

# ASX Announcement

1 March 2022



## Letter to Shareholders

DDH1 Limited (ASX: DDH) (DDH or the Company) attaches a copy of a Letter to Shareholders from the Company's Chairperson, Diane Smith-Gander regarding the completion of the acquisition of Swick Mining Services as announced on 16 February 2022 and DDH1's Half Year Results as announced on 25 February 2022.

This ASX announcement has been authorised for release by Sy van Dyk, Managing Director and CEO.

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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](http://www.ddh1.com.au)



# Letter to Shareholders

## Acquisition of Swick Mining Services and Half-Year Results 2022

1 March 2022



Diane Smith-Gander (AO)  
Chairperson

***“The acquisition of Swick combines two industry leaders to create a world-class mineral driller with a strong balance of surface and underground drilling exposures and a combined fleet of 176 high-quality rigs.”***

Dear DDH1 Shareholder,

On 16 February 2022, DDH1 Limited (**DDH1**) announced that the acquisition of Swick Mining Services Limited (**Swick**) was completed via an all scrip transaction.

The acquisition of Swick combines two industry leaders to create a world-class mineral driller with a strong balance of surface and underground drilling exposures and a combined fleet of 176 high-quality rigs.

Following the acquisition, we are pleased to welcome 1,751 Swick shareholders, who can continue to participate in our success and growth.

As previously reported, market conditions for drilling services to the Australian minerals industry continue to be strong. Demand for DDH1 services continues at record levels fuelled by strong commodity prices, capital markets support of our customers, significant exploration success, and the flow on effects of historical under-investment in exploration.

DDH1 is set to deliver strong growth on the back of further expansion in its drill fleet and the acquisition of Swick.

In 2022, we plan to continue to drive our growth strategy in a disciplined way through organic growth and future acquisitions. We will also look to maintain our strong cash flows enabling DDH1 to deliver returns to shareholders.

### **The Creation of a World-Class Mineral Driller**

The acquisition of Swick is a transformational transaction that will grow our customer service opportunities, leverage common processes and deliver economies of scale to create long-term value for shareholders.

DDH1 now has a combined group revenue diversity of c.60% surface and c.40% underground drilling, exposure to base and precious metals, with no coal exposure, and an expanding focus on inputs to renewable technology.

We believe the Swick acquisition will also enhance our operational capacity and capabilities and, importantly, set DDH1 up for long-term organic growth within Australia and internationally.

We are also excited about the opportunities and innovation that DDH1 and Swick together will provide our customers, people and the broader mining and exploration industry.

## Record Half Year Results

As announced on 25 February 2022, DDH1 performed very strongly, delivering record half-year revenues of \$169 million, boosted by robust macro-economic drivers. Accordingly, rig utilisation and revenue per rig also increased. Our team delivered a record 1.17 million metres drilled for our customers during the period.

For the six months to 31 December 2021 (**1H22**), DDH1's profit after tax rose 47% on the same period last year (**1H21**) to \$19.7 million.

Had the acquisition of Swick been in place for 1H22, combined revenues and profit after tax would have been \$247 million and \$24.5 million respectively.

Despite 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.

## Dividend Advice

We are also pleased to report that DDH1 has recorded an interim dividend of 2.51 cents per share fully franked maintaining a payout ratio of 40% of the underlying NPATA of both DDH1 and Swick combined.

The interim dividend will be paid, on 8 April 2022, to all shareholders who are on the share register on the record date of 18 March 2022.

## Our Strategy for Further Growth

DDH1 is a well-established and strong business with diversified and recurring revenue across specialised brands - **DDH1 Drilling, Ranger Drilling, Strike Drilling, and Swick Mining Services**.

We have a modern drill fleet, the largest within Australia with 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 our multi-faceted growth strategy include:

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

## Additional Information

- Complete 1H22 results are available at: [www.ddh1.com.au/investors](http://www.ddh1.com.au/investors)
- Any questions can be emailed to: [investor.relations@ddh1.com.au](mailto:investor.relations@ddh1.com.au)

Thank you for your support. There are exciting developments underway at DDH1. We look forward to updating you as the year progresses.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Diane Smith-Gander".

Diane Smith-Gander (AO)  
Chairperson