

ASX Announcement

25 February 2022



DDH1 Delivers Record 1H FY22 Results

Specialist Australian drilling services company, DDH1 Limited (ASX: DDH1) (DDH1 or the Company) is pleased to announce its results for the first half of the 2022 financial year (1H FY22). The Company delivered a strong financial and operational performance and completed a transformative acquisition to accelerate long-term growth.

1H FY22 Operational Highlights (percentages compared to 1H FY21 unless indicated)

- Improved safety performance – TRIFR¹ improved by 11%, compared to 30 June 2021
- Added six quality rigs to the fleet
- Rig utilisation of 79.3%, up 5.4%
- Drilled a record 1.17 million metres, up 6.9%
- Annualised revenue per rig of \$3.3m, up 10.5%
- Shifts increased 17.1% to 25,384
- 81% of revenue derived from long-term production/resource definition projects

1H FY22 Financial Highlights (percentages compared to 1H FY21 unless indicated)

- Revenue of \$168.7m, up 19.2%
- Operating EBITDA of \$42.8m, up 27.6% and operating EBITA of \$31.1m, up 34.6%
- Operating EBITDA margin up 1.7% to 25.4% from 23.7%
- Statutory NPAT of \$19.7m, up 47.0%
- Strong balance sheet with a net cash position of \$6.5m
- 12-month rolling ROIC of 35%
- Declared a fully franked interim dividend of 2.51 cps. This represents a 40% payout ratio of the underlying NPATA for both DDH1 and the drilling business of the recently acquired Swick Mining Services Limited (Swick), for the six months ended 31 December 2021.

Acquisition of Swick (completed post 31 December 2021)

- Acquired Swick via an all-script transaction to strengthen DDH1's service offering, skilled personnel, manufacturing capabilities, unique drilling technologies and exposure to international markets.
- The transaction became effective at 5pm (AWST) on 7 February 2022, with shares issued in DDH1 to Swick shareholders on 16 February 2022.

¹ Total Recordable Injury Frequency Rate (TRIFR)



1H FY22 Key Metrics

\$M (unless indicated otherwise)	1H FY22 DDH	1H FY21 DDH	VAR (%)	1H FY22 DDH inc SWK ²	1H FY21 DDH inc SWK ²	VAR (%)
Revenue	168.7	141.5	19.2%	247.1	210.2	17.6%
Operating EBITDA ³	42.8	33.5	27.6%	56.6	47.2	19.9%
Operating EBITDA Margin %	25.4%	23.7%	1.7%	22.9%	22.4%	0.5%
Operating EBITA ⁴	31.1	23.1	34.6%	38.3	29.5	30.0%
Operating EBITA Margin %	18.4%	16.3%	2.1%	15.5%	14.0%	1.5%
Statutory NPAT	19.7	13.4	47.0%	24.5	17.1	43.4%
Operating NPAT	20.8	14.1	47.8%	25.7	17.8	44.2%
Interim Dividend declared (cps) ⁵	2.51	-	NA	2.51	-	NA

\$M (unless indicated otherwise)	31 Dec 21 DDH	30 Jun 21 DDH	31 Dec 21 DDH inc SWK ²	30 Jun 21 DDH inc SWK ²
Net Assets	246.9	233.7	313.5	312.2
Net Cash / (Debt) ⁶	6.5	9.6	(13.3)	6.6

Commenting on the 1H FY22 results and operational highlights, DDH1 Managing Director & CEO Sy van Dyk said:

The Company performed very strongly, delivering record half-year revenues, boosted by robust macro-economic drivers. Accordingly, rig utilisation and revenue per rig also increased, with a further record achieved for metres drilled during the period.

Irrespective of the operating challenges brought about by COVID-19, our operational teams did a brilliant job to deliver a great result for the half. The hard work and dedication of our operational teams cannot be overstated. Many employees worked away from families and friends for extended periods of time to support our customers and the continuity of our business. Their commitment is sincerely appreciated.

The Swick transaction is a key highlight. This transformative acquisition enhances our operational capacity and capabilities. Importantly, it sets DDH1 up for long-term organic growth within Australia and internationally.

Our safety performance remains a focus and pleasingly, our statistics improved during 1H FY22. To build on these results, we have multiple automation and hands-free programs underway and will continue to expand these throughout the balance of FY22.

² Swick numbers are for the operating underground drilling business, acquired by DDH post 31 December 2021 and excludes the Orexplora technology business which was demerged prior to the acquisition and any costs associated with the acquisition

³ Operating EBITDA = Statutory EBITDA less Swick transaction cost in current period and IPO costs in the comparative period

⁴ Operating EBITA = Statutory EBITA less Swick transaction cost in current period and IPO costs in the comparative period

⁵ DDH1 Limited was an unlisted entity and didn't declare a dividend in the comparative period

⁶ Net Cash / (Debt) excludes AASB 16 Right of Use liabilities

Interim Dividend

DDH1's Directors declared a fully franked interim dividend of 2.51 cents per share. The interim dividend represents a 40% payout ratio of the underlying NPATA for both DDH1 and the drilling business of the recently acquired Swick, for the six months ended 31 December 2021, which is in line with the Company's stated dividend policy. The interim dividend record and payment dates are 18 March 2022 and 8 April 2022 respectively.

Operational Overview for 1H FY22 (excluding Swick)

DDH1 maintained strong organic growth across its three businesses (DDH1 Drilling, Ranger Drilling and Strike Drilling) within Australia, particularly Western Australia. This growth was supported by excellent industry fundamentals and contributed to higher rig utilisation.

Rig utilisation for the half was 79.3%, up 5.4% on the prior corresponding period. Similarly, metres drilled of 1.17 million were up 6.9%, a new half-yearly record for the Company.

DDH1's revenue by commodity continued to be led by gold (34%), iron ore (19%) and gold/copper (15%). Demand and activity relating to battery metals, including nickel and copper, is gaining momentum (combined 28%). The Company has no exposure to coal-related drilling activities.

In response to strong demand, DDH1 enhanced its fleet by adding six quality rigs in the six months ended 31 December 2021 at a cost of \$15.5 million. All six of these rigs were diamond coring rigs, with five servicing the Company's surface clients and the other its underground clients. DDH1 will continue to add to its fleet with another eight rigs on order at 31 December 2021.

The Company remains focused on production/resource definition work, with 81% of 1H FY22 revenue coming from this segment. This metric highlights the quality of the DDH1's revenue and customer base.

Safety remained a priority and pleasingly, DDH1's rolling 12-month TRIFR improved by 11% (8.02 at 31 December 2021 versus 9.00 at 30 June 2021). The Company will continue to enhance training and awareness initiatives to keep employees safe. Concurrently, it is implementing additional automation and hands-free technologies to remove personnel from high-risk activities.

Swick Transaction

As announced on 12 October 2021, DDH1 entered into an agreement to acquire 100% of Swick shares via a Scheme of Arrangement (Scheme).

The Scheme became effective at 5pm (AWST) on 7 February 2022, with the allotment of the completion consideration taking place on the 16 February 2022.

The combination of DDH1 and Swick creates a global scale mineral drilling company with a balance of surface (~60%) and underground (~40%) drilling from a combined fleet of 176 rigs, with operations in Australia, North America and Western Europe.

Positive Outlook

DDH1 had a strong first half of FY22 and successfully navigated the risks, and the subsequent industry constraints, associated with COVID-19. The fundamentals driving demand for DDH1's services remain compelling:

- Commodity prices are strong, particularly gold, iron ore, copper, nickel and lithium;
- The move towards renewable energy transition is increasing demand for battery metals and is expected to sustain growth in exploration and production;
- Strong capital market support has continued into CY22, particularly for gold, DDH1's biggest commodity exposure. As a result, clients are well-funded and are increasing drilling budgets;
- Further investment in exploration is needed to sustain current and forecast production levels; and
- There is increasing demand for specialised drilling techniques as discoveries and mines are getting deeper.

Strategy for Further Growth

DDH1 is a well-established and strong business with diversified and recurring revenue across specialised brands. The Company has a modern drill fleet and the largest within Australia, extensive industry experience, long-term production / resource definition contracts, a robust balance sheet and a cohesive leadership team with a proven track record.

Key drivers of its multi-faceted growth strategy include:

- Expanding its full-service offering with existing clients;
- Increasing its fleet size;
- Driving higher rig utilisation and rate increases;
- Leveraging Swick's international presence for market expansion; and
- Acquiring high quality and complementary drilling businesses that deliver a strategic advantage and enhanced value for shareholders.

Following the acquisition of Swick, DDH1 is in a stronger position to leverage each of these drivers and deliver sustainable returns for shareholders.

This announcement has been approved for lodgement by the Board of Directors.

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About DDH1 Limited

DDH1 Limited (ASX: DDH) is Australia's largest mineral drilling contractor providing high quality surface and underground drilling services to a diverse group of exploration and mining houses across a balanced spread of mineral commodities.

Established in 2006, DDH1 is an industry leader in enabling its clients to secure quality mineral samples with exceptional spatial accuracy.

DDH1 employs around 1,600 people and operates a fleet of 176 highly specified mineral drilling rigs across its four brands, namely DDH1 Drilling, Ranger Drilling, Strike Drilling, and Swick Mining Services. Offering clients, the full suite of mineral drilling services including air core, reverse circulation, and both surface and underground core drilling.

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

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

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