DDH1 LIMITED

PROSPECTUS

DDH1 Limited
ACN 636 677 088

JOINT LEAD MANAGERS

BELL POTTER

Aitken Murray Capital Partners

MACQUARIE

UBS

LEGAL ADVISER

GILBERT + TOBIN

IMPORTANT NOTICES

This Prospectus is issued by DDH1 Limited (ACN 636 677 088) (**DDH1**) for the purpose of Chapter 6D of the Corporations Act. The Offer contained in this Prospectus is an initial public offer of fully paid ordinary shares in DDH1. See Section 7 of this Prospectus for further information on the Offer.

Lodgement and Listing

This Prospectus is dated 10 February 2021 and was lodged with ASIC on that date.

DDH1 will apply to the ASX within seven days after the Prospectus Date, for admission of DDH1 to the Official List and quotation of Shares on the ASX.

None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date

This Prospectus expires on the date which is 13 months after the date of this Prospectus (**Expiry Date**). No Shares will be issued on the basis of this Prospectus after the Expiry Date.

Note to Applicants – not investment advice

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in DDH1. If you have any questions, you should consult your financial, accounting, legal, tax and/or other professional advisers before deciding whether to invest in Shares.

In particular, you should consider the best estimate assumptions underlying the Pro Forma Historical Financial Information and Forecast Financial Information (see Section 4) and the risk factors (see Section 5) that could affect the business, financial condition and financial performance of DDH1. You should carefully consider these risk factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues). There may be risks in addition to these that should be considered in light of your personal circumstances.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by DDH1 or its Directors. You should rely only on information in this Prospectus.

Exposure Period

The Corporations Act prohibits DDH1 from processing applications to subscribe for Shares offered under this Prospectus in the seven-day period after the Prospectus Date (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Obtaining a copy of this Prospectus

During the Exposure Period, an electronic version of this Prospectus without an Application Form will be available at https://ddh1offer.thereachagency.com for Australian investors and http://www.business.govt.nz/disclose for New Zealand investors only. Application Forms will not be made available until after the Exposure Period has expired.

During the Offer Period, this Prospectus will be available to investors in electronic form at https://ddh1offer.thereachagency.com. The Offer constituted by this Prospectus in electronic form at https://ddh1offer.thereachagency.com is available only to persons within Australia and New Zealand. The Prospectus is not available to persons in other jurisdictions (including the United States). If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

If you are an Australian or New Zealand investor, you may, before the Closing Date, obtain a paper copy of this Prospectus (free of charge) by telephoning the Offer Information Line on 1300 202 943 (within Australia) or + 61 3 9415 4179 (outside Australia) from 8:30am to 5:00pm (Sydney time), Monday to Friday (excluding public holidays).

Applications for Shares may only be made during the Offer Period on an Application Form attached to or accompanying this Prospectus.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of this Prospectus.

Refer to Section 10 for further information.

New Zealand Investors' Warning Statement

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

Currency exchange risk

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Trading on financial product market

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

A copy of this Prospectus, other documents relating to the Offer and a copy of the Constitution have been, or will be, lodged with the New Zealand Companies Office and are, or will be, available at http://www.business.govt.nz/disclose.

While the Offer is being extended to New Zealand investors under the New Zealand Mutual Recognition Regime, no application for listing and quotation is being made to NZX Limited.

Privacy

By filling out an Application Form to apply for Shares, you are providing personal information to DDH1 and the Share Registry. DDH1 and the Share Registry may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and/or carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in an Application Form, your Application may not be able to be processed or accepted.

Your personal information may also be provided to agents and service providers of DDH1 on the basis that they deal with such information in accordance with the privacy policy of DDH1. These agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- the Joint Lead Managers in order to assess your Application;
- printers and other companies for the purposes of preparation and distribution of statements and for handling mail;
- market research companies for the purposes of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors or consultants and other advisers for the purposes of administering, and advising on, the Offer or in respect of Shares and for associated actions.

If a person who submits an Application becomes a Shareholder, the Corporations Act requires DDH1 to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the DDH1 register of members must remain there even if a person ceases to be a Shareholder. Information contained in the DDH1 register of members is also used to facilitate dividend payments and corporate communications (including financial results, annual reports and other information that DDH1 may wish to communicate to its Shareholders) and compliance by DDH1 with legal and regulatory requirements. An Applicant has a right to access and correct the information that DDH1 and the Share Registry hold about that person, subject to certain exemptions under law.

Applicants can obtain a copy of DDH1's privacy policy by visiting the DDH1 website, https://ddh1offer.thereachagency.com. The privacy policy contains further details regarding access, correction and complaint rights and procedures.

To the extent of any inconsistency between the foregoing and DDH1's privacy policy, accessible at DDH1's website, the foregoing will apply. In all other respects, personal information collected by DDH1 in connection with your Application will be handled in accordance with the privacy policy. To contact DDH1 regarding privacy matters, please use the contact details provided on its website, or write to DDH1 at its address set out in the Corporate Directory at the end of this Prospectus.

The Share Registry's complete privacy policy is available at the Share Registry's website, https://www.computershare.com/au. Queries regarding the Share Registry's privacy policy may also be emailed to privacy@computershare.com.au.

Statements of past performance

This Prospectus includes information regarding the past performance of DDH1. Past performance information given in this Prospectus is given for illustrative purposes only. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information

Section 4 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of the financial information is set out in Section 4.2.

The financial information includes historical, Pro Forma historical, statutory forecast and Pro Forma forecast financial information. The Forecast Financial Information (as defined in Section 4) is based on the best estimate assumptions of the Directors.

Investors should note that certain financial data included in this Prospectus is not recognised under the Australian Accounting Standards and is classified as 'non-IFRS financial information' under ASIC Regulatory Guide 230 Disclosing non-IFRS financial information. DDH1 considers that this non-IFRS information provides useful information to users in measuring the financial performance and condition of DDH1. The non-IFRS financial measures do not have standardised meanings under the Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be interpreted as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are therefore cautioned not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

The financial information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 4 and Section 5.

All financial amounts contained in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward-looking statements. These forward-looking statements are relevant only as of the date of this Prospectus, and DDH1 does not undertake to publicly update or revise any forward-looking statement regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Any forward-looking statements are subject to various risks that could cause DDH1's actual results to differ materially from the results expressed or anticipated in these statements. Forward-looking statements should be read in conjunction with, and are qualified by reference to, risks as set out in Section 5, general assumptions as set out in Section 4.10.1, specific assumptions as set out in Section 4.10.2, the sensitivity analysis as set out in Section 4.10.7, and other information in this Prospectus. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of DDH1, the Directors and management. DDH1 cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Industry Data

This Prospectus (and in particular Section 2) contains data relating to the industries, segments and end-markets in which DDH1 operates (**Industry Data**). Such Industry Data includes, but is not limited to, statements and data describing or relating to the Australian minerals exploration and mining industry and key factors affecting or relevant to these industries.

Where indicated by specific attribution to Wood Mackenzie (Australia) Pty Ltd, the Industry Data is based on a market study that DDH1 commissioned from Wood Mackenzie (Australia) Pty Ltd (**Independent Market Report**). DDH1 understands that the Independent Market Report includes or is otherwise based on information obtained from (i) various data collection agencies, industry associations, forums and institutes and private market analysts; and (ii) publicly available information, as well as primary interviews conducted with industry participants and secondary market research.

While the Independent Market Report provides that the views, opinions, forecasts and information contained in it are based on information reasonably believed by Wood Mackenzie (Australia) Pty Ltd in good faith to be reliable, Wood Mackenzie (Australia) Pty Ltd has not independently verified or audited the information or material obtained from third parties. In addition, DDH1 has not independently verified, and cannot give any assurances as to the accuracy and completeness, of the Industry Data contained in this Prospectus that has been extracted or derived from the Independent Market Report.

Unless otherwise indicated, the Industry Data used in this Prospectus is current as at the Prospectus Date.

Investors should note that industry and market data, and statistics, are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

DDH1's website

Any references to documents included on the DDH1 website, https://ddh1offer.thereachagency.com are for convenience only, and none of the documents or other information available on DDH1's website form part of this Prospectus and are not interpreted as part of this Prospectus, or incorporated herein by reference.

Photographs and diagrams

Photographs used in this Prospectus without descriptions are only for illustration. The people shown are not endorsing this Prospectus or its contents. Diagrams used in this Prospectus may not be drawn to scale.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Logos

This Prospectus may contain trademarks and trade names of third parties, which are the property of their respective owners. Third party trademarks and trade names used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval or association by or with DDH1 or the Joint Lead Managers.

Report on Directors' forecasts and financial services guide

The provider of the independent review on the Forecast Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act. The financial services guide is provided in Section 7.

Selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus may not be distributed to, or relied upon by, persons in the United States.

Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares have been registered under the U.S. Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. See Section 7.12 for more detail on selling restrictions that apply to the Offer in jurisdictions outside of Australia and New Zealand.

Defined terms and time

Defined terms and abbreviations used in this Prospectus have the meanings defined in the Glossary in Appendix B or are defined in the context in which they appear.

Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by any member of the DDH1 Group or any of their respective affiliates, directors, officers, employees, advisers, agents, partners, consultants or representatives, or any person with a direct or indirect equity interest in any member of the DDH1 Group (each a "**DDH1 Party**" and together, the "**DDH1 Parties**"), or any other person in connection with the Offer. You should rely only on information in this Prospectus. None of the DDH1 Parties nor any other person warrants or guarantees the future performance of DDH1 or any return on any investment made pursuant to this Prospectus.

DDH1 and its directors and officers, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Questions

Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in DDH1 you should consult your financial, accounting, legal, tax and/or other professional advisers before deciding whether to invest in Shares.

Offer management and underwriting

Bell Potter Securities Limited, Aitken Murray Capital Partners Pty Ltd, Macquarie Capital (Australia) Limited and UBS AG, Australia Branch are the Joint Lead Managers and are managing and underwriting the Offer for DDH1. None of those entities have authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by any Joint Lead Manager or by any of their respective affiliates or related bodies corporate (as defined in the Corporations Act), or any of their respective officers, directors, employees, partners, advisers or agents.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

Cover images:

Top LH: DDH1 Drill sites, Murchison WA

Bottom LHS: Warren Lacey – Senior Driller QLD

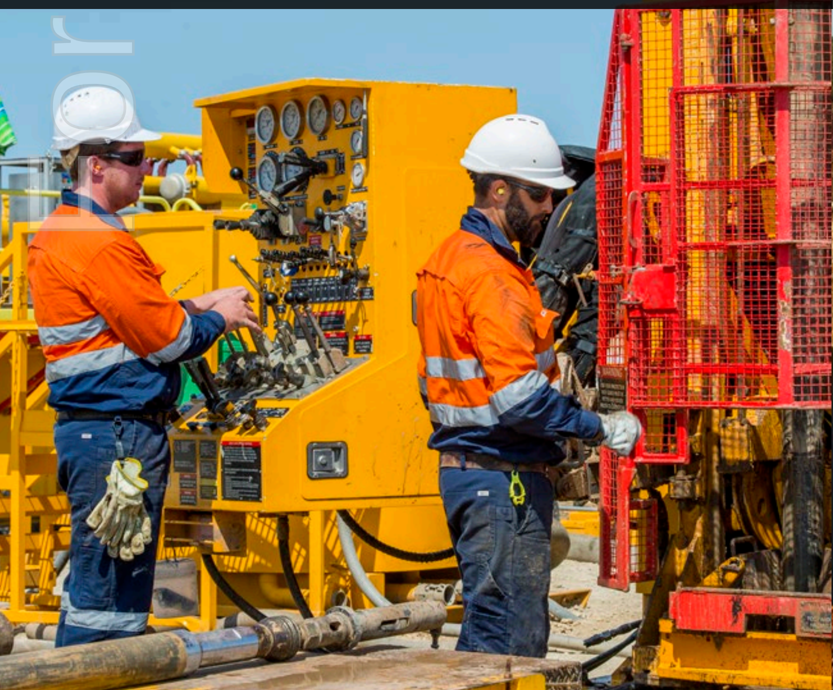
RHS: DDH1-Rig 2: Sandvik DE880 Multipurpose Core Rig, Eastern Goldfields WA

CONTENTS

Strike Drilling-Rig 4: Austex X350 dual purpose Aircore/RC Tack mounted rig Midwest WA

Teariki Metuangaro – Drilling Supervisor WA

DDH1-Rig 16: Evolution 3000 Multipurpose Core Rig, South West WA



DDH1-Rig 29: Tracked UDR650 Multipurpose Core Rig, North Queensland

KEY OFFER STATISTICS AND IMPORTANT DATES

Key Offer statistics[1]	
Offer Price	$1.10 per Share
Total Proceeds of the Offer	$150.0 million
Offer proceeds to be paid to Existing Shareholders	$109.0 million
Total number of Shares issued under the Offer[2]	136,363,636
Total number of Shares on issue at Completion of the Offer[2]	342,229,851
Total number of Shares held by the Existing Shareholders at Completion	205,866,215
Indicative market capitalisation (at the Offer Price)[3]	$376.5 million
Pro Forma net cash (as at 30 June 202)[4]	$2.9 million
Pro Forma adjusted net debt/(cash) (as at 30 June 2020)[5]	$9.0 million
Enterprise value as at Completion of the Offer (at Offer Price)[6]	$367.5 million
Enterprise value / Pro Forma FY2021 forecast EBITDA[7]	5.3 x
Offer Price / Pro Forma FY2021 forecast NPAT per Share[8]	12.5 x
Annualised Pro Forma FY2021 forecast dividend yield at Offer Price[9]	3.3%

1. Dollar amounts presented in the key Offer statistics table are in Australian dollars. This table contains Forecast Financial Information and information derived from Forecast Financial Information. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved. Certain financial information in this Prospectus is described as Pro Forma for the reasons described in Section 4. Forecasts have been included in this Prospectus for FY2021.
2. Assumes no Shares are issued under the Employee Concessional Offer. The maximum number of Shares that could be issued under the Employee Concessional Offer is approximately 1.3 million, including approximately 0.5 million Shares which are available for issue to certain Concession Eligible Employees at no cost to them. This assumption applies generally with respect to the information set out in this key Offer statistics table.
3. Indicative market capitalisation is calculated as the Offer Price multiplied by the total number of Shares on issue at Completion of the Offer.
4. Pro Forma net cash (as at 30 June 2020) is calculated on the basis described, as outlined in Section 4.6.
5. Pro Forma adjusted net cash (as at 30 June 2020) is an amount equal to Pro Forma net cash (as at 30 June 2020), adjusted for $6.1 million in employee loans. Please refer to Section 6.3.4.4 for additional information about the terms of those employee loans.
6. Enterprise value as at Completion of the Offer (at Offer Price) is calculated as indicative market capitalisation (at the Offer Price) less Pro Forma adjusted net cash (as at 30 June 2020) of $9.0 million.
7. Enterprise Value / Pro Forma FY2021 EBITDA is calculated as the enterprise value as at Completion of the Offer (at the Offer Price) divided by Pro Forma FY2021 EBITDA of $69.3 million as set out in Section 4.3.1.
8. Offer Price / Pro Forma FY2021 forecast NPAT per Share is calculated as the Offer Price divided by Pro Forma FY2021 NPAT as set out in Section 4.3.1.
9. Annualised Pro Forma FY2021 forecast dividend yield at Offer Price is calculated as the mid-point stated dividend payout ratio of 40% of Pro Forma FY21 NPATA of $31.5 million divided by the Offer Price.

Important dates

Prospectus Date	10 February 2021
Opening Date	17 February 2021
Closing Date	26 February 2021
Settlement of the Offer	4 March 2021
Issue and allotment of Shares	5 March 2021
Expected despatch of holding statements	8 March 2021
Shares expected to begin trading on a normal settlement basis on the ASX	9 March 2021

Dates may change

All dates and times are subject to change and are indicative only. All times are Sydney time unless otherwise stated. The Company, with the consent of the Joint Lead Managers, reserves the right to vary these dates and times without notice. It may close the Offer early, withdraw the Offer, or accept late applications.

How to invest

Applications for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

Questions

Please call the Offer Information Line on 1300 202 943 (within Australia) and + 61 3 9415 4179 (outside Australia) from 8:30am until 5:00pm (Sydney time), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest.

CHAIRPERSON'S LETTER

Dear Investor,

On behalf of the Directors, I am pleased to offer you the opportunity to become a shareholder of DDH1 Limited. Our mission is to provide a matrix of drilling technologies to obtain spatially accurate representative geological information for the discovery, assessment and extension of economic mineral occurrences.

The Company began operations as DDH1 Drilling in 2006. Growth in the period to the end of 2017 was primarily achieved organically through measured fleet expansion in response to customer demand. Following the investment by Oaktree in June 2017 and subsequent acquisitions of Strike Drilling and Ranger Drilling in June 2018 and April 2019 respectively, which delivered additional diversity and depth to the Company's service offerings, the Group now operates a fleet of 96[1] modern and highly-specified mineral drilling rigs to support client drilling programs throughout mainland Australia.

A highly experienced management team with a proven track record of operating across all phases of the mine life cycle leads the Company. Senior management is supported by a Board of Directors that brings a diversity of directorship experience with some of Australia's leading companies, extensive involvement with the minerals exploration and mining industries and a track record of building shareholder value in both public and private companies. Each of DDH1's brands has generated strong margins and robust cash flows underpinned by the Company's overall market position and fit-for-purpose service offering.

Over the years, DDH1 has maintained high utilisation of equipment and people through specialised work with long-term clients. The Company continues to enjoy significant repeat business. This, combined with commodity and geographic diversification and strict operating discipline, has allowed DDH1 to deliver strong profitability and cash flow resilience throughout commodity cycles. The Board and senior management team expect this strong performance to continue, with the business anticipated to deliver $280 million of revenue and $69.3 million of Pro Forma EBITDA in FY2021[2].

1. As at 31 December 2020.
2. See Section 4.

There continues to be strong growth in Australia in the industries the Company serves. Mineral drilling activity, measured in terms of total metres drilled, has increased annually since FY2015.[3] Meanwhile, the total number of unutilised drill rigs in Australia declined substantially.[4] A key focus of the Company will be to continue to expand its drilling operations to capitalise on the continued growth in demand for its specialised drilling services.

The funds raised by this Offer, together with existing cash, will be used to pay down borrowings at Completion and provide Existing Shareholders with an opportunity to realise part of their investment in the Company. Additionally, an ASX listing will provide DDH1 with access to equity capital markets, give employees an increased opportunity to participate in the ownership of the Company and provide a liquid market for Shares. The Existing Shareholders will remain strong supporters of the Company and will hold approximately 60.2% of the Shares at Completion of the Offer. The Founders, Management and Oaktree have entered into voluntary escrow arrangements in relation to their Shares held at Completion of the Offer, the details of which are set out in Section 10.6.

This Prospectus contains detailed information about the Offer, as well as the key risks associated with an investment in the Company.[5] These risks include exposure to operational disruptions attributable to COVID-19, a reduction in demand for DDH1's services, execution of the Company's growth strategy, reliance on key staff as well as contractual, environmental, counterparty, reputational, capital structure and other associated risks. I encourage you to read this document carefully in its entirety before making an investment decision.

On behalf of the Directors, I commend this Company to you and I look forward to welcoming you as a Shareholder.

Yours sincerely,

Diane Smith-Gander, AO
Chairperson

3. See Section 2.5.3.
4. See Section 2.5.4.
5. See Section 5.

FOUNDERS' LETTER

Dear Investor,

DDH1 was founded in 2006 with the vision of creating Australia's premier mineral drilling contractor. The Group today comprises three complementary brands, namely DDH1 Drilling, Strike Drilling and Ranger Drilling. From inception, the Group has endeavoured to provide the best drilling experience to our clients, through an unwavering focus on safe operations, using the most advanced equipment available operated by teams of technically skilled drillers.

In just 14 years, our resolute focus on quality and reliable service delivery has seen DDH1 grow from humble beginnings to a fleet of 96[1] modern and highly specialised drilling rigs. We are proud to have drilled some of the deepest and most complex Diamond Core drill holes in Australia. Our advances in Aircore and Reverse Circulation drill rig designs have improved safety and minimised environmental impact.

The growth and success of DDH1 to date is testament to the commitment of the DDH1 team, who strive to ensure the safety of all stakeholders while our clients experience exceptional service delivery. Our long-term client relationships are built on the provision of quality drilling services and a deep understanding of their business needs. We are very proud of how the DDH1 business has performed, in both economically prosperous and more challenging conditions. We are also proud that the Group has been able to grow both organically and by acquisition.

As the mineral drilling and mining industry continues to grow and define itself, the plan is for DDH1 to continue to evolve, seize opportunities and remain relevant to its market. DDH1's vision is to ensure it is the drilling company of first choice for Australian mining and exploration companies, and the employer of first choice for drilling industry employees. The key to realisation of this vision will be continued excellence in all areas of our business, including:

- best practice occupational safety and health performance;
- leadership in environmental performance;
- training our employees to deliver a superior level of technical expertise;
- industry-best equipment standards; and
- provision of client-focused products and services.

DDH1's strategy has been to define a long-term vision then balance short-term profitability and investment in growth. This strategy and the guiding principles developed to under-pin it has yielded continuous profitability and significant growth. This focus on achieving both short-term targets and long-term returns will not change when DDH1 becomes a publicly listed company. Nor will our priority on safety.

We are excited about the opportunities the future will bring and invite you to join us as a DDH1 shareholder.

Yours sincerely,

Murray Pollock

Matthew Thurston

Richard Bennett

Matthew Izett

Founders of the DDH1 Group

1. As at 31 December 2020.

We are very proud of how the DDH1 business has performed both in economically prosperous times and in more challenging conditions. We enjoy long-term relationships with our clients built on quality drilling services and a deep understanding of their business needs.

1.

INVESTMENT OVERVIEW

DDH1-Rig 17: Evolution 3000 Multipurpose Core Rig on MAN 8WD truck

1.1 INTRODUCTION

TOPIC	SUMMARY	FURTHER INFORMATION
Who is DDH1 and what industry does DDH1 operate in?	Minerals exploration and mining companies have an ongoing need for drilling services to provide them with rock samples for analysis of their mineral content and other geological, chemical and structural properties. These companies typically use service providers such as DDH1 rather than undertaking this activity in-house. DDH1 provides a range of specialised drilling services to companies mining or exploring for mineral deposits in Australia.	Sections 2.2 and 3.2
What is DDH1's history?	DDH1 began operations as DDH1 Drilling in 2006. Since establishment, DDH1 has focused and continued to hone its expertise in deep, specialised and technically challenging drilling methods which are used predominantly for mine development and production activities. From establishment of the Group to the end of 2017, growth was primarily achieved organically through measured fleet expansion in response to customer demand. The complementary acquisitions of Strike Drilling and Ranger Drilling in May 2018 and April 2019 respectively delivered additional diversity and depth to DDH1's service offerings. The Company operates a fleet of 96 modern and highly-specified mineral drilling rigs to support its clients' drilling programs throughout Australia.[1]	Section 3.1
What services does DDH1 offer?	DDH1 has the equipment and expertise in the following types of drilling methods in order to provide clients with the rock samples they require from their drilling programs. • **Air Core drilling** is typically used to conduct earlier stage exploration drilling work on soft rock formations to depths of approximately 200 metres. • **Reverse Circulation drilling** is primarily used for exploration and Grade Control purposes,[2] and can penetrate hard rock to depths of approximately 500 metres. • **Diamond Core drilling** is the primary drilling method for increasingly complex deeper mining and exploration activities and has been used to extract rock samples with surface drill rigs to depths of approximately 3,000 metres. Air Core and Reverse Circulation drilling produces pulverised rock samples whilst Diamond Core drilling produces intact rock core samples. Diamond Core samples therefore provide a higher informational advantage in comparison to Air Core and Reverse Circulation samples. However, Air Core and Reverse Circulation drilling is typically faster and more cost effective than Diamond Core drilling. The drilling method used ultimately depends on the drilling conditions or the purpose of the drilling activity.	Section 2.2.3
Who does DDH1 compete with?	DDH1 competes with other domestic and international mineral drilling providers. The drilling market in Australia is very fragmented with a number of participants competing nationally across a variety of drilling disciplines. DDH1 operates a fleet of 96 mineral drilling rigs in Australia[3]. There are only seven other companies that have been identified as operating a fleet of 30 or more rigs in Australia.	Section 2.4

1. As at 31 December 2020.
2. Grade Control drilling is conducted to define ore grades and grade distribution and economic ore boundaries. This information is used for mine planning.
3. As at 31 December 2020.

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FURTHER INFORMATION
What are the key drivers of demand for DDH1's services?	Mineral drilling services are required across all stages of a mining operation from exploration, mine development and production to closure of a mine. Different types of drilling services are required at various stages of the mine life cycle. There are several drivers of activity within the minerals exploration and mining sector that impact on drilling demand which include: • **Exploration** – demand for exploration drilling is driven by the need to identify, define and develop mineral deposits. Demand for these services is more sensitive to commodity prices because of the positive correlation between commodity prices and exploration activity. • **Development** – drilling activity at this stage of the mining process is driven by the need to outline the precise location of a mineral deposit (resource definition). Development, and in particular, production drilling activity is relatively less sensitive to short-term fluctuations in commodity prices. • **Production** – operating mines have an ongoing requirement to drill for samples in order to define the boundaries of the mineral deposit for planning and quality control purposes over the life of the mine. Production drilling is also particularly important for mature mines to offset reserve and resource inventory depletion from production. • **Mine closure** – when production ceases and a mine is closed, remedial action is often undertaken to restore and rehabilitate the site. Drilling services required at this stage may include the installation of wells for environmental monitoring within and around the rehabilitation site. • **Regulatory requirements** – sample drilling is also driven by the need for publicly listed mining companies to regularly provide audited reports of their mineral reserves and resources inventory.	Sections 2.2 and 2.3
Why is the Offer being conducted?	The purpose of the Offer is to: • provide DDH1 with: – funding for the repayment of bank and hire purchase debt and certain expenses incurred in relation to the Offer; – access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities; – a liquid market for its Shares and an opportunity for new investors (including employees) to acquire its Shares; and • provide Existing Shareholders with an opportunity to realise part of their investment in the Company.	Section 7.1.2
What is DDH1's corporate structure on Listing?	In connection with Listing, an internal restructure will take place, whereby Existing Shareholders will sell all of their shares in DDH1 Holdings to DDH1 Group Holdings, a wholly owned subsidiary of DDH1. Completion of that restructure is subject to Completion of the Offer. See Section 10.3.2 for further details.	Section 10.3.2

1.2 KEY FEATURES OF DDH1'S BUSINESS MODEL

TOPIC	SUMMARY	FURTHER INFORMATION
What is DDH1's business and earnings model?	The DDH1 Group provides a range of specialised drilling services from three complementary drilling brands to clients throughout Australia. Each of DDH1's brands serves a different target market and offers distinct equipment and drilling methods. • **DDH1 Drilling** – a specialist Diamond Core drilling service provider with a focus on providing highly technical exploration, mine development and production drilling services to extract rock core samples from depths of up to 3,000 metres. • **Strike Drilling** – a specialist Air Core and Reverse Circulation exploration focused drilling service provider. • **Ranger Drilling** – a West Australian iron ore focused Reverse Circulation drilling service provider. The Company typically generates revenue by charging its customers a rate based on metres drilled, an hourly rate, chargeable recovery of certain consumables, mobilisation and/or demobilisation costs. Profitability is therefore a function not only of price, but also productivity, which is driven by the drilling method, technology, efficiency of the equipment and skill and experience of the Company's drill operators.	Section 3.2
Where does DDH1 operate?	The Company currently has drill rigs operating throughout Australia. The Company's operations are managed from offices in Perth and Brisbane. Due to Western Australia's mineral endowment and the extent of mining operations that are carried out in that State, approximately 61%[4] of all mineral exploration expenditure in Australia relates to Western Australia and approximately 79% of the Company's FY2020 revenue was derived from Western Australia.	Section 3.3.2
Who are DDH1's key customers?	The Company has a diverse portfolio of approximately 102 mineral exploration and mining clients (based on FY2020 Pro Forma revenue). Many of these clients are well capitalised, with sufficient capital to reasonably withstand external shocks and maintain site exploration, development and production activity through the cycle. Some of DDH1's key customers include Newcrest, BHP Iron Ore, Evolution Mining, Gold Fields, Independence Group, Kalgoorlie Consolidated Gold Mines (KCGM), Newmont Goldcorp Australia, Ramelius Resources, Rio Tinto, Roy Hill Iron Ore and St Barbara. DDH1 prides itself on being well respected in the marketplace and maintains excellent customer relationships. This is demonstrated by DDH1's success in securing, maintaining, renewing and expanding contractual relationships with many of its key customers.	Section 3.5

4. ABS, 8412.0 Mineral and Petroleum Exploration, Australia, June 2020. Table 5. Mineral Exploration, (Other than for petroleum) – Expenditure by mineral sought.

TOPIC	SUMMARY	FURTHER INFORMATION
What is DDH1's dividend policy and when will they be paid?	Subject to future business conditions, available profits, franking credits and the financial position of DDH1, it is the current intention of DDH1 to pay dividends. Declaration of any dividend is at the Board's discretion. DDH1 expects to target the payment of dividends which, on an annual aggregate basis are in the range of 30% to 50% of NPATA. The payment of dividends, is targeted every six months with an interim dividend in March and a final dividend in September of each calendar year. The actual dividend payout ratio is expected to vary between periods depending on a variety of factors, including those outlined above. The first dividend is expected to be declared for the period from the date of Listing to 30 June 2021.	Section 4.8
What is DDH1's Pro Forma historical and forecast financial performance?	See table below.	Section 4.3.1

	PRO FORMA			
$M	**FY2018**	**FY2019**	**FY2020**	**FY2021F**
Revenue	176.4	212.4	249.8	280.2
EBITDA	42.3	54.0	64.5	69.3
EBITA	27.4	37.5	44.9	46.2
EBIT	25.2	35.3	42.6	44.0
Profit Before Tax	24.5	34.7	42.0	43.3
NPAT	16.8	25.8	29.0	30.0
NPATA*	18.4	27.4	30.6	31.5

* NPATA means net profit after tax but excluding Acquisition amortisation.

TOPIC	SUMMARY	FURTHER INFORMATION
What is DDH1's historical aggregated FY18 and FY19 and statutory FY20 and forecast FY21 financial performance?	See table below.	Section 4.3.1

	AGGREGATED		STATUTORY	
$M	**FY2018**	**FY2019**	**FY2020**	**FY2021F**
Revenue	176.4	212.4	249.8	280.2
EBITDA	43.0	50.8	63.3	60.5
EBIT	29.9	35.3	39.4	35.2
Profit Before Tax	26.8	31.2	35.4	33.1
NPAT	18.8	23.0	24.6	22.8

1.3 KEY STRENGTHS AND INVESTMENT HIGHLIGHTS

TOPIC	SUMMARY	FURTHER INFORMATION
Favourable industry dynamics	There continues to be industry growth in the Australian mineral drilling sector with growing demand for DDH1's services due to increased exploration, development and production spending by minerals exploration and mining companies. This is 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.	Section 2.3
Significant market position	DDH1 operates Australia's second-largest fleet of mineral drilling rigs.[5] The Company's significant market position is reinforced by strong levels of industry recognition.	Sections 2.4 and 3
Track record of performing through the cycle	Since establishment in 2006, DDH1 has maintained relatively high utilisation rates through specialised work often with long-term clients. Combined with geographic and commodity diversification and strict operating discipline, the Company has demonstrated the ability to continually deliver positive EBIT margins[6] and has consistently grown market share.	Section 4
Highly experienced management team	DDH1 is led by a highly experienced management team with a proven track record of operating across all phases of the mine life cycle. DDH1's management team is supported by a Board of Directors who amongst them bring a diversity of directorship experience with some of Australia's leading companies, extensive involvement with the minerals exploration and mining industries and a track record of building shareholder value in both private and listed companies.	Sections 6.1 and 6.2
Customer and commodity diversification	DDH1 has an extensive portfolio of approximately 102 clients (based on FY2020 Pro Forma revenue). Approximately 88% of DDH1's FY2020 Pro Forma revenue was repeat revenue.[7] DDH1's earnings are also diversified across multiple commodities and geographies which can be managed to avoid overexposure to any particular element.	Sections 3.3.2, 3.3.3 and 3.5
Excellent safety record and embedded safety culture	DDH1 prides itself on its excellent safety record, which provides a competitive advantage when bidding for customer contracts as well as in attracting and retaining staff. The Company's TRIFR[8] of 6.9 per million hours worked in FY2020 was less than 11.9, the average of ASX-listed drillers who reported this safety metric for the same period.[9] DDH1 has an unwavering commitment to safe operations and dedicates appropriate resources to maintaining and enhancing its safety performance.	Section 3.9

5. As at 31 December 2020 and based on information available to the Company as at the date of this document.
6. Reflecting a Pro Forma depreciation expense for each period based on alignment with the Group's current depreciation policy.
7. FY2020 repeat revenue is defined as revenue from a client who had been a client with DDH1 prior to FY2019.
8. Total Recordable Injuries Frequency Rate.
9. Swick Mining Services and Mitchell Services. Boart Longyear does not report TRIFR.

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FURTHER INFORMATION
Service offering across all drilling methods	DDH1 offers a wide range of drilling solutions at all stages of the mining life cycle across a broad range of commodities. The ability to offer a broad range of drilling solutions provides DDH1 with a competitive advantage in pursuing long-term whole of mine exclusive relationships. Existing experience with and understanding of a mine site's geology also provides efficiency opportunities to mine operators in respect of drilling activities at that site.	Sections 2.2.3 and 3.2
Modern, standardised, long-life fleet	DDH1 operates a modern drilling fleet with an average fleet age of approximately six years. Standardisation across a fleet of drill rigs has multiple benefits including: • increased productivity; • reduced training requirements; • greater purchasing leverage; • increased workforce flexibility; and • reduced maintenance costs and inventories of spare parts.	Section 3.4
Track record in innovation and technology	DDH1 has designed and implemented various important improvements in drill rig design and drilling innovation. DDH1 continues to build on this legacy of innovation in three distinct areas of its business including safety, drilling accuracy and geological data.	Section 3.8
Multiple avenues for further growth	The Company is well positioned to capitalise on future growth opportunities, including: • **New business opportunities** – new customer contracts and expansion of scope of services provided to existing customers; • **Higher utilisation** – higher utilisation of existing fleet as drilling activity continues to increase; • **Rate increases** – DDH1 is beginning to experience rate increases as activity continues to ramp up, industry-wide utilisation recovers and new and second-hand equipment availability remains tight; • **Rig fleet expansion** – continued expansion of rig fleet with high quality rigs in order to meet market demand. DDH1 has already invested in several new drill rigs which have not yet contributed to the Group's annualised performance. The full effect of these additional rigs is expected in FY2022; and • **Acquisitions** – DDH1 continues to assess acquisition opportunities which bring strategic advantage and scale to the Group's activities and which can enhance value for the Company's shareholders.	Section 3.7

1.4 KEY RISKS

TOPIC	SUMMARY	FURTHER INFORMATION
COVID-19	DDH1's business has been adversely impacted by the Coronavirus pandemic. Whilst DDH1 has taken steps to mitigate the financial and operational effects of that pandemic, 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 the Company's financial and/or operational performance: • mobility restrictions imposed by State and Federal Governments; • physical-distancing restrictions imposed by State and Federal Governments; and • restrictions on access to project sites imposed by certain customers of DDH1.	Section 5.2.1
Customer demand and outlook for the minerals exploration and mining industry	DDH1's business depends on, amongst 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, resulting operations and prospects.	Section 5.2.2
Loss of customer contracts and levels of new work	The Company's drilling customer contracts are typically for a term of three months to three years in length and can typically be terminated by the customer for convenience, with limited or no amounts payable to the Company in that scenario. The short duration of some of the Company's customer contracts, and the fact that a substantial majority of them may be terminated without notice, does not provide the Company 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.	Section 5.2.3
Increased competition from new and existing competitors	A significant portion of the drilling services business is dependent upon 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.	Section 5.2.4
Tender process risk	The Company 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 the Company's ability to maintain existing contracts or procure future contracts.	Section 5.2.5
Concentration risk	DDH1's specialisation in mineral drilling gives rise to concentration risk in that the prospects of DDH1 are largely influenced by the prospects of the minerals exploration and mining industry. DDH1 has sought to mitigate this risk to an extent by focusing on providing drilling services which are 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.	Section 5.2.6
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 issues may ultimately have an adverse effect on DDH1's business, financial performance and/or financial position of the Company.	Section 5.2.10

TOPIC	SUMMARY	FURTHER INFORMATION
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 in gaining access to additional purpose-built rigs or equipment necessary to meet customer requirements, or adequate supplies of equipment at appropriate 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, the financial performance and/or financial position of the Company.	Section 5.2.11
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, depends on its ability to attract and retain appropriately skilled and experienced personnel. Loss of key staff or failure to attract new staff may have an adverse impact on DDH1's business, financial performance or otherwise of the Company and in particular its ability to expand its business.	Section 5.2.12 and Section 5.2.13
Health and safety	Site safety and occupational health and safety outcomes are critical to DDH1's reputation and its ability to be awarded contracts. Industrial accidents may occur in the course of DDH1's operations. In the event of an accident, the Company could incur a substantial liability. An industrial accident could negatively impact growth prospects and adversely affect the reputation, brand, financial performance and/or financial position of the Company.	Section 5.2.14
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 the financial performance and/or financial position of the Company.	Section 5.2.16

TOPIC	SUMMARY	FURTHER INFORMATION
Other risks	A number of other risks relating specifically to an investment in DDH1 and generally to an investment in Shares are set out in Section 5, including: • DDH1 may experience unexpected increases in operation 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 executing on its expansion plans; • DDH1's customers may move to fixed-price contractual-based agreements which gives rise to a risk of an increase in costs above those anticipated at the time of entering into the contract which are not capable of being passed 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 potential impact 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; • DDH1 may breach its debt covenants; • DDH1 is subject to intellectual property risks; • Tax risks; • General economic, financial and business conditions; • DDH1 may be the subject of a cybersecurity breach or disruption; and/or • Other investment risk factors, including economic factors, liquidity of shares, Shareholder dilution, dividends, distribution and franking credits, taxation changes, changes in Australian Accounting Standards, force majeure events and the risk of expected future events not occurring.	Sections 5.2.15 to 5.2.37 and Section 5.3

1.5 DIRECTORS AND MANAGEMENT

TOPIC	SUMMARY	FURTHER INFORMATION
Who are the Directors of DDH1?	• Diane Smith-Gander AO – Independent, Non-Executive Chair • 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 – Chief Executive Officer and Managing Director	Section 6.1
Who are the senior management of DDH1?	• Sy Van Dyk – Chief Executive Officer and Managing Director • Ben MacKinnon – Chief Financial Officer • Andrew Venn – Executive General Manager, Corporate Services • Mat Scarlett – General Manager of Operations, DDH1 Drilling • Matt Izett – Managing Director, Ranger Drilling • Richard Bennett – Managing Director, Strike Drilling	Section 6.2

1.6 SIGNIFICANT INTERESTS OF KEY PEOPLE

TOPIC	SUMMARY	FURTHER INFORMATION
Who are the current major Shareholders and what will their interests be at Completion of the Offer?	See table and notes below	Section 7.1.4

	INTEREST IN DDH1 HOLDINGS PRIOR TO COMPLETION	INTEREST AT COMPLETION	
SHAREHOLDER	**%**	**SHARES**	**%**
Founders[1]	52.3	113,966,496	33.3
Oaktree[2]	41.8	75,753,063	22.1
Non-Executive Directors[3] (excluding Murray Pollock)	–	136,365	–
Management[4] and other Existing Shareholders	5.9	16,146,656	4.7
New Shareholders[5]	–	136,227,271	39.8
Total	**100.0**	**342,229,851**	**100.0**

1. The Founders are Murray Pollock, Matt Thurston, Richard Bennett and Matt Izett, each of whom hold their interests directly or through controlled entities or related parties.
2. Oaktree will also have a relevant interest in any Shares in which the Company has a relevant interest due to certain disposal restrictions applicable to Shares issued under the Employee Concessional Offer and disposal rights under the employee loans described in Section 6.3.4.4. These additional relevant interests will result in Oaktree having a relevant interest in up to 90.4 million Shares, in aggregate as at Completion of the Offer.
3. The Non-Executive Directors are Diane Smith-Gander AO, Alan Broome AM, Andrea Sutton, Murray Pollock and Byron Beath.
4. Management are the MEP Holders, being the holders of Class M and Class N Shares in DDH1 Holdings.
5. Excludes 136,365 new Shares to be subscribed for and issued to Diane Smith-Gander AO, Alan Broome AM and Andrea Sutton.

<table>
<tr><th>TOPIC</th><th>SUMMARY</th><th>FURTHER INFORMATION</th></tr>
<tr><td>What significant benefits are payable to the Directors and what significant interests do they hold?</td><td>On Completion of the Offer, the Directors' relevant interests in Shares are expected to be as follows.
<table>
<tr><th>DIRECTOR</th><th>SHARES ACQUIRED UNDER THE OFFER</th><th>SHARES HELD ON COMPLETION</th></tr>
<tr><td>Diane Smith-Gander AO</td><td>45,455[1]</td><td>45,455</td></tr>
<tr><td>Alan Broome AM</td><td>45,455</td><td>45,455</td></tr>
<tr><td>Andrea Sutton</td><td>45,455</td><td>45,455</td></tr>
<tr><td>Murray Pollock</td><td>–[2]</td><td>47,419,961</td></tr>
<tr><td>Byron Beath</td><td>–</td><td>–</td></tr>
<tr><td>Sy Van Dyk</td><td>–[3]</td><td>4,965,886</td></tr>
<tr><td>Total</td><td>136,365</td><td>52,522,212</td></tr>
</table>
1. Includes the one Share held by Diane Smith-Gander AO as at the Prospectus Date.
2. Excludes Shares issued to Murray Pollock's controlled entity pursuant to the Sale Agreement to which such entity is a party which Shares will not be issued under this Prospectus.
3. Excludes Shares issued to Sy Van Dyk pursuant to the MEP Sale Agreement to which Sy Van Dyk is a party as an MEP Holder.

Final Directors' shareholdings will be notified to the ASX following Listing.

All Non-Executive Directors will receive directors' fees.[10]

Sy Van Dyk will receive executive remuneration as the Group CEO.</td><td>Section 6.3.2.3</td></tr>
<tr><td>Will any Shares be subject to restrictions on disposal following Completion of the Offer?</td><td>Approximately 205.9 million of the Shares will, from Completion of the Offer, be subject to voluntary escrow arrangements.

All Shares issued under the Employee Concessional Offer will, from Completion of the Offer, be subject to a three-year disposal restriction.</td><td>Section 10.6</td></tr>
</table>

1.7 OVERVIEW OF THE OFFER

TOPIC	SUMMARY	FURTHER INFORMATION
What is the Offer?	The Offer is an initial public offering of 136.4 million Shares[11] by DDH1 at the Offer Price of $1.10 per Share to raise approximately $150.0 million. On Completion, 205.9 million Shares will be held by the Existing Shareholders and will be subject to the Voluntary Escrow Arrangements, as described in Section 10.6. The total number of Shares on issue at Completion will be 342.2[11] and all Shares will rank equally with each other.	Sections 7.1, 7.14 and 10.6
Who is the issuer of the Prospectus?	DDH1 Limited.	Section 7.1

10. As Mr Beath acts as a Non-Executive Director in his capacity as an employee of Oaktree, any amount of fees payable in respect of the provision of Mr Beath's services as a Non-Executive Director will be paid to an entity which forms part of the investment fund through which Oaktree's investment in DDH1 is held.
11. Assumes no Shares are issued under the Employee Concessional Offer. The maximum number of Shares that could be issued under the Employee Concessional Offer is approximately 1.3 million, including approximately 0.5 million Shares which are available for issue to certain Concession Eligible Employees at no cost to them.

1. INVESTMENT OVERVIEW

<table>
<tr><th>TOPIC</th><th>SUMMARY</th><th>FURTHER INFORMATION</th></tr>
<tr><td>What is the proposed use of the funds raised under the Offer?</td><td>The Offer is expected to raise approximately $150.0 million[12]. The purpose of the Offer is to:

provide DDH1 with:

funding for the repayment of debt and payment of certain expenses incurred in relation to the Offer;
access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities;
a liquid market for its Shares and an opportunity for new investors to acquire its Shares; and

provide certain Existing Shareholders with an opportunity to realise part of their investment in the Company.

<table>
<tr><th>SOURCES OF FUNDS</th><th>$M</th><th>USES OF FUNDS</th><th>$M</th></tr>
<tr><td>Proceeds from the issue of Shares[1]</td><td>$150.0</td><td>Proceeds to the Existing Shareholders</td><td>109.0</td></tr>
<tr><td></td><td></td><td>Repayment of existing debt[1]</td><td>29.9</td></tr>
<tr><td></td><td></td><td>Payment for cash costs of the Offer[2]</td><td>11.1</td></tr>
<tr><td>Total sources of funds</td><td>150.0</td><td>Total uses of funds</td><td>150.0</td></tr>
</table>

The Company also intends to apply cash that it holds as at Completion of the Offer (being cash that was not raised via the Offer) to repay debt, with that amount of cash expected to be sufficient to fully repay the remaining balance of that debt at that time.
Excluding $0.5 million in non-cash costs relating to shares gifted under the Employee Concessional Offer. Please refer to Section 10.12 for further details.
</td><td>Sections 7.1.2 and 7.1.3</td></tr>
<tr><td>Who are the Joint Lead Managers for the Offer?</td><td>The Joint Lead Managers are:

Bell Potter Securities Limited;
Aitken Murray Capital Partners Pty Ltd;
Macquarie Capital (Australia) Limited; and
UBS AG, Australia Branch.
</td><td>Section 7.2</td></tr>
<tr><td>Will the Shares be quoted on the ASX?</td><td>DDH1 will apply within seven days of the Prospectus Date to the ASX for admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code DDH).

Listing is conditional on ASX approving DDH1's application for quotation. If ASX approval is not given within three months after such an application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.</td><td>Section 7.2</td></tr>
<tr><td>When will I receive confirmation that my Application has been successful?</td><td>It is expected that initial holding statements will be dispatched by standard post on or about 8 March 2021.

Broker Firm Offer Applicants should contact their broker to confirm their allocation.</td><td>Section 7.2</td></tr>
</table>

12. Assumes no Shares are issued under the Employee Concessional Offer and excludes Shares to be issued to the MEP Holders pursuant to the MEP Sale Agreements. The maximum number of Shares that could be issued under the Employee Concessional Offer is approximately 1.3 million, including approximately 0.5 million Shares which are available for issue to certain Concession Eligible Employees at no cost to them.

TOPIC	SUMMARY	FURTHER INFORMATION
When can I sell my Shares on the ASX?	It is expected that trading of Shares on the ASX will commence on a normal settlement basis on or about 9 March 2021. It is the responsibility of each Applicant to confirm their holding before trading their Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.	Section 7.2
How is the Offer structured and who is eligible to participate?	The Offer comprises the: • **Broker Firm Offer** – which is open to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation of Shares; • **Employee Offer** – which is open to Eligible Employees in Australia who may apply for a minimum allocation of $2,000 worth of Shares and in multiples of $500 of Shares thereafter; • **Employee Concessional Offer** – which is open to Concession Eligible Employees in Australia who have been employed for a minimum period of 12 months as at the Eligibility Date and who wish to apply for $1,000 worth of Shares at no cost and up to an additional $1,000 worth of Shares to be funded through salary sacrifice contributions. Concession Eligible Employees who have been employed by the DDH1 Group for less than 12 months as at the Eligibility Date may apply for up to $1,000 worth of Shares to be funded through salary sacrifice contributions; and • **Institutional Offer** – which consists of an invitation to bid to Institutional Investors in Australia and a number of other eligible jurisdictions made under this Prospectus. No general public offer of Shares is included in the Offer.	Sections 7.3, 7.4, 7.5 and 7.6
Is the Offer underwritten?	Yes. The Offer (with the exception of the Employee Concessional Offer component) is fully underwritten by the Joint Lead Managers.	Section 7.2
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, Employee Offer, Employee Concessional Offer and Institutional Offer, and to participants within the Institutional Offer, will be determined by the Company having regard to advice from the Joint Lead Managers. For Broker Firm Offer participants, the relevant Broker will decide how it allocates Shares among its retail clients, and it will be responsible for ensuring that retail clients who are allocated Shares receive the relevant Shares. With respect to the Employee Offer, the allocation of Shares will be determined by the Company (in consultation with the Joint Lead Managers). The aggregate number of Shares issued under the Employee Offer will not exceed $2.0 million worth of Shares (rounded down to the nearest whole Share based on the Offer Price). With respect to the Employee Concessional Offer, the allocation of Shares will be determined by the Company.	Sections 7.3.5, 7.4.4, 7.5.4, and 7.6.2
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 7.2

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FURTHER INFORMATION
What are the tax implications of investing in the Shares?	Shareholders may be subject to Australian income tax or withholding tax on any future dividends paid. The tax consequences of any investment in the Shares will depend upon an Investor's particular circumstances. Applicants should obtain their own independent tax advice prior to deciding whether to invest in Shares.	Section 10.8
What is the minimum and maximum Application size under the Offer?	The minimum Application size under the Broker Firm Offer is $2,000 worth of Shares and in multiples of $500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. Applications for Shares (excluding Shares to be issued by way of salary sacrifice) under the Employee Offer must be for a minimum of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. The aggregate number of Shares issued under the Employee Offer will not exceed $2.0 million worth of Shares (rounded down to the nearest whole Share based on the Offer Price). Eligible Employees may apply for a greater number of Shares however such applications may be subject to scale-back depending on the extent to which there are excess Shares available as a result of Eligible Employees not taking up their guaranteed minimum allocation. Under the Employee Concessional Offer, Concession Eligible Employees who have been employed for a minimum period of 12 months as at the Eligibility Date will be offered the opportunity to apply for $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price) at no cost and up to an additional $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price) to be funded through salary sacrifice contributions. Concession Eligible Employees who have been employed by the DDH1 Group for less than 12 months as at the Eligibility Date, will be offered the opportunity to apply for up to $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price) to be funded through salary sacrifice contributions. Applications under the Employee Concessional Offer for Shares to be funded through salary sacrifice contributions must be for a minimum of $500 and in multiples of $100 thereafter (rounded down to the nearest whole Share based on the Offer Price).	Sections 7.3.2, 7.4.2, and 7.5.2
How can I apply?	Broker Firm Offer Applicants may apply for Shares by completing a Broker Firm Offer Application attached to or accompanying this Prospectus and lodging it with the Broker who invited them to participate in the Broker Firm Offer. Applicants under the Employee Offer and Employee Concessional Offer may apply for Shares online by visiting https://ddh1offer.thereachagency.com and following the instructions on their personalised invitation. The Joint Lead Managers separately advised Institutional Investors of the Application procedure under the Institutional Offer. To the extent permitted by law, an Application is irrevocable.	Sections 7.3.2, 7.4.2, 7.5.2 and 7.6.1
Can the Offer be withdrawn?	DDH1 reserves the right to not proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 7.11

TOPIC	SUMMARY	FURTHER INFORMATION
Where can I find out more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Offer Information Line on 1300 202 943 (within Australia) and +61 3 9415 4179 (outside Australia) from 8:30am until 5:00pm (Sydney time), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are in any doubt as to whether to invest in DDH1, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest in DDH1.	Section 7.2

2.

INDUSTRY OVERVIEW

DDH1-Rig 16: Evolution 3000 on location at WA Carbon Sequestration Project

2.1 INTRODUCTION

DDH1 provides mineral drilling services to the Australian mineral exploration and mining industry. Mineral exploration and mining companies have an ongoing need to drill and typically use drilling service providers such as DDH1 to provide them with samples for analysis of their mineral content and other geological, chemical and structural properties.

This Section 2 is intended to provide an overview of the industry in which DDH1 operates as well as some of the demand drivers that impact mineral drilling activity.

Please see Wood Mackenzie's independent industry report in Section 8 for an overview of the mineral drilling sector and a commodity outlook for some of the main commodities related to mineral drilling in Australia.

2.2 OVERVIEW OF THE MARKET FOR MINERAL DRILLING SERVICES

2.2.1 What is mineral drilling?

Mineral drilling involves using specialised drilling equipment to bore into the earth for various reasons including to search for new mineral deposits, as well as to determine the size, grade and precise location of a mineral deposit. Mineral drilling, and in particular Diamond Core drilling (discussed further in Section 2.2.3.2), plays an important role in mine design.

2.2.2 How is drilling used across the different stages of the mining life cycle?

Mineral drilling services are required across all stages of a mining operation from exploration, mine development and production to closure of a mine. Different types of drilling services are required at various stages of the mine life cycle. The following diagram outlines the key stages of the minerals industry mine life cycle and some of the types of drilling services that are associated with the different stages of the mine life cycle.

Figure 1: Key stages of the mine life cycle

Exploration	Development	Production	Mine closure
• Earliest stage of mining operations • Demand for exploration drilling is driven by the need to identify, define and develop mineral deposits • To identify a mineral deposit, drilling is required to penetrate the underlying rock to extract samples for analysis • Defining the quality and size of any mineral deposit is required to determine whether mining would be economically viable • Exploration drilling demand is more sensitive to commodity prices because of the influence they have over exploration activity	• Mine development drilling activity is driven by the need to outline the precise location of a mineral deposit and to aid in the planning and construction of new mine sites • Very accurate and intensive drilling is required during this stage of the mine life cycle • Development and, in particular, production drilling activity is less susceptible to short-term fluctuations in commodity prices but are still influenced by extended moves in the commodities price cycle partly due to the effect this could have on the economic viability of marginal mines	• Operating mines have an ongoing requirement to drill for samples in order to continue to define the boundaries of the mineral deposit for planning and quality control purposes over the life of the mine • This element of the mining process is the least influenced by commodity price fluctuations, particularly in the cases of low-cost, high-margin mines which are more likely to sustain operations even during periods of low commodity prices	• When production ceases and a mine is closed, remedial action is undertaken to restore and rehabilitate the site • Drilling services required at this stage include the installation of wells for environmental monitoring within and around the rehabilitation site

2.2.2.1 Exploration stage drilling

Exploration or 'greenfield' stage drilling is primarily focused on the discovery of mineral deposits. Exploration stage drilling typically involves drilling into the underlying soil or rock formations to obtain rock samples which are used to ascertain the existence, quality and scale of a mineral deposit. The integrity of rock samples is extremely important for the accurate determination of the quality, size and economic viability of a mining project. Therefore a mineral drilling service provider's experience and reputation for producing spatially accurate representative samples is an important factor in contractor choice.

2.2.2.2 Development stage drilling

Development or 'brownfield' stage drilling is driven by the need to outline the precise location of a mineral deposit (resource definition) as well as to aid in the planning and construction of new mine sites. Development activity is less sensitive to short-term fluctuations in commodity prices than exploration drilling, however may still be susceptible to extended moves in the commodities price cycle. This is partly because of the effect this could have on the economic viability of marginal mines.

2.2.2.3 Production stage drilling

Production stage drilling takes place within mine boundaries and includes both surface and underground drilling. Operating mines have an ongoing requirement to drill for samples in order to continue to define the boundaries of the mineral deposit for planning and quality control purposes over the life of the mine.

Drilling for the purposes of continually defining mineral deposit boundaries and life of mine planning is particularly important for producing mines to offset reserve and resource inventory depletion from production. Production drilling is also required to control or obtain water.

This element of the mining process is the least influenced by commodity price fluctuations, particularly in the cases of low-cost, high-margin mines which are more likely to sustain operations even during periods of low commodity prices.

2.2.2.4 Mine closure drilling

When production ceases and a mine is closed, remedial action is undertaken to restore and rehabilitate the site. Drilling services required at this stage may include the installation of wells for environmental monitoring within and around the rehabilitation site.

2.2.2.5 Regulatory requirements

Mineral drilling for samples is also driven by the need for publicly listed mining companies to regularly provide audited reports of their mineral reserves and resources.

2.2.3 Drilling methods

2.2.3.1 Overview of drilling methods

There are various drilling methods used within the minerals exploration and mining industry and each method has different characteristics and applications. The drilling method used depends on the drilling conditions or the purpose of the drilling activity. All drilling methods require purpose-built equipment and skilled operators experienced in that particular drilling method to perform the drilling safely, efficiently and to an appropriate standard.

DDH1 has the equipment required for, and expertise in, the following types of drilling methods in order to provide clients with the samples they require for their drilling programs.

Table 1: Summary overview of drilling methods currently employed by DDH1

	DIAMOND CORE	REVERSE CIRCULATION	AIR CORE
Ground conditions	Hard and soft rock formations	Hard and soft rock formations	Soft rock formations
Mine life cycle	All stages	All stages	Predominantly exploration
Maximum hole depth	Up to 3,000 metres	Up to 500 metres	Up to 200 metres
Relative rate of progress	Slow	Medium	Fast
Type of samples	Intact cylindrical rock core	Rock chips	Rock chips
			
Method	• Continuous solid rock core sample is retrieved using a rotary diamond impregnated drill bit	• Pneumatic hammer is used to pulverise rock into small chip samples • Compressed air transfers rock chip samples to the surface through the centre of the drill pipe	• Tungsten blades are used to bore into the ground • Compressed air transfers rock chip samples to the surface through the centre of the drill pipe

2.2.3.2 Diamond Core drilling

Diamond Core drilling involves retrieving a continuous solid core of rock from various depths using a diamond impregnated drill bit attached to a rotary drill via a drill rod. The circumferential setting of the drill bit allows it to cut through the rock to produce a solid rock core sample that can be analysed for mineral content and other geological and structural properties.

Diamond Core drilling has been used to extract rock core samples with surface drill rigs to depths of 3,000 metres. These samples enable geologists to examine and better understand the lithology and structure of the rock. The rock core sample can also be analysed for elements of interest contained within the rock.

Diamond Core drilling is used across all stages of the mine life cycle and is conducted both from the surface as well as underground. Diamond Core drilling is particularly important during the mine development phase as Diamond Core samples provide a more detailed understanding, relative to Air Core and Reverse Circulation samples, of structural features such as fault zones which are key contributors to physical rock properties. This information is used to inform mine design which aids in making sound safety and economic decisions related to mining a mineral deposit.

2.2.3.3 Reverse Circulation drilling

Reverse Circulation drilling utilises a pneumatic hammer to pulverise rock into chips. Compressed air transfers these rock chip samples to the surface through the centre of the drill pipe, rather than through the space in between the drill pipe and the drilled hole wall, for collection and analysis. This dual tube drill pipe system reduces sample contamination compared to using a single tube drill pipe system that returns samples to the surface in the annulus between the drill pipe and the drilled hole wall. Typical holes can be several hundred metres in depth.

Given that rock samples are broken into chips, this does not allow for as detailed geological analysis when compared to Diamond Core drilling. However, Reverse Circulation drilling is faster and lower cost than Diamond Core drilling. This drilling method is primarily used for surface mineral exploration and grade control purposes. Grade Control drilling is conducted to define ore grades and grade distribution and economic ore boundaries. This information is used for mine planning.

2.2.3.4 Air Core drilling

Air Core drilling involves using tungsten blades to bore holes into the ground to retrieve samples for analysis. Similar to Reverse Circulation drilling, samples are retrieved by injecting compressed air down the annulus of the dual tube drill pipe. Samples travel to the surface through the centre of the drill pipe, minimising sample contamination compared to using a single tube drill pipe system that returns samples to the surface in the annulus between the drill pipe and the drilled hole wall. This drilling method is particularly suited for drilling through weathered rock, clay, sand and other soft formations. Air Core drilling is the main form of mineral sands drilling.

Air Core and Reverse Circulation drilling produces pulverised rock samples whilst Diamond Core drilling produces intact rock core samples. Diamond Core samples therefore provide a higher informational advantage in comparison to Air Core and Reverse Circulation samples. However, Air Core and Reverse Circulation drilling is typically faster and more cost effective than Diamond Core drilling.

2.2.4 Industry dynamics

2.2.4.1 Outsourcing by mineral exploration and mining companies

Virtually all mineral drilling activities are outsourced to service providers. Drilling equipment is specialised and requires trained operators in order to perform the drilling service safely, efficiently and to the required standards. Drilling requirements of mineral exploration and mining companies may change throughout the mine life cycle and outsourcing provides the flexibility of volume, skills and specialised equipment that is appropriate to each phase of mining and economic influence.

2.2.4.2 Domestically focused market

The Australian mineral drilling market is relatively domestically focused, particularly following the departure of several international mineral drilling contractors such as Major Drilling, Layne Christensen and First Drilling in recent years. In order to operate in Australia, drilling equipment must be built to Australian standards. As a result, there has been a limited number of new rigs which have been manufactured and supplied into the Australian market in recent years and equipment availability remains tight.

2.2.4.3 Industry success factors

While providers may appear to provide the same drilling services, factors such as drilling methods, specialist skills, equipment choice, sample integrity, operational standards, fleet uniformity, safety record, maintenance programs, promotional ability, commodity exposure, client base, financial capacity, geographic area of operations and regulatory environment combine to provide highly variable reputational and financial outcomes.

Drilling services providers generally compete on safety, productivity, accuracy, reliability, reputation and price. While price is an important consideration, it is often not the definitive factor. Technical ability, safety, environmental performance, productivity, drill hole program design, sample integrity and presentation, consistency and quality of service are also important considerations for many customers in the industry.

Drilling contracts are typically awarded following a tender process. Drilling contractors quote following a detailed costing and pricing process to ensure projects are properly planned and consider geography, geology, timeframe, staffing, operating costs and other considerations. A typical drilling contract specifies the depth of drilling required, the duration of the project and the scope and conditions of work to be undertaken. Customers are typically charged on a variable cost schedule of rates-based agreement.

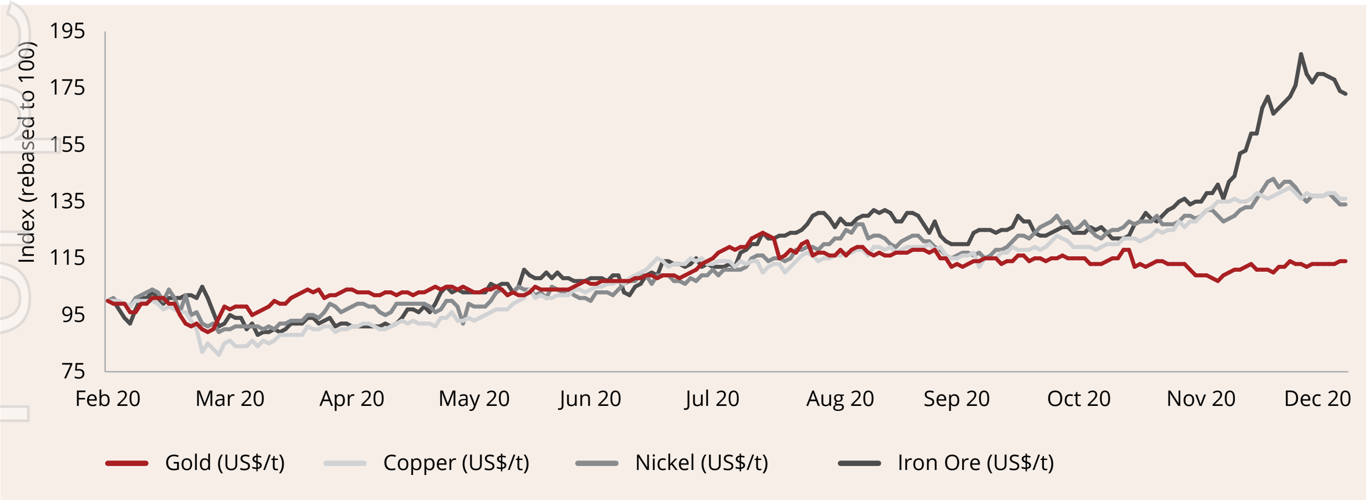
2.3 DEMAND DRIVERS THAT IMPACT DRILLING ACTIVITY

2.3.1 COVID-19 impacts on Australia's mining industry

The COVID-19 pandemic is affecting commodities in a wide variety of ways, but Australia's overall export outlook remains robust across a number of core resources. Production has been largely unaffected by COVID-19 containment measures, despite movement restrictions having an impact on workforce mobility[1]. From the outset of the COVID-19 outbreak, the Australian Government worked with State and Territory Ministers and the resources sector to ensure that critical projects kept operating during the response to the COVID-19 pandemic[2]. In particular, the importance of the Western Australian resources sector to the State and national economy was recognised in the State Government's classification of mining as an essential service[3].

Gold performed strongly through 2020, with prices reaching an all-time high in August on the back of declining bond yields and increasing safe haven demand. While prices subsequently declined in September through November 2020, they have rallied again in 2021, and export earnings are on track for a record of $30 billion in FY2021. Given the prospect of an effective vaccine rollout and consequential global economic rebound, gold prices are forecast to decline during 2021 and 2022[1], noting that the forecasts remain high relative to historic prices. Iron ore earnings have been resilient through the pandemic and are on track for a record FY2021, due to strong demand from China, recovery in American, Japanese, South Korean and European Demand and the impact of ongoing supply constraints in Brazil. Domestic iron ore operations have been mostly unaffected with a number of miners announcing that no planned capital investment will be cancelled or postponed due to the COVID-19 outbreak[1]. Nickel prices stabilised in April and May after falling in early 2020, with steady price growth through 2020 and into 2021 supported by supply concerns amidst COVID-19 containment measures in countries such as Brazil[1]. Nickel export earnings are expected to rise through 2021-2022 due to increased prices and on the back of production restarts and start-up of a number of new mines. Copper prices have also strengthened on the back of production restraints and a recovery in economic activity after falling at the beginning of 2020 due to the COVID-19 outbreak[1]. Australian nickel and copper mining operations have accommodated COVID-19 related movement restrictions with minimal impact on output to date[1].

Figure 2: Historical commodity prices from 24 February 2020



Source: IRESS as at 31 December 2020.

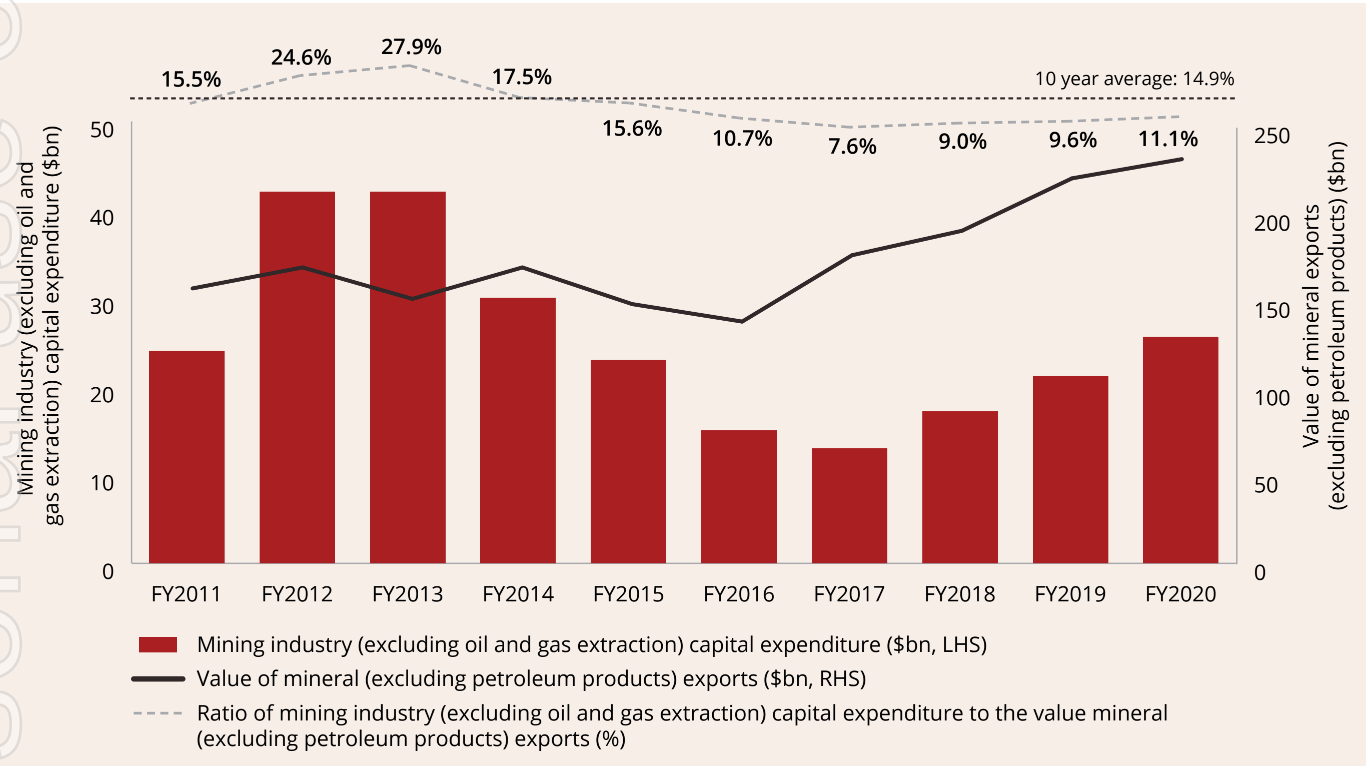
1. Office of the Chief Economist, Resources and Energy Quarterly, December 2020, Pages 4, 34, 38, 98, 121 and 128. Department of Industry, Innovation and Science.
2. The Hon Keith Pitt MP, Minister for Resources, Water and Northern Australia, Media statement, Resources sector steps up in battle against COVID-19, 24 April, 2020.
3. Western Australian Premier Mark McGowan, Media Statement, New border controls to help protect Western Australia, 22 March 2020.

2.3.2 Mining industry capital and exploration expenditure

Mining companies often require a range of drilling services when expanding operations and/or establishing new mining projects. Accordingly, available levels of capital expenditure within the mineral exploration and mining industry may influence industry demand for mineral drilling services.

Capital expenditure within the mining industry (excluding oil and gas extraction) has declined since FY2013 but may have reached its lowest point in the current commodities cycle as statistics indicate that it has started to rebound since FY2017 (**Figure 3**).[4]

Figure 3: Australian mining industry (excluding oil and gas extraction) capital expenditure ($bn)



Source: Office of the Chief Economist, Resources and Energy Quarterly, September 2020, Historical Data, Tables 13 and 17. Department of Industry, Innovation and Science.

This recent rise in mining industry (excluding oil and gas extraction) capital expenditure has been driven, in part, by continued growth in commodity export volumes and prices (**Figure 5**). In FY2020, Australia's mineral exports (excluding petroleum products) totalled $232 billion (**Figure 4**), which was approximately 61% of all export merchandise and 49% of all exported goods and services.[5] Provided that demand for commodities continues, this could provide the mineral exploration and mining industry with a positive outlook and suggests scope for further growth in mining sector capital expenditure.

4. Office of the Chief Economist, Resources and Energy Quarterly, September 2020, Historical Data, Table 13. Department of Industry, Innovation and Science.
5. 5368.0 International Trade in Goods and Services, Australia, June 2020. Table 2. Goods and Services, Summary: Original, Current prices.

2. INDUSTRY OVERVIEW

Figure 4: Australian mineral exports (excluding petroleum products) by value in FY2020

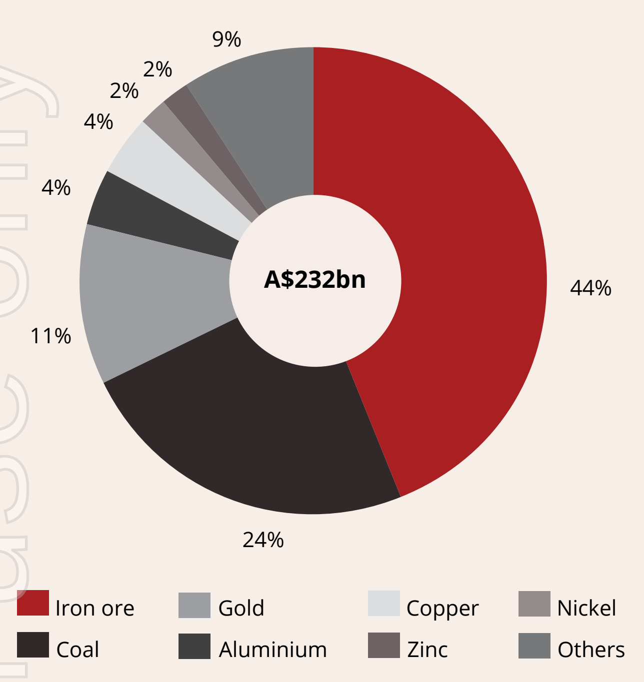
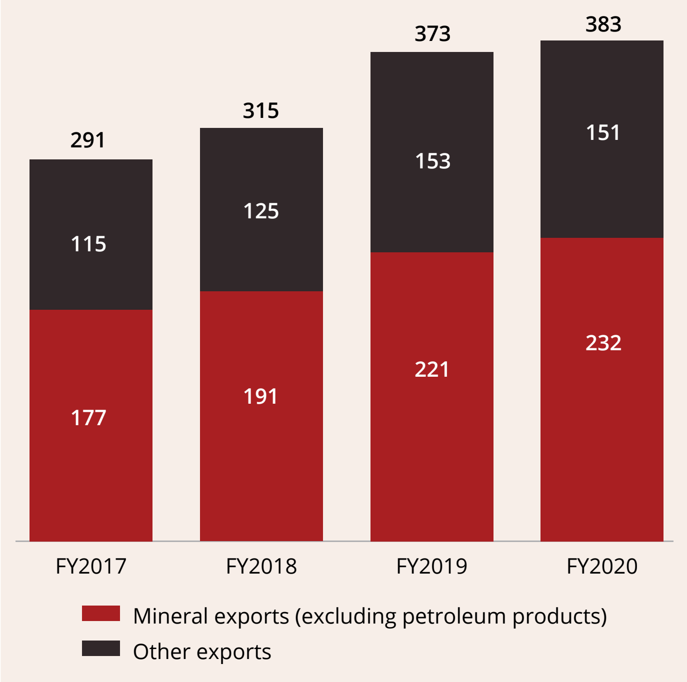


Figure 5: Australian total merchandise exports ($bn)



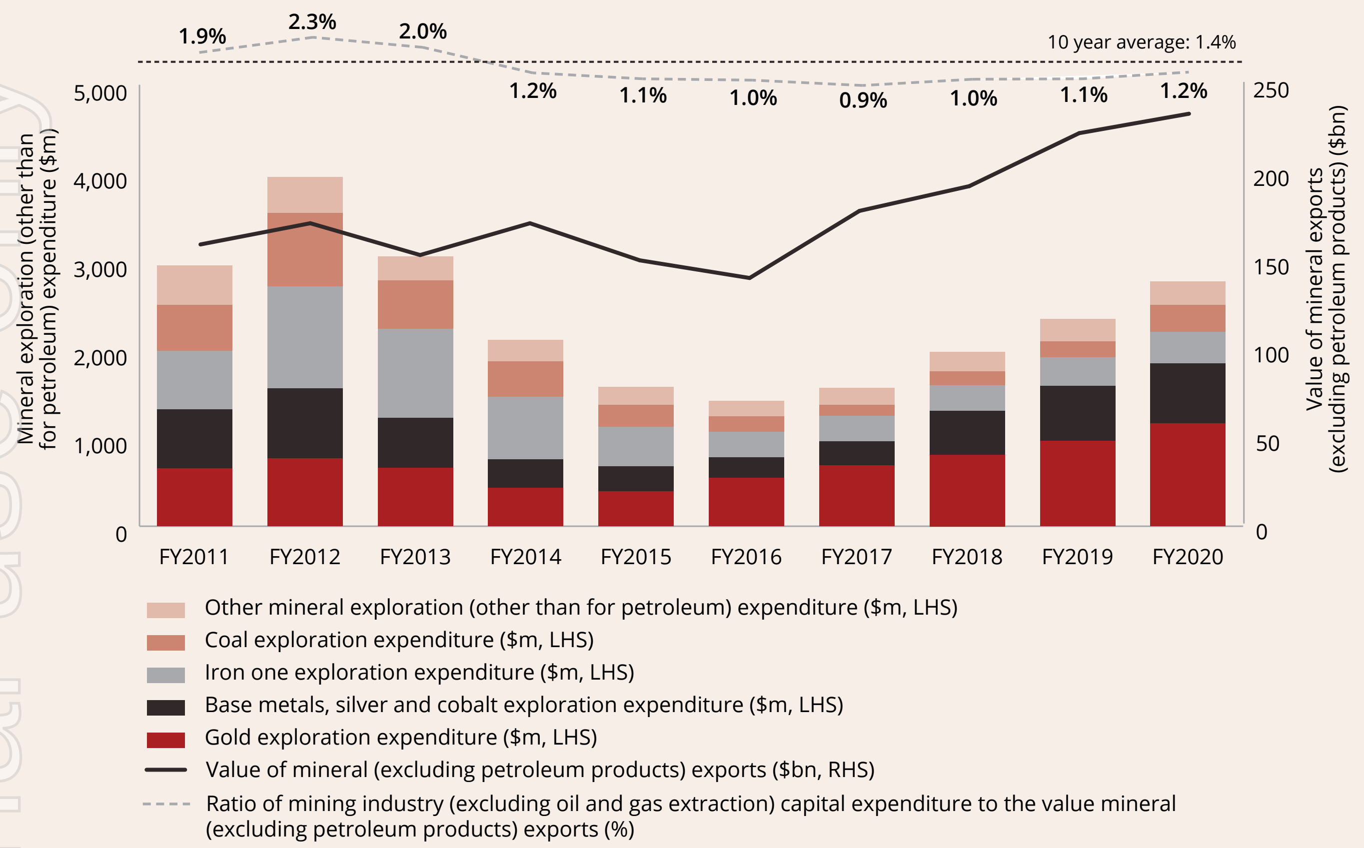
Source: Office of the Chief Economist, Resources and Energy Quarterly, September 2020, Historical Data, Table 17. Department of Industry, Innovation and Science.

Although Figure 3 illustrates that capital expenditure within the mining industry (excluding oil and gas extraction) totalled $25.6 billion during FY2020, which was 21% higher than the value in FY2019 of $21.2 billion and 49% higher than the value in FY2018 of $17.2 billion, it is important to consider this recent growth relative to the previous cycle. The value of capital expenditure within the mining industry (excluding oil and gas extraction) during FY2020 was only 60% of the value in FY2013 of $42.4 billion and 21% below the five year average (FY2011 to FY2015) of $32.3 billion per annum (**Figure 3**).[6] It is also notable that the ratio of capital expenditure within the mining industry (excluding oil and gas extraction) to the value of mineral exports (excluding petroleum products) for FY2018, FY2019 and FY2020 was 9.0%, 9.6% and 11.1% respectively (**Figure 3**). This is significantly lower than the peak value (over the last 10 years) of 27.9% in FY2013 and considerably below the FY2011 to FY2020 10 year average of 14.9%.

Statistics on mineral exploration (other than for petroleum) expenditure also support the observation that a recovery in mining capital expenditure is under way. The value of Australian mineral exploration (other than for petroleum) expenditure totalled $2.8 billion during FY2020, which was 18% higher than FY2019 of $2.3 billion, 40% higher than FY2018 of $2.0 billion and 77% higher than FY2017 of $1.6 billion (**Figure 6**). Furthermore, the ratio of mineral exploration (other than for petroleum) expenditure to the value of mineral (excluding petroleum products) exports for FY2018, FY2019 and FY2020 was 1.0%, 1.1% and 1.2% respectively, which is significantly below the peak value (over the last 10 years) of 2.3% in FY2012 and the FY2011 to FY2020 10 year average of 1.4% (**Figure 6**). These measures indicate that, since FY2012 and FY2013, mining companies have allocated a lower share of their capital budgets (relative to historical levels) to continued exploration notwithstanding sustained production levels across most commodities (**Figure 7**, **Figure 8** and **Figure 9**).

6. Office of the Chief Economist, Resources and Energy Quarterly, September 2020, Historical Data, Table 13. Department of Industry, Innovation and Science.

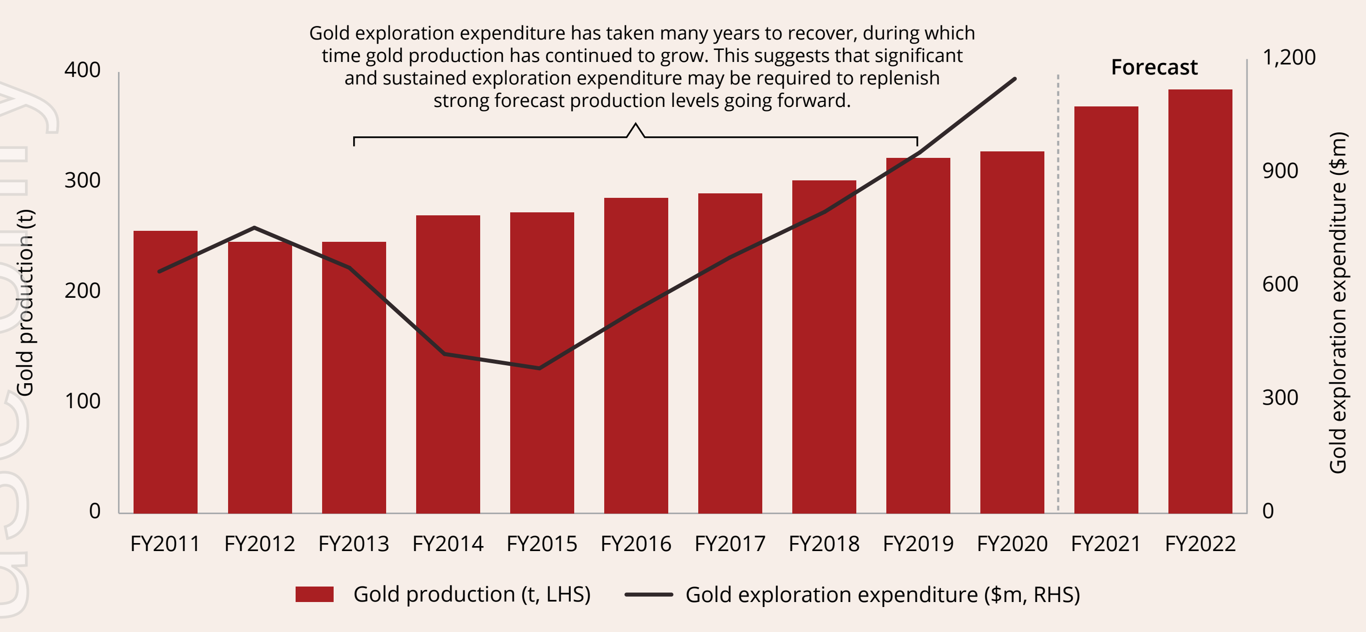
Figure 6: Australian mineral exploration (other than for petroleum) expenditure ($m)



Source: Office of the Chief Economist, Resources and Energy Quarterly, September 2020, Historical Data, Tables 14 and 17. Department of Industry, Innovation and Science.

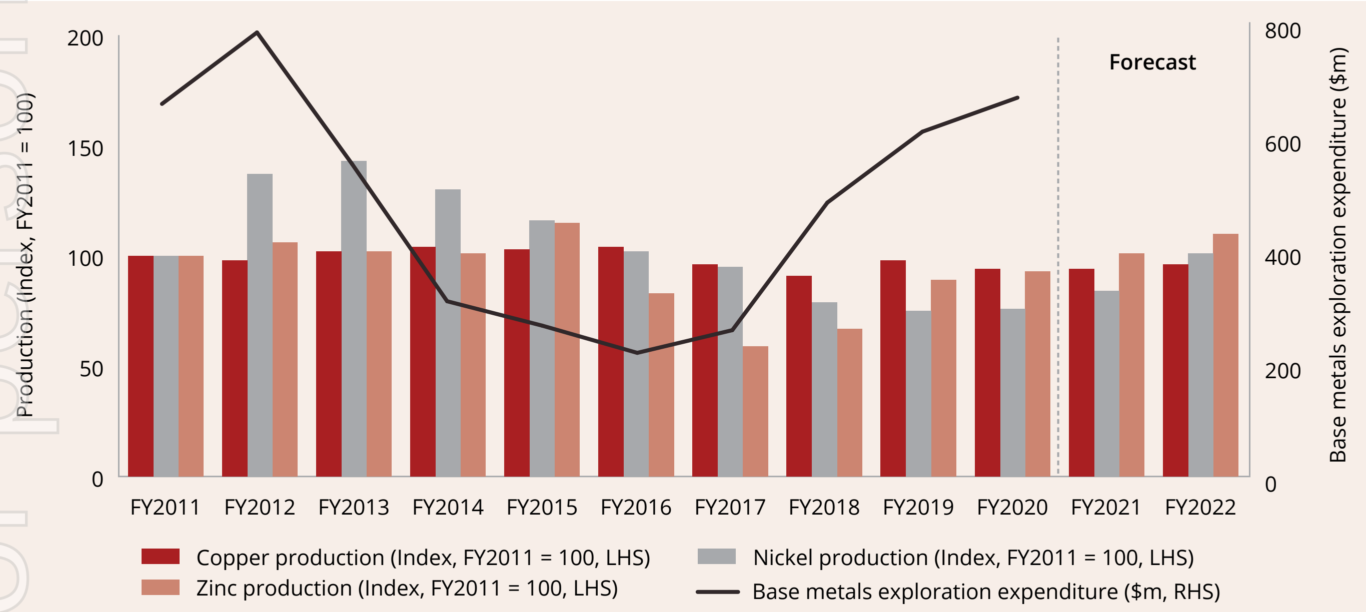
Figure 6 highlights that notwithstanding mineral exploration (other than for petroleum) expenditure growth during FY2020 relative to the three prior corresponding periods, it was still 30% below the peak value (over the last 10 years) in FY2012 of $4.0 billion. The average value of mineral exploration (other than for petroleum) expenditure over the most recent five year period (FY2016 to FY2020) of approximately $2.0 billion per annum is also 26% below the average of the previous five year period (FY2011 to FY2015) of approximately $2.7 billion per annum (**Figure 6**). This is not withstanding the backdrop of considerable and sustained production levels across most commodities over the last 10 years as laid out in Figure 7, Figure 8 and Figure 9 below.

Figure 7: Australian gold production and exploration expenditure (t; $m)



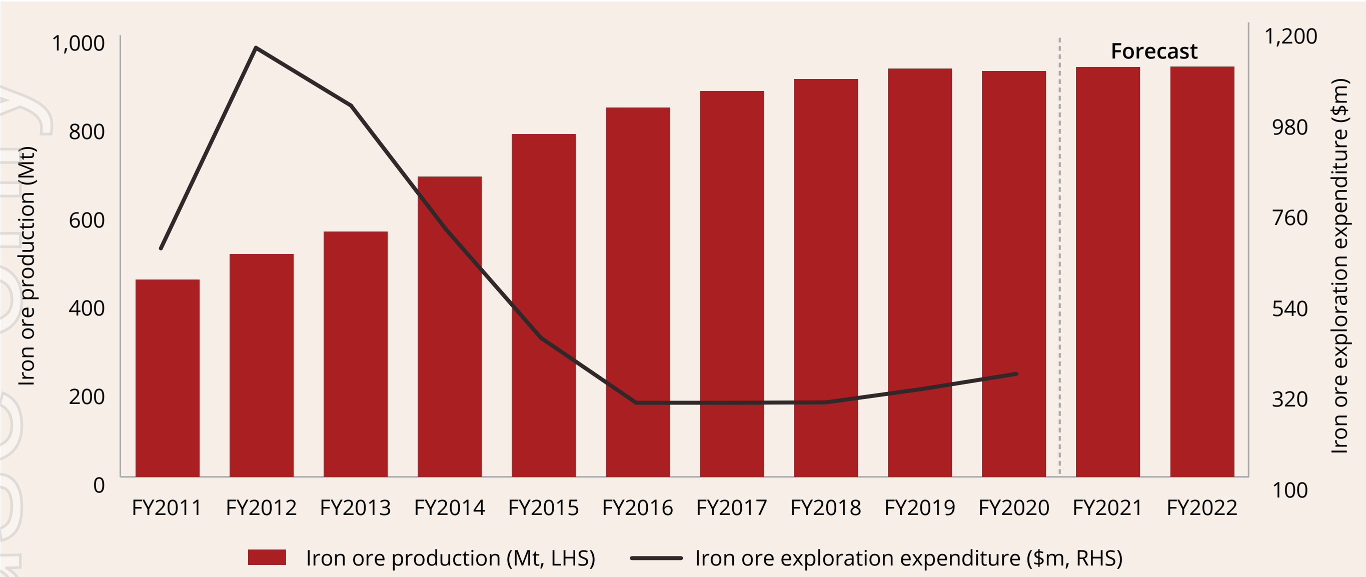
Source: Office of the Chief Economist, Resources and Energy Quarterly, December 2020, Historical Data, Table 5. Department of Industry, Innovation and Science; and Office of the Chief Economist, Resources and Energy Quarterly, December 2020, Forecast Data. Department of Industry, Innovation and Science.

Figure 8: Australian base metals production and exploration expenditure (Index, FY2011 = 100; $m)



Source: Office of the Chief Economist, Resources and Energy Quarterly, December 2020, Historical Data, Tables 5 and 14. Department of Industry, Innovation and Science; and Office of the Chief Economist, Resources and Energy Quarterly, December 2020, Forecast Data. Department of Industry, Innovation and Science.

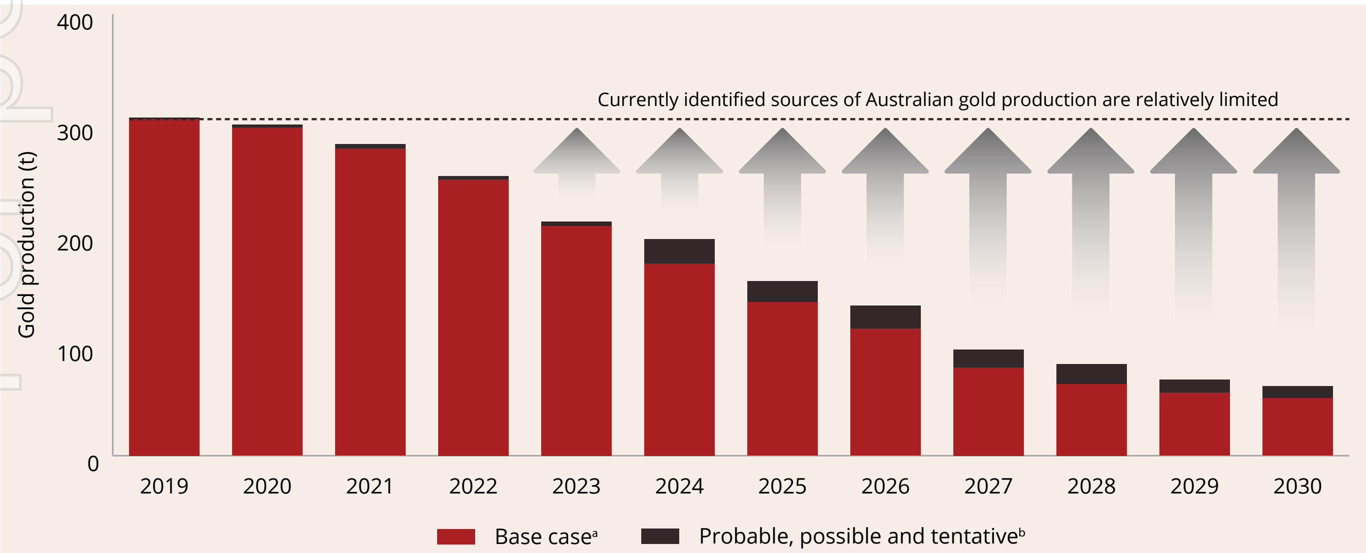
Figure 9: Australian iron ore production and exploration expenditure (Mt; $m)



Source: Office of the Chief Economist, Resources and Energy Quarterly, September 2020, Historical Data, Tables 5 and 14. Department of Industry, Innovation and Science; and Office of the Chief Economist, Resources and Energy Quarterly, December 2020, Forecast Data. Department of Industry, Innovation and Science.

Given that mineral exploration expenditures declined significantly between FY2012 and FY2016 despite strong and growing commodity production profiles, the historical relationship between mineral exploration expenditure and production levels suggests that significant and sustained mineral exploration expenditure may be required to replenish strong forecast production levels going forward. This outlook is supported by the observation that currently identified sources of Australian gold production are limited relative to historical levels of production (**Figure 10**), along with the reserve positions and average mine life of gold producers declining materially from 2012 (**Figure 11**). For copper, a significant supply deficit is forecast over 2021 to 2024, with a peak shortfall of 295,000 tonnes expected to occur in 2024 (**Figure 12**). This highlights the need for large scale exploration to maintain strong forecast production levels. This has been reflected, in part, in the exploration budgets of major ASX-listed gold producers which have grown at a CAGR of 17.5% between FY2016 and FY2020 (**Figure 13**). Exploration budgets are expected to be supported for years to come with Equity Capital Market issuance by ASX miners during 2020 up 44% against the prior year, of which gold companies accounted for 44% of total funds raised (**Figure 14**).

Figure 10: Forecast Australian gold production from existing and other identified projects (t)

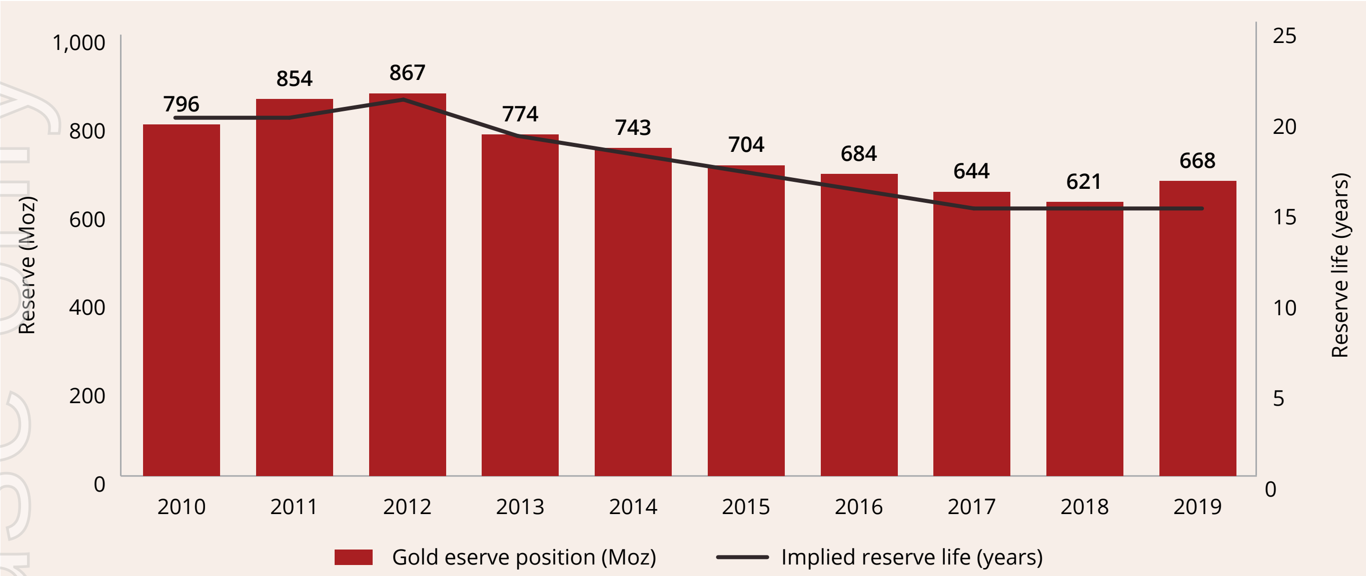


Source: Wood Mackenzie.

a. Base case projects have been granted all necessary operating permits, have been fully funded and may already be under construction or operating.

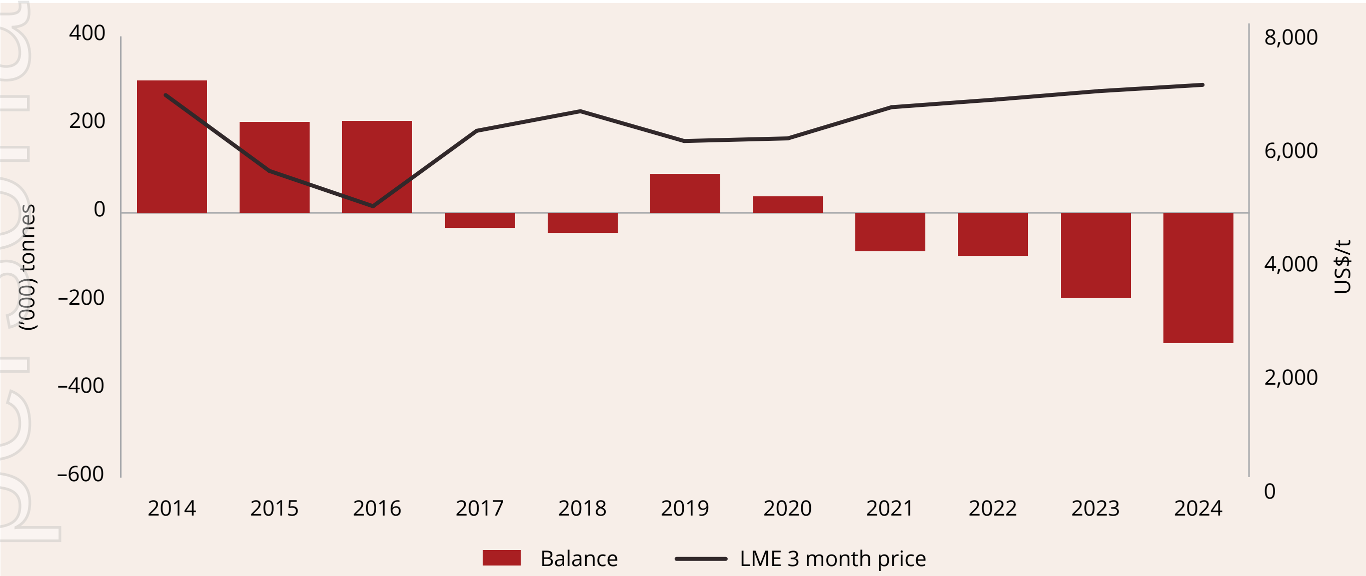
b. Probable projects refers to projects which are likely to enter commercial production in the future, but are subject to a significant degree of uncertainty, particularly with regard to timing, economic or technical matters. Possible projects refers to projects which have a high degree of uncertainty and are usually at a very early stage of development. Tentative projects refers to projects that are at a very early stage of exploration.

Figure 11: Gold reserve position and average mine life of top 20 global gold producers



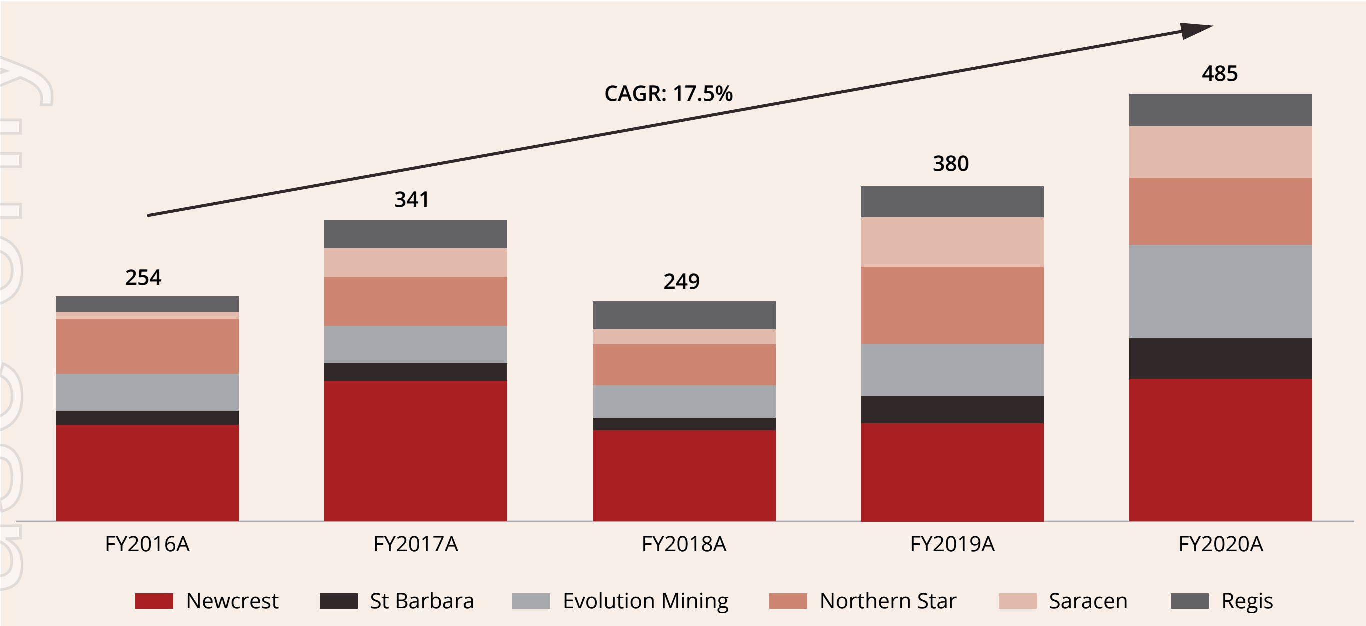
Source: S&P Global Market Intelligence, Strategies for Gold Reserves Replacement: The costs of finding and acquiring gold, August 2020.

Figure 12: Global copper supply and demand balance, and three month price



Source: S&P Global Market Intelligence, Global supply demand balance, September 2020.

Figure 13: Historical exploration expenditure and announced exploration budgets of selected major ASX-listed gold producers ($m)



Source: Company announcements.

Figure 14: ASX Metals and Mining Equity Capital Markets Issuance[7]

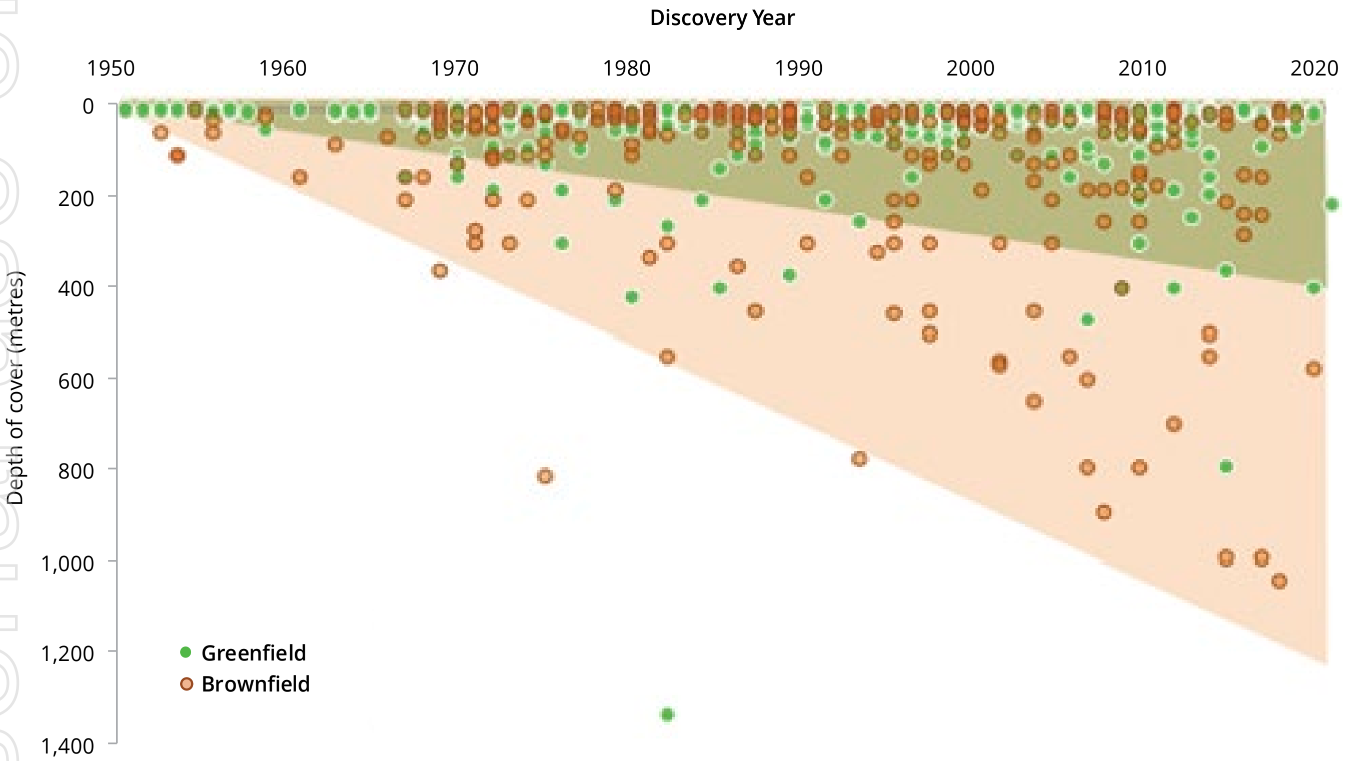
Source: Bloomberg.

7. Analysis excludes Equity Capital Markets issuances of less than A$1m.

2.3.3 Changes in deposit characteristics

The mining industry is experiencing a transition from shallower to deeper deposits as existing mines become deeper, resulting in a greater prevalence of both brownfield and greenfield exploration which is more likely to occur at depth. These deposits typically have more complex geology and thus mine planning and extraction techniques require more detailed information before production can commence. This results in greater volumes of drilling being required to locate the mineral deposits and ascertain whether the deposits can be economically mined, positively impacting demand for mineral drilling services.

Figure 15: Depth of cover for discoveries in Australia between 1950 and 2019[8]



Source: MinEx Consulting.

The capability to mine at increasing depths is due to continued developments and improvements in mining technologies. Two of the major challenges to mining deeper deposits are temperature and ground stress, both of which progressively increase as depth increases.[9] Vertical ground stress is driven by the gravitational load of the overburden strata while horizontal stress is usually caused by the movement of the Earth's crust.

As a result of developments in mining technologies, the ability to understand, identify, predict and manage ground stresses has improved. These mining technologies include:

- passive listening devices to collect data on micro-seismic events to better locate, manage and avoid areas of concern;[9]
- software that is able to predict how mine openings will perform under stress and determine the appropriate amount of rock bolting and meshing to secure the backs of underground mines;[9]
- the use of cemented paste fill placed in completed stopes to distribute ground stresses within the mine;[9] and
- the progressive introduction of automation and remote mining which improves safety by removing workers from areas where ground stresses may be problematic.[9]

The challenges associated with high temperatures at depth can be minimised by cooling equipment carried by workers within the underground mine.[9] Electrically powered mining equipment (rather than gas or diesel powered equipment) also reduces the heat and fumes generated in the underground mine and reduces the amount of ventilation required.[9]

8. Analysis based on moderate, major and giant-sized deposits and includes satellite deposits within existing camps. Excludes bulk mineral discoveries.
9. MinEx Consulting.

2.3.4 Commodity prices

Rising commodity prices can have a stimulatory impact on exploration and mine development expenditure because mining companies have more incentive to produce and search for new resources when commodity prices are high.

Most global commodities are traded in U.S. dollars, meaning that the value of the U.S. dollar against the Australian dollar affects the Australian mining industry's performance. When the Australian dollar depreciates against the U.S. dollar, Australian mining companies receive more revenue in Australian dollar terms, which positively affects industry operators.

The prices of Australia's major resource commodities have shown resilience despite the COVID-19 pandemic weighing on the world economy. While rising commodity prices and Australia's relative success at containing COVID-19 have resulted in a strengthened Australian dollar, the negative impact on export earnings has been more than offset by the underlying rising commodity pricing, as evidenced in Figures 16 to 19 below. Both ongoing commodities price strength and a weakening of the Australian dollar against the U.S. dollar, would further benefit the mineral exploration and mining industry and potentially support ongoing and greater demand for mineral drilling services.

Figure 16: Historical iron ore prices ($/t, 62% Fe CFR China)

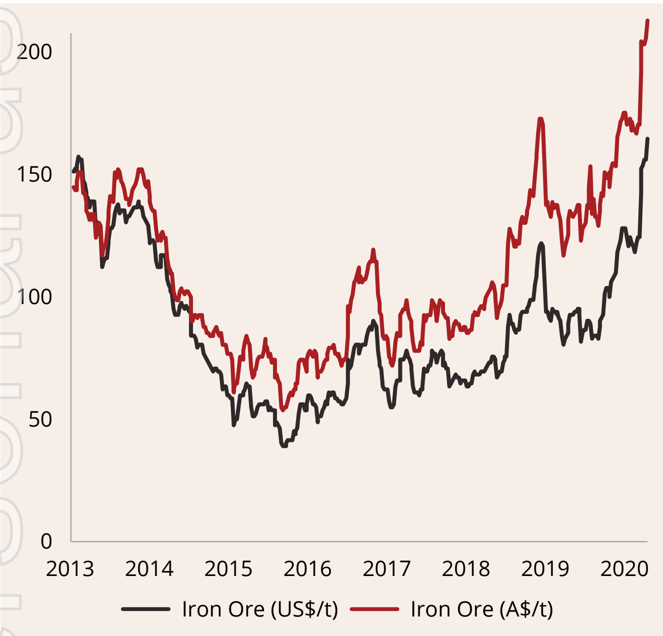


Figure 17: Historical gold prices ($/oz)

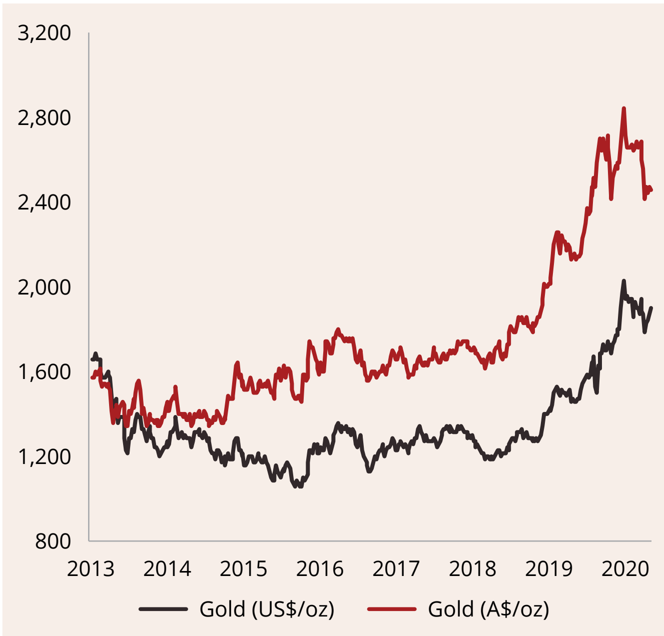


Figure 18: Historical copper prices ($/t)

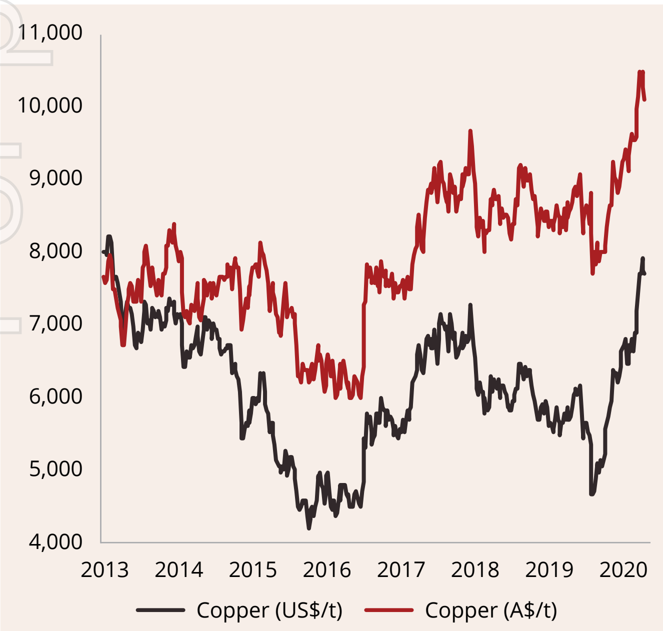
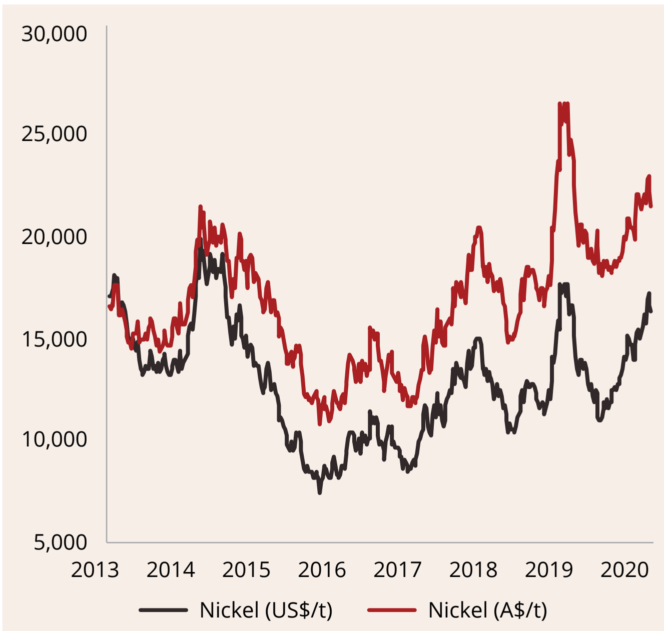


Figure 19: Historical nickel prices ($/t)



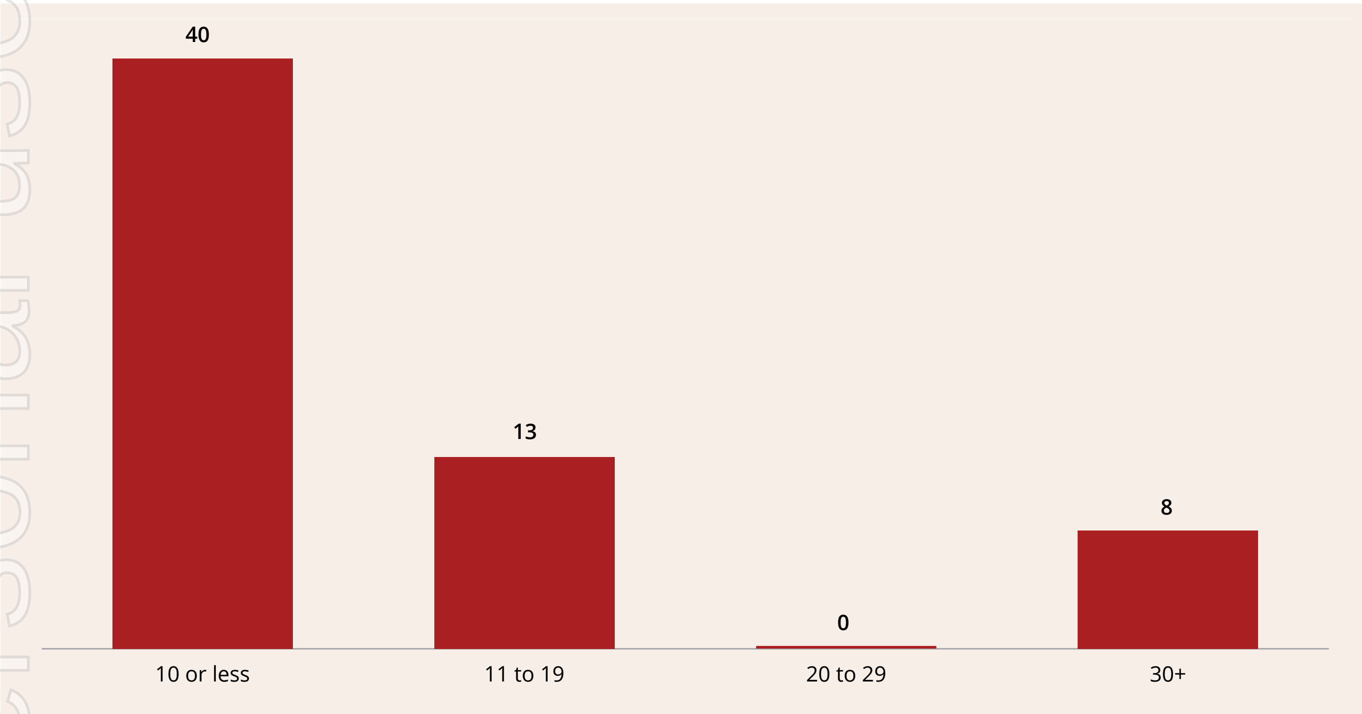
Source: IRESS as at 31 December 2020.

2.4 COMPETITIVE LANDSCAPE

Competition within the Australian mineral drilling market has varied with long periods of relative stability and occasional periods of significant change. Over recent years, the dynamics of the Australian mineral drilling industry have evolved with the arrival and subsequent departure of international contractors such as Major Drilling, Layne Christensen and First Drilling, as well as the downsizing of other international drillers operating within the Australian domestic market such as Boart Longyear and Foraco.

The drilling market in Australia today is very fragmented with several participants competing nationally across a variety of drilling disciplines. The Australian Drilling Industry Association's (**ADIA**) annual register of drillers, published at the end of 2019, lists the names of approximately 245 drillers.10 Of these, 95 companies were identified as performing mineral drilling services in Australia. As laid out in Figure 20 and as at June 2020, ADIA's records indicate that 40 operators had 10 or fewer rigs (including rigs used for non-mineral drilling activity), 13 operators had 11 to 19 rigs and only eight operators had 20 or more rigs (across mineral drilling and other types of non-mineral drilling activities).[11]

Figure 20: Distribution of drilling companies by rig count as at June 2020



Source: Australian Drilling Industry Association
Notes: Includes non-mineral drilling rigs.

2.5 RECENT INDUSTRY TRENDS

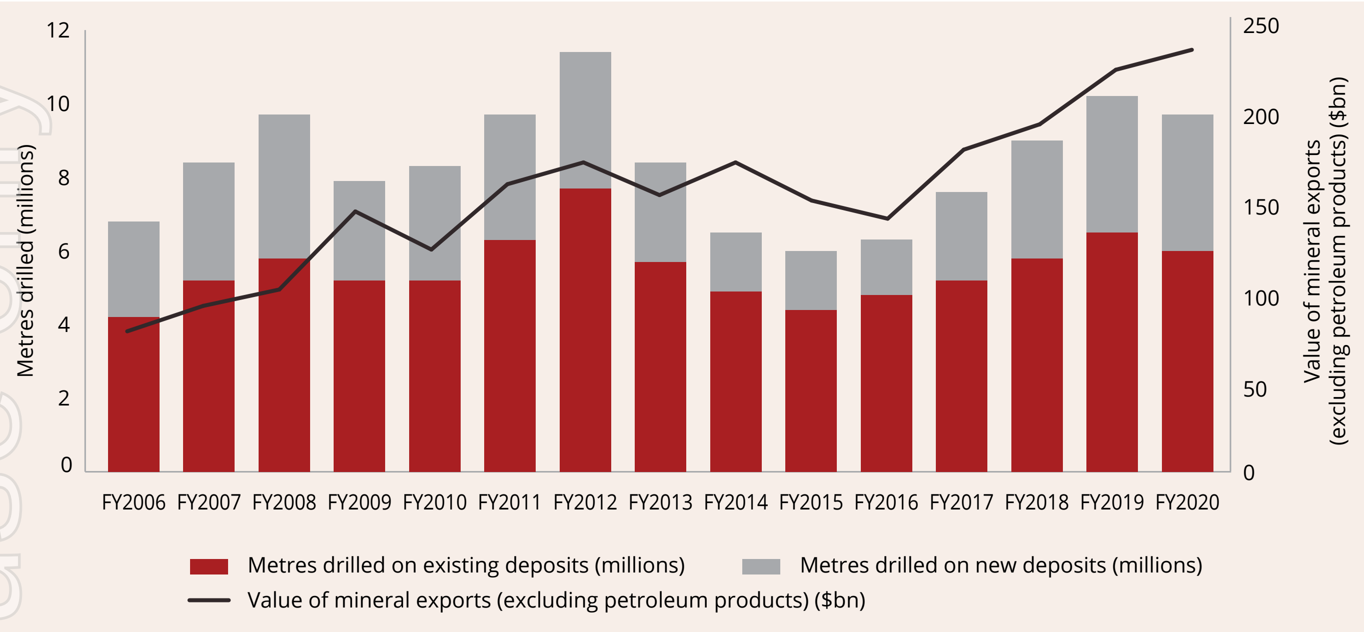
2.5.1 Drilling activity

The Australian Bureau of Statistics (**ABS**) indicates that total metres drilled in Australia rose by 61% between FY2016 and FY2020 (**Figure 21**).[19] Drilling to locate new deposits during FY2020 was 0.5% higher than FY2019, 15% higher than FY2018 and 56% higher than FY2017 (**Figure 21**).[19] Drilling on existing deposits during FY2020 was 0.2% higher than FY2019, 13% higher than FY2018 and 27% higher than FY2017 (**Figure 21**).[19]

These statistics highlight the increased drilling activity in recent times following a sustained period of reduction in mining capital and exploration expenditure despite production levels having continued to grow across a number of commodities during that period. That is, whilst drilling levels have increased, the period of sustained low drilling levels between FY2014 to FY2018 (relative to FY2008 to FY2012) occurred against a backdrop of steadily increasing commodity production levels (**Figure 7**, **Figure 8** and **Figure 9**). This suggests that the recent recovery in mineral drilling levels may still have considerable scope to grow.

10. ADIA.
19. ABS, 8412.0 Mineral and Petroleum Exploration, Australia, June 2020. Table 2. Mineral Exploration, (Other than for petroleum) – Expenditure and metres drilled.

Figure 21: Annual metres drilled by deposit type in Australia



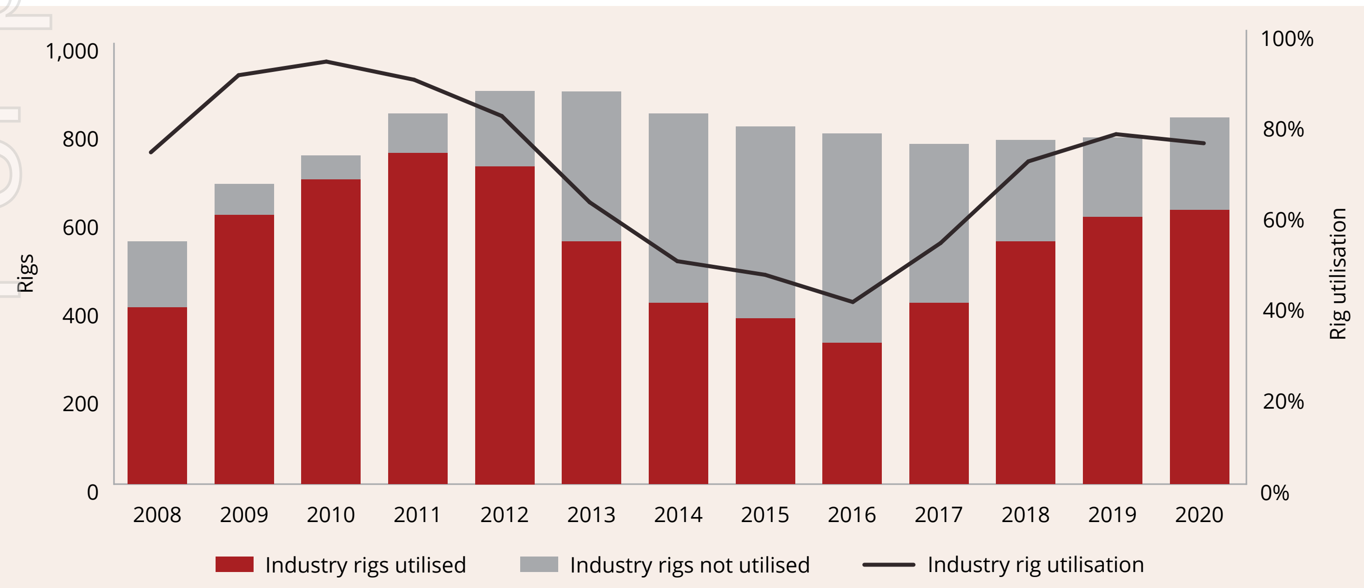
Source: Office of the Chief Economist, Resources and Energy Quarterly, September 2020, Historical Data, Table 17. Department of Industry, Innovation and Science; and ABS, 8412.0 Mineral and Petroleum Exploration, Australia, June 2020. Table 2. Mineral Exploration, (Other than for petroleum) – Expenditure and metres drilled.

2.5.2 Industry utilisation

Industry utilisation (being, at any time, the percentage of total drill rigs then in use) increased in the period from 2016 to 2019 as a result of the recent growth in mineral drilling activity (as discussed in Section 2.5.3 above) and declining rig availability (**Figure 22**). While industry rig utilisation decreased in 2020 (**Figure 22**), this is not indicative of the underlying demand throughout the year. The decrease is likely due to a temporary impact of COVID-19 around mid-2020 as some operators parked up rigs due to site access operational issues.

ADIA statistics indicate that the total number of rigs in Australia has declined from a peak in 2012 (**Figure 22**). Throughout the recent mining downturn, many older rigs were made idle. Due to the costs required to upgrade and refurbish unutilised rigs to current standards, some equipment has been shipped offshore while some older rigs were scrapped. As a result, the total available rig fleet is now smaller than in 2012 (**Figure 22**). Unutilised rigs can require significant time and capital investment in order to be brought back into service.

Figure 22: Number of drill rigs and utilisation trends in Australia



Source: Australian Drilling Industry Association.

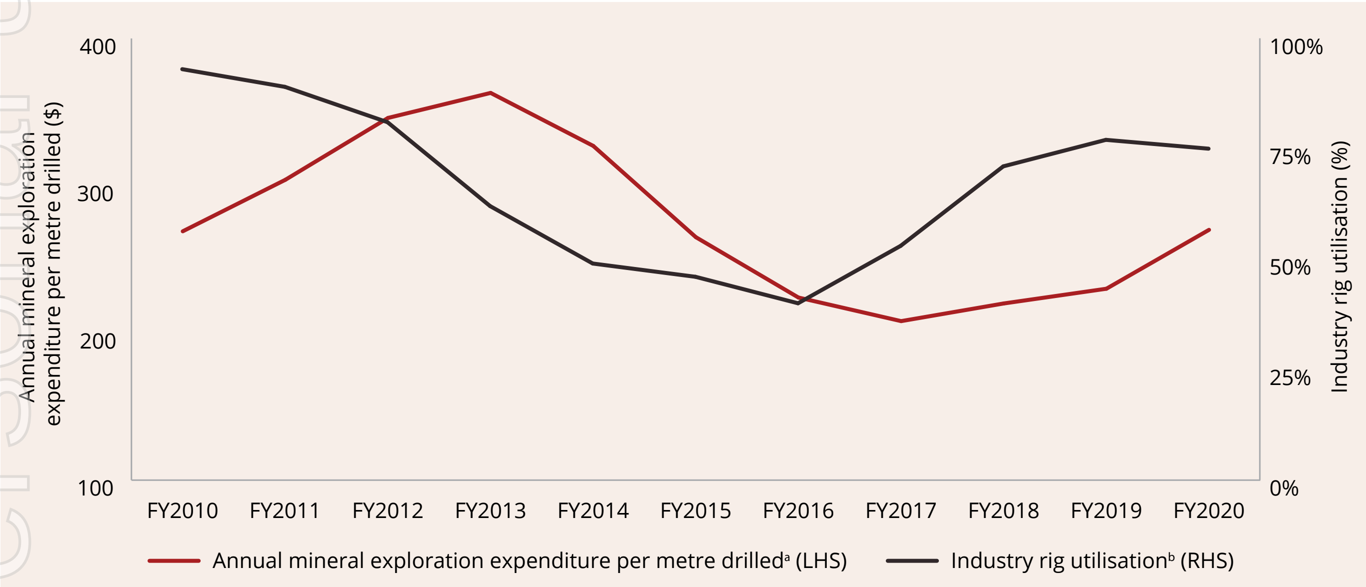
Current rig manufacturing capacity is limited. Rig sales slowed in 2013 which led many major exploration rig manufacturers to suspend rig manufacturing operations. Drill rigs for the Australian market are generally either manufactured in Australia, Canada, USA or Europe. Production is not fully automated and requires significant manual labour. Further increases in drilling volumes would be likely to require additional equipment and limited manufacturing capacity is likely to result in long lead times. Human capital constraints have also limited the numbers of rigs that are able to be used. Permanent exits of skilled labour from the Western Australian labour market and a reduced pipeline of new labour have contributed to significantly tightened supply.

2.5.3 Drilling pricing

Contract drilling pricing is positively related to the levels of mineral exploration expenditure as expressed in the ABS statistics presented below (**Figure 23**). Peak implied metre pricing (calculated as the ratio of mineral exploration expenditure to total metres drilled) in 2012 was a result of limited drill rig availability and the higher number of total metres drilled relative to other years this decade.

Implied metre pricing since 2015 has lagged mineral exploration expenditure growth due to relatively high rig availability however drilling volumes are increasing (**Figure 21**) and rig availability is currently limited (**Figure 22**). With current high industry rig utilisation levels, any further growth in drilling volumes could support improved pricing and drilling sector profitability. It is notable that the last time industry rig utilisation levels were at currently observed levels (in FY2012), implied metre pricing was approximately 51% higher than present levels (**Figure 23**).

Figure 23: Annual mineral exploration expenditure per metre drilled[20] ($t)



Source: ABS, 8412.0 Mineral and Petroleum Exploration, Australia, June 2020. Table 2. Mineral Exploration, (Other than for petroleum) – Expenditure and metres drilled; and Australian Drilling Industry Association.

Notes: a. Calculated as mineral exploration expenditure divided by total metres drilled.
b. Calculated as the percentage of total drill rigs in use in Australia based on statistics by the Australian Drilling Industry Association (see Figure 27).

20. Calculated as mineral exploration expenditure divided by total metres drilled.

3.

COMPANY OVERVIEW

DDH1-Rig 5: Sandvik DE840 Multipurpose Core Rig, Eastern Goldfields WA

3. COMPANY OVERVIEW

3.1 HISTORY OF DDH1

DDH1 Drilling was founded in 2006 as a specialised Diamond Core drilling contractor beginning operations with one drilling rig. Today the company operates a fleet of 96 modern, highly-specified mineral drilling rigs with an average fleet age of approximately six years.[1]

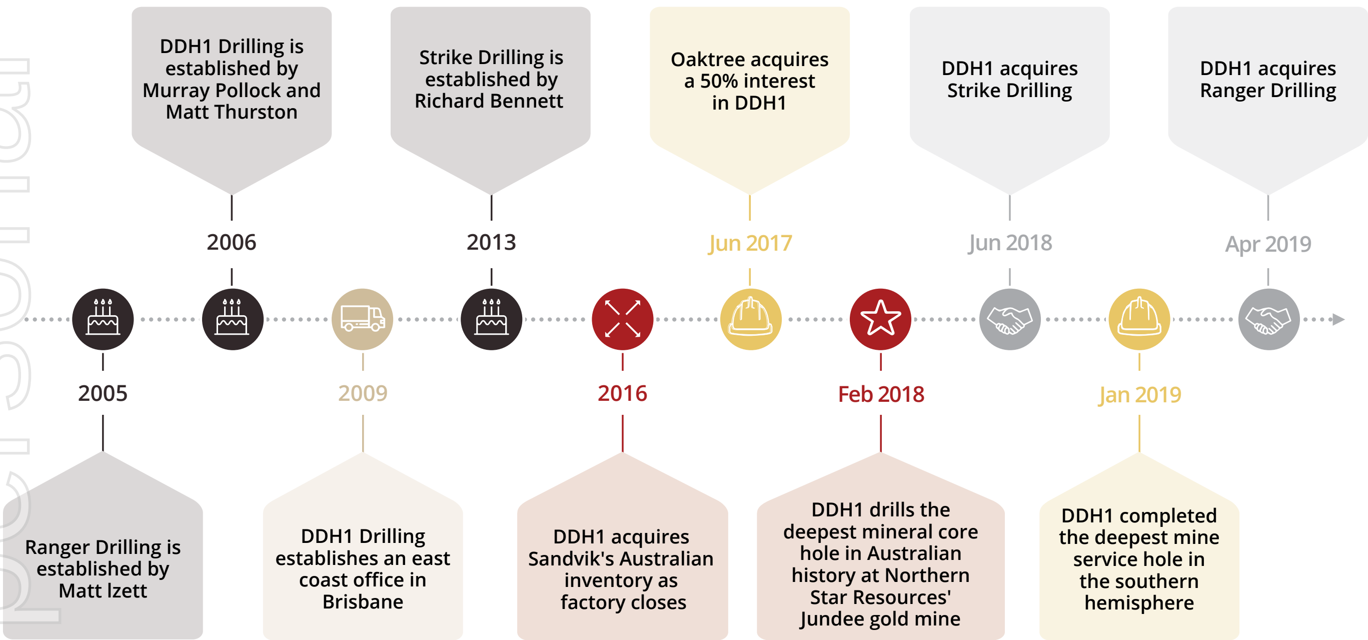
From 2006 to the end of 2017, growth was primarily achieved organically through measured fleet expansion. In the recent downturn in the Australian mining sector, DDH1 has continued to pursue rig fleet growth securing increased operational capacity in anticipation of a recovery in the drilling market.

In 2017, DDH1 Drilling sought an investment partner to support its business plan of consolidating its position as the leading provider of directional Diamond Core drilling services in the Australian market, diversifying into other technical specialised drilling disciplines to provide complementary services to existing and new customers, and to target exposure to Australia's largest mineral export, iron ore. Oaktree acquired a 50% ownership interest in DDH1 Drilling in June 2017.

DDH1 subsequently acquired Strike Drilling (founded in 2013) in June 2018, and Ranger Drilling (founded in 2005) in April 2019. These strategic acquisitions delivered the diversification objectives of the long-term business plan. Richard Bennett and Matt Izett, founders of Strike Drilling and Ranger Drilling respectively, retain responsibility for the ongoing operations of these businesses and each has a substantial shareholding in DDH1.

A brief summary of DDH1's history is outlined below:

Figure 24: DDH1 Group history and key achievements



1. As at 31 December 2020.

3.2 BUSINESS STRUCTURE

3.2.1 Overview

DDH1 is headquartered in Perth, Western Australia and provides specialised drilling services from three complementary drilling brands to clients throughout Australia. Each of DDH1's brands serves a different target market and offers distinct equipment and drilling methods.

- **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 drilling services to the Western Australian iron ore industry. Ranger Drilling's services have various applications across the mine life cycle.

A summary of key service model differences is set out in the following table. Each brand is described in detail in following sections.

Table 2: Summary of key service model differences

	DDH1 DRILLING	STRIKE DRILLING	RANGER DRILLING
Predominant drilling methods	• Diamond Core	• Air Core • Reverse Circulation	• Reverse Circulation
Primary applications	• All stages of mine life cycle	• Exploration	• All stages of mine life cycle
Drilling locations	• Australia-wide, with WA (approximately 75%) and East Coast (approximately 25%)	• Predominantly WA (80%) and VIC/NSW (20%)	• WA (100%) mostly in the Pilbara region
Commodity focus	• Gold, nickel, copper, zinc and other base metals	• Gold, nickel, copper, zinc, lithium and other base metals	• Iron ore
Operations	• Managed from Perth and Brisbane (Australia-wide site locations)	• Managed from Perth	• Managed from Perth

DDH1 operates a specialised divisional business structure. All three brands operate relatively autonomously and have professional managers in place to ensure that the brands are well managed and sustainable. This aims to ensure that the unique culture, approach and service offerings of individual brands are not unduly compromised through loss of specialisation.

Strike Drilling's capabilities are predominantly used to conduct earlier stage exploratory drilling work. Strike Drilling's presence at a project site since inception positions DDH1 Drilling as the incumbent operator for clients progressing to later stage drilling work. In turn, Strike Drilling benefits from introduction to DDH1 Drilling's wide client base.

Ranger Drilling is a Reverse Circulation drilling contractor which predominantly provides services to the Western Australian iron ore industry. Until the Ranger Drilling acquisition, commodity exposure was primarily limited to gold, base metals, uranium and lithium. Ranger Drilling's iron ore focus has delivered a more balanced commodity exposure to the Group. DDH1 may further expand its iron ore footprint by responding to opportunities such as life of mine dewatering and mine engineering services. DDH1 has provided certain complex services in this area at great depths in the past for some of its largest clients.

It is generally easier for clients to deal with a single contractor for all drilling requirements including Air Core, Reverse Circulation and Diamond Core. The ability to offer clients a broader range of drilling solutions provides a competitive advantage in pursuing long-term whole of mine exclusive relationships. Existing experience with and understanding of a mine site's geology also provides mine operators efficiency opportunities in drilling activities at that site.

Operating under one group structure reduces the administrative burden on each of the individual brands. This allows the brands to focus on revenue generating client facing activities while benefiting from Group synergies in sharing best practice safety and back office functions, business development, procurement at scale, asset allocation and contract opportunities.

Prior to the acquisitions of Strike Drilling and Ranger Drilling, Strike Drilling had been a long-term subcontractor to DDH1 Drilling. DDH1 Drilling had also previously worked with Ranger Drilling on a shared contract and subcontract basis.

3.2.2 DDH1 Drilling

3.2.2.1 History and background

DDH1 Drilling was established in 2006 to focus on providing specialised drilling services to the resources sector and critical geological information to miners. DDH1 Drilling currently employs approximately 603 staff and operates a fleet of 64 multi-purpose surface and underground Diamond Core drilling rigs across Australia.[2] DDH1 Drilling's services have various applications across the mine life cycle but are predominantly utilised for near mine exploration, mine development and production related drilling activities which are typically less susceptible to short-term fluctuations in commodity prices.

DDH1 Drilling's specialised Diamond Core drilling services are used to extract rock core samples from depths of up to 3,000 metres. This market is characterised by relatively lower competition due to the more technical nature of drilling services performed, the experienced personnel required to perform them, the safety systems required and the specification of the equipment needed.

DDH1 Drilling has always focused on providing specialised and more technically challenging deep drilling services because:

- Deep drilling is typically undertaken at existing mines or mature projects and demand for these services is generally more consistent throughout the mine life cycle.
- Many deep drilling programs are long running and employ multiple rigs.
- Deep and, in particular, deep directional drilling (discussed in Section 3.2.2.2 below) requires a higher degree of expertise resulting in less competition than encountered in other less technically demanding drilling disciplines.
- Once on site for the provision of deep drilling services, there may be potential to undertake other kinds of drilling work at the site.
- A contractor's reputation for high quality deep drilling work can assist in securing work in shallower drilling locations due to the importance of accurate drilling operations in such locations.
- Experience of the geology of a mine site may increase the efficiency of drilling activity at that site and, as a result, encourage the mine operator to continue to utilise the services of the incumbent drilling contractor.

3.2.2.2 DDH1 Drilling's multiple intersectional directional drilling capabilities

Directional drilling allows for controlled deviations in the direction, angle and path of drilling activity. This makes it possible for drilling to be accurately steered towards a designated drill target. It can also be used to steer drilling activity back on course if drilling deviates from a desired path.

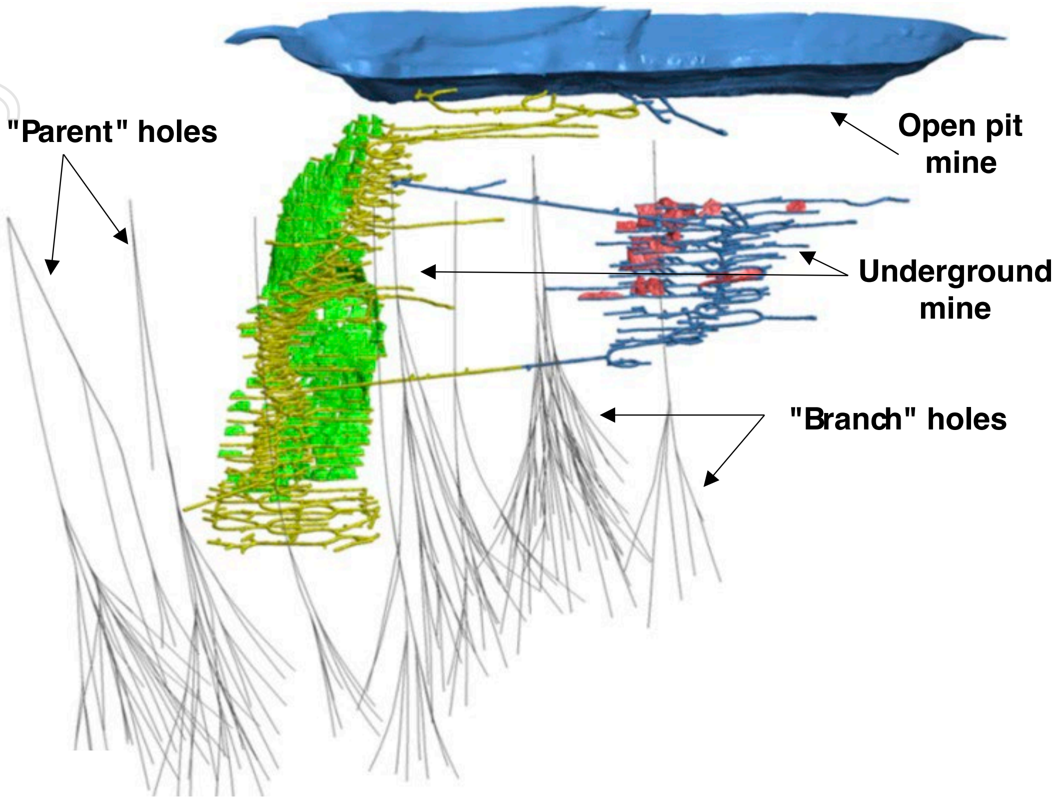
Directional drilling helps to overcome environmental challenges which include being able to reach a target zone of interest, which is located under a geological feature such as very hard rock formations, that would otherwise be inaccessible with vertical surface drilling methods; or drilling into a deep zone of interest covered by rock that would otherwise make drilling multiple holes from the surface difficult and expensive.

Drilling accuracy is of utmost importance. Conducting deep drilling operations at a mine site often follows time consuming and costly preparatory work, including mapping and other activities directed at better understanding the geological properties of a site, to refine small drill targets or target areas. Missing targets is not just about the cost of the drill hole but also about the potential project delay costs or opportunity costs where critical decisions are based on drilling results.

In addition to directional drilling, DDH1 Drilling also has the technical ability and fleet capability to conduct multiple intersectional directional drilling which typically involves the drilling of a main "parent" hole (up to 2,000 metres in depth) followed by multiple "branch" holes which come off the "parent" hole (to depths of up to 3,000 metres). As illustrated by Figure 25, each hole is effectively "bent" (i.e. directionally drilled) so that a zone of interest can be accurately targeted at multiple points. This increases the accuracy of the geological information gathered to facilitate development or expansion of mine production. Drilling several branch holes from a main hole also significantly reduces the length of a drilling program, leading to savings in both time and costs.

2. As at 31 December 2020

Figure 25: Multiple intersectional directional drilling



Historically most directional drilling has been conducted on, or adjacent to, active mine sites as known mineral deposits are drilled to depths that reflect the practical limits of mining. Mining technologies are continuing to improve the ability to mine at greater depths, suggesting that deep and directional drilling services may play an increasingly important role in the minerals exploration and mining industry.

New discoveries and adjacent mineral deposits in Australia are also becoming deeper, as illustrated by Figure 15 in Section 2.3.3. This trend supports a positive outlook for ongoing and growing demand for the deep, directional and multiple intersectional drilling services that DDH1 offers.

3.2.3 Strike Drilling

3.2.3.1 History and background

Strike Drilling was founded in 2013, and now operates a fleet of 12[3] drill rigs and employs 87[3] staff. Seven of these rigs are dual-purpose drill rigs which are capable of conducting Air Core as well as Reverse Circulation drilling. The remaining four are Reverse Circulation drill rigs. Strike Drilling's drill rigs are primarily used for earlier stage exploration activities. Strike Drilling's end market exposures are predominantly junior and mid-tier ASX-listed mining companies with operations in Western Australia, Victoria, the Northern Territory and New South Wales.

3.2.3.2 Strike Drilling's dual-purpose Air Core and Reverse Circulation rigs

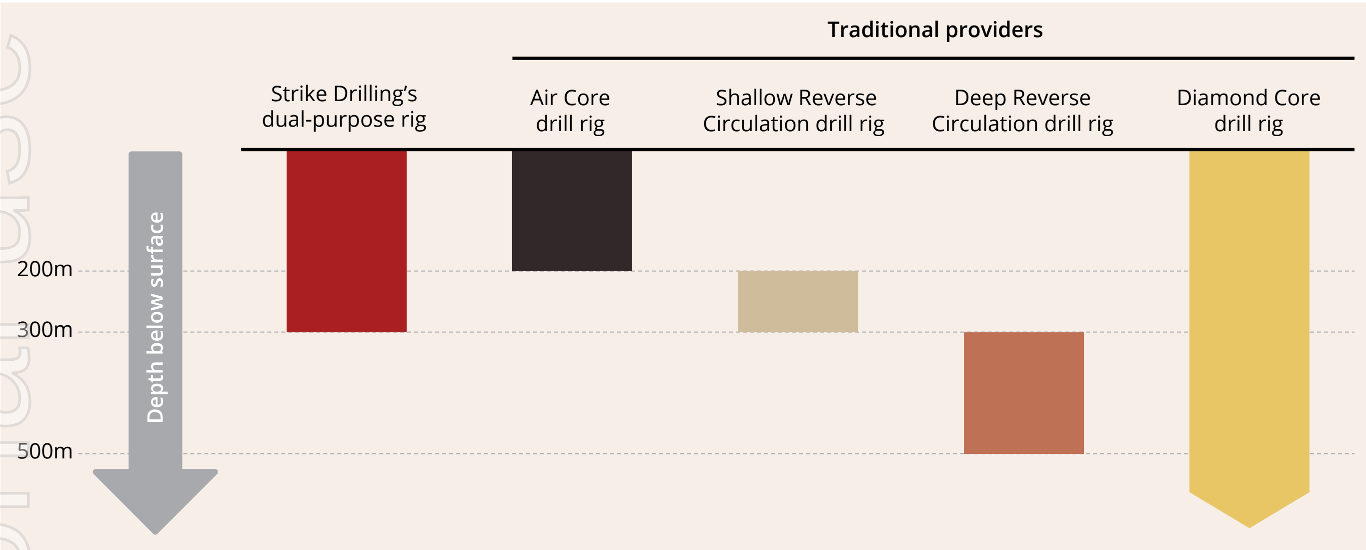
Strike Drilling has designed and operates a fleet of seven modern, dual-purpose Air Core and Reverse Circulation drill rigs. These rigs are highly mobile and designed for work with reduced environmental impact. These drill rigs offer several advantages over single purpose Air Core or Reverse Circulation drill rigs which include:

- **Enhanced safety** – Strike Drilling's dual-purpose rig design incorporates automated hands-free rod handling systems which increases drill crew safety relative to manual rod handling systems.
- **Greater depth capabilities** – Strike Drilling's dual-purpose rigs are rated to 300 metres, which is deeper than conventional Air Core rigs. This allows these rigs to also perform Reverse Circulation drilling activities.
- **Greater flexibility** – multi-purpose capacity between Air Core and Reverse Circulation drilling avoids the need to swap rigs as depth increases, allowing Strike Drilling to apply for multi-discipline tenders and maintain higher long-term utilisation rates.

3. As at 31 December 2020.

- **Increased productivity** – Strike Drilling's dual-purpose rigs utilise larger diameter 6 metre drill rods, compared to traditional 3 metre drill rods. This allows for greater air capacity and hence greater drilling productivity.
- **Increased sample quality** – utilising larger diameter 6 metre drill rods combined with other features such as stationary cone sampling systems to deliver greater sample quality.
- **Smaller footprint** – Strike Drilling's dual-purpose rigs have a smaller footprint than traditional Reverse Circulation rigs, which allow for easier access to smaller and more inaccessible sites.
- **Environmentally friendly** – Strike Drilling's dual-purpose drilling includes high-speed low-impact Morooka rubber tracked rig carrier and support equipment which allow for exploration drilling activities to be conducted with reduced environmental impact. Strike has also developed its 'Enviropod' system designed to contain drilling spoil and groundwater for transport off-site, in order to minimise contamination of environmentally sensitive drill sites.

Figure 36: Overview of Strike Drilling's dual-purpose rig depth capabilities



3.2.4 Ranger Drilling

3.2.4.1 History and background

Founded in 2005, Ranger Drilling currently employs 180 staff and operates a fleet of 20 drill rigs.[4] The majority of Ranger Drilling's fleet are medium sized Reverse Circulation drill rigs with limited requirement for auxiliary air compressors or boosted air. This reduces capital and maintenance costs and simplifies operating complexity. From a client's perspective, it also reduces the site footprint, drilling costs and risks associated with using boosted high pressure compressed air.

Ranger's drilling services have various applications across the mine life cycle and its core end market exposure is to the Western Australian iron ore industry. Ranger Drilling typically enters into long-term master service agreements with customers, most of which are well recognised iron ore mining companies.

3.2.4.2 Remote rig monitoring and management

For several years, Ranger Drilling has been at the forefront of monitoring, recording and transmitting drilling data in real time. This allows operations managers to remotely observe the operating parameters of drilling rigs and to direct drillers in the most efficient operational methods. Remote drill monitoring also provides the operator with other relevant data for drilling consumables optimisation and other productivity gains.

Ranger Drilling, due to client demand, has commenced Diamond Core services and plans to increase this area of its business. Ranger Drilling's iron ore clients are increasingly focused on automation and hence Ranger Drilling's Diamond Core drill rig is completely hands-free. This is a new technological development and there is potential for this hands-free approach to eventually become an industry standard in iron ore drilling where the operating environment is highly repetitive.

4. As at 31 December 2020.

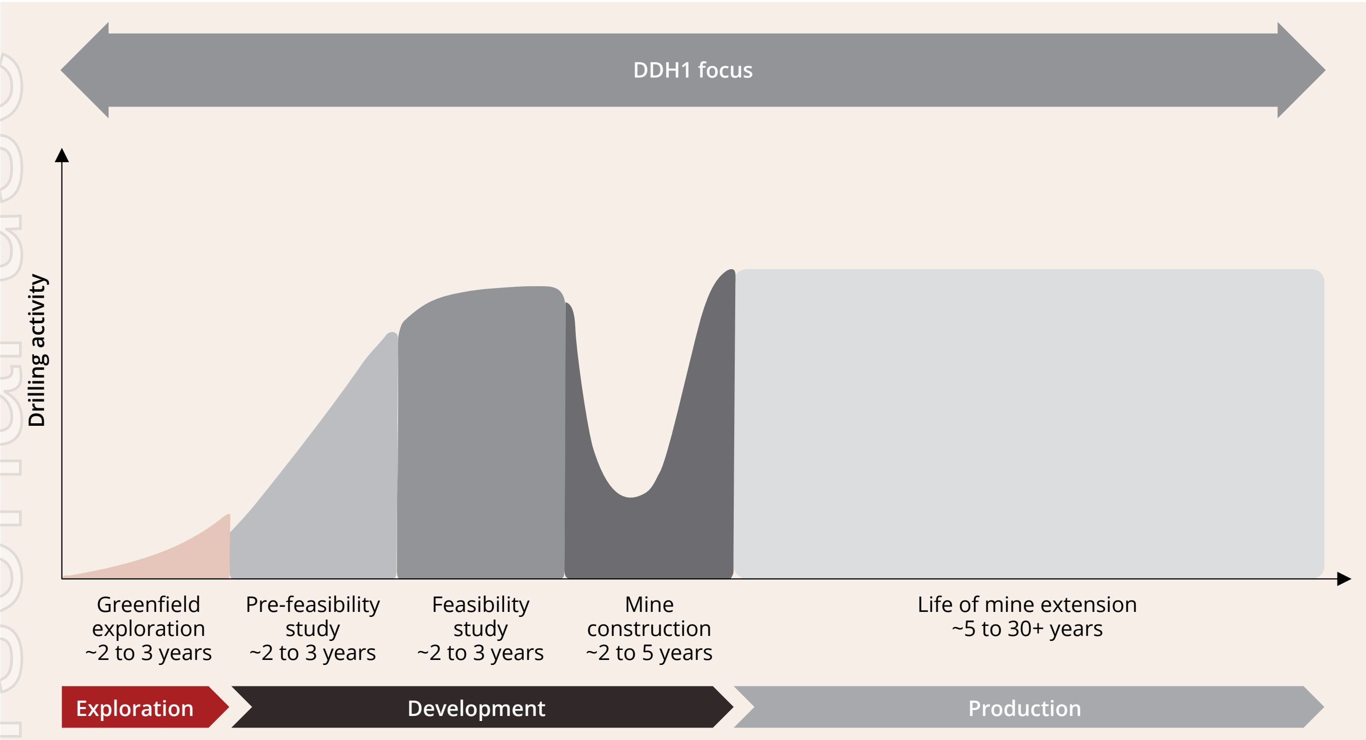
3.3 COMPANY STRATEGY

3.3.1 Targeted drilling activities

A significant factor in the success of DDH1 has been discipline in retaining focus on the type of work undertaken.

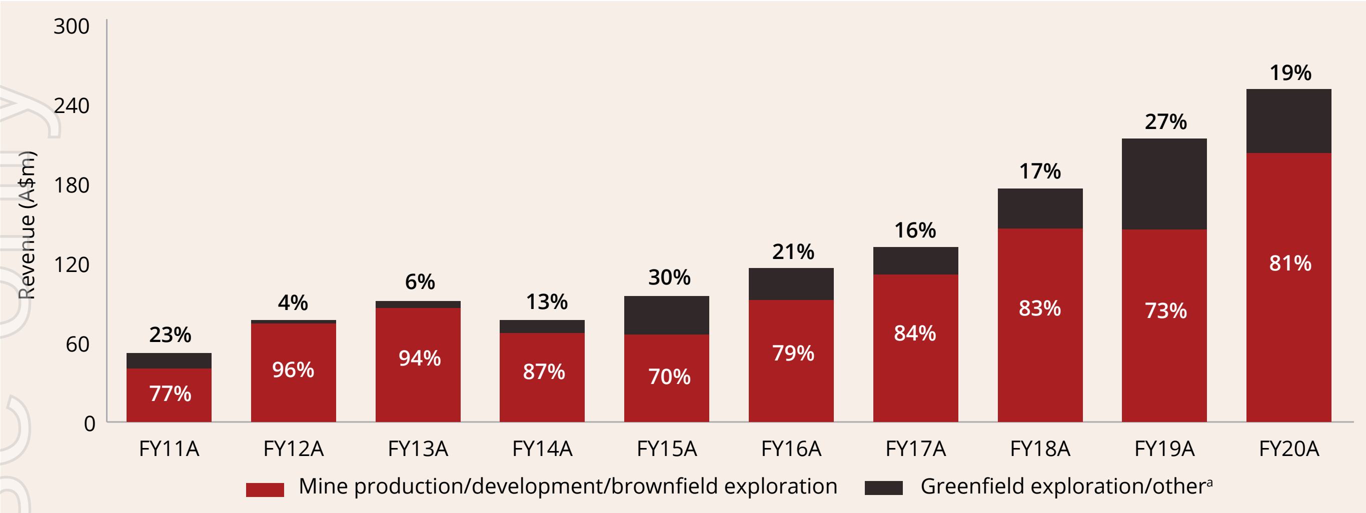
The mining life cycle broadly encompasses the exploration, mine development, production and mine closure phases (see Section 2.2.2 for further details). DDH1 has historically focused primarily on providing those services required by mines in the mine development and production phases, particularly where drilling intensity is high (Figure 27). Notwithstanding this approach, DDH1 also retains selective exposure to highly prospective earlier stage greenfields exploration drilling work (Figure 28).

Figure 27: Illustrative levels of drilling activity through the mine life cycle



Mine development and production activities typically require ongoing drilling because at this stage of a mine's life cycle, the mine operator is regularly assessing the geological features of the area which is, or is proposed to be, the subject of mining activity. Drilling typically represents a fraction of a producing mine's operating costs while mine life is critical to an operators' valuation and credit metrics and hence is typically required throughout mine operation even during a downturn. This typically sustains a base level of drilling activity across the cycle for DDH1.

Figure 28: DDH1 Group historical revenue by mine activity type (%)



Notes: a. Others includes oil and gas, carbon sequestration and water bores.

Notwithstanding DDH1's predominant exposure to medium and long-term work on producing mines with ongoing drilling requirements, some exploration drilling work is targeted as the Company seeks to retain exposure to prospective discoveries which could become significant operating mines. DDH1 has a history of identifying and working on such projects. This exploration activity includes work undertaken for some of Australia's largest mining companies as they explore for new deposits.

3.3.2 Geographical exposure

In FY2020, Australian mineral exploration expenditure totalled $2.8 billion, with approximately 61% occurring in Western Australia (Figure 30).[5] Due to consistently high mineral exploration expenditure, Western Australia is and will continue to be DDH1's focus and the natural home for the Company's head office. With recent increases in commodity prices, Western Australia is well positioned to benefit from any potential above average increases in exploration expenditure. Queensland, New South Wales and the Northern Territory combined provide reasonable volumes and generally acceptable pricing. DDH1's Brisbane office is well located to service these markets.

Figure 29: DDH1 FY2020 Pro Forma revenue by geography (%)

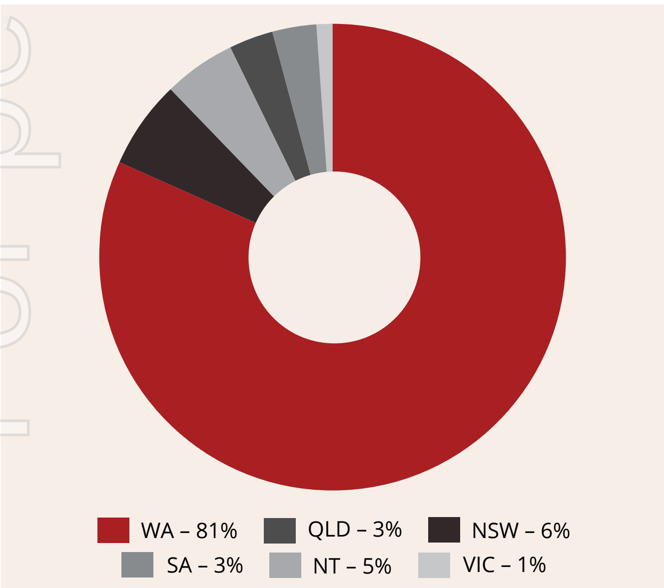
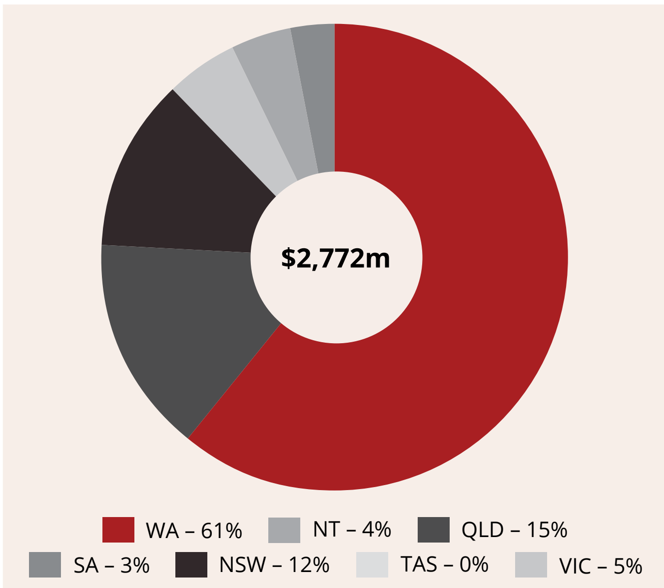


Figure 30: Australian mineral exploration (excluding petroleum products) expenditure by State and Territory (12 months ending June 2020)



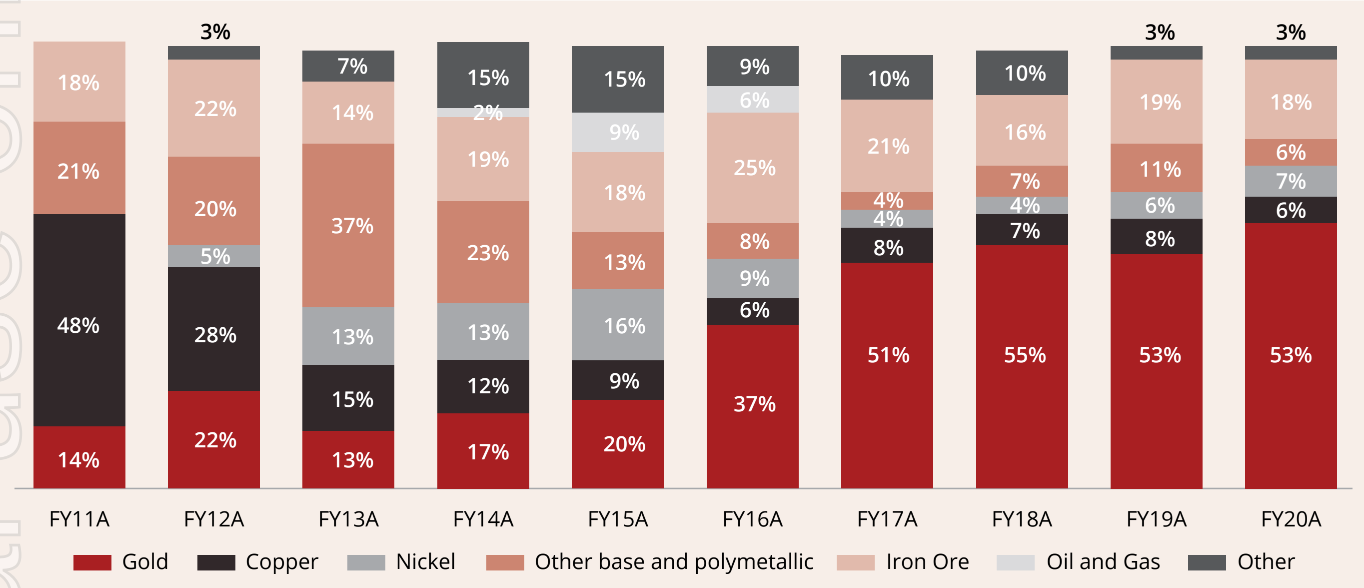
Source: ABS, 8412.0 Mineral and Petroleum Exploration, Australia, June 2020. Table 5. Mineral Exploration, (Other than for petroleum) – Expenditure by State and Territory.

5. ABS, 8412.0 Mineral and Petroleum Exploration, Australia, June 2020. Table 5. Mineral Exploration, (Other than for petroleum) – Expenditure by mineral sought.

3.3.3 Commodity focus

DDH1 intends to continue pursuing drilling work associated with currently served commodities which exhibit long-term growth, stable production profiles and which require intensive drilling throughout the mine life cycle, such as gold, nickel, lithium, copper and iron ore.

Figure 31: DDH1 Group historical revenue by commodity exposure[a] (%)



Notes: a. Revenue classification in Figure 35 is based on the commodities that drilling has been targeted at. Practically, it is not possible to precisely attribute revenue to the various commodities targeted in polymetallic drilling targets. Gold accounted for in the historical revenue in respect of copper and nickel is accounted for in copper and nickel respectively and is separate and distinct from the historical revenue of gold as a stand-alone commodity in the above figure.

Drilling volumes fluctuate in response to changes in commodity demand. DDH1's current portfolio composition is reflective of the significant demand for drilling services in the Australian gold sector. DDH1's opportunity set includes a range of other commodities to provide diversification (Figure 31).

3.3.4 Pricing and margins

A combination of rate rises and improved contract conditions could improve DDH1's rig revenue from current levels with the majority of any increase likely to flow through to DDH1's EBIT. Sustained mining sector growth could provide a catalyst for rate increases and structural contract change. Reserve replenishment is a driver of drilling expenditure and commodity prices may also impact drilling demand if miners become more profitable and grades become more economic. The degree of any pricing and related margin change would likely depend, in part, on the speed and depth of commodity price recovery.

3.3.5 Resilience through the mining cycle

DDH1 has demonstrated the ability to maintain EBIT[6] profitability through the cycle for a number of reasons, including those which are set out below. DDH1 has grown substantially in down cycles, using free cash flow to acquire capacity in the market. DDH1 intends to continue to adopt the same approach and principles as have been implemented historically.

- **Customer profile** – DDH1's clients have an ongoing commercial need to replenish reserve depletion regardless of stage in the cycle. The Company's focus on large scale low cost producers also provides downside protection.
- **Exposure to production** – as cycles turn, exploration budgets are typically tightened. It is critical in assessment of the Company's financial performance that earnings are primarily driven by production or near mine development, with appropriate exposure to higher margin exploration work to ensure DDH1 is well positioned for sustained drilling campaigns when explorations have been successful.
- **Variable costs** – down cycles are difficult to manage for operators with high fixed costs. DDH1 manages to balance its operating costs effectively between fixed and variable costs.
- **Low leverage** – DDH1 has maintained an appropriate capital structure to ensure operating cash flows have been used to grow in down cycles rather than service fixed interest costs.

6. Reflecting a Pro Forma depreciation expense for each period based on alignment with the Group's current depreciation policy.

- **Diversity and scale** – it is important to have a diversified client base and commodity exposure and to be of sufficient scale to manage the down cycle. Smaller operators lacking this diversity may be more exposed. This provides an opportunity for DDH1 to increase market share.
- **Specialisation** – DDH1 focuses on providing highly specialised drilling services which are more technically demanding in nature and which provide cost and efficiency advantages for DDH1's customers.
- **Productivity** – DDH1 focuses on productivity through its fleet of highly-specified, high-capacity drilling equipment capable of drilling at depth. In particular, pricing per metre generally increases with hole depth, and with a focus on extremely deep work, DDH1 returns per metre are higher than average.
- **Fleet standardisation** – DDH1 operates a highly standardised, well maintained fleet which provides productivity benefits as rig crews are able to switch easily from one rig to another.

3.4 RIG FLEET

3.4.1 Overview

From starting with a single rig in 2006, DDH1 has progressively grown its fleet to 96 modern, highly-specified purpose-built rigs with a focus on standardisation and typically acquiring only new or near-new equipment. The advantages of standardisation are discussed in Section 3.4.2 below.

The table below sets out a summary of DDH1's rig fleet as at 31 December 2020.

Table 3: DDH1 Group rig fleet overview

RIG TYPE	ENTITY	RIGS	AVERAGE AGE	USEFUL LIFE
Diamond Core – High Capacity Surface (Sandvik DE840, DE880, Evolution 3000 and UDR5000)	DDH1 Drilling	43	c.6.4 years	20 years+
Diamond Core – Low Capacity Surface (Sandvik DE710, UDR650)	DDH1 Drilling	9	c.2.7 years	20 years+
Diamond Core – Underground (Boart LM90, LM75)	DDH1 Drilling	10	c.9.2 years	20 years+
Energy and Engineering (Foremost 3000, WEI D75S)	DDH1 Drilling	2	c.13.0 years	20 years+
Dual-purpose Air Core and Reverse Circulation (Schramm T450, Austex X350)	Strike Drilling	8	c.2.8 years	20 years+
Reverse Circulation (KWL700, Schramm 685)	Strike Drilling	4	c.5.3 years	20 years+
Air Core (Austex X350)	Ranger Drilling	1	c.2.5 years	20 years+
Reverse Circulation (Schramm T450, Hydco 350, DRA/RC600, Austex X350)	Ranger Drilling	16	c.7.8 years	20 years+
Diamond Core (LF160 Diamond)	Ranger Drilling	3	c.1.3 years	20 years+
Total		**96**	**c.6.2 years**	

3.4.2 Rig fleet standardisation

Standardisation across a fleet of drill rigs has a number of key benefits including:

- **Reduced training requirements** – staff do not need to be trained to operate different machinery.
- **Increased productivity** – staff are better able to become experts on the equipment itself, sharing and leveraging off each other's knowledge and experience in different conditions to extract greater productivity from the equipment.
- **Greater purchasing leverage** – DDH1 is a large purchaser, relative to other Australian drillers, of new and second-hand Sandvik/Evolution rigs in Australia, leading to greater purchasing leverage.

- **Increased workforce flexibility** – roster allocations of staff are not limited by familiarity with equipment.
- **Reduced maintenance costs and inventories of spare parts** – the homogenous nature of the fleet including rigs, trucks, compressors and support equipment facilitates carrying inventory for a full range of spare parts for the entire fleet, maintained by highly trained technicians with specialised knowledge of the equipment and well established routine maintenance procedures across the fleet. There are also significant savings in not having to carry spares and consumables for multiple types of equipment.

3.4.3 Maintenance and rig refurbishments

DDH1 maintains its fleet by ensuring appropriate and extensive preventive maintenance is carried out as needed. A comprehensive inventory of spares is also carried by the Company with major rig or support components being swapped out or replaced as wear becomes evident. As a result of this approach, DDH1 rigs maintain high levels of performance capability and availability.

While the life of an appropriately maintained drill rig can be in excess of 25 years, rig "rebuild" can provide life extension. A fully rebuilt rig has historically been able to achieve the same performance levels and operating costs of a new rig. In a full rebuild, all key rig components are refurbished or replaced with new components and the rig is sandblasted down to bare metal and repainted. At the end of the rebuild process, the rebuilt rig looks like a new rig. This process is typically undertaken every eight to 10 years, although this period could be extended depending on the type of work the rig has performed and the level of maintenance during its life.

3.5 CUSTOMER RELATIONSHIPS

3.5.1 Overview of key customers and relationships

DDH1 has a diverse portfolio of approximately 102 clients (based on FY2020 Pro Forma revenue). DDH1 prides itself on being well respected in the market-place and maintaining excellent customer relationships. This is demonstrated by DDH1's success in securing, maintaining, renewing and expanding contractual relationships with many of its key customers, some of which have been maintained since the Company's inception. Approximately 88% of DDH1's FY2020 Pro Forma revenue was repeat revenue; the additional 12% was comprised of new DDH1 Group customers (**Figure 33**).[7]

Some of DDH1's key customers include Newcrest, BHP Iron Ore, Evolution Mining, Gold Fields, Independence Group, Kalgoorlie Consolidated Gold Mines (KCGM), Newmont Goldcorp Australia, Ramelius Resources, Rio Tinto, Roy Hill Iron Ore and St Barbara.

The figures below set out a summary of DDH1's FY2020 Pro Forma revenue by customer and customer type.

Figure 32: DDH1 FY2020 Pro Forma revenue by customer (%)

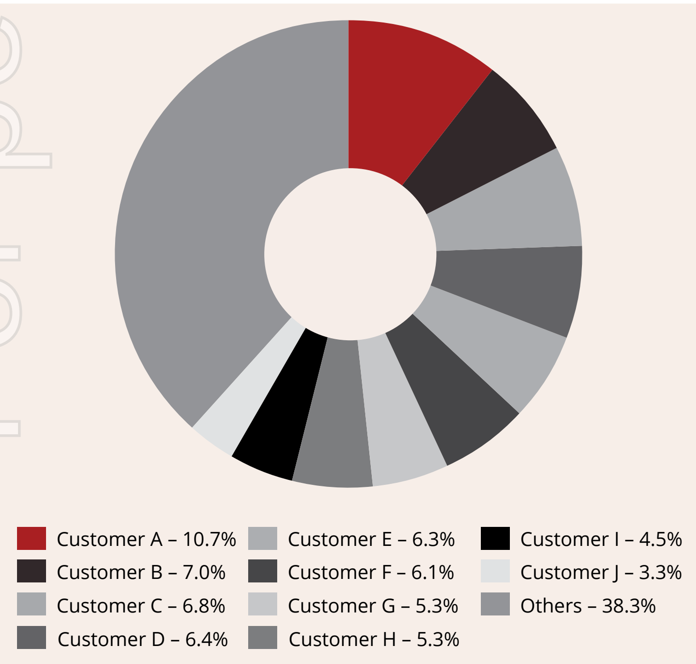
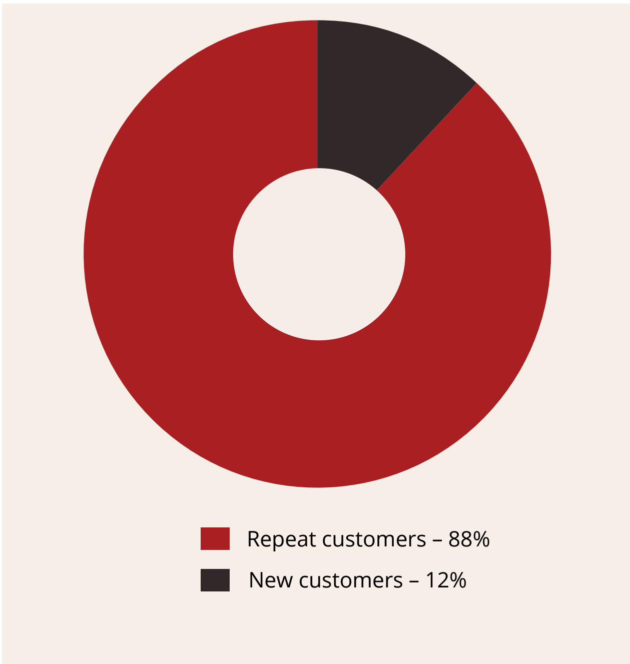


Figure 33: DDH1 FY2020 Pro Forma revenue by customer type[7] (%)



7. Repeat customer defined as a customer who had been a customer with DDH1 for any period of time prior to FY2019.

3.5.2 Contract profile

Drilling contracts typically specify the depth of drilling required, the duration of the project and the scope and conditions of work. DDH1 generates revenue by charging its customers a rate based on a combination of metres drilled, an hourly rate, chargeable recovery of certain consumables, mobilisation and/or demobilisation costs. Whilst each customer has a different contract and chargeable rates or approach, there is often a "minimum shift clause" which ensures a minimum revenue earnt.

DDH1 enters into both short-term (up to three months) and long-term (up to three years) contracts. Approximately 81% of DDH1's FY2020 Pro Forma revenue was derived from mine development related drilling (**Figure 28**), which is typically less susceptible to short-term fluctuations in commodity prices. This provides greater earnings visibility at the beginning of each year.

For DDH1, there is a long-running and consistent theme of winning recurring short-term work with existing customers as well as a history of displacing incumbent contractors. A recent step up in industry-wide utilisation rates could potentially translate into rate increases hence DDH1 maintains an appropriate degree of short-term contract exposure and limits contracting significant drilling capacity for extended periods of time.

In the case of exploration stage contracts, such work is often renewed or extended to the completion of the project following successful discovery. In such cases, and particularly on the more remote contracts, customers will often prefer to leave the incumbent drilling services contractor on site to continue drilling so that the project proceeds with minimal disruption and mobilisation and demobilisation costs are kept to a minimum. DDH1 offers a complete range of Air Core, Reverse Circulation and Diamond Core drilling services which positions the Company strongly as the incumbent contractor for clients progressing to later stage drilling.

A summary of the duration of DDH1's major customer relationships is shown in the table below.

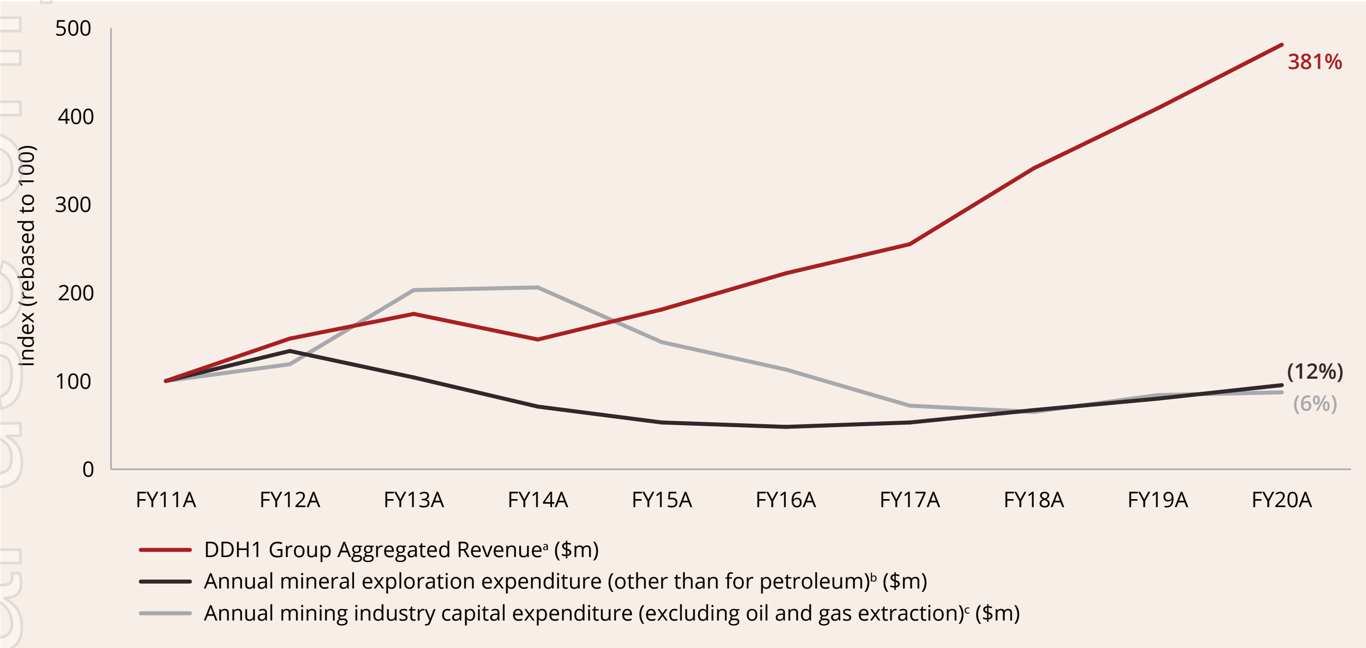
Table 4: Overview of DDH1 key customer relationships as at 31 December 2020

CUSTOMER	PERIOD OF CONTRACTED RELATIONSHIP(S)	CONTRACT WITH
BHP	6 years	Ranger Drilling, DDH1 Drilling
Evolution Mining	3 years	DDH1 Drilling
Gold Fields	11 years	DDH1 Drilling
Independence Group	5 years	DDH1 Drilling
KCGM	5 years	DDH1 Drilling
Newmont Goldcorp Australia	5 years	DDH1 Drilling
Ramelius Resources	5 years	DDH1 Drilling, Strike Drilling
Rio Tinto	8 years	Ranger Drilling
Roy Hill Iron Ore	8 years	Ranger Drilling
St Barbara	10 years	DDH1 Drilling

3.6 RECENT OPERATING METRICS

DDH1 has a proven track record of growth through the cycle, with Aggregated Revenue increasing significantly in the period from FY2011 to FY2020 (**Figure 34**).

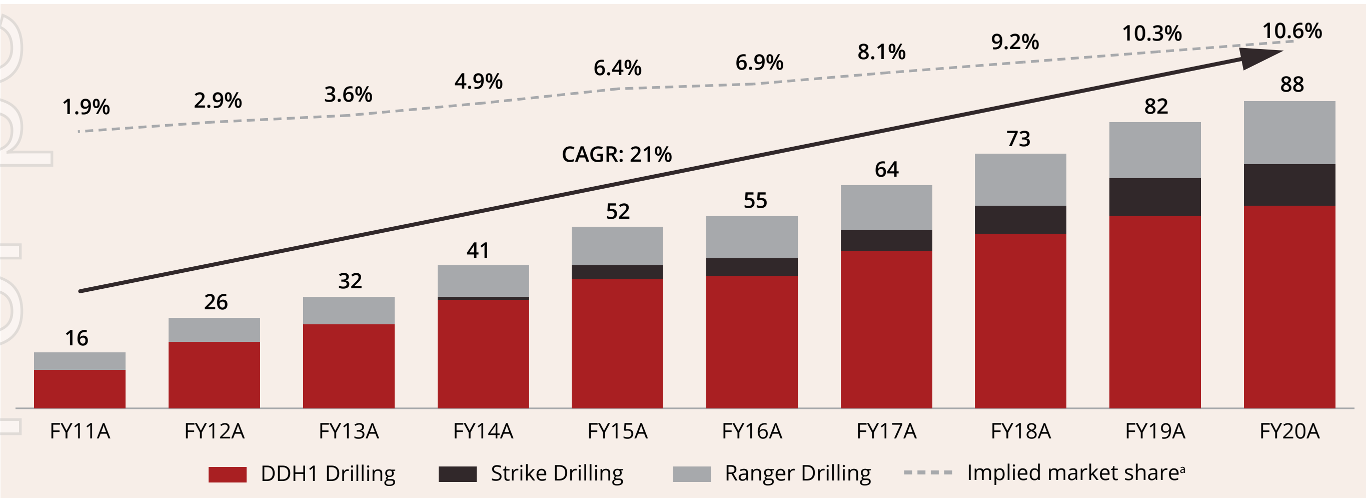
Figure 34: Comparison of DDH1 Group's Aggregated Revenue[8]



Notes: a. FY2011 to FY2016 DDH1 Group revenue is unaudited and based on management accounts. Strike Drilling was founded in 2014.
b. ABS Mineral and Petroleum Exploration (8412.0), June 2020.
c. ABS Private New Capital Expenditure and Expected Expenditure, Australia, June 2020 (5625).

Ongoing significant capital investment throughout the previous mining downturn allowed DDH1 to grow its fleet, acquire quality assets and hire experienced senior drillers and operations managers. An overview of DDH1's rig fleet growth over time is outlined below (**Figure 35**).

Figure 35: DDH1 Group number of rigs at financial year end[9]

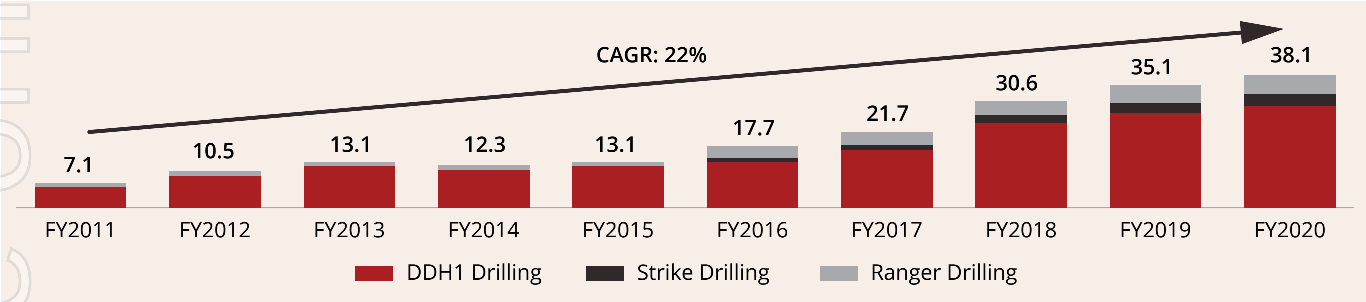


Note: a. Percentages calculated as DDH1 Group number of rigs divided by ADIA estimated total number of rigs in Australia (see Section 2.5.4).

8. Aggregated Revenue comprises the combined revenue of DDH1 Holdings Pty Ltd, Strike Drilling and Ranger Drilling as though Strike Drilling and Ranger Drilling were held by DDH1 Holdings from 1 July 2010.
9. Number of rigs derived from combining the number of rigs from DDH1 Drilling, Strike Drilling and Ranger Drilling as at the end of each financial year.

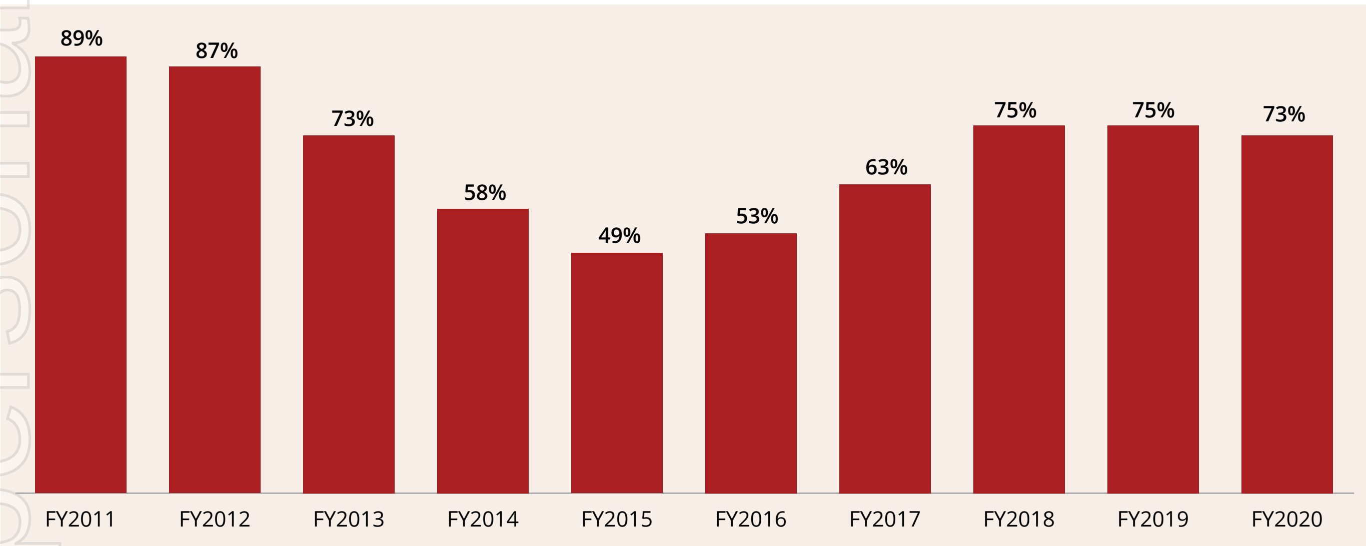
In recent years, several international drilling contractors have left the Australian market and other drillers operating within the Australian domestic market have downsized. DDH1's downturn strategy combined with quality of service and specialisation in its chosen areas of drilling expertise has resulted in growth in the Group's number of rigs (**Figure 35**) and shifts worked (**Figure 36**).

Figure 36: DDH1 Group number of shifts worked[10, 11] (000's)



Since establishment, DDH1's focus on specialised drilling work with long-term clients on highly productive sites, combined with geographic and commodity diversification and strict operating discipline, has allowed DDH1 to maintain utilisation rates at sufficiently high levels for the Company to remain profitable through the various phases of the commodity price cycle (**Figure 37**).

Figure 37: DDH1 Group shifts utilisation – based on available shifts (%)



Note: Shifts utilisation calculated based on number of shifts worked divided by available shifts. Available shifts calculated based on average rig count during the period multiplied by number of shifts per day. Air Core and Reverse Circulation rigs are capable of performing one shift per day. Diamond Core rigs are capable of performing two shifts per day. Please note that this measure of utilisation is not comparable to ADIA industry rig utilisation metrics as presented in Figure 22.

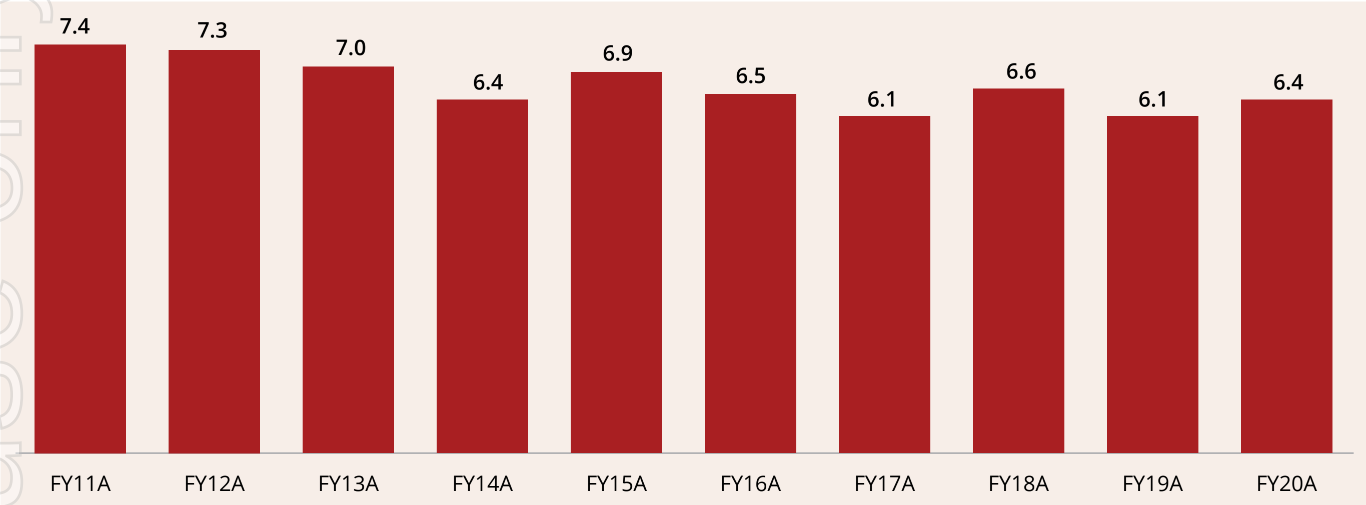
Increased capacity through fleet expansion has been a part of the driver of increased revenue. The sustained increase in DDH1's operational capacity has positioned the Company to increase its earnings capacity. However, this is not the only determinant of profitability and margins. Other operating metrics such as revenue and cost per shift are critical components of profitability per rig. Revenue and cost per shift are a function of both internal and external factors. Control over internal factors, particularly drilling efficiency and cost controls, have enabled DDH1 to maintain EBIT profitability through the cycle. External factors such as exploration expenditure, production levels, industry utilisation rates and commodity prices may impact rates, and therefore revenue per shift.

As demonstrated in Figure 42, DDH1's revenue per shift increased from FY19 to FY20, consistent with the macroeconomic factors discussed in Section 2. DDH1 has started to experience rate increases as mineral exploration and mining industry

10. Number of shifts worked derived from combining the number of shifts worked from DDH1 Drilling, Strike Drilling and Ranger Drilling for each financial year.
11. FY2014 and FY2015 excludes Strike Drilling as information is not available.

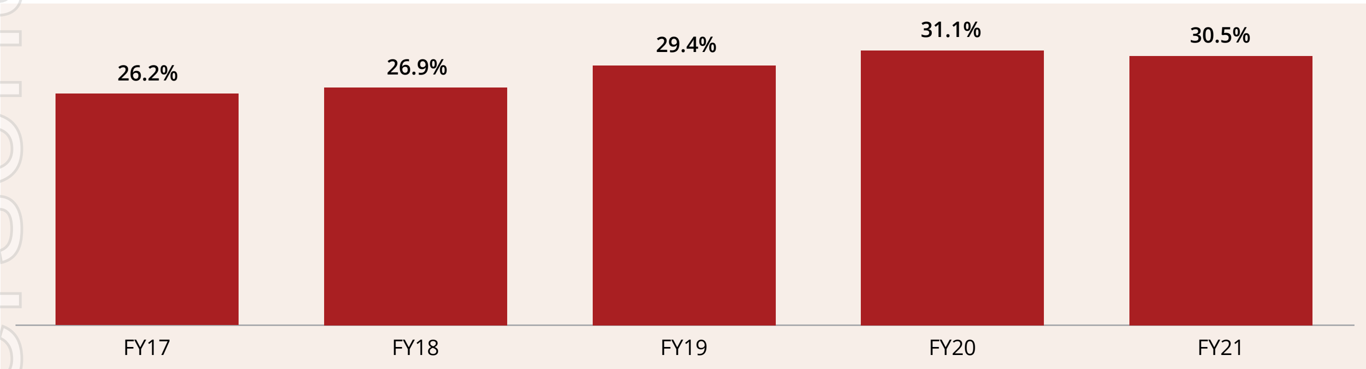
activity continues to ramp up, industry-wide drill rig utilisation recovers and new and second-hand equipment availability remains tight. DDH1's FY2020 revenue per shift was approximately 14% below the previous peak in FY2011, suggesting potential for further upside from current levels.

Figure 38: DDH1 Group historical revenue per shift ($000's)



Note: FY2017, FY2018 and FY2019 based on Pro Forma revenue. FY2011 to FY2016 revenue derived from combining DDH1 Drilling, Strike Drilling and Ranger Drilling's revenue. FY2014 and FY2015 figures exclude Strike Drilling as shifts information is not available.

Figure 39: DDH1 Group return on invested capital (%)



Note: Return on invested capital calculated as Pro Forma EBITA/(average of prior and current year end balances of PP&E + average of prior and current year end balances of net working capital). Balances used in calculations for the years ended Jun-17 and Jun-18 have been extracted from Aggregated Financial Information and exclude fair value uplifts to PP&E upon acquisition of Ranger and Strike; balances used in calculations for the years ended Jun-19 and Jun-20 have been extracted from Consolidated Financial Information and are consistent with the Jun-21 (forecast) balances which include the Ranger and Strike acquisition fair value uplift.

3.7 GROWTH OPPORTUNITIES

3.7.1 Organic growth

DDH1 has consistently grown over an extended period of time and throughout the economic cycle. DDH1's management has continued to position the Company to deliver organic growth through:

- **New business opportunities** – DDH1 plans to continue to compete to win new customer contracts and expand the scope of services provided to existing customers;
- **Higher utilisation** – higher utilisation of existing fleet as drilling activity continues to increase;
- **Rate increases** – DDH1 is beginning to experience rate increases as activity continues to ramp up, industry-wide utilisation recovers and new and second-hand equipment availability remains tight; and
- **Rig fleet expansion** – continued expansion of the Company's rig fleet with high quality drilling rigs in order to meet market demand and maintain its competitive position in the market. The Company has eleven rigs on order for FY2021. These new drill rigs have not yet contributed to the Group's annualised performance. The full effect of these is expected to be realised from FY2022.

3.7.2 Inorganic growth

DDH1 continues to assess acquisition opportunities which bring additional diversity or depth to Group activities and which can enhance value for the Company's shareholders. There are a number of factors DDH1 considers in assessing potential acquisitions, which include:

- complementary rather than overlapping services to DDH1;
- contribute to commodity or geographic diversification;
- ability to deliver strong maintainable margins due to factors such as high productivity, quality services, good contract terms and attractive site exposures;
- industry position and reputation;
- strong track record of safe operations;
- high quality, well maintained, productive and uniform rig fleets;
- emerging competitive tenderer with similar equipment and high quality client base;
- correct fit within overall Group mix; and
- can be funded conservatively with low leverage levels.

Additionally, DDH1's view is that acquisitions should typically be allowed to operate as specialised businesses within the broader Group to ensure that the unique culture, approach and service offering of each individual business is not unduly compromised. In particular, the entrepreneurs and managers involved should continue to retain full responsibility for the ongoing operations of their business, other than in circumstances where an exit has been agreed as part of the acquisition strategy. Nonetheless, in the case of smaller acquisitions with fleet, services and customers or geographic footprint materially similar to a DDH1 company, then integration of operations may be considered.

It has been the Company's experience with DDH1 Drilling, Ranger Drilling and Strike Drilling that a collaborative approach across the Group has been successful in obtaining new contract opportunities, achieving cost synergies and sharing of common support equipment.

3.8 INNOVATION AND TECHNOLOGY

3.8.1 Overview

DDH1 has designed and implemented various important improvements in drill rig design and drilling innovation. DDH1 continues to build on this legacy of innovation in three distinct aspects of its business, being safety, drilling accuracy and drilling data.

3.8.2 Safety innovation

- **Drill rod kicker arms** – DDH1 has redesigned drill rod kicker arms which are fitted to its drill rig masts. This controls the feed of drill rods into the mast and removes personnel from the 'load shadow' or 'drop area' when rods are added or extracted. This in turn reduces potential for manual handling injuries, particularly when drilling inclined holes.
- **Electronic hauling plug** – DDH1 has designed an electronic hauling plug that avoids the manual labour involved in manually screwing and unscrewing haul plug threads. This in turn reduces the risk of DDH1's personnel incurring related manual handling injuries such as wrist injuries.
- **Weatherzone lightning detection** – DDH1 has implemented a lightning detection system which ensures that lightning alerts are observed early. Having access to rapid, continuous weather updates and the ability to track critical weather events provides DDH1 with improved situational awareness and aids in early mitigation of lightning and other climatic risks.
- **Safe X and i-auditor** – Safe X and i-auditor are interactive safety management tools which DDH1 has implemented as part of its safety management systems. Safe X is used as an electronic incident management database with action tracking and i-auditor is use for tracing daily inspections. These systems assist DDH1 in continual drill crew engagement and managing safety compliance.

3.8.3 Drilling accuracy innovation

DDH1 has been committed to and continues to focus on developing its directional techniques that allow deeper and more complex mineral holes to be drilled.

- **North seeking gyroscopes** – DDH1 was an early adopter in the use of north seeking gyroscopes which are now becoming standard industry practice. North seeking gyroscopes provide drill hole surveying data which is not influenced by magnetic interference. This allows for more accurate drill hole surveying information to be obtained by eliminating the effects of magnetic interference.
- **Oilfield surveying software** – DDH1 has pioneered the use of oilfield surveying software for mineral drill hole planning and tracking. Use of this software has resulted in improved accuracy of DDH1's drilling programs.
- **Custom made drilling tools** – DDH1 continues to develop innovative drill hole opening techniques for use in various types of ground. Improvements to drill bit design have allowed DDH1 to recently drill the deepest cable drop hole in the Southern Hemisphere.

3.8.4 Drilling data innovation

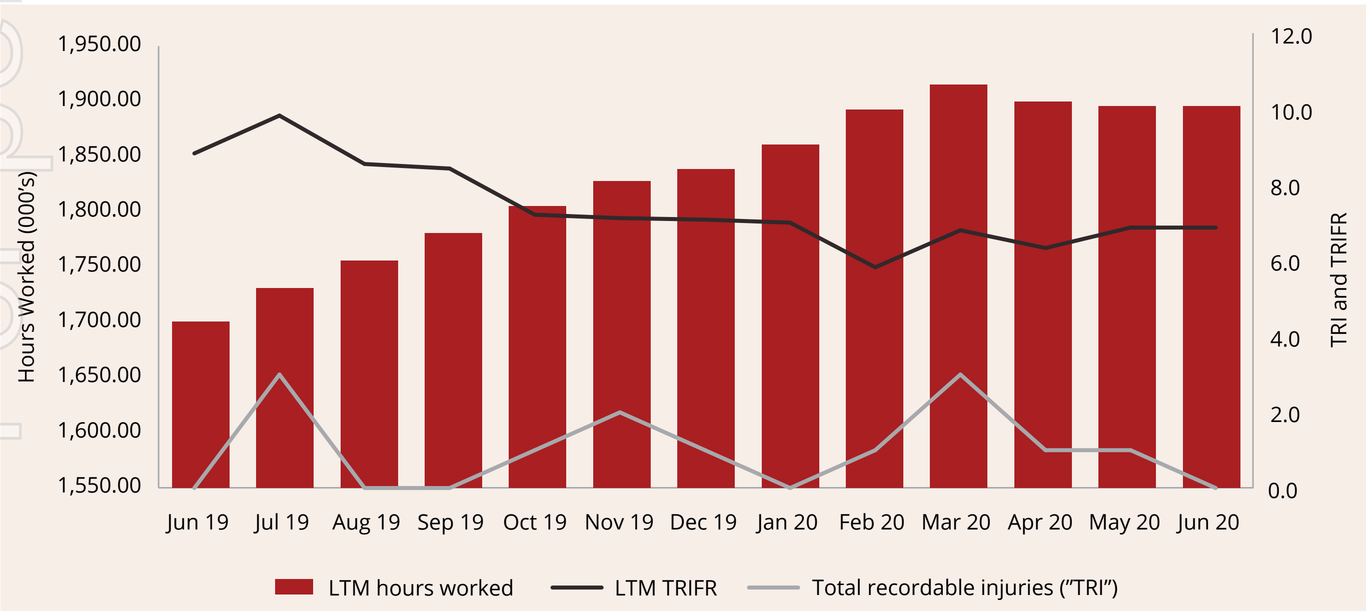
The mineral exploration and mining industry is moving towards achieving greater information collection and assessment information in relation to cores and samples at the drill rig site, as well as remote rig monitoring. DDH1 has approached this from several avenues.

- **Site based core photography** – DDH1 has developed a rig based photography system which allows for very high-resolution white light and ultraviolet photography of rock core samples to be carried out on drill rig sites. These images can then be transmitted to DDH1's clients for viewing at any offsite location.
- **Remote monitoring** – Ranger Drilling utilises a remote drill rig monitoring and management module that transmits data to Ranger Drilling's office in real time. This allows Perth based drilling managers to observe the rigs' operating parameters and informs them as to how to better direct on-site drillers in the most efficient operational methods. See Section 3.2.4.2 for further information.

3.9 SAFETY AND RISK MANAGEMENT

DDH1 has an unwavering commitment to safe operations and dedicates appropriate resources to maintaining and enhancing its safety performance. This has delivered a safety record which provides a competitive advantage when bidding for customer contracts as well as in attracting and retaining staff. The Company's Total Recordable Injuries Frequency Rate (**TRIFR**) of 6.9 per million hours worked in FY2020 was below the 11.9 average of ASX-listed drillers who reported this safety metric for the same period.[12]

Figure 40: DDH1 Group monthly TRIFR performance[13]



12. Swick Mining Services and Mitchell Services. Boart Longyear does not report TRIFR.
13. Calculated as lost time and medical treatment injuries per 1 million hours worked.

The safety of DDH1's people is fundamental to DDH1's business and is ingrained into the way the Company operates. Clear expectations are established for leaders, supervisors and the general workforce to ensure that safety is not compromised. The Company has systems and procedures in place to address potential risks that may adversely affect DDH1's people and operations. These systems are guided by DDH1's vision and values, legislation, relevant regulatory standards and stakeholder requirements, and are made of up interconnected systems, procedures and guidelines which enable the Company to pursue its growth strategies safely.

Safety initiatives

DDH1's Safety Manager, supported by a team of field-based safety professionals, has introduced effective initiatives to ensure that the workforce at DDH1 and its broader community (including families) are supported, its track record maintained, and positive safety behaviours are fostered. Primary safety initiatives include:

- safety alert broadcast system;
- 360 degree feedback between rigs;
- a Safety Management System including Health, Safety and Environment (**HSE**) benchmark rating scores for each rig; and
- KPIs for supervisors based on these benchmarks.

3.10 WORKFORCE AND INDUSTRIAL RELATIONS

As at 31 December 2020, the DDH1 Group had 896 employees in its workforce spread geographically across Australia. The management structure of DDH1 is as follows:

Figure 41: DDH1 Group management structure

Executive team

Sy Van Dyk Chief Executive Officer Mining services experience: 30 years	**Ben Mackinnon** Chief Financial Officer Mining services experience: 19 years	**Andrew Venn** EGM – Corporate Services Mining services experience: 22 years
DDH1 Drilling	**Ranger Drilling**	**Strike Drilling**
Mat Scarlett GM of Operations Years of drilling experience: 19	**Matt Izett** Managing Director, Ranger Drilling Founder, Ranger Drilling Years of drilling experience: 34	**Richard Bennett** Managing Director, Strike Drilling Founder, Strike Drilling Years of drilling experience: 34
Brenton Wallace GM (West Coast) Years of experience: 44 **Russell Chard** GM (East Coast) Years of experience: 25	**Stuart Baird** General Manager Years of experience: 30	**Clay Schmidt** Operations Manager Years of exp: 15 **Craig Chitty** Operations Manager Years of exp: 23
Operational employee (excluding offsiders)	**Operational employee (excluding offsiders)**	**Operational employee (excluding offsiders)**
Managers: 3 Operations: 6 Supervisors: 15 Drillers: 241	Managers: 2 Operations: 2 Supervisors: 10 Drillers: 39	Managers: 2 Operations: 2 Supervisors: 3 Drillers: 24

Note: Offsiders are drill rig workers who assist and support drillers in drilling operations.

DDH1's most important resource is its employees, the majority of whom are employed on a permanent full time basis. A key priority of DDH1 is to continue to attract and retain skilled employees. DDH1 leverages its reputation, market position, safety record, growth opportunities and focus on talent development to attract and retain the best employees. The Company has a very high retention rate of experienced crew and many young potential drillers available for promotion.

DDH1 places great importance on maintaining good industrial relations which has resulted in no time lost to industrial action for the business since its inception.

DDH1 also enjoys long tenure within its management team which has enabled the Company to empower all members of that team to take responsibility for the functions allocated to them, thereby instilling a culture of personal accountability and ownership across the management team, which culture permeates throughout the organisation. A culture of that kind is considered critical to the continued success of the Company given the wide geographic spread of its operations and the resulting need for people on the ground to make decisions in real time. It also allows the Company to plan for the future with confidence as personnel transition in and out of roles during the course of their careers with DDH1.

Like many other successful businesses that have experienced significant growth over time, DDH1's managerial and operational structures have adapted to meet the challenges posed by the increased scale and complexity of the business. These changes have provided opportunities for professional development for key personnel as they have stepped up and into new roles. As a result of DDH1's track record of retaining these people in the business, the Board considers that the Company has a deep and highly capable management team that is well placed to lead the Company into the future as it continues to evolve.

3.11 ENVIRONMENT, SOCIAL AND CORPORATE GOVERNANCE

3.11.1 Environment and sustainability

DDH1 is committed to managing its environmental footprint and minimising its impact on the environment. It 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 the Company operates across a range of diverse and sensitive areas, it has implemented a framework reflecting best practice in environmental management. The processes deployed to ensure environmental management include:

- ensuring environmental management is part of all decisions;
- engaging with all stakeholders (clients, 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 and ensures it remains certified to the relevant standards.

3.11.2 Governance and social responsibility

Strong governance procedures seek to ensure that DDH1 complies with all applicable laws and regulations. They also compel DDH1 to operate with fairness, transparency and accountability in its management and interaction with all stakeholders. The Company recognises that strong governance is integral to a successful and well-respected business and is an indicator of overall management capability and quality. DDH1 already has regard to the relevant ASX Corporate Governance Principles and Recommendations and in particular:

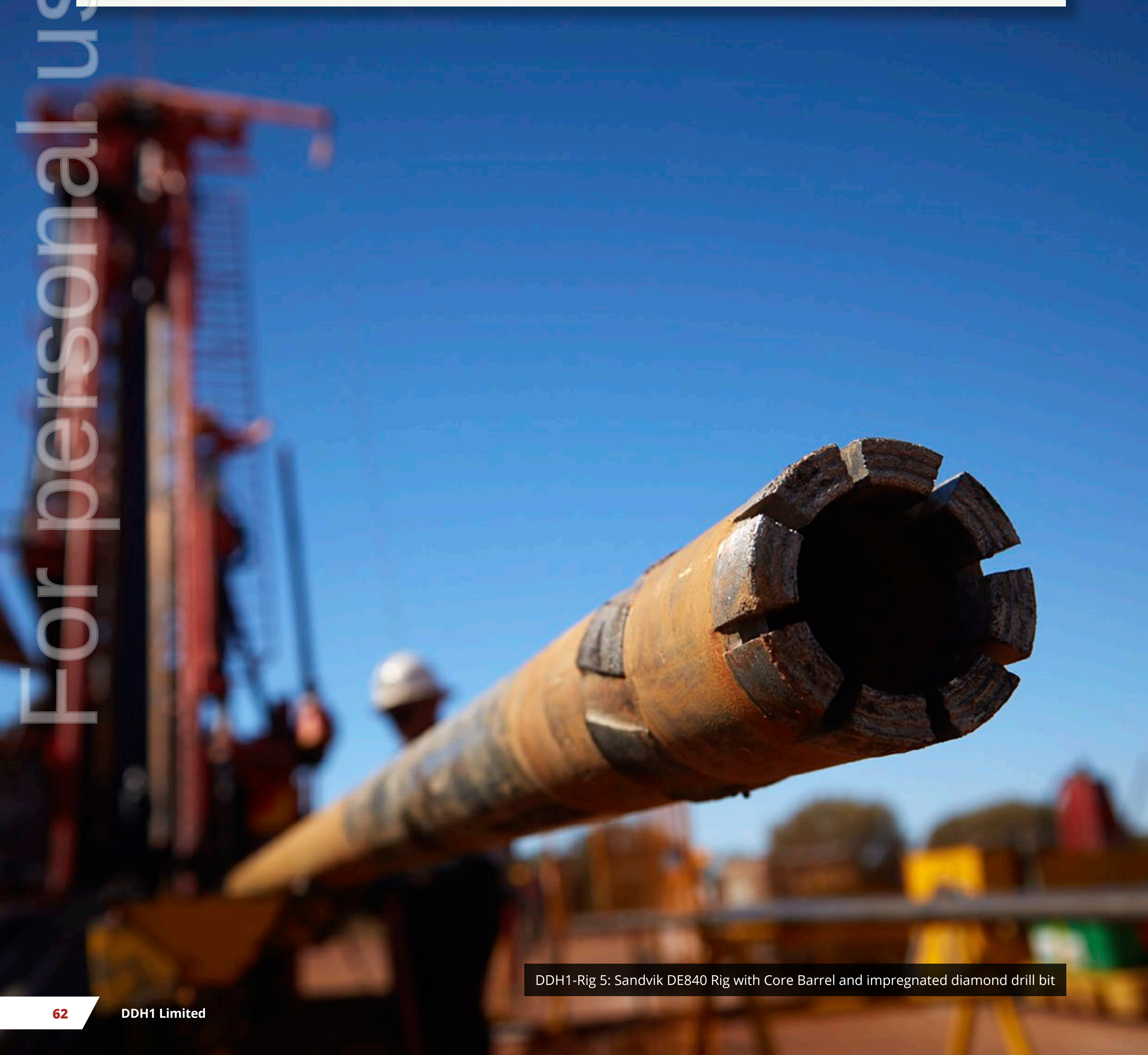
- sets clear roles and responsibilities for management;
- promotes ethical decision making;
- ensures integrity in financial performance through controls and reporting; and
- maintains a robust system for managing risk.

DDH1's governance procedures support its ongoing commitment to make positive contributions to society recognising that social performance is integral to business performance. DDH1 understands the potential impacts its operations can have upon residents, business and the broader community; however, it seeks to mitigate these impacts through maintaining its governance principles and establishing positive relationships with the community.

Further information in relation to DDH1's compliance with ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations is set out in Sections 6.4 and 6.5.

4.

FINANCIAL INFORMATION



DDH1-Rig 5: Sandvik DE840 Rig with Core Barrel and impregnated diamond drill bit

4.1 INTRODUCTION

In connection with the Offer, a wholly owned subsidiary of the Company will acquire all of the shares in DDH1 Holdings pursuant to the DDH1 Group Restructure. For more information about that restructure, please refer to Sections 4.2.4 and 10.3.2. The Pro Forma Historical Financial Information included in this Prospectus assumes the DDH1 Group Restructure is completed prior to completion of the Offer and consolidates the financial performance, financial position and cash flows of DDH1 and its controlled entities, which accordingly includes DDH1 Holdings and its controlled entities.

The financial information of DDH1 and its controlled entities contained in this Section 4 includes:

- the historical and pro forma historical financial information for the years ended 30 June 2017 (**FY17**), 30 June 2018 (**FY18**), 30 June 2019 (**FY19**), and 30 June 2020 (**FY20**); and
- the forecast financial information for the year ending 30 June 2021 (**FY21**) as summarised in **Table 5** below,

(collectively, the **Financial Information**).

Table 5: Overview of DDH1 Financial Information

	REPORTED FINANCIAL INFORMATION	PRO FORMA FINANCIAL INFORMATION
Historical/Pro Forma Historical Financial Information	**Historical Financial Information** comprises the: • historical aggregated statements of profit or loss and other comprehensive income for FY17, FY18, and FY19 and historical consolidated statement of profit or loss and other comprehensive income for FY20 (**Historical Income Statements**); • historical aggregated cash flows before financing activities and taxation for FY17, FY18 and FY19 and historical consolidated cash flows before financing activities and taxation for FY20 (**Historical Cash Flows**); and • historical consolidated statement of financial position as at 30 June 2020 (**Historical Statement of Financial Position**).	**Pro Forma Historical Financial Information** comprises the: • pro forma historical aggregated statements of profit or loss and other comprehensive income for FY17, FY18 and FY19 and consolidated statements of profit or loss and other comprehensive income for FY20 (**Pro Forma Historical Income Statements**); • pro forma historical aggregated cash flows before financing activities and taxation for FY17, FY18 and FY19 and consolidated cash flows before financing activities and taxation for FY20 (**Pro Forma Historical Cash Flows**); and • pro forma historical consolidated statement of financial position as at 30 June 2020 (**Pro Forma Historical Statement of Financial Position**).
Forecast Financial Information	**Statutory Forecast Financial Information** comprises the: • statutory forecast consolidated statement of profit or loss for FY21 (**Statutory Forecast Income Statement**); and • statutory forecast consolidated net cash flow for FY21 (**Statutory Forecast Cash Flow**).	**Pro Forma Forecast Financial Information** comprises the: • pro forma forecast consolidated statement of profit or loss for FY21 (**Pro Forma Forecast Income Statement**); and • pro forma forecast consolidated net cash flow for FY21 (**Pro Forma Forecast Cash Flow**).

The Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information defined above together form the Financial Information. As discussed in Section 4.2 below, the Financial Information includes the operating results of DDH1 Drilling, Strike Drilling and Ranger Drilling for FY17, FY18, FY19, FY20 and FY21.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information, including the application and effect of relevant new and revised accounting standards had they applied to the Historical Financial Information (refer to Section 4.2);
- an explanation of the key non-IFRS financial measures included within this section (refer to Section 4.2.7);
- overview of DDH1's revenue categories and key expense items (see Section 4.2.8 and 4.2.9);
- a summary of key pro forma operating and financial metrics (refer to Section 4.3.3);
- the pro forma adjustments applied to the Historical Financial Information and the Statutory Forecast Financial Information for the preparation of the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information respectively, and reconciliations of the Historical Financial Information and the Statutory Forecast Financial Information to the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information (refer to Sections 4.3.4 and 4.5.3);

- details of DDH1's pro forma cash position, debt facilities and capitalisation based on the Pro Forma Statement of Financial Position, as well as at the assumed date of Completion (refer to Section 4.6);
- management discussion and analysis of the Pro Forma Historical Financial Information, including a discussion of the general factors, key drivers and key trends affecting the financial and operating results of DDH1 (refer to Section 4.9);
- the Directors' best estimate general and specific assumptions underlying the Forecast Financial Information (refer to Section 4.10) together with management discussion and analysis of the Pro Forma Forecast Financial Information (refer to Sections 4.10.4, 4.10.5 and 4.10.6);
- an analysis of the sensitivity of the Pro Forma Forecast Financial Information to changes in certain key forecast assumptions (refer to Section 4.10.7); and
- a summary of DDH1's proposed dividend policy (refer to Section 4.8).

The Financial Information has been reviewed and reported on in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* by Deloitte Corporate Finance Pty Limited whose Investigating Accountant's Report is contained in Section 9. Investors should note the scope and limitations of that report.

The Financial Information in this Section 4 should be read in conjunction with this Prospectus as a whole, including (without limitation) the risk factors set out in Section 5, and DDH1's significant accounting policies as set out in Appendix A. Investors should note that past performance is not a guarantee of future performance.

All amounts disclosed in Section 4 and the Appendices are presented in Australian dollars, which is DDH1's functional currency, unless otherwise noted, and are rounded to the nearest $0.1 million. Some numerical tables included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in tables are due to rounding.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 Overview

The Financial Information included in the Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of DDH1, together with the forecast financial performance and cash flows of DDH1 for FY21.

Subject to the detailed basis of preparation set out in Appendix A below, the Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**). The Financial Information is presented in an abbreviated form and does not include all the presentation and disclosures, statements and comparative information as required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The FY20 Pro Forma Financial Information has been prepared in accordance with the recognition and measurement principles of AAS. The FY17, FY18 and FY19 Historical Financial Information has been prepared on an aggregated basis to enable financial information to be prepared as if DDH1 Drilling acquired Strike Drilling and the Ranger Drilling business on 1 July 2017 and held them for the entirety of the FY17, FY18 and FY19 years. Refer to Appendix A for the accounting principles of aggregation.

The Pro Forma Historical Financial Information has been prepared solely for inclusion in this Prospectus and does not reflect the actual financial results and cash flows of DDH1 for the periods indicated. DDH1 believes that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis with the Pro Forma Forecast Financial Information.

In addition to the Financial Information, Section 4 describes certain non-IFRS financial measures included in the Pro Forma Financial Information that are used to manage and report on DDH1's business that are not defined under or recognised by AAS or IFRS.

The Directors are responsible for the preparation and presentation of the Financial Information.

4.2.2 Segment information

DDH1 manages its operations as a single business operation and there are no parts of the business or geographies that qualify as separate operating segments under AASB 8 *Operating Segments*. The Directors assess the financial performance of DDH1 on an integrated basis only and accordingly, DDH1 is managed on the basis of a single segment.

Revenue derived from each acquisition has been presented in this document to provide investors with an understanding of the relative contribution of these acquisitions to the operating results.

4.2.3 New accounting standards

Certain new accounting standards and interpretations have been published since the commencement of the first reporting period to which the Historical Financial Information relates. An outline of these new standards and DDH1's assessment of the impact of these new standards on the Historical Financial Information is set out below.

AASB 15 *Revenue from Contracts with Customers*

The new accounting standard AASB 15 *Revenue from Contracts with Customers* was early adopted in preparation of the financial information effective from 1 July 2016. Details of Revenue recognition policies are included in Appendix A.

AASB 16 *Leases*

DDH1 adopted AASB 16 *Leases* with effect from 1 July 2019 using the cumulative catch up approach as permitted under transitional provisions of the standard. AASB 16 removes the accounting distinction between operating and finance leases from a lessee's perspective which existed under AASB 117, and requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the lease expense on the income statement is replaced with a depreciation charge relating to the right of use asset and the interest expense recognised in respect of the lease liability.

As a result of the adoption of AASB 16, operating expenses decreased, and depreciation and interest expense increased, and the timing of expense recognition changed from a straight-line rental expense to depreciation and interest expenses.

This Prospectus presents the Pro Forma Historical Financial Information and the Forecast Financial Information on a consistent basis to illustrate the impact of AASB 16 had the standard been retrospectively applied from 1 July 2016. Refer to Sections 4.3.4 and 4.5.1 for further details on the quantification of this impact.

4.2.4 Accounting for the Offer

DDH1 Holdings will report the operating activities and financial results of the business until Completion, when the Restructure will be undertaken by the Company which will become the ultimate parent entity of DDH1 Holdings and its controlled entities. Refer to Section 10.3.2 for further details of the DDH1 Group Restructure.

The Company and the Existing Shareholders (including holders of ordinary shares, M Class and N Class shares in DDH1 Holdings) have entered into conditional contracts for DDH1 Group Holdings Pty Ltd (a direct subsidiary of the Company) to acquire the holdings of the Existing Shareholders in consideration for cash and/or shares in the Company on listing.

The substance of the various transactions that comprise the DDH1 Group Restructure has been evaluated and is considered to be a form of capital restructuring and group reorganisation that will be accounted for at predecessor book value. On this basis:

- the assets and liabilities of the Company at Completion will reflect the carrying values of the assets and liabilities of DDH1 Holdings (rather than at their fair values); and
- the amount recognised as issued capital and retained earnings in the consolidated financial statements of the Company at Completion will take into account the impact of the DDH1 Group Restructure, and will reflect the market capitalisation of the Company at the date of the Offer based on the issue price (less costs attributable to the Offer that are offset against issued capital) net of the carrying retained earnings balance at the time of Completion. An offsetting Capital Reorganisation Reserve will be recognised to align total equity with the net asset position of the Company.

The basis of accounting for transactions referred to above and contemplated in the Offer is currently being reviewed by the international accounting standard setters and related bodies and is subject to alternative interpretations and may therefore change. The outcome of these deliberations, the timing of any decisions and whether any potential changes are retrospective or only prospective could mean that the financial reporting outcome in respect of the relevant transactions could be different to that reported in this Prospectus.

The impact of any potential changes in accounting standards on the consolidated financial statements of the Company, if they were required to be applied in the future, cannot be accurately determined at this time.

4.2.5 Preparation of Historical Financial Information

The Historical Financial Information contained in this Section 4 has been extracted from the special purpose aggregated financial information of DDH1 covering the periods FY17, FY18, and FY19 (the **Aggregated Financial Information**) and from the general purpose consolidated financial statements of DDH1 covering FY20 (the **Consolidated Financial Information**). The Aggregated Financial Information and Consolidated Financial Information were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion in respect of the financial report, except for the emphasis of matter with respect to the special purpose basis of accounting for the preparation of the Aggregated Financial Information.

The opinion in respect of the Aggregated Financial Information includes a 'Basis of Accounting' paragraph which draws attention to the notes to the financial report that set out the basis of accounting used including the principles of aggregation of the accounts. The Aggregated Financial Information and the Consolidated Financial Information will be lodged with ASX on Listing and are available at https://ddh1drilling.com.au/.

The Pro Forma Historical Financial Information has been prepared solely for the purpose of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the Historical Financial Information to illustrate the revenues, net profit after tax and cash flows of the Company adjusted for certain transactions and pro forma adjustments described below:

- incremental executive remuneration expenses related to the new fixed and short-term incentives agreed with key executives and the inclusion of additional head office roles going forward;
- the elimination of the financial impacts of the previous share schemes applicable to Key Management included within the Historical Financial Information (**Management Incentive Plan**), and the proposed acceleration of that scheme at IPO. Refer to Section 4.3.4 for a discussion of how the Management Incentive Plan will form part of the Restructure at Completion;
- the inclusion of a share-based payment expense in respect of the performance rights intended to be awarded to Key Management on Completion under the new Long Term Incentive Plan, assuming that an equivalent scheme had existed historically;
- incremental costs associated with operating as a publicly listed company including Board and governance costs, incremental audit, tax, legal and compliance related costs, and ASX listing fees;
- an adjustment to the interest expense to reflect the assumed net debt position of DDH1 at Completion;
- alignment of depreciation policies over the historical periods;
- the application of AASB 16 *Leases*, with specific reference to the removal of rental expense and the inclusion of an interest charge on lease liabilities and the depreciation of the associated right of use asset recognised in the statement of financial position, as if that application had occurred on and from 1 July 2016 and therefore applied through the historical periods presented (see Section 4.2.3 above);
- the elimination of acquisition costs in relation to the acquisitions of Strike Drilling and Ranger Drilling in FY18 and FY19 respectively;
- the amortisation of acquired intangibles comprising contracts and customer relationship assets recognised following the acquisition of Ranger Drilling and Strike Drilling. The amortisation charge is calculated as if all acquisitions had occurred on 1 July 2016;
- the exclusion of Offer costs expensed in the statutory results during FY20; and
- the application of an effective income tax rate which would be applicable to DDH1 going forward.

Table 11 sets out the pro forma adjustments made to the Historical Income Statements and a reconciliation of the Historical Income Statements to the Pro Forma Historical Income Statements. Table 16 sets out the pro forma adjustments made to the Historical Cash Flows and a reconciliation of the Historical Cash Flows to the Pro Forma Historical Cash Flows.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position, and is adjusted to reflect:

- the impact of the Offer, including the offsetting of; costs directly attributable to the Offer against share capital;
- repayment of the existing debt facilities out of Offer proceeds;
- impacts of the DDH1 Group Restructure including recognition of the negative Capital Reorganisation Reserve discussed above and the acquisition, by DDH1 Group Holdings, of the M and N Class shares of DDH1 Holdings following the listing of DDH1 for a combination of cash and shares in the Company; and
- the tax impacts of the above adjustments.

Table 12 sets out the pro forma adjustments made to the Historical Statement of Financial Position and a reconciliation of the Historical Statements of Financial Position to the Pro Forma Historical Statement of Financial Position.

In preparing the Historical Financial Information, DDH1's accounting policies have been consistently applied throughout the periods presented.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of DDH1's view of its future financial position. Investors should note that past results are not a guarantee of future performance.

4.2.6 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus and is presented on both a statutory and pro forma basis. Except as set out in Section 4.10, the basis of preparation and presentation of the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information is consistent with the basis of preparation and presentation of the Historical Financial Information and the Pro Forma Historical Financial Information, respectively.

The Forecast Financial Information has been prepared by DDH1 with due care and attention, based on an assessment of current economic and operating conditions and on the basis of the general and specific assumptions regarding future events and actions set out in Sections 4.10.1 and 4.10.2. The disclosure of these assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and the potential effect on the Forecast Financial Information if, and to the extent that, any such assumption does not occur. The disclosure of the assumptions is not intended to be a representation that the assumptions will occur. Accordingly, investors are cautioned not to place undue reliance on the Forecast Financial Information.

The Directors consider all the best estimate general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on DDH1's actual financial performance, cash flows or financial position. In addition, the best estimate assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of DDH1, the Directors and management, and are not reliably predictable. Accordingly, none of DDH1, the Directors or management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Statutory Forecast Financial Information represents DDH1's best estimates of the financial performance and cash flows that it expects to report in its consolidated financial statements for FY21. The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for pro forma adjustments to reflect:

- incremental costs associated with being a publicly listed company including Board and governance costs, incremental audit, tax, legal and compliance related costs, and ASX listing fees for the period from 1 July 2020 to the date of Completion of the Offer;
- the elimination of the financial impacts of the Management Incentive Plan which will be reflected in the Statutory results for FY21;
- the inclusion of a share-based payment expense under the new Long Term Incentive Plan to be implemented upon completion of the Offer;
- the exclusion of Offer costs forecast to be expensed in the statutory results during FY21;
- impacts of the revised capital structure (interest and borrowing costs) upon completion of the Offer; and
- the application of an effective income tax rate which would apply to DDH1 going forward.

Due to its nature, the Pro Forma Forecast Financial Information does not represent DDH1's actual or prospective financial performance or cash flows for the relevant period.

Table 11 sets out a reconciliation of Statutory Forecast NPAT to the Pro Forma Forecast NPAT and NPATA for FY21. Table 16 sets out a reconciliation of Statutory Forecast Cash Flow to Pro Forma Forecast Cash Flow for FY21.

The Forecast Financial Information should be read in conjunction with the general and specific assumptions set out in Sections 4.10.1 and 4.10.2, the sensitivity analysis described in Section 4.10.7, the risk factors described in Section 5, the significant accounting policies set out in Appendix A, and the other information in this Prospectus. DDH1 does not intend to update or revise the Forecast Financial Information or other forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or regulation.

4.2.7 Explanation of certain non-IFRS financial measures

DDH1 uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 4 and under *Regulatory Guide 230 Disclosing non-IFRS financial information* published by ASIC as "non-IFRS financial measures".

Although DDH1 believes that these measures provide useful information about the financial performance of the business, they should be considered as supplements to the income statement measures that have been presented in accordance with IFRS and not as a replacement for them. As these non-IFRS financial measures are not based on IFRS (or AAS), they do not have standard definitions and the way DDH1 calculates these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures.

The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

4.2.7.1 Income statement information

- **Acquisition amortisation** means non-cash amortisation relating to intangible assets with a finite life (including customer relationships and contracts) that were recognised as part of historical acquisitions undertaken by DDH1, namely Strike Drilling and Ranger Drilling. Acquisition amortisation is calculated as if all acquisitions had occurred on 1 July 2016;
- **EBITDA** is earnings before interest on Corporate Debt, interest on the lease liability recognised under AASB 16, income tax expense, depreciation and amortisation. DDH1 uses EBITDA to evaluate operating performance. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA and EBITDA margin should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of DDH1's operations;
- **EBITDA margin** is EBITDA expressed as a percentage of revenue;
- **EBIT** means earnings before interest and tax, and is calculated by deducting depreciation (including deprecation of the right of use asset recognised under AASB 16 relating to leases) and Acquisition amortisation from EBITDA;
- **EBITA** means earnings before interest, tax and amortisation;
- **Gross profit** means revenue from services provided less direct costs. These direct costs including direct labour, drilling costs such as plant hire and consumables, repairs and maintenance and other direct costs (including fuel, travel, freight and cartage, motor vehicle expenses and safety and equipment). Depreciation expenses in respect of plant and equipment are excluded in the presentation of Gross profit and are shown below EBITDA in the presentation of the Financial Information; and
- **NPATA** means net profit after tax but excluding Acquisition amortisation.

4.2.7.2 Cash flow statement information

- **Capital expenditure** (capex) includes capitalised expenditure primarily relating to additions of plant and equipment (rigs to a large extent), major equipment overhauls and rebuilds, major replacement components, as well as capitalised expenditure on software and IT related assets. Capital expenditure has been classified as sustaining, maintenance and growth. The definitions of the classifications are provided in Section 4.9.1.5; and
- **Working capital** is trade and other receivables, inventory and other current assets less trade and other payables, accruals, and other current liabilities.

4.2.7.3 Indebtedness information

- **Net debt** represents total loans, borrowings, hire purchases and bank overdrafts, less cash and cash equivalents, however excluding operating lease liabilities recognised under AASB 16.

4.2.8 Revenue overview

DDH1's revenue primarily comprises fees in respect of drilling services, which includes an element related to the mobilisation and demobilisation of rigs in respect of new and completed projects respectively. Drilling revenue is based on the client specific pricing mechanisms completed in a given period as detailed below. In certain cases, DDH1 also receives standby revenue where there are rigs deployed on a site but are not preforming drilling services.

The pricing mechanism is generally derived by reference to the following factors:

- type of drilling service – rates will vary depending on the type/complexity of drilling service performed;
- number and depth of metres drilled per rig; and
- number of hours worked per rig. Hourly rates are often categorised between active and inactive work. Active work is defined on a case-by-case basis but generally includes activities relating to the performance of drilling and preparing the drill rigs for operation. Inactive work generally relates to associated but non-core drilling activities.

The pricing mechanism in contracts may include any of the above methods in isolation or in combination.

The number of shifts completed varies depending on the type of drilling performed and specific client requirements. Generally, diamond drill rigs complete two shifts per day (day and night) whereas air core drilling and reverse circulation drilling perform one shift per day. From time to time however, air core drilling and reverse circulation drilling perform two shifts per day as required.

4.2.9 Overview of expense categories

DDH1's expenses are categorised as direct or indirect. Direct costs comprise those expenses which are attributable to the delivery of drilling revenue, and include:

- Labour costs – comprising the salaries, wages and other costs of employees performing drilling services including drillers, supervisors and mechanical support;
- Drilling costs – relates to drill rig consumables, equipment hire, and tools and accessories; and
- Fuel, repairs and maintenance, and other – relates to diesel, maintenance on rigs and ancillary costs related to project establishment (travel, staff amenities).

Indirect costs are largely fixed or semi-variable in nature and include indirect labour, occupancy, insurance, motor vehicles, professional fees and office costs. Indirect labour costs represent the highest value indirect cost category and comprise salaries, wages and associated on-costs of non-executive Directors, key management personnel, finance, human resources, safety, warehousing, logistics and operations supervisors, procurement and other support staff.

4.3 HISTORICAL AND FORECAST INCOME STATEMENTS

4.3.1 Overview

Table 6 sets out DDH1's Pro Forma Historical and Forecast Income Statements and Statutory Forecast Income Statement. The Historical Income Statements and the Statutory Forecast Income Statement are reconciled to the Pro Forma Historical Income Statements and the Pro Forma Forecast Income Statement respectively in Section 4.3.4.

Table 6 sets out a breakdown of the revenue of the Strike Drilling and Ranger Drilling businesses that were acquired in FY18 and FY19 (respectively) to provide investors with the indicative size of these acquisitions and their contribution to the overall DDH1 revenues.

In addition, expenses in **Table 6** have been presented on a basis different to that adopted in the Historical Income Statements presented in **Table 7** and using the non-IFRS measures discussed earlier in this section. The presentation of expenses below splits costs between direct and indirect costs as described in Section 4.2.9. Direct costs are those costs which are directly attributable to the generation of revenue, with the exception of depreciation expense on equipment which is customarily presented below EBITDA. The expenses in **Table 6** have been classified based on their nature and therefore comprise elements of both direct and indirect costs.

Table 6: Summary of Pro forma Historical Income Statements, Pro forma Forecast Income Statement and Statutory Forecast Income Statement

		PRO FORMA					STATUTORY
$ MILLIONS	**NOTES**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY21**
Revenue							
DDH1 Drilling		85.0	122.4	146.6	170.1	191.8	191.8
Ranger Drilling		32.4	31.2	40.2	47.7	55.1	55.1
Strike Drilling		14.8	22.8	25.6	32.0	33.3	33.3
Total revenue	1	**132.2**	**176.4**	**212.4**	**249.8**	**280.2**	**280.2**
Direct costs	2	(79.5)	(111.7)	(134.4)	(158.7)	(179.2)	(179.2)
Gross profit		**52.7**	**64.7**	**78.0**	**91.1**	**101.0**	**101.0**
Gross profit %		*39.9%*	*36.7%*	*36.7%*	*36.5%*	*36.0%*	*36.0%*
Other revenue	3	2.0	1.6	2.6	2.3	2.0	2.0
Other gains and losses	4	1.4	0.4	0.3	0.6	(0.0)	(0.0)
Indirect expenses							
Employee benefits expenses	5	(11.6)	(15.5)	(17.0)	(18.7)	(23.1)	(23.1)
Insurance expenses	6	(1.7)	(1.9)	(2.4)	(2.2)	(2.7)	(4.2)
Occupancy costs	7	(0.7)	(0.7)	(0.8)	(1.2)	(0.9)	(0.9)
Motor vehicles	8	(0.7)	(0.9)	(0.8)	(0.9)	(0.8)	(0.8)
Share-based expense	9	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.5)
Other expenses	10	(3.6)	(4.3)	(4.9)	(5.5)	(5.1)	(11.9)
EBITDA		**36.7**	**42.3**	**54.0**	**64.5**	**69.3**	**60.5**
EBITDA margin %		*27.8%*	*24.0%*	*25.4%*	*25.8%*	*24.7%*	*21.6%*
Depreciation	11	(13.8)	(14.9)	(16.5)	(19.5)	(23.1)	(23.1)
EBITA		**22.9**	**27.4**	**37.5**	**44.9**	**46.2**	**37.4**
EBITA margin %		*17.3%*	*15.5%*	*17.7%*	*18.0%*	*16.5%*	*13.3%*
Acquisition amortisation	12	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
EBIT		**20.7**	**25.2**	**35.3**	**42.6**	**44.0**	**35.2**
Net finance costs	13	(0.6)	(0.7)	(0.6)	(0.7)	(0.7)	(2.1)
Profit before tax		**20.0**	**24.5**	**34.7**	**42.0**	**43.3**	**33.1**
Income tax expense	14	(5.7)	(7.6)	(8.9)	(12.9)	(13.3)	(10.3)
NPAT		**14.3**	**16.8**	**25.8**	**29.0**	**30.0**	**22.8**
Acquisition amortisation (tax effected)	15	1.6	1.6	1.6	1.6	1.6	1.6
NPATA		**15.9**	**18.4**	**27.4**	**30.6**	**31.5**	**24.4**
NPATA margin %		*12.0%*	*10.4%*	*12.9%*	*12.3%*	*11.3%*	*8.7%*

Notes:

1. **Revenue** represents fees charged to customers in respect of drilling services as described in Section 4.2.8.
2. **Direct costs** comprise drilling costs and direct labour costs as described in Section 4.2.9. The drilling costs include drill rig consumables, repairs and maintenance, equipment hire, fuel, tools, travel costs directly related to drilling services and freight and cartage. Direct labour costs represent salaries, wages and associated on-costs of the employees working on drill rigs. Employees performing drilling services including drillers, supervisors and mechanical support are not members of the Management Incentive Plan and therefore no share-based payment expense is allocated to direct labour costs.
3. **Other revenue** represents income unrelated to core drilling services such as diesel fuel rebates, insurance recoveries and other miscellaneous income.
4. **Other gains and losses** relate to profit or loss generated on the disposal of property, plant and equipment, foreign currency gains and losses, and changes in the fair value of financial assets.
5. **Employee benefits expense** represents salaries, wages and associated on-costs of non-executive Directors, key management personnel, and head office functions including finance, human resources, safety, warehousing, logistics and operations supervisors, procurement and other support staff.
6. **Insurance expenses** includes the cost of workers compensation insurance, professional indemnity insurance, public liability insurance, mobile plant insurance and business and property insurance. The FY21 statutory insurance expenses include $1.7 million of IPO Offer costs related to prospectus liability insurance.
7. **Occupancy costs** includes outgoings, utilities and rental costs related to DDH1's leasehold properties.
8. **Motor vehicles** comprises fuel, repairs, maintenance and operating costs of motor vehicles used by head office staff and senior management.
9. **Share-based expense** comprises the non-cash expense in respect of senior management's long-term incentives ($1.0 million) as described in Note 3 of **Table 11**. In addition to the $1.0 million of long-term incentives, FY21 statutory Share Based expense includes $0.5 million of Shares gifted under the Employee Concessional Offer.
10. **Other expenses** include professional fees, travel costs and office costs such as information technology, memberships, communication and subscriptions. Statutory Other expenses includes $6.9 million of IPO Offer costs in FY21 and $2.4 million in FY20, primarily related to professional advisor fees (of a total $11.6 million expensed to the income statement).[1] The remaining IPO Offer costs of $2.3 million expensed in FY20 and FY21 are included in Insurance expenses, Share-based expense and Employee benefits expenses.
11. **Depreciation** is incurred in relation to plant and equipment as well as the depreciation of the right of use asset recognised under AASB 16 relating to leasehold properties. The majority of the depreciation relates to drill rigs and light vehicles.
12. **Acquisition amortisation** relates to the intangible contracts and customer relationship assets recognised following the acquisition of Ranger Drilling and Strike Drilling. These are non-cash in nature and result from the valuation of these assets as part of the purchase price allocation in respect of the aforementioned acquisitions. As discussed in Section 4.2.7.1, the amortisation of acquired intangibles has been reflected on a pro forma basis for all financial years and thereafter in the Forecast Financial Information. Acquisition amortisation is calculated as if all acquisitions had occurred on 1 July 2016.

    Whilst the Acquisition amortisation does not impact the EBITDA, EBITA and NPATA trends presented above, investors should note that in their assessment of EBIT, PBT and NPAT trends, consideration should be made of the ongoing level of Acquisition amortisation applicable to these acquired intangibles. The contract asset related to Ranger Drilling is amortised on a contract by contract basis (periods ranging from one to five years) whereas the customer relationship assets related to Strike Drilling are amortised over six years. As such, the amortisation charge related to these acquisitions will not continue beyond the year ending 30 June 2024.
13. **Net finance costs** represent interest expense on the lease liability recognised under AASB 16 and a facility fee on the new finance facility net of interest income. The FY21 statutory debt-related finance costs relate to interest and borrowing costs on the existing debt facility up to the date of Completion of the Offer as well as the interest and borrowing costs related to the new finance facility to be established following Completion of the Offer.
14. **Income tax expense** reflects the application of a 30% Australian corporate tax rate on Australian taxable profits after adjusting for items including share-based payments, depreciation, deferred taxes, non-deductible expenses, and in FY19 the true up of the current tax liabilities based on the lodged tax returns for entities in the Group.
15. **Acquisition amortisation (tax effected)** has been added back on a post-tax basis to calculate NPATA, to present an underlying net profit view of DDH1.

1. Based on the assumption of DDH1 raising $150 million.

4.3.2 Historical Income Statements and Statutory Forecast Income Statement

Table 7 sets out DDH1's Historical Income Statements and Statutory Forecast Income Statement. These reported figures have been derived from the audited Aggregated Financial Information for the financial years ended 30 June 2017, 2018 and 2019 (assuming each acquired entity was held from 1 July 2016) and the Consolidated Financial Information of the financial year ended 30 June 2020. The Historical Income Statements and Statutory Forecast Income Statement exclude the impact of pro forma adjustments detailed in Table 12.

Table 7: Summary of Aggregated Historical Income Statements and Statutory Forecast Income Statement

		AGGREGATED			CONSOLIDATED	STATUTORY
$ MILLIONS	**NOTES**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Revenue	1	**132.2**	**176.4**	**212.4**	**249.8**	**280.2**
Other revenue	1	2.0	1.6	2.6	2.3	2.0
Other gains and losses	1	1.4	0.4	0.3	0.6	(0.0)
Drilling consumables and hire of plant	2	(19.2)	(30.6)	(28.6)	(34.8)	(38.4)
Employee and contract labour	3	(53.6)	(74.7)	(95.5)	(107.5)	(126.2)
Fuel and oil	4	(3.3)	(3.9)	(5.7)	(7.2)	(6.9)
Freight and couriers	5	(1.4)	(2.0)	(2.6)	(2.9)	(2.9)
Insurance expenses	6	(1.4)	(1.6)	(2.1)	(2.0)	(4.2)
Legal and consultant fees	7	(0.5)	(0.4)	(2.5)	(3.4)	(0.6)
Rent	8	(1.3)	(1.5)	(1.5)	(0.8)	(0.7)
Service and repairs	9	(9.7)	(11.8)	(15.3)	(18.3)	(21.4)
Travel expenses	10	(4.1)	(5.9)	(8.3)	(9.8)	(10.6)
Other expenses	11	(2.1)	(2.9)	(2.4)	(2.8)	(9.6)
EBITDA		**38.9**	**43.0**	**50.8**	**63.3**	**60.5**
EBITDA margin %		*29.4%*	*24.4%*	*23.9%*	*25.3%*	*21.6%*
Depreciation expense		(19.3)	(13.0)	(15.5)	(21.3)	(23.1)
Acquisition amortisation		–	–	–	(2.6)	(2.3)
EBIT		**19.6**	**29.9**	**35.3**	**39.4**	**35.2**
EBIT margin %		*14.8%*	*17.0%*	*16.6%*	*15.8%*	*12.6%*
Interest income		0.4	0.3	0.1	0.0	0.0
Finance costs		(1.8)	(3.4)	(4.3)	(4.0)	(2.1)
PBT		**18.1**	**26.8**	**31.2**	**35.4**	**33.1**
Income tax expense		(4.9)	(8.1)	(8.1)	(10.7)	(10.3)
NPAT		**13.3**	**18.8**	**23.0**	**24.6**	**22.8**
NPAT margin %		*10.0%*	*10.6%*	*10.8%*	*9.9%*	*8.1%*

Notes:

1. Refer to notes pertaining to the equivalent line items under **Table 6** above.
2. **Drilling consumables and hire of plant** are entirely classified as direct costs in **Table 6**. These costs comprise drill rig consumables, tools and third party equipment hire (in particular, downhole navigational equipment). These costs are allocated to direct costs in **Table 6**. The FY18 drilling consumables and plant hire included costs related to a third party hire rig which ceased in FY19.
3. **Employee and contract labou**r comprise both direct and indirect labour costs described in notes 2 and 5 to **Table 6** above.
4. **Fuel and oil** largely relate to costs consumed by the drill rigs and are allocated to direct costs in Table 7.
5. **Freight and couriers** largely relate to costs incurred to transport goods to active drilling projects. These costs are allocated to direct costs in **Table 6**.
6. **Insurance expenses** includes the cost of workers compensation insurance, professional indemnity insurance, public liability insurance, mobile plant insurance and business and property insurance. The FY21 statutory insurance expenses includes $1.7 million of IPO Offer costs related to prospectus liability insurance.
7. **Legal and consultant fees** principally relate to accountancy fees, auditor's remuneration, legal costs and other consultancy fees.
8. **Rent** refers to the costs related to the outgoings associated with DDH1's leasehold properties, as well as rent paid on short-term or low value leases.
9. **Services and repairs** relates to repairs and maintenance of drill rigs, drill rig support vehicle costs and costs of vehicles used by head office. The costs related to drill rigs and support vehicles represent the majority of the total cost and have been allocated to direct costs in **Table 6**.
10. **Travel expenses** relate to travel by senior management and head office staff as well as travel costs incurred to transport people and equipment to client sites. The client specific travel costs are allocated to direct costs in **Table 6**.
11. **Other expenses** comprise agency labour, professional fees, advertising, office costs (as described under note 10 under **Table 6**) and warehouse expenses.

4.3.3 Key operating and financial metrics

Table 8 summarises DDH1's key pro forma historical operating and financial metrics for FY17, FY18, FY19 and FY20 and the key pro forma forecast operating and financial metrics for FY21.

Table 8: Key DDH1 pro forma operating and financial metrics for FY17 to FY21

		PRO FORMA				
	NOTES	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Average number of rigs	1	55.8	66.3	75.8	84.3	95.4
Number of rigs at year end	2	62	73	82	88	99
Number of shifts	3	21,695	30,892	35,116	38,059	43,807
Revenue per shift ($)	4	6,092	5,712	6,050	6,563	6,395
Capital expenditure ($m)	5	19.0	21.4	29.3	30.1	38.4
Utilisation	6	63.4%	74.7%	75.4%	73.4%	74.5%

Notes:

1. The average number of rigs has been calculated based on the number of operational rigs available for use in a given month.
2. Number of rigs at year end includes those rigs which are considered operational and available for use at June 2017, 2018, 2019 and 2020 and expected number of rigs as at June 2021.
3. Number of shifts is a key driver of revenue. One shift is equivalent to 12 hours.
4. Revenue per shift is calculated as the total revenue from drilling services divided by the total number of shifts worked.
5. Total capex represents growth, maintenance and sustaining capex. The majority of the capex relates to the acquisition of new rigs, support equipment and rig rebuilds.
6. Utilisation is calculated as the actual shifts worked divided by the available shifts. Available shifts are calculated based on two shifts per day for diamond drill rigs and one shift per day for air core and reverse circulation drill rigs. Utilisation is calculated across the entire year which is impacted by seasonally low months of December, January and February. This seasonality is typical of the industry.

Table 9 sets out the summary of the Company's key growth metrics derived from the Pro Forma Historical Financial Results and the pro forma forecast operating metrics derived from the Pro forma Forecast Financial Results.

Table 9: Pro forma growth metrics

		PRO FORMA			
	NOTES	FY18	FY19	FY20	FY21
Total Revenue Growth ($m)	1	44.3	36.0	37.3	30.4
(%) change		*33.5%*	*20.4%*	*17.6%*	*12.2%*
Gross profit growth ($m)		12.0	13.3	13.1	9.9
(%) change		*22.9%*	*20.5%*	*16.8%*	*10.9%*
EBITDA growth ($m)		5.6	11.7	10.5	4.8
(%) change		*15.3%*	*27.6%*	*19.4%*	*7.5%*
EBITA growth ($m)		4.5	10.1	7.4	1.3
(%) change		*19.7%*	*36.8%*	*19.7%*	*2.9%*
NPATA growth ($m)		2.5	9.0	3.2	0.9
(%) change		*16.0%*	*48.7%*	*11.9%*	*3.0%*

Notes:
1. Total Revenue Growth represents the growth in total revenue excluding Other revenue and Other gains and losses.

Table 10 sets out the summary of the Company's key profitability metrics derived from the Pro Forma Historical Financial Results and the pro forma forecast operating metrics derived from the Pro Forma Forecast Financial Results.

Table 10: Pro forma profitability metrics

		PRO FORMA				
	NOTES	FY17	FY18	FY19	FY20	FY21
Gross profit margin	1	*39.9%*	*36.7%*	*36.7%*	*36.5%*	36.0%
EBITDA margin	1	*27.8%*	*24.0%*	*25.4%*	*25.8%*	24.7%
EBITA margin	1	*17.3%*	*15.5%*	*17.7%*	*18.0%*	16.5%
NPATA margin	1	*12.0%*	*10.4%*	*12.9%*	*12.3%*	11.3%
Pro forma EBITDA less maintenance and sustaining capital expenditure		*31.9*	*39.4*	*44.3*	*53.3*	55.0
Operating cash flow as % of pro forma EBITDA	2	*72.4%*	*71.1%*	*90.5%*	*108.3%*	*91.8%*

Notes:
1. Margin is calculated using total revenue excluding Other revenue and Other gains and losses.
2. Operating cash flow (before corporate financing, taxation and investing cash flows) is calculated as a percentage of pro forma EBITDA.

4.3.4 Adjustments to the Historical Financial Information and Statutory Forecast Income Statements[2]

Table 11: Pro forma adjustments to the Historical Financial Information and Statutory Forecast Income Statements

		PRO FORMA				
$ MILLIONS	**NOTES**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Reported/Aggregated NPAT		**13.3**	**18.8**	**23.0**	**24.6**	**22.8**
Pro forma adjustments						
Incremental listed entity costs	1	(0.7)	(0.7)	(0.6)	(0.5)	(0.3)
Elimination/acceleration of existing MIP	2	–	0.0	1.9	0.2	0.7
New IPO incentive plans	3	(1.0)	(1.0)	(1.0)	(1.0)	(0.7)
New executive remuneration (ex. LTI)	4	(1.2)	(1.2)	(0.5)	(0.1)	–
IPO offer costs	5	–	–	–	2.5	9.1
Interest charges on pro forma debt	6	1.1	2.7	3.8	3.3	1.4
Depreciation	7	6.1	(1.2)	(0.3)	1.7	–
AASB 16	8	(0.2)	(0.2)	(0.1)	–	–
Acquisition and structure costs	9	0.0	1.4	2.6	–	–
Acquisition amortisation	10	(2.3)	(2.3)	(2.3)	0.3	–
Subtotal – pro forma adjustments		**1.9**	**(2.4)**	**3.5**	**6.6**	**10.2**
Tax effect	11	(0.9)	0.4	(0.8)	(2.2)	(3.1)
Pro forma NPAT		**14.3**	**16.8**	**25.8**	**29.0**	**30.0**
Acquisition amortisation (tax effected)		1.6	1.6	1.6	1.6	1.6
NPATA		**15.9**	**18.4**	**27.4**	**30.6**	**31.5**

Notes:

1. **Public company costs** reflect an estimate of the additional annual costs associated with being a listed entity. These costs include Directors' fees, listing fees, share registry costs, Directors' and Officers' insurance premiums, investor relations costs, annual general meetings costs, annual report costs and other public company costs. The Statutory Forecast Income Statement includes $0.1 million of incremental listed entity costs, assuming a listing date of 9 March 2021 to the end of the financial year. A $0.3 million adjustment has been made to reflect the full year impact of these listed entity costs.
2. **Existing Management Incentive Plans** relate to the non-cash expense of M and N Class shares held by key senior management which will be sold to DDH1 Group Holdings Pty Ltd on Completion for a combination of cash and shares in the Company. The existing management incentive plans have been added back to NPAT on the basis that no additional expense related to this plan will be incurred by DDH1 following Completion of the Offer.
3. **Long-term incentive plan.** DDH1 is in the process of implementing a long-term incentive plan to replace the incentive plan described in note 2 above. Under the plan, it is intended that key senior management will be offered performance rights with the following vesting conditions applying over a three-year period:
   a. Absolute CAGR EPS (70% of total vesting conditions); and
   b. Absolute CAGR TSR (30% of total vesting conditions).

   The fair value of the performance rights results in a $1.0 million pro forma expense to each financial year.
4. **Executive remuneration** reflects the new executive remuneration arrangements that will be in place from Completion being applied to the historical periods. The executive remuneration adjustment excludes long-term incentive plans which have been separately quantified in adjustment 3 above.
5. **IPO Offer costs** comprise Joint Lead Managers' underwriting fees, legal and accounting due diligence fees, tax and structuring advice, associated consultancy and advisory services relating to the Offer. The forecast Offer costs of $13.6 million (including GST) in relation to this Prospectus have been apportioned between Equity and Profit and Loss, with $11.6 million forecast to be expensed in accordance with AAS.[3] Of the total Offer costs to be expensed ($11.6 million), $2.5 million was expensed in FY20 with $9.1 million to be expensed in FY21.
6. **Elimination of interest** related to the interest-bearing debt which is to be repaid immediately following Completion of the Offer.

2. Forecast financial information (including Notes relating thereto) will be updated to reflect final details concerning offer size and timing.
3. Based on the assumption of DDH1 raising $150 million.

7. **Depreciation** was adjusted to align the depreciation policies over the historical period consistent with the revised policy of depreciating assets on a straight-line basis over their useful lives. The FY17 depreciation charge on a statutory basis is comparatively higher than later years because the Company re-assessed the effective lives of the assets and subsequently changed the depreciation policy in FY18 to more accurately reflect the usage pattern of the asset base.
8. **AASB 16** reflects the impact on profit before tax of the application of AASB 16 *Leases* as if it had been in place since the start of FY17. DDH1 has formally adopted AASB 16 from 1 July 2019 (as mandatorily required) and as such, no pro forma adjustment is required for FY20 and FY21. AASB 16 requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the income statement will show the lease expense as depreciation relating to the right of use asset and interest relating to the lease liability rather than rent expense being shown as an operating expense. As a result of the adoption of AASB 16, operating expenses has decreased and depreciation and interest expense has increased, and the timing of expense recognition will change due to the change from a straight-line rental expense to depreciation and interest expenses with an accelerated profile.
9. **Acquisition and structure costs** relate to costs incurred in connection with the acquisitions and related set-up of Strike Drilling and Ranger Drilling. The costs primarily relate to accounting, legal, stamp duty and corporate advisory fees.
10. **Acquisition amortisation expense** relates to intangible customer relationship assets recognised as part of the purchase price allocation of the Strike Drilling and Ranger Drilling acquisitions. A $2.3 million amortisation charge is included in the FY21 Statutory Forecast Income Statement.
11. The forecast income **tax rate** applicable to DDH1 on a pro forma basis is approximately 30%, which is equivalent to the Australian corporate tax rate. The adjustment reflects the reversal of the statutory historical and forecast tax expense and replacement with the pro forma tax expense calculated using the Australian corporate tax rate of 30%.

4.4 HISTORICAL STATEMENT OF FINANCIAL POSITION AND PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

Table 12 sets out the Historical Statement of Financial Position and the pro forma adjustments that have been made to prepare the Pro Forma Historical Statement of Financial Position for DDH1. These pro forma adjustments take into account the effect of the Offer proceeds and transaction costs as if they had occurred as at 30 June 2020. The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of DDH1's view of its financial position upon Completion or at a future date.

Table 12: Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as of 30 June 2020[4]

$ MILLIONS	STATUTORY 30 JUNE 2020	OFFER IMPACTS (1)	DEBT PAY-DOWN (2)	GROUP REORGANISATION (3)	PRO FORMA BALANCE SHEET (4)
Cash and cash equivalents	37.6	29.9	(64.6)	–	2.9
Trade and other receivables	41.9	–	–	–	41.9
Inventories	23.6	–	–	–	23.6
Other current assets	0.7	–	–	–	0.7
Total current assets	**103.8**	**29.9**	**(64.6)**	**–**	**69.1**
Financial assets	0.6	–	–	–	0.6
Intangible assets	32.9	–	–	–	32.9
Property, plant and equipment	107.2	–	–	–	107.2
Right of use asset	5.1	–	–	–	5.1
Total non-current assets	**145.8**	**–**	**–**	**–**	**145.8**
Total assets	**249.6**	**29.9**	**(64.6)**	**–**	**214.9**

4. The Pro Forma Historical Statement of Financial Position (including Notes relating thereto) will be updated to reflect final details concerning offer size and timing.

$ MILLIONS	STATUTORY 30 JUNE 2020	OFFER IMPACTS (1)	DEBT PAY-DOWN (2)	GROUP REORGANISATION (3)	PRO FORMA BALANCE SHEET (4)
Trade and other payables	(21.8)	0.5	–	–	(21.4)
Lease liabilities	(2.3)	–	1.6	–	(0.7)
Borrowings	(3.3)	–	3.3	–	–
Current tax liabilities	(5.7)	–	–	–	(5.7)
Provisions	(5.3)	–	–	–	(5.3)
Total current liabilities	**(38.5)**	**0.5**	**4.9**	**–**	**(33.1)**
Lease liability	(6.2)	–	1.5	–	(4.7)
Borrowings	(58.1)	–	58.1	–	0.0
Provisions	(0.6)	–	–	–	(0.6)
Deferred tax liabilities	(11.0)	3.2	–	–	(7.8)
Total non-current liabilities	**(75.9)**	**3.2**	**59.6**	**–**	**(13.0)**
Total liabilities	**(114.3)**	**3.7**	**64.6**	**–**	**(46.1)**
Net assets	**135.3**	**33.5**	**–**	**–**	**168.8**
Issued capital	209.7	40.0	–	116.1	365.8
Group reorganisation reserve	(140.8)	–	–	(56.2)	(197.0)
Share-based payment reserve	2.2	–	–	(2.2)	–
Retained earnings	64.2	(6.5)	–	(57.7)	–
Total equity	**135.3**	**33.5**	**–**	**–**	**168.8**

Notes:

1. **Impact of the Offer**
   The Offer impact comprises estimated proceeds of the Offer of $41.0 million (excluding proceeds of $109.0 million which are to be applied towards the acquisition of shares in DDH1 Holdings in connection with the DDH1 Group Restructure) which will be used to fund the remaining cash costs of the Offer of $11.1 million) with net proceeds to the Company from the issue of New Shares. The total IPO offer costs are estimated at $13.6 million (inclusive of GST) of which $2.0 million has been paid in FY20, $11.1 million is forecast to be paid in cash in FY21, with the remaining $0.5 million related to Shares gifted under the Employee Concessional Offer. A deferred tax asset will be recognised in respect of the Offer costs which are expected to be deductible for tax purposes in the future, which will be offset against existing deferred tax liabilities.
   Retained earnings decreases by $6.5 million, comprising the post-tax impact of the expensed portion of the total FY21 Offer costs of $6.0 million in addition to $0.5 million of non-cash Shares gifted under the Employee Concessional Offer. $2.5 million of Offer costs were previously expensed and $2.0 million paid in FY20 (remaining $0.5 million in trade and other payables).
2. **Debt repayment**
   Cash available following the Offer will be utilised for repayment of the syndicated loan facilities and HP liabilities ($61.5 million and $3.1 million at 30 June 2020). The adjustment represents the cash impact if these adjustments occurred as at 30 June 2020.
3. **Group reorganisation**
   As a result of the Offer and in accordance with the principles of accounting for group reorganisations applied by the Company, the issued capital of the Company (following the acquisition of all of the shares in DDH1 Holdings by DDH1 Group Holdings Pty Ltd) will be marked to the Offer valuation and will result in an increase in share capital. The increase in issued share capital will also include the acquisition by DDH1 Group Holdings of M and N class shares in DDH1 Holdings, currently held by key senior management, for a combination of cash and shares in the Company. As the net assets of the Company will continue to be recorded at their predecessor carrying values, an offset to the issued capital is recorded as a Capital Reorganisation Reserve.

Note on Plant, Property and Equipment (PP&E)

In accordance with the principles of accounting for group reorganisations applied by the Company (as outlined in Section 4.2.4), on Completion of the Offer, all assets and liabilities including PP&E will be recorded in the accounts of DDH1 Limited at their predecessor carrying values. We note that the assets of Strike Drilling and Ranger Drilling were fair valued at their respective acquisition dates as part of the purchase price accounting exercise undertaken by DDH1 Drilling in FY18 and FY19.

4.5 PRO FORMA AND STATUTORY HISTORICAL AND FORECAST CASH FLOWS

4.5.1 Pro Forma historical and forecast cash flows FY17 to FY21, and Statutory forecast cash flow

Table 13 sets out the Company's Pro Forma Historical Cash Flows, the Pro Forma Forecast Cash Flow, and the Statutory Forecast Cash Flow. The Historical Cash Flows and Statutory Forecast Cash Flow are reconciled to the Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flow respectively in Section 4.5.3.

Table 13: Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flow and Statutory Forecast Cash Flow

		PRO FORMA					STATUTORY[5]
$ MILLIONS	**NOTES**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY21**
EBITDA		**36.7**	**42.3**	**54.0**	**64.5**	**69.3**	**60.5**
AASB 16 Principal and interest	1	(0.8)	(0.9)	(0.9)	(0.8)	(1.0)	(1.0)
Non-cash items	2	(0.3)	0.5	0.7	0.3	1.0	1.5
(Increase)/decrease in net working capital	3	(9.1)	(11.9)	(4.9)	5.9	(5.7)	(5.7)
Net operating cash flow		**26.6**	**30.1**	**48.9**	**69.8**	**63.6**	**55.3**
Maintenance capex payments	4	(3.4)	(1.7)	(5.4)	(5.5)	(9.3)	(9.3)
Sustaining capex payments	4	(1.4)	(1.2)	(4.3)	(5.7)	(5.0)	(5.0)
Operating cash flow (including maintenance and sustaining capex)		**21.8**	**27.2**	**39.1**	**58.7**	**49.3**	**41.0**
Growth capex	4	(14.5)	(18.6)	(20.1)	(17.9)	(24.1)	(24.1)
Net proceeds from sale of PP&E	5	0.0	0.4	1.3	1.1	–	–
Net cash flow pre corporate interest and tax		**7.4**	**9.0**	**20.3**	**41.8**	**25.2**	**16.9**
IPO proceeds from the issue of shares	6					–	150.0
Purchase of shares in DDH1 Holdings	6					–	(109.0)
IPO Offer costs	7					–	(2.1)
Repayment of debt facility and leases	8					–	(64.6)
Net interest paid	9					(0.4)	(1.8)
Income tax paid	10					(14.2)	(17.2)
Net cash flow						**10.6**	**(27.7)**

Notes:
1. The AASB 16 principal and interest represents the cash rental payment related to the Group's leasehold premises.
2. Other non-cash items primarily relate to the disposal of PP&E, fair value movement in financial assets held, and share-based expenses.
3. Movement in net working capital comprises changes in trade and other receivables, inventory, trade and other payables and accrued expenses and provisions (excluding tax balances).
4. Capex principally relates to new rig purchases, ancillary rig equipment, modifications for new and existing rigs, and major overhauls.

5. Statutory forecast financial information (including Notes relating thereto) will be updated to reflect final details concerning offer size and timing.

5. Proceeds from the sale of PP&E relate to cash received in respect of the sale of PP&E to third parties.
6. Proceeds of the Offer of $150.0 million, of which $109.0 million is to be paid to Existing Shareholders.
7. IPO Offer costs (inclusive of GST) comprise the portion of costs that are allocated to equity. The total IPO Offer costs to be paid in FY21 are $11.1 million of which $9.1 million has been expensed and $2.1 million has been allocated to equity. In FY20, $2.0 million of the total Offer costs of $13.6 million was paid, and $0.5 million was accrued in creditors at 30 June 2020.
8. Cash outflow related to the repayment of existing debt facilities and finance leases. The payment is expected to be made immediately following completion of the Offer.
9. The Pro Forma FY21 interest charge relates to a commitment fee on an unutilised finance facility for the full year. The FY21 statutory interest charge relates to both hire purchase facilities and interest payments on the syndicated loan facility up to the expected date of listing (March 2021).
10. The statutory income tax represents management's best estimate of tax to be paid in FY21. This is based on 4.4% instalment rate on revenue (determined by ATO), anticipated tax payment for FY20 lodgement $2.0 million, and $3.0 million related to PAYG instalments, which were deferred from February-April 2020 (subsequently paid in September 2020). The FY21 pro forma tax paid excludes the impact of the payment in FY21 of the deferred FY20 PAYG instalments.

4.5.2 Historical Cash Flows and Statutory Forecast Cash Flow

Table 14 sets out DDH1's Historical Cash Flows and Statutory Forecast Cash Flow. These reported figures have been derived from the audited Aggregated Special Purpose Financial Information for the financial years ended 30 June 2017, 2018 and 2019 (assuming each acquired entity was held from 1 July 2016) and the Consolidated General Purpose Financial Information for the financial year ended 30 June 2020. The Historical Cash Flows and Statutory Cash Flow exclude the impact of pro forma adjustments detailed in **Table 15**.

Table 14: Aggregated Group cash flows FY17 – FY19 and Statutory FY20 and FY21 cash flows

	AGGREGATED			CONSOLIDATED	STATUTORY[6]
$ MILLIONS	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
PBT	**18.1**	**26.8**	**31.2**	**35.4**	**33.1**
AASB 16 *Leases*	–	–	–	(0.8)	(1.0)
Add back non-cash/finance items					
Depreciation expense	19.3	13.0	15.5	21.3	23.1
Acquisition amortisation expense	–	–	–	2.6	2.3
Net interest expense	1.5	3.1	4.1	4.0	2.1
Other gains and losses	**(1.3)**	**(0.5)**	**1.6**	**(0.4)**	**1.5**
PBT before non-cash/finance items	**37.6**	**42.5**	**52.4**	**62.0**	**61.0**
(Increase)/decrease in net working capital	(9.1)	(11.9)	(4.9)	5.9	(5.7)
Net operating cash flow	**28.5**	**30.6**	**47.5**	**67.9**	**55.3**
Capital expenditure	(18.2)	(14.6)	(26.0)	(28.1)	(38.4)
Net proceeds from sale of PP&E	0.0	0.4	1.3	1.1	–
Net cash flow before corporate financing and taxation	**10.3**	**16.4**	**22.8**	**40.9**	**16.9**
IPO proceeds from the issue of shares					150.0
Purchase of shares in DDH1 Holdings					(109.0)
IPO Offer costs					(2.1)
Repayment of debt facility					(64.6)
Net interest paid					(1.8)
Income tax paid					(17.2)
Net cash flow					**(27.7)**

6. Statutory forecast financial information (including Notes relating thereto) will be updated to reflect final details concerning offer size and timing.

4.5.3 Pro Forma adjustments to the Cash Flows FY17-FY21

Table 15: Pro Forma adjustments to the Historical Cash Flows and Statutory Forecast Cash Flow before corporate financing activities and taxation

		HISTORICAL				FORECAST[7]
$ MILLIONS	**NOTES**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Statutory net cash flow before financing and tax		**10.3**	**16.4**	**22.8**	**40.9**	**16.9**
Incremental listed entity costs	1	(0.7)	(0.7)	(0.6)	(0.5)	(0.3)
New executive remuneration (ex. LTI)	1	(1.2)	(1.2)	(0.5)	(0.1)	–
IPO offer costs (expensed excl. non-cash)	1	–	–	–	2.5	8.6
Acquisition and structure costs	1	0.0	1.4	2.6	–	–
Capital expenditure via hire purchase	2	(1.0)	(6.9)	(3.9)	(1.0)	–
Pro forma net cash flow pre financing and tax		**7.4**	**9.0**	**20.3**	**41.8**	**25.2**

Notes:

1. See notes 1, 5 and 9 under **Table 11** for a description of the adjustments relating to public company costs, Executive remuneration, IPO offer costs (excluding non-cash expenses), and acquisition and structure costs. The IPO offer costs excludes the $0.5 million in Shares gifted under the Employee Concessional Offer, which is a non-cash expense.
2. The capital expenditure via hire purchase relates to capital acquisitions financed through hire purchase arrangements. The hire purchase capex payments have been adjusted from financing cash flows to pro forma investing cash flows as though capital expenditure occurred as cash payments.

4.6 INDEBTEDNESS

Table 16 sets out the indebtedness of the Company at 30 June 2020 excluding lease liabilities relating to operating leases under AASB 16, as reported in the financial statements and on a pro forma basis for the anticipated repayment of the existing debt and receipt of the net proceeds of the Offer reflecting Completion of the Offer, as if these actions took place as at 30 June 2020.

The pro forma net cash as at 30 June 2020 of $2.9 million does not reflect the cash flows of the business between 30 June 2020 and Completion of the Offer. At the date of this Prospectus, management estimates that the cash position immediately following completion of the Offer would be between nil and $2.0 million, with hire purchase liabilities expected to be $2.1 million.

Net debt as at 31 December 2020 was $25.1 million.

Table 16: Statutory and Pro Forma net debt position as at 30 June 2020

$M	**NOTES**	**STATUTORY JUNE 20**	**PRO FORMA JUNE 20**
Cash and cash equivalents		37.6	2.9
Hire purchase liabilities – current	1	(1.6)	–
Hire purchase liabilities – non-current	1	(1.5)	–
Corporate debt – current	2	(3.3)	–
Corporate debt – non-current	2	(58.1)	–
(Net debt)/Net cash		**(27.0)**	**2.9**
Net debt/FY20 PF EBITDA	3	0.4x	Net cash
Net debt/FY21 PF EBITDA	3	0.4x	Net cash
Undrawn	4	–	50

7. Statutory forecast financial information (including Notes relating thereto) will be updated to reflect final details concerning offer size and timing.

Notes:

1. The hire purchase liabilities are secured by a registered charge over the respective assets. Each has a term of three years, with 36 monthly payments and no balloon payment. The applicable interest rate of the hire purchase liabilities is fixed and ranges between 2.60% and 4.23%. As at 30 June 2020, the hire purchase liabilities comprised $1.6 million of current borrowings and $1.5 million of non-current borrowings.
2. The interest-bearing syndicated facility is secured against all other assets of the business. DDH1 expects to repay the syndicated loans from the proceeds of the Offer and execute new facilities detailed in note 4 below.
3. Calculated as 30 June 2020 Statutory Net debt divided by Pro Forma EBITDA in FY20 and FY21.
4. DDH1 is finalising a $50 million revolving facility with a 5 year term for all general corporate purposes (including potential business acquisitions) with up to a further $10 million of debt allowed to be added over time under separate asset finance facilities yet to be committed.

4.7 CONTINGENT LIABILITIES AND COMMITMENTS

Table 17 sets out a summary of the Company's contractual obligations and other commitments as at 30 June 2020.

Table 17: Pro forma contractual obligations and commitments as at 30 June 2020

		30 JUNE 2020			
$ MILLIONS	**NOTES**	**< 1 YEAR**	**1 – 5 YEARS**	**>5 YEARS**	**TOTAL**
Capital expenditure commitments	1	10.7			10.7

Notes:

1. Capital commitments relate to the acquisition of new drill rigs and support equipment that the Company had on order at 30 June 2020, which are to be commissioned during FY21.

4.8 DIVIDEND POLICY

Subject to future business conditions, available profits, franking credits and the financial position of DDH1, it is the current intention of DDH1 to pay dividends. Declaration of any dividend is at Board discretion.

The Board will take into account all relevant factors including financial position, operating results, legal, regulatory or contractual restrictions, capital requirements, business prospects and taxation considerations (including the level of franking credits available) when determining declaration of any dividend.

DDH1 expects to target the payment of dividends which, on an annual aggregate basis, are in the range of 30% to 50% of NPATA. The payment of dividends is targeted every six months with an interim dividend in March and a final dividend in September of each calendar year. The actual dividend payout ratio is expected to vary between periods depending on a variety of factors, including those outlined above. The first dividend is expected to be declared for the period from the date of Listing to 30 June 2021.

The Directors expect the performance of DDH1 will allow any dividend to be fully franked dividends but will consider the ability of the dividend to be franked before declaring any dividend. As at 30 June 2020, the Company's franking account balance was $20.9 million.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on such dividends. Investors who are not tax residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Such Investors should consult with their own tax advisers regarding the application of Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of the Shares.

4.9 MANAGEMENT DISCUSSION AND ANALYSIS OF PRO FORMA FINANCIAL INFORMATION

4.9.1 FY17 – FY18 Management discussion and analysis of the Pro Forma Historical Financial Information

Table 18: FY17 – FY18 Pro Forma Historical Income Statement

	PRO FORMA			
$ MILLIONS	**FY17**	**FY18**	**$ CHANGE**	**% CHANGE**
Revenue				
DDH1 Drilling	85.0	122.4	37.5	*44.1%*
Ranger Drilling	32.4	31.2	(1.1)	*(3.5%)*
Strike Drilling	14.8	22.8	8.0	*53.7%*
Total revenue	**132.2**	**176.4**	**44.3**	***33.5%***
Direct costs	(79.5)	(111.7)	(32.2)	*40.6%*
Gross profit	**52.7**	**64.7**	**12.0**	***22.9%***
Gross profit margin %	*39.9%*	*36.7%*		
Other revenue	2.0	1.6	(0.4)	*(20.5%)*
Other gains and losses	1.4	0.4	(1.0)	*(73.8%)*
Indirect expenses				
Employee benefits expenses	(11.6)	(15.5)	(3.9)	*33.3%*
Insurance expenses	(1.7)	(1.9)	(0.2)	*14.8%*
Occupancy costs	(0.7)	(0.7)	(0.0)	*0.5%*
Motor vehicles	(0.7)	(0.9)	(0.2)	*24.4%*
Share-based expense	(1.0)	(1.0)	(0.0)	*0.0%*
Other expenses	(3.6)	(4.3)	(0.7)	*20.3%*
EBITDA	**36.7**	**42.3**	**5.6**	***15.3%***
EBITDA margin %	*27.8%*	*24.0%*		
Depreciation	(13.8)	(14.9)	(1.1)	*7.9%*
EBITA	**22.9**	**27.4**	**4.5**	***19.7%***
EBITA margin %	*17.3%*	*15.5%*		
Acquisition amortisation	(2.3)	(2.3)	–	–
EBIT	**20.7**	**25.2**	**4.5**	***21.9%***
Net finance costs	(0.6)	(0.7)	(0.1)	*10.7%*
Profit before tax	**20.0**	**24.5**	**4.5**	***22.2%***
Income tax expense	(5.7)	(7.6)	(1.9)	*33.5%*
NPAT	**14.3**	**16.8**	**2.5**	***17.7%***
Acquisition amortisation (tax effected)	1.6	1.6	–	–
NPATA	**15.9**	**18.4**	**2.5**	***16.0%***
NPATA margin %	*12.0%*	*10.4%*		

4.9.1.1 Revenue

DDH1's revenue increased by 33.5% from $132.2 million in FY17 to $176.4 million in FY18. The increase in revenue was due to a 42.4% increase in the number of shifts, delivered by an increase in the average number of operating rigs in the fleet, and a greater utilisation across the larger rig fleet (from 63.4% to 74.7%). The higher level of customer demand was due to a number of factors including:

- the increase and then stabilisation of commodity prices, the reduction in cash costs for miners and the reducing amounts of proven resource levels;
- reserve replenishment after sustained reduction in exploration expenditure against a backdrop of increased mineral production levels;
- reduction in mining companys' cash costs; and
- industry-wide increases in utilisation rates reducing capacity.

These factors created an environment which encouraged producing miners to increase existing drilling programs in both near mine and greenfield opportunities, and explorers to start drilling again.

DDH1's revenue per shift, however, fell by 6.2% between FY17 and FY18 due to a strategy of increasing market share as pricing reduced across the market.

The FY18 revenue per shift was also impacted by a one-off fixed price contract arrangement, which took significantly more shifts to complete than originally planned.

The decrease in the average revenue per shift translated to a decrease in gross margin percentage from 39.9% in FY17 to 36.7% in FY18.

4.9.1.2 Direct costs

Direct costs are largely driven by the number of shifts and unit costs of direct labour and drilling costs. DDH1's direct costs increased by 40.6% (or $32.2 million) from $79.5 million in FY17 to $111.7 million in FY18. On a direct cost per shift basis, DDH1's costs marginally declined by 1.3% from $3,663 to $3,616.

4.9.1.3 Indirect costs

Indirect costs increased by $5.0 million (or 26.0%) from $19.3 million in FY17 to $24.3 million in FY18, largely due to an increase in employee benefits expense and insurance expenses, which together accounted for 82.1% of the increase. The growth in employee costs reflects an investment by DDH1 in labour required to service a larger fleet and customer base. Additional investment was also made over this period in logistics, human resources, compliance, safety and operations. Insurance expenses increased from FY17 to FY18 due to a higher number of shifts and rigs.

4.9.1.4 FY17 – FY18 Management discussion and analysis of the Pro Forma Cash Flows

Table 19: FY17 – FY18 Pro Forma Cash Flow Statement

	PRO FORMA			
$ MILLIONS	**FY17**	**FY18**	**$ CHANGE**	**% CHANGE**
EBITDA (pro forma)	**36.7**	**42.3**	**5.6**	***15.3%***
AASB 16 principal and interest	(0.8)	(0.9)	(0.1)	*13.1%*
Non-cash items	(0.3)	0.5	0.7	*n/m*
(Increase)/decrease in net working capital	(9.1)	(11.9)	(2.7)	*30.0%*
Net operating cash flow	**26.6**	**30.1**	**3.5**	***13.2%***
Maintenance capex payments	(3.4)	(1.7)	1.6	*(48.5%)*
Sustaining capex payments	(1.4)	(1.2)	0.2	*(15.3%)*
Operating cash flow (after maintenance and sustaining capex)	**21.8**	**27.2**	**5.4**	***24.6%***
Growth capex payments	(14.5)	(18.6)	(4.1)	*28.2%*
Net proceeds from sale of PP&E	0.0	0.4	0.3	*n/m*
Net cash flow pre corporate financing and tax	**7.4**	**9.0**	**1.6**	***21.9%***

Net operating cash flow after maintenance and sustaining capex increased by $5.4 million, from $21.8 million in FY17 to $27.2 million in FY18, an increase of 24.6%, as a result of the following:

- an increase in EBITDA from $36.7 million in FY17 to $42.3 million in FY18; partially offset by
- an increase in cash outflows from $9.1 million in FY17 to $11.9 million in FY18 due to net working capital movements (the increase in net working capital movements was largely due to higher receivables growth as a result of higher revenue growth in FY18).

Net cash flow before corporate financing and tax increased by $1.6 million due to the factors described above, and the net impact of capital expenditure requirements and the net proceeds from sale of PP&E. Capital expenditure is further discussed in Section 4.9.1.5.

4.9.1.5 Capital expenditure and pro forma depreciation

Table 20: Historical capital expenditure and pro forma depreciation

	PRO FORMA			
$ MILLIONS	**FY17**	**FY18**	**$ CHANGE**	**% CHANGE**
Maintenance capital expenditure	3.4	1.7	(1.6)	*(48.5%)*
Sustaining capital expenditure	1.4	1.2	(0.2)	*(15.3%)*
Growth capital expenditure	14.2	18.5	4.3	*30.2%*
Total capex	**19.0**	**21.4**	**2.4**	***12.9%***
Depreciation	**13.8**	**14.9**	**1.1**	***7.9%***

DDH1 classifies capital expenditure into three categories:

- Maintenance capital expenditure – relates to capital expenditure required to maintain the existing fleet;
- Sustaining capital expenditure – relates to capital expenditure required to replace existing PP&E; and
- Growth capital expenditure – relates to capital expenditure which adds to the existing fleet and contributes to additional operating capacity.

The increase in total capex between FY17 and FY18 is attributable to:

- Higher rig acquisition costs in FY18 relative to FY17. Rig acquisition costs include the cost of the rig on order itself, as well as significant ancillary costs upon commissioning with a typical rig requiring three trucks, two light vehicles and one caravan for support to make it client ready. These support costs can often exceed the cost of the main rig. The Company acquired six rigs and commissioned 11 in FY18, relative to 14 acquisitions and seven commissioned rigs in FY17.
- In addition, rigs acquired in FY18 were at a higher acquisition cost relative to the FY17 rig purchases, which were discounted due to being able to secure a large package of new rigs from a supplier/manufacturer.

4.9.1.6 Sustaining and maintenance capital expenditure and depreciation

DDH1's combined maintenance and sustaining capital expenditure tracks below depreciation for the following reasons:

- the continued growth of DDH1 through the acquisition of new rigs has kept the fleet age relatively young which as a result has kept maintenance and sustaining capital expenditure lower than would be required for a more mature fleet; and
- standardisation across DDH1's rig fleet contributes to reduced maintenance costs as DDH1 is able to develop highly trained technicians with specialised knowledge of the equipment and well established routine maintenance procedures across the fleet. There are also significant savings in not having to carry spares and consumables for multiple types of equipment.

Please see Section 4.9.1.5 for an explanation of the differences between maintenance and sustaining capital expenditure and depreciation.

4.9.2 FY18 – FY19 Management discussion and analysis of the Pro Forma Historical Financial Information

Table 21: FY18 – FY19 Pro Forma Historical Income Statement

	PRO FORMA			
$ MILLIONS	**FY18**	**FY19**	**$ CHANGE**	**% CHANGE**
Revenue				
DDH1 Drilling	122.4	146.6	24.1	*19.7%*
Ranger Drilling	31.2	40.3	9.0	*28.8%*
Strike Drilling	22.8	25.6	2.9	*12.6%*
Total revenue	**176.4**	**212.4**	**36.0**	***20.4%***
Direct costs	(111.7)	(134.4)	(22.7)	*20.3%*
Gross profit	**64.7**	**78.0**	**13.3**	***20.5%***
Gross profit margin %	*36.7%*	*36.7%*		
Other revenue	1.6	2.6	1.1	*66.8%*
Other gains and losses	0.4	0.3	(0.1)	*(24.4%)*
Indirect expenses				
Employee benefits expenses	(15.5)	(17.0)	(1.4)	*9.3%*
Insurance expenses	(1.9)	(2.4)	(0.5)	*25.5%*
Occupancy costs	(0.7)	(0.8)	(0.0)	*5.5%*
Motor vehicles	(0.9)	(0.8)	0.1	*(6.7%)*
Share-based expense	(1.0)	(1.0)	0.0	*(0.0%)*
Other expenses	(4.3)	(4.9)	(0.6)	*14.9%*
EBITDA	**42.3**	**54.0**	**11.7**	***27.6%***
EBITDA margin %	*24.0%*	*25.4%*		
Depreciation	(14.9)	(16.5)	(1.6)	*10.7%*
EBITA	**27.4**	**37.5**	**10.1**	***36.8%***
EBITA margin %	*15.5%*	*17.7%*		
Acquisition amortisation	(2.3)	(2.3)	–	–
EBIT	**25.2**	**35.3**	**10.1**	***40.1%***
Net finance costs	(0.7)	(0.6)	0.1	*(17.7%)*
Profit before tax	**24.5**	**34.7**	**10.2**	***41.8%***
Income tax expense	(7.6)	(8.9)	(1.3)	*16.3%*
NPAT	**16.8**	**25.8**	**9.0**	***53.3%***
Acquisition amortisation (tax effected)	1.6	1.6	–	–
NPATA	**18.4**	**27.4**	**9.0**	***48.7%***
NPATA margin %	*10.4%*	*12.9%*		

4.9.2.1 Revenue

DDH1's revenue increased by 20.4% (or $36.0 million) from $176.4 million in FY18 to $212.4 million in FY19. The increase in revenue was due to a combined increase in the shift volumes and revenue per shift, which increased by 13.7% and 5.9%, respectively.

The increase in the number of shifts was delivered by an increase in the number of operating rigs (as discussed in the Capital Expenditure sections) and an increase in utilisation from 74.7% in FY18 to 75.4% in FY19. The increase in shift volumes was driven by a number of new customer acquisitions combined with increased drilling requirements from DDH1's long-term customer base.

The increase in revenue per shift from $5,712 in FY18 to $6,050 in FY19 was largely driven by an increase in market rates in response to the continuation of high demand levels described under Section 4.9.1.1.

4.9.2.2 Direct costs

DDH1's direct costs increased by 20.3% (or $22.7 million) from $111.7 million in FY18 to $134.4 million in FY19. On a per shift basis, direct costs increased by 5.9% from $3,616 in FY18 to $3,829 in FY19. This increase on a per shift basis impacted the gross margin (offsetting the increase delivered by the revenue per shift).

The increase in direct costs on a per shift basis was due to discretionary direct wage and salary increases in order to maintain a skilled workforce in a tightening labour market (as sector demand grows), as well as a high number of rig mobilisations to support multiple short-term single rigs contracts, particularly in 1H FY19. In addition, DDH1 continued to service a complex engineering contract which attracted higher than average drilling and labour costs due to the nature of the drilling specific to this project.

4.9.2.3 Indirect costs

Indirect costs increased by $2.6 million (or 10.5%) from $24.3 million in FY18 to $26.9 million in FY19. Consistent with the increase in indirect costs in FY18, the employee benefits expenses and insurance expenses constituted the majority of the increase in the indirect cost base in FY19. The increase in these indirect costs was required to service the greater volume of work undertaken by DDH1.

4.9.2.4 FY18 – FY19 Management discussion and analysis of the Pro Forma Cash Flows

Table 22: FY18 – FY19 Pro Forma Cash Flow Statement

	PRO FORMA			
$ MILLIONS	**FY18**	**FY19**	**$ CHANGE**	***% CHANGE***
EBITDA (pro forma)	**42.3**	**54.0**	**11.7**	***27.6%***
AASB 16 principal and interest	(0.9)	(0.9)	(0.0)	*3.1%*
Non-cash items	0.5	0.7	0.2	*36.3%*
(Increase)/decrease in net working capital	(11.9)	(4.9)	7.0	*(58.7%)*
Net operating cash flow	**30.1**	**48.9**	**18.8**	***62.5%***
Maintenance capex payments	(1.7)	(5.4)	(3.6)	*209.5%*
Sustaining capex payments	(1.2)	(4.3)	(3.2)	*268.6%*
Operating cash flow (after maintenance and sustaining capex)	**27.2**	**39.1**	**12.0**	***44.1%***
Growth capex payments	(18.6)	(20.1)	(1.6)	*8.5%*
Net proceeds from sale of PP&E	0.4	1.3	0.9	*n/m*
Net cash flow pre corporate financing and tax	**9.0**	**20.3**	**11.4**	***126.6%***

Net operating cash flow after maintenance and sustaining capex increased by $12.0 million, from $27.2 million in FY18 to $39.1 million in FY19, an increase of 44.1%, which reflected the following:

- an increase in pro forma EBITDA from $42.3 million in FY18 to $54.0 million in FY19; and
- a reduction in cash outflows from $11.9 million in FY18 to $4.9 million in FY19 due to net working capital movements (the reduction in net working capital movements was largely due to reduced receivables growth as a result of lower revenue growth in FY19).

Net cash flow before corporate financing and tax increased by $11.4 million due to the factors described above, and the net impact of capital expenditure requirements and the net proceeds from sale of PP&E. Capital expenditure is further discussed in Section 4.9.2.5.

4.9.2.5 Capital expenditure and pro forma depreciation

Table 23: Historical capital expenditure and pro forma depreciation

	PRO FORMA			
$ MILLIONS	**FY18**	**FY19**	**$ CHANGE**	**% CHANGE**
Maintenance capital expenditure	1.7	5.4	3.6	*209.5%*
Sustaining capital expenditure	1.2	4.3	3.2	*268.6%*
Growth capital expenditure	18.5	19.6	1.0	*5.6%*
Total capex	**21.4**	**29.3**	**7.9**	***36.6%***
Depreciation	**14.9**	**16.5**	**1.6**	***10.7%***

Between FY18 and FY19 the Company had the same number of rig acquisitions (six) and commissioned nine rigs. The capex increased by $7.9 million due to:

- an increase in the average cost of rigs purchased due to the enhanced size and functionality of the acquired rigs combined with a general increase in market prices for drill rigs and support equipment;
- higher maintenance capex due to the rebuild of rigs;
- increased replacement of major components, due to the position in their life cycle of a number of rigs; and
- replacement of light support trucks more than 10 years old.

Please see Section 4.9.1.5 for an explanation of the differences between maintenance and sustaining capital expenditure and depreciation.

4.9.3 FY19 – FY20 Management discussion and analysis of the Pro Forma Historical Financial Information

Table 24: FY19 – FY20 Pro Forma Historical Income Statement

	PRO FORMA			
$ MILLIONS	**FY19**	**FY20**	**$ CHANGE**	**% CHANGE**
Revenue				
DDH1 Drilling	146.6	170.1	23.6	*16.1%*
Ranger Drilling	40.2	47.7	7.5	*18.5%*
Strike Drilling	25.6	32.0	6.3	*24.7%*
Total revenue	**212.4**	**249.8**	**37.3**	***17.6%***
Direct costs	(134.4)	(158.7)	(24.3)	*18.1%*
Gross profit	**78.0**	**91.1**	**13.1**	***16.8%***
Gross profit margin %	*36.7%*	*36.5%*		
Other revenue	2.6	2.3	(0.3)	*(13.0%)*
Other gains and losses	0.3	0.6	0.3	*128.1%*
Indirect expenses				
Employee benefits expenses	(17.0)	(18.7)	(1.8)	*10.4%*
Insurance expenses	(2.4)	(2.2)	0.2	*(6.5%)*
Occupancy costs	(0.8)	(1.2)	(0.4)	*47.5%*
Motor vehicles	(0.8)	(0.9)	(0.1)	*8.3%*
Share-based expense	(1.0)	(1.0)	(0.0)	*0.0%*
Other expenses	(4.9)	(5.5)	(0.5)	*11.1%*
EBITDA	**54.0**	**64.5**	**10.5**	***19.4%***
EBITDA margin %	*25.4%*	*25.8%*		
Depreciation	(16.5)	(19.5)	(3.1)	*18.6%*
EBITA	**37.5**	**44.9**	**7.4**	***19.7%***
EBITA margin %	*17.7%*	*18.0%*		
Acquisition amortisation	(2.3)	(2.3)	(0.0)	*0.6%*
EBIT	**35.3**	**42.6**	**7.4**	***20.9%***
Net finance costs	(0.6)	(0.7)	(0.1)	*18.2%*
Profit before tax	**34.7**	**42.0**	**7.3**	***21.0%***
Income tax expense	(8.9)	(12.9)	(4.0)	*45.4%*
NPAT	**25.8**	**29.0**	**3.2**	***12.5%***
Acquisition amortisation (tax effected)	1.6	1.6	0.0	*0.6%*
NPATA	**27.4**	**30.6**	**3.2**	***11.9%***
NPATA margin %	*12.9%*	*12.3%*		

4.9.3.1 Revenue

DDH1's revenue increased by 17.6% (or $37.3 million) from $212.4 million in FY19 to $249.8 million in FY20. The increase in revenue was due to a combined increase in the shift volumes and revenue per shift, which increased by 8.4% and 8.5%, respectively. The increase in the number of shifts was delivered by seven additional operating rigs across DDH1 and the full year effect of the FY19 acquired rigs.

Utilisation fell by 2.0% from 75.4% in FY19 to 73.4% in FY20, significantly impacted by the lower utilisation in Q4 FY20 due to COVID-19. Please see Section 4.9.3.6 for further discussion of COVID-19 impacts on FY20 results.

The increase in revenue per shift from $6,050 in FY19 to $6,563 in FY20 was due to higher rates and strong productivity. Increased revenue per shift was also influenced by DDH1's engineering rig, which operated at an abnormally high revenue per shift and invoicing casings for a client, inflating the revenue per shift.

4.9.3.2 Direct costs

DDH1's direct costs increased by 18.1% (or $24.3 million) from $134.4 million in FY19 to $158.7 million in FY20. On a per shift basis, direct costs increased by 8.9% from $3,829 in FY19 to $4,170 in FY20. This increase on a per shift basis was mainly offset by an increase in revenue per shift with Gross profit margins decreasing marginally from 36.7% in FY19 to 36.5% in FY20.

Significant increase in direct costs is attributable to the casings and engineering rig jobs as discussed in Section 4.9.3.1. The other increases in direct costs on a per shift basis were due to: discretionary direct wage and salary increases in order to maintain a skilled workforce in a tightening labour market (as sector demand grows), as well as additional direct costs associated with COVID-19 impacts.

Please see Section 4.9.3.6 for further discussion of COVID-19 impacts on FY20 results.

4.9.3.3 Indirect costs

Indirect costs increased by $2.6 million (or 9.7%) from $26.9 million in FY19 to $29.5 million in FY20. Consistent with the increase in indirect costs in FY18 and FY19, the employee benefits expenses constituted the majority of the increase in the indirect cost base, reflecting DDH1's increase in full-time employees over FY20.

Please see Section 4.9.3.6 for further discussion of COVID-19 impacts on FY20 results.

4.9.3.4 FY19 – FY20 Management discussion and analysis of the Pro Forma Cash Flows

Table 25: FY19 – FY20 Pro Forma Cash Flow Statement

	PRO FORMA			
$ MILLIONS	**FY19**	**FY20**	**$ CHANGE**	**% CHANGE**
EBITDA (pro forma)	**54.0**	**64.5**	**10.5**	**19.4%**
AASB 16 principal and interest	(0.9)	(0.8)	0.0	(3.5%)
Non-cash items	0.7	0.3	(0.3)	(49.3%)
(Increase)/decrease in net working capital	(4.9)	5.9	10.8	n/m
Net operating cash flow	**48.9**	**69.8**	**21.0**	**42.9%**
Maintenance capex payments	(5.4)	(5.5)	(0.1)	1.6%
Sustaining capex payments	(4.3)	(5.7)	(1.4)	31.2%
Operating cash flow (after maintenance and sustaining capex)	**39.1**	**58.7**	**19.5**	**49.9%**
Growth capex payments	(20.1)	(17.9)	2.2	(10.9%)
Net proceeds from sale of PP&E	1.3	1.1	(0.2)	(18.1%)
Net cash flow pre corporate financing and tax	**20.3**	**41.8**	**21.5**	**105.7%**

Net operating cash flow after maintenance and sustaining capex increased by $19.5 million, from $39.1 million in FY19 to $58.7 million in FY20, an increase of 49.9% which reflected the following:

- an increase in pro forma EBITDA from $54.0 million in FY19 to $64.5 million in FY20; and
- a cash inflow in FY20 of $5.9 million compared to a cash outflow of $4.9 million in FY19 due to net working capital movements. The increase in net working capital movements was largely due to COVID-19 related impacts on revenue (and subsequently debtors).

Net cash flow before corporate financing and tax increased by $21.5 million due to the factors described above, and the net impact of capital expenditure requirements and interest cash flows and the net proceeds from sale of PP&E. Capital expenditure is further discussed in Section 4.9.3.5.

4.9.3.5 Capital expenditure and pro forma depreciation

Table 26: Historical capital expenditure and pro forma depreciation

	PRO FORMA			
$ MILLIONS	**FY19**	**FY20**	**$ CHANGE**	**% CHANGE**
Maintenance capital expenditure	5.4	5.7	0.3	*4.9%*
Sustaining capital expenditure	4.3	5.9	1.5	*35.5%*
Growth capital expenditure	19.6	18.5	(1.0)	*(5.2%)*
Total capex	**29.3**	**30.1**	**0.8**	***2.7%***
Depreciation	**16.5**	**19.5**	**3.1**	***18.6%***

Between FY19 and FY20 the Company purchased 10 rigs and commissioned seven rigs. Capex increased by $0.8 million due to:

- acquisition of additional rigs;
- increased replacement of major components, due to the position in their life cycle of a number of rigs; and
- replacement of a fleet of light support trucks more than 10 years old.

Please see Section 4.9.1.5 for an explanation of the differences between maintenance and sustaining capital expenditure and depreciation.

4.9.3.6 Impact of COVID-19

As a consequence of COVID-19, certain customers restricted access to mine sites and mobility restrictions prevented some rigs at other sites from being manned. Accordingly, DDH1 was negatively impacted by lost shifts during the period between March 2020 and June 2020, with DDH1 losing c.1,500 shifts. The total net impact on revenue is estimated at c.$9.5 million over this period (based on the actual number of lost shifts at specific average shift rates for that rig).

In addition to lost revenues, DDH1 incurred incremental costs associated with retaining labour during the period of lost shifts (equivalent to JobKeeper), instate R&R accommodation costs and costs relating to the isolation of interstate employees, partially offset by reduced travel costs. Despite being impacted by COVID-19, DDH1 did not receive any assistance from the Australian Government.

4.10 MANAGEMENT DISCUSSION AND ANALYSIS OF FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on various specific and general assumptions, including those set out in these Sections 4.10.1 and 4.10.2. In preparing the Forecast Financial Information, DDH1 has undertaken an analysis of historical performance and applied assumptions where appropriate in order to forecast future performance for FY21. The Directors believe that DDH1 has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing the Prospectus. However, actual results are likely to vary from those forecast and any variation may be materially positive or negative.

The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of DDH1, and its Directors and management, and are not reliably predictable. Accordingly, none of DDH1, its respective Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.10.7, the risk factors set out in Section 5 and the Investigating Accountant's Report on Forecast Financial Information set out in Section 9. A reconciliation of the Pro Forma Forecast Income Statements to the Statutory Forecast Income Statements is set out in Section 4.3.4.

The Forecast Financial Information includes actual trading results for the first six months ended 31 December 2020 based on unaudited management accounts.

At the date of this Prospectus, DDH1 has finalised its management results for the first six months of the financial year and is trading in line with the FY21 forecast financial performance both in absolute terms and across each of the operating and financial metrics set out earlier in this section. See Section 4.10.3 for further information regarding DDH1's trading performance for the six months ended 31 December 2020. The Directors believe that the forecast for the remainder of the year remains achievable reflecting the recent run-rate and seasonality impacts anticipated in the second half of the year.

4.10.1 General Assumptions

In preparing the Forecast Financial Information, the Directors have adopted the following general assumptions:

- no material change in the competitive environment in which DDH1 operates;
- no significant deviation from current economic conditions;
- no material losses of customers or contracts beyond those incorporated in the forecasts;
- no material amendment to any material agreement relating to DDH1's business other than as disclosed in the Prospectus;
- no acquisition or disposal of businesses;
- no significant interruptions, disturbances, disruptions or departures from expectations in relation to DDH1's operations or products other than those related to COVID-19 as described in Section 4.10.2.4;
- no material industrial actions or other disturbances, legal claims or environmental costs;
- no material changes in key personnel, including key management personnel, and DDH1 is able to continue to recruit and retain personnel which will be required to support future growth of DDH1;
- no material industry disturbances, disruptions to the continuity of operations of DDH1 or other material changes in its business, including acquisitions, disposals, restructurings or investments or change in DDH1's corporate or funding structure other than as contemplated by this Prospectus;
- the Offer proceeds in accordance with the timetable set out in the Key Offer Information section of this Prospectus;
- no material change in applicable AAS or other mandatory professional reporting requirements which have a material effect on DDH1's financial performance or cash flows, financial position, accounting policies, or financial reporting or disclosures other than those set out in Section 4.10;
- no material changes in government regulation and policy that impact DDH1 other than those related to COVID-19 as described in Section 4.10.2.4; and
- none of the key risks listed in Section 5 occur, or if they do, none of them has a material adverse impact on DDH1's operations, financial position or performance.

4.10.2 Specific assumptions

4.10.2.1 Revenue Assumptions

The Forecast Financial Information is based on the following key revenue assumptions:

- The total number of shifts increasing from 38,059 in FY20 to 43,807 in FY21, a 15.1% increase.
- The achievability of the number of shifts is underpinned by a 74.5% utilisation rate in FY21 relative to the utilisation rate of 73.4% in FY20 largely due to a recovery in Q4 FY21, full year impact of seven rigs added during FY20 as well as the addition of the 11 new rigs forecast to be commissioned over the course of FY21.
- According to the Company's scheduling/resourcing plans at the date of this Prospectus, all of the new rigs for FY21 are forecast to be utilised (allocated against existing or new clients). The utilisation is derived based on the assumption a rig will operate for all days of the month, except two (to allow for any unplanned maintenance and rig mobilisations), adjusted for seasonally low months (December and January) and planned maintenance of rigs. The Forecast Financial Information assumes diamond rigs will perform two shifts per day and reverse circulation and air core rigs will perform one shift per day.
- The average revenue per shift is forecast to remain flat (decreasing 0.8%) between FY20 and FY21 after adjusting for the abnormally high revenue rates on engineering rig work in FY20 and the impact of invoicing casings in FY20 and FY21 respectively. The stable average revenue per shift largely reflects the assumed continuation of the average revenue per shift achieved across FY20, i.e. the forecast does not assume that rate increases are implemented.

4.10.2.2 Direct cost assumptions

The average direct cost per shift is forecast to decrease 1.8% between FY20 and FY21. The Forecast Financial Information is based on the following key Direct cost assumptions:

- Direct costs comprise direct labour costs, drilling costs, fuel, repairs and maintenance and other direct costs. Drilling costs, fuel, repairs and maintenance and other direct costs are forecast based on the actual recent average cost per shift in FY20, with other specific factors impacting historical cost drivers not being expected to continue.
- Forecast labour costs are based on a standard number of full-time equivalent (FTE) employees per shift (which varies depending on the type of drilling service provided), and an average cost per FTE (which accounts for varying rates for each drilling position). The number of FTEs per shift in FY21 is forecast to be consistent with FY20 requirements for each type of drilling service. The forecast assumes an average wage increase will be implemented in 1H FY21, consistent with historical average wage increases and expectations of changes in market labour costs.
- Minor adjustments have been made in relation to travel, fuel and R&M costs, to reflect the business' best estimate of those cost lines for FY21.

4.10.2.3 Indirect cost assumptions

Indirect costs comprise indirect labour, insurance expenses, occupancy costs, motor vehicles, share-based expenses, and other expenses (including professional fees, office costs and other). Total indirect costs are forecast to increase by 14.0% from $29.5 million in FY20 to $33.6 million in FY21.

The Forecast Financial Information is based on the following key indirect cost assumptions:

- Indirect employee costs are forecast to increase $4.4 million (23.3%) from $18.7 million in FY20 to $23.1 million in FY21 due to base salary increases to key operational personnel and full year impact of new hires in FY20.
- DDH1's forecast insurance expenses are based on third party quotes received.
- Occupancy costs, motor vehicle expenses and other indirect expenses based on the FY20 expense adjusted for CPI.
- The forecast share-based expense is based on the Long Term Incentive Plan implemented by the Company for key senior management. The Long Term Incentive Plan includes performance rights with vesting conditions over a three-year period. Refer to Note 3 under **Table 11** for further information on the Pro Forma adjustment.

4.10.2.4 Key COVID-19 assumptions

- No deterioration in the nature and extent of the spread of COVID-19 within the markets in which DDH1 operates.
- The impact of COVID-19 is factored into the forecasts through continued lost shifts and lower revenue per shift with restricted manning available negatively impacting rig productivity. Management has also forecast additional costs of c.$60k per month to meet isolation requirements for certain employees until 31 March 2021.
- The FY21 forecast assumes that WA border restrictions will be lifted from 1 April 2021, which is consistent with the Federal Government's assumption as at the date of the 2020-21 Federal Budget Strategy and Outlook.
- Due to the WA border restriction assumption, the FY21 Forecast assumes that Strike will operate three-person crews on 60% of its rigs until 31 March 2021 from which date it has been assumed that all WA border restrictions will be lifted. After 31 March 2021, it is assumed that Strike will operate four-person crews on its rigs.
- In line with FY20, DDH1 has not forecast any assistance from the Australian Government in respect of the effects of COVID-19; however, and consistent with current practice, DDH1 will utilise any governmental support for training staff or concessional tax treatment that is available to DDH1.

4.10.2.5 Other assumptions

- **Depreciation expense** is forecast to increase by $3.5 million due to the addition of 11 new drill rigs in FY21 as well as the full year impact of seven rigs commissioned during FY20.
- **Acquisition amortisation expense** is forecast to remain consistent with FY20.
- **Net finance costs** relate to the cost of interest on hire purchase agreements, interest component related to AASB 16 *Leases* and a commitment fee on an unutilised finance facility.
- **Tax expense** assumes an effective corporate tax rate of 30% in Australia.

4.10.3 Management discussion and analysis of FY21 to 31 December 2020

DDH1 has finalised its unaudited management results for the six months ended 31 December 2020 (FY21 YTD Dec). The Forecast Financial Information includes actual trading results for the first six months ended 31 December 2020.

DDH1's revenue for FY21 YTD Dec increased by 8.5% (or $11.1 million) from $130.4 million during the first six months of FY20 Dec (FY20 YTD 20) to $141.5 million for FY21 YTD Dec. The increase in revenue was due to a combined increase in the shift volumes and revenue per shift, which increased by 10.2% and 0.3%, respectively.

The increase in the number of shifts was delivered by an increase in the number of operating rigs from an average of 84 in FY20 YTD Dec to an average of 94 in FY21 YTD Dec. Utilisation decreased from 75.7% in FY20 YTD Dec to 73.7% in FY21 YTD Dec due to unexpected delays in rig commencements. Similar to previous years, the increase in shift volumes was driven by a number of new customer acquisitions combined with increased drilling requirements from DDH1's long-term customer base. Performance and momentum in FY21 YTD Dec improved as the period progressed with performance in line with the FY21 forecast.

4.10.4 Management discussion and analysis of Forecast Income Statement

Table 27: FY20 – FY21 Forecast Income Statement

	PRO FORMA			
$ MILLIONS	**FY20**	**FY21**	**$ CHANGE**	**% CHANGE**
Revenue				
DDH1 Drilling	170.1	191.8	21.6	*12.7%*
Ranger Drilling	47.7	55.1	7.4	*15.5%*
Strike Drilling	32.0	33.3	1.3	*4.2%*
Total revenue	**249.8**	**280.2**	**30.4**	***12.2%***
Direct costs	(158.7)	(179.2)	(20.5)	*12.9%*
Gross profit	**91.1**	**101.0**	**9.9**	***10.9%***
Gross profit margin %	*36.5%*	*36.0%*		
Other revenue	2.3	2.0	(0.3)	*(13.0%)*
Other gains and losses	0.6	(0.0)	(0.6)	*(102.9%)*
Indirect expenses				
Employee benefits expenses	(18.7)	(23.1)	(4.4)	*23.3%*
Insurance expenses	(2.2)	(2.7)	(0.4)	*19.7%*
Occupancy costs	(1.2)	(0.9)	0.2	*(21.4%)*
Motor vehicles	(0.9)	(0.8)	0.1	*(11.1%)*
Share-based expense	(1.0)	(1.0)	0.0	*(0.0%)*
Other expenses	(5.5)	(5.1)	0.3	*(5.9%)*
EBITDA	**64.5**	**69.3**	**4.8**	***7.5%***
EBITDA margin %	*25.8%*	*24.7%*		
Depreciation	(19.5)	(23.1)	(3.5)	*18.1%*
EBITA	**44.9**	**46.2**	**1.3**	***2.9%***
EBITA margin %	*18.0%*	*16.5%*		
Acquisition amortisation	(2.3)	(2.3)	0.0	*(0.6%)*
EBIT	**42.6**	**44.0**	**1.3**	***3.1%***
Net finance costs	(0.7)	(0.7)	0.0	*(4.6%)*
Profit before tax	**42.0**	**43.3**	**1.3**	***3.2%***
Income tax expense	(12.9)	(13.3)	(0.4)	*3.0%*
NPAT	**29.0**	**30.0**	**0.9**	***3.2%***
Acquisition amortisation (tax effected)	1.6	1.6	(0.0)	*(0.6%)*
NPATA	**30.6**	**31.5**	**0.9**	***3.0%***
NPATA margin %	*12.3%*	*11.3%*		

4.10.4.1 Revenue

DDH1's revenue is forecast to increase 12.2% from $249.8 million in FY20 to $280.2 million in FY21. The revenue growth is largely driven by the full year impact of the seven operating rigs added in FY20, the 11 new operating rigs to be added in FY21 and incremental growth of the existing customer base, partially offset by a marginal decline in revenue per shift largely driven by ongoing COVID-19 related WA border restrictions.

Of the total revenue to be derived from existing customers, 79% is contracted and 9% is subject to an assumed renewal of contracts set to end or be renewed during FY21. Approximately 12% of the FY21 forecast revenue is expected to be derived from new customer acquisitions and/or new project work from existing customers.

Figure 42: FY20 to FY21 Revenue bridge

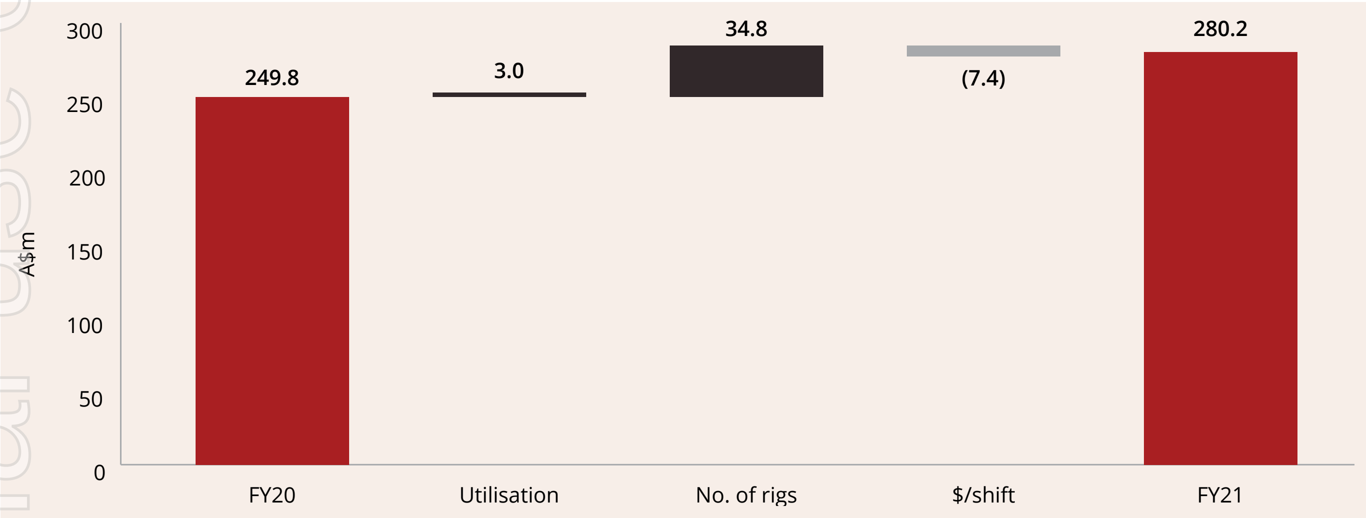
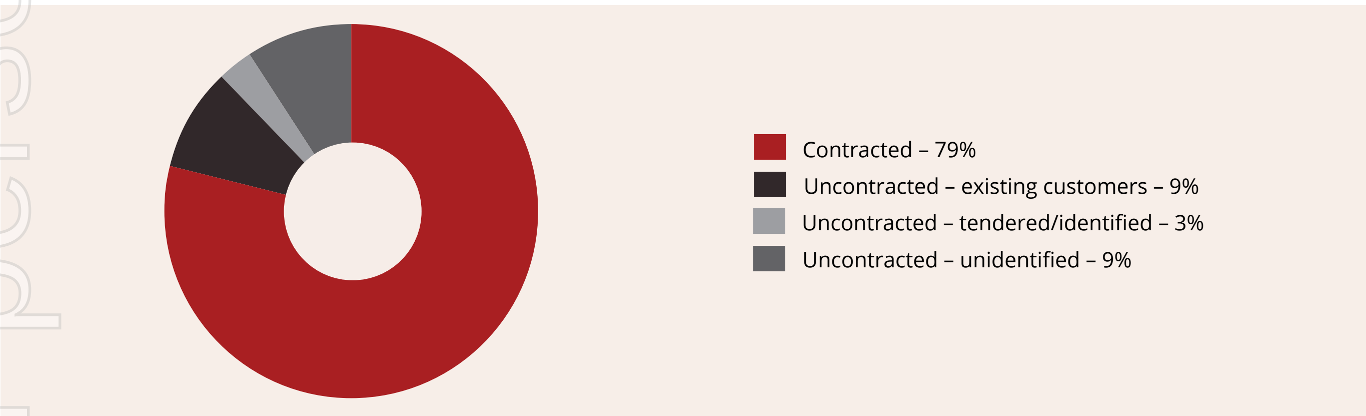


Figure 43: FY21 Revenue profile



Contracts typically prescribe chargeable rates and pricing mechanisms, however contracts do not typically provide DDH1 with committed drilling volumes. Additionally, the majority of contracts are cancellable with 30 days (or less) written notice.

While drilling volumes are not committed, the complex nature of deep drilling (as it relates to DDH1) combined with the contractual nature of DDH1's relationship does mitigate the risk of customer displacement insofar as incumbency with the customer provides enhanced visibility on drilling requirements and specific site conditions.

The forecast revenue growth comprises a 15.1% forecast growth in shift volumes and a 2.4% decrease in the average revenue per shift. As discussed in Section 4.10.2.1 the growth in shift volumes is largely driven by an additional 11 operating rigs as well as the full year impact of seven operating rigs added during FY20. The forecast utilisation rate of 74.5% rate is 1.1 percentage points above the FY20 utilisation rate of 73.4% due to the effect of COVID-19 on the utilisation in Q4 FY20.

4.10.4.2 Direct costs

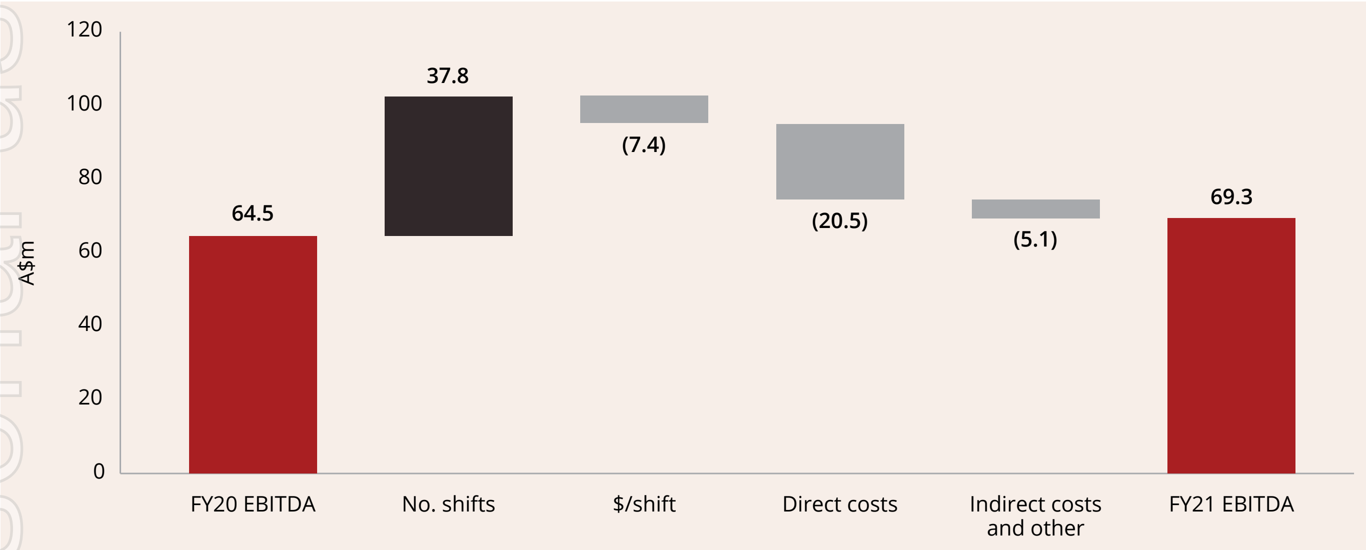
Direct costs are forecast to increase $20.5 million between FY20 and FY21. As a percentage of revenue, direct costs are forecast to increase from 63.5% in FY20 to 64.0% in FY21. The increase in direct costs reflects the assumed average wage increase taking effect during 1H FY21 as well as a higher mix of reverse circulation and air core drilling. Reverse circulation and air core drilling attract higher labour costs due to the requirement for one additional FTE per shift relative to diamond drilling.

On a per shift basis, direct costs are expected to decline 1.9% from $4,170 to $4,091.

4.10.4.3 Indirect costs

Indirect costs are forecast to increase $4.1 million (14.0%) from $29.5 million in FY20 to $33.6 million in FY21. The increase in indirect costs between FY20 and FY21 is largely driven by a $4.4 million increase in employee benefits expenses and, to a lesser extent, increases in insurance expenses. The increase in employee benefits expenses reflects the full year impact of employees added during FY20, assumed pay increases for select employees and additional investment in the workforce during FY21 to support forecast growth.

Figure 44: FY20 – FY21 EBITDA bridge



4.10.5 FY20 – FY21 Management discussion and analysis of the Pro Forma Cash Flows

Table 28: FY20 – FY21 Pro Forma Cash Flow Statement

	PRO FORMA			
$ MILLIONS	**FY20**	**FY21**	**$ CHANGE**	***% CHANGE***
EBITDA (pro forma)	**64.5**	**69.3**	**4.8**	**7.5%**
AASB 16 principal and interest	(0.8)	(1.0)	(0.1)	14.0%
Non-cash items	0.3	1.0	0.6	190.6%
(Increase)/decrease in net working capital	5.9	(5.7)	(11.6)	n/m
Net operating cash flow	**69.8**	**63.6**	**(6.2)**	**(8.9%)**
Maintenance capex payments	(5.5)	(9.3)	(3.8)	69.7%
Sustaining capex payments	(5.7)	(5.0)	0.7	(11.5%)
Operating cash flow (after maintenance and sustaining capex)	**58.7**	**49.3**	**(9.4)**	**(16.0%)**
Growth capex payments	(17.9)	(24.1)	(6.1)	34.1%
Net proceeds from sale of PP&E	1.1	–	(1.1)	*n/m*
Net cash flow pre corporate financing and tax	**41.8**	**25.2**	**(16.6)**	**(39.6%)**

Net operating cash flow after maintenance and sustaining capex is forecast to decrease by $9.4 million, from $58.7 million to $49.3 million, a decrease of 16.0%, which reflects the following:

- an increase in pro forma EBITDA from $64.5 million in FY20 to $69.3 million in FY21; and
- a cash outflow of $5.7 million in FY21 compared to a cash inflow of $5.9 million in FY20 due to net working capital movements driven by an increase in trade and other receivables and inventory. Trade and other receivables are forecast to increase due to the growth in trading performance in Q4 FY21 comparative to Q4 FY20, which was impacted by COVID-19. Inventory is forecast to increase for new rig acquisitions.

Net cash flow before corporate financing and tax is forecast to decrease by $16.6 million, from $41.8 million in FY20 to $25.2 million in FY21, due to the above factors, and the net impact of:

- the increase in capital expenditure, principally due to higher maintenance capex for rebuilds on a larger fleet, and growth capex investment in new supporting trucks and rig componentry compared to FY20; and
- decline in net proceeds from the sale of PP&E and financial assets, as DDH1 has not forecast any sale of PP&E in FY21.

4.10.6 Capital expenditure, Pro Forma Depreciation and Acquisition Amortisation

Table 29: Forecast Capital Expenditure, Pro Forma Depreciation and Acquisition Amortisation

	PRO FORMA			
$ MILLIONS	**FY20**	**FY21**	**CHANGE**	**% CHANGE**
Maintenance capex	5.7	9.3	3.6	*64.2%*
Sustaining capital expenditure	5.9	5.0	(0.8)	*(14.3%)*
Growth capex	18.5	24.1	5.5	*29.8%*
Total capex	**30.1**	**38.4**	**8.3**	***27.6%***
Depreciation	**19.5**	**23.1**	**3.5**	***18.1%***

Capital expenditure is forecast to increase by $8.3 million or 27.6% from $30.1 million in FY20 to $38.4 million in FY21 largely due to:

- growth capex consisting of the acquisition of seven new operating rigs (DDH1 will make a final payment on 11 rigs in FY21, with some initial payments made in FY20), commissioning 11 new operating rigs over FY21 and acquiring additional supporting plant and equipment associated with the new rigs (booster trucks, support trucks and dual cab trucks);
- higher maintenance capex due to the rebuild of rigs, as rebuild numbers reach a level that is sustainable given the size and rebuild profile of the fleet;
- increased replacement of major components, due to the position in their life cycle of a number of rigs; and
- replacement of light support trucks more than 10 years old.

Pro forma depreciation is forecast to increase by $3.5 million or 18.1% from $19.5 million in FY20 to $23.1 million in FY21.

Please see Section 4.9.1.5 for an explanation of the differences between maintenance and sustaining capital expenditure and depreciation.

4.10.7 Sensitivity Analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and the Directors and management, and depends upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the amounts forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out below is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables or assumptions. The changes in the key variables or assumptions as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that the Company would respond to any adverse change in one variable by seeking to minimise the net effect on the Company's NPAT.

Table 30: Sensitivity analysis on Pro Forma FY21 NPAT

$ MILLIONS	NOTES	INCREASE/ DECREASE	NPAT IMPACT ($M)
Revenue per shift	1	+/– 2.5%	4.9/(4.9)
Utilisation	2	+/– 2.0%	1.9/(1.9)
Gross profit margin	3	+/– 1.0%	2.0/(2.0)
Indirect costs	4	+/– 2.0%	0.5/(0.5)
Western Australia borders reopening	5	+/– 1 month	0.1/(0.1)

Notes:

1. The consolidated FY21 average revenue per shift (total revenue divided by total number of shifts) is $6,395. The sensitivity above illustrates the NPAT impact of the average revenue per shift being 2.5% higher or lower.
2. The consolidated FY21 forecast utilisation is 74.5%. The sensitivity above illustrates the NPAT impact of utilisation being 2 percentage points higher or lower than forecast based on the assumed FY20 gross margin percentage. Utilisation calculated as the actual shifts worked divided by the available shifts. Available shifts are calculated based on two shifts per day for diamond rigs and one shift per day for air core and reverse circulation drilling rigs.
3. Forecast Gross profit margin is 36.0%. The sensitivity above illustrates the NPAT impact of Gross profit being one percentage point higher or lower than forecast. Gross profit percentage can be impacted by changes in the average revenue per shift and/or changes in the direct costs per shift.
4. Indirect costs are forecast to be $33.6 million. Indirect costs are largely fixed or semi variable in nature. The sensitivity above illustrates the NPAT impact of indirect costs being 2.0% higher or lower than forecast.
5. The FY21 forecast earnings is based on the assumption that the Western Australian border restrictions will be lifted from 1 April 2021, which is in line with the Federal Government's current assumption. The sensitivity above illustrates the NPAT impact of the borders reopening one month before or after the current expected date.

4.11 DIRECTORS' STATEMENT

The Directors believe that on Completion, DDH1 will have sufficient funds available from the Offer Proceeds and its operations and available debt facilities to fulfil the purposes of the Offer and meet its stated business objectives.

Each Director confirms that they have made enquiries and nothing has come to their attention to suggest that the Company is not continuing to earn profit from continuing operations up to the date of this Prospectus.

5.

RISKS

DDH1-Rig ER01: WEI D75S drilling a 1200m x 20" Directional mine dewatering bore

5.1 INTRODUCTION

This Section 5 describes some of the potential risks associated with an investment in the Company.

Any investment in the Company is subject to risk factors specific to the Company and its business activities and those of a more general nature including general risks associated with investing in Shares. Any, or a combination, of these risk factors may have a material adverse effect on the Company's business, financial condition, operating and financial performance, growth, and/or the value of its Shares. Many of the circumstances giving rise to these risks and the occurrence of consequences associated with each risk are partially or completely outside of the control of the Company, its Directors and Management. There can be no guarantee that the Company will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate. You should note that past performance may not be a reliable indicator of future performance.

Section 5 does not list every risk faced by the Company or that may be associated with an investment in Shares, now or in the future. Additional risks (including those that the Company, the Directors and Management are currently unaware of) also have the potential to have a material adverse effect on the Company's business, financial condition, operating and financial performance, growth and/or the value of its Shares.

The risks described in this section have been included based on an assessment of the probability of the risk occurring and the impact of the risk if it were to occur. The assessment is based on the knowledge of the Directors as at the Prospectus Date. There is no guarantee or assurance that the assessment, or the factors considered in making the assessment, will remain the same or that other risks will not emerge.

Before deciding whether to invest in the Company, you should read the entire Prospectus carefully and satisfy yourself that you have a sufficient understanding of the actual and potential risks associated with an investment in the Company. You should consider whether Shares are a suitable investment for you having regard to your own investment objectives, financial circumstances and particular needs (including financial and taxation issues). If you do not understand any part of the Prospectus or are in any doubt as to whether to invest in the Company, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest.

In this Section 5, references to the Company or DDH1 includes each member of the DDH1 Group (unless the context otherwise requires).

5.2 RISKS SPECIFIC TO AN INVESTMENT IN DDH1

5.2.1 COVID-19

The Company's capacity to provide drilling services to its customers and to administer its business operations has been adversely impacted by the Coronavirus pandemic (**COVID-19**), including for the following reasons:

- State and Federal Governments have imposed mobility restrictions which have, and may continue to have, an effect on the ability of some of the Company's employees to travel from their place of residence to their place of work, including to the sites at which they service DDH1's customers.
- State and Federal Governments have imposed physical-distancing restrictions which have, and may continue to have, an effect on the manner in which the Company conducts its operations.
- Certain of the Company's customers have placed restrictions on access to project sites at which DDH1 provides its drilling services.

While DDH1 has taken steps to mitigate the financial and operational effects of these impacts on its business, there is a risk that one or more of these impacts will persist or other impacts will emerge, in each case, potentially resulting in a reduction in revenue or an increase in costs. Given this, the impact of COVID-19 could potentially be materially adverse to the Company's financial and/or operational performance. Further, any additional government or industry measures (including of the kind outlined above) may adversely affect DDH1's operations and may be beyond its control.

5.2.2 Customer demand and outlook for the minerals exploration and mining industry

Changes in the levels of mineral exploration, development and production undertaken by minerals exploration and mining companies could impact the Company's business. 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 the Company's business, financial performance and position, results of operations and prospects.

The operations and financial results of the Company may be materially and adversely affected by declines in the price of gold, iron ore, copper and other commodities. Commodity prices fluctuate widely and are affected by numerous factors beyond the

Company's control, including the sale and purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metals-producing countries throughout the world.

Prevailing and projected commodities prices are a major influence on the mineral exploration, development and production activity levels, and planned expenditures, of the Company's customers. Strong commodities market conditions in recent years have led to an increase in the utilisation rates of drilling rigs in Australia. There is a risk that a fall in commodities prices could substantially reduce future mining expenditures, particularly in relation to exploration and production. This, in turn, could lead to a decline in demand for the Company's services, which may have a material and adverse effect on the Company's business, financial position, results of operations and prospects.

It is possible that the effects of any change of the kind described in this risk factor may be felt suddenly or immediately by DDH1 because, consistent with industry practice, its customer contracts are typically terminable at the discretion of the customer at any time. See Section 3.5.2 for further details of such contract terms.

5.2.3 Loss of customer contracts and levels of new work

As a participant in the mining services sector, DDH1's results from operations are directly affected by the activities and decision making of its clients, including the number of new drilling contracts that are awarded to DDH1, the extent to which existing contracts are extended or renewed and whether or not contracts on foot expire or are otherwise terminated.

The Company's drilling customer contracts are typically for a term of three months to three years in length and can typically be terminated by the customer for convenience, with limited or no amounts payable to the Company in that scenario. In addition, such contracts often do not guarantee a minimum extent of drilling work for the contractor during the term of the contract. The short duration of some of the Company's customer contracts, the absence of minimum spend requirements and the fact that a substantial majority of them may be terminated without notice, does not provide the Company 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.

There is a risk that existing contracts may be terminated on short notice for convenience, not be renewed or otherwise terminated and that drill rigs may not be able to be placed with alternative customers. In the event of contract termination, assets and resources used on that project may not be able to be redeployed to other projects on the same terms or at all and there may be downtime between demobilisation and redeployment. Accordingly, the failure to renew or replace some or all of these contracts and/or the termination of contracts could have a material and adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

In addition, while DDH1 had a portfolio of approximately 103 clients as at 30 June 2020, approximately 62% of DDH1's Pro Forma revenue was derived from its 10 largest customers (by revenue) in FY2020. If, for any reason (including any of the reasons outlined above), one or more of those customers was to cease utilising, or reduce the extent to which it utilises, DDH1's services, then such change may materially reduce the amount of income and profit derived by the Company.

5.2.4 Increased competition from new and existing competitors

A significant portion of the Company's drilling services business is dependent upon obtaining work through a competitive tender process. There is no assurance that the Company will be able to continue to win new work on terms which are acceptable to the Company. It is possible that the Company may lose business for various reasons which could include the Company being unable to demonstrate reliable performance, technical competence or competitive pricing as part of the tender process or if its customers elect not to undertake a competitive tender process.

The Company faces competition from a number of international and regional competitors. Customers may also choose to undertake the work themselves, rather than engage a third party service provider to do the work. The fragmented nature of the industry in which the Company operates provides potential opportunities for competitors to consolidate, which may reduce any scale advantages that the Company currently enjoys. Any erosion of the Company's competitive position could have a material and adverse effect on the Company's business, operations, financial position and growth prospects.

The entry of additional competitors in the drilling services industry could result in a reduction of operating margins and loss of market share. This could adversely affect the Company's operations and financial performance. Despite the Company's demonstrated ability to date to compete effectively in the markets in which it operates, the competitive nature of the industry means that there is no assurance that the Company will be able to continue to compete successfully against current or future competition.

5.2.5 Tender process risk

Drilling contracts are typically awarded following a tender process and the preparation of a tender document involves making certain assessments and assumptions about the work to be undertaken, as described in Section 2.2.4.3. The Company utilises the extensive skills and expertise of its personnel when pricing for tenders and uses all reasonable efforts to ensure that the Company's bids for tenders accurately reflect the scope of work. Despite this, there is a risk that successful bids may not be accurately priced or scoped, which could result in unrecoverable cost overruns or less than expected revenues for the Company. Cost overruns occurring across one or many of the Company's projects may have a material and adverse impact on the Company's financial performance and may impact the Company's ability to maintain existing contracts or procure future contracts.

5.2.6 Concentration risk

The Company's specialisation in mineral drilling gives rise to concentration risk in that the prospects of the Company are impacted by the prospects of the minerals exploration and mining industry.

The Company has sought to mitigate this risk to an extent by focusing on predominantly providing drilling services required during the development and production stages of the mine life cycle. These stages of the mine life cycle are less susceptible to fluctuations in commodity prices than the exploration stage. However, there is no assurance that any future deterioration in the outlook for mineral exploration and the mining industry will not have a material and adverse effect on the Company's business, financial position, results of operations and prospects.

5.2.7 Early mine closure

The Company enters into customer contracts for the provision of services in relation to individual mines which, when renewals and extensions are taken into account, can remain in force over extended periods of time. The Company ordinarily deploys its equipment and personnel with a view to providing services in relation to the particular mine on a continual basis over the duration of a service contract's life. Early or unforeseeable closure of a mine could result in loss of expected revenues, and additional expenses for demobilisation, maintenance and storage of equipment used at that mine. Accordingly, this may have an adverse effect on the financial performance and/or financial position of the Company.

5.2.8 Changing customer preferences regarding contractual arrangements

A majority of the Company's contracts for the provision of drilling services are negotiated on a variable cost, relationship-based agreement. Should customers in the future move to a fixed-price contractual-based arrangements, this may have an adverse effect on the financial performance and/or financial position of the Company. The nature of fixed priced contracts imposes additional risk on the Company. An increase in costs above those anticipated at the time of entering the fixed-price contract (or submitting a bid in response to a request for tender) could adversely affect the financial performance and/or financial position of the Company.

5.2.9 Contract delay

The Company's performance is influenced by its ability to win new contracts for the provision of drilling services and the successful commencement and completion of those contracts in a timely and efficient manner. Where new or existing contracts are delayed, the recognition of revenue and cash receipts for those contracts may be deferred to later accounting periods. This may adversely impact the financial performance and/or financial position of the Company.

5.2.10 Business interruptions

The Company operates in an industry where contract operations are vulnerable to the risk of interruption as a result of a variety of factors, many of which are beyond DDH1's control. These factors include (but are not limited to): (a) environmental issues, including inclement weather, which may delay contract performance or result in a complete shutdown of a project; (b) extreme weather events such as cyclones, heavy rainfall, floods or fire; (c) otherwise unstable weather conditions; (d) unstable ground surfaces at drilling sites; (e) regulatory intervention; (f) delays in necessary approvals and permits; (g) supply bottlenecks or a scarcity of materials and equipment (as outlined in the paragraph below); (h) equipment breakdowns or unavailability due to scheduled maintenance; (i) industrial relations issues (including potential labour shortages, as outlined in Section 5.2.12 below); (j) variations to the nature or extent of contracted work; and (k) an inability to access a customer's site for any other reason. The manifestation of any such factors could adversely affect the Company's operations, productivity and/or ability to engage in contracted drilling for its customers and may also cause a deferral or prevent receipt of anticipated revenues and/or result in DDH1 incurring additional costs. Such issues may ultimately have an adverse effect on the financial performance and/or financial position of the Company.

5.2.11 Access to drilling rigs and equipment

Many of the drilling services provided by the Company require the use of purpose-built drilling rigs and equipment. There is a risk that the Company may have difficulty in gaining access to or obtaining the purpose-built rigs or equipment necessary to meet customer requirements, or adequate supplies of equipment at appropriate prices and in a timely manner, or that the quality of the available equipment may not be suitable for its intended use. The Company may also not have access to the necessary capital investment to expand its rig fleet (see also Section 5.2.19). Any of these factors may constrain the Company's ability to provide services and may ultimately have an adverse effect on its growth opportunities, financial performance and/or financial position.

5.2.12 Labour shortages and cost of labour increases

The Company's ability to remain productive, profitable and competitive, and to effect its planned growth initiatives, including increasing the number of drilling rigs in operation, depends on the Company's ability to attract and retain appropriately skilled and experienced personnel.

Specific factors that may affect the Company's ability to attract and/or retain such personnel include:

- the remote geographic location of some of the Company's mining services projects necessarily involves employees enduring harsh working conditions and travelling significant distances to service the needs of the Group's clients. The nature of these working conditions and travel requirements can give rise to industry-wide labour shortages to which DDH1 is exposed and which may make it challenging to recruit employees with relevant industry and technical experience. An increase in utilisation of rigs may further tighten the labour market in key regions due to a shortage of skilled labour; and
- the significant competition to recruit appropriately skilled and experienced personnel in the mineral drilling contracting sector, which competition may further increase if demand for contract drilling services increases above current levels.

A failure to attract appropriately skilled and experienced personnel, or an inability to deploy such personnel at customers' sites for any other reason, may have a material and adverse impact on the financial performance, financial condition, cash flows, operations and growth prospects of the Company, and in particular its ability to expand its business. In addition, any increases in remuneration paid to personnel will impact the Company's profit margins if the Company is unable to pass on those increases to its customers.

5.2.13 Key Personnel

There is a risk that the Company may lose the service of one or more of its key personnel and be unable to replace them or do so on terms that are equivalent to existing arrangements. DDH1 depends on the experience and expertise of its key personnel to oversee the day-to-day activities of the Group and to implement its strategic plans.

The Company's key personnel include Murray Pollock, Matt Izett and Richard Bennett (with Matt Thurston, a co-founder of DDH1 Drilling having reduced his involvement in the Company's day-to-day operations). Murray Pollock, Matt Izett and Richard Bennett will own 19.4% of the Company at completion of the Offer and be subject to escrow restrictions in respect of their shareholding until 4:15pm on the date of the release of the FY21 full year results (in respect to 50% of their shareholding), and 4:15pm on the date of the release of the FY22 full year results (in respect to the remaining 50% of their shareholding). There is a risk that any such key person may exit the business or reduce their day-to-day involvement at any time, including following the expiry of those restrictions.

If one or more of the Company's key personnel exit the business, the Company's capacity to effectively compete with its competitors may be impaired and its financial results may be adversely affected, potentially to a material extent.

5.2.14 Health and safety

Site safety and occupational health and safety outcomes are a critical to the reputation of the Company and its ability to be awarded contracts in the drilling services sector. A serious site safety incident could impact upon operations, reputation and brand, and financial outcomes for the Company.

Given the industry and environment in which the Company operates, industrial accidents may occur in the course of the Company's operations. Additionally, as the operator of drill rigs and associated equipment, there are inherent health and safety risks to people and equipment, including major safety incidents, general operational hazards, failure to comply with policies, terrorism and general health and safety. The consequences of such an event could result in substantial liability for the Company, including as a result of claims brought against the Company. An incident of this nature could also result in injuries, loss of life, environmental harm, disruption to business activities and reputational and brand damage and could adversely affect the financial performance and/or financial position of the Company.

5.2.15 Laws and regulations

There is a risk that the obligations of the Company pursuant to applicable laws and regulations and requirements of customers may become more complex and stringent, or become the subject of increasingly strict interpretation or enforcement. The terms of licences and contracts may also include more stringent requirements than those provided for pursuant to applicable laws and regulations.

Failure to comply with applicable requirements or recognised standards may give rise to significant liabilities being incurred by the Company, reputational and brand damage, loss of customer contracts, suspension of operations and increased costs.

5.2.16 Operational risks

The Company and its customers are exposed to a range of operational risks affecting both current and future operations. Such operational risks include equipment failures, information technology system failures, external services failures, industrial action or disputes, natural disasters and pandemics. A disruption to the operations of the Company or its customers may have a material adverse impact on the financial performance and/or financial position of the Company.

5.2.17 Remote locations

The Company regularly undertakes projects for its customers in remote locations. Undertaking projects in remote locations exposes the Company to an increased risk of a shortage of skilled and general labour and potentially increased costs which may or may not be able to be passed on through rate increases (see Section 5.2.12). The Company may also be exposed to a greater risk of logistical difficulties because of the remote locations of its customers' projects.

5.2.18 Operating costs

There is a risk of unexpected increases in operating costs including labour, consumables (including fuel), insurance and maintenance which may have a materially adverse effect on the Company's operations, financial performance and financial position. For example, general inflationary pressure may increase the cost of operations and those additional costs may not be capable of being passed on to customers. Other cost increases may arise as a result of regulatory changes, for example through the increase or imposition of additional taxes.

5.2.19 Capital and maintenance expenditure

The Company requires access to sufficient capital to fund the maintenance and replacement of its existing fleet of rigs, plant and equipment and any future expansion of its fleet. A failure or inability to obtain sufficient capital on favourable terms may hinder the Company's ability to maintain and/or expand its fleet and reduce the Company's competitiveness. This may have an adverse effect on the financial performance and/or financial position of the Company.

5.2.20 Inability to identify, execute and manage acquisitions

The Company continues to selectively evaluate investment opportunities and opportunities to acquire businesses to complement its organic growth. There is no assurance that suitable opportunities will be identified at a price and on terms acceptable to the Company or that if suitable opportunities are identified that the Company will be able to finance and complete the potential investments and acquisitions.

Any future investments and acquisitions may be subject to unanticipated risks and/or liabilities, or disrupt the Company's operations and divert management's attention from day to day operations. In addition, there is no assurance that any such investments and acquisitions will be profitable or be successfully and smoothly integrated into the Company's operations or that such investments, acquisitions or integrations will not have a material and adverse effect on the Company's business, financial position, operations and prospects.

Any expansions into new geographies, whether organically or via acquisitions, would also bring additional geographical, regulatory and currency risk. There is a risk that operations, assets, employees or repatriation of revenues could be impaired by factors specific to the geographical regions into which the Company may choose to expand.

5.2.21 Expansion plans

The Company's expansion plans referred to in Section 3.7.1 partly rely on the anticipated addition of several drill rigs to its fleet by the end of FY2021. A significant delay in delivery of any additional drill rigs or a time lag between delivery and dispatch to the field may have a material adverse effect on the expansion plans of the Company and, consequently, the Company's financial position and growth prospects.

5.2.22 Damage to brands and reputation

The Company's brands and reputation could be adversely impacted by a number of factors, including all of the risks identified in this Section 5.

Specific factors that may adversely impact the Company's brands and reputation include:

- disruptions to, or a diminution in, DDH1's capacity to service its clients' requirements;
- customer dissatisfaction, including due to poor operational performance;
- health and safety or environmental incidents;
- any failure to appropriately implement the Company's strategy; and
- disputes or litigation with third parties such as regulatory bodies, employees, suppliers, customers or others with whom the Company has business dealings.

Damage to the Company's brands or reputation could have a material adverse effect on customer loyalty, relationships with suppliers, employee retention rates and demand for DDH1's services, any of which may result in an adverse impact on the Company's financial performance and/or financial position.

5.2.23 Intellectual property risks

DDH1's ability to leverage its innovation and expertise depends in part upon its ability to protect its intellectual property and any improvements to it, as well as DDH1's confidential information. Intellectual property that is important to DDH1 includes its knowhow, trademarks, domain names, website, business names and logos. DDH1 relies on general law protections in respect of its intellectual property portfolio. Some intellectual property is more challenging to contain and protect than others, for example knowhow is not a traditional intellectual property right and is generally protected through contractual and practical measures only. If it became necessary for DDH1 to bring or defend intellectual property enforcement proceedings, this may (like any contentious legal proceedings) result in significant costs being incurred by DDH1.

5.2.24 Insurance risks

Insured or uninsured catastrophic events such as acts of God, fires, floods, pandemics and strikes may affect customer contract and demand for drilling services, the availability of the Company's drilling fleet and the ability of the Company to sustain its operations, generate revenue and recover operating costs.

Some events, including but not limited to those identified above, are not insurable, or the Company has chosen not to insure against them. If the Company's drilling fleet or business is damaged as a result of an uninsured event, the Company's financial position and financial condition may be adversely affected.

The Company's insurance policies are also subject to certain limitations, and there is a risk that an insured event could cause a loss materially in excess of the applicable policy limits, or that insurers do not have the resources to respond to the applicable policy.

There is also a risk that the Company is unable to secure insurance to satisfactorily cover all anticipated risks or that the cost of insurance will increase beyond anticipated levels. Accordingly, the Company could be adversely impacted by increases in the cost of insurance premiums or an inability to access insurance coverage arising from circumstances that might or might not be related to the business of the Company. Any of these factors, including if an insurer defaults in payment of a legitimate claim by the Company under an insurance policy, could have an adverse impact on the Company's financial performance and/or position.

5.2.25 Future funding

While the Directors believe that the Company will have sufficient funds to fund its activities in the short-term, the Company is operating in a dynamic industry and there is the risk that the Company may need additional debt or equity funding. There can be no guarantee that such funding will be available to the Company on reasonable terms or at all. Any such failure to obtain funding on reasonable terms may result in a loss of business opportunity and/or excessive funding costs, including dilution to Shareholders if equity funding is pursued.

5.2.26 Credit risks

Credit risk is the risk that a customer or counterparty fails to meet its contractual obligations under a contract (or other instrument or arrangement) and results in a loss to DDH1. DDH1 is exposed to counterparty credit risk arising from its operating activities.

DDH1 seeks to manage this risk by carefully assessing the risk profile of each counterparty with whom it does business, but there can be no assurance that this risk assessment process will avoid loss associated with a customer or other third party failing to meet its contractual obligations to DDH1.

5.2.27 Debt covenants

As described in Section 10.4, the Company has accepted a credit approved term sheet dated 9 October 2020 with Bankwest, a Division of Commonwealth Bank of Australia in relation to the provision of a new Debt Facility that will be available for drawdown subject to Completion. The debt term sheet contemplates that the agreements relating to the Debt Facilities will contain, among other terms, events of default (including cross default) and various affirmative, negative and reporting covenants. Factors such as a decline in the Company's operating and financial performance could lead to a breach of its banking covenants. If a breach occurs, the Company's lenders may seek to exercise enforcement rights which will be contained in the Debt Facility Agreement, including requiring immediate repayment, which may have a material and adverse effect on the Company's future financial performance and position.

5.2.28 Foreign exchange

Foreign exchange risk exists where the Company enters into commercial transactions that are denominated in currencies other than Australian dollars. The Company is primarily exposed to foreign currency risk through the acquisition of drilling rigs and equipment that are denominated in foreign currency. The Company has historically sought to fix the applicable exchange rate at the time of ordering equipment. So, in the context of the Company's business, that exposure is not significant. However the risk remains that foreign exchange movements may increase the Australian dollar cost of such expenditure particularly where exposure has not been effectively hedged.

5.2.29 Tax risks

The Offer will give rise to certain taxation implications for DDH1 that are likely to have an impact on its deferred tax balances, the precise quantum of which will be confirmed after Completion. Further, from time to time tax or revenue authorities may review the tax treatment of transactions entered into by DDH1. Where considered appropriate, provisions have been included in DDH1's financial statements in respect of such matters. The outcome of such reviews cannot be predicted with certainty and the adequacy of any such provisions cannot be guaranteed. Accordingly, it is possible that DDH1 will be liable to pay amounts in respect of matters the subject of reviews which are in excess of the provisions (if any) included in its financial statements. It is also possible that the outcome of such reviews will result in changes in the carrying value of assets in DDH1's financial statements. Any of the foregoing may have a material adverse effect on DDH1's financial position.

5.2.30 Regulatory environment

The industry in which the Company operates is regulated by the various State and Federal governments. To the extent that the Company fails to comply with relevant laws and regulations, it could be subject to monetary fines, suspension of operations or other penalties. Changes to the way in which the industry is regulated could also adversely affect the business or financial performance of the Company. In addition, legislation and regulations affect the Company's mineral exploration customers and influence their decisions whether to conduct mineral exploration and development.

5.2.31 Litigation

Litigation risks relating to the Company, its subsidiaries or assets include, but are not limited to, contractual, environmental, occupational health and safety and employee claims, regulatory disputes, legal actions from special interest groups, as well as third party claims for damage or loss resulting from drilling actions. In addition to litigation risks, the Company may also from time to time be subject to complaints, inquiries, investigations and audits.

The outcome of legal proceedings is often uncertain. Legal proceedings can have an adverse effect on the Company's reputation and brand, and divert management and financial resources of the Company while being resolved, including in instances where the proceedings are successfully resolved without material adverse effect on the Company.

5.2.32 Environmental

Environmental risks are inherent to the mining services sector.

As a result, various environmental legislation and regulations affect the operations of the Group and its assets. The legislation and regulations impose certain obligations and requirements on operators such as the Company and establish standards and protections regarding certain aspects of health and the environment and provide for penalties and other liabilities for violation of such standards and protections and establish in certain circumstances, obligations to remediate current facilities and locations where operations are, or were previously, conducted. There is a risk that such liabilities and obligations could be imposed on the Company.

In addition, the majority of DDH1's customer contracts contain broad indemnities in favour of the client for loss suffered by the client in connection with the services provided by DDH1. Such client loss may include costs incurred in connection with contamination caused by DDH1's activities.

Accordingly, in each case, there is a risk that liabilities and obligations associated with environmental incidents and risks could be imposed on, or borne by, the Company.

5.2.33 Climate change

Environmental laws are evolving and, as the world is becoming increasingly aware of the impact of climate change, the State and Federal governments in jurisdictions where the Company operates may introduce regulatory changes in response to the potential impact of climate change. Legislation, regulation or other requirements imposed by governmental authorities could result in increased obligations on, and costs for, the Company. Such policy changes could also increase the costs of providing services for clients and influence clients' decisions whether to conduct mineral exploration and development.

In addition, the potential impacts of climate change, such as extreme weather conditions, natural disasters, resource shortages, changing sea levels and changing temperatures, could affect the Company's operations and adversely affect the business or financial performance of the Company.

5.2.34 Change of control provisions

The Company is a party to a large number of agreements pursuant to which it supplies drilling services to customers. Certain of those agreements contain change of control clauses which will or may be triggered by, or in connection with, the Offer. Unless the consent of the relevant counterparties is obtained, the Offer may result in such counterparties enforcing (or seeking to enforce) rights under or in respect of the relevant agreements, including rights of termination. The enforcement of such rights, in particular the termination of such agreements, may have an adverse impact on the Company's revenue and overall financial performance.

5.2.35 Concentration of shareholding

Following completion of the Offer, the Existing Shareholders are expected to hold up to approximately 60.2% of all Shares in the Company. The extent of these individual holdings may enable each holder to exert influence over the outcome of matters relating to the Company, including the election of Directors and the approval of transactions. These substantial interests may also act as a potential deterrent to corporate transactions.

The interests of any Existing Shareholder may differ from the interests of the Company and investors who purchase Shares in the Offer. In particular, any sale of Shares in the future by an Existing Shareholder (following expiry of any applicable escrow period as detailed in Section 10.6), or the perception that such sales might occur, could adversely affect the market price of the Shares. Alternatively, the absence of any sale of Shares by the Existing Shareholders may cause or at least contribute to a diminution in the liquidity of the market for the Shares.

5.2.36 General economic, financial and business conditions

The operating and financial performance of the Company is influenced by a variety of international and country-specific general economic, financial and business conditions (including inflation, interest rates and exchange rates), access to debt and capital markets, as well as monetary and regulatory policies. Global economic conditions, in particular economic conditions of countries such as the United States and China, influence activities in mineral exploration and the mining industry, which in turn has an effect on the demand for the drilling services provided by the Company.

A deterioration in domestic or international general economic conditions, including an increase in interest rates or a decrease in consumer or business demand, could have an adverse effect on the Company's business, financial performance and financial position.

5.2.37 Cybersecurity

The Company is potentially exposed to risks ranging from uncoordinated individual attempts to gain unauthorised access to its information technology systems, to sophisticated attempts targeted at the Company and its clients. Internal human error can also be a contributing factor. Any such disruptions or the failure of the systems to operate as expected could, depending on the magnitude of the problem, result in the loss of client information, the loss of current or future business, reputational harm and/or potential claims against the Company, all of which could have an adverse effect on the Company's business, financial performance and position, results of operations and prospects. Although sensitive information is not core to the Company's business, the Company continues to enhance its efforts to mitigate cybersecurity risks by investing in security initiatives to better identify and address vulnerabilities including periodic third party vulnerability assessments, testing user knowledge of cybersecurity best practices, and audits of security processes and procedures. In addition, the Company continues to increase the employees' awareness of security policies through ongoing communications.

5.3 GENERAL RISKS OF AN INVESTMENT IN DDH1

5.3.1 Economic factors

Once the Company becomes a publicly listed company on the ASX, it will become subject to general market risk that is inherent in all securities listed and traded on a securities exchange. This may result in fluctuations in the Share price that are not explained by the fundamental operations and activities of the Company.

Factors affecting the price of Shares quoted on the ASX could include but are not limited to:

- the number of potential buyers or sellers of Shares on the ASX at any given time;
- fluctuations in the domestic and international markets for listed stocks;
- general economic conditions including the unemployment rate, interest rates, inflation rates, exchange rates, commodity and oil prices, and changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- recommendations by brokers or research analysts;
- inclusion in, or removal from, market indices;
- global hostilities, tensions or acts of terrorism;
- the nature of the markets in which the Company operates; and
- general operational and business risks.

These factors may cause Shares to trade at prices below the price at which Shares are being offered under this Prospectus. There is no assurance that the price of Shares will increase following the quotation on the ASX, even if the Company's earnings increase.

General economic conditions (both domestically and internationally) may adversely impact on the price of the Shares after Listing as well as the Company's ability to pay dividends. This includes an increase in unemployment rates, negative consumer and business sentiment and changes in interest rates, among other factors. As a result of the above-mentioned factors, the Company is unable to forecast the market price for Shares and they may trade on the ASX at a price that is below the Offer Price.

5.3.2 Liquidity of Shares

On completion of the Offer, there can be no guarantee that an active market for the Shares will develop or that the price of Shares will increase.

There may be relatively few or many potential buyers or sellers of Shares on ASX at any time. This may increase the volatility of the market price of the Shares, prevent investors from acquiring more Shares or disposing of Shares they acquire under the Offer, or result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

The Escrowed Shareholders will hold approximately 60.2% of the Shares following Completion of the Offer, which may impact on liquidity. A summary of the relevant Escrow arrangements is set out in Section 10.6.

5.3.3 Shareholder dilution

In the future, the Company may elect to issue Shares or other securities to raise proceeds for growth initiatives, acquisitions, to repay debt, or for any other reason.

While the Company will be subject to the constraints of the ASX Listing Rules and the Corporations Act, Shareholder interests may be diluted and Shareholders may experience a loss in value of their equity as a result of such issues of Shares and fundraisings.

5.3.4 Dividends, distributions and franking credits

The payment of dividends by the Company is determined by the Board from time to time at its discretion subject to compliance with legislative requirements and other factors, including, financial performance and profits derived from operations (refer to dividend policy in Section 4.8). There is no assurance that the Company will pay dividends or that there will be franking credits attaching to any dividends paid. In addition, circumstances may arise where the Board may determine that the Company will reduce or cease paying dividends for a period of time.

5.3.5 Taxation changes

Tax laws are complex and are subject to change periodically as is their interpretation by the relevant courts and the tax revenue authorities. Changes in tax law (including transfer pricing, GST, stamp duties and employment taxes), or changes in the way tax laws are interpreted, may impact the tax liabilities of the Company, Shareholder returns, the level of dividend imputation or franking, or the tax treatment of a Shareholder's investment.

In particular, both the level and basis of taxation may change. The tax information provided in this Prospectus is based on current taxation law as at the Prospectus Date. Tax law is frequently being changed, both prospectively and retrospectively.

In addition, tax authorities may review the tax treatment of transactions entered into by the Company. Any actual or alleged failure to comply with, or any change in the application or interpretation of, tax rules applied in respect of such transactions, may increase the Company's tax liabilities or expose it to legal, regulatory or other actions.

5.3.6 Australian Accounting Standards

Changes to the Australian Accounting Standards (**AAS**) are determined by the Australian Accounting Standards Board (**AASB**). The AASB may, from time to time, introduce new or refined AAS, which may affect the future measurement and recognition of key income statement and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key statements of profit and loss and balance sheet items, including revenue and receivables, may differ. Changes to the AAS issued by the AASB or changes to the commonly held views on the application of those standards could materially and adversely affect the financial performance and position reported in DDH1's financial statements.

5.3.7 Force majeure events

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of DDH1, or the price of the Shares. These events include, but are not limited to, terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for DDH1's products and services.

5.3.8 Epidemics and pandemics

In addition to force majeure events mentioned in Section 5.3.7 above, a rapid spread of infectious disease to a large number of people within a short period of time may occur within or outside Australia. In particular, a pandemic similar in nature to the 2002-03 outbreak of Severe Acute Respiratory Syndrome (SARS), the 2009 swine flu outbreak or the 2019-20 COVID-19 outbreak may adversely affect general economic sentiment, the global economy, stock markets and other financial markets. COVID-19 is currently of significant concern to the worldwide community and has affected the near- and medium-term outlook for the global economy. Given the evolving situation, it is difficult to predict the nature and extent of the risk and the impact on DDH1. The impact of the virus on consumer sentiment, demand and confidence generally could materially adversely affect DDH1's operations and/or financial performance.

5.3.9 Expected future events may not occur

Certain statements in this Prospectus constitute forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of the Company to be materially different from those expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors should not place undue reliance on forward-looking statements. In addition, under no circumstances should forward-looking statements be regarded as a representation or warranty by the Company or any other person referred to in this Prospectus that a particular outcome or future event is guaranteed.

6.

KEY PEOPLE, INTERESTS AND BENEFITS

DDH1-Rig 1: Sandvik DE880 Multipurpose Core Rig, Eastern Goldfields WA

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.1 BOARD OF DIRECTORS

Profiles of each member of the Board are set out below:

DIRECTOR	EXPERIENCE AND QUALIFICATIONS
	**DIANE SMITH-GANDER, AO** ***Independent Non-Executive Chairperson*** 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 currently a Non-Executive Director of electricity and gas producer and supplier AGL Energy Limited (ASX:AGL), Keystart Home Loans Group, North Queensland Airports Group and HBF Health Limited. Diane is also the Non-Executive Chair of Zip Co Limited (ASX:ZIP) and Safe Work Australia. Diane was previously Non-Executive Chair of infrastructure maintenance company Broadspectrum Limited, Deputy Chair of the NBN Co Limited (National Broadband Network) and a Non-Executive Director of grain exporter CBH Group and diversified conglomerate Wesfarmers Ltd (ASX:WES). 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, to women's engagement in executive roles, to gender equality, and to the community in 2019.
	**ALAN BROOME, AM** ***Independent Non-Executive Director*** 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 is a Non-Executive Director and Chair of a number of Australian mining technology companies including Micromine Pty Ltd, Hedweld Group Pty Ltd, Interlate Pty Ltd and Tait Asia Pacific Pty Ltd. He is also Non-Executive Chairman of ASX-listed New Age Exploration Ltd (ASX:NAE), AIM-listed Strategic Minerals plc (AIM:SML) and LSE-listed Mustang Energy plc (LSE:MUST). Since 2017, Alan has been an independent director of the Group. Alan was also previous Chair of the Australian Government Action Agenda promoting Mining Technology, 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 Life Member Award for contribution to Austmine and 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).

DIRECTOR	EXPERIENCE AND QUALIFICATIONS
	**ANDREA SUTTON** ***Independent Non-Executive Director*** Andrea brings over 20 years of operational, technical and corporate experience within the mining and minerals industry to the Company. Andrea is currently a board member of Infrastructure WA and ANSTO and is also a Non-Executive director of gold producer Red 5 Limited. 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).
	**MURRAY POLLOCK** ***Non-Executive Director*** Murray Pollock is a Co-Founder of DDH1 and has been instrumental to 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 was formerly a Non-Executive Director of Catalpa Resources up until its merger with Conquest Mining to form Evolution Mining (ASX:EVN). Murray is a member of the Australian Institute of Company Directors (AICD).
	**BYRON BEATH** ***Non-Executive Director*** Byron has been a Managing Director at Oaktree since 2016 and previously spent 15 years with Macquarie Bank Limited, where he was responsible for originating, assessing and executing investments in senior, subordinated and mezzanine debt, distressed credit, special situation opportunities and private equity opportunities. Byron formerly served on the board of Reverse Mortgages Solutions, Inc.
	**SY VAN DYK** ***Chief Executive Officer and Managing Director*** Sy joined DDH1 as CEO in October 2018 and has been instrumental in the continual development of the Company. Sy brings over 30 years of experience primarily within the resources sector. Sy is currently a Non-Executive Director of ASX-listed Austin Engineering (ASX:ANG). Prior to joining DDH1, Sy was CEO and, prior to that, CFO of contract mining company Macmahon Holdings (ASX:MAH). Sy has also held a number of senior operational roles, including Chief Operating Officers Western Australia and Chief Financial Officer of mining equipment distributor WesTrac Group. Prior to WesTrac Group, Sy's career spanned a number of senior positions within Kimberly-Clark, South Africa.

The composition of the Board Committees is set out in Section 6.4.5 and a summary of the Board's key corporate governance policies is set out in Section 6.5.

Each Director has confirmed to the Company that he or she anticipates being available to perform their duties as a Non-Executive or Executive Director, as the case may be, without constraint from other commitments.

6.2 MANAGEMENT

Profiles of key members of DDH1's senior management team (**Senior Management Team**) are set out below. Further information on the terms of employment of the Senior Management Team is set out in Section 6.3.

MEMBER	EXPERIENCE AND QUALIFICATIONS
	**SY VAN DYK** ***Chief Executive Officer and Managing Director*** See Section 6.1.
	**BEN MacKINNON** ***Chief Financial Officer*** Ben joined DDH1 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. Prior to joining DDH1, Ben was the CFO of equipment rental and maintenance company Force Equipment, CFO of building company Gavin Construction and Finance Manager of engineering and construction company VDM. Ben holds a Bachelor of Commerce from The University of Western Australia and is a qualified Chartered Accountant.
	**ANDREW VENN** ***Executive General Manager, Corporate Services*** Andrew joined DDH1 in May 2013. Andrew brings 22 years of mining industry experience. Prior to joining DDH1, Andrew held senior positions across financing and operations at Australian stockbroking and corporate finance firm Argonaut and ASX-listed mining explosives company Orica. Andrew is currently a Non-Executive Director of ASX-listed Gold explorer, Saturn Metals Limited. Andrew is a Fellow of the Financial Services Institute of Australia.
	**MAT SCARLETT** ***General Manager of Operations, DDH1 Drilling*** Mat is General Manager of Operations of DDH1 Drilling and has been instrumental in the establishment and development of the Company. Prior to his role as General Manager, Mat was responsible for planning and managing DDH1's directional and engineering programs. Mat has over 19 years of experience in the drilling industry.

MEMBER	EXPERIENCE AND QUALIFICATIONS
	**RICHARD BENNETT** ***Managing Director, Strike Drilling*** Richard joined DDH1 in June 2018 through DDH1's acquisition of Strike Drilling. Richard is the Founder of Strike Drilling and retains ongoing responsibility for the overall operational and financial performance of the Strike Drilling entity. Richard brings 34 years of experience in the exploration drilling industry. Prior to establishing Strike Drilling, Richard had a successful background in drilling contracting and equipment sales.
	**MATT IZETT** ***Managing Director, Ranger Drilling*** Matt joined DDH1 in April 2019 through DDH1'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. Matt brings 34 years of experience in the drilling industry. 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.

6.3 INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisers

DDH1 has engaged the following advisers and consultants in relation to the Offer:

- Bell Potter Securities Limited, Aitken Murray Capital Partners Pty Ltd, Macquarie Capital (Australia) Limited and UBS AG, Australia Branch, have acted as Joint Lead Managers and Underwriters to the Offer. The Company has agreed to pay the Joint Lead Managers the fees described in Section 10.5 for these services;
- Gilbert + Tobin has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $1,500,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin for other work in accordance with its normal time-based charges;

- Deloitte Corporate Finance Pty Limited has acted as the Investigating Accountant in connection with the Offer and has performed work in relation to the Financial Information included in Section 4 and its Investigating Accountant's Report included in Section 9. The Company has paid, or agreed to pay, approximately $1,650,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Investigating Accountant for other work in accordance with its normal time-based charges;
- PricewaterhouseCoopers has acted as tax adviser and provider of tax due diligence to the Company in relation to the Offer. The Company has paid, or agreed to pay, fees of approximately $375,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers in accordance with its normal time-based charges; and
- Wood Mackenzie (Australia) Pty Ltd has acted as industry consultant to the Company in relation to the Offer and has prepared reports for use by the Company in connection with the disclosures in this Prospectus with Wood Mackenzie (Australia) Pty Ltd's consent (see Section 8). The Company has paid, or agreed to pay, approximately $130,000 (excluding disbursements and GST) for these services up to the Prospectus Date.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 10.12.

6.3.2 Directors' interests and remuneration

6.3.2.1 Non-Executive Directors

Under the Constitution, the Board may decide the total amount paid to each Director as remuneration for their services as a Director. However, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any year the amount fixed by the Company's general meeting. This amount has been fixed by the Company at $1,000,000 per annum.

As at the date of this Prospectus, the annual Non-Executive Directors' base fee agreed to be paid by the Company to:

- the Chairperson is $150,000; and
- each of the other Non-Executive Directors is $100,000.

In addition, the Chairs of the Audit and Risk Management Committee and the People Committee will be paid $10,000 annually and members of the Audit and Risk Management Committee and the People Committee will be paid $5,000 annually.

All Non-Executive Directors' fees are inclusive of superannuation contributions required by law to be made by the Company.

In addition to the above payments, certain of the Independent Non-Executive Directors have received a fee for their contribution to the due diligence process for the Offer. The amount of such fee will be $44,000 for Andrea Sutton and $52,000 for Diane Smith-Gander.

6.3.2.2 Deeds of access, insurance and indemnity

The Company has entered into a deed of access, insurance and indemnity with each Director which contains rights of access to certain books and records of the Company and its related bodies corporate for a period of seven years after the Director ceases to hold office. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires but are not resolved until later.

Under the deeds of access, insurance and indemnity, the Company indemnifies each Director against liabilities to another person that may arise from their position as a Director of the Company to the maximum extent permitted by law. The deeds of access, insurance and indemnity stipulate that the Company will reimburse and compensate each Director for any such liabilities, including reasonable legal costs and expenses, except where prohibited by law.

Under the deeds of access, insurance and indemnity, the Company must use reasonable endeavours to obtain directors and officers insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires but are not resolved until later.

6.3.2.3 Directors' interests in Shares and other securities

The Directors are not required by the Constitution to hold any Shares.

Directors may hold their interests directly, or through entities associated with the Director (for example, through companies or trusts).

The Directors' respective holdings of Shares on Completion of the Offer are outlined below.

DIRECTOR	SHARES ACQUIRED UNDER THE OFFER (M)	SHARES HELD ON COMPLETION (M)
Diane Smith-Gander AO	45,455[1]	45,455
Alan Broome AM	45,455	45,455
Andrea Sutton	45,455	45,455
Murray Pollock	–[2]	47,419,961
Byron Beath	–	–
Sy Van Dyk	–[3]	4,965,886

1. Includes the one Share held by Diane Smith-Gander as at the Prospectus Date.
2. Excludes the 47,419,961 Shares that will be issued to Murray Pollock's controlled entity pursuant to the Sale Agreement to which such entity is a party, which Shares will not be issued under this Prospectus.
3. Excludes the 4,965,886 Shares that will be issued pursuant to the MEP Sale Agreement to which Sy Van Dyk is a party as an MEP Holder.

Final Directors' shareholdings will be notified to the ASX following Listing.

6.3.2.4 Transactions with related parties

Other than the agreements with Directors set out in this Section 6.3 or as required to give effect to the DDH1 Group Restructure (as described in Section 10.3.2), there are no agreements between the Company and its related parties (as that term is defined in the Corporations Act).

6.3.2.5 Other interests and payments

Directors may be reimbursed for travel and other expenses reasonably incurred in connection with the performance of their duties. Directors may be paid such special remuneration as the Board may determine appropriate where a Director performs extra services for or at the request of the Company. There is no retirement benefit scheme for Directors, other than statutory superannuation contributions.

6.3.3 Executive remuneration

6.3.3.1 Chief Executive Officer

TERM	DESCRIPTION
Position	Sy Van Dyk is employed by DDH1 Group Holdings as Chief Executive Officer of the DDH1 Group under an executive employment agreement.
Fixed annual remuneration	Under the terms of his employment Sy Van Dyk is entitled to fixed annual remuneration (**FAR**) of $450,000 plus superannuation entitlements.
Short-term incentive	Sy Van Dyk will participate in the STIP on the terms outlined in Section 6.3.4.2. As a result of such participation, and subject to Completion of the Offer, Sy Van Dyk will be eligible to receive a STI of up to $270,000 in respect of FY2021.
Long-term incentive	Sy Van Dyk will participate in the LTI Offer on the terms outlined in Section 6.3.4.3. As a result of such participation, and subject to Completion of the Offer, Sy Van Dyk will be granted Performance Rights having a face value of approximately $225,000.[1]

1. The number of Performance Rights to be granted to Sy Van Dyk will be calculated by dividing $225,000 by the Offer Price.

TERM	DESCRIPTION
Notice period, termination and termination payments	Sy Van Dyk's employment may be terminated by either party upon providing three months' written notice. DDH1 Holdings may elect to pay Sy Van Dyk in lieu of all or part of such notice period, with any such payment to be based on Sy Van Dyk's FAR over the relevant period and any accrued entitlements. Sy Van Dyk may also be required by the Board to serve out the whole or part of the notice period on an active or passive basis. Sy Van Dyk's employment may also be terminated by DDH1 Holdings 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 Sy Van Dyk upon termination of his employment will be limited to the maximum amount permitted by the ASX Listing Rules, Corporations Act or any other applicable law. The shareholders of the Company and DDH1 Holdings have approved the provision of benefits on cessation of employment to Sy Van Dyk, including the benefits summarised in this Section 6.3.3.1.
Non-solicitation/ restrictions on future activities	For a period of up to 12 months following the termination of Sy 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. Sy 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.

6.3.3.2 Other members of senior management

DDH1's Senior Management Team other than Sy Van Dyk (**Senior Management Team Members**) are party to individual employment agreements with DDH1 Drilling, Ranger Drilling or Strike Drilling.

These contracts include an entitlement to fixed annual remuneration plus superannuation contributions.

The Senior Management Team Members will participate in the new STIP on the terms outlined in Section 6.3.4.2, commencing in FY2022. In addition, the Senior Management Team Members are participants in an existing STIP administered by DDH1 Holdings on the terms outlined in Section 6.3.4.2. As a result of such participation in the existing STIP, the Senior Management Team Members will be eligible to receive a STI of up to $500,000 in respect of FY2021.

The Senior Management Team Members will participate in the LTI Offer on the terms outlined in Section 6.3.4.3. As a result of such participation, and subject to Completion of the Offer, the Senior Management Team Members will be granted Performance Rights having an aggregate face value of $575,000.[2]

Under their contractual arrangements, the Senior Management Team Members have three-month notice periods. Similar to the position for Sy Van Dyk, each employing entity may elect to pay the Senior Management Team Members in lieu of all or part of their respective notice periods. The Senior Management Team Members may also be required by their employing entity to serve out the whole or part of the relevant notice period on an active or passive basis.

Each employing entity may terminate the employment of the relevant Senior Management Team Members without notice in the same circumstances as outlined above in respect of Sy Van Dyk (see Section 6.3.3.1).

On termination of employment, the Senior Management Team Members will be subject to the same non-solicitation restriction and restraint as outlined above in respect of Sy Van Dyk (see Section 6.3.3.1), other than Andrew Venn who will be subject to only a non-solicitation restraint for a period of up to three months following termination.

2. The number of Performance Rights to be granted will be calculated by dividing $575,000 by the Offer Price.

6.3.4 Employee and director equity plans

6.3.4.1 Overview

Refer to Sections 6.3.4.2 to 6.3.4.5 for additional information on:

- the new STIP and the FY2021 STI Award (see Section 6.3.4.2);
- the LTIP and the LTI Offer (see Section 6.3.4.3);
- the Management Equity Plan, the manner in which MEP Shares will be treated in connection with the Offer and the Limited Recourse Loan Agreements which will remain in place in respect of the Rollover Shares (see Section 6.3.4.4); and
- the ESP to be established by the Company to enable eligible employees to acquire Shares, at no cost and/or through a salary sacrifice mechanism (see Section 6.3.4.5).

These additional disclosures are important to understanding the remuneration arrangements for Sy Van Dyk and the Senior Management Team Members as described in Sections 6.3.3.1 and 6.3.3.2 respectively.

The LTIP, the STIP and the ESP will be administered by the Board. The Board has broad discretion under these incentive plans, including with respect to the terms on which awards are made and the waiver of vesting conditions or other requirements, and other relevant decisions.

6.3.4.2 STIP

DDH1 has established a new STIP to assist in the reward, retention and motivation of eligible employees and reward them for strong performance levels and contributions to the DDH1 Group over a specified performance period. It is intended that the first awards to be made under the new STIP will be to participants from the commencement of FY2022.

The new STIP gives DDH1 the ability to make awards to participants in the form of cash, with a portion of any payment to participants that participate in the LTIP being deferred.

Any payments under STI Awards made under the new STIP will be made following release of the Company's financial results for the relevant performance period.

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

TOPIC	SUMMARY
Eligibility to participate	Offers may be made at the Board's discretion to employees, contractors and directors of the DDH1 Group that the Board determines to be eligible to receive a grant under the STIP. It is intended that all employees eligible to receive the LTI Offer will be eligible for STI awards.
Grants	The Board will have the discretion to determine: • when STI awards will be granted; and • the quantum of STI awards to be granted.
Vesting/Conditions	STI awards will be subject to such performance conditions (if any) as determined by the Board. For participants that participate in the LTIP, 30% of any payment will be deferred with 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 an STI award, the participant may continue to be entitled to receive payment depending on the circumstances of the cessation of employment.
Change of control	The Board may determine in its absolute discretion how a participant's STI awards will be treated on a change of control.
Clawback	The Board has clawback powers which it may exercise in the same circumstances as those listed in Section 6.3.4.3 (noting that, under the STIP, the clawback regime applies to cash).

STIs will be closely linked to the performance of the relevant employee measured against certain financial and non-financial targets, as set and assessed by the Board. Employees will be advised of their target STI awards and the level of performance that needs to be achieved.

In addition, the Chief Executive Officer of DDH1, Sy Van Dyk, and the Senior Management Team Members will be eligible for payments under an STI award in respect of the FY2021 performance period (**FY2021 STI Award**) pursuant to an existing STIP administered by DDH1 Holdings. The FY2021 STI Awards are subject to the following key terms:

- 30% of any payment will be deferred with 15% deferred until 12 months after vesting and the remaining 15% deferred until 24 months after vesting;
- if a participant ceases employment as at the payment date for a FY2021 STI Award, they will not be eligible to receive the FY2021 STI Award or any prior year deferred payments; and
- the DDH1 Holdings board has clawback powers which are consistent with those which may be exercised by the Board under the new STIP, as described above.

6.3.4.3 LTIP

DDH1 has established an **LTIP** to assist in the reward, retention and motivation of eligible employees. The LTIP is designed to align the interests of eligible employees with the interests of Shareholders by providing an opportunity for eligible employees to receive an equity interest in DDH1.

The LTIP provides flexibility for DDH1 to grant rights, options and/or Shares as incentives, subject to the terms of individual offers.

DDH1 intends to grant rights under the LTIP (**Performance Rights**) to the Chief Executive Officer, Sy Van Dyk, and the Senior Management Team Members on or around Completion of the Offer (and subject to Completion occurring), pursuant to offers made under the LTIP (collectively, the **LTI Offer**). Such Performance Rights would have an aggregate face value of up to $1,000,000. The total number of Performance Rights to be granted as part of the LTI Offer will be calculated by dividing that aggregate face value by the Offer Price.

The key terms of the LTIP and LTI Offer are set out in the table below.

TOPIC	SUMMARY
Eligibility to participate	Offers may be made at the Board's discretion to employees, contractors and directors of the DDH1 Group that the Board determines to be eligible to receive a grant under the LTIP. The LTI Offer is being made to Sy Van Dyk and the Senior Management Team Members. An application to participate in the LTIP will not be accepted if, at the date the application would otherwise be accepted, the relevant employee, contractor or director has given notice of his or her resignation as an employee, contractor or director, or the employee, contractor or director has been given notice of termination of his or her employment or engagement as an employee, contractor or director.
Maximum number of equity securities proposed to be issued under the LTIP	5% of the total number of Shares on issue (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 an Offer is made. For purposes of ASX Listing Rule 7.2, Exception 13, only, the maximum number of Shares to be issued under the LTIP is 34,222,985.
Offers under the LTIP	Under the LTIP, the Board may make an offer at its discretion, subject to any requirements including the ASX Listing Rules. The Board has the discretion to set the terms and conditions on which it will make an offer in an individual offer document (including with respect to the type of incentive that will be issued or granted to the relevant participant). An offer must be accepted by the participant. The Board will have the discretion to determine: • when LTI awards will be granted; and • the quantum of LTI awards to be granted under the LTIP. The LTI Offer will be made shortly after Listing.

TOPIC	SUMMARY
Grant of Performance Rights	The LTI Offer is a grant of Performance Rights under the LTIP. A Performance Right entitles the participant to acquire one Share at the end of the performance period, subject to satisfaction of certain vesting conditions. Performance Rights will be granted to participants for nil consideration under the LTI Offer. No amount is payable on vesting of the Performance Rights.
Quantum of grants	The face value of the LTI Offer is $1,000,000. Sy Van Dyk will be granted Performance Rights with a face value of $225,000. The Senior Management Team Members will be granted Performance Rights with an aggregate face value of $575,000. Any Performance Rights issued to Sy Van Dyk will be published in the Company's annual report for the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14 (or a waiver thereto). The final number of Performance Rights awarded to each participant will be calculated by dividing the dollar value of their LTI Offer by the Offer Price.
Performance period	The LTI Offer will be subject to the performance period which commenced on 1 July 2020 and which ends on 30 July 2023.
Vesting conditions, vesting and testing	Performance Rights granted as part of the LTI Offer will vest following the end of the performance period, subject to satisfaction of the following vesting conditions: • 30% of the Performance Rights will be subject to a vesting condition based on the CAGR in DDH1's TSR over the period from the date of Listing to 30 June 2023 (**TSR Component**); and • 70% of the Performance Rights will be subject to a vesting condition based on the CAGR in DDH1's EPS over the period from the date of Listing to 30 June 2023 (**EPS Component**).

TSR Component

The percentage of Performance Rights comprising the TSR Component that vest, if any, will be based on the following vesting schedule:

DDH1'S CAGR IN TSR OVER PERFORMANCE PERIOD	% OF PERFORMANCE RIGHTS THAT VEST
Below 15%	Nil
15%	50%
Between 15% and 25%	Straight-line pro rata vesting between 50% and 100%
At or greater than 25%	100%

EPS Component

The percentage of Performance Rights comprising the EPS Component that vest, if any, will be based on the following vesting schedule:

DDH1'S CAGR IN EPS OVER PERFORMANCE PERIOD	% OF PERFORMANCE RIGHTS THAT VEST
Below 15%	Nil
15%	50%
Between 15% and 25%	Straight-line pro rata vesting between 50% and 100%
At or greater than 25%	100%

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.

TOPIC	SUMMARY
Voting and dividend entitlements	Performance Rights granted under the LTIP 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.
Restrictions on dealing	Participants must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights granted as part of the LTI Offer unless the Board consents or the dealing is required by law. Participants will be free to deal with the Shares issued upon vesting of Performance Rights, subject to the requirements of DDH1's Securities Trading Policy.
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, unless the Board determines otherwise and 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 determine in its absolute discretion how a participant's Performance Rights will be dealt with on a change of control.
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 conditions in respect of any vested Performance Rights were not, or should not have been determined to have been, satisfied.

6.3.4.4 Management Equity Plan

Background

DDH1 Holdings currently has in place a Management Equity Plan under which Class M and Class N shares in DDH1 Holdings (**MEP Shares**) have been issued to certain senior executives, including Sy Van Dyk and the Senior Management Team Members. There are currently 5,083,000 MEP Shares held by the Chief Executive Officer, Sy Van Dyk, and 8,724,630 MEP Shares held by the Senior Management Team Members and other employees of DDH1.

It is not proposed than any further awards be granted under the Management Equity Plan following Completion of the Offer.

Treatment of MEP Shares

The Company has entered into binding agreements with the holders of MEP Shares (**MEP Holders**) pursuant to which it is proposed that the MEP Shares be treated in the following manner in connection with the Offer (with each of the following steps to occur on or around Completion) (each, a **MEP Sale Agreement**):

- DDH1 Holdings will deem the MEP Shares fully vested immediately prior to Completion of the Offer;
- DDH1 Group Holdings will acquire all of the MEP Shares held by each MEP Holder and, as consideration, offer to issue Shares (**Rollover Shares**) to that MEP Holder;
- all Rollover Shares will be fully vested;

- the Rollover Shares will be subject to any existing limited recourse loan agreement between a MEP Holder and DDH1 Holdings which relates to the MEP Shares acquired in consideration for the issuance of such Rollover Shares (as amended in connection with the DDH1 Group Restructure (as described in Section 10.3.2), the **Limited Recourse Loan Agreements**). Obligations under any such existing Limited Recourse Loan Agreements will continue to apply in respect of the applicable Rollover Shares; and
- 50% of the Rollover Shares will be subject to escrow restrictions until 4:15pm on the day the financial results of the Company for the financial year ended 30 June 2021 are publicly released (see Section 10.6), and the other 50% of the Rollover Shares will be subject to escrow restrictions until 4:15pm on the day the financial results of the Company for the financial year ended 30 June 2022 are publicly released.

Following completion of the above steps:

- there will be a total of 13,807,630 Rollover Shares on issue; and
- the aggregate amount owing under all limited recourse loan agreements between MEP Holders and DDH1 Holdings, and repayable from payments made in respect of the Rollover Shares, will be $6,055,830.

Other key terms applicable to the Rollover Shares are set out in the table below:

	SY VAN DYK	SENIOR MANAGEMENT TEAM MEMBERS
Total number of Rollover Shares	5,083,000	4,121,134
Vesting schedule	Fully vested	Fully vested
Voting and dividend entitlements	Rollover Shares carry the same dividend and voting rights as other Shares. MEP Holders must make repayments in respect of Rollover Shares which are subject to a Limited Recourse Loan Agreement, from any dividends.	Rollover Shares carry the same dividend and voting rights as other Shares. MEP Holders must make repayments in respect of Rollover Shares which are subject to a Limited Recourse Loan Agreement, from any dividends.
Restrictions on dealing	MEP Holders will be free to deal with the Rollover Shares, subject to the escrow restrictions and the requirements of DDH1's Securities Trading Policy.	MEP Holders will be free to deal with the Rollover Shares, subject to the escrow restrictions and the requirements of DDH1's Securities Trading Policy.
Clawback	If, during an escrow period, the Company becomes aware of a material misstatement in the Company's financial statements, that the holder of Rollover Shares has acted fraudulently or such holder has ceased employment with the Company and become involved with a competitor, then the Company has the right to claw back value in respect of the Rollover Shares which remain subject to escrow restrictions to ensure that the holder does not obtain an unfair benefit in connection with such shares. These arrangements do not apply to Rollover Shares which are issued in connection with Class N shares.	If, during an escrow period, the Company becomes aware of a material misstatement in the Company's financial statements, that the holder of Rollover Shares has acted fraudulently or such holder has ceased employment with the Company and become involved with a competitor, then the Company has the right to claw back value in respect of the Rollover Shares which remain subject to escrow restrictions to ensure that the holder does not obtain an unfair benefit in connection with such shares.

Limited Recourse Loan Agreements

The key terms applicable to the Limited Recourse Loan Agreements are set out in the table below:

TOPIC	SUMMARY
Loan amount	A per share loan amount (**Loan Amount Per Share**) applies to any Rollover Share issued in consideration for a MEP Share that was subject to a Limited Recourse Loan Agreement.
Mandatory repayment	A MEP Holder must repay the amounts owing under the MEP Holder's Limited Recourse Loan Agreement from: • any dividends, other distributions or returns of capital payable to the MEP Holder in respect of the Rollover Share after deducting tax at the top marginal rate of income tax payable by individuals who are resident in Australia generally; and • any proceeds received from the disposal of the Rollover Share, up to the sum of the Loan Amount Per Share and any balance owing (where the proceeds received from a prior disposal of a Rollover Share was less than the Loan Amount Per Share).
Limited recourse	The lender will have recourse for repayment under the Limited Recourse Loan Agreement only to the proceeds received by the MEP Holder from a disposal of the Rollover Shares.
Holding lock	Each Rollover Share will be the subject of a holding lock from its date of issue in order to give effect to the mandatory repayment arrangements described above.

6.3.4.5 ESP

DDH1 has established an ESP under which (among other things) eligible employees to whom participation in the ESP is offered may each apply for ESP Shares at no cost and/or funded by way of a salary sacrifice mechanism, in either case, for up to $1,000 worth of shares. Offers under the ESP will be made under the Employee Concessional Offer as a one-off entitlement in connection with the Offer, as set out in Section 7.5.

The key terms of the ESP are set out in the table below.

TOPIC	SUMMARY
Eligibility to participate	Offers may be made at the Board's discretion to employees, contractors and directors of the DDH1 Group that the Board determines to be eligible to receive a grant under the ESP. To be eligible to acquire ESP Shares at no cost, eligible employees must have been an eligible employee for no less than 12 months (as at the Eligibility Date, in respect of the Employee Concessional Offer). An application to participate in the ESP will not be accepted if, at the date the application would otherwise be accepted, the employee, contractor or director has given notice of his or her resignation as an employee, contractor or director, or the employee, contractor or director has been given notice of termination of employment or engagement as an employee, contractor or director.
Maximum number of equity securities proposed to be issued under the ESP	5% of the total number of Shares on issue (including Shares that may be issued as a result of offers under the ESP made during the preceding three-year period or any other relevant employee incentive scheme). For purposes of ASX Listing Rule 7.2, Exception 13, only, the maximum number of Shares to be issued under the ESP is 17,111,493.
Rights attaching to Shares	An ESP Share will rank equally in all respects with existing Shares. A participant is entitled to exercise any voting rights attaching to ESP Shares (regardless of whether or not the ESP Shares are subject to disposal restrictions) and is entitled to all dividends declared or paid on ESP Shares.

TOPIC	SUMMARY
Restrictions on dealing	The Board may determine that, for a specified period (**Restriction Period**), an ESP Share is subject to restrictions on disposal such that the ESP Share may not be sold, transferred, encumbered or otherwise dealt with without the prior approval of the Board, or as required by law. Subject to the discretion of the Board, the Restriction Period applicable to ESP Shares will expire on the earlier of: • when the Board, in its discretion, agrees to end the Restriction Period; and • three years from the date of issue or transfer of the ESP Shares to the participant.
Vesting and forfeiture conditions	There are no vesting conditions or forfeiture conditions under the ESP.

6.4 CORPORATE GOVERNANCE

6.4.1 Overview

This Section 6.4 explains how the Board will oversee the management of DDH1's business. In conducting DDH1's business, the Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising DDH1's strategies, policies and performance;
- protect and optimise Company performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Constitution;
- set, review and monitor compliance with DDH1's values and governance framework; and
- ensure that Shareholders are kept informed of DDH1's performance and major developments affecting its state of affairs.

Accordingly, the Board has created a framework for managing DDH1, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for DDH1's business and that are designed to promote the responsible management and conduct of DDH1.

The main policies and practices adopted by DDH1, which will take effect from Listing, are set out below. Copies of DDH1's key policies and practices and the charters for the Board and each of its committees will be available from Listing at https://ddh1drilling.com.au/.

6.4.2 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The Company is seeking a Listing on ASX. Accordingly, the Board has designed its corporate governance policies and practices having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations fourth edition (**ASX Recommendations**). The ASX Recommendations set out recommended corporate governance practices for entities listed on ASX in order to assist listed entities to achieve good corporate governance outcomes and meet investor expectations.

The ASX Recommendations are not prescriptive, rather they are guidelines against which entities have to report on an "if not, why not" basis. Under the ASX Listing Rules, the Company must prepare a corporate governance statement for each reporting period that discloses the extent to which it has followed the ASX Recommendations during that period. Where the Company does not follow a recommendation in the ASX Recommendations for any part of the reporting period, it must identify that recommendation and the period during which it was not followed and give reasons for not following it. The Company must also explain what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Clause 5 of the Board Charter provides that the majority of the Board should, to the extent practicable given the size and composition of the Board from time to time, be comprised of independent Directors. However, at the time of Listing and given the size and composition of the Board, the Board will be comprised of three independent Directors and three non-independent Directors (one of whom is an executive Director). Accordingly, upon Listing, the Company will not be in compliance with ASX Recommendation 2.4, which provides that a majority of the board of a listed entity should be independent directors. The Company will be in compliance with all other ASX Recommendations upon Listing and intends to continue to comply with those ASX Recommendations.

6.4.3 Board Composition

The Board of Directors is comprised of six Directors:

- three Independent Non-Executive Directors (including the Independent Non-Executive Chairperson);
- two Non-Executive Directors; and
- the Managing Director and Chief Executive Officer.

Detailed biographies of the Board members are provided in Section 6.1.

The Board Charter sets out factors relevant to assessing the independence of Directors, which are based on those set out in the ASX Recommendations. In general, Directors will be considered to be independent if they are free of any interest, position or relationship that might influence, or reasonably be perceived to influence, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or any other person. The Board will regularly review the independence of each Non-Executive Director in light of information relevant to this assessment as disclosed by each Director to the Board.

Murray Pollock, Byron Beath and Sy Van Dyk are not currently considered by the Board to be independent Directors, as:

- Sy Van Dyk is the Chief Executive Officer of the Company; and
- Murray Pollock and Byron Beath represent substantial shareholders of the Company.

The Board considers that each of Diane Smith-Gander AO, Alan Broome AM and Andrea Sutton shall be independent Directors and that each such Director is able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

The Board believes that each of Diane Smith-Gander AO, Alan Broome AM and Andrea Sutton will add significant value to the Board given their considerable experience and skills and will bring objective and independent judgement to the Board's deliberations.

6.4.4 Board Charter

The Board Charter provides an overview of the Board's structure, composition and responsibilities, and the relationship and interaction between the Board, Board Committees and Management.

Under the Board Charter, the Board's responsibilities include:

- defining the Company's purpose and setting the Company's strategies, budgets and business plans;
- appointing the CEO and evaluating the performance of the CEO and the CEOs' direct reports;
- overseeing management in its implementation of the Company's strategic objectives and instilling the Company's values generally;
- developing and reviewing DDH1's statement of values and code of conduct to underpin a culture of acting lawfully, ethically and responsibly;
- approving major capital expenditure, acquisitions and divestitures, and overseeing capital management;
- evaluating the performance of the Board, its committees and individual Directors; and
- approving policies regarding disclosure and communications with the market and Shareholders.

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chair.

While the Board retains ultimate responsibility for the strategy and performance of DDH1, the day-to-day operation of DDH1 is conducted by, or under the supervision of, the CEO as directed by the Board. The Board approves corporate objectives for the CEO to work towards and the management team is then responsible for implementing strategic objectives, plans and budgets approved by the Board.

The Board Charter also allows the Board to delegate powers and responsibilities to committees established by the Board.

6.4.5 Board Committees

The Board may from time to time establish committees to assist in performing its responsibilities. The Board has established the following committees:

- Audit and Risk Management Committee;
- People Committee; and
- Nomination Committee.

Other committees may be established by the Board as and when required.

6.4.5.1 Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's financial reporting, internal control structure, risk management systems and internal and external audit functions.

The Audit and Risk Management Committee's key responsibilities include:

- establishing and overseeing DDH1's risk management framework (for both financial and non-financial risks);
- reviewing and approving the Company's financial statements and reports;
- overseeing DDH1's financial reporting processes;
- managing audit arrangements and auditor independence; and
- overseeing DDH1's financial controls and systems.

Under its charter, the Audit and Risk Management Committee must consist of at least three members, all of whom are Non-Executive Directors and a majority of whom are Independent Directors. At Listing, the Audit and Risk Management Committee will comprise:

- Alan Broome AM (Chair)
- Andrea Sutton
- Byron Beath

Other Non-Executive Directors may attend the committee meetings at any time. Others, including executive Directors, members of management and the external auditor, may attend meetings of the committee by invitation of the committee.

6.4.5.2 People Committee

The People Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's remuneration policies and practices.

The role of the People Committee includes:

- reviewing and recommending to the Board remuneration arrangements for executive Directors, the CEO and the CEO's direct reports;
- assisting the Board with respect to the administration and operation of the employee equity and incentive plans; and
- evaluating and approving major changes and developments in DDH1's policies and procedures related to remuneration.

Under its charter, the People Committee must consist of at least three members, all of whom are Non-Executive Directors and a majority of whom are Independent Directors. At Listing, the People Committee will comprise:

- Andrea Sutton (Chair)
- Diane Smith-Gander AO
- Murray Pollock

Any executive Director, executive or other staff member, may attend all or part of a meeting of the People Committee at the invitation of the committee.

6.4.5.3 Nomination Committee

The Nomination Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's nomination policies and practices.

The role of the Nomination Committee includes:

- reviewing and recommending to the Board the size, composition and diversity of the Board including reviewing Board succession plans and the succession of the Chairperson and CEO;
- reviewing and recommending to the Board the criteria for nomination as a Director and the membership of the Board more generally;
- assisting the Board in relation to the performance evaluation of the Board, its committees and individual Directors; and
- ensuring that processes are in place to support Director induction and ongoing education.

Under its charter, the Nomination Committee must consist of all Directors.

Others, including members of management, may attend all or part of a meeting of the committee at the invitation of the committee.

6.5 CORPORATE GOVERNANCE POLICIES

6.5.1 Disclosure Policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to immediately disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Shares were that information to be generally available.

The Company has adopted a Disclosure Policy to take effect from Listing, which reinforces the Company's commitment to its continuous disclosure obligations, and describes the processes in place that enable the Company to provide Shareholders with timely disclosure in accordance with those obligations. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX, and copies of the Company's announcements to ASX will be available on the Company's website.

6.5.2 Shareholder Communication Policy

The Company aims to keep Shareholders and other stakeholders informed of major developments affecting the state of affairs of the Company in a timely and readily accessible manner. The Board has adopted a Shareholder Communication Policy in order to facilitate this aim and to promote effective communication with Shareholders and other stakeholders and to encourage and facilitate participation at the Company's annual general meetings and to deal promptly with the enquiries of Shareholders and other stakeholders.

Information will be disclosed to the ASX in accordance with the ASX Listing Rules and by publishing information on the Company's website. The Company encourages shareholders to receive Company information electronically by registering their email address online with the Company's share registry.

6.5.3 Securities Trading Policy

The Company has adopted a Securities Trading Policy that is intended to explain the types of conduct in relation to dealings in the Company's securities that are prohibited by law and establish procedures for the buying and selling of securities to ensure that public confidence is maintained in the reputation of the Company, the Directors and employees and in the trading of the Company's securities.

The Policy provides that Directors and employees must not deal in the Company's securities when they are aware of "inside" information.

In addition, Directors and certain restricted employees must not deal in the Company's securities during any of the following blackout periods:

- the period from the close of trading on the ASX on 16 June each year until 10:00am (Sydney time) on the ASX trading day following the announcement to ASX of the Company's full-year results;
- the period from the close of trading on the ASX on 17 December each year until 10:00am (Sydney time) on the ASX trading day following the announcement to ASX of the Company's half-year results;

- the period from the close of trading on the ASX on the day that is two weeks prior to the Company's AGM until 10:00am (Sydney time) on the ASX trading day following the date of the Company's AGM; and
- any other period that the Board specifies from time to time.

If 16 June or 17 December are not ASX trading days, then the blackout period begins on the preceding ASX trading day.

Directors and restricted employees must receive prior approval for any proposed dealing in the Company's securities outside of the above blackout periods (including any proposed dealing by one of their connected persons). In all instances, buying or selling Company securities is not permitted at any time by any person who possesses "inside" information.

6.5.4 Code of Conduct

The Company is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct that outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards.

The Code is designed to:

- provide a benchmark for professional behaviour throughout the Group;
- support the Group's business reputation and corporate image within the community;
- make Directors and employees aware of the consequences if they breach the code; and
- ensure legal compliance within each operational jurisdiction.

6.5.5 Diversity and Inclusion Policy

The Board has approved a Diversity and Inclusion Policy which sets out the Company's commitment to an inclusive and diverse workforce. The Diversity and Inclusion Policy recognises that diversity includes (among other things) gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, socio-economic or cultural background, perspective and experience. The Diversity and Inclusion Policy aims to ensure that recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered while guarding against any conscious or unconscious biases that might discriminate against certain candidates. The Diversity and Inclusion Policy also reflects that the Company will not tolerate any form of workplace discrimination, bullying, harassment, vilification, victimisation or gossip.

The Company will include in its corporate governance statement each year details of the measurable objectives set under the Diversity and Inclusion Policy for the year to which the corporate governance statement relates, and a summary of the Company's progress towards achieving those measurable objectives.

6.5.6 Anti-Bribery and Corruption Policy

The Company is committed to conducting its business activities in an ethical, lawful and socially responsible manner, and in accordance with the laws and regulations of the countries in which it operates. Accordingly, the Board has adopted an Anti-Bribery and Corruption Policy which sets out the responsibilities of the Company and its employees or other personnel and representatives in observing and upholding the prohibition on bribery and related improper conduct and provides information and guidance on how to recognise and deal with instances of bribery and corruption.

All material breaches of the Anti-Bribery and Corruption Policy will be reported to the Board.

6.5.7 Whistleblower Policy

The Company is committed to the protection of employees, officers, contractors, suppliers and their family members who disclose information concerning misconduct or an improper state of affairs or circumstances within the Group. Accordingly, the Board has adopted a Whistleblower Policy to provide a safe and confidential environment where such concerns can be raised by whistleblowers without fear of reprisal or detrimental treatment.

7.

DETAILS OF THE OFFER

DDH1-Rig 31: UDR5000 Australia's largest mineral core drilling rig flying the flag with pride while drilling a deep hole in WA's Pilbara region

7.1 THE OFFER

This Prospectus relates to an initial public offering of 136.4 million Shares to be issued by the Company at the Offer Price of $1.10 to raise approximately $150.0 million.[1]

On Completion, 205.9 million Shares will be held by Existing Shareholders and will be subject to the Voluntary Escrow Arrangements, as described in Section 10.6. Accordingly, the Company will have a free float of approximately 40% of the Shares on issue immediately following Completion. The total number of Shares on issue at Completion will be 342.2 million[1] and all Shares will rank equally in all respects with each other. The rights and liabilities attaching to all Shares are detailed in the Company's constitution. A summary of these rights and liabilities is set out in Section 7.14.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises the:

- Broker Firm Offer (see Section 7.3);
- Employee Offer (see Section 7.4);
- Employee Concessional Offer (see Section 7.5); and
- Institutional Offer (see Section 7.6).

No general public offer of Shares will be made under the Offer.

The allocation of Shares:

- between the Institutional Offer, the Broker Firm Offer, the Employee Offer and the Employee Concessional Offer; and
- to participants within the Institutional Offer,

will be determined by the Company after considering advice from the Joint Lead Managers and having regard to the allocation policies as set out in Sections 7.3.5, 7.4.4, 7.5.4 and 7.6.2.

The Offer (with the exception of the Employee Concessional Offer component) is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 10.5.

The Offer is made with disclosure under this Prospectus and is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.2 Purpose of the Offer

The purpose of the Offer is to:

- provide the Company with:
  - funding for the repayment of debt, and payment of certain expenses incurred in relation to the Offer;
  - access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities; and
  - a liquid market for its Shares and an opportunity for new investors (including employees) to acquire its Shares; and
- provide certain Existing Shareholders with an opportunity to realise part of their investment in the Company.

1. Assumes no Shares are issued under the Employee Concessional Offer. The maximum number of Shares that could be issued under the Employee Concessional Offer is approximately 1.3 million, including approximately 0.5 million Shares which are available for issue to certain Concession Eligible Employees at no cost to them.

7.1.3 Sources and uses of Offer proceeds

The Offer is expected to raise approximately $150.0 million. **Table 31** below sets out in detail the sources and uses of Offer proceeds.

Table 31: Sources and uses of Offer proceeds

SOURCES	$M	USES	$M
Proceeds from the issue of Shares	150.0	Proceeds to Existing Shareholders	109.0
		Repayment of existing debt[1]	29.9
		Payment of cash costs of the Offer[2]	11.1
Total sources of funds	**150.0**	**Total uses of funds**	**150.0**

1. The Company also intends to apply cash that it holds as at Completion of the Offer (being cash that was not raised via the Offer) to repay debt, with that amount of cash expected to be sufficient to fully repay the remaining balance of that debt at that time.
2. Excluding $0.5 million in non-cash costs relating to Shares gifted under the Employee Concessional Offer. See Section 10.12 for further details.

The above table is a statement of the Company's current intentions as at the Prospectus Date. The anticipated use of funds may vary from the actual use of funds, and the assumptions upon which the use of funds is based are by their nature subject to significant uncertainties and contingencies. Accordingly, none of DDH1, its Directors or any other person can give any assurance that the use of funds will be applied in the manner set out in the above table.

7.1.4 Shareholding structure

The details of the ownership of interests prior to Completion and Shares at Completion are set out below:

Table 32: Ownership of Shares

	INTEREST IN DDH1 HOLDINGS PRIOR TO COMPLETION		INTEREST AT COMPLETION	
SHAREHOLDER	%	SHARES PRIOR TO COMPLETION	%	SHARES AT COMPLETION[5]
Founders[1]	52.3	159,595,258	33.3	113,966,496
Oaktree[2]	41.8	127,422,808	22.1	75,753,063
Non-Executive Directors[3] (excluding Murray Pollock)	–	–	–	136,365
Management – Class M shares	4.4	13,349,630	3.9	13,349,630
Management – Class N shares	0.2	458,000	0.1	340,886
Other Existing Shareholders	1.4	4,131,428	0.7	2,456,140
New Shareholders[4]	–	–	39.8	136,227,271
Total[5]	**100.0**	**304,957,124**	**100.0**	**342,229,851**

1. The Founders are Murray Pollock, Matt Thurston, Richard Bennett and Matt Izett, each of whom hold their interests directly or through controlled entities or related parties.
2. Oaktree will also have a relevant interest in any Shares in which the Company has a relevant interest due to certain disposal restrictions applicable to Shares issued under the Employee Concessional Offer and disposal rights under the employee loans described in Section 6.3.4.4. These additional relevant interests will result in Oaktree having a relevant interest in up to 90.4 million Shares as at Completion of the Offer.
3. The Non-Executive Directors are Diane Smith-Gander AO, Alan Broome AM, Andrea Sutton, Murray Pollock and Byron Beath.
4. Excludes 136,365 new Shares to be subscribed for and issued to Diane Smith-Gander AO, Alan Broome AM and Andrea Sutton.
5. All interests at Completion will be held in the form of Shares.

At Completion of the Offer, approximately 60.2% of the Shares will be subject to the Voluntary Escrow Arrangements. See Section 10.6 for further information.

7.1.5 Control implications of the Offer

Following Completion, the Directors do not expect any Shareholder will control (as defined by section 50AA of the Corporations Act) the Company.

7.2 TERMS AND CONDITIONS OF THE OFFER

TOPIC	SUMMARY
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.14.
What is the consideration payable for each Share being offered?	The Offer Price is $1.10 per Share. Successful Applicants under the Offer (other than the Employee Concessional Offer) will pay the Offer Price.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out on page 14. No Shares will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date. The key dates are indicative only and may change. Unless otherwise indicated, all times stated are Sydney time. The Company, in consultation with the Joint Lead Managers, reserves the right to vary any and all of the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the allotment of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.
What are the cash proceeds to be raised?	Approximately $150.0 million is expected to be raised under the Offer if the Offer proceeds.[2]
Is the Offer underwritten?	Yes. The Offer (with the exception of the Employee Concessional Offer component) is fully underwritten by the Joint Lead Managers. More details on the underwriting arrangements are set out in Section 10.5.
Who are the Joint Lead Managers of the Offer?	The Joint Lead Managers are Bell Potter Securities Limited, Murray Aitken Capital Partners Pty Ltd, Macquarie Capital (Australia) Limited and UBS AG, Australia Branch.

2. Assumes no Shares are issued under the Employee Concessional Offer. The maximum number of Shares that could be issued under the Employee Concessional Offer is approximately 1.3 million, including approximately 0.5 million Shares which are available for issue to certain Concession Eligible Employees at no cost to them.

7. DETAILS OF THE OFFER

TOPIC	SUMMARY
What is the allocation policy?	The allocation of Shares: • between the Institutional Offer, the Broker Firm Offer, the Employee Offer and the Employee Concessional Offer; and • to participants within the Institutional Offer, was determined by the Company after having considered advice from the Joint Lead Managers and having regard to the allocation policies as set out in Sections 7.3.5, 7.4.4, 7.5.4, and 7.6.2. With respect to the Broker Firm Offer, it will be a matter for the Brokers (and not the Company or the Joint Lead Managers) as to whom among their eligible clients they allocate Shares.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on or about 8 March 2021. Refunds (without interest) to Applicants who make an Application but are scaled back will be made as soon as practicable upon Completion of the Offer. No refunds will be made where the overpayments relate solely to rounding at the Offer Price.
Will the Shares be quoted on the ASX?	The Company will apply to ASX within seven days of the Prospectus Date for its admission to the Official List, and quotation of Shares by ASX (under the code DDH). Listing is conditional on ASX approving the Company's application for quotation. If ASX approval is not given within three months after such an application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.
When are the Shares expected to commence trading?	It is expected that the Shares will commence trading on the ASX on or about 9 March2021 on a normal settlement basis. If the Offer is cancelled or withdrawn before the allotment of Shares, all Application Monies received will be refunded as soon as possible (without interest). It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker or from the Offer Information Line.
Are there any escrow arrangements?	Yes. Details are provided in Section 10.6.
Has any ASIC relief or ASX waiver or confirmation been sought, obtained or relied on?	Yes. Details are provided in Section 10.9.
Are there any tax considerations?	Yes. Details are provided in Section 10.8.

TOPIC	SUMMARY
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. Details of stamp duty considerations are provided in Section 10.8.4.
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Offer Information Line on 1300 202 943 (within Australia) and +61 3 9415 4179 (outside Australia) from 8:30am until 5:00pm (Sydney time), Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether DDH1 is a suitable investment for you, you should seek professional guidance from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest.

7.3 BROKER FIRM OFFER

7.3.1 Who may apply

The Broker Firm Offer is open to Australian and New Zealand resident retail and sophisticated non-institutional clients of Brokers who have a registered address in Australia or New Zealand respectively and who have received an invitation from a Broker to acquire Shares under this Prospectus, and who are not in the United States. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.3.2 How to apply

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus which may be downloaded in its entirety from https://ddh1offer.thereachagency.com. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form.

By making an Application, you declare that you were given access to this Prospectus (and any supplementary or replacement Prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications under the Broker Firm Offer must be for a minimum of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter (rounded down to the nearest whole Share based on the Offer Price). There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than $250,000. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms to the Share Registry. The Broker Firm Offer opens at 9:00am (Sydney time) on 17 February 2021 and is expected to close at 5:00pm (Sydney time) on 26 February 2021.

The Company and the Joint Lead Managers may elect to extend the Offer (or any part of it) or accept late Applications either generally or in particular cases without further notice. The Offer (or any part of it) may be closed at any earlier date and time, without further notice (subject to the ASX Listing Rules and the Corporations Act). Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with the instructions provided by that Broker.

7.3.4 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to the Company to apply for the Australian dollar amount of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer may not be varied and is irrevocable.

An Application may be accepted in respect of the full number of Shares specified on Application Form or any lesser amount, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants conditional on the quotation of Shares on the ASX

7.3.5 Allocation policy under the Broker Firm Offer

Shares that are allocated to Brokers for allocation to their eligible Australian and New Zealand resident clients will be issued to the Applicants nominated by those Brokers (subject to the right of DDH1 and the Joint Lead Managers to reject, aggregate or scale back Applications).

It will be a matter for each Broker (and not the Company or the Joint Lead Managers) to determine how they allocate Shares among their eligible retail clients.

7.4 EMPLOYEE OFFER

7.4.1 Who may apply

All full-time and part-time employees or directors of the DDH1 Group who, as at the Eligibility Date, are resident in Australia and who have not given or received notice of termination of their employment or engagement as at the date the Application would otherwise be accepted (**Eligible Employees**), are entitled to participate in the Employee Offer.

Eligible Employees will receive a personalised invitation to apply for Shares under the Employee Offer. Eligible Employees should read the invitation and this Prospectus carefully and in their entirety before deciding whether to apply under the Employee Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.4.2 How to apply

Eligible Employees who wish to apply for Shares under the Employee Offer must apply for Shares online by visiting https://ddh1offer.thereachagency.com. Eligible Employees must comply with the instructions on their personalised invitation.

Applications under the Employee Offer must be received on or before 5:00 (Sydney time) on 26 February 2021.

Applications under the Employee Offer may be for a minimum of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter.

7.4.3 Payment methods

Payment must be made in Australian dollars via BPAY®. Application monies must be received by the Share Registry by 5:00pm (Sydney time) on 26 February 2021.

When an Applicant is completing their BPAY® payment, they should make sure they use the specific Biller Code and their unique CRN provided on the online Application Form. If they do not use the correct CRN their Application will not be recognised as valid. It is the Applicant's responsibility to ensure that payments are received by 5:00pm (Sydney time) on 26 February 2021. Applicants should be aware that their financial institution may implement earlier cut-off times with regard to electronic payment, and they should therefore take this into consideration when making payment. The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY® before 26 February 2021 arising as a result of, among other things, processing of payments by financial institutions.

7.4.4 Allocation policy under the Employee Offer

Eligible Employees will receive a guaranteed minimum allocation of $2,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price), subject to Completion of the Offer. The aggregate number of Shares issued under the Employee Offer will not exceed $2.0 million worth of Shares (rounded down to the nearest whole Share based on the Offer Price). Eligible Employees may apply for a greater number of Shares however such applications may be subject to scale-back depending on the extent to which there are excess Shares available as a result of Eligible Employees not taking up their guaranteed minimum allocation under the Employee Offer.

The Company (in consultation with the Joint Lead Managers) has absolute discretion regarding the allocation of Shares to Applicants in the Employee Offer and may reject an Application, or allocate fewer Shares than the number applied for, or the equivalent dollar amount applied for (subject to the guaranteed minimum allocations).

If you are allocated a lesser number of Shares than the amount you applied for, the Company will refund the difference between the Application Monies received and Application Monies payable for the number of Shares issued to you (without interest).

7.5 EMPLOYEE CONCESSIONAL OFFER

7.5.1 Who may apply

All Concession Eligible Employees are entitled to participate in the Employee Concessional Offer.

Concession Eligible Employees will receive a personalised invitation to apply for Shares under the Employee Concessional Offer. Concession Eligible Employees should read the invitation and this Prospectus carefully and in their entirety before deciding whether to apply under the Employee Concessional Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

There were approximately 500 Concession Eligible Employees who had been employed by the DDH1 Group for at least 12 months as at the Eligibility Date. There were approximately 400 Concession Eligible Employees who were employed by the DDH1 Group as at the Eligibility Date.

7.5.2 How to apply

Concession Eligible Employees who wish to apply for Shares under the Employee Concessional Offer must apply for Shares online by visiting https://ddh1offer.thereachagency.com. Concession Eligible Employees must comply with the instructions on their personalised invitation.

Applications under the Employee Concessional Offer must be received on or before 5:00 (Sydney time) on 26 February 2021.

Applications under the Employee Concessional Offer may be:

- for Concession Eligible Employees who had been employed by the DDH1 Group for at least 12 months as at the Eligibility Date, for $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price) at no cost and up to an additional $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price) to be funded through salary sacrifice contributions; and
- for Concession Eligible Employees who had been employed by the DDH1 Group for less than 12 months as at the Eligibility Date, for up to $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price) to be funded through salary sacrifice contributions.

Concession Eligible Employees applying under the Employee Concessional Offer for Shares to be funded through salary sacrifice contributions must apply for a minimum of $500 worth of Shares and in multiples of $100 worth of Shares thereafter (rounded down to the nearest whole Share based on the Offer Price). The maximum value of Shares that can be applied for under the Employee Concessional Offer through salary sacrifice contributions is $1,000 (rounded down to the nearest whole Share based on the Offer Price).

7.5.3 Payment methods

No payment for Shares is required under the Employee Concessional Offer. Concession Eligible Employees must comply with the instructions on their personalised invitation regarding salary sacrifice arrangements.

7.5.4 Allocation policy under the Employee Concessional Offer

Concession Eligible Employees who had been employed by the DDH1 Group for at least 12 months as at the Eligibility Date and apply for $1,000 worth of Shares at no cost under the Employee Concessional Offer will receive a guaranteed allocation of $1,000 worth of Shares at no cost (rounded down to the nearest whole Share based on the Offer Price).

Concession Eligible Employees who apply for Shares under the Employee Concessional Offer to be funded through salary sacrifice contributions will receive a guaranteed allocation of their application amount of Shares up to a maximum $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

7.5.5 Restrictions on disposing of Shares

Concession Eligible Employees may not sell, transfer, encumber or otherwise deal with Shares acquired under the Employee Concessional Offer for a period of three years, unless it is with the prior approval of the Board or required by law.

The Company will implement necessary arrangements to give effect to this restriction. By applying for Shares under the Employee Concessional Offer, Concession Eligible Employees will be agreeing to the imposition of a restriction on disposal of those Shares.

7.6 INSTITUTIONAL OFFER

7.6.1 Invitations to bid

Under the Institutional Offer, Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions outside the United States were invited to bid for an allocation of Shares under this Prospectus. The Joint Lead Managers separately advised the Institutional Investors of the Application procedures for the Institutional Offer.

7.6.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Company after considering advice from the Joint Lead Managers.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall anticipated level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management by particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that the Company and the Joint Lead Managers considered appropriate.

7.7 ISSUE OF SHARES TO MEP HOLDERS

The terms of the MEP Sale Agreements contemplate that the Company will issue up to approximately 13.8 million Shares to the MEP Holders. The Shares to be issued to the MEP Holders pursuant to the MEP Sale Agreements will be issued under this Prospectus.

7.8 BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable by Applicants who apply for Shares using an Application Form. Investors who buy or sell Shares on ASX may be subject to brokerage and other transaction costs.

7.9 TAXATION ISSUES

A summary of the Australian tax consequences of investing in DDH1 is contained in Section 10.8.

However, the summary provides general information only. Applicants should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances.

7.10 UNDERWRITING ARRANGEMENTS

The Offer (with the exception of the Employee Concessional Offer component) is fully underwritten. The Joint Lead Managers and the Company have entered into an Underwriting Agreement under which the Joint Lead Managers have been appointed as managers and underwriters of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer. The Underwriting Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Joint Lead Managers may terminate the Underwriting Agreement and their underwriting obligations.

A summary of certain terms of the Underwriting Agreement, including the termination provisions, is provided in Section 10.5.

7.11 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants and bidders. If the Offer (or any part of it) does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and the Joint Lead Managers also reserve the right to close the Offer (or any part of it) early, extend the Offer (or any part of it), accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.12 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia or New Zealand.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia or New Zealand, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia or New Zealand, and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, pledged or transferred directly or indirectly, in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, or sold, pledged or transferred directly or indirectly, in the United States, except in a transaction exempt from, or not subject to, registration under the U.S. Securities Act and any other applicable securities laws;
- it is not in the United States;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or New Zealand except in transactions exempt from, or not subject to, registration under the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.12.1 Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of new Shares only in the Provinces of British Columbia, Ontario and Quebec (the **Provinces**) and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such new Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons who are "accredited investors" within the meaning of National Instrument 45-106 – Prospectus Exemptions, of the Canadian Securities Administrators.

7. DETAILS OF THE OFFER

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the Shares or the offering of the Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Shares or the resale of such securities. Any person in the Provinces lawfully participating in the Offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the Shares.

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also complies with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission.

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the *Securities Act* (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that:

a. the Company will not be liable if it proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
b. in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon; and
c. in no case shall the amount recoverable exceed the price at which the Shares were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

a. in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
b. in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action.

These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations

Prospective purchasers of the Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the Shares as any discussion of taxation-related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada

Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

7.12.2 European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the **Prospectus Regulation**).

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

7.12.3 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

7.12.4 Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Shares may not be offered or sold, directly or indirectly, in Norway except to "qualified investors" (as defined in the Prospectus Regulation 2017/1129 Article 2(e), cf. the Norwegian Securities Trading Act of 29 June 2007 no. 75 Section 7-1 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

7.12.5 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

7.12.6 Switzerland

The offering of the Shares in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("FinSA") because such offering is made to professional clients within the meaning of the FinSA only and the Shares will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This document does not constitute a prospectus or a similar communication pursuant to the FinSA, art. 652a, or art. 752 of the Swiss Code of Obligations (in its version applicable during the transitory period after entering into force of FinSA on January 1, 2020) or a listing prospectus within the meaning of art. 27 et seqq. of the SIX Listing Rules (in their version enacted on January 1, 2020, and to be applied during the transitory period), and no such prospectus has been or will be prepared for or in connection with the offering of the Shares.

7.12.7 United Kingdom

Neither the information in this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of Article 2(e) of the UK Prospectus Regulation) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus under section 86(1) of the FSMA. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

7.13 ASX LISTING, REGISTERS AND HOLDING STATEMENTS, AND TRADING

7.13.1 Application to the ASX for listing of DDH1 and quotation of Shares

The Company will apply within seven days of the Prospectus Date to the ASX for admission to the Official List of the ASX and quotation of Shares (under the code 'DDH').

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List of the ASX is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.13.2 CHESS and issuer sponsored holdings

The Company will apply to participate in the ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters: an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been issued or transferred to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Shareholder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.13.3 Selling Shares on market

It is expected that the Shares will commence trading on the ASX on or about 9 March 2021.

Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants conditional on the quotation of Shares on ASX and commencement of trading.

To assist Applicants in determining their allocation prior to receipt of a holding statement, Applicants will be able to call the Offer Information Line on 1300 202 943 (within Australia) and +61 3 9415 4179 (outside Australia) from 8:30am until 5:00pm (Sydney time), Monday to Friday (excluding public holidays) until Completion of the Offer to confirm their allocations. Allocation enquiries in relation to the Broker Firm Offer should be directed to your Broker.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker or from the Offer Information Line.

7.14 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES

The rights and liabilities attaching to ownership of Shares are detailed in the Constitution and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive and is qualified by the full terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List of the ASX.

7.14.1 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting is not entitled to a casting vote in addition to any deliberative vote.

7.14.2 Meetings of Shareholders

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

The Company must give at least 28 days' written notice of a general meeting.

7.14.3 Dividends

Subject to the Corporations Act, the Constitution and the terms of issue or rights of any Shares with special rights to dividends, the Board may from time to time determine that a dividend is payable, fix the amount of the dividend, the timing of payment of the dividend and the method of payment of the dividend.

A dividend may only be paid in accordance with the Corporations Act.

For further information in respect of the Company's proposed dividend policy, see Section 4.8.

7.14.4 Transfer of Shares

Subject to the Constitution and the ASX Listing Rules, Shares may be transferred by:

- a proper ASTC transfer (effected in accordance with the ASX Settlement Operating Rules); or
- an instrument in writing in any usual form or in any other form that the Directors approve.

The Board may ask ASX Settlement to apply a holding lock or may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules where the transfer is not in registrable form, if the Company has a lien on the shares, where the registration of the transfer may breach a law of Australia, where the transfer is paper-based and registration of the transfer will create a new holding which is less than a marketable parcel, where the transfer is not permitted under the terms of an employee incentive scheme, or where the Company is otherwise permitted or required to do so under the ASX Listing Rules or, except for a proper ASTC transfer, under the terms of issue of the Shares. The Board must refuse to register a transfer of Shares when required by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

7.14.5 Issue of further Shares

Subject to the Corporations Act, ASX Listing Rules and any rights and restrictions attached to Shares, the Board has full discretion to issue and allot or otherwise dispose of Shares, grant options over unissued Shares and settle the manner in which fractions of a Share are to be dealt with.

7.14.6 Winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of Shareholders, divide among Shareholders in kind the whole or any part of the Company's property, and determine how the division is to be carried out between Shareholders or different classes of Shareholders.

7.14.7 Share buy-backs

Subject to the Corporations Act and ASX Listing Rules, the Company may buy back Shares in itself on terms and at times determined by the Board.

7.14.8 Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of shares, wherever the capital of the Company is divided into different classes of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those shares.

7.14.9 Conversion or reduction of share capital

Subject to the Corporations Act, the Company may convert all or any of its shares into a larger or smaller number of shares by resolution passed at a general meeting.

The Company may reduce its share capital in any way permissible by the Corporations Act.

7.14.10 Preference shares

The Company may issue preference shares including preference shares which are, or at the option of the Company or holder are, liable to be redeemed or convertible to Shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

7.14.11 Dividend reinvestment plans

Subject to the ASX Listing Rules, the Constitution authorises the Directors, on any terms and conditions they think fit, to establish a dividend reinvestment plan (under which any Shareholder or any class of Shareholders may elect that the dividends payable by the Company be reinvested by a subscription for shares in the Company). The Directors may amend, suspend or terminate a dividend reinvestment plan implemented by the Company.

7.14.12 Directors – appointment and removal

Under the Constitution, the Company will have at least three Directors, unless otherwise provided by the Corporations Act and the maximum is fixed by the Directors but may not be more than 12 or such lower number as the Directors determine, subject to Shareholder approval of such determination. Directors are elected at annual general meetings of the Company.

No Director (other than the Managing Director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later). The Board may also appoint any eligible person to be a Director (but not the Managing Director), either to fill a causal vacancy or as an addition to the existing Directors, who will hold office until the conclusion of the next annual general meeting of the Company following their appointment.

A person is eligible for election to the office of Director at a general meeting if they are nominated by the Board or by another Shareholder or, if that person is a Shareholder, by nominating themselves, in each case in accordance with procedures in the Constitution (subject to timing requirements).

7.14.13 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote, in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

7.14.14 Directors – remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. The total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting for that purpose. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.2.1. Any change to that maximum aggregate amount needs to be approved by Shareholders.

Directors may be reimbursed for travel and other expenses properly incurred in attending to the Company's affairs, including attending and returning from general meetings of the Company, Board meetings or meetings of committees of the Board. If a Director renders or is called on to perform extra services, or make any special exertions in connection with the affairs of the Company, the Directors may arrange for special remuneration to be paid to that Director either in addition to or in substitution for that Director's remuneration.

Directors' remuneration is discussed above in Section 6.3.2.

7.14.15 Indemnities

The Company may indemnify, to the extent permitted by law, each Director, alternate director or executive officer of the Company (and, if the Directors so determine, any current or former officer or auditor of the Company or its related bodies corporate) against any losses or liability incurred by that person as an officer or auditor (as applicable) of the Company or a related body corporate of the Company, including but not limited to a liability for negligence or for reasonable legal costs on a full indemnity basis.

The Company may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each Director, alternate director or executive officer of the Company (and, if the Directors so determine, any current or former officer or auditor of the Company or its related bodies corporate) against any liability incurred by that person as an officer or auditor (as applicable) of the Company or of a related body corporate, including but not limited to a liability for negligence or for reasonable legal costs on a full indemnity basis.

7.14.16 Powers and duties of Directors

The Directors are responsible for managing the business of the Company and may exercise to the exclusion of the Company in general meeting all the powers of the Company that are not required by law or by the Constitution to be exercised by the Company in general meeting.

7.14.17 Amendments

The Constitution can only be amended in accordance with the Corporations Act, which requires a special resolution passed by at least three-quarters of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

8.

INDEPENDENT INDUSTRY REPORT

DDH1-Rig 2: Sandvik DE880 Nightshift Eastern Goldfields WA

Wood Mackenzie
A Verisk Business

January 2021

Australian Mineral Drilling Sector Report

Preface

The purpose of this report is to provide an overview of the Australian mineral drilling sector. In this report, mineral drilling refers to mineral drilling to define the existence, type and size of mineralisation (excluding oil and gas) of an orebody. It does not include drilling for overburden removal (blasting), drilling for water or shallow drilling in unconsolidated sediment for geotechnical purposes.

This report begins with a commodity outlook which provides both historical analysis and forward-looking views for some of the main commodities related to mineral drilling in Australia: gold, copper, iron ore and nickel. An overview of Australian supply and relative cost benchmarking is also provided within each commodity outlook.

This is followed by a discussion of the purpose of mineral drilling and its relationship with the various phases of the mining life cycle. It includes information on the structure of the industry, its size, and how it has performed over recent years from both monetary and physical standpoints.

This report has been based on information from various sources. Commodity market outlooks are based on Wood Mackenzie's published research as of Q4 2020. Information on the rig count of various drilling companies, and the industry utilisation rate are based on data from the Australian Drilling Industry Association ("**ADIA**"). Information on the historical breakdown of drilled metres by hole type are based on the proprietary database of MinEx Consulting, while other information on the financials of various operators and exploration spending are based on publicly available sources such as the Australian Bureau of Statistics ("**ABS**") and company websites.

Contents

Figures

Maps

Executive summary

Commodity markets overview

Australia is a leading global commodity producer. Key commodities produced include gold, iron ore, copper, nickel and coal. Wood Mackenzie forecasts robust growth in demand for Australian minerals throughout the next decade as India and the developing economies of South East Asia continue to urbanise.

Many major Australian mines are competitively positioned on the global cost curve due to factors such as the relatively higher productivity of Australian mines and the significant economies of scale achieved in some industries such as the iron ore sector.

Gold, in particular, is likely to require significant amounts of mineral drilling in the near future given the need to replenish rapidly depleting reserve inventories. Without further exploration, Australian gold production is expected to halve by 2030.

In 2020, the coronavirus (COVID-19) epidemic quickly emerged as a black swan event leading to the most severe shock to hit capital markets since 2008's financial crisis. In efforts to contain the coronavirus pandemic, global economic activity slowed down in an unprecedented way. Wood Mackenzie estimates a global GDP contraction of 4.8% in 2020.

Localised lockdowns and partial re-tightening of restrictions to control outbreaks of new cases has continued into early 2021. Assuming societal restrictions can be lifted gradually over the remainder of the year, economic growth rates are expected to pick up and lead to a rebound in global GDP of 4.6% in 2021. Successful global vaccine implementation and mass immunity is also a key step before post-COVID-19 'normalisation' begins. Wood Mackenzie estimates "pre-COVID" economic growth profiles of 2-3% from 2022, with countries like China and India outperforming the global average.

The Australian mineral exploration drilling industry

Australian drilling depths are becoming increasingly deeper as shallow reserves are exhausted which will drive demand for more metres drilled and in particular Diamond Core drilling.

Mining companies outsource virtually all of their mineral drilling requirements to external service providers as this provides flexibility of capacity, machine operator skills and cost effectiveness.

Demand for both greenfield and brownfield mineral exploration drilling is expected to continue in order to maintain and grow production volumes as well as replenish reserves.

Mineral drilling market performance and trends

The global drilling market has recently started recovering following a prolonged downturn beginning in 2012 which led to a decline in the number of new discoveries relative to the long-term average.

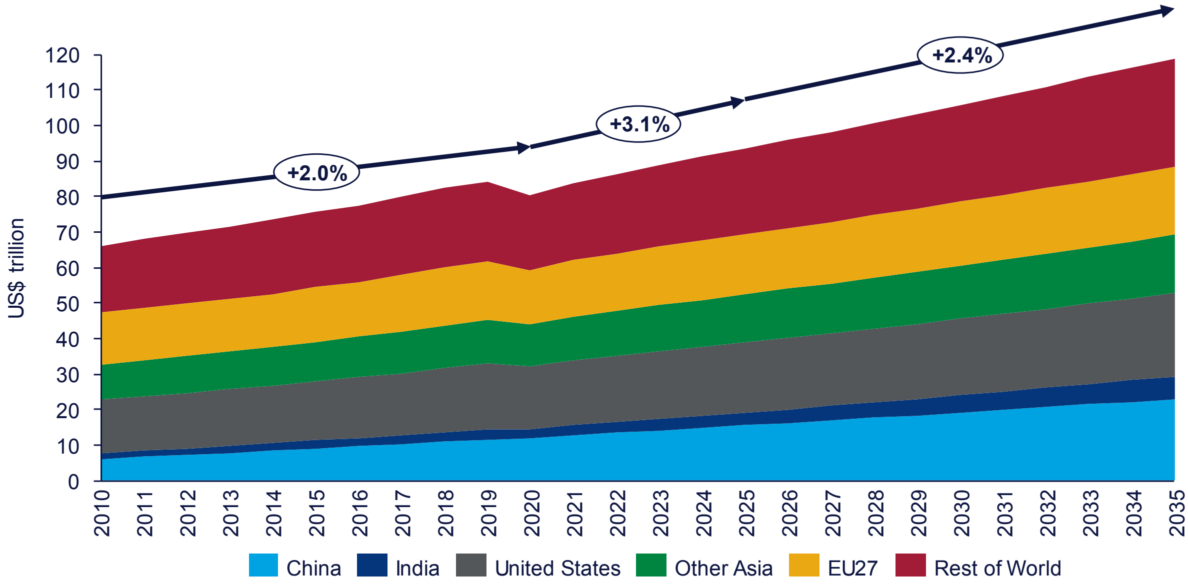
The Australian mineral drilling market is being positively impacted by the recovery of Australian mining capex which appears to have started to recover after bottoming out in 2017. Recovery is expected to continue to increase over the short-to-medium term.

Historically, Australian drilling has been particularly concentrated in the gold and base metal markets for both Diamond Core and Reverse Circulation drilling. While both copper and nickel mineral drilling has recovered somewhat in the last few years, iron ore and coal drilling remains significantly lower than historical highs. Future drilling requirements for both iron ore and coal are expected to increase to sustain recent record or near record levels of exports.

Commodity markets overview

Wood Mackenzie expects that the global economy will continue to lead mineral demand. Global gross domestic product ("**GDP**") is forecast to grow at a compound annual growth rate ("**CAGR**") of 2.7% to 2035 with China and India increasing their share of global GDP during this forecast period (Figure 1). While the Chinese economy is forecast to evolve beyond heavy industry towards private consumption, the growth in raw materials demand, particularly iron ore, will broaden to include other developing nations in South East Asia.

Figure 1: Historical and forecast GDP (real 2010)



Source: Wood Mackenzie

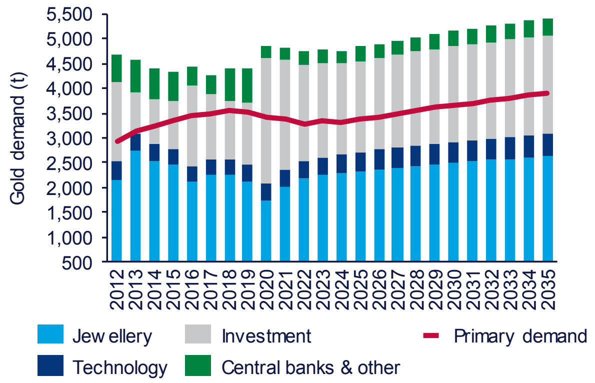
Gold

Overview

Unlike other metals, a significant portion of gold demand is driven by investment and price appreciation rather than industrial demand. Sustained price appreciation over the last year, as a result of weakening economic forecasts, has driven many groups from central banks to individual investors to increase their focus on gold and in turn drive demand for the metal. Wood Mackenzie forecasts that global gold demand (including both primary demand met from mine supply and secondary demand met from recycling gold) will continue to grow at a CAGR of 0.7% between 2020 and 2035 (Figure 2). Demand and further price appreciation in the short to medium term is expected to be driven by factors including:

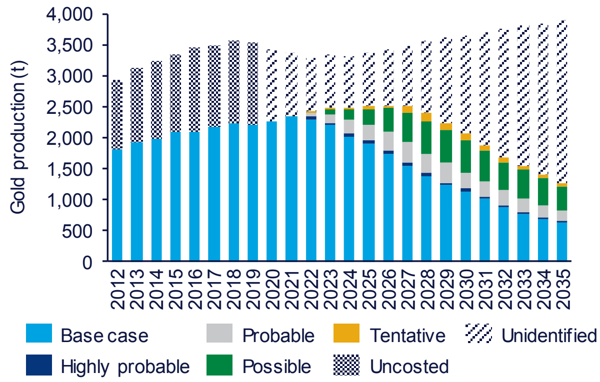
- US Federal Reserve's return to dovish monetary policy in the form of interest rate reductions and the expectations of no interest rates increases until at least 2023;
- Continued negative impacts of US Trade Policy and the myriad of trade disputes and tariff implementations that remain in place, and the Biden administration's approach to US-China relations is yet to be seen.
- Governments and institutional investors hedging against geopolitical risk factors and prolonged economic downturn from further coronavirus outbreaks

Figure 2: Global gold demand by sector



Source: Wood Mackenzie

Figure 3: Global gold production

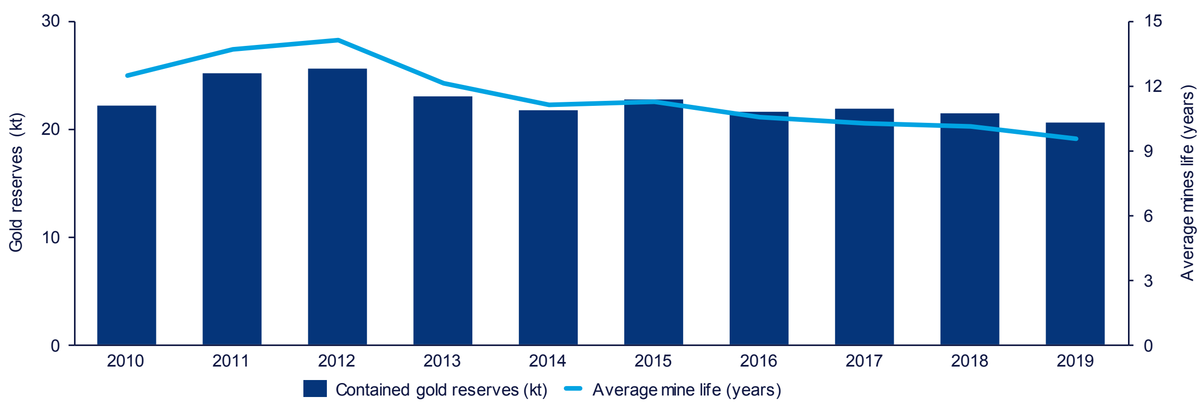


Source: Wood Mackenzie

Reserve attrition continues to be a key risk facing the gold industry and the need for new projects and mine life extensions in the near future is acute. Total reserves have been diminishing and the average mine life has fallen from a peak of 14 years in 2012 to an average of 9.5 years in 2019 (Figure 4). For several years, gold producers have also been mining ore at, or in many cases, above reserve grades which has exacerbated the natural reserve attrition usually observed in the industry.

Figure 3 illustrates that the global gold project pipeline in Wood Mackenzie's database is insufficient to support production at current levels beyond the mid-2020s. Global gold production is anticipated to remain fairly constant in the coming years however the mine closure rate is significantly outpacing the rate at which new mines are being commissioned. As a result, greenfield exploration initiatives are anticipated to play an increasingly prominent role, relative to brownfield exploration, as gold miners seek to replenish their project portfolios.

Figure 4: Contained gold in reserves and average mine life

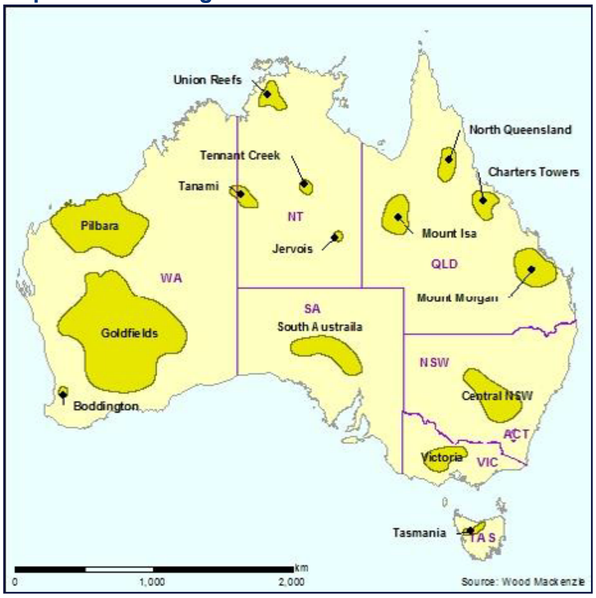


Source: Wood Mackenzie

Australian gold industry

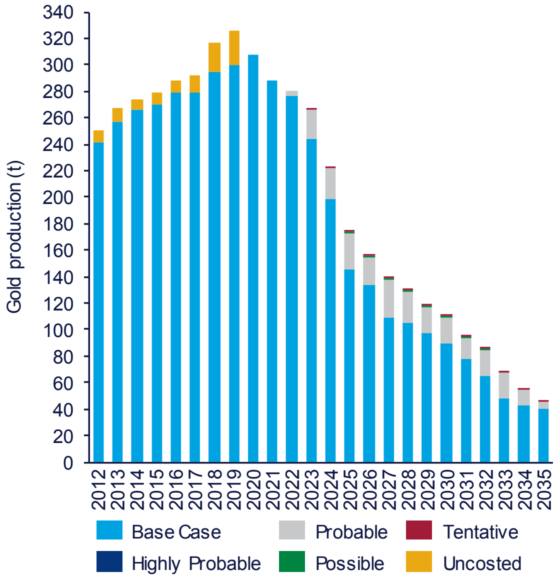
Australia is the world's second largest gold producer. From 1996 to 2019, Australia produced between 9 and 11% of the world's mined gold. Gold production is spread throughout Australia, with the majority of mines based in the Goldfields region of Western Australia (Map 1).

Map 1: Australian gold mine locations



Source: Wood Mackenzie

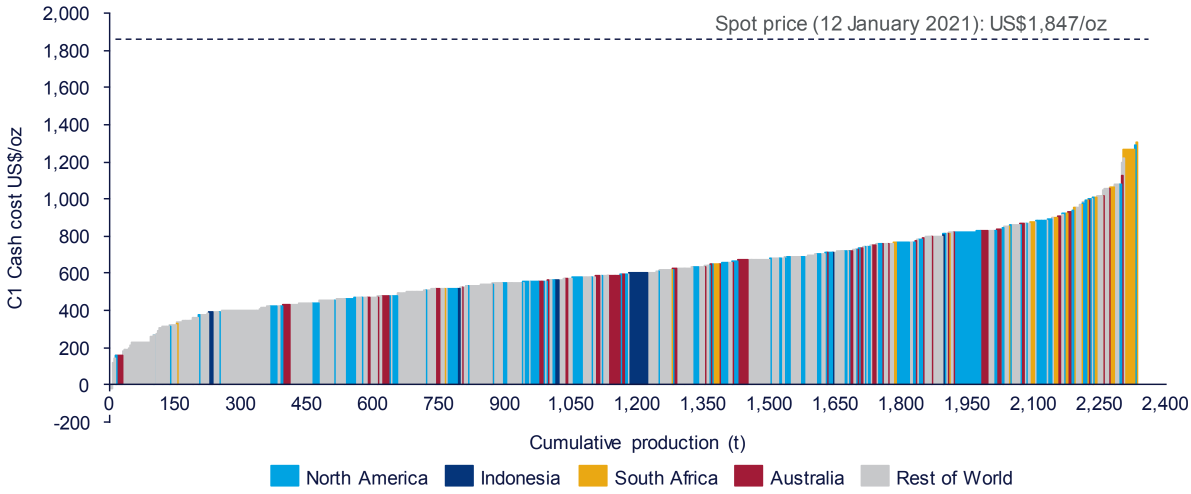
Figure 5: Australian gold production



Source: Wood Mackenzie

On a competitive basis, Australian gold production is reasonably well protected with a number of world-class Australian operations located in the lower half of the cost curve due to the high productivity of the mines. In contrast, South African supply is relatively higher cost due to lower labour force productivity and higher cost mining methods typically employed there (Figure 6).

Figure 6: 2021 global gold C1 cash cost curve



Source: Wood Mackenzie
Note: Negative production cost due to by-product credits

Significant ongoing investment will be required for Australia to maintain its position as the world's second largest gold producer. Australia's production profile from current operating mines is expected to decline significantly from the early 2020s (Figure 5). The existing Identified and Costed gold project list for Australia is also very short, suggesting that mineral exploration activity is likely to become an increasingly important focus for Australian gold miners as they attempt to replenish their project pipelines and reverse the long-term trend of declining reserves. These dynamics are very supportive of increasing and ongoing demand for mineral drilling services in Australia.

Copper

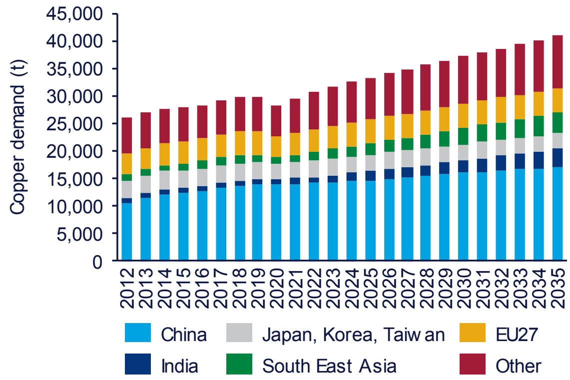
Overview

Wood Mackenzie estimates that over the 2020 to 2035 timeframe, while China will continue to be the largest consumer of copper, expanding markets in Asia, particularly India and South East Asia, will be the dominant driver of new copper consumption growth, offsetting the impact of weaker economic activity and industrial production elsewhere (Figure 7). This supports a demand CAGR over this period of 2.5% in total copper consumption.

India and the South East Asian countries will increasingly underpin copper demand growth (Figure 7) as downstream facilities are developed to support demand from growing urban populations and an expanding middle class which in turn tends to consume more copper intensive goods such as cars and consumer goods.

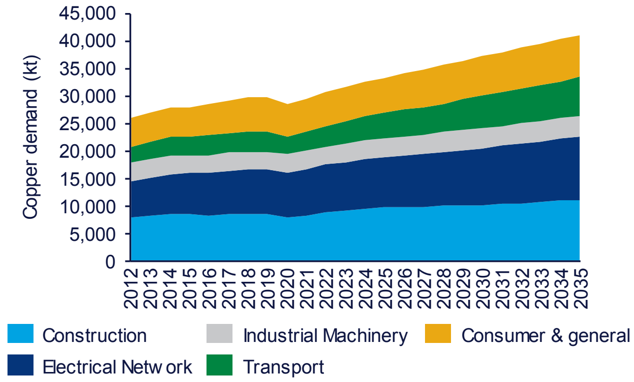
Technology will continue to be a key driver of refined copper consumption, particularly with growing electric vehicle manufacturing (Figure 8). On average, electric vehicles require more than four times as much copper as internal combustion engines. Electric vehicles currently account for a small but growing share of vehicle sales.

Figure 7: Global copper demand by geography



Source: Wood Mackenzie

Figure 8: Global copper demand by sector



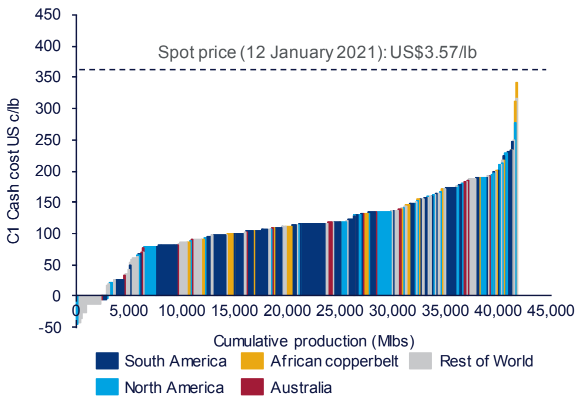
Source: Wood Mackenzie

Australian copper industry

Australia currently accounts for approximately 4% of global mined copper supply. On a competitive basis, Australian supply is spread throughout the C1 cash cost curve (Figure 9). Larger Australian operations are located towards the middle of the cost curve and are relatively well protected from market volatility compared to higher cost mines in other parts of the world.

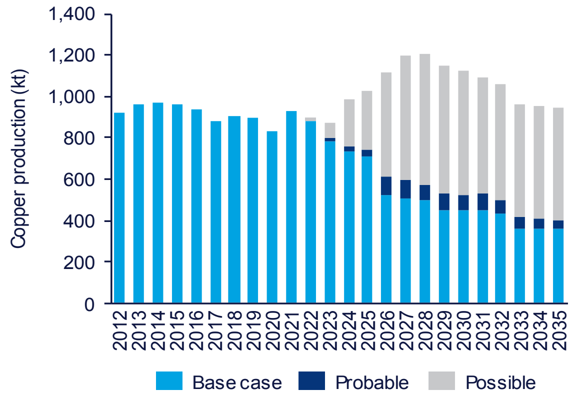
Australian copper producers face the same ongoing requirement to replace depleting mine reserves and replenish their project pipelines. Copper production from current base case operating mines is expected to decline from 2020 (Figure 10) and ongoing exploration activity will be required in order to maintain current rates of production.

Figure 9: 2021 global copper C1 cash cost curve



Source: Wood Mackenzie
Note: Negative production cost due to by-product credits

Figure 10: Australian copper production



Source: Wood Mackenzie

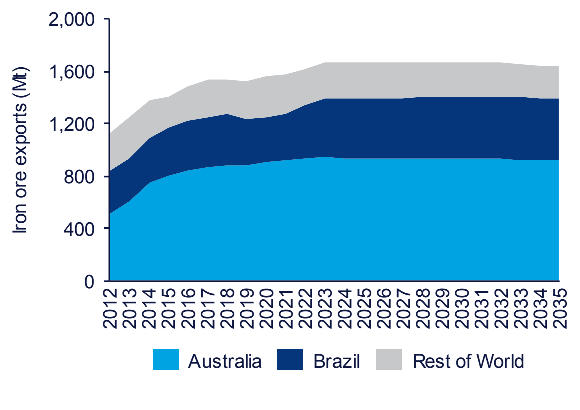
Iron ore

Overview

The seaborne iron ore market is characterised by demand from China and supply from Brazil and Australia. In 2020, China accounted for approximately 75% of seaborne iron ore imports while Brazil and Australia together accounted for approximately 80% of global seaborne exports (Figure 11).

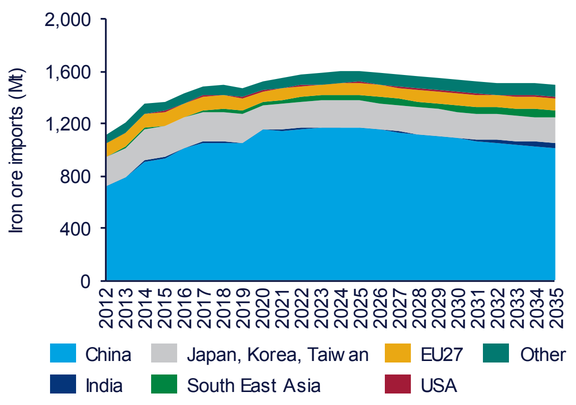
Despite sustained global economic growth, Wood Mackenzie expects iron ore demand growth to gradually decline over the longer term as Chinese steel demand moderates and steel producers increasingly turn towards electric arc furnace based crude steel production. Although China will remain the largest steel market by volume, India, followed by South East Asia is expected to provide the largest incremental gains over the forecast period (Figure 12).

Figure 11: Global seaborne iron ore supply



Source: Wood Mackenzie

Figure 12: Global seaborne iron ore demand



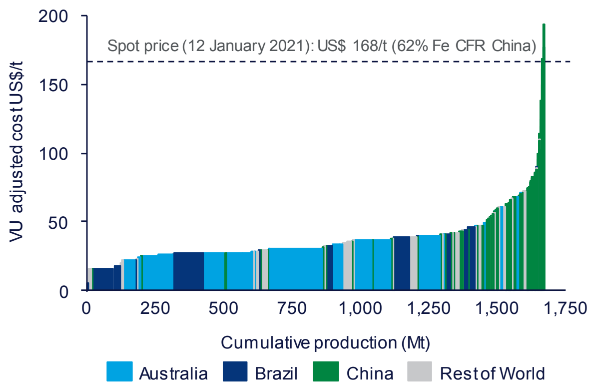
Source: Wood Mackenzie

Australian iron ore industry

Australian iron ore is predominantly exported from mines in Western Australia. The majority of Australia's iron ore mines are competitively positioned on the value in use ("**VIU**") adjusted cost curve delivered into China (Figure 13) due, in part, to the significant economies of scale achieved in Australia. Australian iron ore exports are forecast to continue to rise (Figure 11), driven by large-scale producers ramping up to long-term production targets.

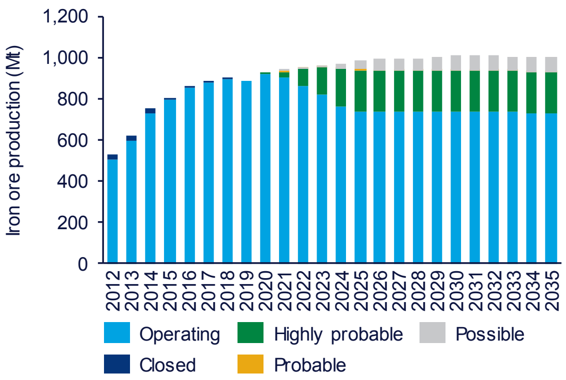
The significant growth in the scale of Australian production over the last decade has resulted in an ongoing need to replenish very large volumes of production with new supply. Most of this replacement tonnage is expected to come from expanding production at existing operating mines and advanced-stage projects (Figure 14).

Figure 13: 2021 global iron ore VIU adjusted CFR China cost curve



Source: Wood Mackenzie

Figure 14: Australian iron ore production



Source: Wood Mackenzie

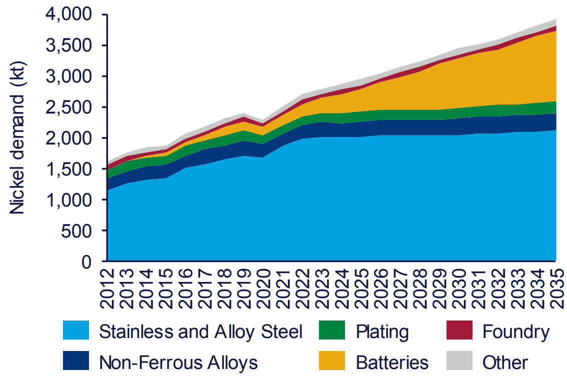
Nickel

Overview

Globally, the bulk of nickel consumption is as an alloy with other metals of which stainless steel is the most important. Currently approximately 73% of nickel is consumed in stainless production where the addition of nickel increases the ductility and corrosion resistance, to allow applications in high temperatures or corrosive environments. Outside of alloying, the increasing global demand for batteries provides a significant area of potential growth for nickel to be used as the cathode in rechargeable batteries.

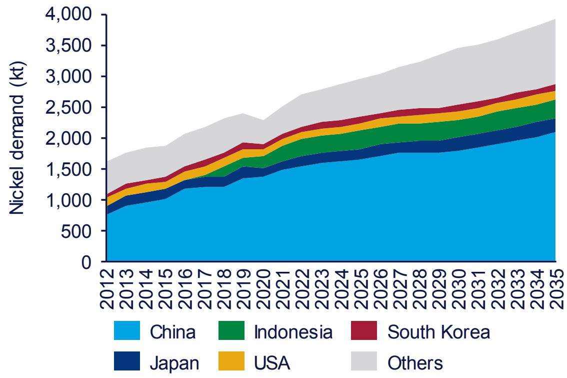
Wood Mackenzie forecasts primary nickel demand will rise from 2.3Mt in 2020 to 2.9Mt by 2025 and continue to grow throughout the forecast period as the need for large, high powered batteries in both electric vehicle and stationary storage applications gathers pace (Figure 15). Nickel demand from China, South Korea and Japan are forecast for steady growth of between CAGR 2.2% and 3.2% throughout the forecast period (Figure 16).

Figure 15: Global nickel demand by sector



Source: Wood Mackenzie

Figure 16: Global nickel demand by geography

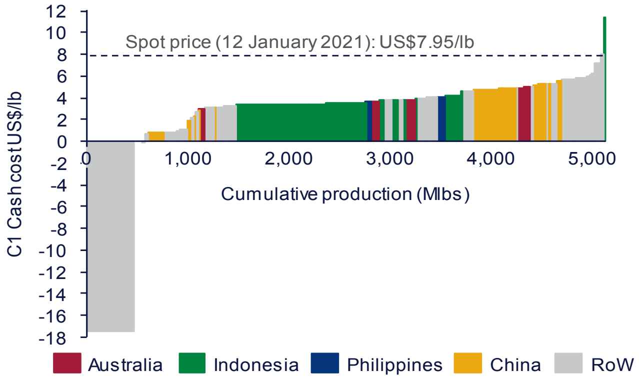


Source: Wood Mackenzie

Australian nickel industry

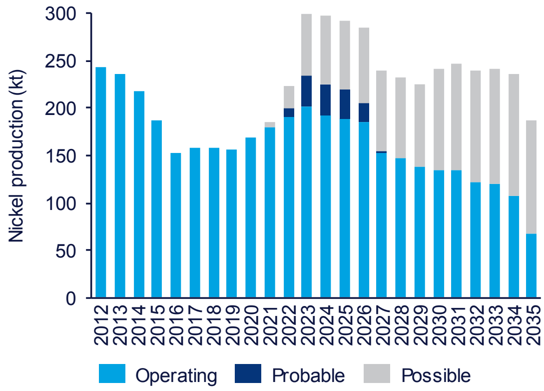
Nickel is predominantly mined from two types of ores – sulphides and laterites. More than half of the world's nickel is produced from sulphide deposits despite the majority of nickel reserves being nickel laterites. This is because sulphide deposits generally have higher grades and tend to require lower processing costs than laterites. Australia produces significant amounts of both sulphide and lateritic ore. Australian nickel production is spread across the C1 cash cost curve (Figure 17). Nickel sulphide concentrate is both exported to smelters overseas as well as supplied to BHP's Nickel West smelter in Kalgoorlie. Lateritic ore is currently mined at two nickel operations in Western Australia, Glencore's Murrin Murrin and FQM's Ravensthorpe (restarted in 2020). Production from operating Australian nickel mines is forecast to decline however a renewed interest in nickel production has supported recent investment in Australian projects. Replacement supply from Probable and Possible projects will be required from 2023 onwards to replenish the production pipeline (Figure 18).

Figure 17: 2021 Global nickel C1 cash cost curve



Source: Wood Mackenzie
Note: Negative production cost due to by-product credits

Figure 18: Australian nickel production



Source: Wood Mackenzie

The Australian mineral drilling industry

Introduction

Mineral drilling involves using specialised drilling equipment to bore into the earth for various reasons including to locate ore bodies, ascertain information about their shape, size, grade and variability, collect stratigraphic information and gather samples for geochemical and geotechnical analysis. There are various mineral drilling methods used within the minerals exploration and mining industry and each method has different characteristics and applications.

Diamond Core drilling involves retrieving a continuous solid core of rock from various depths using a diamond impregnated drill bit attached to a rotary drill via a drill rod. This enables geologists to examine and better understand the lithology and structure of the rock. Reverse Circulation drilling utilises a pneumatic hammer to pulverise rock into chips which are transferred to the surface using compressed air. As these rock samples are broken into chips, this does not allow for as detailed geological analysis when compared to Diamond Core drilling. However Reverse Circulation drilling is faster and lower cost than Diamond Core drilling. Diamond Core drilling is able to penetrate to greater depths than Reverse Circulation drilling. Other drilling methods employed within the mineral drilling industry include Air Core and Rotary Air Blast.

Mineral drilling services contribute towards all stages of mine development and production

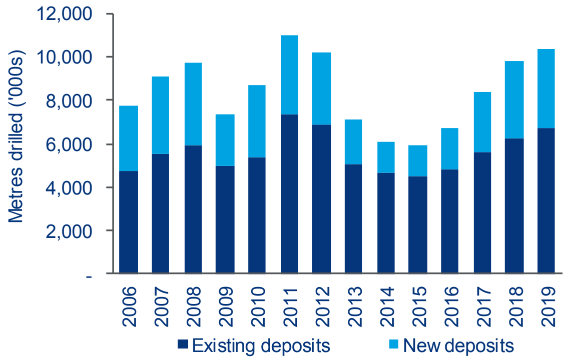
Mineral drilling services are utilised across all stages of the mining life cycle. The ABS categorises mineral drilling into two broad categories:

- **New deposits** – refers to mineral drilling on previously unknown mineralisation or known mineralisation which is yet to be classified as an Inferred Mineral Resource or higher. This is also commonly referred to as early-stage exploration or 'greenfield' drilling. During this early phase of mine development, mineral drilling services are required to conduct broad exploration surveys which are designed to detect and identify the presence of minerals for further analysis.
- **Existing deposits** – refers to mineral drilling to delineate or prove up existing deposits which have been classified as an Inferred Mineral Resource or higher. This is also commonly referred to as late-stage or 'brownfield' drilling. During this later stage of mine development, mineral drilling activities are directed towards outlining the precise location, dimensions and quality of a mineral deposit to assess whether they are economically viable to mine. These drilling programs inform various scoping and feasibility studies which aid in the planning and construction of new mines. Drilling on existing deposits also includes grade control drilling which is conducted during mining operations to continually define ore grades and grade distribution and economic ore boundaries. Grade control drilling aids in ongoing mine planning and quality control purposes over the life of the mine.

A significant proportion of greenfield exploration activities have traditionally been conducted by junior explorers (Figure 35). Many junior explorers are reliant on capital markets to fund exploration activities hence greenfield exploration tends to fluctuate more strongly with commodity prices and market sentiment which directly impacts their ability to access capital.

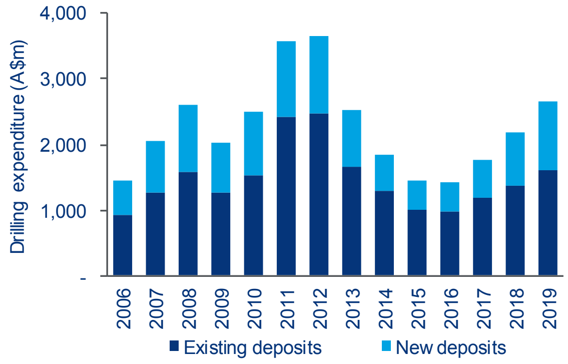
Mineral drilling on existing deposits is by nature more stable through the cycle due to factors such as reserve depletion (which necessitates mineral drilling to replenish mining inventory), requirements from banks to maintain minimum reserve lives and investor emphasis on maintaining or increasing reserves for valuation purposes. The trend of relatively more stable drilling activity on existing deposits relative to new deposits can be observed in in Figure 19 and Figure 20.

Figure 19: Australian mineral drilling metres drilled by deposit type



Source: Australian Bureau of Statistics, 8412.0 Mineral and Petroleum Exploration, Australia, December 2019. Table 2. Mineral Exploration, (Other than for petroleum) – Expenditure and metres drilled.

Figure 20: Australian mineral drilling expenditure by deposit type



Source: Australian Bureau of Statistics, 8412.0 Mineral and Petroleum Exploration, Australia, December 2019. Table 2. Mineral Exploration, (Other than for petroleum) – Expenditure and metres drilled.

A trend towards outsourcing of mineral drilling services

Nearly all mineral drilling in Australia is outsourced to service providers. Drilling equipment is specialised and requires trained operators to perform the drilling services safely, efficiently and to the required standards. Mineral drilling typically only represents a fraction of the operating costs of a mining company. Outsourcing provides miners with the flexibility of capacity, machine operator skills and cost effectiveness, both in terms of capital and operating expenditure.

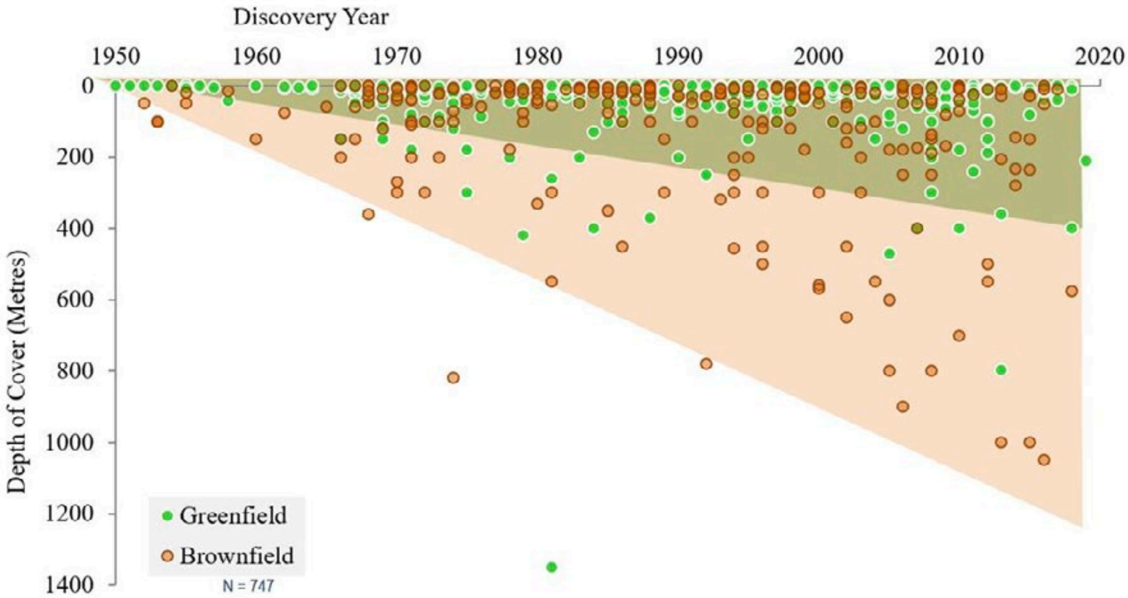
A trend towards deeper mineral drilling

Australian mineral deposits are increasingly being discovered at greater depths (Figure 21). Many easily accessible high-grade deposits near the surface have already been discovered and mined. Existing mines are also becoming deeper due to continued developments and improvements in mining technologies. These industry dynamics have led to a greater prevalence of both brownfield and greenfield exploration which is more likely to occur at depths.

These deeper deposits often have more complex geology. Hence mine planning and extraction techniques require more detailed information before production can commence. This results in greater volumes of mineral drilling activity being required to locate mineral deposits and ascertain whether the deposits can be economically mined.

Deeper deposits also typically require greater drilling intensity (often Diamond Core drilling) to better inform mining method selection and mine planning. This suggests that going forward, greater quantities of mineral drilling will be required in order to define the same quantity of reserves relative to historical levels.

Figure 21: Depth of cover for discoveries in Australia since 1950 (excludes bulk mineral discoveries)



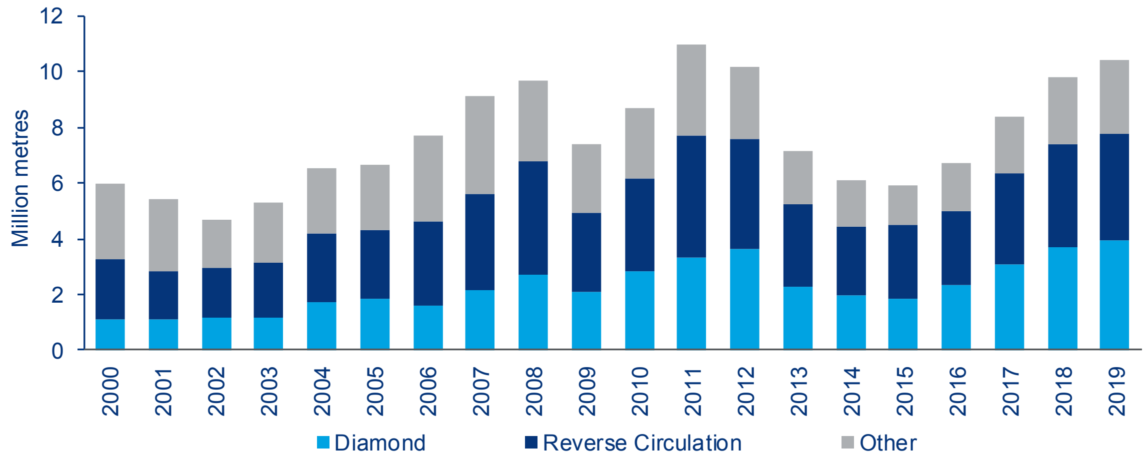
Source: MinEx Consulting
Note: Includes satellite deposits within existing camps. Analysis based on moderate, major and giant-sized deposits.

Diamond Core drilling is the predominant method used underground for exploration and ore grade identification largely due to the logistical challenges associated with deploying other types of drilling equipment (which usually have larger footprints) in underground mines. However underground Diamond Core drilling is limited (relative to surface based Diamond Core drilling) in the length of holes it can drill as well as the angles in which it can cross a deposit. For this reason, despite the trend towards deeper mineral drilling, underground Diamond Core drilling is unlikely to displace surface Diamond Core drilling.

Size of the Australian mineral drilling market trends

Mineral drilling activity reached a decade low of 5.9 million metres drilled in in 2015 but has since recovered to 10.4 million metres drilled in 2019 (Figure 22). MinEx Consulting estimates that Diamond Core and Reverse Circulation drilling each accounted for approximately 37% of Australian mineral drilling activity.

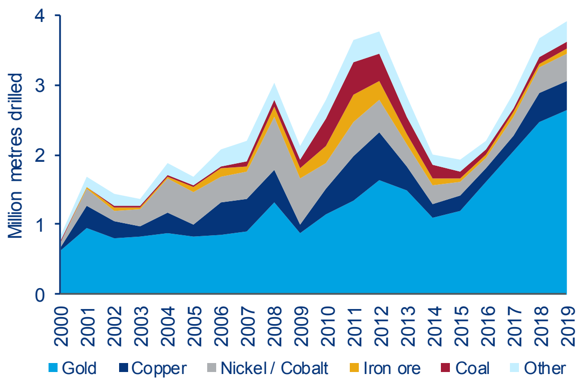
Figure 22: Australian mineral drilling metres drilled by drilling method



Source: Australian Bureau of Statistics, 8412.0 Mineral and Petroleum Exploration, Australia, December 2019. Table 2. Mineral Exploration, (Other than for petroleum) – Expenditure and metres drilled and MinEx Consulting

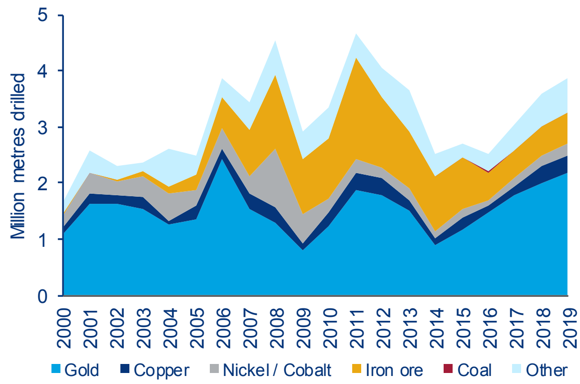
Diamond Core and Reverse Circulation mineral drilling activity in Australia has historically been concentrated in the gold and base metal markets (Figure 23 and Figure 24). This reflects the relatively higher drilling intensity that is required to discover and delineate mineral deposits in those industries due to the geology of those orebodies.

Figure 23: Diamond Core mineral drilling metres drilled in Australia by commodity



Source: MinEx Consulting, Wood Mackenzie

Figure 24: Reverse Circulation mineral drilling metres drilled in Australia by commodity



Source: MinEx Consulting, Wood Mackenzie

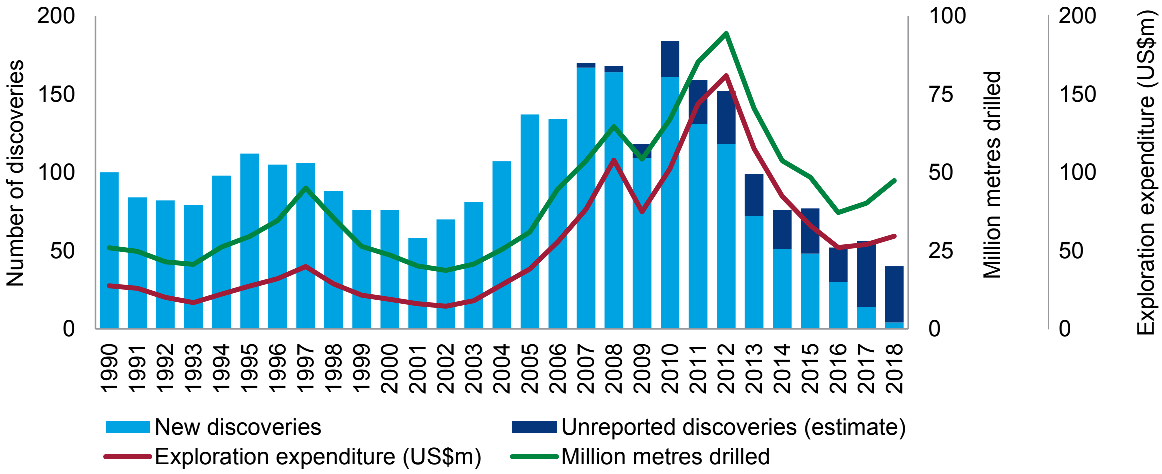
Key mineral drilling demand drivers

At an industry wide level, key drivers of mineral drilling include (in no particular order) mineral exploration expenditure, reserve depletion and exploration success.

Mineral exploration expenditure

Mineral drilling activity is strongly influenced by levels of mineral exploration expenditure (Figure 25).

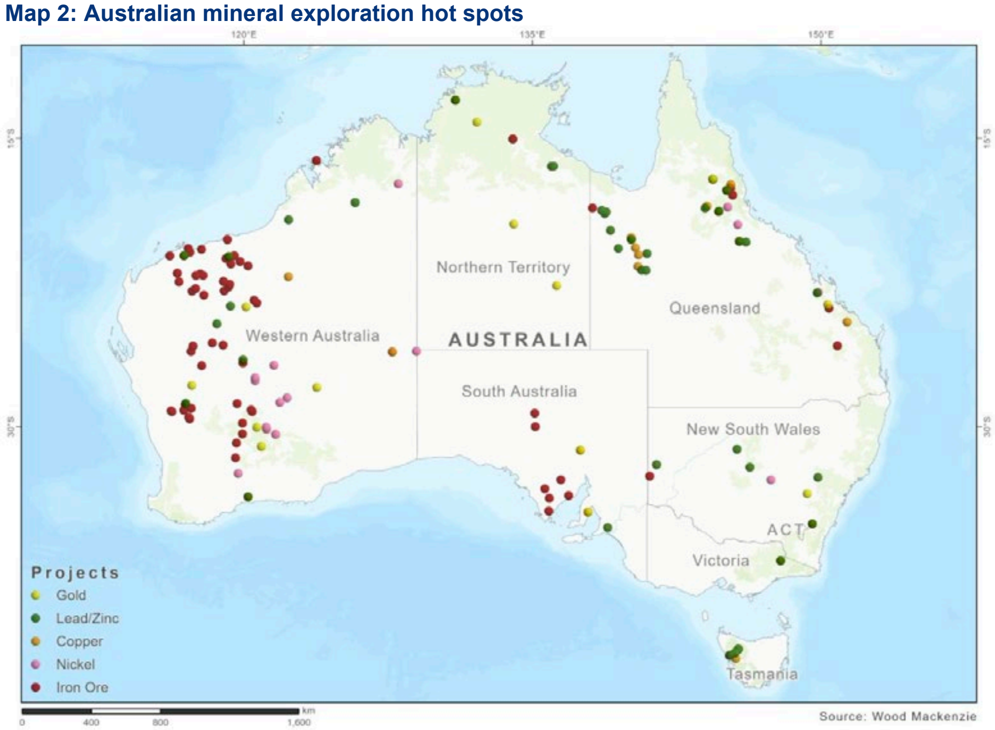
Figure 25: Global relationship between metres drilled, exploration expenditure and exploration success



Source: MinEx Consulting

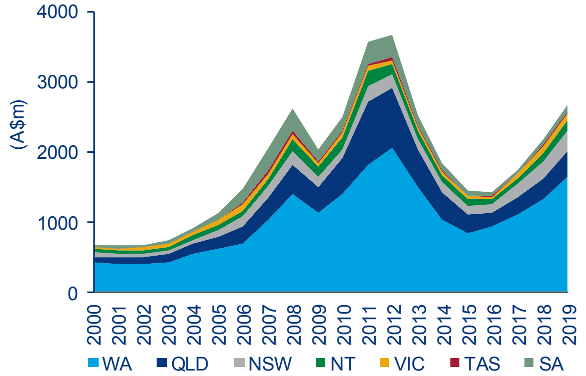
Western Australia has historically accounted for the majority of Australian mineral exploration expenditure (Figure 26) due to the significant quantities of major commodities such as gold, nickel and iron ore located in that State. This is followed by Queensland, due to coal (in the Bowen basin) and zinc production (at Mt Isa), and New South Wales which is Australia's largest thermal coal producing province and host to several large copper (Cadia Hill, Northparkes) and gold (Lake Cowal) mines. South Australia is notable for its copper resources (Olympic Dam, Prominent Hill, and Carrapateena) and iron ore mines in the Middleback ranges.

Map 2: Australian mineral exploration hot spots



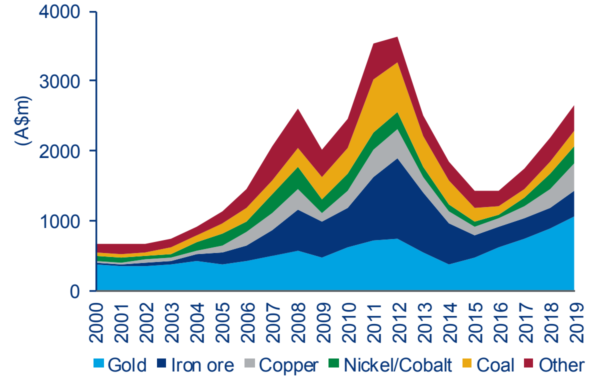
The commodities accounting for the largest proportion of Australian mineral exploration expenditure have historically been gold, iron ore, copper, nickel and coal (Figure 27).

Figure 26: Australian mineral exploration expenditure by geography



Source: Australian Bureau of Statistics, 8412.0 Mineral and Petroleum Exploration, Australia, December 2019. Table 4. Mineral Exploration, (Other than for petroleum) – Expenditure by state and territory.

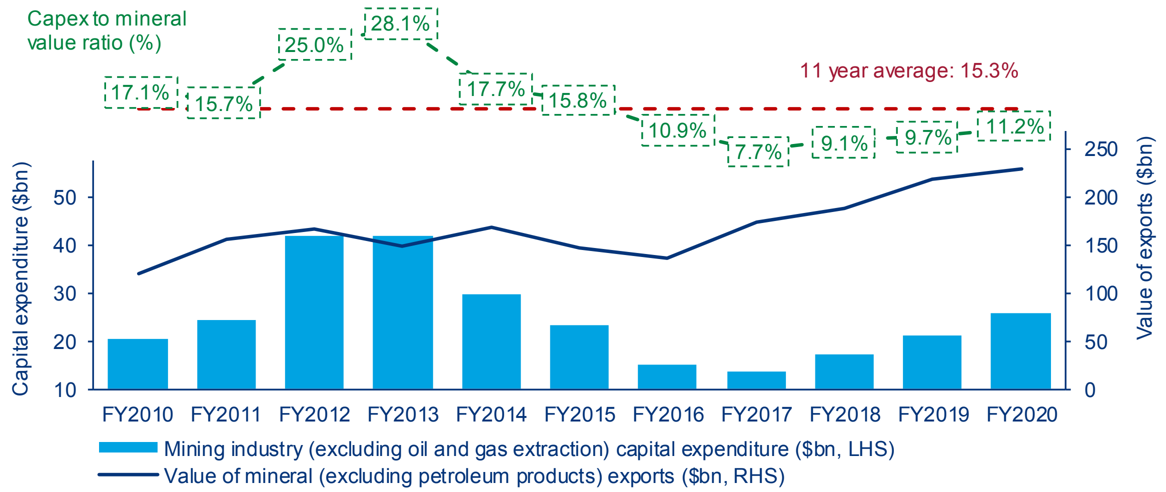
Figure 27: Australian mineral exploration expenditure by commodity



Source: Australian Bureau of Statistics, 8412.0 Mineral and Petroleum Exploration, Australia, December 2019. Table 5. Mineral Exploration, (Other than for petroleum) – Expenditure by mineral sought.

Mining specific capital expenditure in Australia has been recovering over the last few years in line with recovering commodity prices. The ratio of capital expenditure to value of mineral exports is still below the average over the last decade although has been trending upwards since FY 2017 (Figure 28). Similarly Australian mineral drilling expenditure on a $ per metre basis, has been on the rise but is still a long way from its peak. Drilling expenditure in 2020 is estimated ~33% lower than in 2012 (Figure 29).

Figure 28: Australian mining industry capital expenditure compared to value of mineral exports

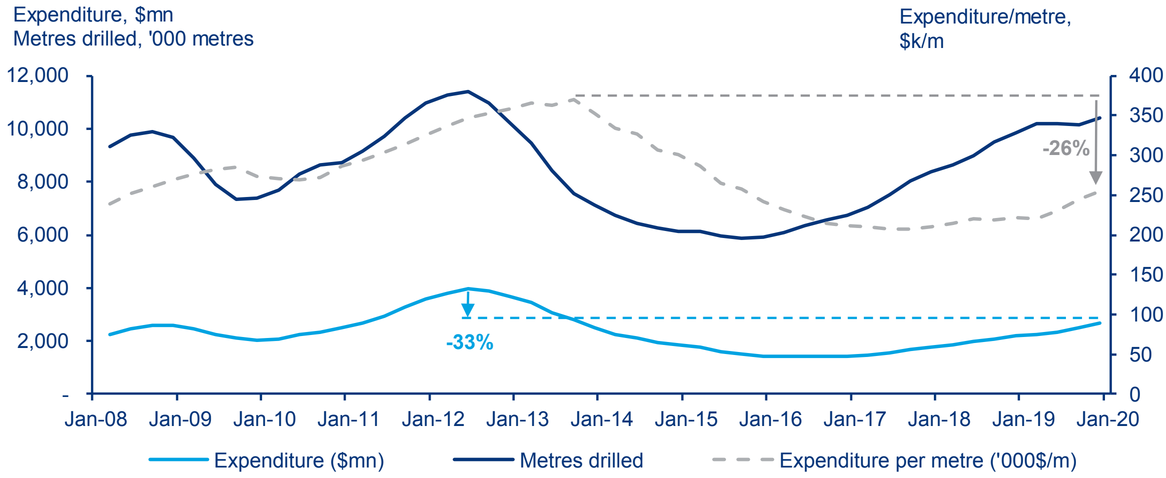


Source: Australian Bureau of Statistics

Current industry dynamics are supportive of a positive outlook for Australian mineral exploration expenditure. The recent resurgence in the prices of many major commodities such as gold, iron ore, copper and nickel has led to a substantial increase in the potential value of new exploration discoveries. This is likely to encourage new mineral exploration expenditure.

In addition, a reduction in exploration activity from 2012 has led to a decline in average reserve lives. As reserves approach exhaustion, greater demand for new resource deposits is likely to support ongoing mineral exploration expenditure.

Figure 29: Australian drilling expenditure per metre

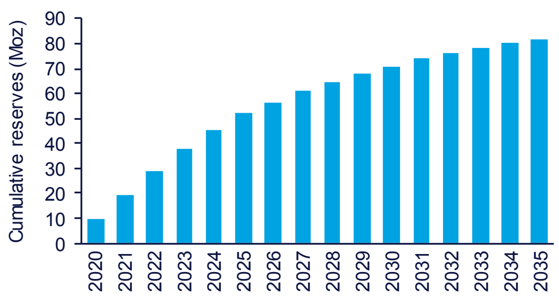


Source: Australian Bureau of Statistics

Reserve depletion

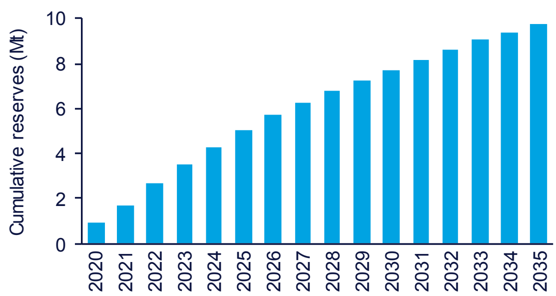
Since 2010, commodities such as gold, copper and nickel have experienced a decline in reserves and reserve life. The Figures below illustrate the cumulative new quantities of gold, copper, nickel and iron ore reserves than will need to be replaced due to mining depletion. The mining industry's continued need to offset depletion and grow reserves is supportive of a positive outlook for demand for mineral drilling services.

Figure 30: Cumulative new primary gold reserves required to maintain 2020 reserve levels in Australia



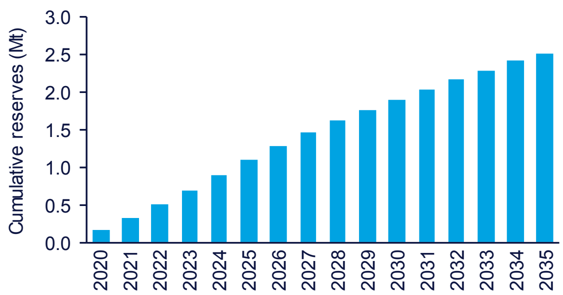
Source: Wood Mackenzie

Figure 31: Cumulative new copper reserves required to maintain 2020 reserve levels in Australia



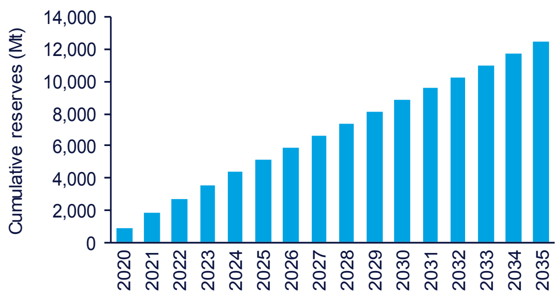
Source: Wood Mackenzie

Figure 32: Cumulative new nickel reserves required to maintain 2020 reserve levels in Australia



Source: Wood Mackenzie

Figure 33: Cumulative new iron ore reserves required to maintain 2020 reserve levels in Australia

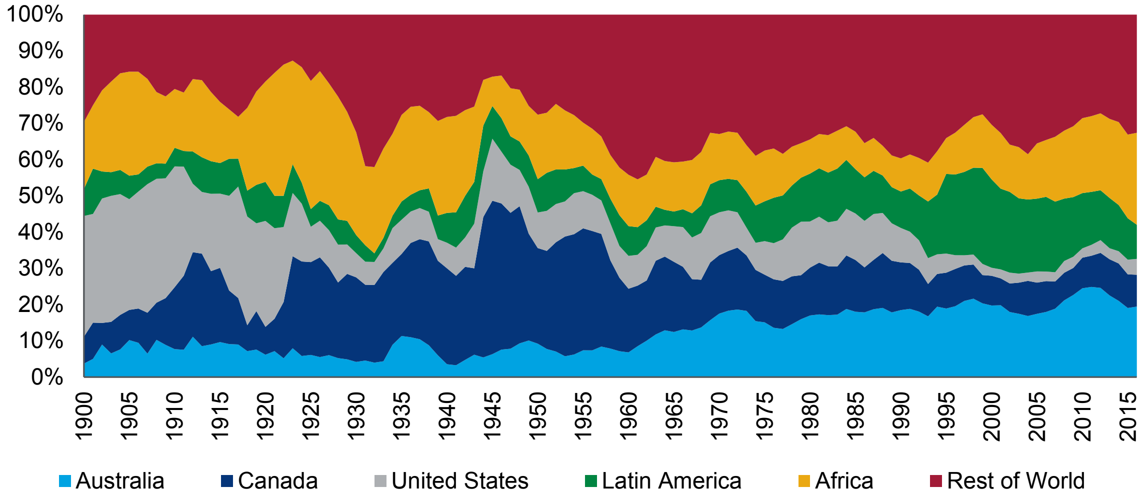


Source: Wood Mackenzie

Exploration success

Australia has a long and successful history of mineral exploration and mining. Since the 1960s, Australia has continued to increase its proportion of new discoveries made globally (Figure 34). New greenfield discoveries continue to stimulate mineral exploration expenditure. Recent examples include renewed exploration interest in the Fraser Ranges (Western Australia) following the discovery of the world-class Nova-Bollinger Nickel mine and Rio Tinto's announcement of a large copper-gold discovery at Winu which has led to a flurry of exploration activity in the Patterson Ranges in Western Australia.

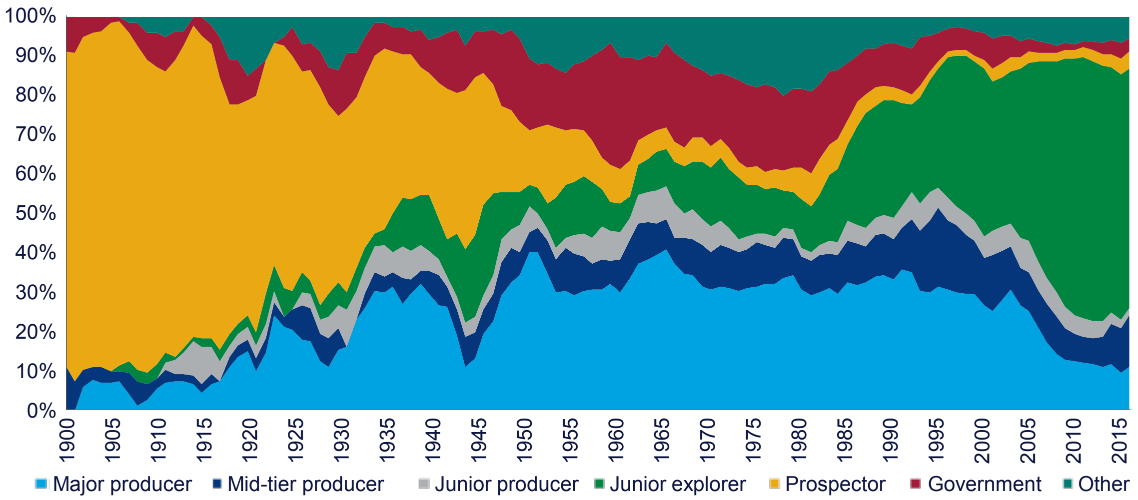
Figure 34: Number of new discoveries by region



Source: MinEx Consulting

Furthermore, there is potential for greenfield exploration to exhibit a more stable operating environment in the future due to the recent re-entry of major producers that are directly undertaking their own greenfield exploration programs and the increasing exploration budgets from mid-tier low-cost producers. Figure 35 illustrates that since the 1980s, a large proportion of greenfield exploration activity has been undertaken by junior explorers and hence greenfield exploration expenditure has historically fluctuated from year to year in line with their ability to access capital. However expanded exploration budgets from major producers combined with advancements in the depth capacity of geophysical methods and the use of seismic surveying technology could result in the funding of new greenfield exploration programs that most junior explorers would have previously been unable to finance. Current examples include BHP near Roxby Downs (South Australia), Rio Tinto at Winu (Western Australia) and Newcrest Mining at Haverion (Western Australia).

Figure 35: Number of new discoveries by company type (globally)



Source: MinEx Consulting

Glossary

ABS	Australian Bureau of Statistics.
AC or Air Core	Air Core drilling.
ADIA	Australian Drilling Industry Association.
Base case (mines)	Mines that have been granted all the necessary operating permits, have been fully funded and may already be under construction or in operation.
bn	Billion.
Brownfield	Late-stage exploration.
CAGR	Compound annual growth rate.
CFR	Cost including freight.
Costed (production)	Mines (and their production) that are identified in Wood Mackenzie's database.
CY	Calendar year.
DC or Diamond Core	Diamond Core drilling.
EU28	European Union.
FOB	Free on board.
FY	Fiscal year ending 30 June.
GDP	Gross domestic product.
Greenfield	Early-stage exploration.
Inferred Mineral Resource or Inferred Resource	The part of a Mineral resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity.
Junior Explorer	Small exploration company, usually operating in a single commodity or country.
Junior Producer	Produces relatively smaller volumes of commodities, usually from a single asset.
k	Thousand.
m	Million.
Major Producer	Produces relatively larger volumes of commodities, usually from multiple assets and/or countries.
Mid-tier Producer	Produces moderate volumes of commodities, usually from multiple assets and/or countries.
Mineral Resource or Resource	Concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction.
NSW	New South Wales.
NT	Northern Territory.
Oz	Troy ounce.
Probable (projects)	Projects which are likely to enter into commercial production in the future but are subject to a significant degree of uncertainty.
Possible (projects)	Projects which have a high degree of uncertainty and are usually at a very early stage of development.
t	Tonne.
TAS	Tasmania.
Tentative (projects)	Projects that are at a very early stage of exploration.
Prospector	An individual or a small group of individuals engaged in small scale (usually low impact and non-mechanical) mineral exploration.
QLD	Queensland.
RC or Reverse Circulation	Reverse Circulation drilling.
RoW	Rest of World.
SA	South Australia.
Uncosted (production)	Mines (and their production) that are known to exist but without enough distinguishing information to be costed by Wood Mackenzie.
VIC	Victoria.
VIU	Value in use.
WA	Western Australia.

Disclaimer

This is an independent report prepared by the Wood Mackenzie group ("Wood Mackenzie"). Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Wood Mackenzie has no interest in DDH1 Limited and no interest in the outcome of the initial public offering ("**IPO**"). Payment of these fees to Wood Mackenzie is not contingent on the outcome of the IPO. Wood Mackenzie has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence.

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9.

INVESTIGATING ACCOUNTANT'S REPORT

Strike Drilling-Rig 3: KWL700 High Capacity Reverse Circulation Rig, Eastern Goldfields WA

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The Directors
DDH1 Limited
21 Baile Road
Canning Vale WA 6155
Australia

10 February 2021

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT AND THE FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors of DDH1 Limited (ACN 636 677 088) (DDH1 Limited) (the Directors) for inclusion in the prospectus to be issued by DDH1 Limited (the Prospectus) in respect of the initial public offering of fully paid ordinary shares in DDH1 Limited (the Offer) and listing of DDH1 Limited on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 (Cth) for the issue of this report.

References to the Company in this report means prior to the allotment of fully paid ordinary shares under the Offer, DDH1 Holdings Pty Limited (ACN 625 946 321) and its controlled entities, and after allotment of such shares under the Offer, DDH1 Limited and its controlled entities, or where the context requires, the business described in the Prospectus.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

Scope

Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the historical financial information, being:

- the historical aggregated statements of profit or loss and other comprehensive income for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 and the historical consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2020;
- the historical consolidated statement of financial position as at 30 June 2020; and
- the historical aggregated cash flows before financing activities and taxation for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 and the historical consolidated cash flow before financing activities and taxation for the financial year ended 30 June 2020,

Deloitte.

as set out in Tables 7, 12 and 14 respectively of the Prospectus (the Historical Financial Information).

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Historical Financial Information has been extracted from the special purpose aggregated financial information of the Company for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 and the general purpose consolidated financial statements of the Company for the financial year ended 30 June 2020.

The special purpose aggregated financial information and general purpose consolidated financial statements were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. The opinion issued by Deloitte Touche Tohmatsu in respect of the special purpose aggregated financial information for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 has been modified to include an emphasis of matter paragraph in relation to the 'Basis of Accounting' which draws attention to the notes to the financial report that set out the basis of accounting used including the principles of aggregation of the accounts. Deloitte Touche Tohmatsu issued an unmodified audit opinion in respect of the general purpose consolidated financial statements for the year ended 30 June 2020.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

Pro Forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the pro forma historical financial information, being:

- the pro forma historical aggregated statements of profit or loss and other comprehensive income for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 and pro forma historical consolidated statement of profit or loss and other comprehensive income for the financial year ended for 30 June 2020;
- the pro forma historical consolidated statement of financial position as at 30 June 2020; and
- the pro forma historical aggregated cash flows before financing activities and taxation for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 and pro forma historical consolidated cash flow before financing activities and taxation for the year ended 30 June 2020

as set out in Tables 6, 12 and 13 respectively of the Prospectus (the Pro Forma Historical Financial Information).

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Sections 4.3.4, 4.4 and 4.5.3 of the Prospectus (the Pro Forma Adjustments).

The stated basis of preparation used in the preparation of the Pro Forma Historical Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial performance, financial position and/or cash flows.

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Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the forecast financial information, being:

- the statutory forecast consolidated statement of profit or loss and the statutory forecast consolidated net cash flow of the Company for the financial year ending 30 June 2021, as set out in Tables 7 and 14 respectively of the Prospectus (the Statutory Forecast Financial Information). The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.10.1 and 4.10.2 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the pro forma forecast consolidated statement of profit or loss and the pro forma forecast consolidated net cash flow of the Company for the financial year ending 30 June 2021 as set out in Tables 6 and 13 respectively of the Prospectus (the Pro Forma Forecast Financial Information). The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro Forma Adjustments described in Sections 4.3.4 and 4.5.3 respectively of the Prospectus.

The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred on or before 1 July 2020.

Due to its nature, the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/or cash flows for the financial year ending 30 June 2021.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information together comprise the Forecast Financial Information.

The Forecast Financial Information has been prepared by management of the Company and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance and cash flow of the Company for the financial year ending 30 June 2021. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take, and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly, prospective investors should have regard to the investment risks and sensitivities set out in Section 5 and Section 4.10.7 of the Prospectus respectively.

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The sensitivity analysis set out in Section 4.10.7 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information and the Pro Forma Historical Financial Information, including the selection and determination of the Pro Forma Adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro Forma Adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

A review 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 reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

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Historical Financial Information

- consideration of work papers, accounting records and other documents of the Company, including those dealing with the extraction and compilation of Historical Financial Information from the audited aggregated financial information of the Company for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019, audited consolidated financial statements of the Company for the year ended 30 June 2020 and management accounts related thereto;
- the performance of analytical procedures on the Historical Financial Information;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Company and its auditors;
- a review of the application of Australian Accounting Standards; and
- enquiry of the Directors, management and other relevant persons in relation to the Historical Financial Information.

Pro Forma Historical Financial Information

- consideration of the appropriateness of the Pro Forma Adjustments described in Sections 4.3.4, 4.4 and 4.5.3 of the Prospectus;
- enquiry of the Directors, management, personnel and advisors of the Company;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies adopted and used by the Company over the relevant periods for consistency of application.

Forecast Financial Information

- enquiries, including discussions with management and Directors of the factors considered in determining the best estimate assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used by the Company in the preparation of the Forecast Financial Information; and
- consideration of the Pro Forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro Forma Forecast Financial Information.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information is not prepared, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus.

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Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not prepared, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;

(ii) in all material respects, the Statutory Forecast Financial Information:

  a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.10.1 and 4.10.2 of the Prospectus;

  b. is not presented fairly in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; and

(iii) the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information;

(ii) in all material respects, the Pro Forma Forecast Financial Information:

  a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.10.1 and 4.10.2 of the Prospectus;

  b. is not presented fairly in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro Forma Adjustments as if those adjustments had occurred on or before 1 July 2020; and

(iii) the Pro Forma Forecast Financial Information itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.2 and the 'Important Notices' pages of the Prospectus, which describe the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

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Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely

DELOITTE CORPORATE FINANCE PTY LIMITED

Ian Turner

Authorised Representative of
Deloitte Corporate Finance Pty Limited
(AFSL Number 241457)
AR number 461016

Stephen Lomas

Authorised Representative of
Deloitte Corporate Finance Pty Limited
(AFSL Number 241457)
AR number 1276530

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March 2020

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (**DCF**) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (**AR**) and DCF authorises the AR to distribute this FSG. Their AR number and contact details are in the document that accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (**AFCA**). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

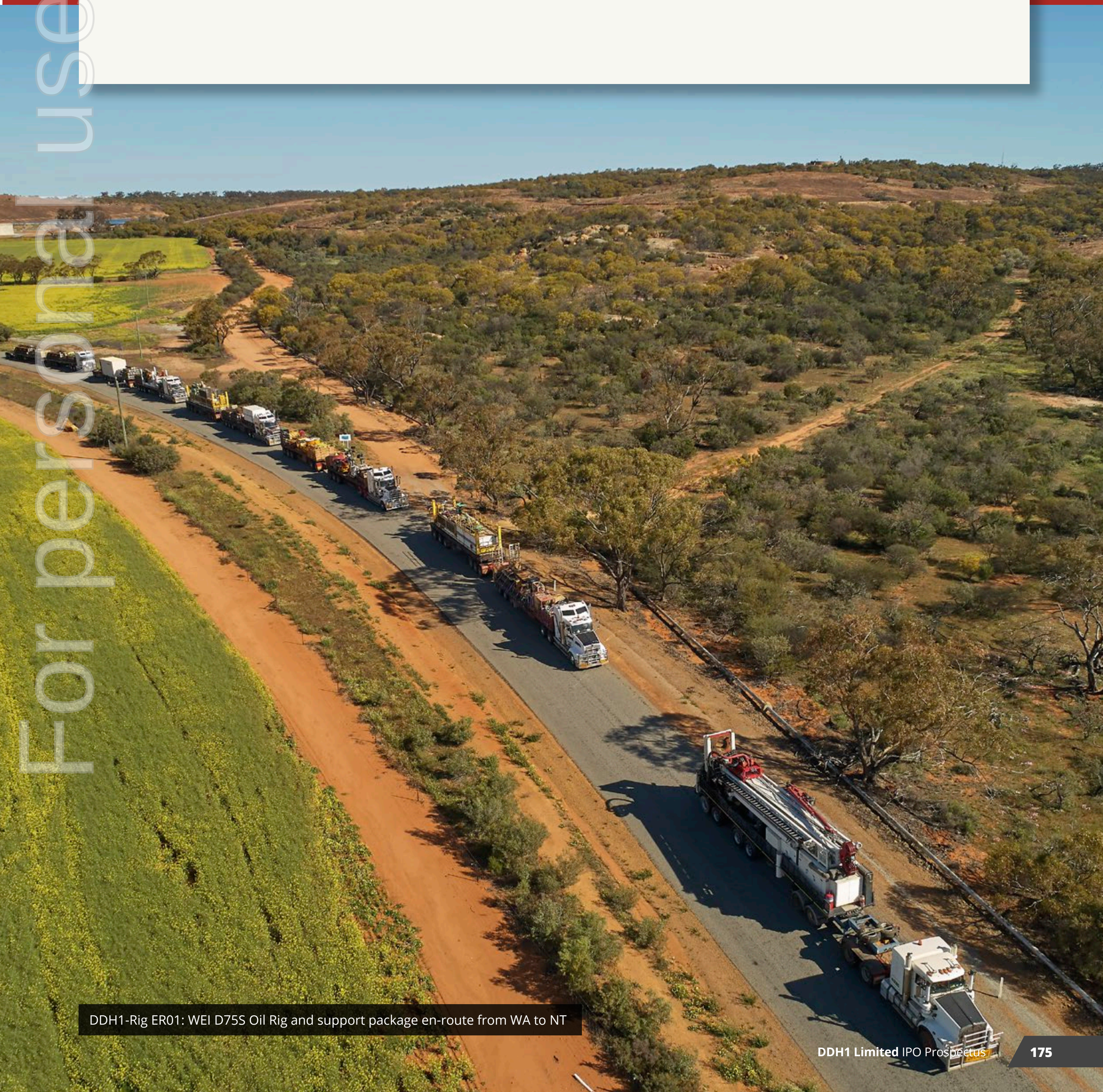
What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000
Member of Deloitte Touche Tohmatsu Limited
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity.

10.

ADDITIONAL INFORMATION



DDH1-Rig ER01: WEI D75S Oil Rig and support package en-route from WA to NT

10.1 REGISTRATION

The Company was registered in Victoria, Australia on 8 October 2019.

10.2 COMPANY TAX STATUS AND FINANCIAL YEAR

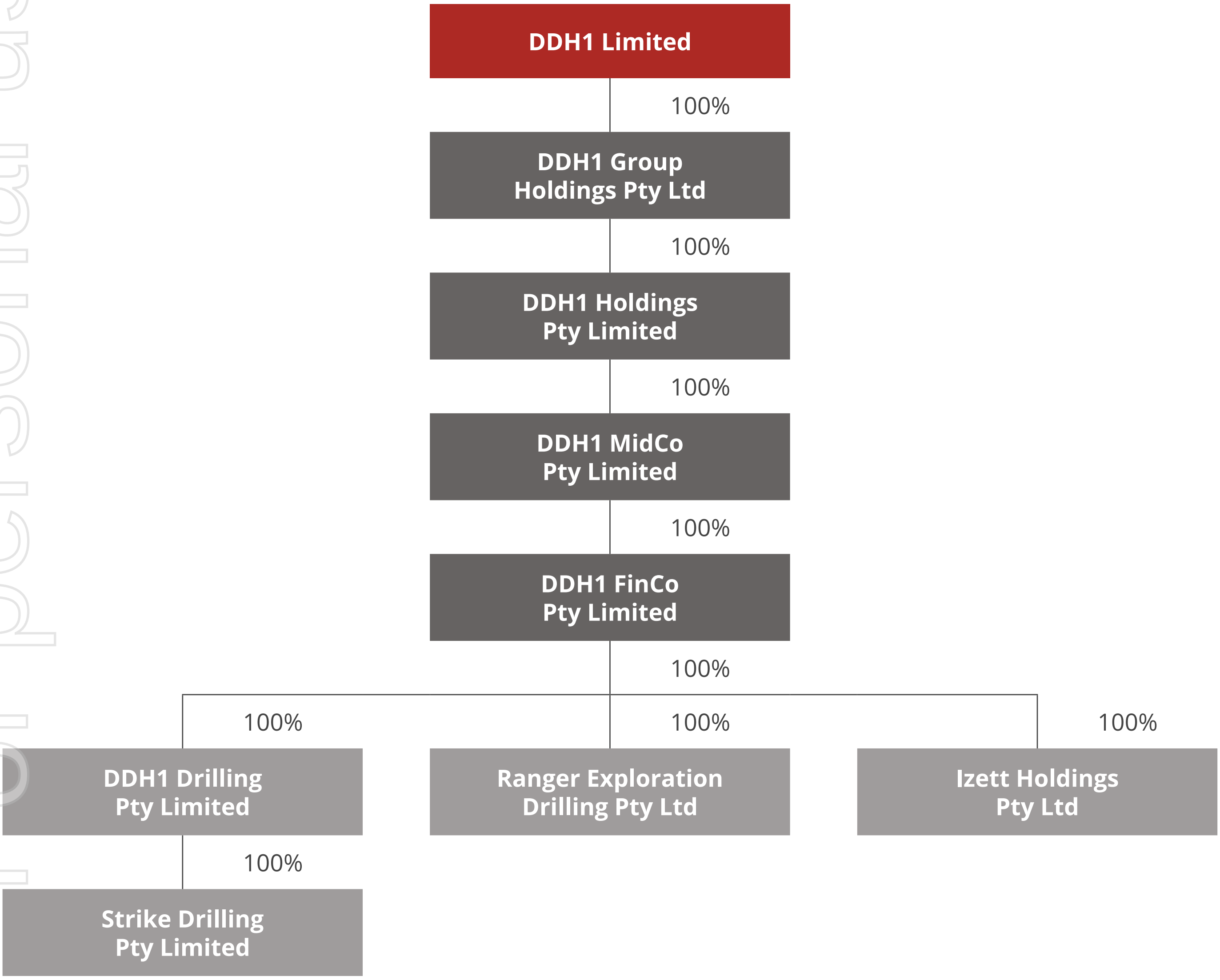
The Company is and will be subject to tax at the Australian corporate tax rate on its taxable income. The financial year of the Company ends on 30 June annually.

10.3 CORPORATE AND CAPITAL STRUCTURE

10.3.1 Corporate structure on Completion

The following diagram is a simplified representation of the DDH1 Group corporate structure on Completion of the Offer (and following the DDH1 Group Restructure). Immediately following Completion, DDH1 Group Holdings, which is a wholly owned subsidiary of DDH1 Limited, will acquire all of the shares in DDH1 Holdings. The effect of the DDH1 Group Restructure is reflected below.

Figure 49: DDH1's corporate structure post Completion



10.3.2 DDH1 Group Restructure

DDH1 has entered into agreements with the Existing Shareholders (each a **Sale Agreement**), pursuant to which the Existing Shareholders have agreed to sell all of their shares in DDH1 Holdings to DDH1 Group Holdings, a wholly owned subsidiary of DDH1 (the **DDH1 Group Restructure**).

10.3.2.1 Sale Agreements

Under the terms of the Sale Agreements (which include the MEP Sale Agreements), DDH1 Group Holdings will acquire all of the shares in DDH1 Holdings. The consideration for that acquisition will be satisfied by way of $109.0 million in cash (payable out of the Offer Proceeds) and the issuance of 205,866,215 million Shares (representing a value of $226.5 million based on the Offer Price).

The cash consideration payable by DDH1 Group Holdings to the Existing Shareholders will be allocated:

- 52.1% to Oaktree, being an amount equal to $56.8 million;
- 46.1% to the Founders' shareholder entities in aggregate, being an amount equal to $50.2 million; and
- the balance of 1.8% to certain other Existing Shareholders, being an amount equal to $2.0 million.

The Share consideration payable by DDH1 Group Holdings to the Existing Shareholders will be allocated:

- 36.8% to Oaktree, being 75,753,063 Shares and representing a value of $83.3 million based on the Offer Price;
- 55.4% to the Founders' shareholder entities in aggregate, being 113,966,496 Shares and representing a value of $125.4 million based on the Offer Price; and
- the balance of 7.8% to the remaining Existing Shareholders, being 16,146,656 Shares and representing a value of $17.8 million based on the Offer Price.

Completion under the Sale Agreements is conditional on and will only occur if the Underwriting Agreement has not been terminated as at 8:00am on the Settlement Date.

Each Existing Shareholder will:

- give DDH1 Group Holdings basic "title and capacity" warranties in relation to their respective ownership of the shares in DDH1 Holdings, but will not give any warranties or indemnities about the DDH1 business or its assets; and
- appoint DDH1 Holdings and each director and secretary of DDH1 Holdings as its agent and attorney to do everything necessary or expedient to give effect to the transactions contemplated by the Sale Agreements.

Following Completion under the Sale Agreement, the Existing Shareholders' aggregate holding in DDH1 will be approximately 60.2%.

10.3.2.2 Restructure Deed

In connection with the DDH1 Group Restructure, DDH1 has entered into a restructure implementation deed with DDH1 Group Holdings and DDH1 Holdings (**Restructure Deed**).

In summary, the Restructure Deed provides for or contemplates:

- the termination of the existing shareholders' deed in respect of DDH1 Holdings;
- certain restructure steps to give rise to the capital structure presented in this Prospectus; and
- certain covenants, acknowledgements and warranties by the parties to facilitate the transactions contemplated by the Restructure Deed.

Allotment of the Shares will occur prior to Completion under the Sale Agreements. While the Company has taken steps to eliminate performance risk in respect of Completion occurring under those agreements, including by requiring DDH1 Holdings to covenant to DDH1 that it will enforce its rights under the powers of attorney granted to DDH1 Holdings under those agreements, if such Completion does not occur for any reason, DDH1 will seek to enforce its rights under the Restructure Deed to unwind any relevant step of the DDH1 Group Restructure and refund all application monies to Applicants.

10.3.3 Capital structure

There is 1 Share on issue in DDH1 as at the Prospectus Date and the capital structure on Completion is described below.

The total number of Shares to be issued under the Offer will be 136.4 million[1]. Under the Sale Agreements, it is expected that:

- 192,175,699 Shares will be issued to the Existing Shareholders (other than the MEP Holders) as part consideration for the transfer of all the shares in DDH1 Holdings (other than the MEP Holders) to DDH1 Group Holdings; and
- 13,690,516 Shares will be issued to the MEP Holders as part consideration for the transfer of all the MEP Shares to DDH1 Group Holdings,

and, as such, DDH1 will be the ultimate parent entity of DDH1 Holdings immediately following Completion.

1. Excludes Shares to be issued to the MEP Holders pursuant to the MEP Sale Agreements.

10.4 DEBT FACILITY

DDH1 has received a credit approved term sheet from Bankwest, a Division of Commonwealth Bank of Australia (the **Lender**) for the provision of debt financing of $60.25 million, comprising (i) a $50 million five-year multi-option revolving facility (the **Revolving Facility**) to be used for general corporate purposes; (ii) a $10 million uncommitted asset finance facility; and (iii) a $0.25 million corporate card facility (each a **Banking Facility** and together the **Banking Facilities**).

Subject to customary carve-outs, the Banking Facilities will be guaranteed by DDH1 and each other wholly-owned subsidiary of DDH1 required to meet the guarantor coverage test of 90% of consolidated EBITDA and total assets of DDH1 and its Australian subsidiaries. The Lender will have a general security over all of the assets (with certain specified exceptions) of the members of DDH1 and the other guarantors. The Banking Facilities have two key financial covenants: the net leverage ratio and the debt service cover ratio. DDH1 will report to the Lender on a quarterly basis in relation to the key financial covenants. The Banking Facilities also include representations, warranties, undertakings, review events, events of default and indemnities which are customary for financings of this nature or which are driven by the circumstances of the financing transactions. These include, but are not limited to, restrictions on paying dividends and other distributions, disposing of assets, granting security, incurring financial indebtedness, providing financial accommodation and change of control (in each case, subject to any applicable carve outs).

The Revolving Facility will attract a line fee on undrawn commitments of the Revolving Facility at a rate of 1% of the available balance of the Revolving Facility. DDH1 will also be required to pay an establishment fee of $250,000, payable on first utilisation of the Banking Facilities.

If a review event occurs under the Banking Facilities and an agreement cannot be reached after consultation between the Lender and DDH1 for 45 days (at which time the review event is subsisting) the Lender may, by notice to DDH1, require repayment of the Banking Facilities in full within 90 days from the date of that notice. A review event will occur under the Banking Facility if:

- any party, directly or indirectly, acquires a beneficial interest and voting rights, which in aggregate exceed 50% of the issued ordinary shares of DDH1; or
- the shares of DDH1 listed on the ASX are delisted or suspended for a period of more than 10 consecutive business days.

10.5 UNDERWRITING AGREEMENT

The Offer is underwritten and managed by the Joint Lead Managers pursuant to an underwriting agreement dated 8 February 2021 between the Company and the Joint Lead Managers (**Underwriting Agreement**).

Pursuant to the Underwriting Agreement, the Company has appointed Bell Potter Securities Limited, Aitken Murray Capital Partners Pty Ltd, Macquarie Capital (Australia) Limited and UBS AG, Australia Branch to act on an exclusive basis as bookrunners and Joint Lead Managers to the Offer, to arrange and manage the Offer and to act as underwriters for the Offer.

10.5.1 Commission, fees and expenses

The Company has agreed to pay the Joint Lead Managers:

- an underwriting fee equal to 3.0% (excluding GST) of the Offer Proceeds (excluding in respect of any Shares issued to an Existing Shareholder and any Shares issued pursuant to the Employee Concessional Offer); and.
- a management fee equal to 0.75% (excluding GST) of the Offer Proceeds (excluding in respect of any Shares issued to an Existing Shareholder).

The underwriting and management fees will become payable by the Company on the date of Settlement of the Offer and will be paid to the Joint Lead Managers in proportions equal to their respective Underwriting Proportions.

Any fees payable to Brokers appointed in relation to the Offer are payable by the Joint Lead Managers on behalf of the Company out of the underwriting and management fees payable to them under the Underwriting Agreement. In addition to the fees described above, the Company has agreed to reimburse the Joint Lead Managers for certain other agreed costs and expenses, including legal costs, incurred by the Joint Lead Managers in relation to the Offer.

10.5.2 Termination events

A Joint Lead Manager may, by notice given to the Company and the other Joint Lead Manager, and without cost or liability, terminate the Underwriting Agreement if any of the following events occur at any time from the date of the Underwriting Agreement until 5:00pm (Perth time) on the date of allotment of the Shares issued under the Offer (or such other time as specified):

- in the Joint Lead Manager's reasonable opinion, the Offer Documents, any information released to the public or any aspect of the Offer does not comply with the Corporations Act or New Zealand Financial Markets Law (including where a statement included in any such document is or becomes misleading or deceptive or is likely to mislead or deceive (including by omission), or a matter required to be included is omitted from the Offer Documents or any information released to the public);
- there occurs a new circumstance that arises after lodgement of this Prospectus that would have been required to be included in this Prospectus if it had arisen before lodgement;
- the Company issues or, in the reasonable opinion of the Joint Lead Manager, is required to issue a supplementary prospectus to comply with section 719 of the Corporations Act, or lodges a supplementary prospectus with ASIC in a form and substance that has not been approved by the Joint Lead Managers;
- at any time the S&P/ASX 200 Index or the S&P Small Ordinaries Index falls to a level that is 90% or less of the level as at the close of trading on the day immediately prior to the date of the Underwriting Agreement and is at or below that level at the close of trading:
  - for two consecutive business days during any time after the date of the Underwriting Agreement; or
  - on the business day immediately prior to the date of Settlement or the allotment date;
- any Escrow Deed is withdrawn, varied, terminated, rescinded, altered, amended or breached or becomes void, voidable, unenforceable or there is a failure to comply with any of them;
- there are not, or there ceases to be, reasonable grounds in the reasonable opinion of the Joint Lead Manager for any statement or estimate in the Offer Document which relate to a future matter;
- the Company or any of the Company's Directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged, in any fraudulent conduct or activity, whether or not in connection with the Offer;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
  - the Company's admission to the Official List on or before the listing approval date; or
  - the quotation of all of the Company's ordinary shares on ASX or to be traded through CHESS on or before the date on which the Shares are to be first quoted on ASX,

  or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- any of the following notifications are made in respect of the Offer:
  - ASIC issues an order under section 739 of the Corporations Act;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or an Offer Document;
  - any person (other than the Joint Lead Manager) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
  - any person (other than the Joint Lead Manager) gives a notice under section 730 of the Corporations Act in relation to an Offer Document,

  unless such notification is not made public and is withdrawn within the earlier of: (a) 2 Business Days; and (b) the Business Day prior to the Settlement Date;
- the Company fails to comply with the requirements of the New Zealand Financial Markets Law to enable the Offer to proceed under the New Zealand Mutual Recognition Regime;
- any New Zealand regulatory body having jurisdiction in respect of the Offer issues an order prohibiting the Company from making the Offer under the New Zealand Mutual Recognition Regime or the New Zealand Financial Markets Authority exercises any power under Part 8 of the Financial Markets Conduct Act 2013 of New Zealand in a manner which is materially adverse in relation to the Offer;
- the Company does not provide a closing certificate as and when required by the Underwriting Agreement;

- the Company or any member of the Group breaches, or defaults under, any provision, undertaking, covenant or ratio of the Debt Facility Agreement or any related documentation to which that entity is a party or an event of default or event which gives a lender or financier the right to accelerate or require repayment of the debt or financing, or other similar material event occurs under or in respect of the Debt Facility Agreement to any such debt or financing arrangement or related documentation;
- if any of the obligations of the relevant parties under any of the contracts that are material to the business of the Group are not capable of being performed in accordance with their terms (in the reasonable opinion of the terminating Joint Lead Manager) or all or any part of any such contracts:
  - is amended or varied without the consent of the Joint Lead Managers;
  - is terminated;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal;
- the Company withdraws an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- any member of the Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Group becoming insolvent;
- an event specified in the timetable up to and including the date of Settlement is delayed by more than one business day (other than a delay agreed to between the Company and the Joint Lead Managers);
- the Company is prevented from allotting and issuing the Shares within the time required by the timetable for the Offer, the Offer Documents, the ASX Listing Rules, any other applicable laws or by a court order;
- the Company:
  - alters the issued capital of the Company or another member of the Group; or
  - disposes or attempts to dispose of a substantial part of the business or property of the Company or another member of the Group,

without the prior written consent of the Joint Lead Managers;

- there is a change in the chief executive officer of the Company, the managing director of Ranger Drilling, the managing director of Strike Drilling or the chief financial officer of the Company or Mat Scarlett vacates his office; or
- any of the following occurs:
  - a director or proposed director, or senior manager, named in the Prospectus of the Company is charged with, or convicted of, an indictable offence;
  - any governmental agency commences any public action against the Company or any of its respective Directors in their capacity as a director of the Company, or announces that it intends to take action; or
  - any director or proposed director named in the Prospectus of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.

10.5.2.1 Termination events subject to materiality

A Joint Lead Manager may, by notice given to the Company and the other Joint Lead Manager, and without cost or liability, terminate the Underwriting Agreement, if any of the following events occur at any time from the date of the Underwriting Agreement until 5:00pm (Perth time) on the date of Settlement (or such other time as specified) only if the Joint Lead Manager has reasonable grounds to believe that the event:

- has or is likely to have a material adverse effect on:
  - the success, settlement or marketing of the Offer or on the ability of the Joint Lead Manager to market, promote or settle the Offer or on the likely price at which the Shares will trade on ASX; or
  - the willingness of investors to subscribe for the Shares; or
- will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager or its affiliates or the Joint Lead Manager or its affiliates being involved in a contravention of, any applicable law.

A Joint Lead Manager can terminate as above, if any of the following events occur:

- the due diligence report or verification materials provided and any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Group or the Offer is (or is likely to), or becomes (or becomes likely to be), false, misleading or deceptive, including by way of omission;
- an adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the

Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group from those respectively disclosed in any Offer Document or certain other public information;

- a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Joint Lead Managers to satisfy an obligation under the Underwriting Agreement, or to market, promote or sell the Offer;
- there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia, New Zealand or any State or Territory of Australia a new law, or the Reserve Bank of Australia or New Zealand, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- a contravention by the Company or any other member of the Group of the Corporations Act, *Competition and Consumer Act 2010* (Cth), ASIC Act (any regulations under those acts), its Constitution or any of the ASX Listing Rules;
- any aspect of the Offer does not comply with the Corporations Act, the New Zealand Financial Markets Law, the ASX Listing Rules or any other applicable law or regulation;
- a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- the Company defaults on one or more of its obligations under the Underwriting Agreement;
- the Company varies any term of its constitution without the prior written consent of the Joint Lead Managers, other than in connection with the adoption of a new constitution on or about Settlement;
- if any of the obligations of the relevant parties under any of the contracts that are material to the business is breached;
- legal proceedings are commenced against the Company, or any other member of the Group or against any director of the Company or any other member of the Group in that capacity;
- any regulatory body commences any enquiry or public action against the Company or any other member of the Group;
- any information supplied (including any information supplied prior to the date of this agreement) by or on behalf of a Group Member to the Joint Lead Manager in respect of the Offer or the Group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including by omission);
- hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, the United Kingdom, the People's Republic of China, Hong Kong, North Korea or any member state of the European Union or a major terrorist act is perpetrated on any of those countries or a state of emergency is declared by any of those countries (other than as already declared prior to the date of this agreement) or a major escalation occurs in relation to a previously declared state of emergency by any of those countries;
- a statement in a closing certificate provided under the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect; or
- any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, Hong Kong, the United Kingdom or the United States is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse effect on the financial markets in Australia, Hong Kong, the United Kingdom or the United States, or in foreign exchange rates; or
  - trading in securities quoted or listed on ASX, New York Stock Exchange, London Stock Exchange or Hong Kong Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading.

10.5.3 Conditions, representations, warranties and undertakings

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Joint Lead Managers (as well as common conditions precedent, including conducting due diligence, lodgement of this Prospectus, the entry into voluntary escrow deeds by the Escrowed Shareholders, and ASIC and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by the Company include, but are not limited to, matters such as power and authorisation, validity of obligations and status.

The representations and warranties given solely by the Company include, but are not limited to, matters such as compliance of the Offer and the Offer Documents with the Corporations Act, the Listing Rules, legislative instruments and other applicable rules, financial information, and accuracy of accounts, representations in relation to the Shares, dividends and distributions, agreements, authorisations and licences, litigation, ownership of assets, capitalisation of the Company, internal controls, internal accounting controls, intellectual property, data privacy, IT systems and platforms, anti-money laundering and taxation, as well as customary US representations and warranties.

The undertakings given by the Company relate to matters including, but not limited to, provision of and consultation with the Joint Lead Managers in respect of ASIC or ASX correspondence, notification of breach to the Joint Lead Managers, variation of its constitution (other than in connection with the adoption of a new constitution on or about Settlement) and undertakings that during the period following the date of the Underwriting Agreement:

- until 180 days after the date of Completion, carry on its business and procure that each member of the Group carries on its business in the ordinary course and not dispose of (or permit certain members of its corporate group to dispose of) any material part of its business or property except in the ordinary course or as disclosed in this Prospectus; and
- until 180 days after the date of Completion, it will not issue, transfer or allot, or agree to issue, transfer or allot, or indicate in any way that it may or will issue, transfer or allot or agree to issue, transfer or allot, any shares or other securities convertible into shares of the Company or any other member of the Group (subject to certain exceptions),

without the prior written consent of the Joint Lead Managers.

Further, until 180 days after the date of Completion, the Company undertakes not to alter the capital structure of the Company or amend the Constitution (or agree or announce an intention to do the preceding) except with the prior written consent of the Joint Lead Managers (acting reasonably and without delay), or as otherwise disclosed in the Prospectus.

10.5.4 Indemnity

Subject to certain exclusions relating to, among other things, the gross negligence, recklessness, fraud or wilful misconduct of a Joint Lead Manager or certain representatives, the Company agrees to keep the Joint Lead Managers and certain representatives of the Joint Lead Managers indemnified from losses suffered in connection with the Offer.

10.6 ESCROW ARRANGEMENTS

The following persons will be subject to voluntary escrow arrangements.

SHAREHOLDER	NUMBER OF ESCROWED SHARES	% OF TOTAL SHARES ON COMPLETION
Oaktree	75,753,063	22.1%
Founders	113,966,496	33.3%
Other Existing Shareholders	16,146,656	4.7%
Total	**205,866,215**	**60.2%**

Each Escrowed Shareholder has entered into a voluntary escrow deed in respect of their Escrowed Shares, which prevents them from disposing their Escrowed Shares for the applicable escrow period. The restriction on "disposing" is broadly defined and includes, among other things, to sell, assign, transfer or otherwise dispose of, the Escrowed Shares or any legal, beneficial or economic interest in the Escrowed Shares, to encumber or grant any security interest in the Escrowed Shares, to grant or exercise any option in respect of the Escrowed Shares or to do, or omit to do, any act if the act or omission would have the effect of causing any such transaction to occur.

Following Completion, Escrowed Shares held by:

- Founders and all other Escrowed Shareholders (other than Oaktree) will be subject to escrow:
  - in relation to 50% of their holdings from Completion until 4:15pm on the date on which the financial results of the Company for the financial year ended 30 June 2021 are publicly released.
  - in relation to the other 50% of their holdings from Completion until 4:15pm on the date on which the financial results of the Company for the financial year ended 30 June 2022 are publicly released.
- Oaktree will be subject to escrow from Completion until 4:15pm on the date on which the financial results of the Company for the financial year ended 30 June 2021 are publicly released.

An Escrowed Shareholder may be released early from these escrow obligations to enable:

- the Escrowed Shareholder to accept an offer under a bona fide takeover bid in respect of all or a proportion of the Shares, provided that the holders of at least half of the Shares that are not subject to any voluntary escrow deed, and to which the offers under the takeover bid relate, have accepted an offer under the takeover bid;
- the Escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement relating to the Company under Part 5.1 of the Corporations Act which has received all necessary approvals, including all such necessary court and shareholder approvals;
- the Escrowed Shares to be dealt with in the event of death or incapacity of the Shareholder;
- the Escrowed Shares to be dealt with to the extent required by any applicable law (including an order of a court of competent jurisdiction); or
- the Escrowed Shares to be dealt with in a manner approved by the Board.

During the escrow period, the Escrowed Shareholders may deal in any of their Escrowed Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction) provided that in the case of a merger by scheme of arrangement under the Corporations Act, the Escrowed Shareholder agrees that the holding lock will be applied if the merger does not take effect.

With respect to each Rollover Share issued to an Escrowed Shareholder who is an MEP Holder, the escrow terms described above are supplemented by additional holding lock arrangements which apply for so long as an amount is owing in respect of that Rollover Share under the Limited Recourse Loan Agreement to which that share relates.

10.7 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in Australia is regulated by Australian laws and laws in other countries in which the Company operates that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 10.7 contains a general description of these laws.

10.7.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company either themselves or through an associate.

10.7.2 *Foreign Acquisitions and Takeovers Act 1975* (Cth)

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (**Substantial Interest**), or 40% or more by two or more unassociated foreign persons and their associates (**Aggregate Substantial Interest**). Where a foreign person holds a Substantial Interest in the Company or foreign persons hold an Aggregate Substantial Interest in the Company, the Company will itself be a "foreign person" for the purposes of the Foreign Acquisitions and Takeovers Act (**FATA**).

Where an acquisition by a foreign person of a Substantial Interest meets certain criteria, the acquisition must be notified to the Federal Treasurer (through the Foreign Investment Review Board (**FIRB**)) and may not occur without the prior approval of the Federal Treasurer or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a Substantial Interest, or an Aggregate Substantial Interest meeting certain criteria, without such approval may lead to divestment orders (amongst other things) if the Treasurer determines that the acquisition is contrary to the national interest.

In addition, under the FATA, acquisitions of a direct investment in a company by a foreign government investor (which is defined broadly to include investors such as public pension funds or university investment funds) must be notified to the Treasurer (through FIRB) for prior approval, irrespective of the value of the investment. A direct investment will typically include any investment of 10% or more of the shares (or other securities or equivalent interest or voting power) in an Australian company but may also include an investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target (including the target Board).

10.8 TAXATION CONSIDERATIONS

The following comments provide a general summary of Australian tax issues for Australian tax resident investors who acquire Shares under this Prospectus.

This general summary reflects the current provisions of the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) and the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) (collectively referred to as the **Tax Law**), and the regulations made under the Tax Law, and takes into account current tax rulings issued by the Australian Taxation Office (**ATO**) and the current administrative practices of the ATO. This outline does not otherwise take into account or anticipate changes in the law, whether by way of judicial decision or legislative action.

The categories of investors considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their Shares on capital account.

This summary does not consider the consequences for non-Australian tax resident investors, or Australian tax resident investors who are insurance companies, banks, investors that hold their Shares on revenue account or carry on a business of trading in shares or investors who are exempt from Australian tax. This summary also does not cover the consequences for Australian tax resident investors who are subject to Division 230 of the ITAA 1997 (the Taxation of Financial Arrangements or "TOFA" regime).

This summary is based on the law in Australia in force at the time of issue of this Prospectus. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each investor's specific circumstances.

Investors should obtain their own advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

10.8.1 Dividends paid on a Share

Individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend, together with any franking credit attached to that dividend if they are a "qualified person" (refer to further comments below). Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a "qualified person" or where the investor receives less than $5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income in an income year, such investors should be entitled to a tax refund.

Where a dividend paid is unfranked, the investor will generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

Corporate investors

Corporate investors are required to include both the dividend and associated franking credit in their assessable income subject to being a "qualified person". A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate investors can then pass on the benefit of the franking credits to their own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a "qualified person", the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

Shares held at risk

The benefit of franking credits can be denied where an investor is not a "qualified person" in which case the investor will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, an investor must satisfy the holding period rule including, if necessary, the related payment rule.

The holding period rule requires an investor to hold the Shares "at risk" for more than 45 days continuously, in the period beginning the day after the day on which the investor acquires the Shares and ending on the 45th day after the day on which the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45-day period. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the investor held the Shares "at risk". This holding period rule is subject to certain exceptions. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where an investor or their associate passes on the benefit of the dividend to another person. The related payment rule requires the investor to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. Practically, this should not impact investors who do not pass the benefit of the dividend to another person. Investors should obtain their own tax advice to determine if these requirements have been satisfied.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in your assessable income) for a dividend received. Investors should consider the impact of these rules having regard to their own personal circumstances.

10.8.2 Disposal of Shares

The disposal of a Share by an investor will be a capital gains tax (**CGT**) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses) where the investor is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

Where the investor is the trustee of a trust that has held the Shares for more than 12 months before disposal the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Investors that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the investor in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

10.8.3 Goods and Services Tax (GST)

Investors should not be liable for GST in respect of their investment in Shares. Investors may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors in this respect.

10.8.4 Stamp duty

Investors should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone, or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent transfer of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

10.8.5 Tax file number (TFN)

Resident investors may, if they choose, notify the Company of their TFN, Australian Business Number or a relevant exemption from withholding tax with respect to dividends. In the event the Company is not so notified, tax will automatically be deducted as the highest marginal rate, including, where relevant, the Medicare Levy, from unfranked dividends and/or distributions.

Resident investors may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

10.9 REGULATORY RELIEF

10.9.1 ASIC exemptions and relief

ASIC has granted certain exemptions and relief from the Corporations Act as described below:

- an exemption from compliance with section 606 of the Corporations Act in connection with the acquisition by Oaktree of a relevant interest in the Shares, which may arise as a result of the DDH1 Group Restructure;
- an exemption from compliance with section 707(3) of the Corporations Act in connection with the Shares that will be issued by the Company to the Existing Shareholders as part of the DDH1 Group Restructure and certain employees of the DDH1 Group under the terms of the LTIP and in connection with the Management Equity Plan; and
- relief to effectively extend the benefit of ASIC Class Order 14/1000 to the securities issued in connection with the LTIP. This provides the Company with conditional relief from the requirement to issue disclosure documentation in connection with the issue or grant of Performance Rights under the LTIP and Shares upon exercise of such Performance Rights, as well as relieving the Company from the operation of the licensing, advertising, securities hawking and management investment scheme provisions of the Corporations Act for offers of such securities in accordance with ASIC's conditions.

10.9.2 ASX waivers and confirmations

ASX has granted in-principle advice confirming that it would be likely to grant the following waivers from the ASX Listing Rules following receipt of formal application from the Company for admission to the Official List:

- a waiver from Listing Rule 10.14 in relation to the issue of the Shares to Sy Van Dyk or any entity controlled by him in connection with the LTIP, the Employee Concessional Offer and the MEP Shares; and
- a waiver from ASX Listing Rule 1.1 condition 12 in relation to the grant of Performance Rights as part of the LTI Offer (as described in Section 6.3.4.3).

ASX has confirmed that:

- a waiver from ASX Listing Rule 7.1 is not required in relation to the issue of Shares to the Existing Shareholders on or around Completion as part of the consideration payable to the Existing Shareholders under the DDH1 Group Restructure; and
- a waiver from Listing Rule 10.11 is not required in relation to the issuance of Shares to:
  - Western Alloys Pty Ltd (as trustee of the Westall Investment Trust), an entity controlled by Murray Pollock (a Director of the Company) as part of the DDH1 Group Restructure; and
  - Sy Van Dyk (the Chief Executive Officer and a Director of the Company) or any entity controlled by him in connection with the LTIP, the Employee Concessional Offer and the MEP Shares.

10.10 CONSENTS TO BE NAMED AND STATEMENT OF DISCLAIMERS OF RESPONSIBILITY

Each of the parties listed below in this Section 10.10 (each a "**Consenting Party**"), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

- Each of Bell Potter Securities Limited, Aitken Murray Capital Partners Pty Ltd, Macquarie Capital (Australia) Limited and UBS AG, Australia Branch has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer in the form and context in which it is named. None of Bell Potter Securities Limited, Aitken Murray Capital Partners Pty Ltd, Macquarie Capital (Australia) Limited or UBS AG, Australia Branch has made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. None of Bell Potter Securities Limited, Aitken Murray Capital Partners Pty Ltd, Macquarie Capital (Australia) Limited or UBS AG, Australia Branch has authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

- Gilbert + Tobin has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation and stamp duty matters) to the Company in relation to the Offer in the form and context in which it is named. Gilbert + Tobin has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. Gilbert + Tobin has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.
- Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and to the inclusion in this Prospectus of its Investigating Accountant's Report in Section 9 in the form and context in which it is included. Except for its Investigating Accountant's Report, Deloitte Corporate Finance Pty Limited has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus other than its Investigating Accountant's Report.
- Deloitte Touche Tohmatsu has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the auditor of the Company in the form and context in which it is named. Deloitte Touche Tohmatsu has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement in this Prospectus is based. Deloitte Touche Tohmatsu has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.
- PricewaterhouseCoopers has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Australian tax adviser to the Company in the form and context in which it is named. PricewaterhouseCoopers has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement in this Prospectus is based. PricewaterhouseCoopers has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.
- Wood Mackenzie (Australia) Pty Ltd has given, and has not withdrawn prior to the Prospectus Date, its written consent to (i) be named in this Prospectus in the form and context it is so named, (ii) the inclusion in this Prospectus of its Australian Mineral Drilling Industry Report (January 2021) in the form and context in which it is included, (iii) the graphical and statistical information supplied by it as set forth in this Prospectus, (iv) the statements in this Prospectus based on that information and (v) the references to it in this Prospectus (together, "**Wood Mackenzie Information**"), in the form and context in which each appears. Except for the Wood Mackenzie Information, Wood Mackenzie (Australia) Pty Ltd has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. Wood Mackenzie (Australia) Pty Ltd has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus other than the Wood Mackenzie Information.
- MinEx Consulting Pty Ltd has given, and has not withdrawn prior to the Prospectus Date, its written consent to (i) be named in this Prospectus in the form and context it is so named, (ii) the inclusion in this Prospectus of the graphical and statistical information supplied by it as set forth in this Prospectus, (iii) the statements in this Prospectus based on that information and (iv) the references to it in this Prospectus (together, "**MinEx Consulting Information**"), in the form and context in which each appears. Except for the MinEx Consulting Information, MinEx Consulting Pty Ltd has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. MinEx Consulting Pty Ltd has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus other than the MinEx Consulting Information.
- The Australian Drilling Industry Association Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to (i) be named in this Prospectus in the form and context it is so named, (ii) the inclusion in this Prospectus of the graphical and statistical information supplied by it as set forth in this Prospectus, (iii) the statements in this Prospectus based on that information and (iv) the references to it in this Prospectus (together, "**ADIA Information**"), in the form and context in which each appears. Except for the ADIA Information, the Australian Drilling Industry Association Limited has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. The Australian Drilling Industry Association Limited has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus other than the ADIA Information.
- Computershare Investor Services Pty Limited has given, and has not withdrawn prior the Prospectus Date, its written consent to be named in this Prospectus as the Share Registry to the Company in the form and context in which it is named. Computershare Investor Services Pty Limited has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. Computershare Investor Services Pty Limited has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

- Matt Thurston has given, and has not withdrawn prior to the Prospectus Date, his written consent to be named in this Prospectus in the form and context in which he is named. Matt Thurston has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. Matt Thurston has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.
- Richard Bennett has given, and has not withdrawn prior to the Prospectus Date, his written consent to be named in this Prospectus in the form and context in which he is named. Richard Bennett has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. Richard Bennett has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.
- Matt Izett has given, and has not withdrawn prior to the Prospectus Date, his written consent to be named in this Prospectus in the form and context in which he is named. Matt Izett has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. Matt Izett has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.
- Murray Pollock has given, and has not withdrawn prior to the Prospectus Date, his written consent to be named in this Prospectus in the form and context in which he is named. Murray Pollock has not made or purported to make any statement or representation in this Prospectus or any statement on which a statement made in this Prospectus is based. Murray Pollock has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

10.11 DESCRIPTION OF THE SYNDICATE

Bell Potter Securities Limited, Aitken Murray Capital Partners Pty Ltd, Macquarie Capital (Australia) Limited and UBS AG, Australia Branch are Joint Lead Managers to the Offer.

10.12 CASH COSTS OF THE OFFER

The cash costs of the Offer are expected to be approximately $12.0 million (excluding GST), or $13.2 million (including GST), and are expected to be applied towards the items set out below. The cash costs of the Offer as set out below exclude $0.5 million in non-cash costs of the Offer relating to Shares gifted under the Employee Concessional Offer.

Table 34: Cash costs of the Offer

ITEM OF EXPENDITURE	$M (EXCLUDING GST)	$M (INCLUDING GST)
Underwriting, selling and management fees	5.6	6.2
Legal fees	1.5	1.6
Tax and accounting fees	2.0	2.2
Marketing, printing and distribution	0.3	0.3
Other costs	2.6	2.9
Total	**12.0**	**13.2**

10.13 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in Western Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Western Australia.

10.14 STATEMENT OF DIRECTORS

This Prospectus has been authorised by each Director of the Company who has consented to its lodgement with ASIC and the issue of this Prospectus and has not withdrawn that consent.

Appendix A

SIGNIFICANT ACCOUNTING POLICIES

Ranger Drilling-Rig 3: Hydco 350 Reverse Circulation Rig and 8WD support truck, Pilbara WA

GENERAL INFORMATION

The Pro Forma Financial Information set out in this Prospectus is based on the audited consolidated general purpose financial report of DDH1 Holdings Pty Ltd and its controlled entities (**Consolidated Financial Information**) for the year ended 30 June 2020 and the special purpose aggregated financial information (**Aggregated Financial Information**) of the DDH1 Holdings Pty Ltd Aggregated Entities as set out in the aggregated financial report. The Consolidated Financial Information and Aggregated Financial Information are collectively referred to as the Financial Information.

The Aggregated Entities consists of those entities that DDH1 Holdings Pty Ltd (**DDH1 Holdings**) has acquired to 30 June 2020 and presents the financial information as if all the acquisitions had occurred on 1 July 2016. The purpose of the Aggregated Financial Information is to show the trading results of the Aggregated Entities for the financial years ending 30 June 2017, 30 June 2018 and 30 June 2019 respectively, as if it had been one combined aggregated group for the entirety of these financial years.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Historical cost convention

The Financial Information has 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 goods and services.

Revenue recognition

Revenue is measured based on the consideration to which the Group expect 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:

i. Drilling revenue

The Group provides a range of drilling services to clients in the mining, exploration oil and gas 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 which 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 inter-related 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 metres 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).

Income taxes

DDH1 Holdings 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 Holdings Pty Ltd, who is also the ultimate head of the Group. During the 2019 financial year the Group completed a corporate restructure and as part of this restructure all entities in the Group were brought into the tax consolidated group. DDH1 Limited will become the head entity of a newly formed tax consolidated 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.

Current tax liabilities of the members of the tax consolidated group are recognised by DDH1 Holdings (as the head entity in the tax consolidated group).

DDH1 Holdings and each member of the tax consolidated group have entered into a tax funding arrangement, in terms of which DDH1 Holdings 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.

Foreign currencies

The Financial Information is presented in Australian dollars, unless otherwise noted, which is the Group's functional and presentation currency.

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.

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. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. 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.

Dividends and distributions

Dividends and distributions are recognised when declared during the financial year and no longer at the discretion of the entity.

Provision is made for the amount of any dividend and distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of financial year but not distributed at the reporting date.

Distributions made between entities within the Group that form either part of the Aggregated Historical Financial Information or the Consolidated Financial Information have been eliminated.

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.

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 either the diminishing value basis or straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss. 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 and equipment	6.67% – 50%
Motor vehicles	6.67% – 25%
Drilling rigs	6.67% – 12.50%
Office equipment, furniture and fittings	10% – 50%

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

Intangible assets

Intangible assets are initially recognised at cost. 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 estimated useful life and amortisation method is reviewed at the end of each reporting period, with the effect of any changes 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.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group will review 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.

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.

When 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.

AASB 16 *Leases* (applied for Consolidated Financial Information and Pro Forma Historical Financial Information)

The Group has adopted AASB 16 with effect from 1 July 2019 (the "adoption date"), using the cumulative catch-up approach, but has not restated statutory comparatives for the 2019 reporting period, as permitted under the specific transitional provisions of the standard. The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying AASB 117:

- the Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the Group has elected not to recognise right of use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application;

- the Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- the Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Any reclassifications and adjustments arising from the adoption of the standard have been recognised in the opening balances on 1 July 2019. There were no adjustments made to the opening balance of retained earnings.

All relevant contracts, other than short-term contracts or those relating to low-value assets, have been assessed to determine whether they are, or contain, leases. For initial adoption purposes, short-term contacts include contracts that expire within 12 months or less of the adoption date.

On the adoption date, the Group has recognised lease liabilities in relation to the leases which had previously been classified as "operating leases" under the principles of the previous standard AASB 117 *Leases*. These leases are for office premises located in Western Australia which are used by the Group. The Group already had existing finance leases (hire purchase leases) relating to drill rigs and motor vehicles which were in previous periods, disclosed within borrowings. They are now all classified as lease liabilities.

Lease liabilities

The lease liabilities in respect to the office premises have been measured at the present value of the remaining lease payments over the estimated remaining lease term, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The weighted average interest rate used for discounting was 5.76%.

The discount rate used in calculating the carrying amount of the lease liabilities takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment and other relevant factors). Leases with similar characteristics have been grouped together, predominately on the basis of geography and lease length.

The Group has estimated remaining lease terms including the effects of renewal options or termination options expected to be exercised. For two of the leases, the Group has exercised its judgement that it is reasonably certain to extend the initial lease term by five years.

Right of use assets

Right of use assets were measured at amounts equal to the carrying amount of the respective lease liabilities on the adoption date. There were no onerous lease contracts that would have required an adjustment to the right of use assets on the adoption date. Depreciation is on a straight-line basis over the remaining lease term.

This Prospectus presents the Pro Forma Historical Financial Information and the Forecast Financial Information on a consistent basis to illustrate the impact of AASB 16 had the standard been applied from 1 July 2016.

Leases (Aggregated Financial Information Only)

Per the Aggregated Historical Financial Information, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Aggregated Entities at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Aggregated Entities' general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 instruments.

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.

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**).

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.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses 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).

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 or has entered into bankruptcy proceedings. 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 the 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.

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 DDH1 Holdings' 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 DDH1 Holdings' own equity instruments.

Financial liabilities

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

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.

Borrowings costs

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

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.

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.

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.

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 will revise 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 the 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.

Goods and Services Tax ('GST') and other similar taxes

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 taxation authority, 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 taxation authority 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 taxation authority is classified within operating cash flows.

Principles of Consolidation (Applicable to the Special Purpose Pro Forma Historical Financial Information for 30 June 2020)

The Pro Forma Historical Financial Information for the financial year ended 30 June 2020 incorporates the financial statements of DDH1 Holdings and entities controlled by DDH1 Holdings (its subsidiaries). Control is achieved when DDH1 Holdings 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 affect 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. Total comprehensive income of subsidiaries is attributed to the owners of DDH1 Holdings.

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.

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 the owners of DDH1 Holdings.

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 re-valued 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.

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.

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.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment 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.

Principles of Aggregation (Applicable to the Aggregated Historical Financial Information for 30 June 2017, 30 June 2018 and 30 June 2019)

The Aggregated Historical Financial Information has been prepared in accordance with the recognition and measurement criteria of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and with the disclosure requirements of Australian Accounting Standards, except the requirements of the following Standards:

- AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements* – This Financial Information comprises aggregated financial information prepared as if all the aggregated entities had been acquired by DDH1 Holdings on 1 July 2016 and does not constitute consolidated financial information as required by AASB 10 including business combination accounting as required by AASB 3 (i.e. recognition and measuring the identifiable assets acquired and the liabilities assumed at fair value and recognising the goodwill or gain from a bargain purchase on the business combination).
- AASB 101 *Presentation of Financial Statements* – A statement of changes in equity has not been presented in this Financial Information and a statement of net assets has been presented rather than a statement of financial position, as no shareholder equity has been presented.

- AASB 7 *Financial Instrument Disclosures* – Given the aggregated nature of this Financial Information, not all disclosures requirements of AASB 7 have been presented.
- AASB 133 *Earnings Per Share* – As the Financial Information has been prepared in an aggregated format, there is no basis upon which earnings per share can be calculated. Consequently, the disclosures required under AASB 133 have not been presented.

This Financial Information comprises aggregated financial information and does not constitute consolidated financial information as required by AASB 10 *Consolidated Financial Statements*. Consequently, AASB 3 *Business Combinations* has not been applied, specifically the acquisition method has not been applied and no fair value adjustments have been made in relation to the aggregation, as may be required when preparing consolidated financial statements and accounting for business combinations.

This Financial Information incorporates the aggregated book values of assets and liabilities of all entities of the Aggregated Entities.

In preparing the Financial Information, the following aggregation principles in relation to transactions and balances have been applied:

- all intercompany balances between entities within the Aggregated Entities including any unrealised profits or losses have been eliminated;
- all intercompany dividends and distributions with the Aggregated Entities have been eliminated; and
- all intercompany transactions between entities in the Aggregated Entities have been eliminated.

The Pro Forma Historical and Forecast Financial Information, however, reflects the principles of consolidation and the accounting for the acquisitions of these entities.

Appendix B

GLOSSARY

DDH1-Rig 16: Evolution 3000 Multipurpose Core Rig, South West WA

APPENDIX B GLOSSARY

TERM	MEANING
A$** or **$	Australian dollar.
AAS or **Australian Accounting Standards**	Australian Accounting Standards and other authoritative pronouncements adopted by the AASB and Urgent Issues Group interpretations.
AASB	Australian Accounting Standards Board.
ABS	Australian Bureau of Statistics.
Acquisition Amortisation	Has the meaning given in Section 4.2.7.1.
ADIA	Australian Drilling Industry Association.
Aitken Murray	Aitken Murray Capital Partners Pty Ltd.
Aggregate Substantial Interest	Shares and voting power amounting to a 40% or greater interest in a company held by two or more foreign persons and their associates.
AIM	A sub-market of the London Stock Exchange formerly known as the Alternative Investment Market.
Air Core or **AC**	Has the meaning given in Section 2.2.3.4.
Applicant	A person who submits an Application.
Application	An application made to subscribe for Shares offered under this Prospectus.
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
Application Monies	The amount of monies for the Application and accompanying an Application Form submitted by an Applicant.
ASAE	Australian Standard on Assurance Engagements.
ASIC	Australian Securities and Investments Commission.
ASIC Act	*Australian Securities and Investments Commission Act 2001* (Cth).
ASX	ASX Limited (ACN 008 624 691) or, where the context requires it, the Australian Securities Exchange operated by it.
ASX Listing Rules	The listing rules of the ASX, as amended, modified or waived from time to time.
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition).
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Limited (ACN 008 504 532).
ATO	Australian Taxation Office.
BBSY	Bank Bill Swap Rate.
Bell Potter	Bell Potter Securities Limited.
Board	The board of directors of DDH1 Limited.
Borrower	Has the meaning given in Section 10.4.
Broker	Each Joint Lead Manager and/or its affiliates, and any broker or brokers appointed by the Joint Lead Managers in accordance with the Underwriting Agreement to act as a participating broker to the Offer.
Broker Firm Offer	The offer of Shares under this Prospectus to eligible retail clients of Brokers as described in Section 7.3.
CAGR	Compound annual growth rate.
Capex	Capital expenditure.

TERM	MEANING
CHESS	ASX Clearing House Electronic Subregister System.
Chief Executive Officer or **CEO**	Sy Van Dyk.
Chief Financial Officer or **CFO**	Ben MacKinnon.
Completion or **Completion of the Offer**	The completion of the Offer, being the date upon which Shares are issued to successful Applicants in accordance with the terms of the Offer.
Concession Eligible Employee	An Eligible Employee under the ESP.
Corporations Act	*Corporations Act 2001* (Cth).
CGT	Capital gains tax.
CY	The abbreviation for the Calendar year, which ends on 31 December.
DDH1 or **Company**	DDH1 Limited and, where the context requires, includes DDH1 Holdings and/or its subsidiaries.
DDH1 Drilling	DDH1 Drilling Pty Limited (ACN 154 493 008).
DDH1 Group or **Group**	The consolidated grouping of DDH1's parent and subsidiary corporations and entities from time to time.
DDH1 Group Restructure	The internal restructure of the DDH1 Group which will take place in connection with Completion of the Offer.
DDH1 Group Holdings	DDH1 Group Holdings Pty Ltd (ACN 636 839 613).
DDH1 Holdings	DDH1 Holdings Pty Limited (ACN 625 946 321).
Debt Facilities	Has the meaning given in Section 10.4.
Debt Facility Agreement	Has the meaning given in Section 10.4.
Diamond Core or **DC**	Has the meaning given in Section 2.2.3.2.
Director	A director of DDH1 Limited.
EBIT	Earnings before interest and tax.
EBITA	Earnings before interest, tax and Acquisition Amortisation.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
ECL	Expected credit losses.
Eligibility Date	1 February 2021.
Eligible Employee	A full-time and part-time employee or director of the DDH1 Group who, as at the Eligibility Date, is resident in Australia and who has not given or received notice of termination of their employment or engagement as at the date the Application would otherwise be accepted.
Employee Concessional Offer	Has the meaning given in Section 7.5.
Employee Offer	Has the meaning given in Section 7.4.
Enterprise Value	The sum of market capitalisation at the Offer Price and Pro Forma net debt.
EPS	Earnings per Share.
EPS Component	Has the meaning given in Section 6.3.4.3.
Escrowed Shareholders	The Shareholders listed in the table set out in Section 10.6.
Escrowed Shares	The Shares listed in the table set out in Section 10.6
ESP	Employee share plan.

APPENDIX B GLOSSARY

TERM	MEANING
ESP Share	A share issued or transferred under the ESP.
Existing Shareholder	A shareholder of DDH1 Holdings as at the Prospectus Date.
FAR	Fixed annual remuneration.
FATA	*Foreign Acquisitions and Takeovers Act 1975* (Cth).
Financial Information	The Historical Financial Information and the Forecast Financial Information as described in Section 4.1.
Forecast Financial Information	The forecast financial information as described as Forecast Financial Information in Section 4.2.
Founders	Murray Pollock, Matt Thurston, Richard Bennett and Matt Izett.
FMC Act	*Financial Markets Conduct Act 2013* (New Zealand).
FPO	*Financial Services and Markets Act 2000 (Financial Promotions) Order 2005* (UK).
FSMA	*Financial Services and Markets Act 2000* (UK).
FTE	Full-time equivalent.
FY	The abbreviation for the financial year, which ends on 30 June for the Company.
FY2021 STI Award	Has the meaning given in Section 6.3.4.2.
GDP	Gross Domestic Product.
Grade Control	Has the meaning given in Section 2.2.3.3.
Gross Profit	Has the meaning given in Section 4.2.7.
GST	Has the meaning given in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
Historical Financial Information	Has the meaning given in Section 4.1.
HIN	Holder Identification Number.
HSE	Health, Safety and Environment.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
Independent Market Report	The independent report commissioned by DDH1 from Wood Mackenzie (Australia) Pty Ltd.
Information Line or **Offer Information Line**	1300 202 943 (within Australia) or +61 3 9415 4179 (outside Australia) from 8:30am to 5:00pm Sydney time, Monday to Friday (excluding public holidays).
Institutional Investors	Investors who are (a) persons in Australia who are wholesale clients under section 761G of the Corporations Act and either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act, respectively; or (b) institutional investors in certain other jurisdictions, as agreed between DDH1 and the Joint Lead Managers, to whom offers or invitations in respect of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which DDH1 is willing, in its absolute discretion, to comply).
Institutional Offer	The offer of Shares under this Prospectus to Institutional Investors as described in Section 7.7.
ITAA 1997	*Income Tax Assessment Act 1997* (Cth).
Investigating Accountant	Deloitte Corporate Finance Pty Limited.
Investigating Accountant's Report	The report provided by the Investigating Accountant as set out in Section 9.
IPO	Initial public offering.

TERM	MEANING
Joint Lead Managers	Bell Potter, Aitken Murray, Macquarie and UBS.
JORC	Australasian Joint Ore Reserves Committee or, where the context requires it, the code known as the '*Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*' published by it.
Lender	Has the meaning given in Section 10.4.
Listing	Admission of DDH1 Limited to the Official List and quotation of the Shares on the ASX.
LSE	London Stock Exchange Group plc or, where the context requires it, the London Stock Exchange operated by it.
LTI	Long-term incentive.
LTI Offer	Has the meaning given in Section 6.3.4.3.
LTIP	Long-term incentive plan.
Macquarie	Macquarie Capital (Australia) Limited.
Management Equity Plan	Has the meaning given in Section 6.3.4.4.
MEP Holders	Has the meaning given in Section 6.3.4.4.
MEP Sale Agreement	Has the meaning given in Section 6.3.4.4.
MEP Shares	Has the meaning given in Section 6.3.4.4.
New Plan Shares	Has the meaning given in Section 6.3.4.4.
New Zealand Financial Markets Laws	The Financial Markets Conduct Act 2013 of New Zealand and the Financial Markets Conduct Regulations 2014 of New Zealand.
New Zealand Mutual Recognition Regime	The mutual recognition regime established under the New Zealand Financial Markets Law for financial products offered in New Zealand by an Australian offeror.
No. or **#**	Number.
NPAT	Net profit/(loss) after tax.
NPATA	Net profit/(loss) after tax but excluding Acquisition amortisation (tax effected).
Oaktree	DDH1 Holdings Singapore Pte. Ltd, being an entity managed by an affiliate of Oaktree Capital Management, L.P. within that investment manager's special situations strategy, and any predecessor in title to that entity or, as the context requires, Oaktree Capital Management, L.P. itself.
Offer	The offer of Shares under this Prospectus.
Offer Document	The Prospectus, the Application Form, any pathfinder prospectus or supplementary prospectus and any marketing, roadshow presentation and/or ASX announcement(s) used by or on behalf of the Company to conduct the Offer.
Offer Period	The period from 17 February 2021 to 26 February 2021.
Offer Price	$1.10 per Share.
Offer Proceeds	The number of Shares offered under this Prospectus multiplied by the Offer Price.
Official List	The official list of the ASX.
Performance Rights	Has the meaning given in Section 6.3.4.3.
Privacy Act	*Privacy Act 1988* (Cth).
Pro Forma	Has the meaning given in Section 4.
Pro Forma Forecast Financial Information	Has the meaning given in Section 4.1.

APPENDIX B GLOSSARY

TERM	MEANING
Pro Forma Forecast Cash Flows	Has the meaning given in Section 4.1.
Pro Forma Forecast Income Statement	Has the meaning given in Section 4.1.
Pro Forma Statement of Financial Position	Has the meaning given in Section 4.1.
Pro Forma Historical Cash Flows	Has the meaning given in Section 4.1.
Pro Forma Historical Financial Information	Has the meaning given in Section 4.1.
Pro Forma Historical Income Statements	Has the meaning given in Section 4.1.
Prospectus	This document dated 10 February 2021 and any replacement or supplementary prospectus in relation to this document.
Prospectus Date	The date on which this Prospectus was lodged with ASIC, being 10 February 2021.
PP&E	Property, Plant and Equipment.
Q1, Q2, Q3 and **Q4**	Quarter 1, Quarter 2, Quarter 3 and Quarter 4 of the respective financial year.
Related Bodies Corporate	Has the meaning given in the Corporations Act.
Ranger or **Ranger Drilling**	Ranger Exploration Drilling Pty Ltd (ACN 617 982 680) and certain entities associated with that company.
Restructure Deed	The restructure implementation deed dated 9 February 2021 between DDH1, DDH1 Group Holdings and DDH1 Holdings.
Reverse Circulation or **RC**	Has the meaning given in Section 2.2.3.3.
ROIC or **Return on Invested Capital**	Has the meaning given in the note under Figure 43 in Section 3.6.
Rollover Shares	Has the meaning given in Section 6.3.4.4.
Sale Agreements	The sale agreements between DDH1 Group Holdings and the Existing Shareholders, pursuant to which the Existing Shareholders have agreed to sell all of their shares in DDH1 Holdings, effective on Completion of the Offer.
Section	A section of this Prospectus.
Senior Management Team	Has the meaning given in Section 6.2.
Senior Management Team Members	Has the meaning given in Section 6.3.3.2.
Settlement Date	The day of settlement for the Offer.
Share	A fully paid ordinary share in the capital of DDH1 Limited.
Share Registry	Computershare Investor Services Pty Limited.
Share Transfers	The share transfers pursuant to which each Existing Shareholder transfers all of its shares in DDH1 Holdings to DDH1 Group Holdings, as described in Section 10.3.2.
Shareholder	A registered holder of one or more Shares.
SRN	Shareholder Reference Number.
Statutory Forecast Cash Flows	Has the meaning given in Section 4.1.

TERM	MEANING
Statutory Forecast Income Statement	Has the meaning given in Section 4.1.
Statutory Historical Statement of Financial Position	Has the meaning given in Section 4.1.
Statutory Historical Cash Flow	Has the meaning given in Section 4.1.
Statutory Historical Financial Information	Has the meaning given in Section 4.1.
Statutory Historical Results	Has the meaning given in Section 4.1.
STI	Short-term incentive.
STIP	Short-term incentive plan.
Strike or **Strike Drilling**	Strike Drilling Pty Limited (ACN 164 225 656).
Successful Applicants	An Applicant who submits a successful Application.
TFN	Tax File Number.
TOFA	Taxation of Financial Arrangements.
TRIFR	Total Recordable Injury Frequency Rate.
TSR	Total Shareholder return.
TSR Component	Has the meaning given in Section 6.3.4.3.
UBS	UBS AG, Australia Branch.
Underwriting Agreement	The underwriting agreement dated 8 February 2021, between the Company, and the Joint Lead Managers.
U.S. or **United States**	United States of America, its territories and possessions, any State of the United States of America and the District of Columbia.
U.S. Securities Act	U.S. Securities Act of 1933, as amended.
Voluntary Escrow Arrangements	Has the meaning given in Section 10.6.

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DDH1 Limited

ACN 636 677 088

Broker Code

Adviser Code

Broker Firm Offer Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional advisor without delay.
You should read the DDH1 Limited Prospectus dated 10 February 2021 and any relevant Supplementary Prospectus (if applicable), carefully before completing this Application Form.
The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant Supplementary Prospectus (whether in paper or electronic form).

A I/we apply for

Number of Shares in DDH1 Limited at A$1.10 per Share or such lesser number of Shares which may be allocated to me/us.

B I/we lodge full Application Money

A$.

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter the postal address - include State and Postcode

Unit Street Number Street Name or PO Box/Other information

City/Suburb/Town State Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours

( )

F CHESS Participant

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

G Payment details - Please note that funds are unable to be directly debited from your bank account

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$

Cheques should be drawn up according to the instructions provided by your Broker.

By submitting this Application Form:

- I/we declare that this Application is complete and lodged according to the Prospectus, and any relevant Supplementary Prospectus, and the declarations/statements on the reverse of this Application Form,
- I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and
- I/we agree to be bound by the Constitution of DDH1 Limited.

See overleaf for completion guidelines ➔

How to complete this Broker Firm Offer Application Form

A Number of Shares applied for
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 1,819 Shares ($2,000.90). Applications for greater than 1,819 Shares must be in multiples of 455 Shares (A$500.50).

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Issue Price of A$1.10.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F CHESS
DDH1 Limited participates in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be sponsored by DDH1 Limited and allocated a Securityholder Reference Number (SRN).

G Payment
If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in DDH1 Limited is upon and subject to the terms of the Prospectus and the Constitution of DDH1 Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

The Broker Firm Offer opens on 17 February 2021 and is expected to close on 26 February 2021. DDH1 Limited and the Joint Lead Managers reserve the right to vary the timetable without prior notice, including by closing the Offer before the scheduled Closing Date or by extending the Closing Date.

If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions. Do NOT lodge this Application form with the Share Registry.

Your Broker must receive your completed Application Form and Application Monies (if applicable) in time to arrange settlement on your behalf by the relevant Closing Date for the Broker Firm Offer.

Privacy Notice
The personal information you provide on this form is collected by CIS, as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Correct forms of registrable title(s)
Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to DDH1 Limited. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

DDH1 registered office

DDH1 Limited
21 Baile Road
Canning Vale WA 6155

Directors

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

Offer website

https://ddh1offer.thereachagency.com

Offer Information Line

1300 202 943 (within Australia)
+61 3 9415 4179 (outside Australia)
from 8:30am to 5:00pm (Sydney time)
Monday to Friday

Corporate website

http://ddh1drilling.com.au

Share Registry

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

Joint Lead Managers

Bell Potter Securities Limited
Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

Aitken Murray Capital Partners Pty Ltd
52 Victoria Street
Paddington NSW 2021

Macquarie Capital (Australia) Limited
50 Martin Place
Sydney NSW 2000

UBS AG, Australia Branch
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Australian legal adviser

Gilbert + Tobin
Level 35, Tower 2, International Towers
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