ASX Announcement

28 February 2023

HALF YEAR FINANCIAL REPORT TO 31 DECEMBER 2022 and APPENDIX 4D

In accordance with ASX Listing Rule 4.2A, DDH1 Limited (**ASX: DDH**) (**DDH1**) provides the following reports.

- Appendix 4D Half Year Results Announcement.
- Consolidated Interim Financial Report for the Half Year Ended 31 December 2022.

This ASX announcement has been authorised by Sy Van Dyk, Managing Director

For further information, please contact:

Sy Van Dyk
Managing Director & CEO
DDH1 Limited
(08) 9435 1700
investor.relations@ddh1.com.au

About DDH1 Limited

DDH1 is a quality global drilling company. The Company has four strong and well-established brands: DDH1 Drilling, Ranger Drilling, Strike Drilling and Swick Mining Services. Together they create a global scale mineral drilling company with operations throughout Australia, North America and Western Europe.

The Company has 190 rigs and one of the top five largest fleets globally (approx. 60% surface and 40% underground). DDH1 maintains a modern fleet with best-in-class technology to deliver optimal productivity, value and safety for clients.

The Company offers a broad range of specialty drilling services across the mining value chain and has a reputation for quality and service delivery. Approximately 80% of DDH1's clients are repeat business.

The Company revenue is predominately derived from the production and resource definition phase, which is less cyclical. DDH1's drilling services are commodity agnostic and it has exposure to a diverse range of commodities, including gold, iron ore, nickel, copper and other critical metals. DDH1 has no exposure to coal.

DDH1 prioritises safety and is investing in automation and rigs of the future to minimise perceived high-risk operations and impact on the environment.

The Company has an experienced leadership team and a best-in-class workforce. Together they maintain a quality-focused culture and are driving its organic and inorganic growth strategy for shareholders.

For more information, please visit www.ddh1.com.au

HEAD OFFICE
21 Baile Road
Canning Vale WA 6155
P (08) 9435 1700

CONNECT WITH US
W ddh1.com.au
E investor.relations@ddh1.com.au

Facebook /ddh1drilling/
LinkedIn /company/ddh1-drilling/

ABN: 48636677088

DDH1 Limited

Appendix 4D – Half Year Results Announcement

for the Six Months Ended 31 December 2022 (“HY23”)

(All comparisons are for the six months ended 31 December 2021 “**HY22**”)

Results for announcement to the market **Statutory results**	**HY23** **$M**	HY22 $M	**Change**
Revenue from ordinary activities	**$286.0**	$168.7	up 69.5%
Earnings before interest costs, income taxes, depreciation and amortisation (**EBITDA**) from ordinary activities	**$67.0**	**$41.2**	up 62.6%
Earnings before interest costs and income tax (**EBIT**)	**$38.2**	**$28.4**	up 34.5%
Net Profit attributable to shareholders (**NPAT**)	**$28.4**	**$19.7**	up 44.2%

The accompanying Half Year Financial Report that follows give further explanation of the results.

All amounts are in Australian Dollars (AUD$).

Dividend Information

Six Months Ended 31 December 2022	**Amount per share (cents)**	**Franked amount for dividend component (%)**	**Record date**	**Payment date**
2023 Interim dividend per share	3.33 cents	100%	21 March 2023	11 April 2023

Net Tangible Asset Backing

	31/12/2022	**30/06/2022**
Net tangible asset backing per share	$0.71	$0.66

Auditor’s Report

This Appendix 4D is based on the consolidated financial statements of DDH1 Limited for the half year ended 31 December 2022, which have been reviewed by Deloitte.

A copy of Deloitte’s Independent Auditor’s Review Report is included in the Half Year Financial Report that follows.

Other Information

Disclosure requirements for ASX Listing Rule 4.3A not contained in this Appendix 4D are included in DDH1 Limited’s Half Year Financial Report for the half-year ended 31 December 2022. This report is also to be read in conjunction with the Annual Report of DDH1 Limited for the year ended 30 June 2022 and any public announcements made by DDH1 during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

This ASX announcement has been authorised for release by the Board of DDH1 Limited

Sy Van Dyk – Chief Executive Officer 28 February 2023

About DDH1 Limited

DDH1 Limited (ASX: DDH) is Australia's largest mineral drilling contractor providing high quality surface and underground drilling services to a diverse group of exploration and mining houses across a balanced spread of mineral commodities. Established in 2006, DDH1 is an industry leader in enabling its clients to secure quality mineral samples with exceptional spatial accuracy.

DDH1 employs around 1,923 people and operates a fleet of 190 highly specified mineral drilling rigs across its four brands, namely DDH1 Drilling, Ranger Drilling, Strike Drilling, and Swick Mining Services. Offering clients, the full suite of mineral drilling services including air core, reverse circulation, and both surface and underground core drilling.

DDH1's drill rig fleet is a strategically important asset within the Australian mining industry. Surface drilling is performed across Australia by DDH1 Drilling, Ranger Drilling, and Strike Drilling while Swick Mining Services has a global presence performing underground drilling services across Australia, North America, and Western Europe. DDH1 has a strong reputation for innovation in rig design and drilling practices that deliver improvements in productivity, safety, and value.

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

For more information, please visit www.ddh1.com.au

ACN 636 677 088

Consolidated Interim Financial Report

For the Half Year Ended 31 December 2022

Contents

Directors' Report

The Directors present their report on DDH1 Limited (the **"Company"**) and its subsidiaries (the **"Group"**) for the half year ended 31 December 2022.

Directors

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

Name

Diane Smith-Gander AO (Chairperson)

Alan Broome AM

Andrea Sutton

Murray Pollock

Byron Beath

Sy Van Dyk (Managing Director and CEO)

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

Company Secretaries

Ben MacKinnon (resigned 20 January 2023)
Darryl Edwards

Principal Activities

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

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

Review of Operations

The Group's financial performance for the six months ending 31 December 2022 has been robust. Demand for the Group's drilling services has remained strong throughout the review period, with rig utilisation and productivity at high levels.

Safety and Training

The Group has invested significant time and costs in safety training programs and initiatives. The result of this investment is that the rolling 12 month total recordable injury frequency rate (TRIFR) improved on the proforma December 2021 results.

ROLLING 12 MONTHS TRIFR	1H 2023 TRIFR	1H 2022 TRIFR	% CHANGE
Statutory	9.88	8.02	23.2%
Proforma[1]	9.88	10.85	(8.9%)

[1] Proforma basis is calculated including Swick Mining Services for all reporting periods.

Directors' Report (continued)

Review of Operations (continued)

Capital Expenditure

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

Utilisation

At 31 December 2022, the Group's fleet totalled 190 drill rigs (2021 Proforma: 176). This comprised 91 underground and 99 surface drill rigs (2021 Proforma: 83 underground and 93 surface). Utilisation remained strong throughout the period, with utilisation rates of 77.1% in the current period (2021 Proforma: 77.4%).

Metres Drilled

During the review period, metres drilled for the Group are as per the below table:

METRES DRILLED	1H 2023 METRES	1H 2022 METRES	% CHANGE
Statutory	1,755,619	1,165,904	50.6%
Proforma	1,755,619	1,793,248	(2.1%)

Financial Results

FINANCIAL RESULTS (NON-IFRS)	1H 2023 $000s	1H 2022 $000s	% CHANGE
PROFIT & LOSS			
Revenue	286,015	168,669	69.6%
EBITDA	67,045	41,156	62.9%
Operating EBITDA (reconciled below)	65,559	42,783	53.2%
EBITA	43,799	29,484	48.6%
Operating EBITA (reconciled below)	42,314	31,110	36.0%
EBIT	38,211	28,408	34.5%
Operating EBIT (reconciled below)	36,726	30,035	22.3%
NPAT	28,353	19,700	43.9%
Operating NPAT (reconciled below)	27,313	20,839	31.1%
CASH FLOW			
Net cash from operating activities	62,242	30,419	104.6%
Net cash from investing activities	(29,077)	(26,450)	9.9%
Operating cash flow before interest and taxes	58,759	37,581	56.4%

Directors' Report (continued)

Review of Operations (continued)

FINANCIAL RESULTS (NON-IFRS)	31 December 2022 $000s	30 June 2022 $000s	% Change
AT BALANCE DATE			
Cash	31,501	17,941	75.6%
Debt (excluding right of use liabilities)	43,094	34,510	(24.9%)
Net Debt (cash less debt excluding right of use liabilities)	(11,593)	(16,569)	30.0%

FINANCIAL RESULTS (NON-IFRS)	1H 2023	1H 2022	% Change
EBITDA margin %	23.4%	24.4%	(1.0%)
Operating EBITDA margin %	22.9%	25.4%	(2.5%)
EBITA margin %	15.3%	17.5%	(2.2%)
Operating EBITA margin %	14.8%	18.4%	(3.6%)
EBIT margin %	13.4%	16.8%	(3.4%)
Operating EBIT margin %	12.8%	17.8%	(5.0%)
Basic EPS – cents per share	6.79	5.75	18.1%

NON IFRS RECONCILIATION	1H 2023 $000s	1H 2022 $000s
Statutory EBITDA	67,045	41,156
Amended for		
Business Combination expense	-	1,627
Profit on sale of assets	1,309	-
Net fair value gains/(Losses) on financial	177	-
Operating EBITDA	**65,559**	**42,783**
Less Depreciation expense	23,245	11,673
Operating EBITA	**42,314**	**31,110**
Less Amortisation expense	5,588	1,075
Operating EBIT	**36,726**	**30,035**
Less Finance expense (net)	1,368	421
Less Tax expense	8,490	8,287
Tax impact of operating add backs	(445)	488
Operating NPAT	**27,313**	**20,839**

Directors' Report (continued)

Profit and Loss

The Group generated a Net profit after tax (NPAT) of $28.5M, a 43.9% increase compared to the prior comparative period (1H22: $19.7M).

Revenue increased to $286.0M an increase of 69.6% compared to the prior comparative period (1H22: $168.7M), due to an increase in the number of drill rigs and revenue per shift.

Balance Sheet

Total assets have increased by $9.8M to $483.6M primarily due to investment into our fleet with $33.0M invested in capex during the half year ended 31 December 2022. This has been offset by the returns to shareholders via dividends of $10.9M and the share buy-back program of $15.8M.

Total liabilities increased by $7.0M to $139.0M primarily as a result of an increase of borrowings of $10.0M to assist the short term funding requirements of the capex and shareholder returns.

Cash Flow

Operating cash flows for the reporting period increased by 104.6% to $62.2M (1H22: $30.0M) due to an increase in drill rigs and revenue per shift.

Cash outflows from investing activities were 36% higher primarily as a result of increased capital investment. These cash flows underpin the continued investment in the Group's current and future operations.

Financing cash flows for the period resulted in a net outflow of $20.1M (1H22: $8.5M), due to the returns to shareholders via dividends of $10.9M and the share buy-back program of $15.8M that were paid during the half year period.

Significant Changes in the State of Affairs

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

Dividends

During the reporting period, the Company paid a fully franked dividend of 2.65 cents per share totalling $10.8M (2022 final dividend: $7.5M). On 27 February 2023, the Directors declared a fully franked interim dividend of 3.33 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2022, payable to shareholders on the record date of 21 March 2023 and to be paid on 11 April 2023. This interim dividend has not been included as a liability in these financial statements. The total estimated interim dividend to be paid is $13.6M.

Subsequent Events

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

Dividends

On 27 February 2023, the Directors declared a fully franked interim dividend of 3.33 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2022, payable to shareholders on the record date of 21 March 2023 and to be paid on 11 April 2023. This interim dividend has not been included as a liability in these financial statements. The total estimated interim dividend to be paid is $13.6M.

Directors' Report (continued)

Rounding Off of Amounts

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

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

Chairperson and Non-Executive Director
Diane Smith-Gander AO

Dated 27 February 2023

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2
Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

27 February 2023

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

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 review of the financial report of DDH1 Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half year ended 31 December 2022

	Note	31 Dec 2022 $000s	31 Dec 2021 $000s
Revenue	3	286,015	168,669
Other income	3	7,267	3,420
Other gains and losses	3	1,775	141
Administrative expenses	4	(7,985)	(4,228)
Drilling consumables		(26,732)	(17,177)
Employee and contract labour expenses	4	(135,683)	(74,841)
Fuel and oil expenses		(5,974)	(4,569)
Freight and couriers		(4,030)	(2,836)
Hire of plant		(8,812)	(4,985)
Service and repair expenses		(20,902)	(14,060)
Travel expenses		(12,352)	(6,031)
Engineering consumables and parts		(3,606)	-
Acquisition expenses	16	-	(1,627)
Other expenses		(1,936)	(720)
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")		**67,045**	**41,156**
Depreciation expense		(23,246)	(11,673)
Amortisation expense		(5,588)	(1,075)
Earnings Before Interest and Tax ("EBIT")		**38,211**	**28,408**
Interest income		33	4
Finance costs	4	(1,401)	(425)
Profit before tax		**36,843**	**27,987**
Income tax expense	17	(8,490)	(8,287)
Profit for the period		**28,353**	**19,700**
Other comprehensive income, net of income tax		**90**	**-**
Total comprehensive income for the period		**28,443**	**19,700**
Profit attributable to owners of the parent		**28,443**	**19,700**
Total comprehensive income attributable to owners of the parent		**28,443**	**19,700**
Earnings per share:			
Basic (cents per share)		6.79	5.75
Diluted (cents per share)		6.75	5.72

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
As at 31 December 2022

	Note	31 Dec 2022 $000s	30 June 2022 $000s
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	31,501	17,941
Trade and other receivables		82,664	93,563
Inventories		57,047	55,849
Current tax assets		3,348	5,944
Other current assets		4,634	1,791
TOTAL CURRENT ASSETS		**179,194**	**175,088**
NON-CURRENT ASSETS			
Financial assets		588	2,463
Intangible assets	15	54,260	59,252
Property, plant and equipment		236,092	223,290
Right of use lease assets		13,440	13,693
TOTAL NON-CURRENT ASSETS		**304,380**	**298,698**
TOTAL ASSETS		**483,574**	**473,786**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		36,901	51,091
Lease liabilities	6	4,521	4,321
Borrowings	7	10,000	-
Provisions		21,858	20,076
TOTAL CURRENT LIABILITIES		**73,280**	**75,488**
NON-CURRENT LIABILITIES			
Lease liabilities	6	13,179	14,975
Borrowings	7	30,000	30,000
Provisions		1,056	626
Deferred tax liabilities		21,478	10,685
TOTAL NON-CURRENT LIABILITIES		**65,713**	**56,286**
TOTAL LIABILITIES		**138,993**	**131,774**
NET ASSETS		**344,581**	**342,012**
EQUITY			
Issued capital	8	449,608	464,543
Group reorganisation reserve		(266,574)	(266,574)
Share based payment reserve	9	3,640	3,706
Foreign Currency Translation Reserve		908	818
Retained earnings		156,999	139,519
TOTAL EQUITY		**344,581**	**342,012**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2022

	Note	Issued Capital $000s	Group Re-organisation Reserve $000s	Share Based Payment Reserve $000s	Foreign Currency Reserve $000s	Retained Earnings $000s	Total Equity $000s
Balance as at 1 July 2021	1	**375,025**	**(266,574)**	**3,837**	**-**	**121,399**	**233,687**
Profit for the period		-	-	-	-	19,700	**19,700**
Other comprehensive income for the period		-	-	-	-	-	**-**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**19,700**	**19,700**
Dividends paid	10	-	-	-	-	**(7,259)**	**(7,259)**
Proceeds received for treasury shares	8	568	-	-	-	**-**	**568**
Transfer of share based payment reserve to issued capital	8	293	-	(293)	**-**	**-**	**-**
Share based payment expense		-	-	179	**-**	**-**	**179**
As at 31 December 2021		**375,886**	**(266,574)**	**3,723**	**-**	**133,840**	**246,875**
Balance as at 1 July 2022	1	**464,543**	**(266,574)**	**3,706**	**818**	**139,519**	**342,012**
Profit for the period		-	-	-	-	28,353	**28,353**
Other comprehensive income for the period		-	-	-	90	-	**90**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**28,353**	**28,353**
Dividends paid	10	-	-	-	-	**(10,873)**	**(10,873)**
Share buy-back	8	(15,764)	-	-	-	**-**	**(15,764)**
Proceeds received for treasury shares	8	550	-	-	-	**-**	**550**
Transfer of share based payment reserve to issued capital	8	279	-	(279)	-	**-**	**-**
Share based payment expense	9	-	-	213	-	-	**213**
As at 31 December 2022		**449,608**	**(266,574)**	**3,640**	**908**	**156,999**	**344,581**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2022

	Note	31 Dec 2022 $000s	31 Dec 2021 $000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		332,162	196,032
Payments to suppliers and employees		(273,403)	(158,451)
Finance costs paid		(1,401)	(425)
Interest received		33	4
Income tax refund / (paid)		4,851	(6,741)
Net cash generated by operating activities		**62,242**	**30,419**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,930	67
Proceeds from sale of investment		1,970	-
Payments for property, plant and equipment		(32,977)	(26,517)
Net cash used in investing activities		**(29,077)**	**(26,450)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from treasury shares	**8**	550	568
Principal payments for lease liabilities		(3,978)	(1,775)
Share buy-back	**8**	(15,764)	-
Proceeds of borrowings	**7**	15,000	-
Repayment of borrowings	**7**	(5,000)	-
Dividends paid	**10**	(10,873)	(7,259)
Net cash used in financing activities		**(20,065)**	**(8,466)**
Net decrease in cash and cash equivalents		13,101	(4,497)
Cash and cash equivalents at beginning of the period		17,941	14,591
Effect of exchange rate fluctuation on cash held		459	-
Cash and cash equivalents at the end of the period	**5**	**31,501**	**10,094**

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

1. General Information

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

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

Summary of significant accounting policies

1.1 Statement of compliance

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

1.2 Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2022, except for the impact of the Standards and Interpretations described below. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.3 Rounding off of amounts

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

1.4 Standards and Interpretations adopted in the current half year period

In the current half year, the Group has applied the below amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the "Board") that are effective for the Group's annual reporting period that began on 1 July 2022. These standards include:

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (to the extent the editorial amendments are applicable to the current reporting period)

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

2. Segment Information

An operating segment is a component of a group that engages in business activities from which it may earn revenue and incur expenses and whose operating results are regularly reviewed by the Chief Operating Decision Maker ("CEO") for the purposes of resource allocation and assessment of segment performance. Information regarding the Group's operating segments is presented below. The accounting policies of the operating segments are the same as the Group's accounting policies. Information reported to the CEO is focused on the category of services provided through the Group's operating activities. The Group's operating segments based on service type are:

- Drilling Operations – which provides mineral drilling services to the mining industry; and
- Engineering Operations – which sells rigs and parts to external customers, and also conducts the internal rig construction of the Group.

Drilling Operations is made up of four aggregated business units (Strike Drilling, Ranger Drilling, DDH1 Drilling and Swick drilling operations) which all provide mineral exploration drilling services with similar production processes and methods (surface and underground drilling). Additionally, there is significant commonality in relation to drilling techniques applied, customer base/type and commodity exposure. The Group's fleet is mobile, which enables the Group to tender and secure contracts for our customers either domestically or internationally. The four business units display similar long-term economic characteristics in regard to return on investor capital ("ROIC"). ROIC is the main reporting metric considered by the CEO when making investment/capital allocation decisions across the four business units, with the expectation that all operations will achieve similar long-term ROIC.

Prior to the acquisition of Swick (including Drilling and Engineering business units), the financial results of the reportable operating and geographic segments were equivalent to the financial statements of the Group as a whole and no separate segment reporting was disclosed in the financial statements. Accordingly, there was only one segment in 1H 2022.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

1H 2023	**Drilling Operations $000s**	**Engineering Operations $000s**	**Eliminations $000s**	**Consolidated $000s**
Revenue				
External sales	281,545	4,470	-	286,015
Intersegment sales	-	-	-	-
Total revenue	**281,545**	**4,470**	**-**	**286,015**
Result				
EBITDA	68,812	338	-	69,150
Corporate administration costs				(2,105)
Depreciation				(23,246)
Amortisation				(5,588)
Finance income				33
Finance costs				(1,401)
Income tax expense				(8,490)
Profit for the year before tax				**28,353**

Notes to the Consolidated Financial Statements (continued)

2. Segment Information (continued)

1H 2023	**Drilling Operations $000s**	**Engineering Operations $000s**	**Eliminations $000s**	**Consolidated $000s**
Total assets	483,316	808	(550)	483,574
Total liabilities	(139,216)	(327)	550	(138,993)
Total net assets	**344,100**	**481**	**-**	**344,581**

EBITDA earned by the respective segments is without allocation of depreciation, amortisation, finance income, other income, corporate administration costs, finance costs and income tax expense. This measure, along with ROIC, is reported to the CEO for the purposes of resource allocation and assessment of segment performance. The main items in eliminations is intersegment loans and charges.

Geographical information

The Group is based in one principal geographical area – Australia (country of domicile). However, drilling operations are provided around the world, mainly in Australia, North America and Europe.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed in the following table:

	Revenue from external customers		**Non-current assets**	
	1H 2023 $000s	**1H 2022 $000s**	**31 Dec 2022 $000s**	**30 June 2022 $000s**
Australia	259,696	168,669	284,702	279,905
North America	18,795	-	13,308	13,957
Europe	7,524	-	6,370	4,836
Total	**286,015**	**168,669**	**304,380**	**298,698**

Information about major customers

Included in external sales of $286.0M (1H22: $168.7M) are revenues of $79.9M (2021: $17.0M), which arose from sales to the Group's two (2021: one) largest customers. No other single customer contributed 10% or more to the Group's revenue for 2022. These customers operate within the Drilling Operations segment within Australia and North America.

3. Revenue

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

	Note	31 Dec 2022 $000s	31 Dec 2021 $000s
Revenue			
Revenue from the rendering of drilling services over time		281,545	168,669
Revenue from engineering sales		4,470	-
Total revenue from continuing operations		**286,015**	**168,669**
Other income			
Diesel fuel rebate		1,550	721
Government training incentive		5,506	2,531
Other income		211	168
		7,267	**3,420**
Other gain and losses			
Net foreign exchange gains / (losses)		290	(1)
Net fair value gains / (losses) on financial assets		176	100
Gain / (loss) on disposal of property, plant and equipment		1,309	42
Other gain and losses from continuing operations		**1,775**	**141**

Disaggregation of revenue from contracts with customers

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

	Note	31 Dec 2022 $000s	31 Dec 2021 $000s
Commodity			
Gold		115,282	58,296
Gold / Copper		32,943	24,618
Copper		54,762	21,990
Nickel		25,727	29,173
Iron Ore		29,775	28,256
Other		23,056	6,336
		281,545	**168,669**
Drilling type			
Surface drilling		171,743	156,059
Underground drilling		104,705	9,734
Other		5,097	2,876
		281,545	**168,669**

4. Expenses

Profit before income tax includes the following specific expenses:

	Note	31 Dec 2022 $000s	31 Dec 2021 $000s
Finance costs consist of:			
Interest on term loan facility		(1,166)	(333)
Interest expense on lease liabilities		(225)	(85)
Other finance costs		(10)	(7)
Total finance costs		**(1,401)**	**(425)**
Administrative expenses consist of:			
Advertising expenses		(382)	(219)
Insurance expenses		(4,329)	(2,242)
Legal and consultancy fees		(748)	(544)
Telephone and communication expenses		(1,728)	(879)
Other		(798)	(344)
Total		**(7,985)**	**(4,228)**
Employee and contract labour expenses consist of:			
Salary and wages, including bonuses, sick, annual and long service leave		(107,487)	(62,742)
Superannuation expense		(8,741)	(4,646)
Share based payment	9	(213)	(179)
Other	(a)	(19,242)	(7,274)
Total		**(135,683)**	**(74,841)**

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

5. Cash and Cash Equivalents

	Note	31 Dec 2022 $000s	30 June 2022 $000s
Petty cash		1	1
Cash at bank		31,500	17,940
Net cash at bank		**31,501**	**17,941**

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

Reconciliation of cash

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

Net Cash at Bank	**31,501**	**17,941**

6. Lease Liabilities

	Note	31 Dec 2022 $000s	30 June 2022 $000s
Leases on office premises		14,605	14,756
Hire purchase liabilities		3,095	4,540
Closing balance		**17,700**	**19,296**
Split as follows:			
Current		4,521	4,321
Non-current		13,179	14,975
Closing balance		**17,700**	**19,296**

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

7. Borrowings

	Note	31 Dec 2022 $000s	30 June 2022 $000s
Secured borrowings at amortised cost			
Term loan facility		40,000	30,000
Total borrowings		**40,000**	**30,000**
Amount due for settlement within 12 months			
Term loan facility		10,000	-
		10,000	**-**
Amount due for settlement after 12 months		30,000	30,000
		30,000	**30,000**

The Group has a five year multi-option facility for a maximum of $85 million. At 31 December 2022 this facility had $1.2 million assigned to a bank guarantee facility and the remaining $83.8 million was assigned to the term loan facility and overdraft facility. At 31 December 2022, the Group has drawn down $30 million of the facility as a term loan that expires in line with the facility (14 February 2027), and $10 million of the facility as a commercial advance (repaid 23 January 2023). The remaining facility is available as an overdraft through to the maturity date of the overall facility (14 February 2027). In addition, the Group has a $10 million asset finance facility in place. This facility has a term of five years and expires on 14 February 2027.

The interest rate associated with the $30 million term loan is calculated as 1.8% plus the BBSY rate set by reference to ASX Benchmarks Pty Ltd. The interest rate associated with the overdraft facility is calculated as the Bank West market reference rate less 1.4% margin.

7. Borrowings (continued)

Available borrowing facilities

	Note	31 Dec 2022 $000s	30 June 2022 $000s
Available facilities		95,000	95,000
Secured borrowings facility used at balance date		(40,000)	(30,000)
Asset finance facility used at balance date		(1,269)	(2,123)
Bank guarantees facility used at balance date		(1,203)	(1,203)
Unused at balance date		**52,528**	**61,674**

The secured borrowings facility is secured by a general security agreement granted by each Australian subsidiary of the Company excluding Swick Australian entities. The asset finance facility liabilities are secured by a registered charge over the asset.

8. Issued Capital

Movement in issued capital	Note	Number of shares No.	Share capital $000s
DDH1 Limited			
Ordinary Shares			
Opening Balance at 1 July 2022		426,759,176	464,543
Share buy-back		(18,539,719)	(15,764)
Conversion of Treasury Shares		-	829
Closing Balance at 31 December 2022		**408,219,457**	**449,608**
Less Treasury Shares			
Opening Balance at 1 July 2022		11,476,128	**-**
Conversion to Ordinary Shares		(1,073,077)	-
Closing Balance at 31 December 2022		**10,403,051**	**-**
Balance at 30 June 2022		**397,816,406**	**449,608**

During the period, there has been movement between treasury shares and ordinary shares as a result of the exercise of share-based payments. 1,073,077 treasury shares were converted into ordinary shares via the receipt of $550K in cash for the repayment of loans attached to the treasury shares. This also incorporates a transfer of share-based payment reserve to issued capital of $279K relative to the treatment of treasury shares.

On 1 July 2022, the Board of Directors of DDH1 approved an on-market share buy-back program of up to 34,280,468 DDH1 shares, representing approximately 8% of the issued capital of the Company, over 12 months from 18 July 2022 at no more than 5% above the volume-weighted average price of DDH1 shares over the five trading days prior to the purchase. As at 31 December 2022, 18,539,719 shares have been

8. Issued Capital (continued)

bought under the buy-back program at a total cost of $15,764K.

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

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

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

9. Share Based Payment Reserve

	Note	31 Dec 2022 $000s	30 June 2022 $000s
Opening balance		**3,706**	**3,837**
Share based payment expense for LTIP		213	367
Transfer of share based payment reserve to issued capital	8	(279)	(498)
Closing balance		**3,640**	**3,706**

Long-Term Incentive Plan ('LTIP')

During this half year period, the Group issued performance rights under the LTIP to certain senior employees of the Group. The issue of these performance rights resulted in a share-based payment expense of $54,048 (2021: $35,072). The remaining share-based payment expense recognised for the period was for performance rights issued prior to 30 June 2022.

10. Dividend

During the half year, the Group paid a fully franked final dividend of 2.65 cents per share for the year ending 30 June 2022 totalling $10.9M (2021: $7.3M). On 27 February 2023, the Directors declared a fully franked interim dividend of 3.33 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2022, payable to shareholders on the record date of 21 March 2023 and to be paid on 11 April 2023. This interim dividend has not been included as a liability in these financial statements. The total estimated interim dividend to be paid is $13.6M.

11. Key Management Personnel

There have been no changes to the KMP of the Group or compensation arrangements since the most recent annual report. Subsequent to the end of the half year period, Ben Mackinnon (CFO and company secretary) ceased employment with the Company.

12. Capital Commitments

The Group has capital commitments for purchases of drill rigs assets and supporting equipment totalling $4,797K (30 June 2022: $8,362K).

13. Financial Instruments

Fair value of financial instruments

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

	31 December 2022		30 June 2022	
	Carrying Amount $000s	Fair Value $000s	Carrying Amount $000s	Fair Value $000s
Assets				
Cash at bank	31,501	31,501	17,941	17,941
Trade and other receivables	82,664	82,664	93,563	93,563
Financial assets	588	588	2,633	2,633
Liabilities				
Borrowings	40,000	40,000	30,000	30,000
Trade and other payables	36,901	36,901	51,091	51,091
Lease Liabilities	17,699	17,699	19,296	19,296

Financial assets carried at fair value through the profit and loss related to listed and non-listed investments are reviewed annually with regard to observable data based on the quoted prices of the instruments held. Listed investments are typically measured at Level 1 fair value hierarchy, and there were no transfers between levels during the period. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. At 31 December 2022, listed investments with a carrying value of $433,822 (30 June 2022: $408,105) have been measured at Level 1. For financial assets that are non-listed investments, they are measured according to inputs other than quoted prices within Level 1 that are observable for the assets indirectly. The methodology employed in this valuation related to prices the instrument has traded for in a private sale. These are measured at Level 3. At 31 December 2022, financial assets with a carrying value of $154,000 (30 June 2022: $154,000) have been measured at Level 3.

In the current period, the Group has sold its financial assets classified as FVOCI. No fair value gain or loss has been recognised for this sale as the sales price was deemed fair value on date of purchase as per note 16.

14. Bank Guarantees

The Group has bank guarantees in the amount of $1,203K (30 June 2022: $1,203K) in relation to obligations under operating leases and rental premises.

15. Intangible Assets

	Note	31 Dec 2022 $000s	30 June 2022 $000s
Customer relationships		20,144	25,278
Goodwill	(a)	27,724	27,724
Development assets		6,392	6,250
Total intangibles		**54,260**	**59,252**

15. Intangible assets (Continued)

	Note	31 Dec 2022 $000s	30 June 2022 $000s
(a) Goodwill Opening Balance		**27,724**	**25,381**
Acquired as part of business combination (i)	16	-	2,343
Goodwill closing balance		**27,724**	**27,724**

(i) Comparative has been revised to reflect finalisation of Swick Mining Services' Purchase Price Accounting. Refer to note 16 for details

16. Acquisition of Subsidiaries

Details of the provisional fair values of the net assets acquired and goodwill was set in the Company's 2022 Annual Report. The final fair values of the net assets acquired resulted in a reduction of $2.1 million of goodwill being recognised from the disclosed provisional values. Final adjustments resulted in an increase of tax receivables ($2.1 million) and deferred tax liabilities ($0.2 million) and a decrease to financial assets classified as FVOCI ($0.2million) as a result of additional information being obtained within the measurement period.

Final fair value recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	$000s
Cash and cash equivalents	4,994
Trade and other receivables	23,148
Inventory	28,718
Other assets	4,742
Property, plant and equipment	57,884
Intangible development assets	5,886
Financial assets classified as FVOCI	2,050
Right of use assets	7,398
Identifiable intangible assets	25,740
Trade and other payables	(19,681)
Borrowings	(30,000)
Lease liabilities	(10,510)
Provisions	(6,941)
Deferred tax assets/(liabilities)	(7,619)
Total net identifiable assets acquired	**85,809**
Goodwill	2,343
Total Consideration	**88,152**

Acquisition-related costs (included in administrative expenses) relating to the acquisition of Swick Mining Services Limited ("Swick") in the comparative period were $1,627K, which were expensed.

As Swick was acquired on 7 February 2022, the 1HY23 results include the full impact of Swick. If the acquisition of Swick had been completed on the first day of the comparative year, Group revenues for the comparative year would have been circa $247 million and Group EBITDA would have been circa $55 million.

17. Income Tax Expense

Income tax expense recognised in profit		**31 Dec 2022**	**31 Dec 2021**
Income tax expense comprises:		**$000s**	**$000s**
Current tax	(a)	415	(2,678)
Deferred tax		8,075	10,956
		8,490	**8,278**

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

Profit before tax from continuing operations	36,843	27,987
Prima facie tax expense on profit from ordinary activities before income tax at 30%	11,053	8,396
- Non-deductible expenses	85	57
- Prior year over/under	(2,507)	35
- Share based payment	64	54
- Consumables and WIP step up (b)	(1,747)	-
- Other	(353)	(264)
- Effect of foreign tax rate	(232)	-
- Effect of full year expected effective tax rate	2,127	-
	8,490	**8,278**

(a) During the half year ended 31 December 2022, the Group recognised upfront tax deductions associated with the purchase of certain property, plant and equipment. These upfront tax deductions have resulted in the Group making a taxable loss during the current year, which has resulted in an increased deferred tax asset associated with tax losses and a deferred tax liability associated with property, plant and equipment. These temporary differences are expected to reverse in subsequent periods.

(b) This adjustment relates to the change of treatment of Swick consumables and WIP in the post-acquisition period to 30 June 2022. This resulted in a permanent difference in the current period.

18. Post-Reporting Date Events

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

Dividends

On 27 February 2023, the Directors declared a fully franked interim dividend of 3.33 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2022, payable to shareholders on the record date of 21 March 2023 and to be paid on 11 April 2023. This interim dividend has not been included as a liability in these financial statements. The total estimated interim dividend to be paid is $13.6M.

Directors’ Declaration

The Directors declare that:

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

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

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

Chairperson and Non-Executive Director
Diane Gander-Smith AO

Dated 27 February 2023

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2
Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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

Report on the Half-year Financial Report

Conclusion

We have reviewed the half-year financial report of DDH1 Limited ("Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 9 to 24.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants
Perth, 27 February 2023