORPORATE DIRECTORY

DDH1 REGISTERED OFFICE

DDH1 Limited
21 Baile Road
Canning Vale WA 6155

CORPORATE WEBSITE

ddh1.com.au

DIRECTORS

Diane Smith-Gander AO
Alan Broome AM
Andrea Sutton
Murray Pollock
Byron Beath
Sy van Dyk

JOINT COMPANY SECRETARIES

Ben MacKinnon
Darryl Edwards

SHARE REGISTRY

Computershare Investor
Services Pty Limited Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

AUDITOR

Deloitte Touche Tohmatsu
Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000

TAX ADVISER

PricewaterhouseCoopers
Brookfield Place
125 St Georges Terrace
Perth WA 6000

CONTENTS

YEAR IN REVIEW

ABOUT DDH1

DDH1 Limited (ASX: DDH) is a profitable Australian drilling company servicing the mining and exploration sectors. Based in Perth, Western Australia, and led by an experienced and respected management team, DDH1 is an industry leader in deep hole directional drilling as well as reverse circulation and air core drilling.

As at June 30, DDH1 employed 997 people and operated a fleet of 98 modern and highly specified drill rigs across three brands – DDH1 Drilling, Ranger Drilling and Strike Drilling – to offer customers the full suite of specialised drilling services.

Central to DDH1's strategic approach is the pursuit of long-term relationships with customers, built on quality drilling services and a deep understanding of their business needs.

OUR BRANDS

DDH1 DRILLING

RANGER DRILLING

strike DRILLING

OUR MISSION

To provide a matrix of drilling technologies to obtain spatially accurate representative geological information for the discovery, assessment and extension of economic mineral occurrences.

OUR STRATEGY IS THE PURSUIT OF LONG-TERM RELATIONSHIPS WITH CUSTOMERS

FY21

as at 30 June

$74.6m
PRO-FORMA EBITDA

$294.6m
COMPANY REVENUE

2.18¢
DIVIDEND PER SHARE

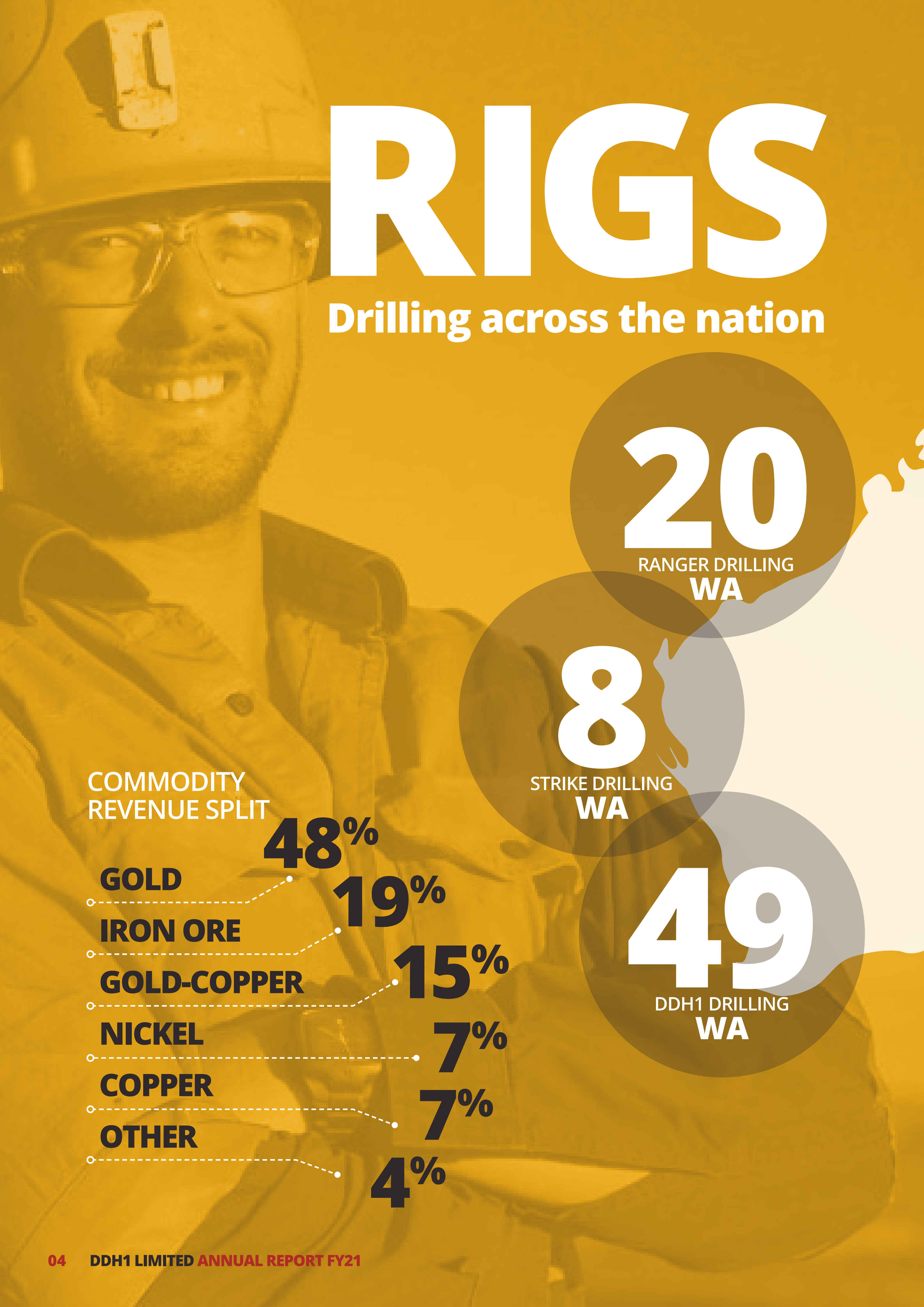
98
DRILL RIGS

997
PEOPLE

2,187,355
METRES DRILLED

94
CUSTOMERS

9.00
TRIFR



RIGS

Drilling across the nation

20
RANGER DRILLING
WA

8
STRIKE DRILLING
WA

49
DDH1 DRILLING
WA

COMMODITY REVENUE SPLIT

GOLD	48%
IRON ORE	19%
GOLD-COPPER	15%
NICKEL	7%
COPPER	7%
OTHER	4%

WE DON'T TAKE SHORT CUTS ON QUALITY. WE EMPLOY THE MOST EXPERIENCED AND TECHNICALLY SAVVY PEOPLE IN THE INDUSTRY.

DDH1 LIMITED RAISED $150 MILLION IN ITS IPO, GARNERING STRONG SUPPORT FROM CAPITAL MARKETS AND ATTRACTING NEW LARGE AND SMALL SHAREHOLDERS FROM ACROSS AUSTRALIA AND OVERSEAS.

OUR DIVIDEND POLICY WILL TARGET 30% TO 50% OF PRO-FORMA NET PROFIT AFTER TAX (EXCLUDING ACQUISITION AMORTISATION)

CHAIRPERSON'S LETTER

On behalf of your Board, it is my pleasure to present the DDH1 Limited Annual Report for the year ended 30 June 2021 – the first since your Company listed on the ASX in March this year.

The Initial Public Offering (IPO) and ASX listing marked a significant milestone in the evolution of DDH1, which was established in Perth in 2006 with the vision to create Australia's premier drilling services contractor. Over the decade and a half of its existence, DDH1 has earned the repeat custom of Australian mining companies through its consistently high-quality and meticulous service offering. DDH1 is an essential service partner gathering the critical geological data that supports decision-making through the complete cycle of a mine's life.

DDH1's successful ASX listing acknowledged the years of hard work and industry leadership by the founders of the three businesses that make up DDH1 – Murray Pollock and Matt Thurston at DDH1 Drilling, Richard Bennett at Strike Drilling and Matt Izett at Ranger Drilling – and their dedicated team of men and women across Australia.

DDH1 came to the market with a proud and successful operating history, a strong balance sheet, an experienced and well-respected leadership team and a commitment to adhering to the highest standards of environmental, social and corporate governance. My fellow Directors contribute a blend of expertise across the resources, financial and capital markets sectors in addition to ASX directorship experience. As a West Australian by birth, I was delighted to accept the role of Chair of this successful West Australian business. And I am delighted that the founders continue to be well engaged with the ongoing journey of the business while developing the next generation of drilling industry leaders.

DDH1 raised $150 million in its IPO, garnering strong support from capital markets and attracting new large and small shareholders from across Australia and overseas. DDH1 used the IPO funds to allow foundation shareholders to reduce their stakes and to repay debt, leaving DDH1 with a net cash position at June 30 of $9.6 million.

Since listing in March, DDH1 has focused on delivering on its commitments to shareholders and executing a growth strategy. More details on performance and growth are provided in Sy van Dyk's Managing Director's Report. Sy's report also discusses how your Company successfully dealt with the challenges presented by COVID-19. As a business that operates across Australia, the regular lockdowns and border closures proved significant headwinds. Your Board has been impressed with the confident approach Sy and his leadership team took to putting the safety of our people first while simultaneously operating the business so well.

Despite the impacts of COVID-19, DDH1 reported Pro-Forma EBITDA of $74.6 million and Pro-Forma EBIT of $50.9 million.

The reported Pro-Forma EBITDA was 7.6% higher than the forecast of $69.3 million contained in the Company's IPO Prospectus and the reported Pro-Forma EBIT was 15.7% higher. The Company finished the year with 98 drill rigs, up 10 from the start of the year in review, and 997 men and women.

As flagged in the IPO Prospectus, it is DDH1's intention to pay dividends based on a target aggregate payout in the range of 30% to 50% of Pro-Forma Net Profit After Tax (excluding acquisition amortisation). Based on the full-year result, your Board has declared a final dividend of 2.18¢ per share, fully franked and payable to eligible shareholders in early October.

DDH1 has made a promising start as a listed company. On your behalf let me thank all our people for their efforts and dedication over the past 12 months. The results delivered by Sy and his leadership team and their support, along with that of my fellow Board members, has made DDH1 a fabulous company to be associated with.

I hope to meet many of you in person at the DDH1 Annual General Meeting later this year. The meeting will be in a hybrid format to allow as full a participation as possible and a fall-back to a virtual meeting should circumstances demand.

Yours sincerely,

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

MANAGING DIRECTOR'S REPORT

I am pleased to report on the strong start DDH1 has made as a publicly listed company.

Since our March 9 listing on the ASX, we have worked to ensure the safety and welfare of our people, deliver on our customers' expectations and exceed the forecast as outlined in our IPO Prospectus.

Our people's health and well-being are our priority. Across the DDH1 group, the Total Recordable Injury Frequency Rate (TRIFR) for FY21 was 9.0. I am pleased with the commitment shown across the Company to ensure our people and everyone we come into contact with through the conduct of our business are always safe.

Favourable industry dynamics are driving demand for DDH1's services across Australia. Demand is underpinned by the price strength of the key minerals we target as well as extraordinary exploration success at depth that has increased the requirement for DDH1's specialised drilling services. We are proudly involved in many of the recent and most exciting mineral discoveries in Australia, particularly in the battery minerals and gold space.

Strong organic growth was recorded across all three of our businesses – DDH1 Drilling, Strike Drilling and Ranger Drilling – because of excellent service delivery and our ability to boost our workforce from 816 to 997 people across Australia. Organic growth was driven by increased demand from our substantial customer base and by new business opportunities, resulting in higher rig utilisation.

Our Strong Start

Since our ASX listing, DDH1 announced the further expansion of our drill rig fleet with four rigs added to the 11 new rigs nominated in our Prospectus. As at June 30, our fleet comprised 98 rigs.

We are committed to executing DDH1's growth strategy in a fiscally disciplined manner, utilising our strong balance sheet, $60 million in debt facilities and a proven record of organic and acquisition growth to seize strategic opportunities that add shareholder value.

However, the favourable market dynamics and the ongoing effect of COVID-19 also presented challenges during the year including limited access to our people and wage pressures, which we continue to navigate in the new financial year as we strive to retain and attract the best talent. Snap border closures and quarantine periods impacted the movement of our field crews and prompted us to examine our practices to ensure we continued to protect the health and well-being of our people. Pleasingly, we kept our rigs drilling and most available shifts staffed.

Our Performance

This first Annual Report since DDH1's ASX listing covers the operational and financial performance from July 1 last year, when the Company was still privately owned, through to the period from our March ASX listing to June 30. Our full-year statutory results include the costs of the ASX listing process.

Revenue for the year to June 30 was $294.6 million, which compares to the Prospectus forecast of $280.2 million, while our Pro-Forma EBITDA was $74.6 million, compared to a forecast of $69.3 million.

Coupled with our strong operational performance, DDH1 has a very healthy balance sheet with net cash at June 30 of $9.6 million and $60 million in available debt.

OUR PEOPLE ARE OUR NUMBER ONE ASSET AND THEIR HEALTH AND WELL-BEING OUR TOP PRIORITY.

WE WERE ABLE TO SAFELY DELIVER ON OUR CUSTOMERS' EXPECTATIONS AND KEEP THE PROMISES WE MADE

Our Outlook

DDH1 has begun the new financial year with positive momentum and a sense of optimism. We remain focused on our mission to care for our people, to service our customers with the skills and dedication that are aligned with our values and to create value for our shareholders. By December 2021, we expect to have grown our fleet to 105 drill rigs.

Demand for expert mineral drilling services continues at record levels fuelled by strong commodity prices, capital markets that are supportive of our customers, significant exploration success and the effects of under-investment in exploration by the wider mining industry.

Our Thanks

DDH1's strong performance this past financial year is a tribute to every member of our team and I thank them sincerely for their efforts, dedication and loyalty. I especially would like to extend my appreciation to our field crews who, because of COVID-19, have spent time in quarantine, stayed in-state away from families and friends for extended periods or had their rosters disrupted.

I also extend my thanks to the Board for their support of my leadership team and myself and their invaluable guidance during the ASX listing process.

Sy van Dyk
Managing Director and Chief Executive Officer

DDH1 Limited co-founders Murray Pollock, Matt Thurston, Richard Bennett and Matt Izett celebrating the Company's ASX listing on 9 March 2021.

WE ARE EXCITED ABOUT THE OPPORTUNITIES THE FUTURE WILL BRING

BOARD OF DIRECTORS

A group of leading experts in their field, bringing a wealth of experience across mining operations, corporate governance, safety, environment and corporate finance.

Diane Smith-Gander AO

Chairperson and Independent Non-Executive Director

B.Ec, MBA, FAICD, FGIA, Hon.Dec, FAIM, GAICD

Diane has extensive Australian and international experience in banking and finance, technology, and strategic and management consulting. Prior to becoming a full-time company director in 2009, Diane enjoyed a successful executive career with Westpac Banking Corporation, primarily in banking operations, technology solutions and change management roles, and as a Partner with McKinsey & Company. Diane is also the Chairperson of Zip Co Limited (ASX:ZIP), the Safe Work Australia member body and the Committee for Economic Development of Australia as well as a Non-Executive Director of AGL Energy Limited (ASX:AGL), Keystart Home Loans Group and HBF Health Limited. Diane is an Adjunct Professor in Corporate Governance at The University of Western Australia and Chair of The University of Western Australia Business School Advisory Board.

Alan Broome AM

Non-Executive Director

I.Eng, FAusIMM, FAICD, FIMMM, FICME, CFInstD (NZ)

Alan has more than 40 years' experience in the metals, mining and energy industries, accumulated through involvement with mining technology companies, government agencies and major international mining companies in promoting Australian mining and developing global trade. Alan is Chairperson of New Age Exploration Ltd (ASX: NAE), Strategic Minerals plc (AIM:SML) and Mustang Energy plc (LSE:MUST). He is also a Chairperson and/or Non-Executive Director of several Australian mining technology companies including Micromine Pty Ltd, UON Pty Ltd, Interlate Pty Ltd, Tait Asia Pacific Pty Ltd and Nuenz NZ Ltd. Alan is a Fellow of the Australian Institute of Company Directors (AICD) and the Australasian Institute of Mining and Metallurgy (AusIMM) and a Chartered Fellow of the Institute of Directors New Zealand (IoD).

Sy van Dyk

Managing Director and Chief Executive Officer

B.Com (Hons), CA

Sy joined DDH1 as CEO in October 2018 and was appointed Managing Director in February 2021. Since joining DDH1, Sy has been instrumental in the Company's development and listing on the ASX. Sy has more than 30 years' experience primarily within the resources sector and has held a number of senior operational roles, including as CEO and, prior to that, CFO of Macmahon Holdings (ASX:MAH) and COO and CFO of mining equipment distributor WesTrac Group. Sy's career also spanned a number of senior positions within Kimberly-Clark in South Africa. Sy is a Non-Executive Director of Austin Engineering (ASX:ANG).

A GROUP OF LEADING EXPERTS IN THEIR FIELD

Andrea Sutton

Independent Non-Executive Director

B.Eng Chemical (Hons), GradDipEcon, GAICD

Andrea has more than 20 years' operational, technical and corporate experience within the mining and minerals industry. Her prior roles included Managing Director and Chief Executive of Energy Resources of Australia and senior roles within Rio Tinto including Head of Health, Safety, Environment and Security and Managing Director with the Support Strategy Review team. Andrea is a board member of Infrastructure WA and ANSTO, a Non-Executive Director of Red 5 Limited (ASX:RED) and Iluka Resources Limited (ASX:ILU), a member of the Australasian Institute of Mining and Metallurgy (AusIMM), Engineers Australia, the Australian Institute of Company Directors (AICD) and Chief Executive Women (CEW).

Murray Pollock

Non-Executive Director

MACID

Murray is a co-founder of DDH1 and has been instrumental in the establishment and development of the Company. Murray has more than 50 years' experience within the mineral drilling sector. He is a pioneer of multiple-intersection directional drilling and has introduced many of the engineered safety solutions that are now standard on multi-purpose drill rigs throughout Australia. Murray helped form Corewell in 1979, which was listed on the ASX in 1987 with 10 rigs. Murray also formed Western Deephole in 1990 and before selling to Drillcorp in 1997. He was a board member of Catalpa Mining until the company's merger with Conquest Gold to form Evolution Mining. Murray is a member of the Australian Institute of Company Directors (AICD).

Byron Beath

Non-Executive Director

B.Com

Byron is a Managing Director of Oaktree Capital Management and serves as a director of Oaktree Capital Australia Pty Ltd. Byron leads Oaktree's activities in Australia, which has included investments in a variety of sectors including resources, funds management, power and utilities, finance and wholesale distribution. Prior to joining Oaktree, Byron spent 15 years with Macquarie Group Limited where he was a division director in the Corporate and Asset Finance division. Byron currently serves as a director of the following Oaktree portfolio companies: Oaktree Capital Australia Pty Ltd, Argyle Capital Partners, Marlin Brands, January Capital and Fortitude Investment Partners. Byron completed a Bachelor of Commerce.

SENIOR MANAGEMENT TEAM

Sy van Dyk

Managing Director and Chief Executive Officer

Sy joined DDH1 as CEO in October 2018 and was appointed Managing Director in February 2021. Since joining DDH1, Sy has been instrumental in the Company's development and listing on the ASX. Sy has more than 30 years' experience primarily within the resources sector and has held a number of senior operational roles, including as CEO and, prior to that, CFO of Macmahon Holdings (ASX:MAH) and COO and CFO of mining equipment distributor WesTrac Group. Sy's career also spanned a number of senior positions within Kimberly-Clark in South Africa.

Sy is a Non-Executive Director of Austin Engineering (ASX:ANG).

Ben MacKinnon

Chief Financial Officer

Ben brings to DDH1 a strong ability to drive systems, process and accounting excellence across the Company while delivering operational and analytical insights to the senior leadership team. Ben has 15 years' finance experience in the construction and mining services industries. He was previously CFO of Force Equipment (acquired by Emeco) and Gavin Construction. Ben commenced his career at EY Perth, after graduating from the University of Western Australia, and has been a Chartered Accountant since 2005.

Andrew Venn

Executive General Manager Corporate Services

Andrew has more than 20 years' experience across the mining industry, bringing in-depth operational knowledge, customer relationships and corporate support critical to the business. Since joining DDH1 in 2013 he has held positions as Commercial Manager and Chief Operating Officer. Andrew previously held senior positions across financing and operations for Argonaut, Orica Mining Services and ICI Explosives.

BUILT ON STRONG, ENDURING CUSTOMER RELATIONSHIPS AND INDUSTRY EXPERIENCE

DDH1 THE VALUE OF EXPERIENCE

Mat Scarlett

General Manager Operations DDH1 Drilling

Mat has 19 years' experience in the drilling industry. He has been instrumental in the establishment and development of DDH1 Drilling and retains ongoing responsibility for the business' overall operational and financial performance. Prior to his current role, Mat was responsible for planning and managing DDH1 Drilling's directional and engineering programs.

Richard Bennett

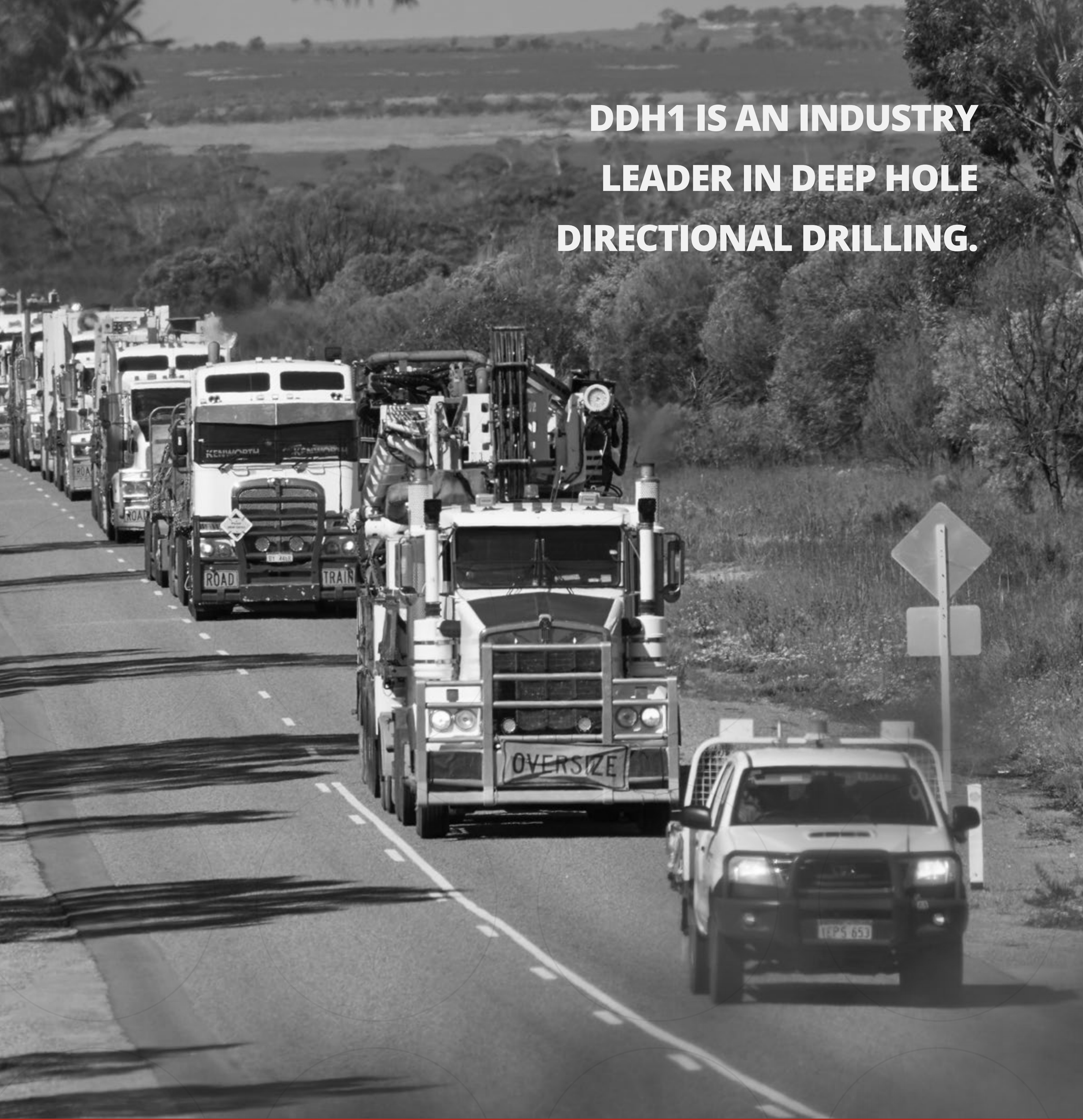
Managing Director Strike Drilling

Richard has 34 years' experience in the exploration drilling industry. Richard joined DDH1 in June 2018 through the Company's acquisition of Strike Drilling. Richard is the founder of Strike Drilling and retains ongoing responsibility for the operational and financial performance of the Strike Drilling entity. Prior to establishing Strike Drilling in 2013, Richard had a successful background in drilling contracting and equipment sales.

Matt Izett

Managing Director Ranger Drilling

Matt has 34 years' experience in the drilling industry. Matt joined DDH1 in April 2019 through the Company's acquisition of Ranger Drilling. Matt is the founder of Ranger Drilling and retains ongoing responsibility for the overall operational and financial performance of the Ranger Drilling entity. Prior to establishing Ranger Drilling in 2005, Matt held positions across operations and management at mining drilling equipment services and supplier SDS Ausminco and drilling company Drillex.



DDH1 IS AN INDUSTRY LEADER IN DEEP HOLE DIRECTIONAL DRILLING.

WE PUT OUR CUSTOMERS AT THE CENTRE OF WHAT WE DO

BUSINESS PERFORMANCE REPORT

DDH1 Limited, led by an experienced and respected management team, is a Perth-based, national drilling company servicing the mining and exploration sectors. The Company is an industry leader in deep hole directional drilling as well as in reverse circulation (RC) and air core drilling.

FY21 SNAPSHOT

2,187,355
METRES DRILLED
UP 8% ON FY20

98
DRILL RIGS
UP 11% ON FY20

$74.6m
COMPANY PRO-FORMA EBITDA
UP 16% ON FY20

$294.6m
COMPANY REVENUE
UP 18% ON FY20

9.00
TRIFR

997
PEOPLE
UP 22% ON FY20

45,420
RECORDED SHIFTS
UP 19% ON FY20

94
CUSTOMERS

2005
RANGER DRILLING
Established by Matt Izett

2006
DDH1 DRILLING
Established by Murray Pollock and Matt Thurston

2009
DDH1 DRILLING
Establishes East Coast office in Brisbane

2013
STRIKE DRILLING
Established by Richard Bennett

2016
DDH1
Acquires Sandvik's Australian inventory as factory closes

2017
OAKTREE
Oaktree acquires a 50% interest in DDH1

2018
DEEP HOLE
DDH1 drills deepest mineral core hole in Australian history at Northern Star Resources' Jundee Gold Mine

DDH1
DDH1 acquires Strike Drilling

2019
RECORD
DDH1 completed deepest mine service hole in Southern Hemisphere to 1,446m

DDH1
DDH1 acquires Ranger Drilling

2020
RIGS
DDH1 adds 12 rigs to the fleet

2021
LISTING
DDH1 lists on ASX
ASX:DDH

As at June 30, DDH1 employed 997 people across Australia and operated a fleet of 98 modern and highly specified drill rigs across its three brands – DDH1 Drilling, Ranger Drilling and Strike Drilling – to offer customers the full suite of specialised drilling services.

DDH1 Drilling – provides diamond core drilling services which are mostly required for near-mine exploration, mine development and production drilling activities, typically at greater depths (up to 3,000 metres) and with technical complexity.

Strike Drilling – provides air core and reverse circulation drilling services, which are primarily used for earlier-stage exploration drilling activities.

Ranger Drilling – primarily provides reverse circulation and diamond core drilling services to the Western Australian iron ore industry its services have various applications across the mine life cycle.

DDH1 has an unwavering commitment to safe operations and dedicates appropriate resources to maintaining and enhancing its safety performance. Across the DDH1 group, the Total Recordable Injury Frequency Rate (TRIFR) was 9.00 (FY20: 6.86). While TRIFR has increased, the severity of the injuries has decreased. DDH1 remains committed to collectively driving the incident rates down to ensure everyone is always safe.

DDH1's performance during FY21 exceeded our expectations, benefiting from continued industry growth in the Australian mineral drilling sector and strong demand for DDH1's services due to increased

STRONG DEMAND FOR SERVICES

exploration, development and production spending by minerals exploration and mining companies as well as the emergence of new mineral exploration provinces. This was underpinned by:

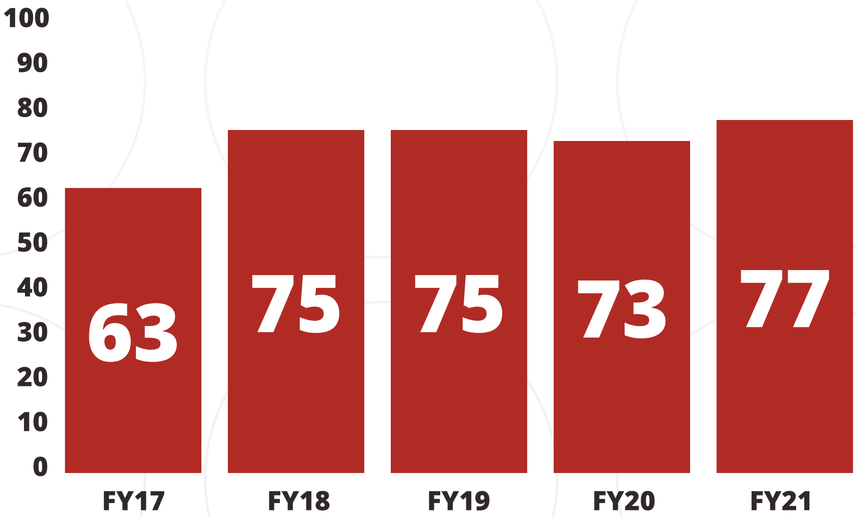
- Mining industry capital and exploration expenditure – positive outlook for mineral exploration and mining industry capital and exploration expenditure;
- Commodity prices – ongoing commodities price strength; and
- Changes in deposit characteristics – a transition for the mining industry from shallower to deeper deposits as existing mines become deeper and new discoveries are increasingly at depth.

OUR FLEET (AS AT 30 JUNE 2021)

RIG TYPE	BUSINESS UNIT	NUMBER OF RIGS	AVERAGE AGE – YRS
Diamond Core – high capacity surface Sandvik DE840; DE880; Evolution 3000; UDR5000	DDH1 Drilling	45	c.7.0
Diamond Core – low capacity surface Sandvik DE710; UDR650	DDH1 Drilling	9	c.3.2
Diamond Core – underground Boart LM90; LM75	DDH1 Drilling	10	c.9.2
Diamond Core – energy Foremost 3000; WEI D75S	DDH1 Drilling	2	c.14.0
Dual-capability Air Core and Reverse Circulation SchrammT450; Austex X350	Strike Drilling	8	c.3.3
Reverse Circulation KWL700; Schramm 685	Strike Drilling	4	c.5.8
Air Core Austex X350	Ranger Drilling	1	c.3.0
Reverse Circulation SchrammT450; Hydco 350; DRA/RC600; Austex X350	Ranger Drilling	16	c.8.3
Diamond Core LF160 Diamond	Ranger Drilling	3	c.2.4
TOTAL		**98**	**c6.7**

DDH1'S RIG FLEET ENJOYED ITS GREATEST LEVEL OF UTILISATION IN NINE YEARS

RIG UTILISATION (%)



Pleasingly, DDH1 continued to be involved in some of the major and most exciting minerals discoveries across Australia as customers sought DDH1's expertise and access to our modern rig fleet. DDH1's revenue per commodity is dominated by gold (48%) and gold/copper (15%), iron ore (19%) and nickel (7%). This revenue spread is similar to the performance in FY20 and reflects the continued buoyant market conditions, particularly across gold, iron ore and battery minerals. DDH1 has never focused on coal-related drilling activities.

Central to DDH1's strategic approach is the pursuit of long-term relationships with customers, built on quality drilling services and a deep understanding of their business needs.

DDH1 had 94 customers – ranging from the world's leading mining companies to emerging explorers, across Australia. Many customers have engaged DDH1 for five years or more. In FY21, DDH1's largest customer accounted for 10.6% of total revenue.

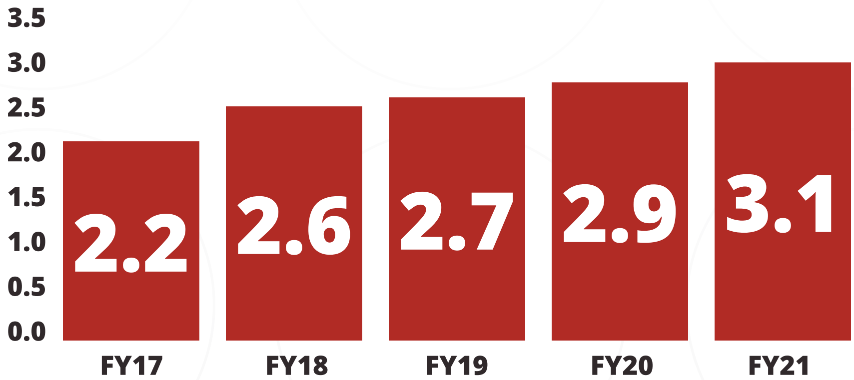
DDH1 operates a large fleet of mineral drilling rigs with a clear strategy to pursue organic growth and growth by acquisition. At the end of FY21, DDH1 had 98 rigs in its fleet in operation, with a further seven due to enter operations by December 2021.

In line with the buoyant market conditions, DDH1's rig fleet enjoyed its greatest level of utilisation in nine years. Since its establishment in 2006, DDH1 has maintained relatively high utilisation rates through specialised work often with long-term customers. Combined with geographic and commodity diversification and strict operating discipline, DDH1 has demonstrated the ability to continually deliver positive EBIT margins and has consistently grown market share.

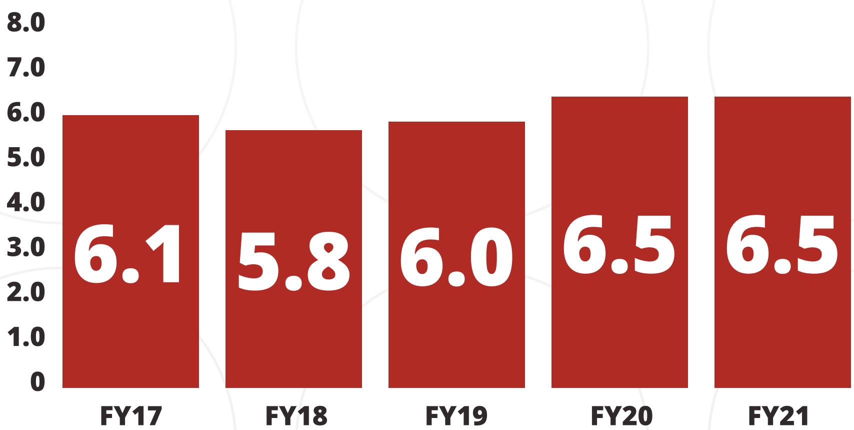
Industry leading maintenance practices help DDH1 keep its rigs operating for longer. Revenue per shift fell marginally on FY20, in part because of the impact of COVID-19. If the market conditions remain favourable, there is potential for rig rates to increase, which adds to the positive outlook for DDH1.

DDH1 expects utilisation rates to remain strong in FY22, based on feedback from existing and prospective customers.

REVENUE PER RIG ($M)



REVENUE PER SHIFT ($K)



THERE IS POTENTIAL FOR RIG RATES TO INCREASE

CASE STUDY

WHY CUSTOMERS CHOOSE DDH1

In FY21, DDH1 executed the National Drilling Initiative (NDI) in the Barkley Region of the Northern Territory. The NDI was led by MinEx CRC with support from Geoscience Australia and the Northern Territory Geological Survey.

DDH1 completed two drilling campaigns comprising a single 1,750m deep hole in the South Nicholson basin, close to the Queensland/Northern Territory border, and 10 holes totalling 4,000m in the East Tennant area, between Tennant Creek and the Barkley homestead.

The NDI drilling provided some of the first data in what looks like promising areas for both minerals explorers and policy makers. DDH1 delivered the drilling on time, on budget and with no lost time incidents.

WE ARE COMMITTED TO LEADERSHIP IN SUSTAINABILITY

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Information in this section covers the operations of DDH1 Limited and its three businesses – DDH1 Drilling, Strike Drilling and Ranger Drilling.

OUR WAY

DDH1's core values are:

- we put our customers at the centre of what we do
- we value the safety and health of our people
- we are committed to leadership in sustainability
- we value, challenge and reward our people
- we drive excellent sustainable financial performance

These values are the guiding principles that define the type of organisation DDH1 aspires to be and the standards and behaviours that DDH1 expects of its directors, executives and people.

CASE STUDY

ENVIRO POD

Strike Drilling's efforts to continuously improve its operational performance and minimise the environmental impact of the drill site led to the design, constructing and delivery of a complete reverse circulation (RC) drilling solution that does not require a sump. The Strike "Enviro Pod" is a water-tight, self-contained sump that captures all the outside return and drill sample spoils, leaving no soil or water contamination on the ground in sensitive areas after the hole has been drilled.

DDH1 listed on the ASX on 9 March 2021. The Company is committed to pursuing excellence in its Environmental, Social and Governance (ESG) performance.

As part of this commitment, DDH1 will review its core values to reflect the successful history of its three foundation businesses and its three foundation businesses and DDH1's market leadership and leading approach to sustainability in the coming year.

DDH1' sustainability aspirations also mean listening to the evolving expectations from our customers, suppliers, communities and other stakeholders to deliver benefits for people and the environment and not add to the global challenges we are all facing.

Environmental

The Board is committed to DDH1 taking a sustainable approach to its operations and business practices to create the best long-term outcomes for its shareholders, people, communities, customers and other stakeholders.

The Board has established an Environmental Policy, which encourages the business to take a proactive approach to its sustainability efforts in areas that matter to the business, including managing environmental and climate change impacts, minimising DDH1's carbon footprint and increasing DDH1's attractiveness to investors, our people and other stakeholders.

DDH1 also recognises that proper care of its environment is a fundamental part of its corporate responsibility and integral to the Company's long-term performance and success. As DDH1 operates across a range of diverse and sensitive areas, it is committed to achieving best practice in environmental management.

DDH1's environment framework processes deployed to manage its environmental obligations include:

- Integrating environmental risk assessment into our decision-making and operational activities;
- Engaging with all stakeholders (customers, communities, competitors and regulators) to foster a culture of continual environmental performance; and
- Using appropriate controls to mitigate environmental impacts and promote sustainable use of resources.

DDH1 periodically reviews and seeks to improve its environmental management system to ensure it remains certified to the relevant standards.

Climate Change Risk Management

DDH1 is committed to managing the impacts of climate change and supporting the transition towards a low-carbon economy.

The Board recognises that climate change will affect DDH1's business both directly and indirectly in the future and may influence how it operates the business in the future.

The process to identify and manage climate-related risks is managed using DDH1's enterprise risk management framework.

Metrics and Targets

DDH1 will be implementing a framework to collect, measure and reduce its Scope 1, 2 and 3 emissions, related risks and their management in the coming year.

CASE STUDY

MULTI-INTERSECTIONAL DIRECTIONAL DRILLING

DDH1 Drilling has expanded its expertise in directional drilling to perform multiple-intersectional directional drilling, which typically involves the drilling of a main "parent" hole (up to 2,000m in depth) followed by multiple "branch" holes that come off the "parent" hole (to depths of up to 3,000m). Apart from the time and cost benefits for customers, multi-intersectional directional drilling ensures that an extensive drilling program can be performed from just one drill pad, delivering a major reduction in the surface footprint and environmental impact when compared to a conventional drill campaign that requires multiple drill pads to complete a similar number of holes.

Social

Our People and Culture

The industry's rapidly changing nature has seen DDH1 grow into a diverse and highly flexible direct workforce of nearly 1,000 people who can readily respond to challenges and opportunities in our sector.

DDH1 has worked hard to create a resilient, adaptive culture-underpinned by personal accountability and corporate responsibility-where a range of ideas and views are encouraged.

DDH1's success is also testament to its diverse and highly skilled people and a culture that allows its people to excel.

Like most businesses, the past year was challenging as the business and its people dealt with the impacts of the COVID-19 pandemic. From the outset, DDH1 was committed to retaining its direct workforce, recognising their critical skills and technical expertise in maintaining operations and ensuring DDH1 continued to be well-positioned to realise future opportunities.

A key priority of DDH1 continues to be attracting and retaining skilled people. DDH1 is fortunate to be able to leverage its reputation, market position, safety record, growth opportunities and focus on talent development to attract and retain the best people. DDH1 maintains a high retention rate of experienced drilling crew with many young potential drillers available for promotion.

Inclusion and Diversity

DDH1 believes in the benefits of a diverse and inclusive workplace. This is particularly evident during times of heightened industry activity and sector-wide demand for skilled workers.

DDH1 HAS WORKED HARD TO CREATE A RESILIENT, ADAPTIVE CULTURE

DDH1 has a diverse workforce in various geographic locations around Australia, comprising people from varied ethnic backgrounds, age groups, races and across all genders.

DDH1's Inclusion and Diversity Policy sets out its approach to inclusion and diversity, which is underpinned by the principles that the work environment promotes equal opportunity and diversity, allows its people to reach their potential, and is free from discrimination, harassment and bullying.

DDH1's is a 'relevant employer' under the Workplace Gender Equality Act 2012 (Cth) and discloses its "Gender Equality Indicators" to the Workplace Gender Equality Agency (WGEA) annually. DDH1's 2020-2021 Report to the WGEA is available on the WGEA website and DDH1's website.

Indigenous Engagement

DDH1 promotes the involvement of Indigenous people in its operations. It is committed to offering Indigenous people meaningful and sustainable employment and supporting long-term careers with DDH1.

Health and Safety

The health and safety of our people by preventing work-related injury and ill-health is DDH1's core value.

DDH1 is committed to providing a safe and healthy work environment that protects its people, where no injury is considered acceptable, and all activities are undertaken without compromising safety and health.

DDH1 is also committed to achieving a workplace where the risk of injuries and harm is minimised and a culture that ensures safety is a priority.

DDH1's approach to achieving best practices in health and safety includes:

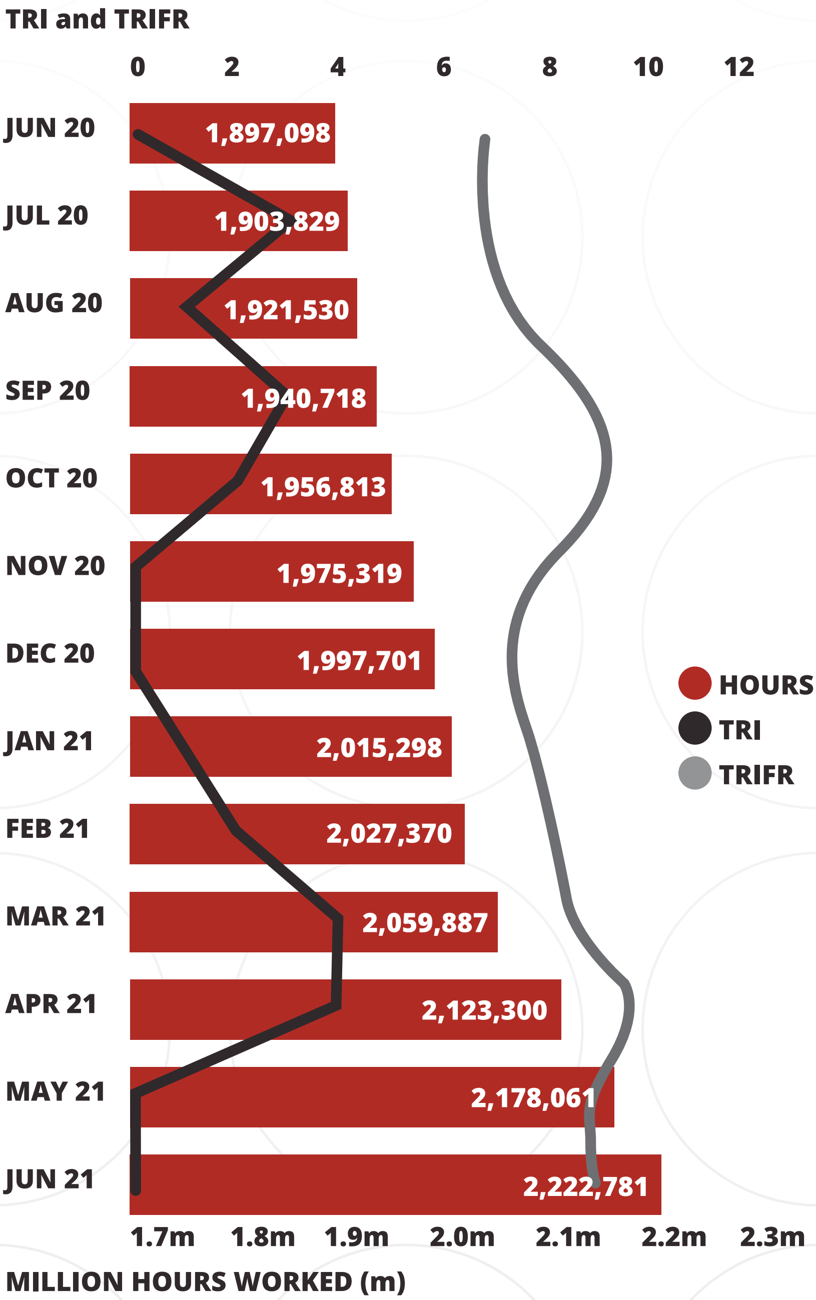
- Demonstrating leadership at all levels;
- Managers and supervisor providing leadership and safeguarding that all work is undertaken with safety as a priority. This includes actively encouraging the involvement of people in health and safety and well-being decision-making; and
- Empowering its people. All DDH1 people are empowered to make decisions that will create a safe workplace, including stopping work to make a situation safe.

DDH1 people are all responsible for maintaining their safety and ensuring that we do not cause harm to others. DDH1 believes that workplace risks can be eliminated by following safe work processes, identifying hazards, engineering solutions and reporting incidents or near misses.

Each DDH1 business is responsible for providing a safety management system to enable its people to work without harm. This includes, providing the necessary resources, training and mechanisms to achieve positive safety outcomes.

DDH1 is also committed to delivering measurable objectives and safety performance targets and reviewing our systems to continuously improve our health and safety performance.

CONSOLIDATED SAFETY STATISTICS ROLLING 12 MONTHS



Response to COVID-19

DDH1 has responded promptly to the COVID-19 pandemic. This response was, and continues to be, built around three areas – keeping our people safe and well, maintaining safe and reliable operations, and supporting our customers and communities - which are critical to the future of our business.

The Board has endorsed a COVID-19 management plan, in which management has implemented measures to manage the ongoing risk of the pandemic. This plan is adhered to business-wide, along with all relevant government recommendations. It also includes programs that survey our people to gauge their health and well-being and provide support where required. DDH1 has also stayed connected with its customers and provided support and additional resources to keep its operations or sites safe.

Responsibly managing the movement of our people during this time is critical to protecting everyone.

All non-essential travel continues to be cancelled, increased hygiene and physical distancing are mandatory across our workplaces and self-isolation is enforced when appropriate. Pre-flight and pre-shift screening occurs and, where required, on-site isolation takes place.

SUPPORTING OUR COMMUNITY

It is important for DDH1 to understand what matters to the communities in which we operate. DDH1 is committed to proactively contributing to communities to ensure they can grow and prosper. In FY21, we contributed to the following community programs.

Customers

DDH1 is a growing business with an expanding customer base and our value proposition remains strong.

Providing our customers with excellent service is the expectation in our business. It is the core of what we do, not only on the ground but behind the scenes, where our priority is to put our customers at the centre of what we do.

In FY21, DDH1 worked with 94 customers to deliver 2,187,355 metres of drilling across the DDH1 fleet of 98 drill rigs.

Suppliers

With more than 2,000 direct suppliers across a broad range of goods and services, DDH1 is in an ideal position to partner with its suppliers in every aspect of our supply chain.

In FY21, DDH1 spent $94.1 million with suppliers.

DDH1 continues to work with its suppliers to identify and address any potential supply chain risks and possible exposure to modern slavery. Modern slavery is a serious and complex issue that requires a long-term and coordinated response.

DDH1 conducted a high-level risk assessment of its procurement activities during the reporting period to understand where human rights risks, including modern slavery risks, may exist. The assessment was undertaken by DDH1's Chief Financial Officer and the Group Procurement Manager.

A key part of this assessment was to understand modern slavery risks and identify any potential suppliers deemed at high risk of modern slavery.

94
CUSTOMERS

2000
DIRECT SUPPLIERS

$94.1m
SPENT WITH SUPPLIERS

The assessment included reviewing our top suppliers' procurement practices, compliance and policies for managing modern slavery risks. This survey was conducted across our top suppliers to understand and gain insights into potential risks and suppliers' existing controls and processes. The assessment found that the risks were largely dependent on location, with higher risks linked to low socio-economic countries, where there are greater security issues, political unrest and corruption.

Further information

DDH1's 2021 Modern Slavery Statement is available on our website: ddh1.com.au

Corporate Governance

Introduction

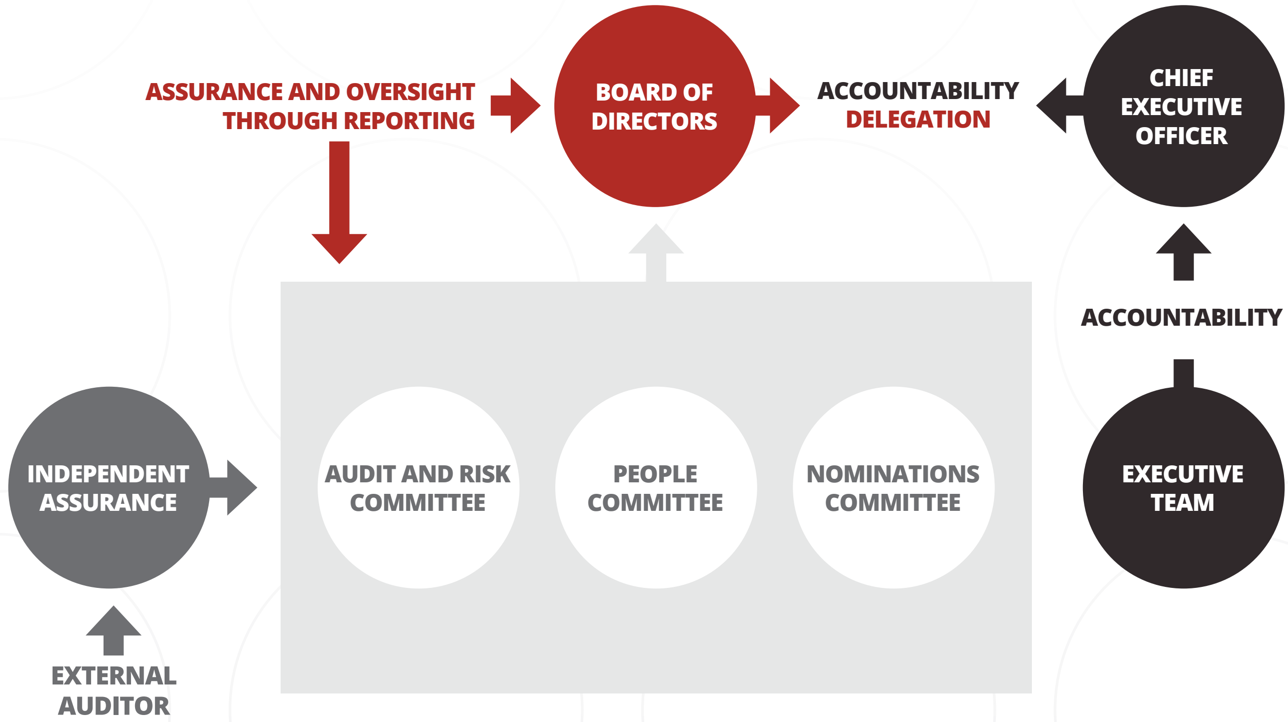
DDH1 is committed to achieving best practice standards of corporate governance. The Board has implemented and operates in accordance with a set of corporate governance principles, which the Board sees as fundamental to DDH1's continued growth and achievement of its corporate ambition and strategy. The Board continues to review DDH1's corporate governance framework and practices to ensure they meet the interests of shareholders.

The Board is committed to achieving the ASX Principles of corporate governance and business conduct, fostering a culture of compliance that values integrity, ethical behaviour, accountability, transparency and respect for all stakeholders.

The Board continues to build on its foundation of governance to improve and ensure it complies with current regulations, market practice and stakeholder expectations.

DDH1's corporate governance framework plays a critical role in helping the Board and the business deliver on its strategy and objectives. It provides the structure through which business objectives are set, performance is monitored and risks are managed.

CORPORATE GOVERNANCE FRAMEWORK



Role of the Board

The Board is accountable to shareholders for the performance of DDH1. The Board's primary roles are to demonstrate leadership and provide overall strategic guidance for DDH1 and effective oversight of management in implementing DDH1's strategic objectives and instilling its values.

The Board meets as often as necessary to discharge its responsibilities. Typically, this requires Board members to attend at least 10 scheduled meetings each year, the Annual General Meeting, Committee meetings and unscheduled meetings as required.

Board meetings are held over the course of the year. In addition to these meetings, Directors also attend briefings, project site visits and presentations, and employee and stakeholder engagement opportunities.

The Board also plans to meet with DDH1's Executives for an annual strategy session.

Board Composition and Structure

The Board is structured to ensure that it comprises individuals with appropriate skills, knowledge, experience and diversity to develop and support DDH1's strategy and enable it to discharge its responsibilities and add value.

The Board currently has six directors, comprising five Non-Executive Directors and the Managing Director. Non-Executive Directors Murray Pollock and Byron Beath are not considered to be independent as they each represent major shareholders who hold 13.83% and 22.1%, respectively. The Managing Director and Chief Executive, Sy van Dyk, is not independent as he is an executive of the Company.

The Board possesses the skills, experience and diversity that it considers appropriate having regard to DDH1's strategic objectives and core capabilities. Details on the Board's Skill Matrix are set out in DDH1's Corporate Governance Statement.

Board Committees

The Board has established three standing Committees to assist in the discharge of its responsibilities:

- Audit and Risk Committee
- People Committee
- Nominations Committee

Periodically, the Board will review the composition of each Board Committee. As and when required, the Board may establish special purpose sub-committees to give detailed consideration to specific matters or projects.

Risk Management

The Board recognises that effective risk management is critical to maintaining DHH1's reputation.

The Board is responsible for setting the risk appetite. It is also responsible for satisfying itself, at least annually, that management has developed and implemented a sound risk management system and internal controls.

Management is responsible for implementing the Board-approved risk management framework and for managing DDH1's operations within the risk appetite set by the Board. It is also responsible for identifying, managing, monitoring, mitigating and reporting material risks.

DDH1's approach to risk management system has been primarily focused on safety management using hazard identification tools and the risk management methodologies in ISO 31000:2018 Risk Management.

Further details on the material risks are detailed in the Risk Management Report on page 31.

Governance Policies

DDH1 has several governance policies to guide how it does business, including:

- **Code of Conduct** — articulates the behaviour expected of DDH1's directors and people, who are expected to align their actions with the code and DDH1's values whenever they are representing DDH1.
- **Continuous Disclosure Policy** — establishes our procedure for compliance with DDH1's continuous disclosure obligations and provides guidance for the identification of material information and timely disclosure of DDH1's activities to the market.
- **Securities Trading Policy** — prohibits DDH1 directors, employers, contractors and their related parties from dealing in DDH1 securities if they are in possession of price-sensitive information and provides for closed periods during which Directors and certain employers are prohibited from trading DDH1 shares.
- **Health, Safety and Environment Policy** — provides DDH1's commitment to a healthy and safe work environment for all our employees, contractors and third parties and to minimise impacts on our environment.
- **Risk Management Policy** — provides guidance and direction on the management of risk in DDH1 and states DDH1's commitment to the effective management of risk.
- **Whistleblower Policy** — encourages DDH1 directors, employers, contractors and suppliers who have witnessed, or know about, any misconduct or suspected misconduct to speak up without fear of intimidation, disadvantage or reprisal.

2.18¢
FINAL DIVIDEND PER SHARE

Investors

DDH1 understands that for its business to deliver value over the long term, it needs to balance the needs of all stakeholder groups. For investors, our focus is on balancing growth in dividends with investment in new opportunities to create long-term security holder value.

Despite the impacts of the COVID-19 Pandemic, DDH1 has declared a FY21 final dividend of 2.18¢ per share, fully franked, to shareholders. In parallel, DDH1 continues to invest in growing its fleet of drill rigs and will invest in strategic growth opportunities with the potential to grow the business as opportunities present.

Corporate Governance Statement

For detailed information on the corporate governance framework and main governance practices, policies and charters of DDH1 for the year ended 30 June 2021, including details of DDH1's compliance with the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations, refer to the 2021 Corporate Governance Statement on our website: ddh1.com.au.

DDH1 PROVIDED FINANCIAL SUPPORT TO PEOPLE REQUIRED TO QUARANTINE OR WHO CHOSE TO COMPLETE IN-STATE R&R.

DDH1 GENERATES APPROXIMATELY 80% OF ITS REVENUE FROM MINE PRODUCTION AND DEVELOPMENT

RISK MANAGEMENT REPORT

DDH1 defines risk management as the identification, assessment and management of risks that have the potential to materially impact its operations, people, reputation and financial results.

Given the breadth of operations in which the Company operates, a range of risk factors can impact DDH1. While DDH1's management attempts to respond to and manage risks where it is efficient and practicable to do so, there is no guarantee these efforts will be successful.

Outlined below, in alphabetical order, is an overview of the material risks facing DDH1. These risks do not comprise every risk that DDH1 could encounter when conducting its business. Rather, they are the most significant risks that should be considered and monitored by both existing shareholders and potential shareholders in the Company, in the opinion of the Board.

Risk Management Framework

For further information on the Company's risk management framework, please refer to our Corporate Governmance Statement on our website: ddh1.com.au

KEY RISK	SUMMARY	MANAGEMENT RESPONSE
Access to drilling rigs and equipment	Many of the drilling services provided by DDH1 require the use of purpose-built drilling rigs and equipment. DDH1 may have difficulty gaining access to additional purpose-built rigs or equipment necessary to meet customer requirements, adequate supplies of equipment at reasonable prices and in a timely manner, or the quality of the available equipment may not be acceptable or suitable for its intended use. Any of these factors may constrain DDH1's ability to provide services and may have an adverse effect on growth opportunities and DDH1's financial performance and/or financial position.	As the owner and operator of the most extensive surface drill rig fleet in Australia, DDH1 believes it has considerable purchasing power. This purchasing power has helped DDH1 obtain access to rigs and supplies as required.
Business interruptions	DDH1 operates in an industry where environmental issues, including inclement weather, may delay contract performance or result in a complete shutdown of a project. Such matters may ultimately have an adverse effect on DDH1's business, financial performance and/or financial position.	DDH1 endeavours to select work in the southern part of Australia during the northern wet season to limit the effects of the weather. The diversity of our customers and sites ensures that DDH1 is not heavily leveraged to one particular site should a shutdown occur.

KEY RISK	SUMMARY	MANAGEMENT RESPONSE
Concentration risk	DDH1's specialisation in mineral drilling gives rise to concentration risk in that the prospects of DDH1 are primarily influenced by the prospects of the minerals exploration and mining industry. DDH1 has sought to mitigate this risk by focusing on providing drilling services required during the development and production stages of the mine life cycle. There is no assurance that any future deterioration in the outlook for mineral exploration and the mining industry will not adversely impact DDH1's business, financial performance and/or position.	During FY21, DDH1 had 94 different customers. Its single largest customer accounted for only 10.6% of total revenue. It has been a long-term focus of DDH1's management to ensure that the Company's customer mix and location of rigs are diverse to ensure it is not over-leveraged to one customer or one site.
COVID-19	The coronavirus pandemic has adversely affected DDH1's business. There is a risk that one or more of the following impacts will persist or other impacts will emerge, which could potentially be materially adverse to DDH1's financial and/or operational performance: • Mobility restrictions imposed by Federal and State Governments; • Physical distancing limits imposed by Federal and State Governments; and • Restrictions on access to project sites set by certain customers of DDH1.	DDH1 established a COVID-19 working group made up of senior executives from each business division to manage the impacts of COVID-19 in real time. DDH1 operations continued by using clear communication to all our people and ensuring that Government controls on social distancing and good hygiene were adhered to. DDH1 provided financial support to our people who were required to quarantine or chose to complete in-State R&R. DDH1's leadership ensured that the Company's capital and liquidity management was a focus to strengthen DDH1's liquidity position throughout the COVID-19 affected periods.
Customer demand and outlook for the minerals exploration and mining industry	DDH1's business depends on, among other things, levels of mineral exploration, development and production activity. A reduction in exploration, development or production activities could cause a decline in the demand for drilling rigs and drilling services, which could, in turn, have an adverse effect on DDH1's business, financial position, operations and prospects.	DDH1 has targeted its revenue base to be mainly from mine development and mine production-style drilling. DDH1 believes these types of drilling activities are more robust through the cycle, given the need for producing mine sites to continue to replenish diminishing reserves.

KEY RISK	SUMMARY	MANAGEMENT RESPONSE
Health and safety	Site safety and occupational health and safety outcomes are critical to DDH1's reputation and ability to be awarded contracts. Industrial accidents may occur in the course of DDH1's operations. In the event of an accident, DDH1 could incur substantial liability. An industrial accident could negatively impact growth prospects and adversely affect DDH1's reputation, brand, financial performance and/or financial position.	DDH1 has safety systems in place that have enabled the Company to achieve a TRIFR of 9.00 in FY21. These systems have also ensured that DDH1 has been fatality free since its inception. Our safety systems are audited annually by a fully accredited external party.
Increased competition from new and existing competitors	A significant portion of the drilling services business is dependent on obtaining work through a competitive tender process. Despite DDH1's demonstrated ability to compete effectively in the markets in which it operates, the competitive nature of the industry means that there can be no assurance that DDH1 will be able to continue to compete successfully against current or future competition.	DDH1 has invested in new rigs each year and has a relatively young fleet compared to their useful operational life. This modern and standardised fleet, along with highly skilled people, enables DDH1 to continue to offer a compelling service offering at competitive market prices.
Key personnel, labour shortages and cost of labour increases	DDH1's ability to remain productive, profitable and competitive and to effect its planned growth initiatives, including increasing the number of drilling rigs in operation, depend on its ability to attract and retain appropriately skilled and experienced personnel. Loss of key people or failure to attract new personnel may have an adverse impact on DDH1's business, financial performance or otherwise and particularly its ability to expand its business.	DDH1's remuneration structures remain competitive in the current market. DDH1 has a policy of training and promoting its personnel to key operational positions. This reduces the need to bring new people into the business.
Loss of customer contracts and levels of new work	The terms of DDH1's drilling customer contracts are typically three months to three years in length. They can typically be terminated by the customer for convenience, with limited or no amounts payable to DDH1 in that scenario. The short duration of some customer contracts and the fact a substantial majority of them may be terminated without notice do not provide DDH1 with contractual certainty of long-term cash flows and exposes DDH1 to the risk that work, which is contracted or otherwise in hand, may not be realised as revenue in the current or any future period.	DDH1 has a long history of renewing contracts with existing customers alongside winning new customers. Approximately 20% of each year's revenue is with new customers. The outcome of this growth in customers is exemplified in the constant year-on-year growth in revenue DDH1 has experienced.

KEY RISK	SUMMARY	MANAGEMENT RESPONSE
Operational risks	DDH1 and its customers are exposed to a range of operational risks relating to both current and future operations. Such operational risks include equipment failures, information technology system failures, external services failures, industrial action or disputes and natural disasters. A disruption to the operations of DDH1 or its customers may have an adverse impact on DDH1's financial performance and/or financial position.	DDH1, over the past 10 years, has developed industry leading operational procedures designed to minimise disruptions and risks to its operating rigs.
Tender process risk	DDH1 utilises extensive skills and expertise when pricing for contracts and uses all reasonable efforts to ensure that those tenders accurately reflect the scope of work. Despite these safeguards, it is always possible that the tender estimate is not reflective of the actual position, which could result in cost overruns. This may have an adverse impact on DDH1's financial performance and may impact its ability to maintain existing contracts or procure future contracts.	DDH1's contract structure is based on a schedule of rates with no fixed-price contracts. The schedule of rates has been built up using years of profitable experience through all stages of the cycle. Pricing for each tender is signed off by an experienced General Manager or the Managing Director.

KEY RISK	SUMMARY	MANAGEMENT RESPONSE
Other risks	Some other risks relating specifically to DDH1 include: • DDH1 may experience unexpected increases in operating costs; • DDH1 may face difficulties in accessing sufficient capital to fund maintenance expenditure; • DDH1 is subject to risks associated with operating in remote locations; • DDH1 is subject to the risk of early mine closures; • DDH1 may be unable to identify or execute potential investments and acquisitions; • DDH1 may face difficulties implementing its expansion plans; • DDH1's customers may move to fixed-price contractual-based agreements, which give rise to a risk of an increase in costs above those anticipated at the time of entering into the contracts and an inability by DDH1 to pass these increased costs on to the customer through rate increases; • DDH1's brand and/or reputation may be damaged; • DDH1 may be unable to secure adequate insurance coverage, or the cost of insurance may increase beyond anticipated levels; • DDH1 may require additional debt or equity funding; • DDH1 is subject to counterparty credit risk; • DDH1 may experience a deferral of revenue into later accounting periods; • DDH1 may be subject to penalties from a failure to comply with relevant laws and regulations; • DDH1 may face potential litigation, claims and disputes; • Liabilities or obligations associated with environmental incidents may be imposed on, or borne by, DDH1; • DDH1 may fail to comply with regulatory changes in response to the potential impact of climate change or be adversely affected by the possible effects of climate change; • DDH1 may fail to comply with applicable health and safety standards; • DDH1's operations may become subject to additional or more stringent laws and regulations or more onerous contract terms; • DDH1 may be subject to foreign exchange risk; • Concentration of shareholding may pose a risk to DDH1; • DDH1 may breach its debt covenants; • DDH1 is subject to intellectual property risks; • DDH1 is subject to tax risks; • DDH1 is subject to changes to general economic, financial and business conditions; and • DDH1 may be the subject of a cybersecurity breach or disruption.	

DDH1 LIMITED FINANCIAL REPORT

DDH1 HAD A STRONG FINANCIAL YEAR, DESPITE THE CONTINUED IMPACT OF COVID-19

Directors' Report

The Directors of DDH1 Limited submit herewith the financial report of DDH1 Limited (the **"Company"**) and its subsidiaries (the **"Group"**) for the financial year ended 30 June 2021.

Directors

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

Name	Position	Term in Office
Diane Smith-Gander, AO[1]	Chairperson and Independent Non-Executive Director	8 October 2019 to 11 November 2020 29 January 2021 to 8 February 2021 Reappointed on 8 February 2021
Alan Broome, AM[2,3]	Independent Non-Executive Director	Appointed 8 October 2019
Andrea Sutton	Independent Non-Executive Director	8 October 2019 to 11 November 2020 29 January 2021 to 8 February 2021 Reappointed on 8 February 2021
Murray Pollock[3]	Non-Executive Director	Appointed 8 February 2021
Byron Beath[3]	Non-Executive Director	Appointed 8 February 2021
Sy van Dyk[4]	Managing Director & CEO	Appointed 8 February 2021
Ben MacKinnon[5]	Executive Director & CFO	11 November 2020 to 27 January 2021

1 Diane Smith-Gander was appointed as a Director on 8 February 2021 and the Chairperson of the Board on 9 March 2021.

2 Alan Broome was appointed on 8 October 2019 and was the Company's Chairperson of the Board from 8 October 2019 to 8 March 2021.

3 Alan Broome, Murray Pollock, and Byron Beath were Directors of DDH1 Holdings Pty Ltd for several years (before the formation of DDH1 Limited on 8 October 2019 and the subsequent restructure of the group for listing in March 2021).

4 Sy van Dyk has been the Chief Executive Officer of the DDH1 Group since October 2018 and was appointed Managing Director on 8 February 2021.

5 Ben MacKinnon resigned as an Executive Director on 27 January 2021. He remains the Company's current Chief Financial Officer ("CFO") and Joint Company Secretary.

Directors' Report

Information on Directors

Diane Smith-Gander, AO

Chairperson and Independent Non-Executive Director
Age 63 - BEc, MBA, FAICD, FGIA, Hon.Dec, FAIM, GAICD

Skills and Experience

Diane has extensive Australian and international experience in banking and finance, technology, and strategic and management consulting.

Prior to becoming a full-time company director in 2009, Diane enjoyed a successful executive career with Westpac Banking Corporation (ASX:WBC), primarily in banking operations, technology solutions and change management roles, and as a Partner with McKinsey & Company.

Diane is an Adjunct Professor in Corporate Governance at The University of Western Australia and Chair of The University of Western Australia Business School Advisory Board. Diane is also the former Chair of ASDA and Basketball Australia Limited, former Commissioner of the Western Australia Tourism Commission and a former Director of the Committee for Perth Limited.

Diane was awarded an Officer of the Order of Australia (AO) for her distinguished service to business, women's engagement in executive roles, gender equality, and the community in 2019.

Interest in DDH1 securities
45,456 ordinary shares

Special responsibilities
Chairperson of the Board, Member of the People Committee

Other current directorships
Director of HBF Health Limited
Director of AGL Energy Limited
Director of Keystart Home Loans Group
Chair of Zip Co Limited (commenced 1 February 2021)
Chair of the Committee for Economic Development of Australia

Former directorships in the last three years
Wesfarmers Limited from August 2009 to 12 November 2020

Directors' Report

Information on Directors (continued)

Alan Broome, AM **Independent Non-Executive Director**

Age 71 - I.Eng; FAusIMM; FAICD; FIMMM; FICME; CFInstD (NZ)

Skills and experience
Alan is a professional director and business advisor with over 40 years' experience in the metals, mining and energy industries.

Alan has extensive knowledge of the mining industry accumulated through involvement with mining technology companies, government agencies and major international mining companies in promoting Australian mining and developing global trade.

Alan was also the previous Chair of the Australian Mining Services Industry Association, Austmine, for 22 years and is now Chairman Emeritus, and has been recognised by the Commonwealth with an Order of Australia (AM) for services to the mining technology sector and by the Australian Institute of Export as an "Export Hero". The Australian Institute of Mining and Metallurgy has also awarded Alan with a President's Award for services to the mining sector; and the inaugural Austmine Life Member Award for contribution to the mining equipment, technology and services sector.

Alan is a fellow of the Australian Institute of Company Directors (AICD), Australasian Institute of Mining and Metallurgy (AusIMM), and a chartered fellow of the Institute of Directors New Zealand (IoD).

Interest in DDH1 securities
45,455 ordinary shares

Special responsibilities
Chair of the Audit & Risk Committee

Other current directorships
Chair of New Age Exploration Limited
Chair of Strategic Minerals PLC
Chair of Mustang Energy PLC

Former directorships in the last three years
Nil

Directors' Report

Information on Directors (continued)

Murray Pollock

Non-Executive Director and Founder of DDH1
Age 73 - GAICD

Skills and experience
Murray Pollock is a Co-Founder of DDH1 and has been instrumental in the establishment and development of the Company.

Murray has over 50 years of experience within the mineral drilling sector. He is a pioneer of multiple intersection directional drilling and has introduced many of the engineered safety solutions that are now standard on multi-purpose drill rigs throughout Australia.

Murray Pollock also helped form Corewell in 1979, which was listed on the ASX in 1987 with ten rigs. Murray also formed Western Deephole in 1990 and sold it to Drillcorp in 1997. He was also a Board member in Catalpa Mining until their merger with Conquest Gold which formed Evolution Mining.

Murray is a member of the Australian Institute of Company Directors (AICD).

Interest in DDH1 securities
47,419,961 ordinary shares

Special responsibilities
Member of People Committee

Other current directorships
Nil

Former directorships in the last three years
Nil

Directors' Report

Information on Directors (continued)

Byron Beath

Non-Executive Director
Age 46 - B.Com

Skills and Experience
Byron is the Managing Director of Oaktree Capital Management and serves as a director of Oaktree Capital Australia Pty Ltd. Byron leads Oaktree's activities in Australia which has included investments in a variety of sectors including resources, funds management, power and utilities, finance, and wholesale distribution.

Prior to joining Oaktree, Byron spent fifteen years with Macquarie Group Limited where he was a division director in the Corporate and Asset Finance division. Byron currently serves as a director of the following Oaktree portfolio companies, Oaktree Capital Australia Pty Ltd, Argyle Capital Partners, Marlin Brands, January Capital and Fortitude Investment Partners.

Byron completed a Bachelor of Commerce and was a certified CPA.

Interest in DDH1 securities
Nil

Special responsibilities
Member of Audit & Risk Committee

Other current directorships
Nil

Former directorships in the last three years
Blue Sky Alternative Investments Limited (resigned 9 May 2019)

Directors' Report

Information on Directors (continued)

Andrea Sutton

Independent Non-Executive Director

Age 49 - BEng Chemical (Hons), GradDipEcon, GAICD

Skills and experience
Andrea brings over 20 years of operational, technical and corporate experience within the mining and minerals industry.

Andrea's prior roles include non-executive director of Energy Resources of Australia, Managing Director and Chief Executive of Energy Resources of Australia, and within Rio Tinto, Andrea has been the Head of Health, Safety, Environment and Security, Managing Director with the Support Strategy Review team, General Manager – Operations at the Bengalla mine and General Manager – Infrastructure within Iron Ore.

Andrea is a member of the Australasian Institute of Mining and Metallurgy (AusIMM), Engineers Australia, the Australian Institute of Company Directors (AICD) and Chief Executive Women (CEW).

Interest in DDH1 securities
45,455 ordinary shares

Special responsibilities
Member of Audit & Risk Committee
Chair of the People Committee

Other current directorships
Red 5 Limited
Iluka Resources Limited

Former directorships in the last three years
Energy Resources of Australia Limited (30 October 2018 to 29 May 2020)

Directors' Report

Information on Directors (continued)

Sybrandt (Sy) van Dyk

Managing Director and Chief Executive Officer (CEO)
Age 54 - B.Com (Hons), CA

Skills and Experience
Sy joined DDH1 as CEO in October 2018 and was appointed Managing Director on 8 February 2021. During this time, he has been instrumental in the continual development of the Company.

Sy brings over 30 years of experience primarily within the resources sector. During his career, he has held a number of senior operational roles, including CEO and CFO of contract mining company Macmahon Holdings (ASX: MAH), COO of Western Australia and CFO of mining equipment distributor WesTrac Group. Sy's career also spanned a number of senior positions within Kimberly-Clark in South Africa.

Interest in DDH1 securities
4,966,795 ordinary shares
204,545 performance rights

Special responsibilities
Nil

Other current directorships
Austin Engineering Limited commenced 19 February 2018

Former directorships in the last three years
Nil

Directors Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director:

Directors	Board of Directors		People Committee		Audit & Risk Committee		Due Diligence Committee	
	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended
Diane Smith-Gander	7	7	1	1	-	-	7	7
Alan Broome	7	7	-	-	1	1	7	7
Andrea Sutton	7	7	1	1	1	1	7	7
Murray Pollock	7	7	1	1	-	-	7	7
Byron Beath	7	7	-	-	1	1	7	7
Sy van Dyk	7	7	1	1	1	1	7	7

Other than the Due Diligence Committee, all meetings were held between 8 February 2021 and 30 June 2021. The Due Diligence Committee's purpose was to assist the Board with the Company's IPO and Australian Securities Exchange ('ASX') listing on 9 March 2021. There were no meetings of the Nominations Committee.

Directors' Report

Company Secretaries

The Board has appointed two Company Secretaries.

Ben MacKinnon
Ben joined the DDH1 Group as CFO in April 2018. He has responsibility for financial control, management of financial risks, treasury and financial reporting. Ben brings 19 years of financial experience in the construction and mining services industries. Ben holds a Bachelor of Commerce from The University of Western Australia and is a qualified Chartered Accountant. He was appointed as Company Secretary on 8 October 2019.

Darryl Edwards
Darryl is a chartered secretary with significant experience in corporate governance, risk and compliance across several ASX listed companies. He is a member of the Australian Institute of Company Directors and the Governance Institute of Australia. He was appointed as Joint Company Secretary on 4 March 2021.

Principal Activities

The principal activities of the Group are the provision of drilling services to the exploration, mining, and energy industries, in Australia. No significant change in the nature of these activities occurred during the year.

The Company is headquartered in Canning Vale, Perth, Western Australia.

Review of Operations

The Group financial performance was robust, despite the continued impacts of the worldwide Covid-19 pandemic. Demand for the Group's drilling services remained strong throughout the year, with rig utilisation and productivity at high levels.

A review of Group operations and the results of those operations during the year, including likely developments in future financial years and risk management, are on pages 17 to 21 of this annual report.

On 8 February 2021, the Company issued a public prospectus ("Prospectus") for an Initial Public Offer ("IPO") of DDH1 securities to raise $150 million through the issue of 136,363,636 shares or approximately 40% of DDH1's shares on issue as at its listing date to new investors at $1.10 per share. IPO proceeds were used to allow existing shareholders to realise part of their investment in the Company and to repay Company borrowings.

Murray Pollock and his fellow DDH1 co-founders retained a collective 33.3% stake in the Company while funds managed by Oaktree Capital Management LP, a long-term investor since 2017, hold a 22.1% interest.

On 9 March 2021, the Company was listed on the ASX.

As part of the listing process, a corporate restructure occurred on 9 March 2021. Under this restructure, DDH1 Limited acquired 100% of the share capital of DDH1 Holdings Pty Ltd and its wholly-owned subsidiaries.

As a result of the corporate restructure, the consolidated financial statements of DDH1 Limited have been prepared as a continuation of the existing business and operations of DDH1 Holdings Pty Ltd. Therefore, the results of the Group for the current year ended 30 June 2021, are the combined results of the Group for the full financial year. The comparative information for the year ended 30 June 2020 is that of DDH1 Holdings Pty Ltd, the former parent entity for the Group.

Revenue for the Group for the year was $294,606,123 (2020: $249,791,573).

Directors' Report

Review of Operations (continued)

Statutory EBITDA of the Group for the year was $65,609,891 (2020: $63,278,362). This included $7,430,890 in IPO costs and other expenses associated with the Company's IPO and listing on the ASX.
Statutory Net Profit after income tax of the Group was $57,185,783 (2020: $24,640,373) for the financial year on revenue of $294,606,123 (2020: 249,791,573), included a one-off tax benefit of $17,779,567.

Pro-Forma Earnings before Depreciation, Amortisation, Interest and Tax (**Pro-Forma EBITDA**) was $74.6m, which was 7.6% higher than the forecast of $69.3m contained in its IPO Prospectus, which was published in February 2021.

The Group generated cashflows from operating activities totalled $48,607,226 (2020: $56,647,576).
At year end, the Group had cash totalling $14,590,659 (30 June 2020: $37,580,769), borrowings of nil (30 June 2020: $61,449,179) and lease liabilities of $9,641,477 (30 June 2020: $8,466,821). The Group is in a net cash position of $4,949,182 as at 30 June 2021 (30 June 2020: net debt of $32,335,231).

Reconciliation of Group's results to Proforma EBITDA

As part of the Company's Prospectus, information was provided regarding the forecast Proforma EBITDA of the Group for the financial year ending 30 June 2021.

The table below shows Statutory EBITDA compared with Proforma EBITDA, based on the Proforma adjustments disclosed in the Company's Prospectus.

	$
Statutory Net Profit before Tax for 30 June 2021	**39,406,216**
Add back:	
Net finance costs	2,524,577
Depreciation expense	21,527,810
Amortisation expense	2,151,288
Statutory EBITDA for 30 June 2021	**65,609,891**
Add back costs incurred in the current year results, which will not be ongoing:	
Share-based payment in respect to M Class Shares	1,508,899
Employee gift shares	657,934
IPO costs	7,430,891
Less costs expensed in the current year results, which were Proforma adjusted in the Prospectus:	
Investor relations expense	(80,500)
Listing fee expense	(57,775)
Full year long term incentive costs	(154,980)
Directors & Officers insurance expense	(259,906)
Additional Directors fees costs for the new Board	(89,541)
Proforma EBITDA for 30 June 2021	**74,564,913**

Important Note:
The above reconciliation to Proforma EBITDA is not audited. This information is non-IFRS information, and it has purely been provided to the users to identify what a Proforma EBITDA would have been for the twelve months ended 30 June 2021, in connection with the Prospectus released to the market by DDH1 Limited on 10 February 2021. The add-backs and Proforma adjustments in the table above are consistent with the treatment within the Prospectus in Section 4 with reference to the full year Proforma EBITDA. The Proforma adjustments above have been calculated on the same basis as those in the Prospectus. A copy of the Prospectus is available on the DDH1 website at www.ddh1.com.au. Refer to Section 4 of the Prospectus for further information.

Directors' Report

Review of Operations (continued)

Non-IFRS Financial Information

This Directors' Report and other reports in the Annual Report include a number of non-International Financial Reporting Standards (IFRS) financial measures. DDH1 management uses these non-IFRS financial measures to assess the performance of the business and make decisions on the allocation of resources.

Principal among these non-IFRS financial measures is Proforma EBITDA. This measure is Statutory EBITDA adjusted for: significant items (which are material items of revenue or expense that are unrelated to the underlying performance of the business). DDH1 believes that Proforma EBITDA provides a better understanding of its financial performance than Statutory EBITDA and allows for a more relevant comparison of financial performance between financial periods. Proforma EBITDA is presented with reference to ASIC Regulatory Guide 230 “Disclosing non-IFRS financial information”, issued in December 2011. DDH1's practice for reporting Proforma EBITDA is consistent with this guidance.

Significant Changes in the State of Affairs

The financial position and performance of the Group was particularly affected by the following transactions during the reporting period:

- Impact of COVID-19 government mandated restrictions on movement; and
- IPO and ASX listing of the Company.

On 9 March 2021, DDH1 Limited was successfully listed on the ASX. It completed an IPO that secured gross proceeds of $150 million at $1.10 per share. These proceeds were used to allow existing shareholders to realise part of their investment in the Company and to repay the Group's borrowings.

As part of the Company's IPO and ASX listing, a corporate restructure occurred, as described in the Review of Operations section above.

Other than the above matter, there has been no other significant changes in the state of the Group's affairs.

Dividends

For the year ended 30 June 2021, a fully-franked dividend of 2.18 cents per share was declared on 26 August 2021 and is payable on 8 October 2021 to DDH1 shareholders on the share register at 17 September 2021.

In the prior financial year, a fully franked dividend of $3,000,000 was declared to ordinary, N Class and M Class shareholders of DDH1 Holdings Pty Ltd. A dividend amount of $2,897,715 was paid on 29 January 2020, with the difference $102,285 applied against the loans for the former M Class shares holders in DDH1 Holdings Pty Ltd.

Subsequent Events

For the year ended 30 June 2021, a fully franked dividend of 2.18 cents per share was declared on 26 August 2021 and is payable on 8 October 2021 to DDH1 shareholders on the share register at 17 September 2021.

There has not been any matter or circumstance occurring subsequent to the end of the financial year 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.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the Group in future financial years and the expected results of those operations have been included generally within this Annual Report.

Directors' Report

Review of Operations (continued)

Environmental Regulation

The Group's operations are subject to environmental regulation under both Commonwealth and State legislation. The Group is committed to achieving a high standard of environmental performance.

The Group provides services to customers that are licensed or otherwise subject to conditions for the purposes of environmental legislation or regulation. In these instances, the Group undertakes its compliance duties in accordance with the contractor regime implemented by the licensed or regulated entity.

Based on the results of enquiries made, the Board is not aware of any significant environmental breaches during the reporting period.

Shares Under Option

During the year, 1,176,362 performance rights were issued for no consideration. The expiry date on these performance rights is 9 March 2031. There are no other unissued shares or interests under option on issue at the date of this report.

Management Equity Plan

During previous reporting financial periods, 13,349,630 of M Class Shares in DDH1 Holdings Pty Ltd were issued to employees, which was funded by a non-recourse loan. Additionally, 458,000 N Class Shares were issued in DDH1 Holdings in previous reporting periods.

During the year, all of the M Class and N Class Shares converted into ordinary fully paid shares in DDH1 Limited.

The M Class and N Class Shares were non-voting shares, but otherwise had similar rights to ordinary shares to receive dividends and other distributions. M Class Shares carried the right to be converted to ordinary shares of the Company upon the satisfaction of vesting conditions at an exit event, being an IPO or a sale of the business. They carried an expiry date of 10 years from issue. A non-recourse loan was provided to participants to fund the purchase of the M Class Shares.

N Class Shares did not have any vesting conditions and carried the right to be converted to ordinary shares of the Company at the time of an exit event, being an IPO or a sale of the business.

On 9 March 2021, the M Class Shares were modified from the previous parent entity DDH1 Holdings Pty Ltd to the new publicly listed entity, DDH1 Limited and were converted into ordinary shares in DDH1 Limited on a one-for-one basis. Therefore 13,349,630 ordinary shares in DDH1 Limited were issued for the M Class Shares. The M Class shares are subject to the terms of an Escrow Deed and a Non-Recourse Loan Agreement.

Under the terms of the Escrow Deed, the vested ordinary fully paid shares are required to be held in escrow for the following periods:

a) Half of the ordinary fully paid shares issued are to be held in escrow until the lodgement of the Company's 30 June 2021 financial report (being 27 August 2021) ; and
b) The remaining ordinary fully paid shares are to be held in escrow until the lodgement of the Company's 30 June 2022 financial report.

Once the escrow periods expire, if the ordinary shares are sold on market, then the loan must be repaid immediately out of share sale proceeds. The Management Equity Plan is no longer in existence, as all M Class and N Class Shares have been converted to ordinary shares. Accordingly at the date of this report there no M Class and N Shares on issue.

Remuneration Report (Audited)

Contents

This Remuneration Report is prepared in accordance with section 300A of the *Corporations Act 2001 (Cth)*. The information provided in this report has been audited by Deloitte as required by section 308(3C) of the *Corporations Act 2001 (Cth)*. The Remuneration Report forms part of the Directors' Report.

This is the Company's first Remuneration Report and covers the following matters:

1. Introduction
2. Remuneration governance
3. Executive remuneration framework
   a) Remuneration policy and strategy
   b) Link to Company performance
   c) Approach to setting remuneration and details of incentive plans
4. Executive remuneration outcomes for FY21
5. Executive contracts
6. Non-executive director remuneration
7. Additional disclosures relating to share-based payments.
8. Loans to key management personnel and their related parties
9. Other transaction balances with key management personnel and their related parties

1. Introduction

This remuneration report details the Group's remuneration objectives, practices, and outcomes for Key Management Personnel (**KMP**), being directors and executives who have authority and responsibility for planning, directing, and controlling the major activities of the Company. As this is the first Annual Report since the Company's initial public offering, the Remuneration Report has been compiled as a continuation of business and as such have included comparatives which is consistent with Note 1 disclosure in the Financial Report. Therefore, the persons and their roles contained within this Remuneration Report represent those KMP that held positions throughout the reporting period and the comparative period.

The table below sets out the names of KMP of the Group. The KMP held their current position for the whole of the financial year and since the end of the financial year, unless otherwise stated.

Name of KMP	Position	Term as KMP
Non-Executive Directors		
Diane Smith-Gander AO	Chairperson and Independent Non-Executive Director	8 October 2019 to 13 November 2020 29 January 2021 to 8 February 2021 (1) and 8 February 2021 to Present
Andrea Sutton	Independent Non-Executive Director	8 October 2019 to 11 November 2020 29 January 2021 to 8 February 2021 (1) and 8 February 2021 to Present
Alan Broome AM	Independent Non-Executive Director	Full current and comparative period (2)
Byron Beath	Non-Executive Director	Full current and comparative period (2)
Murray Pollock	Non-Executive Director	8 February 2021 to Present (3)

Remuneration Report (Audited)

1. Introduction (continued)

Name of KMP	Position	Term as KMP
Executives		
Sy van Dyk	Managing Director and Chief Executive Officer	Full current and comparative reporting periods (4) (Appointed Managing Director on 8 February 2021)
Murray Pollock	Managing Director	1 July 2019 to 8 February 2021 (2) (3)
Ben MacKinnon	Chief Financial Officer	Full current and comparative reporting periods

1) Directors resigned and were then re-appointed on 8 February 2021. This was an administrative process as part of the Company's ASX listing and IPO.
2) Mr Broome, Mr Beath and Mr Pollock were all Directors of DDH1 Holdings Pty Ltd, the previous head entity of the Group prior to DDH1 Limited listing on the ASX.
3) Mr Pollock is a co-founder of the DDH1 Group and ceased to be Managing Director of DDH1 Holdings Pty Ltd on 8 February 2021 and was appointed a Non-Executive Director of DDH1 Limited on that date.
4) Mr van Dyk has been the Chief Executive Officer of the Group since October 2018 and was appointed Managing Director of DDH1 Limited on 8 February 2021.

2. Remuneration Governance

The People Committee assists the Board by reviewing and making recommendations to the Board on remuneration matters, including the structure, strategy and framework for executives' remuneration and incentives and review of the Company's Annual Remuneration Report to shareholders. This includes:

- considering the short-term and long-term incentive outcomes for executives;
- reviewing changes in executives' salaries and at-risk remuneration incentives; and
- oversight of equity incentive plans, approved by shareholders.

The People Committee was established on 8 February 2021 and its composition comprises of three Non-Executive Directors. At 30 June 2021, the members of the People Committee comprised:

- Andrea Sutton — Committee Chair and Independent Non-Executive Director
- Diane Smith-Gander AO — Independent Non-Executive Director
- Murray Pollock — Non-Executive Director

Use of remuneration consultants

During the financial year ended 30 June 2021 or its comparative period, the Group did not engage any external remuneration consultants.

Remuneration Report (Audited)

3. Executive remuneration framework

3.A Remuneration policy and strategy

The Company's executive remuneration framework is designed to attract, motivate, and retain high performing individuals and align the interests of executives and shareholders. The following table illustrates how the Company's executive remuneration framework aligns with the Company's strategic direction and links remuneration outcomes to performance.

Executive Remuneration Linkages to Strategic Objective		
Remunerate fairly and appropriately	**Align executive interests with those of shareholders**	**Attract, retain and develop proven performers**
Maintain a balance between the interests of shareholders and the reward of executives to secure the long-term benefits of executive energy and loyalty. Benchmark remuneration structures to ensure alignment with industry trends.	Provide a significant proportion of 'at risk' remuneration to ensure that executive reward is directly linked to shareholders' value creation. Ensure our remuneration arrangements and practise are consistent and complementary to the strategic direction of the Company. Prohibit the hedging of unvested equity to ensure alignment with shareholder outcomes.	Provide total remuneration which is sufficient to attract and retain proven and experienced executives who are capable of: • fulfilling their respective roles with the Group; • achieving the Group's strategic objectives; and • maximising Group earnings and returns to shareholders.

The Company's Remuneration Policy for Executive Remuneration

Remuneration element	Purpose and link to strategy	Operation
Fixed Pay	To attract and retain high-quality executives through market competitive and fair remuneration.	DDH1 follows the peer company market median to set the level of base pay, taking into consideration experience, skills and performance.
Short-term Incentive (STI)	Ensures a portion of remuneration is variable, at-risk and linked to the delivery of agreed plan targets for financial and non-financial measures that support DDH1's strategic priorities. It also provides alignment with shareholders through a deferred component.	The short-term incentive is an annual performance bonus. The Board sets the maximum yearly incentive opportunity, performance measures and target levels. The yearly bonus is earned in accordance with terms approved by the Board. The short-term incentive performance criteria may include company financial performance, individual and safety performance over 12 months. The Board defines performance criteria targets. The short-term incentives are paid in cash, with 70% payable on vesting, 15% deferred for 12 months from the vesting date, and 15% is deferred for 24 months. Should there be a workplace fatality, the Board in its absolute discretion may resolve not to make payment. In any event all payments are at the discretion of the Board.

Remuneration Report (Audited)

Remuneration element	Purpose and link to strategy	Operation
Long-term incentive (LTI)	To align executive accountability and remuneration with the long-term interests of shareholders by rewarding the delivery of sustained Group performance over the long term. It also rewards executives who have contributed to the DDH1's value creation and support the retention and attraction of executives.	Executives participate in share-based incentive plans that are decided and implemented by the Board of Directors and for which security purchases or issue authorisations are obtained from Shareholders at the Annual General Meeting. The grant of long-term incentives mainly follows a 3-year earnings period and are subject to performance criteria. The performance criteria are aligned with the Group's financial performance and shareholder returns over the performance period to deliver sustained shareholder value over the long term. The performance criteria is determined and decided by the Board of Directors (excluding the Managing Director). The performance criteria is measured at the end of the performance period, and the achievement of these targets determines the payout level of the long-term incentives. The vesting of long-term incentives is at the discretion of the Board. The reward for each performance period is capped at grant date to a maximum number of securities.
Management Equity Plan	To align executive accountability and remuneration with a desire of the previous shareholders to deliver a value generating transaction.	The Management Equity Plan was in place prior to the IPO. The operation of this Management Equity Plan was to issue equity incentives to Executives to incentivise them to achieve a value generating transaction. These securities are convertible to Ordinary Shares upon either an initial public offering or a sale of the business. During the reporting period, on 9 March 2021, the Management Equity Plan ceased operation and was replaced by the long-term incentives detailed above.
Adjustments to Remuneration	To align the at-risk reward outcomes with DDH1's underlying financial and non-financial results and shareholders returns.	The Board also has the discretion to adjust STI and LTI outcomes for fraud, dishonesty, breach of obligation or other action likely to result in long term detriment to DDH1 and changes in control at DDH1.
Clawback provision for short-term and long-term incentives	To provide terms and conditions for defining the procedure to cancel any short-term or long-term incentive or recollect paid rewards in case of unethical or unlawful behaviour.	The Board shall have the right to cancel the reward or recollect paid rewards subject to transfer restrictions, if the STIP or LTIP participant has acted against the law or the Company's ethical guidelines or otherwise unethically.
Share ownership recommendation	To align the interests of executives with those of shareholders by encouraging executives to build a meaningful shareholding in DDH1.	The Managing Director and other executives are recommended to own and hold Company securities equalling their gross annual fixed pay.
Notice period and termination benefits	To have clear contractual terms in place.	The notice period for the Managing Director and other executives is 3-months.
Special reward forms or bonuses, such as sign-on bonus or restricted shares	Only under particular circumstances.	Under special circumstances to facilitate onboarding and retention. These additional awards must always be structured to reflect DDH1's remuneration principles in terms of their value, time horizon and performance requirements and, in the case of the executive, be approved by the Board of Directors.

Remuneration Report (Audited)

3.B. Link to Company Performance

A key principle of the approach to executive remuneration is that 'at risk' rewards should demonstrate strong links to the Company's performance, safety and shareholder returns. Furthermore, the relevant performance measures for 'at risk' rewards ensure that the Managing Director and other Executives are focused on strategic business objectives that enhance shareholder value and grow the business organically and by acquisition.

The key financial and non-financial measures for short-term and long-term incentives are considered appropriate measures of performance as they create shareholder value. The key performance criteria used during the reporting period includes the safety performance, measured as Total Recordable Injury Frequency Rate (**TRIFR**), Operating Earnings Before Income Tax Depreciation and Amortisation (**EBITDA**) over 12 months, Earnings Per Share (**EPS**), and Total Shareholder Return (**TSR**).

The Company has demonstrated strong performance against key measures and relative to its peers. The table below details the Group's performance for key financial and non-financial measures over the past five financial years. The information is prepared on the basis that the Group had been in existence for the entire time period.

	FY21	FY20	FY19	FY18	FY17
Revenue ($m)	294.6	249.8	212.4	176.4	132.2
Pro Forma EBITDA ($m) (1)	74.6	64.5	54.0	42.3	36.7
Net Profit Before Tax ($m)	39.4	35.4	34.7	24.5	20.0
Net Profit After Tax ($m)	57.2	24.6	25.8	16.8	14.3
TRFIR (person hours per million)	9.00	6.86	8.82	9.85	9.90
EPS (cents per share)	18.58	N/A	N/A	N/A	N/A
Total dividends declared (cents per share)	2.18 (2)	0.98	-	-	-
Closing share price as at 30 June ($)	1.17	N/A	N/A	N/A	N/A

1. Pro Forma EBITDA is non-IFRS information. The Pro Forma Operating EBITDA for FY21 excludes any costs in connection with the Company's initial public offering (refer to section 4.3.1 in the Company's Prospectus dated 8 February 2021). The Pro Forma EBITDA, as well as the Revenue, Net Profit before Tax and Net Profit after Tax for prior years is prepared on a pro forma basis as if the Group had been in existence for that entire period. This information is not audited.
2. Declared after the end of the reporting period in respect to this financial year, and not reflected in the financial statements.

3.C. Approach to setting executive remuneration and details of incentive plans

In FY21, the executive remuneration framework consisted of fixed remuneration, and short-term and long-term incentives.

The actual remuneration mix for each executive is outlined below:

30 June 2021		Variable At Risk Remuneration	
Executive	**Total Fixed Remuneration**	**Short Term**	**Long Term**
Sy van Dyk	40%	15%	45%
Ben MacKinnon	60%	14%	26%

30 June 2020		Variable At Risk Remuneration	
Executive	**Total Fixed Remuneration**	**Short Term**	**Long Term**
Sy van Dyk	73%	12%	15%
Ben MacKinnon	89%	10%	1%
Murray Pollock	90%	10%	0%

Remuneration Report (Audited)

Total Fixed Remuneration (TFR)

Executives receive a fixed annual remuneration determined by the scope of their role and the individual's level of knowledge, skill and experience. TFR comprises a salary and the direct cost of benefits, including superannuation, motor vehicles, car parking and fringe benefits tax.

TFR is reviewed periodically from benchmarked remuneration data. Any remuneration changes for executives considers changes in responsibilities and performance and are aligned with targeted market comparative companies. Changes to an executive's TFR are subject to Board approval after considering the recommendation from the People Committee.

Variable At Risk Remuneration

Short-Term Incentive Plan (STIP)

The key terms of the STIP are set out in the table below:

Topic	Summary
Eligibility to participate	All executives and other eligible senior management participate in the STIP.
Maximum STIP opportunity	Maximum STIP is determined by reference to market comparative data and the scope of the person's role and responsibilities and ability to influence outcomes.
Performance criteria and Payments	STIP awards are subject to performance criteria as determined by the Board on the recommendation of the People Committee. Performance criteria includes a mix of financial and non-financial KPI's, which are set at both the business unit and Group level. Group executives are subject to KPI's at the Group level and senior management at the business unit level are subject to KPI's at the business unit level. STIP outcomes are payable 100% in cash. For executives and direct reports to the CEO, 30% of the STIP is subject to a deferred cash payment term, which includes 15% deferred until 12 months after vesting and the remaining 15% deferred until 24 months after vesting.
Cessation of employment	If a participant ceases employment, whether due to special circumstances (including death, terminal illness or permanent disablement) or due to the participant's resignation or termination, unvested STI awards will automatically lapse. If a participant ceases employment after the Board determines that the participant is entitled to payment under the STIP, the participant may continue to be entitled to receive payment depending on the circumstances of the cessation of employment. This discretion ultimately lies with the Board.
Change of control	The Board may determine in its absolute discretion how STIP awards will be treated on a change of control event.
Clawback	The Board has powers to clawback STIP payments in certain circumstances.

Remuneration Report (Audited)

Management Equity Plan

Prior to the Company's IPO and ASX listing, the Group had in place a Management Equity Plan. The securities issued under the plan, included 'M' and 'N' class shares (**Plan Shares)**. The Plan Shares are non-voting shares but had similar rights to ordinary fully paid shares in that they were able to receive dividends and other distributions.

Plan Shares are convertible into ordinary fully paid shares upon the satisfaction of vesting conditions, which included either an initial public offering or a sale of the business. The Plan Shares expire 10 years from the date of issue (Plan Shares were issued in FY18 and FY19).

The consideration for the M Class Plan Shares was funded through a non-recourse loan to participants, which is repayable on any sale of the shares. The consideration payable for the N Class Plan Shares was paid in cash.

At the beginning of the reporting period there were 13,807,630 Plan Shares on issue (consisting of 13,349,630 M Class and 458,000 N Class Plan Shares). Refer to Note 30 in the Notes to the financial statements for further details.

On 9 March 2021, the Plan Shares vested and were converted into ordinary fully paid shares in DDH1 Limited as part of the Corporate restructuring and are subject to the terms of an Escrow Deed. The non-recourse loan continues to remain in place over these ordinary shares.

The Escrow Deed transitions the Plan Shares from the previous parent entity, DDH1 Holdings Pty Ltd to the new publicly listed entity, DDH1 Limited. Under the terms of the Escrow Deed, the vested ordinary fully paid shares are required to be held in escrow for the following periods:

c) Half of the ordinary fully paid shares issued are to be held in escrow until the lodgement of the Company's 30 June 2021 financial report; and
d) The remaining ordinary fully paid shares are to be held in escrow until the lodgement of the Company's 30 June 2022 financial report.

Two members of the Executive held Plan Shares. Mr van Dyk held 5,083,000 Plan Shares and Mr MacKinnon held 1,104,896 Plan Shares. On 9 March 2021 these Plan Shares converted to ordinary shares but remain subject to the escrow periods detailed above.

The Escrow Deed execution constitutes a modification to the original plan, which requires the Plan Shares to be fair valued at the modification date.

Given the proximity of the modification date to the listing of DDH1 Limited, the Plan Shares were fair valued between $0.59 and $0.65 per share. This modification of the Plan Shares resulted in an incremental fair value differential of $226,206 which has been expensed in the current reporting period. Of this, $78,369 related to Mr van Dyk's Plan Shares and $18,722 related to Mr MacKinnon's.

Once the escrow periods expire, if the ordinary shares issued in respect to the Plan Shares are sold on market, then the loan must be repaid immediately out of share sale proceeds.

The Management Equity Plan is no longer in existence, as all Plan Shares have been converted to ordinary shares, and the Management Equity Plan has been replaced by the Long-Term Incentive Plan, described below.

Remuneration Report (Audited)

Long-Term Incentive Plan (LTIP)

During the reporting period, Company established an LTIP. The key terms of the LTIP are set out in the table below.

Topic	Summary
Eligibility to participate	All executive and other eligible senior management
Maximum number of equity securities permitted to be issued under the LTIP	5% of the total number of Shares on issue at any time (including Shares that may be issued as a result of offers under the LTIP made during the preceding three-year period or any other relevant employee incentive scheme). The LTIP also includes an overall limit of 10% of the total number of shares on issue at the time the IPO was made. For purposes of ASX Listing Rule 7.2, Exception 13, only, the maximum number of securities to be issued under the LTIP is 34,222,985.
Offers under the LTIP	The Board has the discretion to determine: • when LTIP awards are granted; and • the quantum of LTIP awards to be given under the LTIP. The LTIP provides flexibility for the Company to grant rights, options and/or shares as equity-based incentives. The current equity instrument used is Performance Rights.
Grant of Performance Rights	Performance Rights are granted to participants for nil consideration under the LTIP. A Performance Right entitles the participant to acquire one ordinary fully paid share, subject to the achievement of the relevant performance criteria. No amount is payable on vesting of Performance Rights. LTIP's granted this year were made in March 2021, as part of the IPO. Any new LTIP grants in future year are likely to be made annually in August, subject to any shareholder approvals.
Quantum of grants	The final number of Performance Rights a participant receives is determined by dividing the dollar value of their LTIP by the Company's share price at the point of vesting.
Performance period	The performance period is at the end of three years, which commences on 1 July each year.
Performance criteria, vesting conditions	Performance Rights granted vest at the end of the performance period, subject to the satisfaction of the following vesting conditions: • 30% of the Performance Rights are subject to a Compound Annual Growth Rate (**CAGR**) in DDH1's Total Shareholder Return (**TSR**) (**TSR Hurdle**); and • 70% of the Performance Rights are subject to a CAGR in DDH1's Earnings Per Share (**EPS**) (**EPS Hurdle**).

Remuneration Report (Audited)

<table>
<tr><th>Topic</th><th>Summary</th></tr>
<tr><td>Performance criteria, vesting conditions</td><td>
TSR Hurdle
The percentage of Performance Rights that vest, if any, will be based on the following vesting schedule:
<table>
<tr><th>DDH1's CAGR in TSR over the performance period</th><th>% of Performance Rights that vest</th></tr>
<tr><td>Below 15%</td><td>Nil</td></tr>
<tr><td>15%</td><td>50%</td></tr>
<tr><td>Between 15% and 25%</td><td>Straight-line pro-rata vesting between 50% and 100%</td></tr>
<tr><td>At or greater than 25%</td><td>100%</td></tr>
</table>
EPS Hurdle
The percentage of Performance Rights comprising the EPS Hurdle that vest, if any, will be based on the following vesting schedule:
<table>
<tr><th>DDH1's CAGR in EPS over the performance period</th><th>% of Performance Rights that vest</th></tr>
<tr><td>Below 15%</td><td>Nil</td></tr>
<tr><td>15%</td><td>50%</td></tr>
<tr><td>Between 15% and 25%</td><td>Straight-line pro-rata vesting between 50% and 100%</td></tr>
<tr><td>At or greater than 25%</td><td>100%</td></tr>
</table>
Any Performance Rights that remain unvested at the end of the performance period will lapse immediately unless otherwise determined by the Board.
Vesting conditions may be reduced or waived in whole or in part at any time by the Board, subject to any necessary Shareholder approval having been obtained.
</td></tr>
<tr><td>Voting and dividend entitlements</td><td>Performance Rights do not carry dividend or voting rights unless and until the Performance Rights are exercised, and shares are issued upon such exercise.
Shares issued upon vesting of Performance Rights carry the same dividend and voting rights as other Shares.</td></tr>
</table>

Remuneration Report (Audited)

Topic	Summary
Restrictions on dealing	As part of the Company's Securities Trading Policy, participants must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights granted, unless the Board consents or the dealing is required by law. Participants will be free to deal with vested shares, subject to the Company's Securities Trading Policy.
Cessation of employment	If a participant ceases employment due to special circumstances (including death, terminal illness or permanent disablement) or due to the participant's resignation or termination, unless the Board determines otherwise and is subject to applicable laws, unvested Performance Rights will automatically lapse. If a participant ceases employment after Performance Rights have vested but not exercised, the participant may continue to hold such vested Performance Rights depending on the circumstances of the cessation of employment.
Change of control	The Board may, in its absolute discretion, determine how a participant's Performance Rights will be dealt with on a change of control event.
Forfeiture	The Board may determine that all or any portion of Performance Rights held by a participant will lapse if the Board determines that, among other things, the participant has: • been dismissed or removed from office for a reason which entitles a member of the DDH1 Group to dismiss the participant without notice; • been convicted on indictment of an offence against the Corporations Act in connection with the affairs of a member of the DDH1 Group; or • committed an act of fraud, defalcation or gross misconduct in relation to the affairs of a member of the DDH1 Group (whether or not charged with an offence).
Clawback	The Board has clawback powers, which it may exercise if: • there has been a material misstatement in DDH1's financial statements; • a participant has acted fraudulently or with malfeasance; or • some other event has occurred, which, as a result, means that the performance criteria in respect of any vested Performance Rights were not, or should not have been determined to have been, satisfied.

During the reporting period, Performance Rights under the LTIP's have been issued to executives and other eligible senior managers of the Group. Details of the Performance Rights issued to executives are in Section 4 of the Remuneration Report.

Remuneration Report (Audited)

4. Executive remuneration outcomes for FY21

4.1 Fixed remuneration outcomes

There was no change to fixed remuneration for existing key management personnel in the current reporting period.

4.2 Variable remuneration outcomes

4.2.1 FY21 STI plan

In FY21 and FY20, the executives had key performance indicators (**KPIs**) set to focus executive efforts on the overall financial performance and safety. The information regarding satisfaction of the applicable KPIs for these financial years is set out below:

Criteria	KPI	Weight	Payment Schedule	Rationale	Achievement
Health & Safety	TRIFR	30%	The TRIFR is payable 100% in cash, with 30% subject to a deferred payment term which includes 15% deferred until 12 months after vesting and the remaining 15% deferred until 24 months after vesting	The Board regularly reviews the Company's safety performance in detail and strives to achieve a 'zero harm' workplace at DDH1. TRIFR measures progress towards this goal.	Below threshold
Financial (Group)	Operating Proforma EBITDA	70%	The operating EBITDA is payable 100% in cash, with 30% subject to a deferred payment term which includes 15% deferred until 12 months after vesting and the remaining 15% deferred until 24 months after vesting	This reflects the Company's financial performance against budget for the year ended 30 June 2021.	Above target with 100% vesting

Outcome of FY21 STI Plan

Executive	Max FY21 STI Available	% Vested	% Forfeited	STI Achieved
Sy van Dyk (Managing Director)	$270,000	70%	30%	$189,000
Ben MacKinnon (Chief Financial Officer)	$100,000	70%	30%	$70,000

In FY21, the executives achieved the target Operating Pro Forma EBITDA which resulted in 100% of the STI applicable vesting. The threshold for TRIFR was not achieved which resulted in forfeiture of the STI applicable.

Payment of the 70% of STI achieved is payable in cash in September 2021, with the remaining 30% subject to a deferred payment term which includes 15% deferred until 12 months after vesting and the remaining 15% deferred until 24 months after vesting.

Remuneration Report (Audited)

Outcome of FY20 STI Plan

Executive	Max FY20 STI Available	% Vested	% Forfeited	STI Achieved
Sy van Dyk (Managing Director)	$250,000	70%	30%	$75,000
Ben MacKinnon (Chief Financial Officer)	$100,000	70%	30%	$30,000
Murray Pollock (Previous Managing Director)	$100,000	70%	30%	$30,000

In FY20, the executives achieved the target TRIFR which resulted in 30% of the STI applicable vesting. The threshold for Operating Proforma EBITDA was not achieved which resulted in forfeiture of the STI applicable.

Payment of 30% of STI achieved was paid in cash in October 2020.

4.2.2 FY21 LTI Plan

There was no LTIP plan in the FY20 year. Details of the FY21 LTIP plan are below:

Criteria	KPI	Weight	Rationale	Performance period
Value Creation (Group)	CAGR in TSR of 15% to 25% over the performance period (**TSR Hurdle**)	30%	To align executive accountability and remuneration with the long-term interests of shareholders by rewarding the delivery of sustained Group performance over the long term. It also rewards executives who have contributed to the Company's value creation and support the retention and attraction of executives.	The grant of Performance Rights during the year are subject to a performance period commencing 9 March 2021 and ending 30 June 2023.
Financial (Group)	CAGR in EPS of 15% to 25% over the performance period (**EPS Hurdle**)	70%		

4.2.3 Fair Value of LTI issued

On 9 March 2021, Mr van Dyk was issued 61,364 Performance Rights subject to the TSR Hurdle, which had a fair value of $26,386 and 143,182 Performance Rights subject to the EPS Hurdle, which had a total fair value of $146,045.

On 9 March 2021, Mr MacKinnon was issued 34,091 Performance Rights subject to the TSR Hurdle, which had a fair value of $14,659 and 79,545 Performance Rights subject to the EPS Hurdle, which had a total fair value of $81,136.

The vesting date for all the Performance Rights detailed above is 30 June 2023. If conditions are met and the Performance Rights are issued, the expiration date is 10 years after the granting date. Thus, if issued the expiry date for the Performance Rights will be the 9 March 2031.

The fair value of the Performance Rights was determined using the Black Scholes Model for the EPS Hurdle with a Monte Carlo simulation methodology used for the TSR Performance Rights. The valuation was undertaken by a professional accounting firm and the information contained below is from their report:

Remuneration Report (Audited)

4.2.3 Fair Value of LTI issued (continued)

The inputs into the models were as follows:

Grant Date:	9 March 2021
Share Price:	$1.10
Exercise Price:	Nil (as per the Plan rules)
Expected Volatility:	45%
Expected Life (years):	2.3
Risk Free Rate:	0.13%
Expected Dividend Yield:	3.3%

Fair value per EPS Hurdle: $1.02

Fair Value per TSR Hurdle: $0.43

4.3 Performance against KPIs

The below table outlines the proportion of maximum incentive opportunity that was earned (i.e. awarded following testing), forfeited (i.e. not awarded following testing), and deferred (to be tested in FY22 or FY23) in relation to the FY21 LTI Plan.

FY21 STI and LTI outcomes

	STI Cash			LTI (Performance Rights)			
Executive	Maximum STI ($)	STI earned in FY21 ($)	STI forfeited in FY21 ($)	Maximum LTI (1) ($)	LTI tested and earned in FY21 ($)	LTI tested and forfeited in FY21 ($)	LTI to be tested across FY21, FY22 & FY23 ($)
Sy van Dyk	270,000	189,000	81,000	225,000	-	-	225,000
Ben MacKinnon	100,000	70,000	30,000	125,000	-	-	125,000

(1) LTI – Max value represents the face value ($1.10 per share) of Performance Rights granted during the reporting period.

FY20 STI and LTI outcomes

	STI Cash			LTI (Performance Rights)			
Executive	Maximum STI ($)	STI earned in FY20 ($)	STI forfeited in FY20 ($)	Maximum LTI (1) ($)	LTI tested and earned in FY20 ($)	LTI tested and forfeited in FY20 ($)	LTI to be tested across FY21, FY22 & FY23 ($)
Sy van Dyk	250,000	75,000	175,000	-	-	-	-
Ben MacKinnon	100,000	30,000	70,000	-	-	-	-

Remuneration Report (Audited)

4.4 Statutory Executive remuneration

The following table sets out total remuneration for Executives in FY21 and FY20, calculated in accordance with statutory accounting requirements. The compensation detailed below was in respect to their roles within the Group during the reporting period. No members of the Executive were remunerated in relation to DDH1 Limited in the prior year. The amounts included in 30 June 2020 below were in respect to their roles at DDH1 Holdings Pty Ltd (the previous head entity of the Group).

Statutory Executive KMP remuneration:

Year Ended 30 June 2021	Short Term Employee Benefits				Post – Employment Benefits			Share Based Payments			
Executive	Salary & Fees	Annual Leave (1)	Short Term Incentive	Non-Monetary	Super-annuation	Other Long-Term Benefits	Termination Benefits	Long Term Equity Incentives	Plan Shares (2)	Total	% of Remuneration Performance Related
Sy van Dyk	$450,000	$34,615	$189,000	$1,440	$21,694	-	-	$23,291	$553,945	$1,273,985	60%
Murray Pollock (3)	$192,466	$14,805	-	$1,440	$18,284	$3,208	-	-	-	$230,203	0%
Ben MacKinnon	$250,000	$19,231	$70,000	$1,120	$21,694	-	-	$12,939	$113,810	$488,794	40%

1 Relates to the Executives entitlements for annual leave
2 Relates to the expense recognised in respect the previously issued Plan Shares as Detailed in Section 3C of this Remuneration Report.
3 Mr Pollock ceased being remunerated as an executive on 9 March 2021. At this time, his annual leave and long service leave entitlements were paid out.

Year Ended 30 June 2020	Short Term Employee Benefits				Post – Employment Benefits			Share Based Payments			
Executive	Salary & Fees	Annual Leave (1)	Short Term Incentive	Non-Monetary	Super-annuation	Other Long-Term Benefits (1)	Termination Benefits	Long Term Equity Incentives	Plan Shares (2)	Total	% of Remuneration Performance Related
Sy van Dyk	$424,904	$9,396	$75,000	$1,440	$21,002	-	-	-	$95,039	$626,781	27%
Murray Pollock	$242,212	$12,452	$30,000	$1,440	$21,002	$3,921	-	-	-	$311,027	10%
Ben MacKinnon	$229,519	$9,062	$30,000	$1,120	$20,684	-	-	-	$1,574	$291,959	11%

1 Relates to the Executives entitlements for annual and long service leave
2 Relates to the expense recognised in respect the previously issued Plan Shares as Detailed in Section 3C of this remuneration report

Remuneration Report (Audited)

5. Executive Contracts

Remuneration arrangements for Executives are formalised in employment agreements that provide for an indefinite term. The executives' termination provisions are as follows:

Executive	Resignation	Restrictions
Managing Director & CEO notice period (by the company or executive)	The Managing Director & CEO's employment may be terminated by either party upon providing three months written notice. The Company may elect to pay Mr van Dyk in lieu of all or part of such notice period, with any such payment based on Mr van Dyk's fixed annual remuneration over the relevant period and any accrued entitlements. The Board may also require Mr van Dyk to serve out the whole or part of the notice period on an active or passive basis. Mr van Dyk's employment may also be terminated by DDH1 Limited without notice in circumstances of serious misconduct such as material breach (including disobedience, dishonesty, serious or persistent breach of duty), being charged with a criminal offence which in the reasonable opinion of the Board will detrimentally affect DDH1 Group, bankruptcy and failure to comply with a lawful and reasonable direction from the Board. Any payments made to Mr van Dyk upon the termination of his employment will be limited to the maximum amount permitted by the ASX Listing Rules, Corporations Act or any other applicable law.	For a period of up to 12 months following the termination of Mr van Dyk's employment, he must not solicit or engage any director or employee of the DDH1 Group or entice away, accept services from or persuade any customer or supplier of the DDH1 Group to discontinue or reduce their business with the DDH1 Group. Mr van Dyk will also be restrained for a period of up to 12 months following termination from participating in any business that competes with the business of the DDH1 Group. The enforceability of the restraint clause is subject to all usual legal requirements.
CFO notice period (by the company or executive)	The CFO's employment may be terminated by either party upon providing three months written notice. DDH1 Limited may elect to pay other Mr MacKinnon in lieu of all or part of such notice period, with any such payment based on Mr MacKinnon's fixed annual remuneration over the relevant period and any accrued entitlements. The Board may also require Mr MacKinnon to serve out the whole or part of the notice period on an active or passive basis. Mr MacKinnon's employment may also be terminated by DDH1 Limited without notice in circumstances of serious misconduct such as material breach (including disobedience, dishonesty, serious or persistent breach of duty), being charged with a criminal offence which in the reasonable opinion of the Board will detrimentally affect the DDH1 Group, bankruptcy and failure to comply with a lawful and reasonable direction from the Board. Any payments made to Mr MacKinnon upon the termination of their employment will be limited to the maximum amount permitted by the ASX Listing Rules, Corporations Act or any other applicable law.	For a period of up to 12 months following the termination of Mr MacKinnon's employment, he must not solicit or engage any director or employee of the DDH1 Group or entice away, accept services from or persuade any customer or supplier of the DDH1 Group to discontinue or reduce their business with the DDH1 Group. Mr MacKinnon will also be restrained for up to 12 months following termination from participating in any business that competes with the business of the DDH1 Group. The enforceability of the restraint clause is subject to all usual legal requirements.

Remuneration Report (Audited)

6. Non-Executive Director Remuneration for FY21

Non-Executive Director Remuneration Policy

The Company's Non-Executive Director Remuneration structure is to provide for remuneration that is sufficient to attract and retain Directors with the experience, knowledge and judgement to oversee the Company's success. Fees are not linked to the financial performance of the Company in order for Non-Executive Directors to retain independence.

Non-Executive Directors' Remuneration Structure and Fee Pool

The remuneration structure for Non-Executive Directors consists of a base Director fee and committee fee for participation on nominated Board subcommittees. All fees are inclusive of statutory superannuation. Directors' fees are determined within an aggregated Directors' fee pool limit of $1,000,000.

Committee fees are payable to members of the Audit & Risk Committee and the People Committee.

The table below summarises the annual Board and Committee fee payable (inclusive of superannuation):

Board Fees	FY21	FY20
Chairman	$150,000	-
Non-Executive Directors	$100,000	-

Committee Fees	FY21	FY20
Committee Chair	$10,000	-
Committee Member	$5,000	-

Remuneration Report (Audited)

Non-Executive Director Remunerations Outcomes for FY21

The remuneration of Non-Executive Directors for the year ended 30 June 2021 and the comparative 30 June 2020 period is detailed in the tables below. No members of the Non-Executive Directors were remunerated in relation to DDH1 Limited in the prior year. The amounts included in respect to 30 June 2020 were in respect to their roles at DDH1 Holdings Pty Ltd (the previous head entity of the Group).

Statutory Non-Executive Director Remuneration

Year Ended 30 June 2021	Short Term Employee Benefits	Post – Employment Benefits	
Non-Executive Director	Fees	Superannuation	Total
Diane Smith-Gander, AO (1)	$42,409	$4,029	$46,438
Alan Broome, AM (2)	$90,000	-	$90,000
Andrea Sutton (1)	$29,687	$2,820	$32,507
Byron Beath (3)	$35,000	-	$35,000
Murray Pollock	$28,273	$2,686	$30,959

1 In addition to the above payments, these Directors received payments for their contribution to the due diligence process for the Company's IPO, prior to their appointment as Directors. This was $44,000 for Ms Sutton and $52,000 for Ms Smith-Gander.

2 Mr Broome's Director fees are paid to B&H Consulting & Engineering Pty Ltd, an entity in which Mr Broome is a director and shareholder. Mr Broome was previously the Non-Executive Chair of DDH1 Holdings Pty Ltd and he was on $80,000 per annum. He increased to $110,000 in March 2021.

3 Mr Beath's Director fees are paid to Oaktree Capital Management an entity which is part of the Oaktree Capital Management Group of which Mr Beath is an employee.

Year Ended 30 June 2020	Short Term Employee Benefits	Post – Employment Benefits	
Non-Executive Director	Fees	Superannuation	Total
Alan Broome (1)	$80,000	-	$80,000
Byron Beath	-	-	-

1 Mr Alan Broome's director fees are paid to B&H Consulting & Engineering Pty Ltd, an entity in which Mr Broome is a director and shareholder.

Remuneration Report (Audited)

7. ADDITIONAL disclosures relating to security holdings

Executive allocated, vested or lapsed securities

Grant and vesting of equity-settled awards made to executives in connection with the Company's Long-Term Incentive Plan is set out in the following table:

Number Granted							
Executive	Grant date	Instrument	Number Granted	% vested in FY21	% Forfeited in FY21	Vesting date	Fair value of shares / rights at the grant date
Sy van Dyk	4 Mar 2021	Performance Rights	204,545	-	-	30 June 2023	$172,431
Ben MacKinnon	4 Mar 2021	Performance Rights	113,636	-	-	30 June 2023	$95,795
Sy van Dyk	30 Nov 2018	M Class Shares	4,420,000	100%	-	4 Mar 2021	$2,000,271
Sy van Dyk	17 Dec 2018	M Class Shares	205,000	100%	-	4 Mar 2021	$92,773
Ben MacKinnon	31 May 2018	M Class Shares	1,104,896	100%	-	4 Mar 2021	$500,021

As detailed in Section 3C of this Remuneration Report, Executives held Plan Shares issued under a Management Equity Plan. During the current reporting period, the Plan Shares converted them into Ordinary Shares.

Mr van Dyk held a total of 5,083,000 Plan Shares which converted to ordinary fully paid shares. The Plan Shares issued to Mr van Dyk were issued on 30 November 2018 and 17 December 2018.

Mr MacKinnon held a total of 1,104,896 Plan Shares which converted to ordinary fully paid shares. The Plan Shares issued to Mr MacKinnon were issued on 31 May 2018.

As detailed in Section 3C of this Remuneration Report, all of the above Plan Shares are subject to escrow.

Performance Rights held by executives at 30 June 2021

The below table represents the number of performance rights granted and held by executives during the reporting period:

Executive	Balance at beginning of year	Granted as remuneration during year	Exercised during year	Lapsed during year	Balance at end of year	Exercisable	Non-Exercisable
Sy van Dyk	-	204,545	-	-	204,545	-	204,545
Ben MacKinnon	-	113,636	-	-	113,636	-	113,636

Remuneration Report (Audited)

Shareholdings held by KMPs at 30 June 2021

The following tables details the number of ordinary shares in DDH1 Limited held by the KMPs during the reporting period:

Executive & Directors	Balance at beginning of year	Issued on exercise of rights during the year	Conversion of M Class	Issued on IPO	Balance at end of year
Sy van Dyk	-	-	4,625,000	341,795	4,966,795
Ben MacKinnon	-	-	1,104,896	-	1,104,896
Diane Smith Gander, AO	1	-	-	45,455	45,456
Alan Broome, AM	-	-	-	45,455	45,455
Byron Beath	-	-	-	-	-
Murray Pollock	-	-	-	47,419,961	47,419,961
Andrea Sutton	-	-	-	45,455	45,455

8. Loans to key management personnel and their related parties

As detailed in Section 3C of this Remuneration Report, Mr van Dyk and Mr MacKinnon held Plan Shares. A non-recourse loan was provided to each to fund the purchase of the M Class Plan Shares.

Accordingly, there is currently an outstanding non-recourse loan for the 4,625,000 shares issued to Mr van Dyk and 1,104,896 shares issued to Mr MacKinnon. The value of the loans associated with the Executives is 45.3 cents per share. The non-recourse loans are payable on the sale of shares or at 10 years from the date that the M Class shares were issued.

9. Other transaction balances with key management personnel and their related parties

Outside of the information provided in the above sections, there were no other transaction balances with KMP's and / or their related parties during the year ended 30 June 2021 or the comparative period ended 30 June 2020.

This concludes the end of the remuneration report

Directors' Report

Indemnity of Officers and Auditors

The Company has paid premiums to insure each of the Directors and Company Officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director or Officer of the Company other than conduct involving a wilful breach of duty in relation to the Company. The premium paid is not stated as it is prohibited under the contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceeding during the year.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the Auditor, Deloitte are outlined in Note 33 to the financial statements.

The Directors are satisfied that the provision of these non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

- None of the services undermines the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's work, acting in a management or decision-making capacity for the company, acting as an advocate for the company or jointly sharing economic risks and rewards.

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.

Approval of Directors' Report

This Directors' Report is made in accordance with a resolution of the Board of Directors pursuant to section 298(2) of the *Corporations Act 2001*.

Diane Smith-Gander. AO
Chairperson

Dated this 26th day of August 2021

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

26 August 2021

Dear Board Members

Auditor's Independence Declaration to 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 audit of the financial report of DDH1 Limited for the year ended 30 June 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 audit; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

N Menezes

Nicole Menezes
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
Revenue	4	294,606,123	249,791,573
Other income	4	4,206,448	2,284,615
Other gains and losses	4	(138,740)	610,122
Advertising expenses		(450,235)	(336,638)
Drilling consumables		(32,686,395)	(26,978,076)
Employee and contract labour expenses	5	(132,090,940)	(107,521,921)
Fuel and oil expenses		(6,456,998)	(7,228,054)
Freight and couriers		(3,909,029)	(2,875,705)
Insurance expenses		(3,123,413)	(1,990,314)
Legal and consultant expenses		(699,205)	(3,359,738)
Hire of plant		(8,500,729)	(7,777,147)
Rent expense		(629,115)	(835,027)
Service and repair expense		(23,869,346)	(18,301,961)
Travel expenses		(10,412,376)	(9,759,123)
IPO expenses		(7,430,890)	-
Other expenses		(2,805,269)	(2,444,244)
EBITDA		**65,609,891**	**63,278,362**
Depreciation expense	5	(21,527,810)	(21,271,129)
Amortisation expense	5	(2,151,288)	(2,618,346)
EBIT		**41,930,793**	**39,388,887**
Interest income		1,433	37,696
Finance costs	5	(2,526,010)	(4,048,599)
Profit before tax		**39,406,216**	**35,377,984**
Income tax benefit / (expense)	18	17,779,567	(10,737,611)
Profit for the year		**57,185,783**	**24,640,373**
Other comprehensive income, net of income tax		**-**	**-**
Total comprehensive income for the year		**57,185,783**	**24,640,373**
Profit attributable to owners of the parent		**57,185,783**	**24,640,373**
Total comprehensive income attributable to owners of the parent		**57,185,783**	**24,640,373**
Earnings per share			
Basic (cents per share)	20	18.58	8.46
Diluted (cents per share)	20	18.02	8.08

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
As at 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	14,590,659	37,580,769
Trade and other receivables	7	55,695,509	41,887,803
Inventories	8	26,098,345	23,621,065
Current tax asset		4,278,721	-
Other current assets	9	1,221,488	728,734
TOTAL CURRENT ASSETS		**101,884,722**	**103,818,371**
NON-CURRENT ASSETS			
Financial assets	10	562,105	569,432
Intangible assets	11	30,818,630	32,898,889
Property, plant and equipment	12	129,414,863	107,220,400
Right of use assets	13	4,229,289	5,071,920
Deferred tax asset	19	14,412,598	-
TOTAL NON-CURRENT ASSETS		**179,437,485**	**145,760,641**
TOTAL ASSETS		**281,322,207**	**249,579,012**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	28,756,769	21,827,852
Lease liabilities	15	3,217,019	2,277,532
Borrowings	16	-	3,344,427
Current tax liabilities		-	5,739,697
Provisions	17	8,433,280	5,277,042
TOTAL CURRENT LIABILITIES		**40,407,068**	**38,466,550**
NON-CURRENT LIABILITIES			
Lease liabilities	15	6,424,458	6,189,289
Borrowings	16	-	58,104,752
Provisions	17	803,621	585,089
Deferred tax liabilities	19	-	10,972,943
TOTAL NON-CURRENT LIABILITIES		**7,228,079**	**75,852,073**
TOTAL LIABILITIES		**47,635,147**	**114,318,623**
NET ASSETS		**233,687,060**	**135,260,389**
EQUITY			
Issued capital	21	375,025,254	209,665,283
Group reorganisation reserve	22	(266,574,171)	(140,812,242)
Share based payment reserve	23	3,837,229	2,194,383
Retained earnings	24	121,398,748	64,212,965
TOTAL EQUITY		**233,687,060**	**135,260,389**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Note	Issued Capital $	Group Reorganisation Reserve $	Share Based Payment Reserve $	Retained Earnings $	Total Equity $
DDH1 Holdings Pty Ltd						
Balance as at 1 July 2019		209,665,283	(140,812,242)	1,957,807	42,470,307	113,281,155
Profit for the year		-	-	-	24,640,373	24,640,373
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**24,640,373**	**24,640,373**
Share-based payment expense	23 / 30	-	-	236,576	-	236,576
Dividends paid	25	-	-	-	(2,897,715)	(2,897,715)
As at 30 June 2020		**209,665,283**	**(140,812,242)**	**2,194,383**	**64,212,965**	**135,260,389**
DDH1 Limited						
Balance as at 1 July 2020		1	-	-	-	1
Profit for the year		-	-	-	57,185,783	57,185,783
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**57,185,783**	**57,185,783**
Group reorganisation	22	226,427,211	(266,574,171)	2,194,383	64,212,965	26,260,388
Issued capital	21	150,000,000	-	-	-	150,000,000
Share issue costs	21	(2,059,892)	-	-	-	(2,059,892)
Employee gift shares	21	657,934	-	-	-	657,934
Share-based payment expense	23 / 30	-	-	1,642,846	-	1,642,846
As at 30 June 2021		**375,025,254**	**(266,574,171)**	**3,837,229**	**121,398,748**	**233,687,060**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		314,190,478	280,662,250
Payments to suppliers and employees		(245,434,282)	(211,508,792)
Finance costs		(2,526,011)	(4,148,909)
Interest received		1,433	37,696
Income tax paid		(17,624,392)	(8,394,669)
Net cash generated by operating activities	6(b)	**48,607,226**	**56,647,576**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		312,280	1,142,050
Payments for property, plant and equipment		(39,251,061)	(28,110,774)
Payments for intangibles		(71,029)	(66,307)
Proceeds from sale of financial assets		94,587	-
Net cash used in investing activities		**(38,915,223)**	**(27,035,031)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		41,000,000	-
Share issue costs		(9,490,782)	-
Repayment of lease liabilities		(2,742,152)	(3,850,015)
Repayment of borrowings		(61,449,179)	(2,196,007)
Dividends paid	25	-	(2,897,715)
Net cash used in financing activities		**(32,682,113)**	**(8,943,737)**
Net (decrease) / increase in cash and cash equivalents		(22,990,110)	20,668,808
Cash and cash equivalents at beginning of the year		37,580,769	16,911,961
Cash and cash equivalents at the end of the year	6(a)	**14,590,659**	**37,580,769**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

1. General Information

The financial report covers DDH1 Limited (the "**Company**") and the subsidiaries it controlled during the year (the "**Group**"). The Company is listed on the Australian Securities Exchange (ASX Code: DDH).

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 Road, Canning Vale, Western Australia 6155.

At 30 June 2020, the Company was dormant. In March 2021, the Company undertook a restructure, and the principal activities of the Company and the Group include the provision of drilling services to the exploration, mining, and energy industries, in Australia. The financials were authorised for release on 26 August 2021.

Summary of significant accounting policies

1.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board ("AASB") and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

1.2 Basis of preparation

The 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 re-valued amounts or fair values, as explained in the accounting policies below. 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 otherwise noted.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing asset or liability at the measurement date.

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. For the purposes of accounting, this has been considered a group reorganisation (refer to Notes 21 and 22).

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. The comparative information for the period ended 30 June 2020 is that of DDH1 Holdings for the financial year ended on that date.

For subsequent reporting periods, DDH1 Limited will constitute the parent entity of the Group and will present consolidated financial statements. However, for accounting purposes, the consolidated financial statements will be a continuation of those of DDH1 Holdings except that the share capital is that of the Company.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.2 Basis of preparation (continued)

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

a) **Consolidated Statement of Profit or Loss and Other Comprehensive Income**
The current financial year results are that of the combined Group. The comparative information is that of DDH1 Holdings and its controlled entities for the year ended 30 June 2020 (referred to as "**DDH1 Holdings Group**")

b) **Consolidated Statement of Financial Position**
The consolidated statement of financial position as at 30 June 2021 represents the combined Group. The consolidated statement of financial position for the comparative period is that of the DDH1 Holdings Group.

c) **Consolidated Statement of Changes in Equity**
The consolidated statement of changes in equity presents the DDH1 Holdings Group for the comparative period, while the current year represents the movement of the Company for the year ended 30 June 2021. The equity balances as at 30 June 2021 are that of the combined Group. The Group Reorganisation Reserve (refer to Note 22) represents the excess of the fair value of the shares issued by the Company on 9 March 2021 over the carrying value of the net assets of the DDH1 Holding Group as of that date.

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

e) **Equity Structure**
With effect from the Group Restructure on 9 March 2021, the number of shares on issue is that of the legal parent, DDH1 Limited. On the restructuring of the Group, and upon listing on the ASX, the Company issued 342,804,678 shares (refer to Note 21).

The principal accounting policies adopted by the Group are set out below.

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affects its returns.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The total comprehensive income of subsidiaries is attributed to the owners of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.3 Basis of consolidation (continued)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values, and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

1.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 *Share-Based Payments* at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.4 Business combinations (continued)

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates, and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

1.5 Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

1.6 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue is recognised for the major business activities as follows:

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.6 Revenue recognition (continued)

(i) Drilling revenue

The Group provides a range of drilling services to its clients in the mining, exploration and broader resources sector. Drilling service contracts can be long or short term and are generally structured as an overarching master agreement, with individual work orders made by the customer. Each work order will specify the services to be performed. The combination of the master agreement and each work order forms a contract with the customer.

The revenue derived from these services is recognised when the work has been completed as per the clients' directions and in the accounting period in which the services were rendered. Revenue is determined either on a per-day or per-metre rate, depending on the specific contract.

Contracts entered into can cover services that involve different processes and continuous drilling services activities in a sequential set of mobilisation, drilling, and demobilisation activities which are invoiced to the customer as those activities progress.

These processes and activities are highly interrelated, and the Group provides a significant service of integration of such activities. Where this is the case, these activities and processes are accounted for as one performance obligation.

Revenue from services rendered is recognised in the statement of profit and loss and other comprehensive income over time. The Group has a contractual right to consideration from a customer for an amount that corresponds directly with the value to the customer of the performance completed to date (for example, number of meters drilled). As a result, the Group applies the practical expedient to recognise revenue at the amount which it has the right to invoice.

Customers are invoiced on a monthly basis, and revenue is recognised in the accounting period in which the right to invoice is obtained. Payment is received following invoice according to standard payment terms, which are generally between 30 to 60 days. Most drilling services contracts do not include variable payment terms.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. There are no significant financing components.

All revenue is stated net of the amount of goods and services tax (GST).

1.7 Leases

The Group assesses whether a contract is or contains a lease at the inception of the contract. Leases are recognised as a right of use asset and a corresponding liability at the date on which the leased asset is available for use by the Group, except for short term leases or low value assets. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.7 Leases (continued)

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If the rate can not be determined, the lessee's incremental borrowing rate is used being the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease liabilities include the value of the following lease payments, where applicable:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lease under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances;
- The lease payments change due to changes in an index or rate or a change in expected payments under a guaranteed residual value;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right of use assets comprise the initial measurement of the corresponding lease liability, less any lease incentives received and any initial direct costs. They are subsequently measured as cost less accumulated depreciation and any impairment losses.

The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. The lease term is the current contracted lease term and the term of any lease extension option where there is a likelihood that the option to extend the lease will be exercised. The right of use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 *Impairment of Assets* to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in Note 1.14.

The Group applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered low value (i.e. below $5,000). Lease payments on short-term leases and leases of low-value assets recognised as an expense in profit or loss on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.8 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

1.9 Borrowing Costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.10 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

1.11 Income taxes

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group in Australia. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is DDH1 Limited, who is also the ultimate head of the Group. During the current reporting period, the Group completed a corporate restructure (refer section 1.2) in March 2021 and as part of this restructure all entities in the Group were brought into the tax consolidation group.

Tax expense, income tax benefits, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.11 Taxation (continued)

Current tax liabilities of the members of the tax-consolidation group are recognised by the Company (as the head entity in the tax consolidation group).

The Company and each member of the tax-consolidation group have entered into a tax funding arrangement, in terms of which the Company and its subsidiary in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.12 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Recognition and measurement (continued)

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. On-going repairs and maintenance are expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment using both the diminishing value basis or straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss. Assets under hire purchase arrangements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. If we are reasonably certain the depreciation will be on the useful lives. Land is not depreciated.

The depreciation rates used for the current and comparative years of significant items of property, plant and equipment are as follows:

Classes of Fixed Asset	
Plant & equipment	6.67% - 50%
Motor vehicles	6.67% - 25%
Drilling rigs	6.67% - 12.50%
Office equipment, furniture & fittings	10% - 50%

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.13 Intangibles

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimate useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Customer relationships

Customer relationships acquired are initially recognised at fair value and are subsequently carried at amortised cost. Customer relationships are amortised to profit or loss using the straight-line method over the contract period or estimated useful life of the relationship, whichever is shorter.

1.14 Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.14 Impairment of tangible and intangible assets excluding goodwill (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventories are determined after deducting rebates and discounts received or receivable. Costs are assigned on a weighted average basis.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchases 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.

1.16 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.16 Financial instruments (continued)

Financial assets (continued)

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in "interest income" on the statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.16 Financial instruments (continued)

Financial assets (continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost (see (i) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL; and
- Debt instruments that do not meet the amortised cost criteria are classified as at FVTPL. In addition, debt instruments that meet the amortised cost criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other income' line item (Note 4). Fair value is determined in the manner described in Note 26(a).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, and contract assets. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Definition of default

The Group considers a customer going into administration as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet this criteria are generally not recoverable when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.16 Financial instruments (continued)

Financial assets (continued)

(ii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery (e.g. when the debtor has been placed under liquidation, it has entered into bankruptcy proceedings or when the financial asset is over two years past due). Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.16 Financial instruments (continued)

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. The Group does not have any financial liabilities held for trading or that has been designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The Group does not have any hedging activities in the years presented. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including fees all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in profit or loss.

1.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.18 Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified awards, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

1.19 Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified within operating cash flows.

1.20 Application of new and revised accounting standards

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (“AASB”) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020. None of the new standards and interpretation had a material impact on the Group.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

1.21 Standards and interpretations issued but not yet adopted

New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of the financial statements, the following relevant new and revised Australian Accounting Standards, Interpretations and amendments have been issued but are not yet effective:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020 – 1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*	1-Jan-23	30-Jun-24
AASB 2020 – 3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	1-Jan-22	30-Jun-23
AASB 2020 – 8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*	1-Jun-21	30-Jun-22
AASB 2021 – 2 *Amendments to Australian Accounting Standards – Accounting Policies and Definition of Accounting Estimates*	1-Jan-23	30-Jun-24

Management and the Directors have reviewed the above and consider that none of them are likely to have a material impact on the Group when initially adopted in future accounting periods.

2. Critical accounting judgements and key sources of estimation uncertainty

The Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key judgements, estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful life of customer relationships

The useful life of customer relationships acquired in business combinations are assessed at the time of acquisition. This requires estimation and judgement. Amortisation of customer relationships is based on the useful life assigned at that time to that contract. Customer relationships are amortised based on a straight line basis of the estimated useful life as assigned on acquisition.

In the event of an impairment, the change in carrying value will be recognised immediately through profit or loss for the period.

Impairment testing

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates such as growth rates, discount rates and EBITDA margins. The results of impairment tests are disclosed in Note 11.

Notes to the Consolidated Financial Statements (continued)

Summary of significant accounting policies (continued)

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Useful life of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Where this is a significant change in the recoverable value of the property, plant and equipment due to a change in judgment of its useful life, the recoverable value will be adjusted to reflect this change and the depreciation charge recognised adjusted as required.

Calculation of loss allowance

As disclosed in the accounting policies, an estimate of ECL is made. Bad debts are written off when identified. The allowance for ECL assessment requires significant estimation. The Directors and management utilise the most recent information available to them such as the aging of the receivable, historical experience, historical collection rates and specific knowledge of the individual debtor situations to make their estimation of the recovery of the trade receivables. When the assessment is made that there is an expected credit loss to be incurred, an allowance will be raised against the trade receivables to account for this expected loss. Where the estimation is different to actual results, carrying amounts are adjusted in the next financial period.

Right of use asset and lease liabilities

The Group has exercised its judgement in its assessment. This judgement is in reference to managements view that it is reasonably certain that it will extend their leases at two of their office premises for a further 5 years from the original lease term. This judgement results in a higher initial recognition of a lease liability and a corresponding right of use asset.

Income tax

As disclosed in Note 1.11, the Company is part of a tax consolidation group which is subject to income tax in Australia. Significant judgement and estimation is required in determining the provisions for income tax. In some instances, the financial statements of the Group are finalised prior to the final lodgement of income tax returns of the consolidated tax group for that particular financial year or previous lodged tax returns may be amended from time to time. When the final tax position on lodgement of these returns differs from the financial statement position, or when an amended tax return is performed and lodged, an adjustment will be completed in the following's years financial report to reflect the impact of the tax position. This may result in differences to the amounts initially recorded, and such differences will impact the tax position of the Company and / or the Group. As per Note 18 and 19 to the financials, during the year, a tax base reset has occurred. An external valuer has been used to perform the valuation of the assets in connection with this asset base reset. The information in this valuation has been utilised by the Group's external tax consultants to formulate the tax position of the Group at year end.

Share based payments

The Group measures the cost of equity settle 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 using an appropriate valuation model. Judgement is required in estimating the anticipated timing of vesting on equity settled transactions. The valuation basis and related assumptions are detailed in Note 30. The accounting estimates and assumptions relating to equity settled transactions would not impact on the carrying value of assets and liabilities within the next annual report, but may impact expenses and equity.

Notes to the Consolidated Financial Statements (continued)

3. 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, EBITDA, EBIT, 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 4. Those who individually account for greater than 5% of the Group's total revenue in either the current or comparative period are detailed below. This table sets out the applicable revenue percentage generated from each customer over the Groups' revenue.

	30 June 2021 %	30 June 2020 %
Revenue by major customer		
External Customer 1	10.4	10.1
External Customer 2	4.5	7.0
External Customer 3	5.4	6.8
External Customer 4	4.8	6.4
External Customer 5	7.1	6.3
External Customer 6	5.0	6.1
External Customer 7	3.7	5.3
External Customer 8	4.6	5.3

Notes to the Consolidated Financial Statements (continued)

4. Revenue

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

	Note	30 June 2021 $	30 June 2020 $
Revenue			
Revenue from the rendering of drilling services over time		294,606,123	249,791,573
Total revenue from continuing operations		**294,606,123**	**249,791,573**
Other income			
Diesel fuel rebate		1,634,969	1,884,543
Training booster incentive		1,986,731	-
Other income		584,748	400,072
		4,206,448	**2,284,615**
Other gains and losses			
Net fair value gains / (losses) on equity investments		(162,740)	31,519
Net foreign exchange gains / (losses)		(54)	(29,539)
Gain on disposal of property, plant and equipment		24,054	608,142
Other gains and losses from continuing operations		**(138,740)**	**610,122**

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	30 June 2021 $	30 June 2020 $
Commodity			
Gold		142,376,412	122,601,033
Gold / Copper		42,933,824	27,893,410
Copper		20,610,085	23,799,771
Nickel		20,693,827	17,567,205
Iron Ore		53,337,963	46,368,120
Other		14,614,012	11,562,034
		294,606,123	**249,791,573**
Drilling type			
Surface drilling		274,503,285	235,834,524
Underground drilling		10,353,263	8,330,734
Other		9,749,575	5,626,315
		294,606,123	**249,791,573**

Notes to the Consolidated Financial Statements (continued)

5. Expenses

Profit before income tax includes the following specific expenses:

	Note	30 June 2021 $	30 June 2020 $
Finance costs consists of:			
Interest on syndicated loan		(1,755,321)	(3,505,257)
Interest on lease liabilities		(427,171)	(502,265)
Loan establishment fees		(250,000)	-
Other finance costs		(93,518)	(41,077)
Total finance costs		**(2,526,010)**	**(4,048,599)**
Depreciation expense consists of:			
Depreciation on property plant and equipment	12	(20,685,179)	(20,473,826)
Depreciation on right of use asset	13	(842,631)	(797,303)
Total depreciation expense		**(21,527,810)**	**(21,271,129)**
Amortisation expense consists of:			
Amortisation of customer relationships	11	(2,148,274)	(2,603,673)
Amortisation of software development	11	(3,014)	(14,673)
Total amortisation expense		**(2,151,288)**	**(2,618,346)**
Employee and contract labour expense consists of:			
Director Fees		(190,178)	-
Salary and wages including bonuses as well as sick, annual and long service leave		(105,216,903)	(87,549,878)
Superannuation expense		(7,744,328)	(6,767,728)
Share based payment – M Class shares	23 / 30	(1,508,899)	(236,576)
Share-based payment – Long term incentive plan	23 / 30	(133,947)	-
Share-based payment – employee gift shares	21	(657,934)	-
Other	(a)	(16,638,751)	(12,967,739)
Total		**(132,090,940)**	**(107,521,921)**

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

Notes to the Consolidated Financial Statements (continued)

6. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows.

	Note	30 June 2021 $	30 June 2020 $
6(a) Cash at bank and on hand			
Petty cash		1,458	1,174
Cash at bank		14,589,201	37,579,595
Net cash at bank		**14,590,659**	**37,580,769**

The carrying amount of these assets is approximately equal to their fair value. Cash at bank represents amounts held in the Group's trading accounts. Interest is payable on closing balances at 0.0% (FY20: 0.0%)

6(b) Reconciliation of profit for the year to net cash flows from operating activities

	Note	30 June 2021 $	30 June 2020 $
Profit for the period after income tax		**57,185,783**	**24,640,373**
Non-cash items in profit or loss:			
Shares received as compensation		(250,000)	(22,246)
Depreciation of non-current assets		21,527,810	21,271,129
Amortisation of non-current assets		2,151,288	2,618,346
Net gains on disposal of plant and equipment		(24,054)	(608,142)
Share-based payment expense		2,300,780	236,576
Finance costs		-	312,755
IPO costs included within profit or loss		7,430,890	-
Non-cash gain / (loss) on financial asset		162,740	(31,519)
Change in assets and liabilities:			
(Increase) / decrease in inventories		(2,477,280)	(1,080,797)
(Increase) / decrease in current receivables		(13,807,706)	5,915,990
(Increase) / decrease in other assets		(492,754)	54,849
Increase / (decrease) in trade and other payables		6,928,917	(33,408)
Increase / (decrease) in current taxes		(10,018,418)	2,977,027
Increase / (decrease) in deferred taxes		(25,385,541)	(634,084)
Increase / (decrease) in provisions		3,374,771	1,030,727
Net cash from operating activities		**48,607,226**	**56,647,576**

Notes to the Consolidated Financial Statements (continued)

6. Cash and cash equivalents (continued)

Non-cash transactions:

In the current and prior financial year, the Group entered into the following:

- The Group obtained new hire purchase arrangements for its drill rig assets. The value is shown in the table below.
- Issued employee gift shares as part of the IPO. This resulted in an expense being recognised as a share-based payment of $657,934 (2020: nil).

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-Cash		
	Balance at 30 June 2019	Financing cash flows	Recognition of lease liabilities	Additions to HP liabilities	Balance at 30 June 2020
Borrowings	63,645,187	(2,196,008)	-	-	61,449,179
Lease liabilities	4,360,750	(3,850,015)	5,918,989	2,037,097	8,466,821
	68,005,937	**(6,046,023)**	**5,918,989**	**2,037,097**	**69,916,000**

			Non-Cash		
	Balance at 30 June 2020	Financing cash flows	Recognition of lease liabilities	Additions to lease liabilities	Balance at 30 June 2021
Borrowings	61,449,179	(61,449,179)	-	-	-
Lease liabilities	8,466,821	(2,742,152)	-	3,916,808	9,641,477
	69,916,000	**(64,191,331)**	**-**	**3,916,808**	**9,641,477**

Notes to the Consolidated Financial Statements (continued)

7. Trade and other receivables

	Note	30 June 2021 $	30 June 2020 $
Current			
Trade receivables		55,685,817	41,715,668
Loss allowance		-	-
		55,685,817	**41,715,668**
Other debtors		9,692	172,135
		55,695,509	**41,887,803**

Trade receivables are non-interest bearing and are normally settled on 30 to 60 day terms.

The Group always measure the loss allowance for trade receivables at an amount equal to lifetime expected credit loss ("ECL"). The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The assessed ECL is not material.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

At the date of signing, no debtors were considered uncollectable by the Group.

Credit risk and ageing of trade receivables

The class of assets described as "trade receivables" is considered the main source of credit risk related to the Group. The Group does not hold any collateral over these balances.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair values.

As at 30 June, the ageing analysis of trade receivables is as follows:

Current	44,493,225	30,411,801
One to three months	11,192,592	7,986,338
Three to six months	-	3,317,529
	55,685,817	**41,715,668**

Notes to the Consolidated Financial Statements (continued)

8. Inventories

	Note	30 June 2021 $	30 June 2020 $
Current			
Consumable stores & spare parts		26,098,345	23,621,065
		26,098,345	**23,621,065**

The Group maintains an inventory of drilling parts and spares for use in the rendering of drilling services. Inventory is measured at the lower of cost and net realisable value. An ongoing review is conducted in order to ascertain whether items are obsolete or damaged, and if so determined, the carrying amount of the item is written down to its net realisable value. There were no such write-downs for the year ended 30 June 2021 (30 June 2020: Nil).

The cost of inventories recognised as a consumable expense during the year in respect of continuing operations was $30,284,660 at 30 June 2021 (30 June 2020: $23,106,827).

9. Other assets

Current		
Prepayments	1,214,888	722,134
Rental bond	6,600	6,600
	1,221,488	**728,734**

10. Financial assets

Financial assets mandatorily measured at FVTPL		
Equity investments	562,105	569,432
	562,105	**569,432**

The Group holds investments in listed and non-listed companies. The investment in equity instruments is not held for trading. Instead, it is held for medium to long term strategic purposes. The investments in equity instruments are measured at FVTPL.

The Group holds less than 1% of the ordinary shares of St George Mining Limited and Victory Mines Limited. All of these companies are involved in mineral exploration in Australia and are listed on the ASX. The directors of the Group do not consider that the Group is able to exercise significant influence over any of these entities due to the minor nature of the Group's shareholding.

In addition, the Group holds ordinary shares and performance rights in Serena Minerals Limited ("Serena"), a company involved in mineral exploration in Australia. The ordinary shares are less than 1% of the ordinary shares of Serena, and the performance rights do not give rise to a significant stake in Serena. Serena is a non-listed and private entity. The Directors of the Group do not consider that the Group is able to exercise significant influence over Serena due to the minor nature of its shareholding.

Notes to the Consolidated Financial Statements (continued)

11. Intangibles

	Note	30 June 2021 $	30 June 2020 $
Customer relationships			
Opening balance		7,271,387	9,875,060
Amortisation expense		(2,148,274)	(2,603,673)
		5,123,113	**7,271,387**
Goodwill			
Opening balance		25,381,304	25,381,304
Impairment expense		-	-
		25,381,304	**25,381,304**
Software development			
Opening balance		246,198	194,564
Additions		71,029	66,307
Amortisation expense		(3,014)	(14,673)
		314,213	**246,198**
Total intangibles		**30,818,630**	**32,898,889**

In the 2018 financial year, customer relationships were initially recognised from the acquisition of Strike Drilling Pty Ltd ("Strike"). These are amortised on a straight-line basis over six years and resulted in amortisation of $917,886 (2020: $917,886) this financial year. Additionally, in the 2019 financial year customer relationships were recognised as a result of the acquisition of Ranger Exploration Drilling Pty Ltd and Izett Holdings Pty Ltd (both referred to as "Ranger"). These customer relationships are amortised on a straight-line basis over a period of each contract. The contracts ranged from 1 – 4.5 years at the acquisition date. This has resulted in amortisation of $1,230,388 (2020: $1,685,787) this reporting period. The total amortisation expense this year was $2,148,274 (2020: $2,603,673).

Software development is amortised on a straight-line basis over a period of 4 – 5 years (2020: 4 – 5 years).

The goodwill recognised is in relation to the acquisition of Ranger and Strike in prior reporting periods. There is no other goodwill in the Group allocated to any other CGU's.

For impairment purposes, intangible assets are allocated to the cash-generating unit ("CGU") for which they were originally identified on acquisition.

Notes to the Consolidated Financial Statements (continued)

11. Intangibles

The Group performed the annual impairment test of the Strike and Ranger goodwill in June 2021. In considering the carrying value of the Strike and Ranger goodwill, the Directors have adopted a value in use methodology to determine the recoverable amounts of the respective Strike and Ranger CGU's. No indicators of impairment were noted and no impairment charge is necessary for either CGU.

The recoverable amount of each CGU has been determined based on a value in use calculation that uses the cash flow budget over a one year period, followed by an extrapolation of expected cash flows for the CGU over a four year period using the growth rates determined by management and the assumptions outlined below. The present value of the expected cash flows and a terminal value for the CGU is determined by applying a suitable discount rate.

Key assumptions used in the value in use calculation and sensitivity to changes in assumptions

The calculation of the value in use for the Strike and Ranger CGU's is most sensitive to the following assumptions:

- **Revenue Growth Rate**
  The growth rate has been set at the budget level for the 2022 financial year. For the following years, management have used a conservative growth rates for both the Strike and Ranger CGU's. A reasonable possible change is not likely to cause a material impairment.

- **Discount Rate**
  The discount rate represents the current market risks, taking into consideration the time value of money and specific risks not incorporated in the cash flow forecasts. The discount rate is based upon the weighted average cost of capital ("**WACC**"). WACC is assessed by taking into account the expected return on investment by investors, the cost of debt servicing, plus beta factors for industry risks. Management and the Directors have adopted a WACC of 9.40% for both the Strike and Ranger CGU's. An increase of 1% on the discount rate would have the impact of reducing headroom by approximately $9.5m in Strike and $14.5m in Ranger, which would not cause impairment to either CGU's. A reasonable possible change in the discount rate is not likely to cause a material impairment.

- **EBITDA Margin**
  The EBITDA margin for Strike and Ranger have been assigned at their budget levels for the 2022 financial year, and it has been assumed that these margins will remain constant for the remaining years of the cash flow model. A reasonable possible change in margin is not likely to cause a material impairment.

Notes to the Consolidated Financial Statements (continued)

12. Property, plant and equipment

	Plant and Equipment $	Motor Vehicles $	Drill Rigs $	Capital WIP $	Total $
At 1 July 2020					
Cost or fair value	25,204,566	64,346,008	154,580,123	2,408,927	246,539,624
Accumulated depreciation	(16,419,089)	(37,464,693)	(85,435,442)	-	(139,319,224)
Net book amount	**8,785,477**	**26,881,315**	**69,144,681**	**2,408,927**	**107,220,400**
Year ended 30 June 2021					
Opening net book amount	8,785,477	26,881,315	69,144,681	2,408,927	107,220,400
Additions	4,926,794	9,784,080	19,109,091	10,052,994	43,872,960
Transfer between class	337,627	917,279	2,737,060	(3,991,965)	-
Disposals	(191,815)	(604,398)	(197,105)	-	(993,318)
Depreciation	(3,000,067)	(5,644,968)	(12,040,144)	-	(20,685,179)
	10,858,016	**31,333,308**	**78,753,583**	**8,469,956**	**129,414,863**
At 30 June 2021					
Cost or fair value	30,277,172	74,442,970	176,229,169	8,469,956	289,419,267
Accumulated depreciation	(19,419,156)	(43,109,662)	(97,475,586)	-	(160,004,404)
Net book amount	**10,858,016**	**31,333,308**	**78,753,583**	**8,469,956**	**129,414,863**

	Plant and Equipment $	Motor Vehicles $	Drill Rigs $	Capital WIP $	Total $
At 1 July 2019					
Cost or fair value	20,857,041	58,143,008	138,002,706	185,895	217,188,650
Accumulated depreciation	(13,788,144)	(31,792,263)	(73,264,991)	-	(118,845,398)
Net book amount	**7,068,897**	**26,350,745**	**64,737,715**	**185,895**	**98,343,252**
Year ended 30 June 2020					
Opening net book amount	7,068,897	26,350,745	64,737,715	185,895	98,343,252
Additions	4,347,525	6,304,815	16,897,850	2,408,927	29,959,117
Transfer between class	-	-	185,895	(185,895)	-
Disposals	-	(101,815)	(506,328)	-	(608,143)
Depreciation	(2,630,945)	(5,672,430)	(12,170,451)	-	(20,473,826)
	8,785,477	**26,881,315**	**69,144,681**	**2,408,927**	**107,220,400**
At 30 June 2020					
Cost or fair value	25,204,566	64,346,008	154,580,123	2,408,927	246,539,624
Accumulated depreciation	(16,419,089)	(37,464,693)	(85,435,442)	-	(139,319,224)
Net book amount	**8,785,477**	**26,881,315**	**69,144,681**	**2,408,927**	**107,220,400**

Notes to the Consolidated Financial Statements (continued)

12. Property, plant and equipment (continued)

Property, plant and equipment comprise mainly of drilling rigs and associated vehicles and equipment. Directors and management continually monitor both domestic and overseas markets on new and used drill rig pricing and availability, and as a result, are of the opinion that the net written down book value of the Group's property, plant, and equipment is less than its recoverable amount.

Included in "Capital WIP" is deposits paid for drill rigs and other supporting equipment. Once fully acquired, the amount will be transferred appropriately to its class, and depreciation will commence.

13. Right of use assets

	Note	30 June 2021 $	30 June 2020 $
Opening balance		5,071,920	5,918,989
Less: Adjustments to cashflows from rent relief		-	(49,766)
Depreciation expense		(842,631)	(797,303)
Closing balance		**4,229,289**	**5,071,920**

The Group has three leases in place for office leases in Perth and another lease in place for a storage yard in Newman. The lease term ranges on these leases between 2-5 years.

Additionally, the Group has options to extend the lease term on some of its premises. It has exercised its judgement and determined that it is reasonably certain that they will extend the lease at two of its offices in Perth, Western Australia.

The Group does not have an option to purchase any of the properties at the end of the lease term.

In addition to the right of use assets, the Group has a number of short-term leases. The amount expensed on short term leases or low value assets during the financial year amounted to $2,666,663 (2020: $3,126,714).

Interest expense recognised within finance costs on the above right of use assets totalled $281,499 for the financial year.

Notes to the Consolidated Financial Statements (continued)

14. Trade and other payables

	Note	30 June 2021 $	30 June 2020 $
Current			
Trade creditors		18,743,898	12,850,382
Sundry creditors		691,248	300,849
Superannuation payable		699,163	407,262
Goods and services tax payable		2,659,621	2,265,166
Payroll tax payable		394,172	125,362
Accrued charges		5,315,345	3,563,968
Income in advance		68	1,986,403
Amounts withheld from salary, wages and other payments		161,748	111,397
Other payables		91,506	217,063
		28,756,769	**21,827,852**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Group has a financial risk management process to ensure that all payables are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates their fair value.

Notes to the Consolidated Financial Statements (continued)

15. Lease liabilities

		Note	30 June 2021 $	30 June 2020 $
Leases on office premises	(i)		4,653,656	5,336,110
Hire purchase liabilities	(ii)		4,987,821	3,130,711
Closing balance			**9,641,477**	**8,466,821**
Split as follows:				
Current			3,217,019	2,277,532
Non-Current			6,424,458	6,189,289
Closing balance			**9,641,477**	**8,466,821**

(i) These liabilities relate to the right of use assets as disclosed in Note 13 to the financials.

(ii) The hire purchase liabilities are secured by a registered charge over the asset. Each has a term of 3 years, with 36 monthly payments and no balloon payment. The applicable interest rate of the hire purchase liabilities is fixed and ranges between 1.90% - 4.23% (2020: 2.60% - 4.23%).

The Group does not face a significant liquidity risk with regard to its lease liabilities, and the fair value of the lease liabilities is approximately equal to the carrying amount.

Maturity Analysis:

	Note	30 June 2021 $	30 June 2020 $
Lease liability commitments			
Amounts payable under lease liabilities:			
Within one year		3,561,790	2,713,965
In the second to fifth years, inclusive		4,755,139	4,696,528
After five years		2,435,446	2,437,021
		10,752,375	**9,847,514**
Less: future finance charges		(1,110,898)	(1,380,693)
Present value of lease obligations		**9,641,477**	**8,466,821**

<u>Lease liabilities</u>

The Group has entered into a number of equipment lease liability arrangements with a range of lenders. Under the terms of these facilities, security is limited to the assets to which the facility relates. The Directors are of the opinion that the fair value of the assets pledged as security exceeds the carrying value of the lease liabilities to which they are related.

Notes to the Consolidated Financial Statements (continued)

16. Borrowings

	Note	30 June 2021 $	30 June 2020 $
Secured borrowings at amortised cost			
- Syndicated loans		-	61,449,179
Total borrowings		**-**	**61,449,179**
Amount due for settlement within 12 months			
- Syndicated loans		-	3,344,427
		-	**3,344,427**
Amount due for settlement after 12 months		-	58,104,752
		-	**58,104,752**

The syndicated loans were interest-bearing debts and were secured against all other assets of the business. The facility had a term of 4 years and was repayable at the end of that term. At year-end, an amount was repayable under the facility within the next 12 months from the reporting date. The applicable interest payable is variable. The entire syndicate loans were repaid on 10 March 2021, and the agreement was terminated.

The Group has entered into a new facility with Bankwest. The facility is a five-year multi-option facility for a maximum of $50,000,000. This facility at year-end has $700,000 assigned to a bank guarantee facility and the remaining $49,300,000 assigned to the overdraft facility. At year-end, 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.

Available borrowing facilities

	Note	30 June 2021 $	30 June 2020 $
Available facilities		60,000,000	65,208,860
Borrowings used at balance date		-	(61,449,179)
Lease liabilities used at balance date		(4,987,821)	(3,130,711)
Bank guarantees used at balance date	36	(628,970)	(628,970)
Unused at balance date		**54,383,209**	**-**

Banking covenants

The Company complied with and continues to comply with all banking covenants specified in its agreements with its financier.

Fair values

The Directors consider that the carrying value of borrowings approximates their fair values.

Notes to the Consolidated Financial Statements (continued)

17. Provisions

	Note	30 June 2021 $	30 June 2020 $
Provision for short-term incentive bonus		2,602,497	999,999
Provision for annual leave		4,447,789	3,195,145
Provision for long service leave		2,186,615	1,666,987
Total provisions		**9,236,901**	**5,862,131**
Analysis of total provisions:			
Current		8,433,280	5,277,042
Non-current		803,621	585,089
Total provisions		**9,236,901**	**5,862,131**

The Group recognises employee entitlements as current where an unconditional entitlement exists. This includes accrued annual leave and long service leave where employees have completed the required period of service or are otherwise entitled to pro-rata payments in certain circumstances. Based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

18. Income tax expense

Income tax expense recognised in profit

Income tax expense comprises:			
Current tax	(b)	6,987,394	11,375,158
Deferred tax		(24,766,961)	(637,547)
		(17,779,567)	**10,737,611**

The income tax expense for the year can be reconciled to the accounting profit as follows:

Profit before tax from continuing operations		39,406,216	35,377,984
Prima facie tax expense on profit from ordinary activities before income tax at 30%		11,821,865	10,613,395
- Non-deductible expenses		75,052	52,797
- Prior year over/under		607	-
- Share based payment		668,989	70,673
- Adjustment for consumables and WIP	(a)	(8,481,273)	-
- Adjustment for step up value on listed shares	(a)	(712,343)	-
- Adjustment for step up value on property, plant & equipment	(a)	(21,028,818)	-
- Other		(123,646)	746
		(17,779,567)	**10,737,611**

Notes to the Consolidated Financial Statements (continued)

18. Income tax expense (continued)

(a) As disclosed in Note 1.2 to the financials, DDH1 Limited acquired the previous DDH1 Holdings Pty Ltd group of entities. As required by law, we have reset the tax bases of assets held by the former DDH1 Holdings Pty Ltd tax consolidated group. As a result, a tax base reset has occurred, which has given rise to a significant step up in tax values on all assets of the former DDH1 Holdings Pty Ltd tax consolidated group including the property, plant & equipment of the Group. Accordingly, additional tax deductions arose for the period following the acquisition of DDH1 Holdings Pty Ltd, which resulted in a tax loss for the period 5 March to 30 June 2021. The potential tax benefit of this tax loss has been booked as a Deferred Tax Asset.

(b) For the period from 1 July 2020 to 4 March 2021, the former DDH1 Holdings Pty Ltd tax consolidated group was a separate taxpayer from the DDH1 Limited tax consolidated group. Its tax liability for the period was $6,987,394. The tax loss generated by the DDH1 Limited tax consolidated group for the year ended 30 June 2021 cannot be used to reduce the tax liability of the former DDH1 Holdings Pty Ltd tax consolidated group for the period prior to acquisition. Accordingly, the tax loss is carried forward as a Deferred Tax Asset in the manner described above and the current tax expense is reflective of tax on taxable income for the former DDH1 Holdings Pty Ltd tax consolidated group.

19. Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax asset against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	Note	30 June 2021 $	30 June 2020 $
The balance comprises temporary differences attributable to:			
Property, plant and equipment		10,911,609	-
Employee benefit provisions		2,715,671	1,769,937
Borrowing costs		282,492	357,015
Business-related expenses		2,771,345	677,125
Right of use asset		1,396,097	1,621,363
Other		7,154,497	174,830
Deferred tax assets		**25,231,711**	**4,600,270**
Intangibles		(1,536,933)	(2,181,416)
Inventories		(7,829,503)	(7,086,319)
Property, plant and equipment		-	(4,642,026)
Lease liabilities		(1,268,786)	(1,600,833)
Other		(183,891)	(62,619)
Deferred tax liabilities		**(10,819,113)**	**(15,573,213)**
Net deferred tax asset / (liabilities)		**14,412,598**	**(10,972,943)**

Notes to the Consolidated Financial Statements (continued)

19. Deferred tax (continued)

	30 June 2021 $	30 June 2020 $
Movements in the period:		
Opening balance at 1 July	(10,972,943)	(10,338,859)
Deferred tax on share issue costs	618,580	-
Credit / (Debit) to the income statement	24,766,961	(637,547)
Prior year adjustment	-	3,463
Closing balance at 30 June	**14,412,598**	**(10,972,943)**

20. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	30 June 2021	30 June 2020
Earnings for basic earnings per share being net profit attributable to owners of the Company	57,185,783	24,640,373
Earnings for the purposes of dilutive earnings per share	**57,185,783**	**24,640,373**
Number of shares		
The weighted average number of ordinary shares for basic earnings per share	**307,848,978**	**291,149,494**
Effect of dilutive potential ordinary shares:		
Performance rights	380,303	-
Share options (M Class and N Shares)	9,343,793	13,935,133
The weighted average number of ordinary shares for diluted earnings per share	**317,573,075**	**305,084,627**

The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations.

From continuing operations

Basic – cents per share	18.58	8.46
Diluted – cents per share	18.02	8.08

The 2020 comparative information relates to that of DDH1 Holdings, whilst the current year represents DDH1 Limited.

Notes to the Consolidated Financial Statements (continued)

21. Issued capital

Movement in issued capital	Note	Number of shares No.	Share capital $
DDH1 Limited			
Ordinary Shares			
Opening Balance at 1 July 2020		1	1
Group reorganisation	(a)	192,058,584	226,127,211
Issue of shares on IPO	(b)	136,363,636	150,000,000
Conversion of M Class shares	(c)	13,349,630	-
Conversion of N Class shares	(d)	458,000	300,000
Employee gift shares	(e)	574,827	657,934
Share issue costs		-	(2,059,892)
Closing Balance at 30 June 2021		**342,804,678**	**375,025,254**
Less Treasury Shares			
Opening Balance at 1 July 2020		-	-
Conversion of M Class Shares	(c)	13,349,630	-
Closing Balance at 30 June 2021		**13,349,630**	**-**
Balance at 30 June 2021		**329,455,048**	**375,025,254**

In the current reporting period, the following transactions occurred which impacted issued capital:

(a) A reorganisation of the Group occurred prior to the IPO (refer to Note 1.2). DDH1 Limited became the parent entity of the Group and as a result of this reorganisation, a Group Reorganisation Reserve was created, refer to Note 22. The original owners of DDH1 Holdings Pty Ltd received proceeds of $109,000,000 as part of a sell down of shares on the IPO. After the sell down, they were issued 192,058,584 shares in DDH1 Limited as part of the IPO.

(b) As part of IPO, $150,000,000 was raised, at a share price of $1.10 per share, with $109,000,000 paid to previous shareholders as per Note 21(a). Net proceeds of $41,000,000 were received by the Company and used to pay down debt within the business.

(c) All M Class shares as detailed in Note 30 were converted into ordinary shares of the Company, and at year end they are held as treasury shares. These shares are considered treasury shares as they are backed by a non-recourse loan which will not be paid until these shares are sold. Refer to Note 30 for further information.

(d) Mr van Dyk (Chief Executive Officer) paid the Company $300,000 in respect to the issue of 458,000 N Class shares in the 2019 financial year. These shares were converted into ordinary shares of DDH1 Limited.

(e) Shares were provided to eligible employees of the Company as part of the IPO. The employee shares are considered a share-based payment, and an expense has been recognised.

Notes to the Consolidated Financial Statements (continued)

21. Issued capital

Ordinary Shares

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

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

N Class Shares

N Class shares were previously issued in DDH1 Holdings Pty Ltd. They are non-voting shares but have similar rights to ordinary shares. They can participate in dividends and may participate in the proceeds on winding up of the Group in proportion if determined by the Board at that time. N Class shares are paid in full. They do not have any vesting conditions and carried the right to be converted into ordinary shares of the Company at the time of an exit event, being an IPO or a sale of the business. As the IPO occurred during the reporting period, all N Class Shares were converted into ordinary shares, and there are no longer any N Class shares.

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.

22. Group reorganisation reserve

	Note	30 June 2021 $	30 June 2020 $
DDH1 Limited			
Balance at 1 July		**-**	**-**
Group restructure	21	266,574,171	-
Balance at 30 June		**266,574,171**	**-**

In the current financial year ended 30 June 2021, the Company successfully listed on the ASX. As part of this process, a corporate restructure occurred, whereby DDH1 Limited, via its wholly owned subsidiary, acquired 100% of DDH1 Holdings Pty Ltd.

As a result of this transaction the group reorganisation reserve was created. The balance at year end represents the excess of the fair value of the shares issued by DDH1 Limited over the carrying value of the net assets of DDH1 Holdings Pty Ltd as at the date of the listing, which has resulted in an uplift of $266,574,171.

Notes to the Consolidated Financial Statements (continued)

23. Share-based payment reserve

	Note	30 June 2021 $	30 June 2020 $
Balance at 1 July		**2,194,383**	**1,957,807**
Share based payment expense for M Class shares		1,508,899	236,576
Share based payment expense for LTIP		133,947	-
Balance at 30 June		**3,837,229**	**2,194,383**

Management Equity Plan

The Group operated a Management Equity Plan ("the **Plan**"). This Plan had two additional classes of shares, being "M" Class and "N" Class (referred to as "**Plan Shares**").

Under the terms of the Plan, certain key senior employees were issued M Class shares, which may be purchased at a future date at a value as determined by the Board. These M Class shares may be converted to ordinary shares, subject to achievement of specific performance criteria and vesting conditions applicable at the time of an 'Exit Event'. The Plan Shares carried the right to receive dividends and participate in any return of capital as approved by the Board but did not have the right to attend general meetings or voting rights. During the year, all M Class shares have been converted to ordinary shares of DDH1 Limited and are held as Treasury Shares at year end. The share based payment expense in respect to the M Class shares will be held in the reserve until the non-recourse loans are repaid. Refer to Note 30 for further information.

M Class shares are accounted for as a share-based payment. A share based payment expense related to these M Class shares grant, totalling $1,508,899 (2020: $236,576), was recognised in the period. There are no further amounts to be expensed in relation to the M Class shares.

Long Term Incentive Plan ('LTIP')

During the year, 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 credit to equity of $133,947 (2020: nil).

Refer to share-based payments information at Note 30 for further details on share-based payments.

Notes to the Consolidated Financial Statements (continued)

24. Retained earnings

	Note	30 June 2021 $	30 June 2020 $
Balance at 1 July		**64,212,965**	**42,470,307**
Dividends paid	25	-	(2,897,715)
Net profit for the year		57,185,783	24,640,373
Balance at 30 June		**121,398,748**	**64,212,965**

25. Dividends

	Note	30 June 2021 $	30 June 2020 $
Amounts recognised as distributions to equity holders in the year:			
Dividend declared at $0.01 per share	(a)	-	3,000,000
Franked dividends			
Franking credits available for subsequent reporting periods based on a tax rate of 30.0%		38,540,103	21,101,707

The above amounts are calculated from the franking account balance as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

(a) A fully franked dividend of $3,000,000 was declared in DDH1 Holdings to ordinary, N Class and M Class shareholders during the comparative year. An amount of $2,897,715 was paid, with the difference of $102,285 applied against the loans for the M Class shares.

(b) No other dividends have been declared or paid during the current reporting year. Post year-end, a fully franked dividend was declared. Refer to Note 36.

Notes to the Consolidated Financial Statements (continued)

26. Financial instruments

(a) Classes and categories of financial instruments and their fair values

The following table discloses information about:

- classes of financial instruments, including their nature and characteristics;
- the carrying amounts of financial instruments; and
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value).

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Financial assets		Financial liabilities		
	FVTPL	Amortised cost	FVTPL	Amortised cost	Total
2021	$	$	$	$	$
Cash and bank balances	-	14,590,659	-	-	14,590,659
Trade and other receivables	-	55,695,509	-	-	55,695,509
Other financial assets	562,105	-	-	-	562,105
Borrowings	-	-	-	-	-
Trade and other payables	-	-	-	28,756,769	28,756,769

	Financial assets		Financial liabilities		
	FVTPL	Amortised cost	FVTPL	Amortised cost	Total
2020	$	$	$	$	$
Cash and bank balances	-	37,580,769	-	-	37,580,769
Trade and other receivables	-	41,887,803	-	-	41,887,803
Other financial assets	569,432	-	-	-	569,432
Borrowings	-	-	-	61,449,179	61,449,179
Trade and other payables	-	-	-	21,827,852	21,827,852

Notes to the Consolidated Financial Statements (continued)

26. Financial instruments (continued)

(a) Classes and categories of financial instruments and their fair values (continued)

The Directors are of the opinion that the fair value for all categories of financial assets and financial liabilities approximates the carrying value.

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. These are typically measured at Level 1 fair value hierarchy, and there are no transfers between levels during the period. At 30 June 2021, listed investments with a carrying value of $408,105 (2020: $415,432) 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 30 June 2021, financial assets with a carrying value of $154,000 (2020: $154,000) have been measured at Level 3.

There were no other financial assets or financial liabilities held at FVTPL during the period that were valued according to a Level 3 hierarchy assessment, or in the opinion of the Directors, held at a fair value that did not approximate its carrying value.

(b) Financial risk management objectives

The Group provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Management reviews compliance with policies and exposure limits continuously. The Group does not enter into or trade financial instruments for speculative purposes.

(c) Market risk

The Group's activities expose it to the financial risks of changes in interest rates, and there has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Interest rate risk management

The Group is exposed to interest rate risk because the Group had a syndicated loan facility at floating interest rates at 30 June 2020, and the cash and cash equivalents have variable interest rates. All asset finance lease liabilities are fixed. A one percentage point increase / decrease in interest rates would result in a net profit after tax decrease / increase of approximately $145,907 (2020: $269,991).

Lease liabilities are fixed, and therefore there is no associated market risk with these instruments.

Other price risks

The Group is exposed to equity price risks arising from equity investments.

Equity investments in entities (see Note 10) are held for strategic rather than trading purposes. The Group does not actively trade these investments. A five percentage point increase / decrease in the underlying value of the equity instruments would result in a net profit after tax increase / decrease of approximately $28,105 (2020: $28,472).

Notes to the Consolidated Financial Statements (continued)

26. Financial instruments (continued)

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. To minimize credit risk, the Group has adopted a practice of only dealing with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Group only transacts with entities that have a good trading and credit history or where there is sufficient other publicly available information to assess its creditworthiness. The Group uses additional publicly available financial information and its trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. The Group does not have significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. At the date of reporting, the Directors were of the opinion that the credit-related risk of loss was not material. Therefore no amount has been recorded for credit loss.

(i) Overview of the Group's exposure to credit risk

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings.

As at 30 June 2021, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, arises from the carrying amount of the respective recognised trade and other receivables (Note 7) and cash and cash equivalents (Note 6) as stated in the consolidated statement of financial position.

(e) Liquidity risk management

Responsibility for liquidity risk management rests with the Management, which has established an appropriate risk management process to manage the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

Notes to the Consolidated Financial Statements (continued)

26. Financial instruments (continued)

The following table sets out the maturity analysis for financial liabilities based on contractual cash flows:

	Weighted average effective interest rate %	Due in less than one year $	Due within one to five years $	Total $
30 June 2021				
Trade and other payables	Nil	28,756,769	-	28,756,769
Lease liabilities	2.69%	3,217,019	6,424,458	9,641,477
30 June 2020				
Trade and other payables	Nil	21,827,852	-	21,827,852
Lease liabilities	3.78%	2,277,532	6,189,289	8,466,821
Syndicated loan facilities	4.40%	3,344,427	58,104,752	61,449,179

The Group manages its capital to ensure that entities in the Group will continue as going concerns while maximizing returns to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the prior reporting period.

The capital structure of the Group consists of net debt (borrowings as disclosed in Note 16 and lease liabilities in Note 15 less the cash and bank balances in Note 6) and equity of the Group (comprising issued capital, reserves and retained earnings).

	Note	30 June 2021 $	30 June 2020 $
Total borrowings	16	-	61,449,179
Lease liabilities	15	9,641,477	8,466,821
Less cash	6	(14,590,659)	(37,580,769)
Net debt / (cash)		**(4,949,182)**	**32,335,231**
Total equity		233,687,060	135,260,389
Total capital		**228,737,878**	**167,595,620**
Gross gearing ratio (gross debt/equity)		4.1%	51.7%
Net gearing ratio (net debt / total capital)		2.2%	19.3%

The Group is not subject to any externally imposed capital requirements.

Notes to the Consolidated Financial Statements (continued)

27. Related party transactions

(a) Related parties

The Group's main related parties are as follows:

(i) Entities within the Group

The 100% owned subsidiary companies in the Group are:

Entity Name	ACN
DDH1 Group Holdings Pty Ltd	636 839 613
DDH1 Holdings Pty Ltd	636 946 321
DDH1 Midco Pty Ltd	625 959 908
DDH1 Finco Pty Ltd	625 961 980
DDH 1 Drilling Pty Ltd	154 493 008
Strike Drilling Pty Ltd	164 225 656
Ranger Exploration Drilling Pty Ltd	617 982 680
Izett Holdings Pty Ltd	120 340 678

Refer to Note 31 for further information on the above entities. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(ii) Key management personnel

Key Management Personnel ("**KMP**") are any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

Disclosures relating to KMP's are as set out in Note 28 and 29 below.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. No transactions occurred during the current or prior reporting period with related parties other than the remuneration of their services as stated in Note 29.

(c) Outstanding balances arising from sales / purchases of goods and services

No balances are outstanding with related parties.

(d) Loans to / from related parties

There are no loans to or from related parties.

(e) Terms and conditions of related party transactions

All transactions were conducted on commercial terms with no discounts or interest applicable to outstanding balances.

Notes to the Consolidated Financial Statements (continued)

28. Key management personnel

The Directors and other key management personnel of the Group during or since the end of the financial year were:

Diane Smith-Gander, AO	Chairperson and Independent Non-Executive Director
Alan Broome, AM	Independent Non-Executive Director
Andrea Sutton	Independent Non-Executive Director
Murray Pollock	Non-Executive Director
Byron Beath	Non-Executive Director
Sy van Dyk	Managing Director and CEO
Ben MacKinnon	Chief Financial Officer / Company Secretary

29. Key management personnel compensation

The compensation for the key management personnel of the Group is set out in aggregate below:

	Note	30 June 2021 $	30 June 2020 $
Short term employee benefits		1,445,486	1,142,543
Long-term benefits[2]		3,208	3,921
Non-monetary benefits[1]		4,000	4,000
Post-employment benefits		71,207	62,690
Share-based payments		703,985	96,613
Total		**2,227,886**	**1,309,767**

[1] – Non-monetary benefits includes phone and laptop.

[2] – Long-term benefits represents the accrual for long service leave.

30. Share-based payments

Management Equity Plan

Prior to the Company's IPO and ASX listing, the Group had in place a Management Equity Plan. The securities issued under this plan included 'M' and 'N' class shares (**Plan Shares)**. The Plan Shares were non-voting shares but had similar rights to ordinary fully paid shares in that they were able to receive dividends and other distributions.

Plan Shares are convertible into ordinary fully paid shares upon the satisfaction of vesting conditions, which included either an IPO or a sale of the business. The Plan Shares expire ten years from the date of issue (Plan Shares were issued in FY18 and FY19).

The consideration for the M Class Plan Shares was funded through a non-recourse loan to participants, which is repayable on any sale of the shares. The consideration payable for the N Class Plan Shares was paid in cash.

Notes to the Consolidated Financial Statements (continued)

30. Share-based payments (continued)

As the M Class shares are a right to an ordinary share, they were treated as a share-based payment.

At the beginning of the reporting period, there were 13,807,630 Plan Shares on issue (consisting of 13,349,630 M Class and 458,000 N Class Plan Shares).

On 9 March 2021, the Plan Shares vested and were converted into ordinary fully paid shares in DDH1 Limited as part of the corporate restructuring and are now subject to the terms of an Escrow Deed. The non-recourse loan continues to remain in place over these ordinary shares, which are held as Treasury Shares.

The Escrow Deed modifies the Plan Shares from the previous parent entity, DDH1 Holdings Pty Ltd, to the new publicly listed entity, DDH1 Limited. Under the terms of the Escrow Deed, the vested ordinary fully paid shares are required to be held in escrow for the following periods:

a) Half of the ordinary fully paid shares issued are to be held in escrow until the lodgement of the Company's 30 June 2021 financial report; and
b) The remaining ordinary fully paid shares are to be held in escrow until the lodgement of the Company's 30 June 2022 financial report.

The M Class shares had previously been valued and were given a value of $3,477,075. A total of $2,194,383 had been expensed up to the beginning of this financial year. The remaining $1,282,693 has been expensed in the current reporting period, as the M Class shares have been converted into ordinary shares of DDH1 Limited and treated as Treasury Shares at year end (refer to Note 21).

Additionally, as a result of the corporate restructure, a modification to the M Class shares occurred. This resulted in an additional valuation uplift of $226,206 being recognised and expensed this year in respect to the M Class shares.

Set out below are summaries of M Class shares granted under the plan:

	2021		2020	
	Weighted-average exercise price	**Number of share options**	**Weighted-average exercise price**	**Number of share options**
As at 1 July		13,349,630		13,734,245
Modified during the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year *	-	-	0.52	(384,615)
Converted during the year	-	(13,349,630)	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year		-		**13,349,630**
Exercisable at 30 June	Nil	-	0.46	-

* In the prior year, a member of the Management Equity Plan left the Group. Upon leaving the Group, the M Class shares were purchased back at nil value by DDH1 Holdings Pty Ltd.

During the year, all M Class shares were converted into Ordinary Shares of DDH1 Limited and are held as Treasury Shares at year end.

Notes to the Consolidated Financial Statements (continued)

30. Share-based payments (continued)

The fair value of the M Class shares previously granted was determined using the Monte Carlo model for valuation purposes. The valuation was undertaken by a professional accounting firm, and the information contained below is from their report.

The inputs into the Monte Carlo model were as follows:

	31 May 2018	30 Nov 2018	17 Dec 2018	13 May 2019
Weighted average share price (cents) (i)	150	75	75	80
Weighted average exercise price (cents)	91	45	45	52
Expected volatility (ii)	20%	20%	20%	20%
Expected life – years (iii)	3	3	3	1.75
Risk-free rate (iv)	2.10%	2.10%	2.10%	1.49%
Expected dividend yields (v)	Nil	Nil	Nil	Nil
Fair value per M Class share	$0.53	$0.27	$0.27	$0.23

(i) The weighted average share price was determined based on the most recent issue of shares to a third party. Given the Company was private when the M Class shares were issued, this was considered an appropriate valuation.

(ii) As DDH1 Holdings Pty Ltd was a privately held company, there was no observable share price history to calculate a historical volatility estimate. The expected volatility was therefore based on an assessment of the share price volatility of other similar businesses.

(iii) The M Class shares convert to ordinary shares on an exit event, subject to the achievement of the performance conditions. Accordingly, the expected exit date is equivalent to the effective life of the M Class shares. This was initially assessed as 30 June 2021, however as an exit event occurred during the year, the share-based payment expense was expensed in full to 9 March 2021.

(iv) The risk-free rate assumed in the model was assumed to best fit with the yield on three-year Australian Government bonds to broadly match the effective life of the plan.

(v) Potential dividends were not expected to be significant over the plan period and therefore had been assumed to be nil for the valuation.

Long Term Incentive Plan ("LTIP")

During the reporting period, the Company established an LTIP. The LTIP was created to allow the Company to issue equity-based incentives to senior management to align their remuneration with the long-term interest of shareholders by rewarding those issued LTIP incentives for the delivery of sustained Group performance over the long term. The equity-based incentives currently under issue are Performance Rights. Details as to the performance criteria of the Performance Rights is below:

Notes to the Consolidated Financial Statements (continued)

30. Share-based payments (continued)

Criteria	KPI	Weight	Performance period
Value Creation (Group)	Compounding Annual Growth Rate ('CAGR') in Total Shareholder Return ("TSR") of 15% to 25% over the performance period (**TSR Hurdle**)	30%	The Performance Rights are subject to a performance period commencing 9 March 2021 and ending 30 June 2023.
Financial (Group)	CAGR in EPS of 15% to 25% over the performance period (**EPS Hurdle)**	70%	

During the reporting period, a total of 1,176,362 Performance Rights have been issued.

The Performance Rights are subject to a performance period that commences on 9 March 2021 and ends on 30 June 2023. The vesting date for all the performance rights detailed above is 30 June 2023. If conditions are met and the Performance Rights are issued, the expiration date is ten years after granting date, being 9 March 2031.

The fair value of the Performance Rights was determined using the Black Scholes Model for the EPS Hurdle and a Monte Carlo Model used for the TSR Hurdle. The valuation was undertaken by a professional accounting firm, and the information contained below is from their report:

The inputs into the models were as follows:

Grant Date:	9 March 2021
Share Price:	$1.10
Exercise Price:	Nil (as per the Plan rules)
Expected Volatility:	45%
Expected Life (years):	2.3
Risk Free Rate:	0.13%
Expected Dividend Yield:	3.3%

Fair value per EPS Hurdle: $1.02

Fair Value per TSR Hurdle: $0.43

A total of $133,947 has been expensed in respect to the Performance Rights this financial year (2020: Nil).

	2021		2020	
	Weighted-average exercise price	**Number of performance rights**	**Weighted-average exercise price**	**Number of performance rights**
As at 1 July		-		-
Granted during the year	0.66	1,176,362	-	-
Outstanding at the end of the year		**1,762,362**		**-**
Exercisable at 30 June	0.66	-	-	-

The Performance Rights outstanding at 30 June 2021 had a weighted average exercise price of $0.66, and a weighted average remaining contractual life of 1.75 years.

Notes to the Consolidated Financial Statements (continued)

31. Subsidiaries

As this financial report is a continuation of business (refer to Note 1), the information about the composition of the Group at the end of the reporting period below is demonstrated as if the Group has been in existence for the entire period.

Name of Subsidiary	Principal Activity	Place of Incorporation & Operation	Proportion of ownership interest and voting power held by the Group	
			30 June 2021	30 June 2020
DDH1 Group Holdings Pty Ltd	Holding company	Australia	100%	100%
DDH1 Holdings Pty Ltd	Holding company	Australia	100%	100%
DDH1 Midco Pty Ltd	Holding company	Australia	100%	100%
DDH1 Finco Pty Ltd	Holding Company	Australia	100%	100%
DDH 1 Drilling Pty Ltd	Provision of Drilling Services	Australia	100%	100%
Strike Drilling Pty Ltd	Provision of Drilling Services	Australia	100%	100%
Ranger Exploration Drilling Pty Ltd	Provision of Drilling Services	Australia	100%	100%
Izett Holdings Pty Ltd	Provision of Drilling Services	Australia	100%	100%

The parent entity and its wholly-owned subsidiaries are incorporate in Australia, form the Tax Consolidation Group.

Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the wholly-owned subsidiaries listed above, are parties to the Deed of Cross Guarantee and are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of Financial Reports and Director Reports.

All of the subsidiaries of the Group are party to the Deed of Cross Guarantee. Accordingly, the statement of profit or loss and other comprehensive income and the statement of financial position for the entities party to the Deed of Cross Guarantee is the same as the primary statements that form this financial report.

Notes to the Consolidated Financial Statements (continued)

32. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. See Note 1 for a summary of the significant accounting policies relating to the Group.

Refer to Note 31, which discloses the Deed of Cross Guarantees which are in place between the parent entity and all of its subsidiaries. Under the deed, each company guarantees to support the liabilities and obligations of the others.

The financial information for the parent entity is detailed below. The comparative information for the 30 June 2020 financial year is that of DDH1 Limited

Financial position	**30 June 2021 $**	**30 June 2020 $**
Assets		
Current assets	939,486	1
Non-current assets	371,822,389	-
Total assets	**372,761,875**	**-**
Liabilities		
Current liabilities	(96,337)	-
Non-current liabilities	-	-
Total liabilities	**(96,337)**	**-**
Equity		
Issued capital	375,025,254	1
Retained earnings / (accumulated losses)	(2,359,716)	-
Total equity	**372,665,538**	**1**
Financial performance		
Profit / (loss) for the year	(2,359,716)	-
Total comprehensive income / (loss)	(2,359,716)	-

Notes to the Consolidated Financial Statements (continued)

33. Auditor's remuneration

During the year, the following fees were paid for services provided by the External Auditor, Deloitte, and its network firms:

	Note	30 June 2021 $	30 June 2020 $
Audit Services:			
Fees for audit services		343,113	315,550
		343,113	**315,550**
Other Assurance Services:			
Investigating accountants report		393,316	1,265,900
		393,316	**1,265,900**
Total remuneration		**736,429**	**1,581,450**

The auditor of the Group is Deloitte Touche Tohmatsu.

34. Capital commitments

The Group has capital commitments for purchases of drill rigs assets and support gear totalling $9,057,222 (2020: 10,749,322).

35. Bank guarantees

The Group has bank guarantees in the amount of $628,970 (2020: $628,970) in relation to lease liabilities. The total facility for bank guarantees is $700,000, which leaves $71,030 undrawn at balance date.

36. Post-reporting date events

For the year ended 30 June 2021, a fully-franked dividend of 2.18 cents per share was declared on 26 August 2021 and is payable on 8 October 2021 to DDH1 shareholders on the share register at 17 September 2021.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year 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.

37. Company details

DDH1 Limited is a company limited by shares, incorporated and domiciled in Australia.

Registered office and principal place of business of the Company:

21 Baile Road
Canning Vale, Perth, Western Australia,6155

Directors' Declaration

In accordance with a resolution of the Directors of DDH1 Limited, I state that:

In the opinion of the Directors:

(a) the attached financial statements and notes thereto for the financial year ended 30 June 2021 are in accordance with the *Corporations Act 2001*, including:

   a. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date: and

   b. complying with Accounting Standards and the *Corporations Regulations 2001*;

(b) the attached financial statements and notes comply with International Financial Reporting Standards, as stated in Note 1.1 to the financial statements; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations (*Wholly-owned Companies*) Instrument 2016/785. The nature of the deed of cross guarantee is such that each entity which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

Signed on behalf of the Board of Directors pursuant to s.295(5) of the *Corporations Act 2001*.

Director
Diane Smith-Gander, AO

Dated this 26th day of August 2021

Deloitte.

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Independent Auditor's Report to the Members of DDH1 Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of DDH1 Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, 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 statements, 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 for 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.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Corporate restructuring DDH1 Limited successfully listed on the Australian Securities Exchange ("ASX") via an Initial Public Offering ("IPO") on 9 March 2021. Prior to, but contingent on the IPO, the Group completed a corporate restructure, whereby DDH1 Limited became the new ultimate parent entity of the Group. The Group's accounting policy in respect of corporate restructuring is outlined in Note 1.2. Significant judgement is applied in: • determining whether the facts and circumstances of the restructure represents a business combination (including reverse acquisition considerations) under AASB 3 *Business Combinations* ('AASB 3'), common control transaction or whether management needed to develop their own accounting policy; and • the selection and application of an appropriate accounting policy, where there is no clear accounting guidance.	Our procedures included, but was not limited to the following: • Evaluating the legal documentation relevant to the corporate restructure to understand the transaction; • Obtaining management's assessment and calculations for the restructuring and performing the following: o Assessing whether management's accounting treatment of the corporate restructuring and the accounting policy adopted is in compliance with Australian Accounting Standards; o Assessing management's determination of the carrying value of net assets of DDH1 Holdings Pty Ltd at the restructuring date; and o Assessing the calculations of the excess of the fair value of the shares issued by DDH1 Limited over the carrying value of the net assets of DDH1 Holdings Pty Ltd at the date of the Group reorganisation and assessing whether this has been appropriately reflected in the financial statements. • We also assessed the appropriateness of the disclosures in Note 1.2, Note 21 and Note 22 to the financial statements.
Resetting of tax base of assets The tax base of the Group's assets have been reset following the calculation of the allocatable cost amount ("ACA") due to corporate restructure. As a result of resetting the tax base of the Group has recognised a current tax benefit of $8.5 million and a deferred tax benefit of $21.7 million. As at 30 June 2021, the Group has recognised a net deferred tax asset of $14.4 million as disclosed in Note 19. Significant judgement is applied in determining the fair value of assets for use in the ACA calculation.	Our procedures performed in conjunction with our valuation and tax experts, included but were not limited to: • Assessing and reviewing the valuation report provided by management's external expert; • Assessing the competency and objectivity of management's external expert; • Obtaining and evaluating the ACA calculation, income tax calculations and tax-effect accounting; • Agreeing the amounts in the ACA calculation to the asset valuation report; and • Evaluating management's assessment of the recoverability of deferred tax assets. • We also assessed the appropriateness of the disclosures in Note 18 and Note 19 to the financial statements.

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 48 to 66 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of DDH1 Limited, for the year ended 30 June 2021, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

N Menezes

Nicole Menezes
Partner
Chartered Accountants
Perth, 26 August 2021

Shareholder Information

The security holder information set out below was applicable as at 10 August 2021.

Distribution of Shareholders

The distribution of shareholders was as follows:

	Ordinary Shares		
Share Grouping	**Number of shareholders**	**Shares**	**Percentage of shares on issue**
1 - 1,000	425	343,143	0.10%
1,001 - 5,000	359	832,132	0.24%
5,001 - 10,000	82	666,039	0.19%
10,001 - 100,000	174	6,039,036	1.77%
100,001 and over	45	334,924,328	97.70%
	1,085	**342,804,678**	**100.00%**

There were 27 holders of less than a marketable parcel of 435 shares ($500 worth) based on the closing market price DDH1 shares on 10 August 2021.

Twenty Largest Shareholders		Ordinary Shares	
Name of registered holder		**Number of shares held**	**Percentage of shares on issue**
1.	DDH1 HOLDINGS SINGAPORE PTE LTD	75,753,063	22.10%
2.	GOLDENMILE PTY LTD <ALLOY INVESTMENT A/C>	47,419,961	13.83%
3.	WESTERN ALLOYS PTY LTD <WESTALL INVESTMENT A/C>	47,419,961	13.83%
4.	CITICORP NOMINEES PTY LIMITED	45,303,207	13.22%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	36,462,376	10.64%
6.	UBS NOMINEES PTY LTD	17,023,852	4.97%
7.	MOORE LIFE INVESTMENTS PTY LTD <STRIKE INVESTMENT A/C>	9,824,563	2.87%
8.	NATIONAL NOMINEES LIMITED	8,216,376	2.40%
9.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,508,834	2.19%
10.	SYBRANDT VAN DYK	4,966,795	1.45%
11.	BANDED IRON PTY LTD	4,833,541	1.41%
12.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,915,840	0.85%
13.	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	2,325,000	0.68%
14.	JULIE IZETT	2,234,235	0.65%
15.	MATTHEW IZETT	2,234,235	0.65%
16.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	2,041,221	0.60%
17.	ANDREW OAKLEY VENN	1,911,342	0.56%
18.	HILL'S COLLECTIVE INVESTMENTS PTY LTD	1,228,070	0.36%
19.	SALTY HOLDINGS PTY LTD <SCHMIDT FAMILY A/C>	1,228,070	0.36%
20.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	1,220,208	0.36%
Total		**322,070,750**	**93.95%**

Substantial Shareholders

Substantial shareholders are as follows and information is as at the date of the substantial shareholders notice was provided to the Company:

	Ordinary Shares	
	Number of shares held	Percentage of shares on issue
DDH1 HOLDINGS SINGAPORE PTE LTD & OAKTREE CAPITAL[1]	75,753,063	22.10%
MATTHEW THURSTON & GOLDENMILE PTY LTD AS TRUSTEE FOR THE ALLOYS INVESTMENT TRUST	47,419,961	13.83%
MURRY POLLOCK & WESTERN ALLOYS PTY LTD AS TRUSTEE FOR THE WESTALL INVESTMENT TRUST	47,419,961	13.83%
TRIBECCA INVESTMENT PARTNERS PTY LTD	20,991,772	6.12%
WILSON ASSET MANAGEMENT GROUP	18,299,649	5.34%

[1] Represents Oaktree Capital's direct interest in DDH1 shares and excludes indirect interest, which result from DDH1's escrow arrangements with various shareholders.

Unquoted Securities

	Performance Rights	
	Number of holders	Number on issue
Performance Rights issued under the DDH1 Long-Term Incentive Plan	11	1,176,362

No holder held more that 20% of the number of Performance Rights on issue.

Shares Held in Voluntary Escrow

Shares that are subject to voluntary escrow arrangements at the time that DDH was admitted to the official list of ASX are as follows:

A total of 140,808,637 share will be released from voluntary escrow at 4.15pm on 27 August 2021 being the date that the Company releases to the ASX its preliminary final report for the financial year ended 30 June 2021. These Shares are already quoted on ASX.

- Oaktree Capital: 75,753,063 shares
- Founders[1]: 56,983,245 shares
- Management[2]: 8,073,329 shares

A total of 65,056,578 shares are subject to voluntary escrow, which will end at 4:15pm on the date that the Company has released to the ASX its preliminary final report for the financial year ended 30 June 2022 or earlier subject to certain conditions defined in section 10.6 of DDH1's Prospectus dated 8 February 2021. The shares to remain in escrow are held as follows:

- Founders[1]: 56,983,251 shares
- Management[2]: 8,073,327 shares

[1.] As defined in section 10.6 of DDH1's Prospectus dated 8 February 2021 and includes, DDH1 Limited Non-Executive Director Murray Pollock (and his associates), and other executives (and their associates) employed within the DDH1 group of companies. Half their shareholding will be released on 27 August 2021 with the remaining subject to escrow for a further year.

[2.] Shares held by various executives and managers (or their associates) employed within the DDH1 group of companies. A total of 6,674,814 shares remain subject to additional holding lock arrangements, which apply for so long as an amount is owing in respect of shares under the terms of a limited recourse loan agreement to which that share relates. Half of their shares will be released on 27 August 2021 with the remaining subject to escrow for a further year.

Voting Rights

The voting rights attaching to each class of equity securities are set out below:

(a) **Ordinary Shares**: every member present as a meeting of the Company in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) **Performance Rights**: no voting rights.

Compliance Statement under ASX LR 4.10.19

DDH1 confirms that it used cash and assets in a form readily convertible to cash, at the time it was admitted to the ASX (being 9 March 2021) to 30 June 2021, in a way that was consistent with its business objectives as stated in its Prospectus dated 8 February 2021.

Company Secretaries

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Darryl Edwards

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