

DRILL TORQUE LIMITED
ACN 149 206 333

This is a replacement prospectus dated 8 July 2011.
It replaces a prospectus lodged by Drill Torque Limited with
the Australian Securities and Investments Commission on
27 June 2011 relating to the issue of Shares and Attaching
Options in Drill Torque Limited.



DRILLTORQUE

Prospectus

For the Offer of 65,000,000 New Shares at an issue price
of \$0.20 per Share to raise up to \$13,000,000 with
1 Attaching Option for every 10 Shares, exercisable at a price
of \$0.30 each between years 2 and 5 from the Listing Date

Joint Lead Managers and Underwriters

 **RBS Morgans**



PITT CAPITAL PARTNERS

IMPORTANT INFORMATION

General

This is a replacement prospectus dated 8 July 2011 and a copy of this Prospectus was lodged with ASIC on that date. It replaces a prospectus dated 27 June 2011 that was lodged with ASIC on that date ('Original Prospectus'). ASIC, ASX and their officers take no responsibility for the contents of this Prospectus.

No Shares or Attaching Options will be issued or granted on the basis of this Prospectus later than 13 months after the date of the Prospectus. Application has been made for the Company to be admitted to the Official List of ASX and for the Shares and Attaching Options offered by this Prospectus to be granted Official Quotation by ASX.

This Prospectus will be issued in paper form and as an Electronic Prospectus, which may be viewed online at www.drilltorque.com.au. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus or accompanying Application Form in electronic form within Australia. The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to or accompanied by a complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a paper copy of this Prospectus by contacting the Company's share registry, Advanced Share Registry Services by telephoning (08) 9389 8033 or via email at admin@advancedshare.com.au.

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

Foreign Investors

The Offer is available to Australian residents only. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer.

Exposure Period

In accordance with Chapter 6D of the Corporations Act the Original Prospectus was subject to an Original Exposure Period of seven days from the date of lodgement of the Original Prospectus with ASIC. This Original Exposure Period was extended by ASIC for a further period of seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds.

Applicants should be aware that examination of the Prospectus during the Exposure Period may result in the identification of deficiencies in the Prospectus and that, if such deficiencies are identified, any application that has been received may need to be dealt with in accordance with s724 of the Corporations Act.

This risk is mitigated as Applications received prior to the expiration of the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

Speculative Investment

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to apply for Shares. There are risks associated with an investment in the Company and the Shares and Attaching Options offered under this Prospectus must be regarded as a speculative investment. The Shares and Attaching Options offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or future value. The key risk factors of which investors should be aware are summarised in Section 1 of this Prospectus and set out in detail in Section 8 of this Prospectus.

Cautionary Statement

Statements contained in this Prospectus may be forward looking statements. Forward looking statements can be identified by the use of forward looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe', or 'continue' or the negative or other variations of comparable terminology. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties are set out above. The Directors' expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis. There can be no assurance, however, that their expectations, beliefs or projections will result, be achieved, or be accomplished. Such statements (none of which is intended as a guarantee of performance) are subject to certain assumptions, risks and uncertainties, which could cause their actual future results, achievements or transactions to differ materially from those projected or anticipated. Accordingly, you should not place undue reliance on these forward looking statements.

Glossary

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 11 of this Prospectus.

Privacy

The Company collects information about each Applicant from the Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agreed that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), the ASX, the ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application. Under the Privacy Act 1988, you may request access to your personal information held by (or on behalf of) the Company and the Share Registry. You can request access to your personal information by telephoning the Company or writing to the Share Registry as follows:

Advanced Share Registry Services

150 Stirling Highway
Nedlands WA 6009

Postal Address

PO Box 1156
Nedlands WA 6909

Contents

Important Dates & Key Offer Statistics	2
Chairman's Letter	3
1 Investment Highlights	4
2 Details of the Offer	13
3 Company Overview	23
4 Industry Overview	30
5 Board, Management & Corporate Governance	41
6 Financial Information	50
7 Investigating Accountant's Report and Report on Director's Financial Forecasts	63
8 Risk Factors	73
9 Material Contracts	80
10 Additional Information	87
11 Glossary of Terms	98
Application Forms	101
Corporate Directory	105

Important Dates and Key Offer Statistics

Important Notice

This section is not intended to provide full information for investors considering an application for Shares and Attaching Options under this Prospectus. This Prospectus should be read and considered in its entirety.

The Offer has been fully underwritten by Pitt Capital Partners Limited and RBS Morgans Corporate Limited.

Important Dates

Underwriting Agreement signed	27 June 2011
Replacement Prospectus Date	8 July 2011
Opening Date of Offer	11 July 2011
Closing Date of Offer	5.00pm 22 July 2011
Allotment and Issue of Shares and Attaching Options	27 July 2011
Expected Despatch of Holding Statements	28 July 2011
Shares and Attaching Options expected to commence trading on ASX	2 August 2011

The above dates and times are indicative only and may change without notice. The Company in conjunction with the Underwriters, reserves the right to vary the dates and times of the Offer, without prior notice including extending the Closing Date or closing the Offer early. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. All times are Sydney time.

Key Offer Statistics

Offer Price	\$0.20
New Shares offered under this Prospectus	65.0 million
Total number of Shares on issue following the Offer ¹	125.0 million
Amount to be raised under the Offer ²	\$13.0 million
Market capitalisation at the Offer Price ³	\$25.0 million
Pro forma net debt following the Offer ⁴	\$3.0 million
Enterprise Value on listing ⁵	\$28.0 million
FY12F Enterprise Value / EBITDA ⁶	2.6 times
FY12F Price Earnings multiple ⁷	4.7 times
FY12F Dividend yield (fully franked) ⁸	10.5%

Notes:

1. The total number of Shares on issue following the Offer will be the sum of the total number of New Shares issued under the Offer and the number of Shares retained by the Existing Shareholders. New and Existing Shareholders will also receive one Attaching Option for every 10 Shares held at the date of Allotment
2. The amount to be raised under the Offer is calculated as the number of New Shares issued under the Offer multiplied by the Offer Price. The Offer is fully underwritten. Please refer to Section 9.1 for a summary of the Underwriting Agreement, including the Underwriters' termination rights
3. Calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price
4. Calculated as cash and cash receivables less interest bearing liabilities based on the reviewed pro-forma consolidated balance sheet as at 31 December 2010
5. Calculated as the Market Capitalisation plus net debt on listing
6. Calculated as Enterprise Value on listing divided by forecast FY2012 EBITDA
7. Calculated as Offer Price divided by forecast FY2012 earnings per Share
8. Calculated as forecast FY2012 dividends per Share divided by the Offer Price

Chairman's Letter

Dear Investors,

On behalf of the Directors, I am pleased to provide you with the opportunity to become a Shareholder in Drill Torque Limited.

Drill Torque was formed to acquire Well Drilled and Notch which traded as Drill Torque Queensland. Following the merger, the Company is now one of the largest contract drilling companies based in Queensland. Drill Torque has a modern fleet of 31 drill rigs and is strategically located in Townsville and Cloncurry in order to service the key resource producing areas situated in the Mount Isa belt, Bowen Basin, Surat Basin and the Northern Territory.

The Company has a highly experienced management team that is capable of operating across all phases of the mine life cycle in both the minerals and energy industries. Over the years, Drill Torque has established long term relationships with its client base and enjoys a significant amount of repeat business. One of Drill Torque's competitive advantages is its ability to quickly produce low cost drilling consumables and spare parts making the Company less reliant on third party suppliers to grow its business.

Continued growth is forecast for the minerals and energy industries with strong demand for Drill Torque's services expected to continue due to increased exploration, development and production expenditure by mining companies. Over the next twelve months, a key focus of the Company will be to expand its drilling operations in the rapidly growing coal and coal seam gas sectors.

Drill Torque is currently positioned for earnings growth and for the financial year ending 30 June 2011, the Company is forecasting Pro Forma revenue of \$27.2 million and Pro Forma EBITDA of \$3.4 million. For the financial year ending 30 June 2012, Drill Torque is expecting revenue of \$58.4 million, EBITDA of \$10.7 million and NPAT of \$5.3 million. All forecasts are supported by a full forward order book with all available rigs currently contracted out. On completion of the IPO, Drill Torque will have a conservative balance sheet that will provide the Company with the financial flexibility to pursue both organic growth and growth via acquisitions.

Under the Offer, 65 million New Shares will be issued to the public to raise \$13 million, which will represent 52% of the issued capital in Drill Torque following the Offer. The remaining Shares will be held by the Existing Shareholders. New and Existing Shareholders will also receive 1 Attaching Option for every 10 Shares exercisable at a price of \$0.30 each between years 2 and 5 from the Listing Date. The funds raised from the Offer will be used to complete the acquisition and upgrade of the Company's maintenance facility and offices in Townsville, purchase capital equipment, repay debt and provide working capital. The Offer has been jointly underwritten by Pitt Capital Partners Limited and RBS Morgans Corporate Limited.

This Prospectus contains detailed information about the Offer, Drill Torque's operations and the risks (Section 8) associated with an investment in the Company. I encourage you to read the Prospectus carefully and seek appropriate professional advice before committing to invest.

The Directors join me in commending this Offer to you and we look forward to welcoming you as a Shareholder in the Company.

Yours sincerely



D J Fairfull
Chairman

Drill Torque Limited



SECTION 1: INVESTMENT HIGHLIGHTS



SECTION 1: INVESTMENT HIGHLIGHTS

1. Strong Market Position

Drill Torque is one of the largest contract drilling companies based in Queensland

- A large modern fleet of 31 drill rigs
- Capable of conducting drilling operations in mineral and coal exploration as well as the rapidly growing coal seam gas sector
- Almost 20 years experience in owning and operating drilling rigs in Australia
- Strategically located in Townsville and Cloncurry in order to service key resource producing areas situated in the Mount Isa belt, Bowen Basin, Surat Basin and Northern Territory
- Established competitive position in the contract drilling services sector which is highlighted by significant barriers to entry including large capital investment, increasing lead times to procure drill rigs and substantial Occupational Health and Safety Requirements
- Established base of publicly listed clients with a significant amount of repeat business
- Strong forward order book with all available rigs contracted out
- Drill Torque is acquiring 3 Schramm 130XD drill rigs and ancillary equipment specifically for CSG and coal drilling contracts



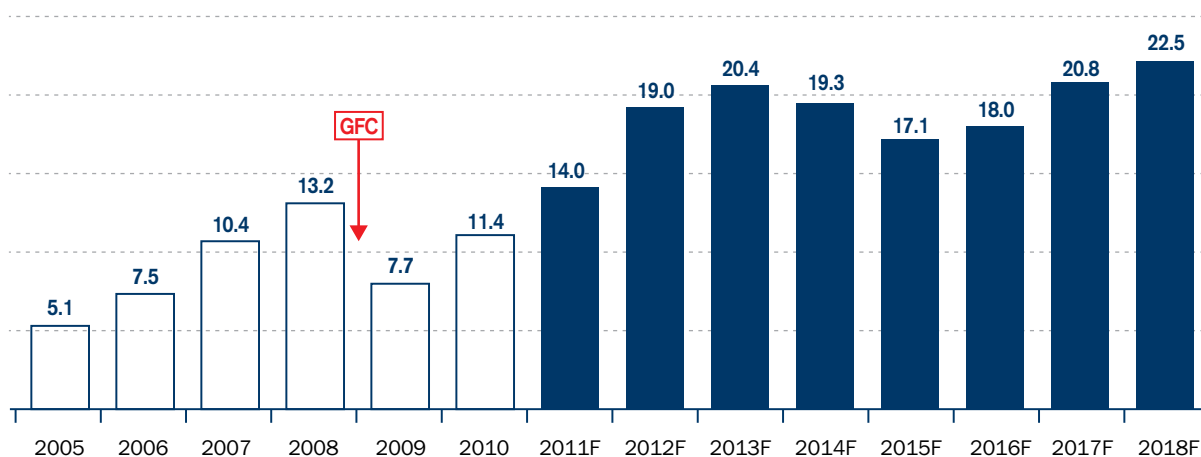
SECTION 1: INVESTMENT HIGHLIGHTS

2. Favourable Industry Dynamics

Ongoing growth underpinned by strong industry dynamics and leveraging core capabilities

- Continued growth is forecast¹ for the minerals and energy industries with strong demand for drilling services due to increased exploration, development and production spending by exploration and mining companies
- Demand is also expected to increase significantly in the coming years due to the shortage of suitable drill rigs for the minerals and energy industries
- Coal seam gas will be a major growth sector with drilling expected to exceed approximately 1,000² exploration and production wells per annum up to 2015
- Drill Torque with its growing fleet of drill rigs and skilled work force is well positioned to exploit this demand and secure additional contracts in FY2012 and beyond the forecast period

INCREASING ESTIMATED GLOBAL EXPLORATION SPEND (NON-FERROUS) (US\$bn)



Source: McKinsey analysis; Metals Economics Group; Boart Longyear, 23 February 2011

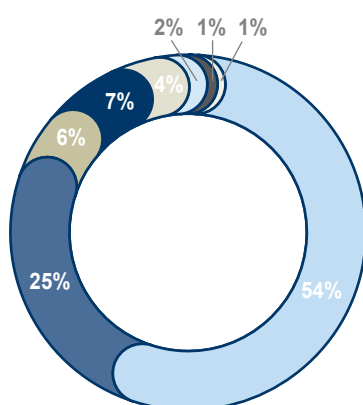
1. According to ABARES, Australian minerals and energy production is forecast to increase by nearly 30.0% between 2010-11 and 2015-16 (Reference: ABARES - Australian Commodities Vol 18 No 1 March quarter 2011)
2. Forecast number of wells estimated based on Environment Impact Statement's of Santos / PETRONAS, BG Group, Origin Energy / Conoco Philips and the company fact sheet of Arrow Energy

3. Established and diversified client base

Drill Torque's clients are diversified by industry segment, stage of drilling cycle and commodity

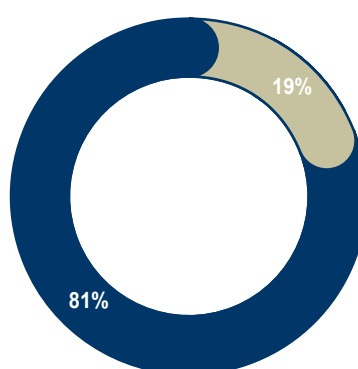
- Established high quality client base with significant amount of repeat business
- Exposure to both the growing minerals and energy industries
- Drilling services provided at various stages of the mining cycle including greenfield, brownfield, grade control drilling, de-watering of the mine pit and underground drilling
- Drill Torque's core customer base provides it with efficiency and logistical benefits including the rotation of drilling teams between projects and supply of consumables
- Surface and underground drill rigs currently drilling for commodities including iron ore, copper, gold, uranium, coal, coal seam gas, phosphate, nickel, zinc and molybdenum

FY2012 REVENUE BY COMMODITY



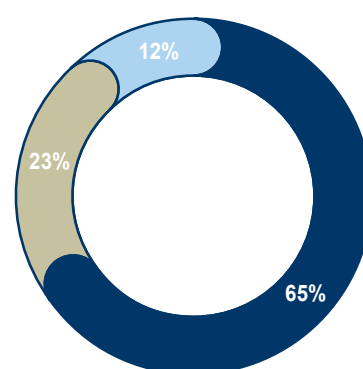
Copper / Gold
 Coal
 CSG
 Zinc
 Phosphate
 Uranium
 Iron Ore
 Dewatering

FY2012 RIG DISTRIBUTION BY INDUSTRY



Minerals
 Energy

FY2012 RIG DISTRIBUTION BY STAGE OF DRILLING



Greenfield
 Brownfield
 Mine Site Production

SECTION 1: INVESTMENT HIGHLIGHTS

4. Competitive advantage from manufacturing consumables and spare parts

Drill Torque is able to quickly produce low cost drilling consumables and spare parts making the Company less reliant on third party suppliers to grow its business

- Machinery facility incorporating computerised lathes for in-house manufacturing of drilling consumables and spare parts used exclusively by Drill Torque
- Consumables and spare parts manufactured for approximately 30% of the retail price of products sold by third parties
- Reduction in lead times for replacement spare parts from up to 3 months to under 2 days, resulting in increased drill rig availability and utilisation
- Improved rig design and technical innovation delivered via in-house Research & Development and Engineering & Maintenance Divisions
- Focused on delivering superior value, innovation, productivity and safety to all clients

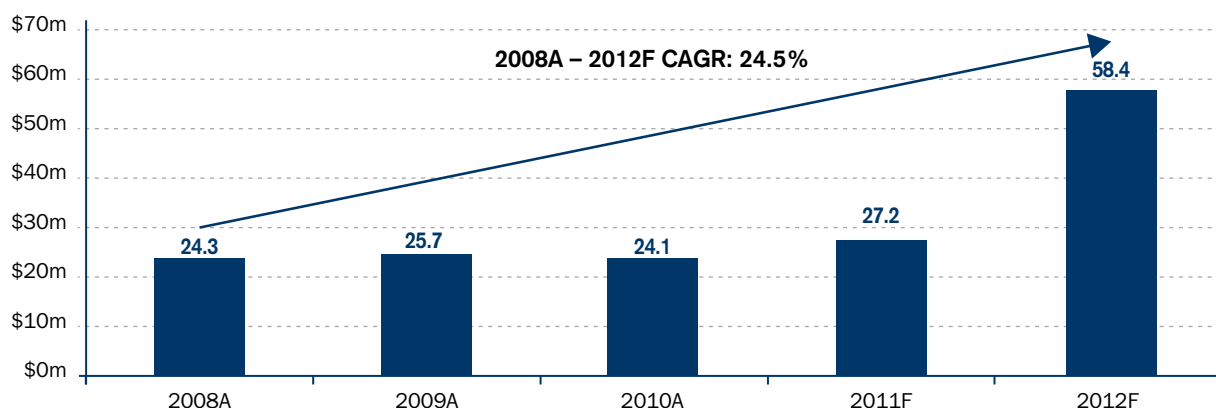


5. Strong Financial Profile

Drill Torque's future earnings will be driven by increased demand for drilling services

- Drill Torque is positioned for strong growth and has more than 80% of its FY2012 revenue under contract
- FY2012 revenue is forecast to be \$58.4 million and EBITDA forecast to be \$10.7 million. Revenue and earnings growth in FY2012 driven by:
 - Increased rig utilisation as drilling conditions return to pre GFC norms following the disruptions caused by the heavy rainfall and floods in Queensland in early 2011. Forecast FY2012 drill rig utilisation is supported by forward orders from both existing and new Drill Torque clients and is anticipated to increase from an average of 51% in the 10 months to April 2011, to 74% in June 2011 and 84% for FY2012
 - Increased exposure to coal and CSG (energy sector) with improved margins from higher rental rates achievable in the energy sector
 - A greater number of drill rigs are operating double shifts as opposed to single shifts
- Cash position of the company will be significantly strengthened to \$7.2 million post-IPO which, combined with a conservative balance sheet, provides Drill Torque with the financial flexibility to pursue growth opportunities and fund working capital requirements

PRO FORMA REVENUE



SECTION 1: INVESTMENT HIGHLIGHTS

6. Extensive Growth Potential

Numerous growth opportunities identified in the energy sector –
Coal and Coal Seam Gas

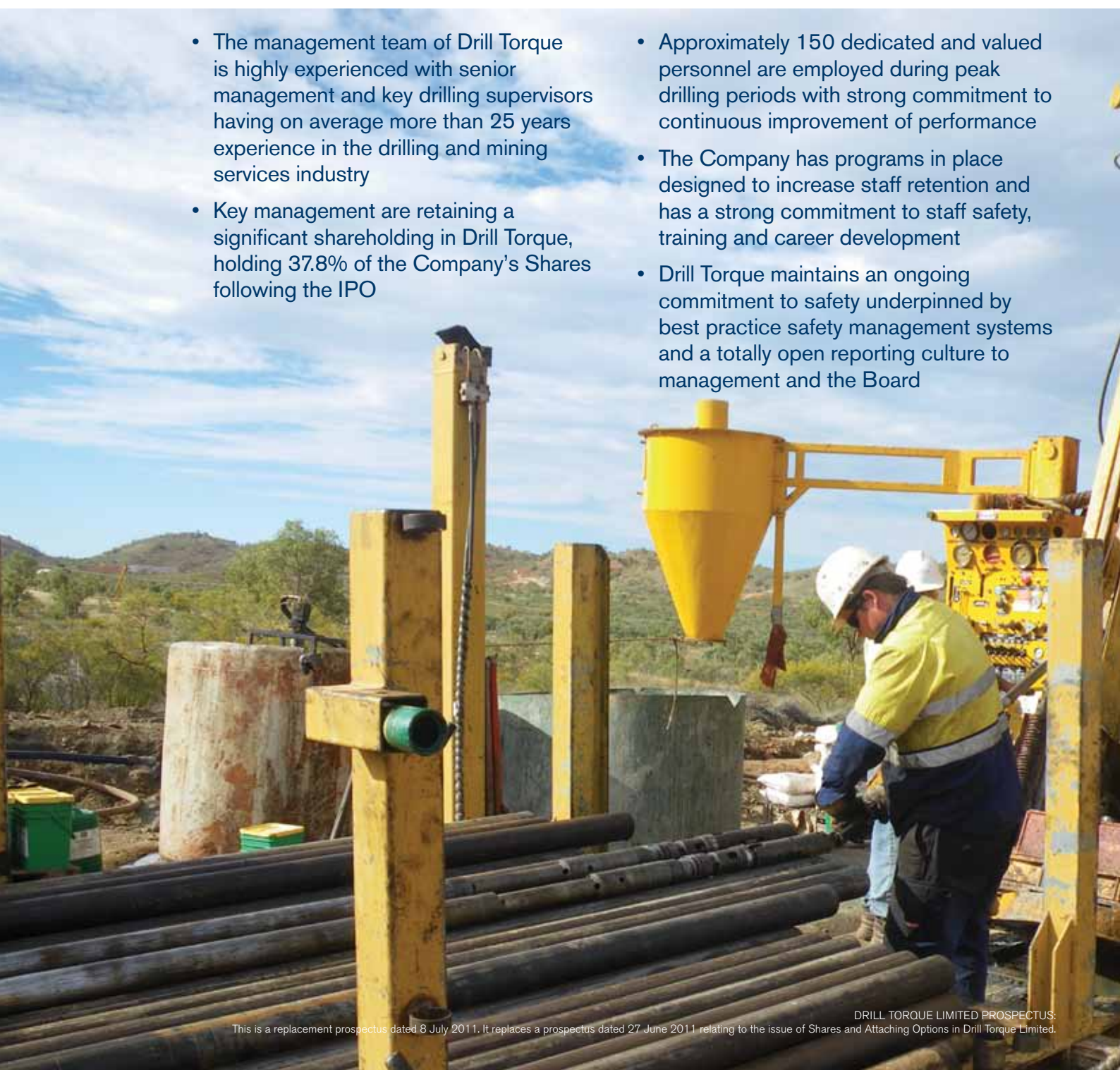
- A major growth focus will be on increasing the provision of drilling services to the rapidly growing coal and CSG sectors
- Coal exploration drilling has commenced and several contracts have been entered into. Discussions are well advanced with major CSG companies and a number of tenders have been lodged
- Revenue contribution from the energy sector (coal and CSG) is forecast to increase from approximately 15.0% in the 9 months to March 2011 to approximately 30.0% in FY2012
- The acquisition of 3 heavy duty Schramm 130XD drill rigs will significantly improve Drill Torque's capability to service clients in the coal and CSG sectors. Revenue from these drill rigs has not been included in the FY2012 forecasts
- Drill Torque may consider organic growth strategies and industry consolidation opportunities that are complementary to its existing operations or that provide further diversity to resource market segments, client base or geographical locations



7. Experienced management team and skilled workforce

Strong culture and commitment to continuous improvement of performance

- The management team of Drill Torque is highly experienced with senior management and key drilling supervisors having on average more than 25 years experience in the drilling and mining services industry
- Key management are retaining a significant shareholding in Drill Torque, holding 37.8% of the Company's Shares following the IPO
- Approximately 150 dedicated and valued personnel are employed during peak drilling periods with strong commitment to continuous improvement of performance
- The Company has programs in place designed to increase staff retention and has a strong commitment to staff safety, training and career development
- Drill Torque maintains an ongoing commitment to safety underpinned by best practice safety management systems and a totally open reporting culture to management and the Board



SECTION 1: INVESTMENT HIGHLIGHTS

8. Summary of Key Risks

Potential investors should be aware that there are risks associated with investing in Drill Torque, including risks associated with both the Drill Torque business and with investing in the stock market in general

Some of the key risks of investing in Drill Torque are summarised below. This list is not exhaustive and you should read Section 8 of this Prospectus before deciding whether or not to invest in New Shares under the Offer.

Risks relevant to an investment in Drill Torque

- Changes in commodity prices and general outlook for the resources industry
- Adverse changes in climatic conditions (e.g. constant rainfall, flooding, cyclones)
- Reliance on key personnel and labour shortages
- Industrial risk including disruptions, work stoppages, safety issues and accidents
- Cost increases and access to new equipment
- Insurance arrangements
- Management actions
- Litigation
- Changes to Government policy and introduction of new taxes
- Unforeseen expenses

General, economic and investment risks

An investment in New Shares is also subject to a number of general, economic and investment risks including share market fluctuations, changes in the Australian and global economy and changes in government policy, laws, regulations and taxation.

SECTION 2: DETAILS OF THE OFFER



SECTION 2: DETAILS OF THE OFFER

2.1 Key Offer Statistics

Offer Price	\$0.20
New Shares offered under this Prospectus	65.0 million
Total number of Shares on issue following the Offer ¹	125.0 million
Amount to be raised under the Offer ²	\$13.0 million
Market capitalisation at the Offer Price ³	\$25.0 million
Pro forma net debt following the Offer ⁴	\$3.0 million
Enterprise Value on listing ⁵	\$28.0 million

2.2 Financial Forecasts

Financial forecasts	FY2011	FY2012
Revenue ⁶	\$27.2 million	\$58.4 million
EBITDA ⁶	\$3.4 million	\$10.7 million
NPAT ⁶	(\$0.3) million	\$5.3 million
Earnings per Share ^{6, 7}	na	4.2 cents
Dividends per Share ^{6, 8}	na	2.1 cents
Net tangible assets per Share ^{6, 9}	9.4 cents	9.4 cents
Enterprise Value / EBITDA ¹⁰	8.3 times	2.6 times
Price Earnings multiple ¹¹	na	4.7 times
Dividend yield ¹²	na	10.5%
Level of franking ⁶	na	100%

Notes:

1. The total number of Shares on issue following the Offer will be the sum of the total number of New Shares issued under the Offer and the number of Shares retained by the Existing Shareholders. New and Existing Shareholders will also receive one Attaching Option for every 10 Shares held at the date of Allotment
2. The amount to be raised under the Offer is calculated as the number of New Shares issued under the Offer multiplied by the Offer Price
3. Calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price
4. Calculated as cash and cash receivables less interest bearing liabilities based on the reviewed pro-forma consolidated balance sheet as at 31 December 2010
5. Calculated as the Market Capitalisation plus net debt on listing
6. Based on forecast financial information which reflects a number of estimates, assumptions and pro-forma adjustments that are subject to business, economic and competitive uncertainties and contingencies, with respect to future business decisions, which are subject to change and in many cases are outside the control of Drill Torque. The forecast financial information presented in this Prospectus may vary from actual financial results and these variations may be material. Details of the forecast financial information, the assumptions on which it is based and Management's discussion and analysis of them together with associated risk factors are set out in Sections 6 and 8
7. Calculated as NPAT divided by the total number of Shares on issue following the Offer
8. Dividends per Share are based on a forecast payout ratio of 50%; no dividend is intended to be paid for the financial year ended 30 June 2011
9. Calculated as net tangible assets divided by the total number of Shares on issue following the Offer
10. Calculated as Enterprise Value on listing divided by forecast EBITDA
11. Calculated as Offer Price divided by forecast FY2012 earnings per Share
12. Calculated as forecast FY2012 dividends per Share divided by the Offer Price

2.3 Important Dates

Underwriting Agreement signed	27 June 2011
Replacement Prospectus Date	8 July 2011
Opening Date of Offer	11 July 2011
Closing Date of Offer	5.00pm 22 July 2011
Allotment and issue of Shares and Attaching Options	27 July 2011
Expected Despatch of Holding Statements	28 July 2011
Shares and Attaching Options expected to commence trading on ASX	2 August 2011

The above dates and times are indicative only and may change without notice. The Company, in conjunction with the Underwriters, reserves the right to vary the dates and times of the Offer, without prior notice including extending the Closing Date or closing the Offer early. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. All times are Sydney time.

2.4 Shares and Attaching Options Offered for Subscription

This Prospectus invites Applicants to apply for a total of 65,000,000 Shares in Drill Torque at an issue price of \$0.20 each to raise \$13,000,000. New and Existing Shareholders will also receive one Attaching Option for every 10 Shares held at the date of Allotment, exercisable at a price of \$0.30 each between years 2 and 5 from the Listing Date. Attaching Options will be allocated based on the number of Shares allocated under the Offer (or in the case of Existing Shareholders, based on the number of Shares held at the date of Allotment) for no additional consideration. The Attaching Options will be tradable on the ASX. Any purchase of Shares on the ASX will be for Shares alone and will not include the Attaching Options. No separate application needs to be made for the Attaching Options.

The proceeds of the Offer will be used to complete the acquisition and upgrade of the Company's maintenance facility and offices in Townsville, purchase capital equipment, repay debt associated with the acquisition of Well Drilled, provide funds to settle a deferred payment obligation with the ATO and provide working capital. The details of how to apply for Shares are set out on the following page. All of the Shares offered under this Prospectus will rank equally with all Shares currently on issue.

On completion of the Offer, the New Shares offered under this Prospectus will represent approximately 52% of the issued capital on an undiluted basis.

2.5 Structure of the Offer

2.5.1 Broker Firm Offer

The Broker Firm Offer is only open to Australian resident Retail Investors who have received a firm allocation from the Underwriters or a Broker. Broker Firm Applicants must lodge their Application Forms and Application Monies in accordance with the directions of their Broker or the Underwriters in order to receive their firm allocation.

Applications to acquire New Shares under the Broker Firm Offer will only be accepted on the Application Form attached to or accompanying this Prospectus. The Application Form must be completed in accordance with the instructions set out on the back of the Application Form.

If you elect to participate in the Broker Firm Offer, one of the Underwriters or your Broker will act as your agent in submitting your Application Form and Application Monies to the Share Registry (which receives them on behalf of Drill Torque). The Underwriter or Broker who receives Application Monies from Broker Firm Applicants do so as the agent of the Broker Firm Applicant.

Drill Torque will accept payment of Application Monies from the Underwriters or Brokers on behalf of Broker Firm Applicants at the Closing Date or such later date as Drill Torque and the Underwriters agree. Drill Torque, the Share Registry and the Underwriters take no responsibility for any acts or omissions in connection with your Application, Application Form or Application Monies.

SECTION 2: DETAILS OF THE OFFER

2.5.2 Institutional Offer

The Institutional Offer is only open to certain Institutional Investors. The Institutional Offer is being managed by the Underwriters. Further details of how to participate will be provided to participants by the Underwriters.

2.6 How to apply for Shares and Attaching Options in the Offer

Applications for New Shares and Attaching Options under the Broker Firm Offer can only be made by completing and lodging a paper copy of an Application Form.

Application Forms are attached to this Prospectus and the Prospectus in the electronic form at www.drilltorque.com.au.

An Application Form must be accompanied by a cheque or money order in Australian dollars for the value of New Shares applied for. Payment for the Shares must be made in full at the issue price of \$0.20 per Share. Applications for Shares must be for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 500 Shares (\$100). Cheques or money orders should be drawn up in accordance with the instructions provided on the Application Form. Cheques should be crossed 'Not Negotiable'.

Application Forms and Application Monies should be lodged with the Broker from whom you received a firm allocation, in accordance with that Broker's directions.

Cheques must be made payable to the Broker from whom you received a firm allocation.

Additional copies of the Prospectus are available from Drill Torque's website at www.drilltorque.com.au.

Lodgement of an Application Form constitutes an irrevocable offer made in accordance with the guidelines to the Application Form.

If you have any enquiries about the Offer, you should contact your Broker or Advanced Share Registry on (08) 9389 8033.

2.7 Capital and Shareholding Structure

The capital and shareholding structure of Drill Torque following the completion of the Offer will be as follows*:

Shareholder	Pre IPO		Post IPO	
	Shares	Interest	Shares	Interest
Peter Miller	19,816,809	33.0%	19,816,809	15.9%
Sonya Miller	19,816,810	33.0%	19,816,810	15.9%
Jumani ¹	6,985,200	11.6%	6,985,200	5.6%
Pharmamark ¹	634,800	1.1%	634,800	0.5%
WHSP	12,746,386	21.2%	12,746,386	10.2%
New Shareholders	0	0.0%	65,000,000	52.0%
Total	60,000,005	100.0%	125,000,005	100.0%

1. Guy Drummond is a non beneficial shareholder in both Jumani and Pharmamark

*The above table does not take into account any Shares and Attaching Options for which an Existing Shareholder may subscribe for under the Offer

New and Existing Shareholders will also receive 1 Attaching Option for every 10 Shares. As set out in Section 10.17.1, Attaching Options will be listed on the ASX and may only be exercised at a date being not less than 2 years and not more than 5 years from the Listing Date. Shareholder entitlements for Attaching Options are as follows:

Shareholder	Number of Attaching Options	Attaching Option Strike Price	Percentage of all Shares on Conclusion of Offer
Peter Miller	1,981,681	30 cents	1.6%
Sonya Miller	1,981,681	30 cents	1.6%
Jumani ¹	698,520	30 cents	0.6%
Pharmamark ¹	63,480	30 cents	0.1%
WHSP	1,274,638	30 cents	1.0%
New Shareholders	6,500,000	30 cents	5.2%
Total	12,500,000		10.0%

1. Guy Drummond is a non beneficial shareholder in both Jumani and Pharmamark

In addition, unlisted Management Options to purchase Shares as set out in Section 10.17.2 have been granted as follows:

Employee	Number of Management Options	Management Option Strike Price	Percentage of all Shares on Conclusion of Offer
Peter Miller	4,583,250	30 cents	3.7%
Guy Drummond	666,750	30 cents	0.5%
Bob Witty	500,000	30 cents	0.4%
Ian Milne	250,000	30 cents	0.2%
Total	6,000,000		4.8%

As set out in Section 10.17.2 the Management Options may only be exercised at a date being not less than 3 years and not more than 5 years from the Listing Date. Management Options are exercisable on the condition of continued employment by Drill Torque for a minimum period of 3 years.

SECTION 2: DETAILS OF THE OFFER

2.8 Escrow

In accordance with the requirements of the Listing Rules, and subject to the requirements of ASX, the Existing Shareholders have entered into Restriction Agreements in relation to 100% of the Shares they will own in Drill Torque at the completion of the Offer (Escrowed Shares).

Under the Restriction Agreements, the Existing Shareholders have agreed to not sell, dispose of or encumber any of the Shares held by them until 24 months from the date the Shares are first quoted on the Official List. Further information on the Escrowed Shares is contained in Section 9.6.

The ASX might rule that the Attaching Options which relate to the Shares owned by the Existing Shareholders at the date of the Offer must also be escrowed.

2.9 Purpose of the Offer

Drill Torque was formed to acquire the drilling operations of Well Drilled and Notch Holdings, which previously traded as Drill Torque Queensland. Those acquisitions were completed on 18 February 2011. The purpose of the Offer is to raise funds to:

- Complete the acquisition and upgrade of the Company's maintenance facility and offices in Townsville;
- Purchase 3 Schramm 130XD drill rigs for drilling in the CSG sector;
- Repay debt in relation to the acquisition of Well Drilled;
- Provide funds to settle a deferred payment obligation with the ATO; and
- Provide working capital.

The listing on ASX also provides an opportunity for Drill Torque to:

- Increase its public profile;
- Fund its growth with additional financial flexibility to pursue acquisitions and purchase additional drilling rigs; and
- Broaden its Shareholder base and provide a liquid market for its Shares.

The Directors believe that after the successful close of the Offer, Drill Torque will have sufficient working capital to carry out its stated objectives as set out above and elsewhere in this Prospectus.

2.10 Use of Funds

The funds raised by this Offer will be used for:

Use	Amount
Acquisition and upgrade of Company's maintenance facility and offices	\$3.4m
Repayment of debt owed by Well Drilled	\$1.2m
Working Capital	\$1.4m
Payment of tax liability	\$3.4m
Purchase of capital equipment	\$2.0m
Costs of the Offer	\$1.6m
Total	\$13.0m

The acquisition and upgrade of Drill Torque's maintenance facility and offices provides the Company with a purpose built facility to undertake servicing and maintenance of drill rigs and equipment, as well as providing a base for the administrative functions of the Company. The construction of the building is nearly complete and will be fully operational by the end of calendar year 2011. The vendor of the facility is Mangakuri Pty Ltd ACN 118 837 880, as trustee for the Miller Family Discretionary Trust. Peter Miller and Sonya Miller are beneficiaries under this trust. The acquisition accordingly constitutes a related party transaction. Further details of this transaction are outlined in Sections 9.2 and 10.19 of this Prospectus.

Relocation to the new premises is expected to result in a number of efficiency gains likely to significantly improve the utilisation of the Drill Torque fleet. Specifically the new facilities allow for:

- Capacity for up to 6 drill rigs to be serviced and maintained at one particular time as opposed to 2 drill rigs at the existing rented premises;
- Ability for maintenance to be undertaken when the drill rig mast is extended which enables the service or inspection to be carried out under cover in all weather conditions, 24 hours a day, thereby improving both safety and efficiency and reducing service delays.

The repayment of debt owed by Well Drilled relates to loans provided to Well Drilled by the Well Drilled Vendors for working capital and the purchase of fixed assets.

The tax liability has accrued since October 2008 as a result of the downturn associated with the GFC, poor trading conditions caused by the Federal Government's legislation debate on the proposed mining taxes and adverse weather including two years of floods and cyclones. The tax liability is a result of non payment of GST, PAYGW and superannuation.

There are agreed payment programs in place with the ATO as follows:

Integrated client account repayments:

1 September 2011	\$136,881
1 October 2011	\$250,000
31 October 2011	\$2,267,294

Superannuation Guarantee Debt:

1 July 2011	\$250,000
1 August 2011	\$250,000
1 September 2011	\$113,119

Total	\$3,267,294
--------------	--------------------

The difference between \$3.4 million and the total amount shown in the schedule is an estimate for penalty interest payable.

This payment program is currently being met out of cash flow. The Offer is fully underwritten and therefore, in the event that the Offer proceeds, there is no risk to new investors of the Company not being able to fully repay its ATO debts.

If the underwriting is withdrawn, the Offer will not proceed and all Application Monies will be returned without interest.

Approximately \$2.0m has been allocated to increase drilling capacity in the CSG sector through the acquisition of 3 heavy duty, heavy hoist carrier Schramm 130XD drill rigs suitable for surface to in-seam drilling for CSG.

Capital raised under the Offer will be allocated in the following order: repayment of tax liability, payment of costs of the Offer; repayment of Well Drilled debt; payment for the capital equipment; and then payment for the acquisition and upgrade of the maintenance facility and offices. The balance of the IPO proceeds, \$1.4 million, will be retained in cash for working capital and growth purposes.

SECTION 2: DETAILS OF THE OFFER

An estimate of the breakdown of the Offer costs is summarised below:

Use	Amount
Underwriting Fees	\$650,000
Legal Fees	\$120,000
Tax & Financial Advice	\$400,000
Investigating Accountant	\$120,000
Audit	\$35,000
Printing, Design, Website	\$50,000
Public Relations	\$30,000
Share Registry	\$30,000
ASX Listing Fees & ASIC lodgement Fees	\$60,000
Postage & Miscellaneous expenses	\$15,000
Contingency	\$90,000
Total	\$1,600,000

2.11 Dividend Policy

The Company intends to pay dividends of no less than 50% of net profit after tax when the profitability of the business permits and subject to the operational requirements of the Company.

Due to the timing of the IPO, the Company does not intend to pay a dividend for the financial year ended 30 June 2011.

Any dividends that may be paid by the Company will be determined by the Directors with regard to:

- Prevailing business and financial conditions;
- The profitability, franking credit position, cash flow, retained earnings and financial health of the Company at the time of the proposed dividend payment;
- The need for funds for capital expenditure, acquisitions or other business opportunities; and
- Any other factors the Directors may consider relevant, including the risk factors set out in Section 8 of this Prospectus.

Subject to the above, Drill Torque expects to pay interim and final dividends.

2.12 Rights attaching to Shares

The New Shares will rank equally in all respects with the Shares held by the Existing Shareholders. The rights attaching to all Shares are detailed in the Company's Constitution. A summary of the key provisions of the Constitution is set out in Section 10 of this Prospectus.

Attaching Options will be allocated on a 1 for 10 basis to the Shares held by the Existing Shareholders and the New Shares subscribed for under the Offer. The Attaching Options will be separately listed and tradable on the ASX.

2.13 Allotment

Drill Torque will not process any Application Form until the expiration of the Exposure Period. The allotment of Shares and Attaching Options to Applicants will occur as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the Application Monies.

No allotment of New Shares and Attaching Options will be made until permission has been granted by the ASX for the quotation of the Shares on terms acceptable to the Directors.

Applicants should note that the Directors, in consultation with the Underwriters, reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any application. Directors may in their discretion accept or reject applications under the Offer. Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus Application Monies will be returned by cheque to the Applicant within seven (7) days of the Allotment Date free of interest. Before dealing in any Shares, Applicants must satisfy themselves as to their actual holding of Shares.

2.14 Underwriting

The Underwriters have agreed to underwrite and manage the Offer on the terms of the Underwriting Agreement. The material terms of the Underwriting Agreement are set out in Section 9.1 of this Prospectus.

2.15 ASX Listing

Within seven days after the date of issue of this Prospectus, Drill Torque will apply for admission to the Official List and for the quotation of its Shares and Attaching Options on ASX.

If ASX does not grant permission for quotation of its Shares and Attaching Options within three months after the date of this Prospectus, or such longer period as permitted by law, none of the Shares offered by this Prospectus will be allotted or issued. In these circumstances, all applications will be dealt with in accordance with the Corporations Act.

ASX and its officers take no responsibility for the contents of this Prospectus. A decision by ASX to grant official quotation of the Shares and Attaching Options is not to be taken as an indication of the merits of the Company or the Shares and Attaching Options. Quotation, if granted, of the Shares and Attaching Options offered by this Prospectus will commence as soon as practicable after statements of holdings for the Shares and Attaching Options are dispatched. Trading of Shares and Attaching Options is expected to commence on 2 August 2011.

2.16 CHESS and Issuer Sponsored Subregister

The Company will apply to participate in the Clearing House Electronic Subregister System, known as CHESS. ASX Statement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and ASTC Settlement Rules. The Company will maintain an electronic CHESS subregister (for Shareholders who are participants in CHESS or sponsored by such a participant) and an electronic issuer sponsored register (for all other Shareholders).

The Company will not issue certificates for Shares and Attaching Options offered under the Offer. Instead, as soon as practicable after allotment, Shareholders will receive a holding statement (similar to a bank account statement) which sets out the number of Shares and Attaching Options held by the Shareholder in the Company.

The holding statement will set out the number of Shares and Attaching Options allotted to each holder of the Prospectus and give details of their Holder Identification Number ("HIN"), in the case of holding on the CHESS sub register or the Shareholder's Security Holder Reference Number ("SRN") in the case of issuer sponsored holders.

Following distribution of the initial holding statements and CHESS notifications to all Shareholders, a holding statement will be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time, however the Company may charge an administration fee in these circumstances.

2.17 Non Resident Investors

This Prospectus does not constitute an offer of Shares and Attaching Options in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an Application to take up Shares and Attaching Options on the basis of this Prospectus.

No action has been taken to register or qualify the Shares and Attaching Options, or the Offer or otherwise to permit an offering of the Shares and Attaching Options in any jurisdiction outside Australia.

Each Applicant will be taken to have represented, warranted and agreed that such person:

- is an Australian citizen or resident in Australia, is located in Australia at the time of such Application and is not acting for the account or benefit of any person in the United States, a United States person or any other foreign persons; and
- will not offer or sell the Shares or Attaching Options in the United States or in any other jurisdiction outside Australia or to a United States person, except in transactions which exempt from registration under the United States Shares Act of 1993 as amended, and in compliance with all applicable laws in the jurisdiction in which such Shares are offered and sold.

SECTION 2: DETAILS OF THE OFFER

2.18 Withdrawal of the Offer

The Company in consultation with the Underwriters reserves the right not to proceed with the Offer at any time before the allotment of Shares and Attaching Options to successful Applicants. If the Offer does not proceed, the Company will return all Application Monies within 21 days of giving notice of its withdrawal. Any interest earned on Application Monies prior to withdrawal will belong to Drill Torque.

2.19 Electronic Prospectus

This Prospectus may be viewed online at the Company's website at www.drilltorque.com.au. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus or accompanying Application Form in electronic form within Australia.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached by a complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company's Share Registry, Advanced Share Registry Services or from the Company's web site www.drilltorque.com.au. There is no facility for Applications to be accepted electronically or by applying online.

2.20 Taxation

The tax treatment and consequences of the Offer will vary depending on the particular circumstances of the Applicant. Drill Torque accepts no liability or responsibility in relation to any taxation consequences connected to the Offer. Therefore, it is the responsibility of the Applicant to determine the appropriate tax treatment for themselves. Please refer to Section 10 for further information on taxation considerations.

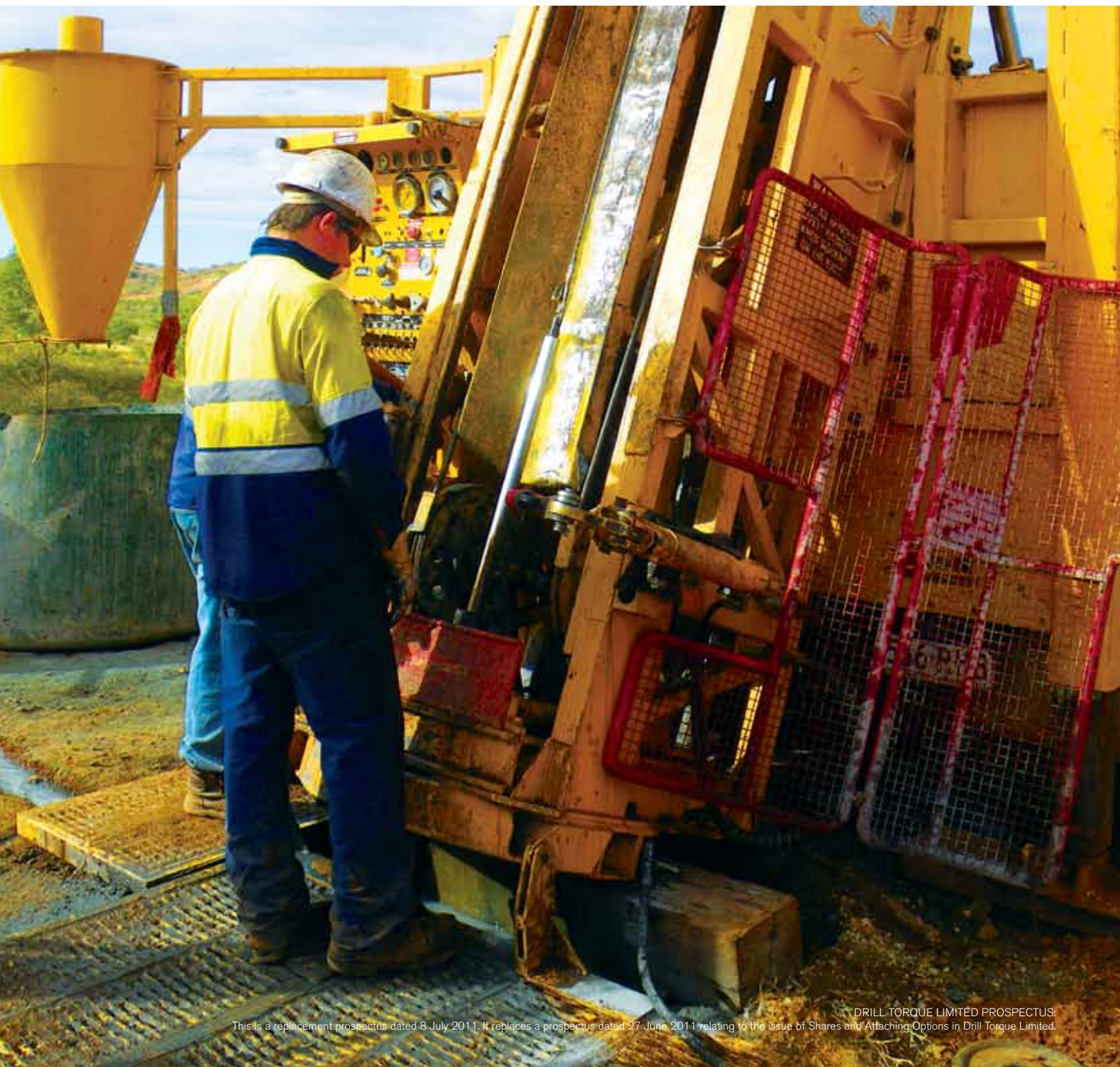
2.21 Enquiries

If you require assistance to complete the Application Form or require additional copies of this Prospectus, contact the Share Registry on (08) 9389 8033 or the Underwriters.

2.22 Summary Only

This section is a summary only and is not intended to provide full details of the investment opportunity. Investors must read this Prospectus in full to make a fully informed investment decision.

SECTION 3: COMPANY OVERVIEW



SECTION 3: COMPANY OVERVIEW

3.1 History and Background

Drill Torque was incorporated on 8 February 2011 to acquire 100% of the equity of Notch, which traded as Drill Torque Queensland, and Well Drilled. The two businesses forming Drill Torque were founded in 1992 and 2007 respectively.

Peter Miller grew Drill Torque Queensland from a single drill rig to owning and operating 29 rigs prior to the acquisition of Well Drilled in February 2011. Drill Torque Queensland had a strong focus on building long-term client relationships by providing excellent service, reliable equipment and effective management support.

Well Drilled was established by Guy Drummond in 2007 and operated 4 drill rigs with a focus on supplying services to junior explorers. Following the acquisition of Well Drilled, Drill Torque has a fleet of 31 rigs (2 rigs were sold in May 2011) servicing an expanding client base within the minerals and energy industries.

3.2 Overview of Operations

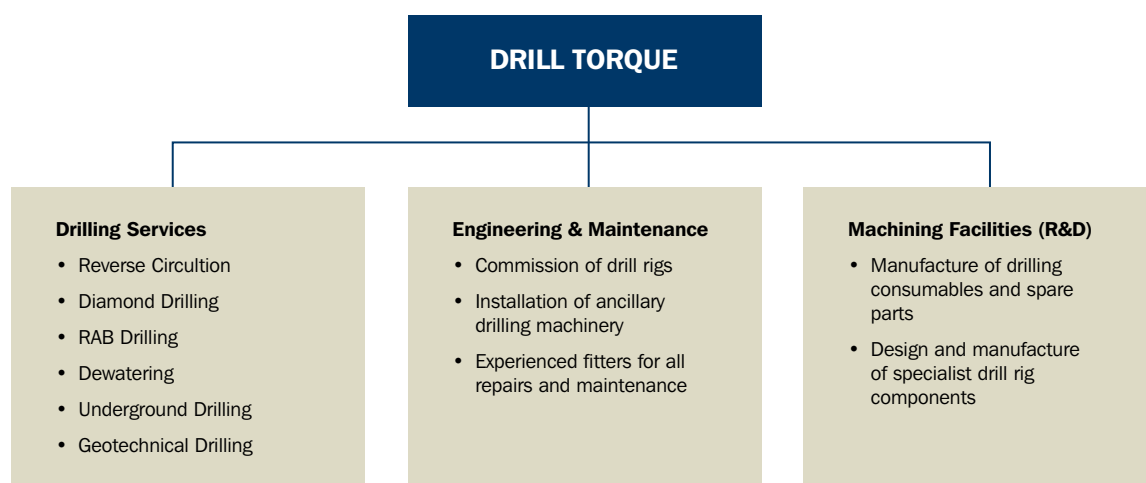
Based in Townsville, Drill Torque currently operates drill rigs in Queensland, the Northern Territory, South Australia and Papua New Guinea that are capable of drilling for a diverse range of commodities across the minerals and energy industries. The Company's fleet of modern drill rigs includes heavy duty rotary air/mud rigs, medium to heavy

multipurpose drills, surface and underground diamond drills, horizontal drilling rigs, air core drills and specialty units.

Drill Torque maintains a highly skilled workforce by constantly investing in training and safety programs that are aimed at delivering superior value to its clients. The Company employs approximately 150 staff during peak drilling periods. Drilling staff work on a "fly in/fly out" basis on a two weeks on, one week off roster.

Drill Torque has nearly completed construction of purpose built offices and maintenance facilities located in Bohle, a light industrial suburb of Townsville. This facility can accommodate drill rigs requiring commissioning, refurbishment and maintenance. The facility has been designed to safely and efficiently carry out these operations with large gantry cranes and all maintenance services at the one location. The construction of the building is nearly complete and will be fully operational by the end of calendar year 2011. Drill Torque also operates a machining operation at Kelso, an outer suburb of Townsville, where it manufactures drilling consumables and spare parts exclusively for internal use. A depot is also maintained in Cloncurry, Queensland.

CHART 3.1: OVERVIEW OF DRILL TORQUE'S OPERATIONS



3.2.1 Drilling Services

Mineral exploration and mining companies have an ongoing need for drilling and typically use drilling contractors to provide them with rock samples for laboratory analysis. Drilling is a specialised and complex operation that most mining companies have found more economical to outsource. Drilling programs are generally campaign based for a set number of metres. The drill rig will move to a new program or new client and commence another drilling program while the rock samples from the previous program are analysed for mineral content. In order for a drill rig to operate profitably and to warrant the supervisory, OH&S training and staff costs it needs to be operated on a continuous basis. For this reason, most mining companies do not have their own drill rigs and use contractors when the need for drilling arises.

Drilling is required at all stages of a mining operation from greenfield exploration, development and mine site production to closure of the mine. Different types of drilling are required at various stages of the mine life cycle. Drilling services provided by Drill Torque include auger drilling, Rotary Air Blast, Reverse Circulation, diamond coring, mine dewatering, underground drilling and geotechnical drilling. Sections 3.3 and 4.3 of this Prospectus provide further details on Drill Torque's drill rigs.

3.2.2 Engineering and Maintenance

New drill rigs and ancillary equipment such as compressors require commissioning by skilled personnel prior to being sent into the field. Drill rigs also require ongoing repairs and maintenance and most of this can be performed in the field. Drill Torque trains its drillers and ancillary staff to perform basic repairs and maintenance in the field. In order to maintain production in the field, Drill Torque also has a team of mobile fitters with well equipped service vehicles to undertake more complex repairs and maintenance. Approximately every 2 years drill rigs require a major overhaul that needs to be done in a workshop by skilled fitters.

3.2.3 Machining Facilities (Research & Development)

Drilling requires the use of a number of steel consumable items. Due to the abrasiveness of rock samples and the wear and tear on equipment in harsh conditions, Drill Torque has established its own internal machine workshop. This division has specialised lathes and experienced operators who manufacture low cost drilling consumables and machine parts. All consumables and spare parts are manufactured to design specifications and where necessary certified by independent engineers.

The in-house manufacturing of consumables generates significant cost savings compared with purchasing components from external suppliers. Drill Torque can manufacture these products for approximately 30% of the retail price of consumables provided by third parties, therefore significantly reducing the ongoing cost of consumables to Drill Torque.

In times of high demand for drilling consumables and machine parts there can be long lead times as many of these items are manufactured overseas and have to be imported into Australia by suppliers. Typically, lead times from external suppliers range from between 3 weeks to 3 months but can be reduced to as little as 2 days as a result of Drill Torque's in-house machining capability. Drill Torque is also able to maintain an inventory of consumables to meet the requirements of its operations which leads to increased rig availability.

3.3 Drill Rigs

Drill Torque's rig fleet comprises 31 drill rigs including heavy duty rotary air/mud rigs, medium to heavy multipurpose drills, surface and underground diamond drills, horizontal drilling rigs, air core drills and specialty units. Drill Torque has selected what it believes are the best range of drill rigs from leading suppliers. The Company predominantly uses rigs from Schramm USA, UDR from Sandvik in Australia and Boart Longyear rigs from Canada and Australia. These rigs all have current safety systems with an increasing number incorporating enhanced safety systems which include automated rod handlers, air starts and low noise emissions. There are also benefits in conformity of motors, pumps, filters and other components.

SECTION 3: COMPANY OVERVIEW

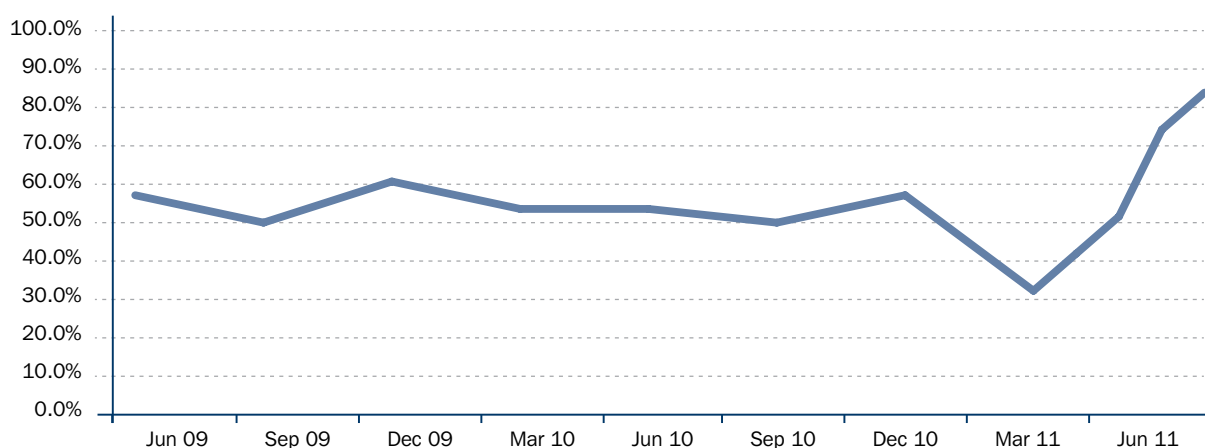
Drill Torque's current rig fleet includes the following drill rigs:

Equipment	Type of Drill	Quantity	Description
Schramm 450-685	Deep hole RC	4	Deep hole RC, large diameter gas production wells
Sandvik UDR1200	Multi-purpose	2	Multi-purpose deep diamond coring, in-seam gas, large diameter production wells
Sandvik UDR1000	Multi-purpose	4	Multi-purpose deep diamond and RC
Sandvik UDR650	Multi-purpose	4	Multi-purpose deep diamond and RC
Boart Longyear LF90/LF70/LM30	Diamond coring	8	Underground and surface coring
Horizontal	Mine dewatering	2	Mine pit dewatering
RC / Air core / other	Exploration	7	Shallow RAB and RC
Total		31	

3.4 Utilisation of drill rigs

Historical drill rig utilisation has been adversely affected by both the GFC and Queensland floods since late 2008. Average drill rig utilisation for the 10 months ending 30 April 2011 was 51% based on a total of 31 drill rigs. Utilisation for this period was adversely affected by unprecedented rainfall in Queensland which limited the ability of drill rigs to be operational in the field. Rig utilisation is forecast to increase to 74% in June 2011.

Rig utilisation for FY2012 is forecast to be significantly higher at 84% and represents a return to historic pre GFC norms as a result of continued demand for drilling services in both the minerals and energy sectors as exploration and mine production is forecast to increase. The forecast utilisation of drill rigs is supported by a strong order book, anticipated recurring orders and estimated demand from new business supported by drilling contracts signed for FY2012. A greater number of drill rigs are forecast to be operating double shifts as opposed to single shifts.

CHART 3.2: DRILL TORQUE'S RIG UTILISATION*

* Rig utilisation is calculated as the number of rigs operating divided by the number of rigs owned.

3.5 Drill Torque's Strategic Initiatives

Drill Torque has positioned itself to take full advantage of increased market demand for drilling services by adopting the following strategic initiatives:

Strategy	Action Plan
Maintain a quality service offering	• Being a leading supplier of Reverse Circulation, Diamond and Coal/CSG exploration drilling in Queensland and the Northern Territory • Owning a modern fleet of drill rigs and support vehicles • Operating in-house supply and manufacture of consumables and spare parts
Customer diversification	• Have a strategic mix of clients in greenfield, brownfield and production drilling
Geographical diversification	• Expand drilling operations to include NSW and South Australia
Drilling Diversification	• Have a strategic mix of clients in greenfield, brownfield and production drilling • Purchase larger drill rigs to increase capability in the CSG sector
Maintain reliable workforce	• Have a strong focus on staff retention through a rigorous approach to training and occupational health and safety policies • Invest in training to raise competency standards in drilling enabling drillers to achieve their Certificates I, II, III, IV and V
Acquisitions	• Potential for further consolidation of fragmented drilling industry (70% of drilling contractors are owner/operators who run a single rig)

SECTION 3: COMPANY OVERVIEW

3.6 Clients and Contracts

Drill Torque has long standing relationships with its client base which are diversified by industry segment, stage of drilling and commodity. The Company currently provides drilling services for more than 20 clients, the majority of which are listed on the ASX.

In recent times, Drill Torque has also fielded enquiries from many more potential clients.

The table below illustrates the type of drilling that Drill Torque's rigs will be undertaking in FY2012:

TYPE OF DRILLING UNDERTAKEN BY DRILL TORQUE'S RIGS

	Greenfield Exploration	Brownfield Development	Mine Site Production
Minerals	12	6	1
Underground			1
De-watering			1
Coal	4		
Coal Seam Gas	1		
Total¹	17	6	3

1. Drill Torque currently will have 26 rigs working or commencing work in FY2012 with 5 rigs currently on standby.

Mining and exploration companies will develop a scope of works for their drilling programs. These are often put out to tender with terms and conditions. Drill Torque will lodge a tender addressing pricing and other issues set out in the scope of works. A key component in the tendering process is to have knowledge of the ground conditions, logistics of the environment where the drilling is being undertaken, as well as an understanding of productivity and wear and tear on equipment. There is a depth of knowledge in the management at Drill Torque that enables accurate quotes to be given to ensure that contracts are undertaken profitably. Refer to Section 9.9 for further details on proposal requirements for contracts.

3.7 Management and Workforce

Management has extensive industry experience much of which was gained with internationally recognised drilling and mining services companies. Current senior management and key drilling supervisors have on average more than 25 years experience in the drilling and mining services industry.

The majority of drilling staff are paid fortnightly and are employed on a casual basis, receiving a day/night rate and bonus for meterage. Bonus payments change depending on position within the Company and type of drilling undertaken. Accommodation is provided to drilling staff whilst working on drilling sites.

3.8 Training

On commencement of employment with the Company, new personnel undertake an induction program that explains Drill Torque's policies, procedures, training systems and standards. The training system for field personnel is largely competency based. This program is delivered and assessed through the utilisation of Standard Work Procedures (SWPs) which are written work instructions relevant to the tasks that are undertaken and the operation of equipment used in everyday field work.

Drill Torque's SWPs are graded to the hierarchy of Driller Levels in order to assist with competency assessment for career progression. SWPs are also mapped to the Australian Drilling Industry Training Committee (ADITC) certificates in drilling in order to meet certification compliance within the drilling industry. Throughout their career field personnel are required to compile support documentation for their portfolio submissions to ADITC in order to gain accreditation certificates for various levels of drilling.

Personnel are also encouraged and provided with the opportunity to undertake external training and certificate courses relating to their stream of work, such as Work Safely at Heights and Senior First Aid.

Over the course of their career with Drill Torque, field personnel will be trained, assessed, and encouraged to progress from Drillers Assistant to senior drill levels such as Driller 3 and Drill Supervisor through to Project and/or Senior Management within the Company.

3.9 Regulatory Environment / Occupational Health and Safety

Drill Torque's policy is to seek continuous improvement in the Company's occupational health and safety standards and performance by taking into account evolving practices, scientific knowledge, technology and best management practices, in an endeavour to prevent workplace accidents.

All Drill Torque operations are conducted so as to protect the health, safety and welfare of employees, clients personnel and all others, while maintaining a safe working environment.

To achieve this, Drill Torque undertakes to provide and maintain healthy and safe workplaces and equipment by continuously reviewing areas, equipment and work methods in order to further improve health and safety, provide health and safety training for all Drill Torque employees and to others where appropriate, and to provide safe products for use by employees and others.

All Drill Torque employees are accountable for their health and safety performance in the workplace and are assigned the responsibility to follow safety rules, policies and procedures in order to ensure safe and healthy operations. All employees are required to take the necessary steps to ensure reporting, or rectification of hazards and everyone is expected to utilise job skills and knowledge to improve safety.

Attitudes to health and safety are recognised as being as important as other business qualities and will be assessed regularly as part of the individual employee's performance appraisals.

The Company's operations are governed by the provisions of the various Acts. In compliance with these requirements, the Company maintains a stringent health, safety and environmental management system that includes Safety Management Plans for each work site. Drill Torque has an exceptional commitment to continuous improvement of workplace health and safety as a result of constant workforce training and compliance with industry standards. Safety of personnel working on and around the drilling rigs is a high priority and Drill Torque has a system of continuous incident reporting and review of OH&S systems and procedures. The Company has complied with rigorous safety inspections to become an accredited service provider to many major mining companies. All Drill Torque personnel are required to have up-to-date First Aid Certificates, Licences, Medical Certificates and the Company also conducts regular drug and alcohol testing of all employees.

Drill Torque's Integrated Management Plan outlines the Integrated (Safety, Environmental and Community Relations) Management System (IMS) that exists at Drill Torque which is referenced to AS/NZS 4801:2001 Occupational Health & Safety Management Systems. The Integrated Management Plan describes the elements of the IMS, their interaction and provides direction to associated documentation. This document aims to ensure all IMS responsibilities, legislative obligation and associated IMS processes are documented and communicated.

Drill Torque management have a track record of demonstrating leadership and commitment to safety, environment and community relations consistent with its policies and IMS procedures in order to develop a cultural behaviour consistent with its policies.

Drill Torque has implemented policies for Occupational Health and Safety, Environment and has a Statement of Commitment for Community Relations. Drill Torque works closely with its clients to ensure the safety of all personnel involved in the operation.

SECTION 4: INDUSTRY OVERVIEW



SECTION 4: INDUSTRY OVERVIEW

4.1 Contract Drilling Services in Australia

The mining services industry in Australia is highly concentrated with three participants (Leighton, Downer EDI and Macmahon) generating over 90% of the forecast \$7.8 billion in industry revenue for 2010/11³.

The mining services industry includes companies that undertake contract mining services of which contract drilling services is a component of this. Contract drilling services are carried out by both diversified contract mining companies as well as specialised contract drilling companies.

Drill Torque's exchange listed peers include Boart Longyear, Ausdrill, AJ Lucas (Lucas Drilling), Transfield Services (Easternwell), Swick Mining Services and Major

Drilling Group International Inc. (Major Drilling) whilst its unlisted competitors include Tom Browne Drilling, Depco, and Nitro.

The contract drilling industry in Australia is dominated by several large operators, however; the industry is highly fragmented with many operators only having 1 drill rig. Management believes there are approximately 1,200 drill rigs employed in minerals and energy exploration and production in Australia, and approximately 350 rigs operating in Queensland.

Contract drillers typically provide drilling services to the minerals and energy industries as well as the environmental and infrastructure industry. Drill Torque only provides contract drilling services to the minerals and energy industries.

3. IBISWorld Industry Report: "Mining Services in Australia", November 2010



SECTION 4: INDUSTRY OVERVIEW

SNAPSHOT OF DRILLING INDUSTRIES SERVICED BY DRILL TORQUE

Industry	Minerals Industry	Energy Industry
Description	Mining and exploration companies require samples of rock for analysis in order to determine the mineral content. Drilling contractors utilise specialist equipment and expertise to extract a suitable sample	The energy sector comprises coal, coal seam gas, geothermal and uranium. Various drilling techniques are used in the exploration for energy
Industry Drivers	Key drivers include: • Commodities demand • Commodities supply • Commodities prices • Exploration expenditure Strong demand from China and other developing countries is driving growth in the exploration and development of minerals	The following factors are driving the development of alternative energy sources: • The price and consumption of oil • Increased interest in developing alternative sources of energy • Political issues
Industry Segments serviced by Drill Torque	• Exploration • Development • Production	• Exploration • Development • Production
Drilling Technologies utilised by Drill Torque	• Rotary Air Blast (RAB) • Reverse Circulation (RC) • Diamond Drilling	• Chip and core • Rotary mud • Diamond Drilling
Key Customers of Drill Torque	• Junior exploration companies in the greenfield sector • Mid tier and large mining companies	• Coal and energy companies
Key Commodities targeted by Drill Torque customers	• Copper / Gold • Zinc • Nickel • Iron Ore • Phosphate	• Coal • Coal Seam Gas • Uranium

4.2 Stages of Drilling in the Mine Life Cycle

Drill Torque is capable of providing drilling services throughout the life of mining operations in both the minerals and energy industries. The following diagram outlines the key stages of the minerals and coal industry mine life cycle.

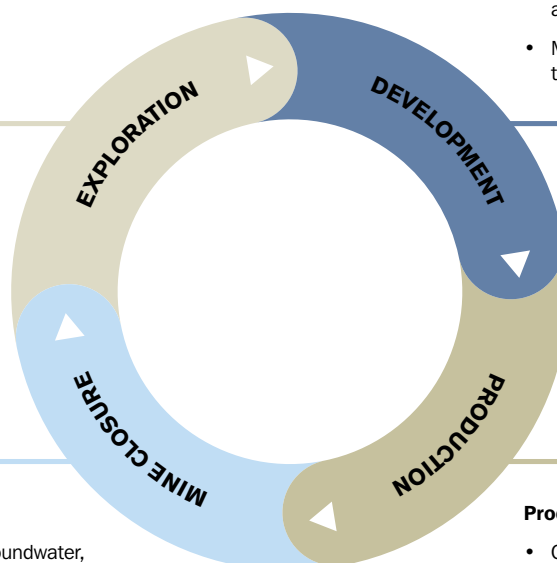
MINERALS AND COAL INDUSTRY LIFE CYCLE

Exploration Drilling

- Exploration or greenfield drilling is focused on the discovery of mineral deposits as well as assessing the size, quality and feasibility of a deposit
- Commodities pricing key driver of demand
- High risk stage of life cycle
- Junior exploration companies and mining companies are key clients in this segment

Development Drilling

- Development or brownfield drilling is focused on resource definition to enable expansion of an existing mine project or for the purposes of creating a new mine plan
- Demand for metals for infrastructure construction and energy for power are key drivers of demand
- Lower risk profile as a resource has already been defined
- Mining companies are key clients in this segment



Mine Closure Drilling

- Environmental monitoring of groundwater, tailings dams and pits are required when a mine is closed
- Stage of mine life cycle and environmental regulatory requirements are key demand drivers
- Mining companies and consulting engineers are key clients in this segment

Production Drilling

- Once a mine is established, drilling will continue to enable decisions on production to occur. This will include grade control drilling, de-watering of the mine pit and underground drilling
- Rising commodity prices and increased demand is motivating miners to increase output
- Lowest risk profile as mine will continue production despite commodity price fluctuations
- Mining companies with operating mines are key clients in this segment

SECTION 4: INDUSTRY OVERVIEW

The following diagram provides an overview of the type of work undertaken at each stage of the industry life cycle for CSG:

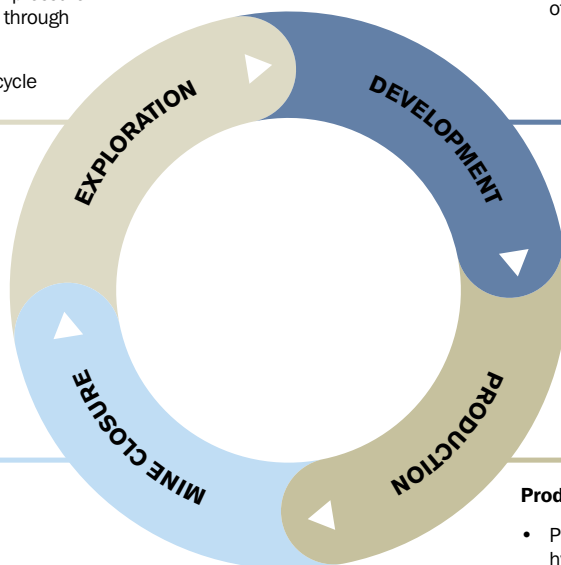
CSG LIFE CYCLE

Exploration Drilling

- Exploration wells to identify where CSG is located
- The gas is trapped in the coal in tiny fractures, known as seams or cleats, typically 300-600 metres underground
- The gas is held in place by water pressure and is extracted via wells drilled through the coal seams
- High risk stage of the mine life cycle

Development Drilling

- Development wells drilled to extract gas from coal seams
- Pilot wells 50-100m
- Drilling into coal seam 300-600m
- Clean out of hole and installation of below-ground equipment



Mine Closure Drilling

- Plugging of holes
- Environmental monitoring
- Well closures

Production Drilling

- Production wells; vertical wells; hydraulic simulation; cavitation; under-reaming
- Work-over rigs to repair wells or associated equipment
- CSG is considered a cleaner natural gas
- Water is potentially a beneficial by product of extracting coal seam gas

The key factors driving drilling in the CSG sector of the energy industry are the price and consumption rate of oil and the increased interest in developing alternative energy sources. Drill Torque has identified the CSG sector as a major growth market beyond the forecast period. To improve Drill Torque's drilling capabilities in this sector, 3 heavy duty Schramm 130XD drill rigs, suitable for surface to in-seam drilling of CSG, will be acquired from funds raised under the Offer. Revenue from these drill rigs has not been included in the forecast revenue for FY2012.

There are four major groups developing CSG-LNG in Queensland:

- Santos / PETRONAS – GLNG (Gladstone LNG);

- Origin/Conoco Phillips – APLNG (Australia Pacific LNG);
- BG/QGC – QCLNG (Queensland Curtis LNG); and
- Shell/ PetroChina – Arrow LNG.

4.3 Drilling Technologies

Drilling is required at all stages of a mining operation from greenfield exploration to development and mine site production to closure of the mine. Different types of drilling are required at various stages.

Drill Torque has the equipment and significant expertise in the following types of drilling technologies in order to provide clients with the samples they require for their drilling programs.

DRILLING TECHNOLOGIES

Technology	Description	
Auger Drilling	This type of drilling uses solid or hollow augers to take soil samples from relatively shallow depths. It is only suitable in soft earth. This type of drilling is usually the first pass evaluation of prospective ground. The auger rig is usually mounted on a light 4WD vehicle which can access ground without requiring prepared roads. The auger is drilled down until hard rock or resistance is met which may occur at surface level to a depth of 20 plus metres. Auger drilling is also used for geotechnical soil sample evaluations.	
Rotary Air Blast (RAB) Drilling	This drilling method is usually used as the first stage in greenfield exploration. RAB uses compressed air to bring the sample to the surface between the drill rods and the drill hole. This method of drilling can produce a large number of samples as it is a first pass sampling technique.	
Rotary Mud Drilling	This method involves pumping pressurised water with drilling fluids to the face of the drill bit. The sample is returned to the surface on the outside of the drill rods. This type of drilling is often used in sandy ground where the holes will not stay open.	

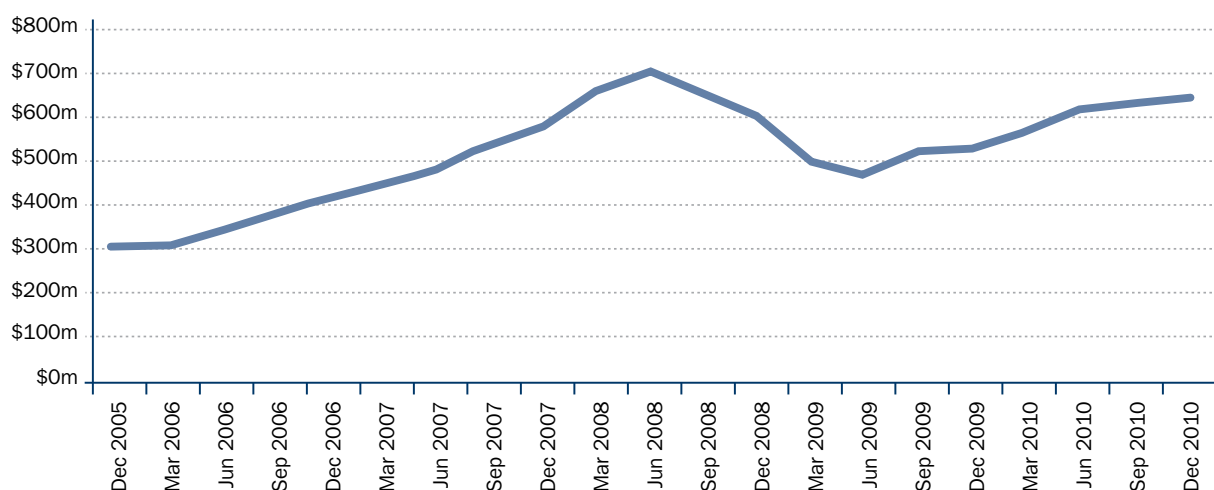
SECTION 4: INDUSTRY OVERVIEW

Technology	Description	
Reverse Circulation (RC) Drilling	This is an elegant method of obtaining an uncontaminated sample by using compressed air blown through the drill rods, returning the sample through a tube inside the drill rod. RC drilling uses an air driven hammer that breaks the rock into a chip or powdered sample. The air brings the sample to the surface where it is inspected and bagged by a geologist. This method of drilling is used in hard rock mineral exploration.	
Diamond Drilling	This method of drilling uses drill bits that are impregnated with diamonds to cut a solid core of rock. This then provides a sample that can be analysed for mineral content and also shows the structure of the mineralisation. Diamond drilling is usually performed after a RAB / Aircore or RC program has given an indication of mineralisation. Diamond Drilling is usually conducted as a 24 hour operation with a crew for both day and night shifts. Often a client will require a RC hole to be drilled to a depth where mineralisation commences with a diamond "tail" drilled in the same hole.	

Drill Torque has the capability to meet all drilling requirements through their existing drill rig fleet. In addition, a number of drill rigs are able to undertake multiple types of drilling which enables greater flexibility in meeting customer demands.

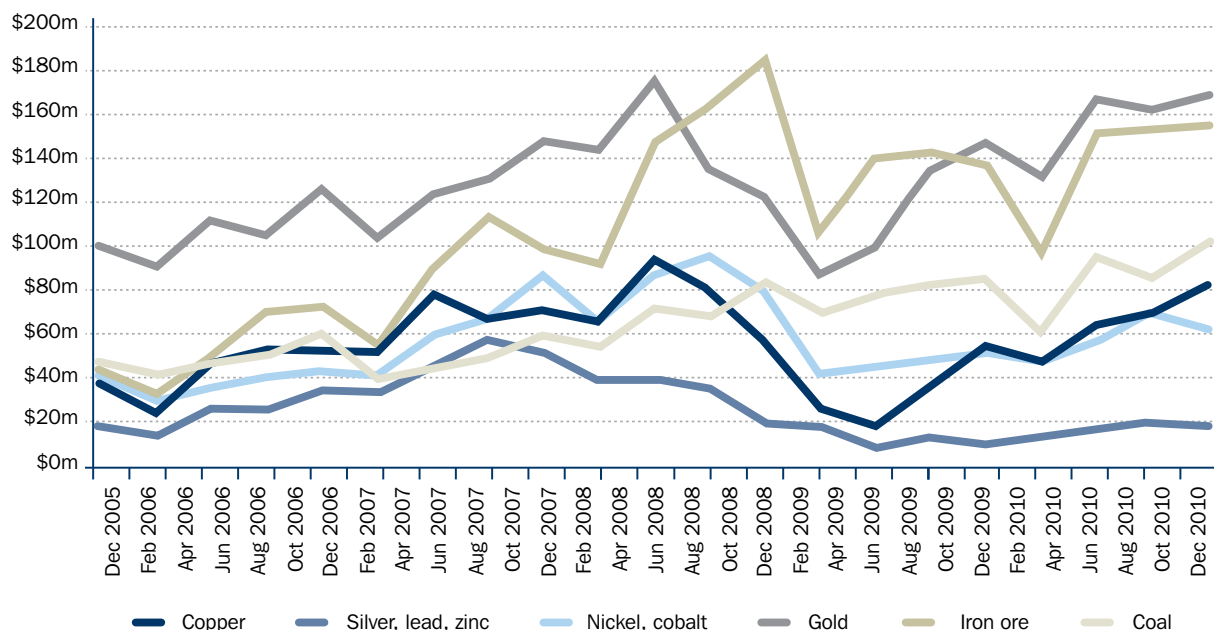
4.4 Recent Mineral Exploration Expenditure

According to ABS statistics, the trend estimate for total mineral exploration expenditure rose 2.5% (or \$15.6m) to \$644.8m in the December quarter 2010. The December 2010 quarter estimate was 20.1% higher than in December 2009 which indicates that activity in the sector is trending towards levels experienced prior to the slowdown associated with the GFC.

CHART 4.1: QUARTERLY MINERAL EXPLORATION EXPENDITURE (Seasonally Adjusted)

Source: ABS Statistics: "Mineral and Petroleum Exploration" – December Quarter 2010 (9 March 2011) and management calculations

The largest contributors to the increase in mineral exploration expenditure in the December 2010 quarter when compared to the December 2009 quarter came from expenditure on gold, copper, iron ore and coal. Expenditure on gold increased by 15% to \$167.3 million, copper increased 51% to \$81.8 million, iron ore increased 13% to \$154.2 million and coal increased 19% to \$101.2 million.

CHART 4.2: QUARTERLY MINERAL EXPLORATION BY COMMODITY

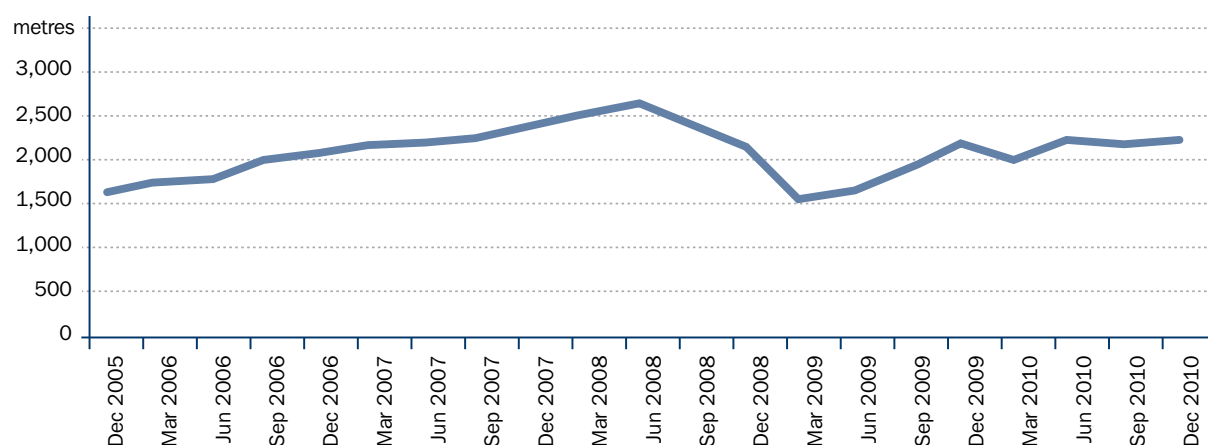
Source: ABS Statistics: "Mineral and Petroleum Exploration" – December Quarter 2010 (9 March 2011) and management calculations

SECTION 4: INDUSTRY OVERVIEW

4.5 Recent Drilling Activity

ABS statistics also indicate that the trend estimate for metres drilled rose 1.5% in the December 2010 quarter. The December 2010 quarter estimate was 8.9% higher than the December quarter 2009 estimate further evidencing signs of recovery in the sector.

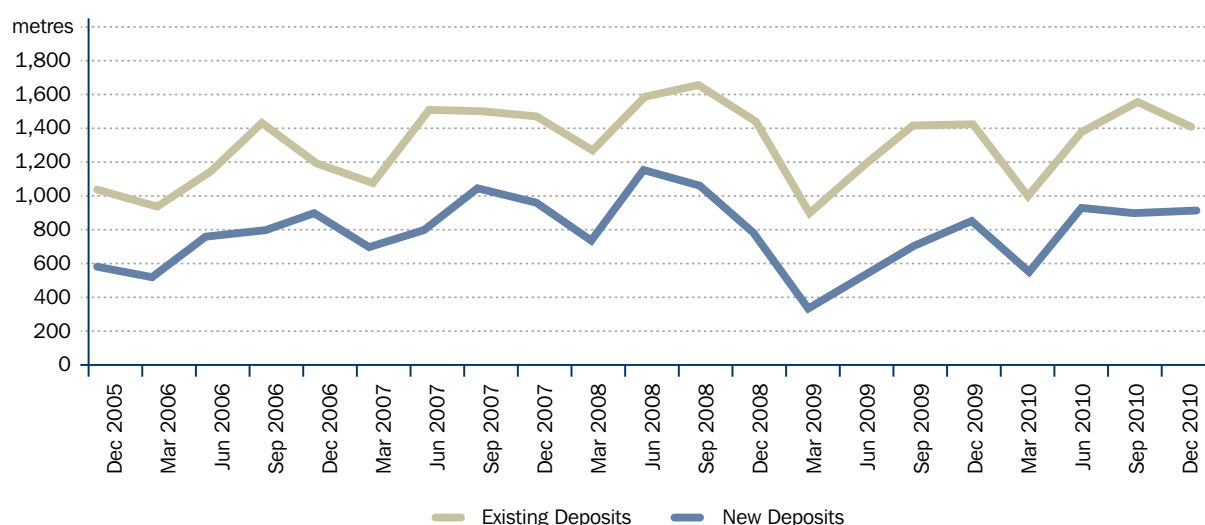
CHART 4.3: TOTAL METRES DRILLED (Seasonally Adjusted)



Source: ABS Statistics: "Mineral and Petroleum Exploration" – December Quarter 2010 (9 March 2011) and management calculations

New deposits drilled in the December 2010 quarter were 8.0% higher than the corresponding December 2009 quarter and 17% higher than the December 2008 quarter reflecting a significant pickup in activity in the resources sector. Existing deposits drilled in the December 2010 quarter were down 0.8% on the December 2009 quarter and down 1.3% on the December 2008 quarter. This data is reflective of the fact that drilling activity on existing deposits is relatively stable despite economic conditions and after adjusting for seasonality.

CHART 4.4: QUARTERLY METRES DRILLED BY DEPOSIT TYPE



Source: ABS Statistics: "Mineral and Petroleum Exploration" – December Quarter 2010 (9 March 2011) and management calculations

4.6 Outlook

4.6.1 Mine Production

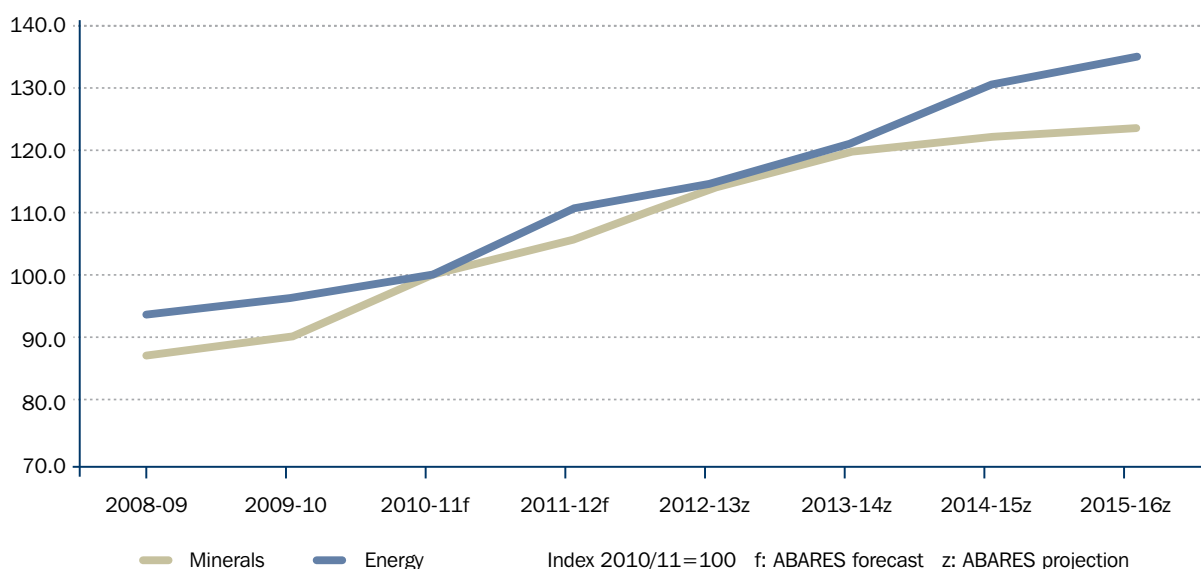
ABARES is forecasting mine production to increase by 7.0% in 2010-11 as a result of forecast higher commodity prices and rising global demand. The forecast rise in production is primarily a result of growth in energy commodities.

Production of metals and other minerals is forecast to increase by 10.0% in 2010-11 and 6.0% in 2011-12 as a result of higher iron ore, gold and copper production.

Production of energy commodities is forecast to increase by approximately 4.0% in 2010-11 and 11.0% in 2011-12 as a result of a forecast increase in metallurgical and thermal coal production.

According to ABARES, Australian minerals and energy production is forecast to increase by nearly 30.0% between 2010-11 and 2015-16 as new mine capacity is commissioned and infrastructure expansions including Abbot Point port in Queensland and the Pilbara in Western Australia are completed.

CHART 4.5: AUSTRALIAN MINE PRODUCTION



Source: ABARES - Australian Commodities Vol 18 No 1 March quarter 2011

SECTION 4: INDUSTRY OVERVIEW

4.6.2 Minerals and Coal

According to ABARES, prices for energy and mineral commodities are forecast to remain high in the short term as a result of strong economic growth, a weak US dollar and supply disruptions. Over the medium term, ABARES is anticipating downward pressure on prices as a result of supply expansions for most mineral and energy commodities. However, in historical terms, prices for most commodities are projected to remain high and in line with rising production costs.

Growth in the energy and minerals commodity markets over the medium term is expected to be driven by strong increases in demand from China and developing countries. China will continue to be the major contributor to increased demand as a result of the scale of its economic growth and the energy and minerals intensive nature of its urbanisation and industrialisation. According to ABARES, China is the world's largest consumer of aluminium, copper, nickel, zinc, iron ore, coal, lead, tin and energy.

4.6.3 Coal Seam Gas

Coal seam gas is being promoted by the Queensland Government as an effective mechanism to reduce green house gas emissions by the use of methane gas as an alternative to coal. The number of wells drilled annually has increased from 10 in the 1990's to 600 in 2009-10. The CSG industry defied the global economic downturn with exploration and development activity remaining strong.

Further growth is forecast with the current demand for drilling services exceeding current supply of rigs and the number of wells drilled annually forecast to exceed 1,000 per annum from 2011-15⁴.

Drill Torque currently has 4 rigs capable of CSG drilling of which 2 are capable of Surface to In-Seam (SIS) drilling. These rigs are compliant with the Queensland Gas Act and are operated by BOP qualified personnel. The typical contract hire rate for drill rigs employed on SIS wells is approximately 50-100% greater than that of rigs employed in the minerals sector.

CSG drilling currently accounts for 6% of Drill Torque's FY2012 revenue, however; it has been identified as a major growth sector beyond the forecast period.

In addition, following the completion of the Offer, \$2.0 million has been allocated for acquisition of 3 heavy duty, heavy hoist carrier Schramm 130XD drill rigs suitable for surface to in-seam drilling of CSG. These additional drills will significantly improve Drill Torque's capability in servicing clients in the CSG sector and have not been built into the Company's forecast earnings for FY2012.

4. Forecast number of wells estimated based on Environment Impact Statement's of Santos / Petronas, BG Group, Origin Energy / Conoco Philips and the company fact sheet of Arrow Energy





SECTION 5: **BOARD, MANAGEMENT & CORPORATE GOVERNANCE**



SECTION 5:

BOARD, MANAGEMENT & CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The Board of Directors of Drill Torque has been appointed for its experience and appropriate skill base.



Mr David Fairfull – B.Com, ACIS, CPA, F Fin, FAICD
Non-Executive Chairman

Mr Fairfull has over forty years of experience in finance and investment banking including previous roles as Managing Director of Kleinwort Benson Australia, Executive Director of Kleinwort Benson UK and a Joint Managing Director of Pitt Capital Partners Limited. He is currently Chairman of Shinewing Hall Chadwick National Association and Heritage Brands Limited and a Non-Executive Director of Washington H. Soul Pattinson and Company Limited, Souls Private Equity Limited, New Hope Corporation Limited, Northern Energy Corporation Limited and Specialist Services Group.



Mr David Williamson – B.Com, FCA, MAICD
Non-Executive Deputy Chairman

Mr Williamson has been registered as a Chartered Accountant for approximately 30 years and is principal of his own firm, Williamson Chaseling Pty Ltd. He has gained a wide range of experience in business management, finance, general accounting, taxation and audit assignments.

Mr Williamson was formerly a Non-Executive Director of Arrow Energy Limited. He is currently a Non-Executive Director of Dart Energy Limited (including member of the Audit Committee and Chairman of the Risk Committee), New Hope Corporation Limited (including Chairman of the Audit Committee), Northern Energy Corporation Limited (including Chairman of the Audit Committee) and Australian Health and Nutrition Association Limited (Sanitarium Health Food Co) (including Chairman of the Finance and Business Committee).



Dr Ralph Craven – BE PhD FIEAust FIPENZ FAICD CPEng
Non-Executive Director

Dr Craven has a professional background in the energy and resources sectors having previously been CEO of the predecessor to Ergon Energy and the New Zealand government owned Transpower which owns and manages the National Grid. He held senior executive positions with Shell Coal Pty Ltd and NRG Asia-Pacific Limited. Dr Craven is currently Chairman of Ergon Energy Corporation Limited, Tully Sugar Limited and Australian Electricity Systems Pty Ltd and Non-Executive Director of Windlab Systems Pty Ltd. Previous roles held by Dr Craven include Deputy Chairman of Arrow Energy Limited and Non-Executive Director of Energy Developments Limited.



Mr Peter Miller
Managing Director

Mr Miller founded Drill Torque in 1992 with 1 drill rig which grew to 29 rigs prior to the acquisition of Well Drilled. Mr Miller has been involved in all aspects of the drilling industry for the past 28 years. His experience encompasses working with all types of drilling rigs, building rigs and managing drilling companies. Having worked in most exploration areas in Australia he knows the drilling conditions, equipment requirements and pricing structure to maximise productivity for his fleet. Mr Miller is widely known and well regarded in the industry.



Mr Guy Drummond – B.Econ, ACA
Executive Director (General Manager Business Development)

Mr Drummond started his working career in 1988 with Coopers and Lybrand in Sydney. He qualified as a Chartered Accountant in 1991 with experience in corporate taxation, business recovery and insolvency management. In 1992, Mr Drummond co-founded Clover Corporation with his father, listing the company on the ASX in 1998. He was a director of Clover Corporation until November 2009. In 2007, Mr Drummond established Well Drilled with 1 drill rig which he scaled up to 4 rigs prior to being acquired by Drill Torque in February 2011. Mr Drummond's experience in marketing and business development on both a national and international level will be of invaluable assistance to the future growth of Drill Torque.

MANAGEMENT

Mr Bob Witty
Chief Financial Officer and Company Secretary

Mr Witty joined Drill Torque in 2009 after 38 years experience in retail and business banking and 2 years experience as a Senior Manager with PricewaterhouseCoopers. He has an Associate Diploma of Business (Accounting) and a Graduate Certificate in Management and is a Member of the National Institute of Accountants, a Board Member of the Townsville Diocesan Development Fund (Catholic Diocese of Townsville) and has been a board member of Standard White Cabs Limited since 2008. Mr Witty brings a strong financial background and discipline to the Company.

Mr Ian Milne
General Manager Operations

Mr Milne joined the team at Drill Torque as General Manager Operations in 2009 after nearly 30 years in the drilling industry. He previously worked in drilling and senior supervisory roles at WMC Exploration, Ausdrill, Seismic Supply/Premier Rock Tools and Major Drilling.

Mr Bill Fisher
Operations Manager Coal and Energy

Mr Fisher joined Drill Torque in 2011 as the Operations Manager Coal and Energy. He has extensive experience in the mining services industry having previously worked for PNG Drillers, Dynatec Drilling Indonesia, Dyno Nobel, Dyne-Ex and TVI Drilling. Prior to joining Drill Torque, Mr Fisher was Vice President of International Operations at Mitchell Drilling and Regional Manager Lucas Drilling Services.

Mr Simon Morgan
Operations Manager Minerals

Mr Morgan commenced his drilling career in 1987 working for Drill Corp as a Driller's Assistant/Trainee Driller. In 1988 he moved to Stanley Mining as an Assistant and Multi Driller. Mr Morgan worked for Drill Torque Qld as a Multi Driller between 1992 and 1995, before working for Rowe Enterprise and Pontil as a Multi Purpose Driller. After rejoining Drill Torque in 1997, Mr Morgan has worked as a driller, Supervisor and Safety Officer and is presently the Operations Manager Minerals.

Mr Dave Postlethwaite
Recruitment Manager

Mr Postlethwaite commenced his career in the drilling industry at Major Drilling in 2001 at BHP's Cannington Mine, working as the Site Coordinator and Workplace Rehabilitation Coordinator. In June 2005, Mr Postlethwaite became the Human Resources Employment Coordinator for Major Drilling in North Queensland. In May 2010, he joined the team at Drill Torque as the Recruitment Manager.

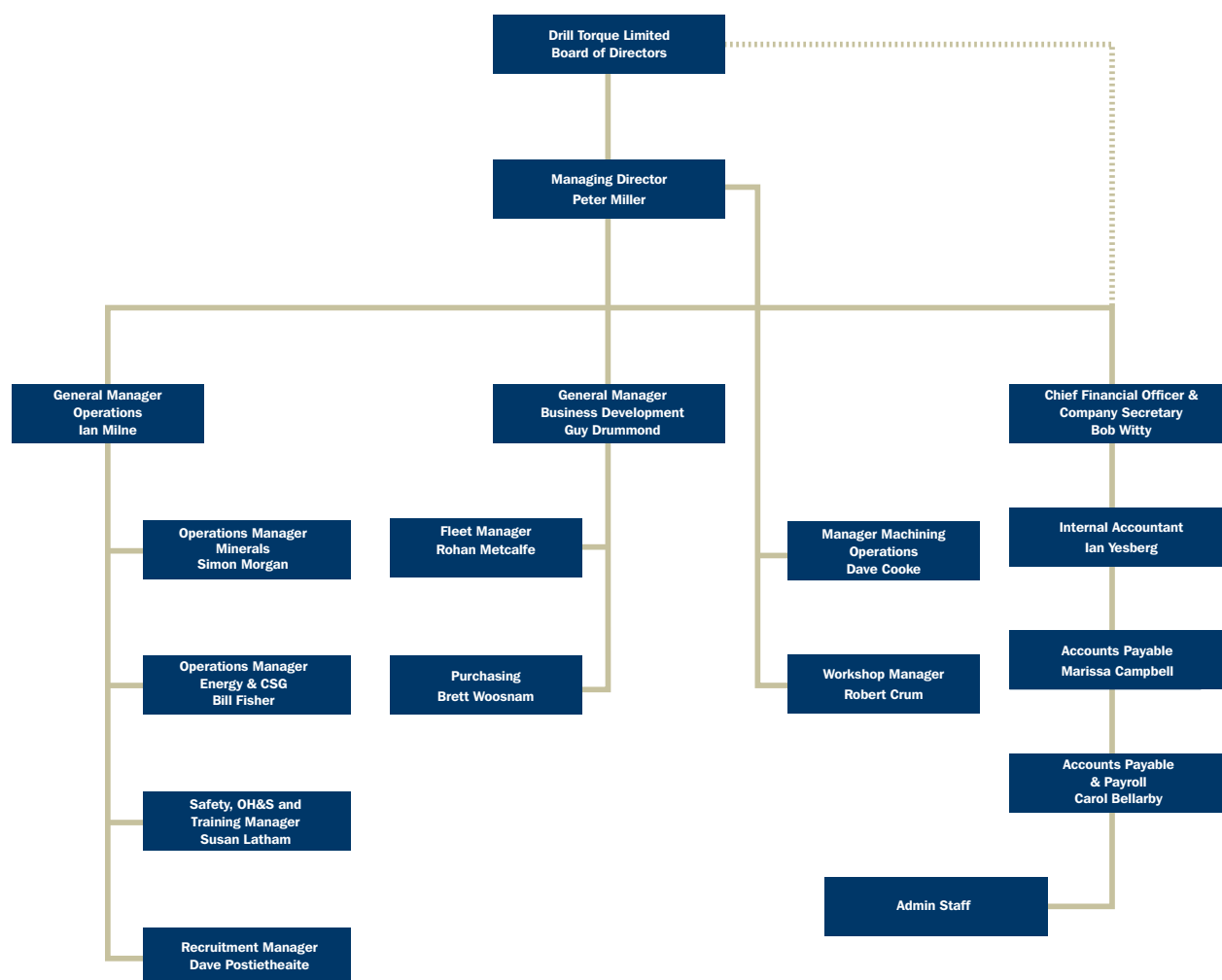
Ms Susan Latham
Safety, OH&S and Training Manager

Ms Latham joined Drill Torque in 2011 as the Safety, OH&S and Training Manager. She has a Graduate Certificate in Education from QUT and has certificates in Occupational Health and Safety, Training & Assessment and Risk Assessment. Prior to joining Drill Torque she was the Training and Assessment Coordinator for the Aboriginal & TSI Health Worker Education Program. Ms Latham also worked for the Australasian Drilling Institute from 2008 to 2010 implementing Quality Improvement strategies for the training and development of staff.

SECTION 5: BOARD, MANAGEMENT & CORPORATE GOVERNANCE

ORGANISATIONAL CHART

Drill Torque's organisational chart is set out below:



CORPORATE GOVERNANCE

5.1 Scope of Responsibility of the Board

The Board is responsible for monitoring the business activities of the Company on behalf of Shareholders and implementing and maintaining proper corporate governance. The Board has formally adopted a corporate governance statement designed to encourage Directors to focus their attention on a wide range of corporate governance issues including accountability, risk management and ethical conduct.

The Board's broad function is to:

- devise strategy and set financial targets for the Company;
- monitor the implementation and execution of strategy and performance against financial and non-financial targets; and
- appoint and oversee the performance of executive management and generally to take and fulfill an effective leadership role.

5.2 Board composition

The Board comprises an independent Non-Executive Chairman, two independent Non-Executive Directors, a Managing Director and an Executive Director. The Board has an Audit and Risk Committee, Remuneration Committee and Nominations Committee, all of which are chaired by an independent Non-Executive Director and a Health, Safety, Environment and Sustainability Committee that is chaired by the Managing Director. The Board and Board committees are administered by the Company Secretary, Bob Witty, who is also the Chief Financial Officer.

5.3 Board charter and policy

Drill Torque has adopted a charter (which will be reviewed and amended from time to time as the Board considers appropriate) to give formal recognition of the Board's role and responsibilities and to specify how Drill Torque is governed so as to promote Drill Torque and protect the interests of Shareholders, employees, customers and the broader community.



SECTION 5:

BOARD, MANAGEMENT & CORPORATE GOVERNANCE

5.4 Audit and Risk Committee

The objective of the Audit and Risk Committee is to ensure the integrity of the Company's financial reporting by assisting the Board to discharge its responsibility to exercise due diligence and skill in relation to:

- External financial reporting – by ensuring a review of all statutory financial statements
- Accounting policy development and application
- Financial Compliance – in accordance with statutory requirements
- Risk management (non occupational health and safety) – in accordance with normal business requirements with a particular focus on non-operating matters.
- Internal audit – development of an internal audit plan and evaluation and performance review and remuneration
- External audit – assessment of approach and evaluation of performance and remuneration
- Budget review – ensure underlying assumptions are realistic and are applied
- Receive and review responses to its code of ethics and value complaints – from clients, employees and external service providers

This committee will comprise the 3 Non-Executive directors of the Company, with David Williamson as Chairman and David Fairfull and Dr Ralph Craven as members. Bob Witty as Company Secretary and the Company's external auditor will be invited to attend meetings of this committee.

5.5 Remuneration and Nominations Committee

The purpose of this committee is to assist the Board by making recommendations in relation to the appointment of new Directors (both Executive and Non-Executive), senior executives, their levels of remuneration equity-based incentive plans and other employee benefit programs.

The Committee has the following duties and responsibilities:

- regularly review the size and composition of the Board and the mix of expertise, skills, experience and perspectives that may be desirable to permit the Board to execute its functions;
- identify any competencies not adequately represented and agree the process necessary to be assured that a candidate with those competencies is selected;
- conducting a bi-annual external evaluation of the performance of the Board;
- recommending suitable individuals for nomination as members of the Board and its committees;
- reviewing the Company's recruitment, retention and termination policies;
- reviewing the Company's superannuation arrangements;
- reviewing succession plans of senior executives and executive Directors;
- conducting an annual evaluation of the performance of senior executives;
- considering those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval; and
- establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management.

The remuneration and nominations committee will meet as often as necessary, but must meet at least twice a year.

This committee will comprise the 3 Non-Executive Directors of the Company, with Dr Ralph Craven as Chairman and David Fairfull and David Williamson as members. The remaining executive directors of the Company and Bob Witty as Company Secretary will be invited to attend meetings of this committee.

5.6 Health, Safety, Environment and Sustainability Committee

The purpose of the Health, Safety, Environment and Sustainability Committee is to assist the Board:

- in the effective discharge of its responsibilities in relation to safety and the key operational risks outlined above. The Committee has authority from the Board to review and investigate any matter within the scope of its charter and make recommendations to the Board in relation to those matters.
- in monitoring the decisions and actions of management in achieving the Drill Torque Group aspiration to be a sustainable organisation.

The Committee is responsible for overseeing and monitoring the promotion, establishment and integration across the Group of the principles of safety, environmental responsibility and sustainability as the foundations of good management and good business.

Sustainability encompasses how the Drill Torque Group conducts business, now and in the future, through the pursuit of workplace safety, a commitment to corporate social responsibility, environmentally sustainable solutions and employee diversity, development and opportunity.

The Committee has the following responsibilities:

5.6.1 Health & Safety

- Oversee the Health and Safety function of the Group.
- Review the effectiveness of Group policies and initiatives designed to ensure the well-being of employees and the workforce.

5.6.2 Corporate Social Responsibility

Review the effectiveness of Group policies on corporate social responsibility, workplace diversity and equal opportunity.

5.6.3 Environment

- Oversee the Environmental responsibilities of the Group.
- Review the effectiveness of Group policies and initiatives designed to deliver best practice environmentally sustainable solutions.



SECTION 5:

BOARD, MANAGEMENT & CORPORATE GOVERNANCE

5.6.4 Compliance

- Assist the Board in its oversight of the Group's compliance with applicable legal and regulatory requirements in relation to environmental matters, socially responsible initiatives,
- and health and safety issues and regulations governing drilling operations and reviewing the supporting management systems and processes;
- reviewing investigations of major incidents within the Group's operations; and
- monitoring legislative developments and considering major operational issues that may have significant implications for the Group.

This committee will comprise the entire Board of the Company and it will be chaired by the Managing Director.

5.7 Compliance with ASX Corporate Governance Principles and Recommendations

The ASX document, 'Corporate Governance Principles and Recommendations' ('Guidelines') was published by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets. The Board has assessed Drill Torque's current practice against the Guidelines and is in compliance with all principles and recommendations as set out below:

5.7.1 Principle 1: Lay solid foundations for management and oversight

The role of the Board and delegation to management has been formalised in Drill Torque's Board charter. The charter will be reviewed and amended from time to time taking into consideration practical experience gained in operating as a listed company. Drill Torque complies with this principle of the Guidelines.

5.7.2 Principle 2: Structure the Board to add value

Drill Torque has a five member Board comprising an independent Non-Executive Chairman, two independent Non-Executive Directors, a Managing Director and an Executive Director. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to Drill Torque and its business.

The Company believes it is in its best interests to maintain a small but efficient board of Directors with at least two Executive Directors. Three of Drill Torque's five Directors are independent including the Chairman which complies with the Guidelines.

5.7.3 Principle 3: Promote ethical and responsible decision making

This principle deals with a code of conduct for the Company, including the level of integrity of its Directors and employees, the legal obligations of the Company and the responsibility of investigating and reporting unethical practices.

Consistent with Drill Torque's statement of commitments, principles and values, the Board has developed and implemented policies governing director and employee conduct as well as a code of conduct for transactions dealing in Drill Torque's securities. Drill Torque has also adopted a policy of diversity (including gender diversity) to take into account the amendments to the Guidelines. A summary of these codes are available on Drill Torque's website at www.drilltorque.com.au.

The purpose of these codes is to guide Directors and employees in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities. The codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.

5.7.4 Principle 4: Safeguard integrity in financial reporting

The Audit and Risk Committee has been established with its own charter and consists of David Williamson (chairman), David Fairfull and Dr Ralph Craven. The Audit and Risk Committee complies with recommendation 4.2 of the Guidelines, which recommends that the Committee have at least three members, the majority of which must be independent. Drill Torque's audit committee charter is available on Drill Torque's website at www.drilltorque.com.au.

5.7.5 Principle 5: Make timely and balanced disclosure

Drill Torque's current practice on disclosure is consistent with the Guidelines. The Board has adopted a continuous disclosure policy and procedures are in place to ensure compliance with ASX Listing Rule disclosure requirements. The Board's continuous disclosure policy is available on Drill Torque's website at www.drilltorque.com.au.

5.7.6 Principle 6: Respect the rights of shareholders

Drill Torque is committed to providing regular communication to Shareholders about the financial performance of Drill Torque and its business and operations. Annual reports are to be provided to Shareholders, except those who request not to receive a copy. The Board will communicate with Shareholders regularly and clearly by electronic means as well as by traditional methods. Shareholders are encouraged to attend and participate at general meetings. Drill Torque's auditor will attend the annual general meeting and will be available to answer Shareholders' questions. Drill Torque's policies comply with the Guidelines in relation to the rights of Shareholders.

A description of arrangements regarding communication with and participation of Shareholders is available on Drill Torque's website at www.drilltorque.com.au.

5.7.7 Principle 7: Recognise and manage risks

The Board is mindful of its responsibility to identify, monitor and mitigate risk and to this end has developed a policy in regard to risk oversight and management and internal control systems. This policy is continuously monitored and assessed. Where appropriate, certain risks are covered by insurance. The Chief Financial Officer is responsible for reporting to the Board and the Audit and Risk Committee about the management of Drill Torque's material business risks.

A summary of its policies on risk oversight and management of material business risks is available on Drill Torque's website at www.drilltorque.com.au.

5.7.8 Principle 8: Remunerate fairly and responsibly

The Remuneration Committee ensures that remuneration is consistent with current market practices and that Drill Torque can attract, retain and develop valued employees. In this regard, Drill Torque complies with best practice recommendation 8.1.

In accordance with best practice recommendation 8.2, the Remuneration Committee is comprised of Drill Torque's two independent Non-Executive Directors with Ralph Craven acting as Chairman. Remuneration of Directors and executives will be fully disclosed in Drill Torque's annual report.

SECTION 6: FINANCIAL INFORMATION



SECTION 6: FINANCIAL INFORMATION

6.1 Introduction

6.1.1 Basis and Method of Preparation

This section contains a summary of the Consolidated Historical and Pro forma Consolidated Forecast Financial Information for Drill Torque.

The Financial Information presented comprises the following:

- Pro forma Consolidated Historical Profit and Loss Statements for the years ended 30 June 2008 ("FY2008"), 30 June 2009 ("FY2009") and 30 June 2010 ("FY2010"), and Pro forma Consolidated Forecast Profit and Loss for the years ending 30 June 2011 ("FY2011") and 30 June 2012 ("FY2012");
- Pro forma Consolidated Forecast Statements of Cash Flow for FY2011 and FY2012;
- Key Best Estimate Assumptions used in the preparation of the Forecast financial information, comprising both General and Specific Assumptions;
- Pro forma Historical Consolidated Balance Sheet as at 31 December 2010;
- A Pro forma Consolidated Balance Sheet after the proposed raising and other material events occurring after 31 December 2010 based on the Consolidated Balance Sheet at 31 December 2010;
- Significant Accounting Policies and Material Accounting Matters; and
- Sensitivity Analysis, comprising performance-related sensitivities.

Drill Torque was registered as a public company on 8 February 2011 to acquire all the issued capital of Notch Holdings.

Notch Holdings acquired all issued shares in Well Drilled on 18 February 2011 by issuing to the Well Drilled shareholders new shares in Notch.

The Pro forma Consolidated Historical Financial Information has been adjusted to reflect the consolidation of Notch Holdings, Well Drilled and Drill Torque, as if the acquisitions were transacted on 1 July 2007. The financial information, including the Profit and Loss Statements and Statements of Cash Flows of Drill Torque, has been consolidated on this basis, excluding the impact, if any, of the effects arising from the acquisitions as if they occurred on 1 July 2007.

6.1.2 Audit of Historical Financial Information

The Special Purpose Financial Reports for Notch Holdings and Well Drilled for FY2008 and FY2009 were not subject to any form of audit or review.

The General Purpose Financial Reports for Notch Holdings and Well Drilled for FY2010 were subject to an audit by Ian Jessup of Jessups Accountants and Business Advisors ("Jessups").

The General Purpose Financial Reports for Notch Holdings and Well Drilled for HY2011 was subject to a review by Ian Jessup of Jessups.

Drill Torque was registered on 8 February 2011 and has therefore not yet prepared any financial reports.

The audit reports for Notch Holdings and Well Drilled for FY2010 were qualified in relation to prior year balances as no audit was undertaken for FY2009.

6.1.3 Forecast Financial Information

The Pro forma Consolidated Forecast Financial Information has been prepared with reference to a number of estimates and assumptions concerning future events. These include the assumptions set out in Section 6.4. The Directors believe that the Pro forma Consolidated Forecast Financial Information has been prepared with due care and attention. They consider the assumptions to be reasonable as at the time of preparing this Prospectus. Both the Pro forma Consolidated Forecast Financial Information and the assumptions are by their very nature subject to significant inherent business, economic and political uncertainties and risks, many of which are outside of the control of the Directors and are not reliably predictable. Therefore, actual financial results are likely to vary from those forecast and variations may be materially positive or negative. As a result, neither the Directors nor the Company can give any assurance that the financial results set out in the Pro forma Consolidated Forecast Financial Information will be achieved.

6.1.4 Additional Information and Support for Financial Information

Both the Consolidated Historical Financial Information and the Pro forma Consolidated Forecast Financial Information should be read in conjunction with the Independent Accountants Reports set out in Section 7. In addition, the Pro forma Consolidated Forecast Financial Information should be read in conjunction with the Assumptions set out in Section 6.4, the Sensitivity Analysis set out in Section 6.7 and the Risk Factors set out in Section 8.

SECTION 6: FINANCIAL INFORMATION

6.1.5 Management Discussion and Analysis of Historical Results

Drill Torque earns revenue from the supply of drilling rigs to the resource industry. The Company currently operates 31 drilling rigs primarily in Queensland and the Northern Territory. The drilling rig fleet includes heavy duty rotary air/mud rigs, medium to heavy multipurpose drills, surface and underground diamond drills, horizontal drilling rigs, air core drills and specialty units.

Revenue grew by 33% to \$24.3 million in FY2008 as a result of increased mining activity and global demand for base metals. This resulted in Drill Torque generating EBITDA of \$4.8 million.

Revenue in FY2009 was flat due to the effects of the GFC. Revenue for the first half of FY2009 was approximately \$17.0 million, however following the slow down associated with the GFC, demand for contract drilling services reduced substantially and the Company only recorded \$8.7 million in revenue for the second half of the year. Overall, the Company generated \$1.1 million of EBITDA for the year. The decision to maintain part of its workforce on maintenance duties expecting that the industry would rebound was one of the main factors for the lower level of earnings in FY2009. Other factors contributing to the lower level of earnings in FY2009 included the Company incurring a bad debt expense of \$0.4 million as well as the depreciation expense increasing from \$1.9 million to \$2.8 million because of new rigs that had been ordered prior to the GFC.

In FY2010 drilling revenue again remained flat and like FY2009 there was a contrast between the two halves. Revenue of \$15.0 million was recorded in the first half before declining to \$9.0 million in the last 6 months of the financial year. The decrease in income in the second half of the financial year was as a result of an extended wet season at the start of calendar year 2010 and reduced demand for contract drilling services caused by the uncertainty surrounding the Federal Government's proposed mining tax. Overall, the Company generated \$3.7 million in EBITDA for FY2010.

Demand slowly increased in the first half of FY2011 with drilling revenue of \$14.1 million achieved and a pre-tax profit of \$1.3 million being recorded. The second half of the financial year has been severely disrupted by floods, consistent rain and a cyclone. However, the Company is now experiencing unprecedented demand due to the backlog for contract drilling caused by the adverse weather conditions as well as the buoyant mining environment.

6.2 Profit and Loss Statements

Set out in the table below are the summarised Pro forma Consolidated Historical and the summarised Pro forma Consolidated Forecast Profit and Loss Statements for Drill Torque, assuming it operated the two businesses of Notch Holdings and Well Drilled for those periods. This information should be read in conjunction with the information provided elsewhere in this Prospectus.

Pro forma Consolidated Profit & Loss Summary

\$'000	2008A	2009A	2010A	2011F¹	2012F²
Revenue	24,319	25,705	24,053	27,156	58,404
Drilling Consumables	(3,050)	(4,278)	(2,318)	(2,242)	(6,207)
Fuel & Oil	(2,103)	(2,502)	(2,101)	(2,188)	(4,874)
Employment expenses	(9,148)	(10,022)	(9,548)	(11,650)	(23,508)
Service & Repairs	(1,674)	(1,723)	(280)	(1,479)	(2,655)
Travel Expenses	(1,021)	(1,145)	(781)	(1,476)	(2,637)
Other expenses	(2,491)	(4,890)	(5,313)	(4,734)	(7,870)
EBITDA	4,832	1,145	3,713	3,388	10,653
Depreciation & Amortisation				(2,612)	(2,292)
EBIT				776	8,361
Net Interest expense				(1,075)	(781)
Net Profit Before Tax				(299)	7,580
Income Tax				(6)	(2,310)
Net Profit After Tax				(305)	5,270

Notes:

1. The Pro forma Consolidated Forecast Financial Information is based on assumptions and pro forma adjustments as described in Section 6.4.
2. Other expenses in FY2012 includes costs associated with the ASX listing of the Company totalling \$0.2 million.
3. Other expenses in FY2012 includes a share based payment expense of \$0.1 million relating to the proposed issue of 6.0 million Management Options to Directors and management as detailed in Section 10. The total value of these Management Options is \$0.4m expensed over a three year vesting period.
4. Amortisation in FY2011 includes the write off of goodwill in Notch Holdings of \$0.3 million.
5. Taxation Expense in the FY2011 and FY2012 forecast is calculated as 30% of net profit before taxation, adjusted to exclude share based payments and the write off of goodwill.

SECTION 6: FINANCIAL INFORMATION

6.3 Statements of Cash Flows

Set out in the table below are the summarised Pro forma Consolidated Forecast Statements of Cash Flow for FY2011 and FY2012 for Drill Torque. This information should be read in conjunction with the information provided elsewhere in this Prospectus.

\$'000	2011F	2012F
Cash Flows from Operating Activities¹		
Receipts from customers	28,984	61,443
Payments to suppliers and employees	(27,298)	(55,335)
Interest paid	(1,075)	(781)
Income tax paid	0	0
Net cash provided by operating activities	610	5,327
Cash Flows from Investing Activities²		
Acquisition of plant and equipment	(1,781)	(5,400)
Net cash used in investing activities	(1,781)	(5,400)
Cash Flows from Financing Activities		
Proceeds from issue of shares (net of costs)	0	11,414
Repayment of borrowings (net of interest)	(722)	(6,708)
Net cash provided by financing activities	(722)	4,706
Net increase in cash held	(1,893)	4,633
Cash at the beginning of the period	213	(1,680)
Cash at the end of the period	(1,680)	2,953

Notes:

1. Forecast Cash Flows from Operating Activities is based on the Pro forma Consolidated Forecast Profit and Loss Statements with adjustments made for:
 - a) 30 day collection period on revenues;
 - b) 30 day payment period on expenses;
 - c) Income tax payments based on the prior years income tax expense, paid quarterly in arrears.

Reconciliation of Net Cash from Operating Activities to Operating Profit after Income Tax

\$'000	2011F	2012F
Operating profit/(loss) after income tax	(305)	5,270
Adjust for non cash items		
Amortisation	318	-
Depreciation	2,294	2,292
Share based payments	-	120
Adjust for changes in assets and liabilities		
(Increase)/decrease in:		
Inventories	(730)	(100)
Deferred tax asset	364	-
Trade and other debtors	(807)	(3,320)
Increase (decrease) in:		
Trade creditors	(568)	(1,244)
Income tax payable	-	2,310
Employee provisions	45	-
Net Cash Provided by Operating Activities	610	5,327

6.4 Key Best Estimate Assumptions used in the preparation of the Forecast Financial Information

The following Key Best Estimate Assumptions have been used in the preparation of the Pro forma Consolidated Forecasts. These Assumptions should be read in conjunction with the Risk Factors outlined in Section 8, the Investigating Accountants Reports in Section 7, and the Sensitivity Analysis at Section 6.7 of this Prospectus.

6.4.1 General Assumptions

The following General Assumptions have been made in preparing the Consolidated Forecasts:

- The issue of Shares outlined in this Prospectus is fully subscribed and proceeds have been received by the close of the Offer;
- There are no issues of securities during the forecast period apart from those outlined in this Prospectus;
- There are no changes in the statutory, legal or regulatory requirements in the markets in which Drill Torque operates that would have a material effect on Drill Torque's operating results;
- There are no material beneficial or adverse effects arising from changes in industrial, political or economic conditions in the markets in which Drill Torque operates;
- The material contracts to which Drill Torque is a party remain in force and are not terminated, rescinded or varied in a manner which would have a material impact on Drill Torque;
- There are no material beneficial or adverse effects from changes in technology or the actions of competitors;
- There will be no significant turnover of key executives during the forecast period;
- Drill Torque's accounting policies remain consistent during the forecast period. It is also assumed that there will be no changes in applicable accounting standards or the Corporations Act that will have a material effect on the reporting of the Company's results; and

SECTION 6: FINANCIAL INFORMATION

- The business model operated by Drill Torque will remain substantially unchanged although subject to a greater rate of expansion during the forecast period.

6.4.2 Specific Assumptions

The Forecast Profit and Loss of Drill Torque for FY2011 has been extrapolated from the general purpose financial reports for FY2010 which were subject to an audit engagement, actual Profit and Loss for the six months to 31 December 2010 which were subject to a review engagement, actual Profit and Loss for the months of January, February, March and April 2011 and anticipated events to the end of FY2011. The Forecast Profit and Loss of Drill Torque for FY2011 and FY2012 has been based on the assumptions detailed below.

a) Revenues

The forecasts have used the actual revenue derived by Drill Torque for the ten months to 30 April 2011. Forecast revenues from 1 May 2011 to 30 June 2011 and for consolidated FY2012 have been based on the work program prepared by Drill Torque management which allocates each of the Company's drilling rigs to a specific customer and location.

Service Agreements with customers provide a basis for management planning of the work program. However, service agreements do not typically specify time frames as the customer can, with minimal notice cease the hiring. Management apply their previous experience, customer knowledge, job location type, drilling rig type and other factors in preparing work programs and forecasting revenues.

The assumptions underlying the work program and forecast revenue include the following:

- Revenue is based on the work program for each rig type allocated to particular customers based on shift numbers, revenue per shift and estimated period of use.
- The Company has on hire 26 of its 31 drilling rigs. With the exception of the Christmas and wet period between December and March, where revenues are reduced from full capacity by 50% in December and February, 70% in January and 25% in March.
- The rigs not included in the work programs may be used as replacements or for specific assignments. Revenues from these sources have not been included in the forecasts.

- The estimates of income per rig are based on prior experience of rates charged in the industry and rates agreed to in current Service Agreements with customers.
- Preventative maintenance is assumed to occur during scheduled downtime and between shifts and Tradesmen are on location to perform these tasks.
- Fuel rebates have been included in the forecasts based on an analysis of actual average rebates received as a percentage of revenue.

b) Operating Expenses

Forecast expenses have been based on historical operating expenses from FY2010 and results to 31 December 2010, as either fixed amounts or as a percentage of revenues. The major assumptions underlying the operating expenses of Drill Torque include the following:

- Payroll is the largest expense of the business and has been forecast to remain at between 40-41% of revenues as per historical levels;
- Drilling consumables is the second largest expense of the business and has been forecast to remain at 11% of revenues as per historical levels;
- Interest expense has been based on the liabilities that will remain in the Company following the repayment of loans and hire purchase liabilities from the proceeds of the Offer calculated at current interest rates;
- Corporate Costs associated with a listed public company; and
- No material changes are expected in relation to other overhead employment costs as a result of the public listing.

6.5 Consolidated Balance Sheet as at 31 December 2010

Set out in the tables below is the Pro forma Consolidated Balance Sheet Pre-IPO for Drill Torque as at 31 December 2010 assuming the consolidation of Drill Torque, Notch Holdings and Well Drilled as at 31 December 2010 and the Pro Forma Consolidated Balance Sheet Post-IPO assuming completion of the Offer and related transactions disclosed in the Prospectus. This information should be read in conjunction with the information provided elsewhere in this Prospectus. The financial information presented below has been prepared on the assumption that Applications totalling \$13.0 million as detailed in this Prospectus will be received.

Balance Sheets of Notch Holdings Pty Ltd & Well Drilled Pty Ltd as at 31 December 2010 consolidated into Drill Torque Limited Pre IPO

\$'000	Notch Holdings	Well Drilled	Pro forma Drill Torque Pre IPO
Current Assets			
Cash	473	88	2,555
Trade & Other Receivables	1,977	49	2,026
Income Tax Receivable	-	-	-
Inventory	1,162	41	1,203
Total Current Assets	3,612	178	5,784
Non-Current Assets			
Financial Assets	1,994	-	-
Property Plant & Equipment	10,347	1,230	11,577
Other Assets	63	-	63
Deferred Tax Assets	325	-	325
Goodwill	318	-	1,696
Total Non Current Assets	13,047	1,230	13,661
Total Assets	16,659	1,408	19,445
Current Liabilities			
Bank Overdraft	196	-	196
Trade & Other Payables	5,496	120	5,616
Financial Liabilities	5,141	1,009	6,150
Provisions	224	20	244
Current Tax Liability	-	1	1
Total Current Liabilities	11,057	1,150	12,207
Non-Current Liabilities			
Provisions	17	-	17
Deferred Tax Liability	-	36	36
Financial Liabilities	4,922	76	4,998
Total Non-Current Liabilities	4,939	112	5,051
Total Liabilities	15,996	1,262	17,258
Net Assets	663	146	2,187
Equity			
Contributed Equity	-	-	1,524
Retained Profit/(Loss)	663	108	663
Reserves	-	38	-
Total Equity	663	146	2,187

Notes:

- The repayment of related party loans to Notch Holdings included in Financial Assets of \$2.0 million.
- The purchase of Well Drilled by Notch Holdings for \$1.5 million. The effect is to eliminate pre acquisition profits and reserves of Well Drilled with the balance representing goodwill of \$1.4 million.

SECTION 6: FINANCIAL INFORMATION

Pro forma Consolidated Balance Sheets of Drill Torque Limited as at 31 December 2010

\$'000	Pro forma Pre- IPO	Pro forma Post-IPO
Current Assets		
Cash	2,555	7,155
Trade & Other Receivables	2,026	2,026
Income Tax Receivable	-	-
Inventory	1,203	1,203
Total Current Assets	5,784	10,384
Non-Current Assets		
Financial Assets	-	-
Property Plant & Equipment	11,577	16,977
Other Assets	63	63
Deferred Tax Assets	325	325
Goodwill	1,696	1,378
Total Non Current Assets	13,661	18,743
Total Assets	19,445	29,127
Current Liabilities		
Bank Overdraft	196	196
Trade & Other Payables	5,616	5,616
Financial Liabilities	6,150	4,950
Provisions	244	244
Current Tax Liability	1	1
Total Current Liabilities	12,207	11,007
Non-Current Liabilities		
Provisions	17	17
Deferred Tax Liability	36	36
Financial Liabilities	4,998	4,998
Total Non-Current Liabilities	5,051	5,051
Total Liabilities	17,258	16,058
Net Assets	2,187	13,069
Equity		
Contributed Equity	1,524	12,938
Retained Profit/(Loss)	663	(229)
Reserves	-	360
Total Equity	2,187	13,069

Notes:

- Pre IPO column represents the Consolidated Balance Sheet of Drill Torque as at 31 December 2010 assuming the consolidation of Drill Torque, Notch Holdings and Well Drilled as at 31 December 2010.
- Post IPO column represents the Pro forma Consolidated Balance Sheet of Drill Torque after the conduct of the Offer and other adjustments as detailed below:
 - The conduct of the Offer, being the issue of 65 million Shares at \$0.20 each raising \$13.0 million less costs of the Offer of \$1.6 million, and the allocation of Offer proceeds. An additional \$0.2 million in tax and audit costs relating to the listing of the Company have been recorded against retained profits.
 - The repayment of certain borrowings included in Financial Liabilities totalling \$1.2 million.
 - The purchase of plant and equipment totalling \$2.0 million.
 - Purchase of new maintenance facilities, offices and associated upgrades for \$3.4 million.
 - The issue of 6.0 million Management Options to directors and management at a deemed value of \$0.06 each totalling \$0.4 million. This represents a share based payment resulting in an increase in Reserves of \$0.3 million and a decrease in Retained Profits, which will be expensed over a three year vesting period.
 - The write off of goodwill in Notch Holdings of \$0.3 million.

6.6 Review of Significant Accounting Policies And Material Accounting Matters

Set out below are a number of significant accounting policies and other material accounting matters that have been used in the preparation of the Financial Information in Sections 6.2, 6.3 and 6.5.

6.6.1 Financial Outcomes Associated with the Offer

The Financial Information presented in this section has been prepared on the assumption that Applications totalling \$13.0 million as detailed in this prospectus will be received. It is anticipated that costs associated with the issue of this Prospectus and the conduct of the Offer will total approximately \$1.6 million.

6.6.2 Statement of Significant Accounting Policies

The financial information covers the economic entity of Drill Torque Limited, a public company limited by shares, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by Drill Torque in the preparation of the financial information. The accounting policies have been consistently applied, unless otherwise stated.

The principal accounting policies adopted in the preparation of the pro forma financial information (collectively referred to as the "financial statements") are set out below.

The financial statements are for the consolidated entity consisting of Drill Torque Limited and its subsidiaries, Notch Holdings and Well Drilled. The financial statements are presented using the Australian currency. Drill Torque Limited is a company limited by shares, domiciled and incorporated in Australia.

a) *Basis of preparation*

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the *Corporations Act 2001*.

Historical cost convention

The financial statements have been prepared on an accruals basis and based on historical costs modified where applicable by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

b) *Principles of consolidation*

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Drill Torque Limited ("Company" or "parent entity").

A controlled entity is any entity controlled by Drill Torque. Control exists where Drill Torque has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Drill Torque to achieve the objectives of Drill Torque.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with the policies adopted by the parent.

c) *Income tax*

Income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax liability is settled.

d) *Inventories*

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

e) *Property, plant and equipment*

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

SECTION 6: FINANCIAL INFORMATION

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Classes of Fixed Asset	
Plant and Equipment	10% – 66.67%
Motor Vehicles	18.75% – 26.67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

f) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the Company would, if deprived of

the asset, replace its remaining future economic benefits, value in use is determined on the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

g) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

ii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

iii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Where there are bank overdrafts, these are shown within short-term borrowings in current liabilities on the balance sheet.

i) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

j) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. The Company recognises revenue

when the amount of revenue can be reliably measured, it is probable that economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Rig Hire Revenue

Rig hire revenue is derived from the depth of drilling and the hours worked on the specific site.

Interest Income

Interest income is recognised on a time proportion basis as it is earned. The Company recognises revenue when the amount of revenue can be reliably measured. Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Other revenue is recognised when the right to receive the revenue has been established.

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

k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

l) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

SECTION 6: FINANCIAL INFORMATION

Key estimates – Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

6.7 Sensitivity Analysis

The analysis below provides some information in relation to the potential impact on the Pro forma Consolidated Forecast Financial Information that may arise from a range of different events and activities. The sensitivities examined below are only a subset of the potential factors which could influence profitability and the Directors in no way imply that it is a comprehensive analysis.

The Forecast Financial Information detailed in Sections 6.2 and 6.3 has been prepared with reference to a number of estimates and assumptions, including the General and Specific Assumptions set out in Section 6.4. Both the Forecast Financial Information and the Key Best Estimate Assumptions are by their very nature subject to significant inherent business, economic and political uncertainties and risks. Many of these are outside of the control of the Directors and are not predictable. Therefore, actual financial results may vary from those forecast and variations may be materially positive or negative. The following table demonstrates the potential impact on profitability that may arise from variations to the Key Best Estimate Assumptions (either positive or negative):

Key Assumption Category	Type of variation	Potential impact on NPAT for the 2 months to 30 June 2011 \$'000's	Potential impact on FY2012 NPAT \$'000's
Revenue with direct costs effect ¹	10% more / (less)	Increases / (reduces) by \$117	Increases / (reduces) by \$869
Labour expenses ²	1% more / (less)	(Increases) / reduces by \$27	(Increases) / reduces by \$172

1. A variation in revenue including its effect on direct costs, being those that are forecast to vary as a percentage of revenues.

2. A variation in all labour expenses including salaries, wages, superannuation and payroll tax.

Care should be taken when interpreting this information as it may deal with each type of variation in isolation from potential variations in any of the other key categories. Circumstances that give rise to any particular variation may or may not result in variations elsewhere. It is also possible that multiple sets of circumstances could give rise to movements in more than one category and these movements may have cumulative or off-setting effects on profitability.



SECTION 7:

INVESTIGATING ACCOUNTANT'S REPORT AND REPORT ON DIRECTOR'S FINANCIAL FORECASTS



SECTION 7: INVESTIGATING ACCOUNTANT'S REPORT



7 July 2011

The Directors
Drill Torque Limited
Level 1, 160 Pitt Street
SYDNEY NSW 2000

INVESTIGATING ACCOUNTANT'S REPORT

Dear Sirs,

1. Introduction

The Directors of Drill Torque Limited ("Drill Torque" or the "Company") have requested Lawler Corporate Finance (Lawler) to prepare an Investigating Accountant's Report (the "Report") for inclusion in a Prospectus to be dated on or around 8 July 2011 (the "Prospectus"), relating to the Offer of up to 65 million Ordinary Shares at \$0.20 per share, to raise \$13 million (the "Offer").

All the terms used in this Report have the same meaning as the terms used and defined in the Prospectus unless otherwise defined in this Report.

2. Financial Information

Lawler has been engaged by the Directors of Drill Torque to prepare an Investigating Accountant's Report covering the following financial information:

2.1 Historical Financial Information

The Historical Financial Information presented in Section 6.2 and 6.5 of the Prospectus comprises:

- (i) The Historical Statement of Financial Position of Drill Torque as at 31 December 2010;
- (ii) The Historical Statements of Comprehensive Income of Drill Torque for the years ended 30 June 2008, 30 June 2009 and 30 June 2010; and
- (iii) Accompanying notes

together referred to as the Historical Financial Information.

The historical financial information for the year ended 30 June 2010 has been extracted from the audited financial statements of Drill Torque. The financial statements of Drill Torque for the year ended 30 June 2010 were audited by Jessups Chartered Accountants upon which a qualified audit opinion was issued, dated 4 March 2011. The historical financial information for the six month period ended 31 December 2010 has been extracted from the audited half-year financial statements of Drill Torque. The half-year financial statements of Drill Torque for the half-year ended 31 December 2010 were audited by Jessups Chartered Accountants upon which a qualified audit opinion was issued dated 4 March 2011.

Lawler Corporate Finance Pty Ltd
ABN 50 047 888 803
AFSL 295 812

Liability limited by a scheme
approved under Professional
Standards Legislation

www.lawlercf.com.au

Sydney
Level 9, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
telephone: 02 8346 6000
facsimile: 02 8346 6099
info@lawlercf.com.au

Newcastle
76/3 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
telephone: 02 4962 2688
facsimile: 02 4962 3245
DX: 4303
mail@lawlercf.com.au





2.2 Pro Forma Financial Information

The Pro Forma Financial Information presented in Section 6.5 of the Prospectus comprises:

- (i) The Pro Forma Statement of Financial Position of Drill Torque as at 31 December 2010;
- (ii) The Pro Forma adjustments set out in Section 6.5 (Pro Forma Adjustments); and
- (iii) Accompanying notes

together referred to as the Pro Forma Financial Information.

The Pro Forma Financial Information has been derived from the Historical Financial Information assuming completion of the Pro Forma Adjustments as at 31 December 2010.

The Historical Financial Information and the Pro Forma Financial Information are collectively referred to as the Financial Information for the purposes of this Report.

2.3 Responsibility for the Financial Information

The Directors of Drill Torque are responsible for the preparation and presentation of the Financial Information (including the determination of the Pro Forma Adjustments) set out in Section 6 of the Prospectus.

The Financial Information has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates, for any purpose other than that for which it was prepared.

The Financial Information is presented in summarised form in that it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

3. Scope

We have reviewed the Financial Information set out in Section 6 of the Prospectus in order to report whether anything has come to our attention which causes us to believe that the Financial Information is not presented fairly in accordance with the basis of preparation as described in Section 6.6 of the Prospectus.

Our review has been conducted in accordance with Australian Standard on Review Engagements ASRE 2405 "Review of Historical Financial Information Other than a Financial Report". We have made such enquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- Analytical procedures on the Financial Information;
- A review of workpapers, accounting records and other documents;
- A review of the Pro Forma Adjustments and the assumptions on which they are based as described in Section 6.5 of the Prospectus;
- A review of the application of the recognition and measurement principles in Australian Accounting Standards and the accounting policies adopted by Drill Torque as disclosed in Section 6.6 of the Prospectus; and
- Enquiry of the Directors and management of Drill Torque.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. For the purposes of this Report, we have not performed and audit and, accordingly, we do not express and audit opinion on the Financial Information.

SECTION 7: INVESTIGATING ACCOUNTANT'S REPORT



4. Review Statements

4.1 Review of Historical Financial Information

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information as set out in Section 6 of the Prospectus is not presented fairly in accordance with the basis or preparation as described in Section 6.6 of the Prospectus.

4.2 Review of Pro Forma Financial Information

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Financial Information as set out in Section 6.5 of the Prospectus is not presented fairly in accordance with the basis of preparation as described in Section 6.6 of the Prospectus.

5. Subsequent Events

Apart from the matters dealt with in this Report, and having regard for the scope of our Report, nothing has come to our attention that would cause us to believe that matters arising after 31 December 2010, other than matters dealt with in Section 6.5 of the Prospectus, would require comment on, or adjustment to, the information contained in Section 6 of the Prospectus, or would cause such information to be misleading or deceptive.

6. Independence and Disclosure of Interest

Lawler does not have interest in the outcome of the Offer other than the preparation of this Report and other related services in relation to the Offer for which normal professional fees will be received.

7. Consent

Lawler has consented to the inclusion of this Investigating Accountants' Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Lawler makes no representation regarding, and takes no responsibility for, any other documents or material in, or omission from, the Prospectus.

Yours faithfully

LAWLER CORPORATE FINANCE PTY LIMITED

A handwritten signature in black ink, appearing to read "Clayton Hickey".

CLAYTON HICKEY
Authorised Representative



7 July 2011

The Directors
Drill Torque Limited
Level 1, 160 Pitt Street
SYDNEY NSW 2000

REPORT ON DIRECTOR'S FINANCIAL FORECASTS

Dear Sirs,

We have prepared this Report on Director's Financial Forecasts (the "Report") at the request of Drill Torque Limited ("Drill Torque") for the financial years ending 30 June 2011 and 30 June 2012 for inclusion in a Prospectus to be dated on or around 8 July 2011 (the "Prospectus") relating to an offer of 65 million Ordinary Shares at \$0.20 each to raise \$13 million, and the Australian Securities Exchange listing of Drill Torque (the "Offer").

Expressions defined in the Prospectus have the same meaning in this Report.

The nature of this Report is such that it can be given only by an entity, which holds an Australian Financial Services Licence under the Corporations Act. Lawler Corporate Finance Pty Limited holds the appropriate Australian Financial Services Licence.

Scope of Report

We have been requested to prepare a Report for inclusion in the Prospectus covering the following information:

- a. Forecast Consolidated Income Statements of Drill Torque for the years ending 30 June 2011 and 30 June 2012 as set out in Section 6 of the Prospectus; and
- b. Forecast Consolidated Cash Flow Statements of Drill Torque for the years ending 30 June 2011 and 30 June 2012 as set out in Section 6 of the Prospectus.

The forecast financial information set out above is referred to collectively as the "Director's Financial Forecasts".

The Directors are responsible for the preparation and presentation of the Directors' Financial Forecasts, including the best-estimate assumptions, which include the pro forma transactions, on which they are based. The Directors' Financial Forecasts have been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Directors' Financial Forecasts to which it relates for any purposes other than for which it was prepared.

Review of Directors' Best-Estimate Assumptions

Our review of the Directors' Financial Forecasts was conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary.

Lawler Corporate Finance Pty Ltd
ABN 63 097 859 367
APSL 295,872

Liability limited by a scheme
approved under Professional
Standards Legislation

www.lawlertcf.com.au

Sydney
Level 9, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
telephone 02 8346 6000
facsimile 02 8346 6099
info@lawlertcf.com.au

Newcastle
763 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
telephone 02 4962 2688
facsimile 02 4962 3245
DX 4303
mail@lawlertcf.com.au



SECTION 7: INVESTIGATING ACCOUNTANT'S REPORT



These procedures included discussion with the Directors and management of Drill Torque and have been undertaken to conclude whether anything has come to our attention which causes us to believe that:

- a. the Directors' best-estimate assumptions do not provide a reasonable basis for the preparation of the Directors' Financial Forecasts;
- b. in all material respects, the Directors' Financial Forecasts are not properly compiled on the basis of the best-estimate assumptions; and
- c. the Directors' Financial Forecasts are not presented fairly in accordance with (i) the recognition and measurement principles (but not all of the presentation and disclosure requirements) prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia and (ii) the accounting policies of Drill Torque disclosed in Section 6 of the Prospectus.

The Directors' Financial Forecasts have been prepared by the Directors to provide investors with a guide to Drill Torque's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur.

There is a considerable degree of subjective judgment involved in the preparation of the Directors' Financial Forecasts. Actual results may vary materially from those Directors' Financial Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the Risk Factors set out in Section 8 of the Prospectus and Sensitivity Analysis set out in Section 6 of the Prospectus.

Our review of the Directors' Financial Forecasts that are based on best-estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Directors' Financial Forecasts included in the Prospectus.

Review Statement

Based on our review of the Directors' Financial Forecasts as set out in Section 7 of the Prospectus, which is not an audit, and based on an investigation of the reasonableness of the Directors' best-estimate assumptions giving rise to the prospective financial information, nothing has come to our attention which causes us to believe that:

- a. the Directors' best-estimate assumptions set out in Section 6 of the Prospectus do not provide a reasonable basis for the preparation of the Directors' Financial Forecasts;
- b. the Directors' Financial Forecasts are not properly compiled on the basis of the Directors' best-estimate assumptions; and
- c. the Directors' Financial Forecasts are not presented fairly in accordance with the (i) recognition and measurement principles (but not all of the presentation and disclosure requirements) prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia and (ii) the accounting policies of Drill Torque disclosed in Section 6 of the Prospectus.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of Drill Torque and the Directors. If events do not occur as assumed, actual results achieved and distributions provided by Drill Torque may vary significantly from the Directors' Financial Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Directors' Financial Forecasts, as future events, by their nature, are not capable of independent substantiation. Investors should have regard to the Sensitivity Analysis and Risk Factors detailed in Sections 6 and 8 of the Prospectus, respectively.



Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of Drill Torque have come to our attention that would require us to comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

Lawler Corporate Finance Pty Limited does not have any interest in the outcome of the listing, other than in connection with the preparation of this Report and participation in due diligence procedures. Lawler Corporate Finance Pty Limited will receive a professional fee for the preparation of this Report. Lawler Corporate Finance Pty Limited has prepared an Investigating Accountant's Report with relation to Drill Torque for which it receives a market based fee.

Consent to the inclusion of the Report on Directors' Financial Forecasts in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

The liability of Lawler Corporate Finance Limited is limited to the inclusion of this Report in the Prospectus. Lawler Corporate Finance Limited makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Prospectus.

We have included our Financial Services Guide as part of our Report. The Financial Services Guide is designed to assist clients in their use of any general financial product advice in our Report.

Yours faithfully

LAWLER CORPORATE FINANCE PTY LIMITED

A handwritten signature in black ink, appearing to read "Allan Farrar".

ALLAN FARRAR
Authorised Representative

A handwritten signature in black ink, appearing to read "Clayton Hickey".

CLAYTON HICKEY
Authorised Representative

SECTION 7: INVESTIGATING ACCOUNTANT'S REPORT



Note: This report consists of a Review of Forecast Financial Information and an Investigating Accountant's Report.

Financial Services Guide

July 2011

What is a Financial Services Guide?

This Financial Services Guide (FSG) is an important document whose purpose is to assist you in deciding whether to use any of the general financial product advice provided by Lawler Corporate Finance Pty Limited (ABN 65 097 893 957). The use of "we", "us" or "our" is a reference to Lawler Corporate Finance Pty Limited as the holder of Australian Financial Services Licence (AFSL) No. 295872.

The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide
- details of any potential conflicts of interest
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

We have been engaged by the Directors of Drill Torque Limited to give general financial product advice in the form of a report to be provided to you in connection with the initial public offering of approximately 65 million ordinary shares in the Company. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us using the details located below.

Lawler Corporate Finance Pty Limited is partly owned by partners of Lawler Partners. The Australian partnership of Lawler Partners and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors may be partners in the partnership of Lawler Partners.

The financial product advice in our report is provided by Lawler Corporate Finance Pty Limited and not by the partnership of Lawler Partners.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the partnership of Lawler Partners (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

Lawler Corporate Finance Pty Ltd
ABN 65 097 893 957
AFSL 295872

Liability limited by a scheme
approved under Professional
Standards legislation

www.lawlercf.com.au

Sydney
Level 9, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
Telephone: 02 8346 6000
Facsimile: 02 8346 6099
info@lawlercf.com.au

Newcastle
763 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
Telephone: 02 4962 2688
Facsimile: 02 4962 3245
Ox 4303
mail@lawlercf.com.au





What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- Provide financial product advice for the following classes of financial products:
 - deposit and payment products limited to:
 - A. basic deposit products;
 - B. deposit products other than basic deposit products;
 - debentures, stocks or bonds issued or proposed to be issued by a government;
 - interests in managed investment schemes excluding investor directed portfolio services; and
 - securities.

Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fees arranged are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Lawler Corporate Finance Pty Limited nor its directors and officers, receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits in connection with our advice.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Responsibility

The liability of Lawler Corporate Finance Pty Limited is limited to the contents of this FSG and our report referred to in this FSG.

SECTION 7: INVESTIGATING ACCOUNTANT'S REPORT



What should you do if you have a complaint?

If you have any concerns regarding our report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

Lawler Corporate Finance Pty Limited
GPO Box 5446
SYDNEY NSW 2001
Telephone: +61 2 9008 1404 Fax: +61 2 8346 6099

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service ("FICS"). FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry.

Complaints may be submitted to FICS at:

Financial Industry Complaints Service
PO Box 579
Collins Street West
Melbourne VIC 8007
Telephone: 1300 780 808 Fax: +61 3 9621 2291
Internet: <http://www.fics.asn.au>

If your complaint relates to the professional conduct of a person who is a Chartered Accountant, you may wish to lodge a complaint in writing with the Institute of Chartered Accountants in Australia ("ICAA"). The ICAA is the professional body responsible for setting and upholding the professional, ethical and technical standards of Chartered Accountants and can be contacted at:

The Institute of Chartered Accountants
GPO Box 9985
Sydney NSW 2001
Telephone: +61 2 9290 1344 Fax: +61 2 9262 1512

Specific contact details for lodging a complaint with the ICAA can be obtained from their website at <http://www.charteredaccountants.com.au/The-Institute/Member-complaints-and-discipline/How-to-make-a-complaint.aspx>

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: infoline@asic.gov.au
Internet: <http://www.asic.gov.au/asic/asic.nsf>

SECTION 8: RISK FACTORS



SECTION 8: RISK FACTORS

8.1 Introduction

Drill Torque's business is subject to risk factors, both specific to its business activities and of a general nature, which either individually or in combination, could materially and adversely affect the future operating and financial performance of Drill Torque and accordingly the value of an investment in the Company. While some of these risks can be mitigated by the use of appropriate safeguards and systems, many are outside the control of Drill Torque and cannot be mitigated. In particular, there can be no guarantee that Drill Torque will achieve its stated objectives or that any forward looking statements or forecasts will eventuate. An investment in Drill Torque should be considered speculative and must be considered in light of all relevant risks, both general and specific.

In addition, potential investors should be aware that the value of Shares on the ASX may rise and fall depending on a range of factors that affect the market price of Shares. These include local, regional and global economic conditions and sentiment towards equity markets in general. The Shares and Attaching Options to be issued under this Prospectus carry no guarantee with respect to profitability, the payment of dividends, return of capital or the price at which the Shares may trade on the ASX. It should be noted that the list is not exhaustive and that certain other risk factors may apply.

This Section identifies the areas the Board believes to be the major risks associated with an investment in Drill Torque. This is not an exhaustive list of the risks associated with an investment in Drill Torque and should be considered in conjunction with other information disclosed in this Prospectus. Before deciding whether to invest in Drill Torque, you should:

- read this Prospectus in its entirety;
- consider the assumptions underlying the Directors' forecasts, the sensitivity analysis and the risk factors that could affect the operational and financial performance of Drill Torque;
- consider an investment in Drill Torque in light of your own personal circumstances; and
- seek professional advice.

8.2 Specific Investment Risks

8.2.1 Seasonal conditions and business interruptions

Drill Torque has exposure to a number of natural events such as cyclones, persistent rainfall, floods, and fire which are beyond its control. Natural events would affect Drill Torque's productivity and ability to engage in contract drilling for customers and, as a result, could have a material adverse effect on Drill Torque. Unstable weather conditions, unstable service sites, regulatory intervention, delays in necessary approvals and permits or supply bottlenecks may reduce Drill Torque's ability to complete drilling services contracts resulting in performance delays, increased costs and loss of revenue. Drill Torque will seek to mitigate this risk by securing clients outside the Queensland wet season.

8.2.2 Dependence on key personnel and labour shortages

Drill Torque's primary intellectual asset is the skill and experience of its staff. It is essential that appropriately skilled staff be available in sufficient numbers to support the Company's operations. While the Company has initiatives to mitigate this risk, including implementing special training programs, loss of key staff or failure to attract new staff may have a negative impact on the financial performance or otherwise of Drill Torque and in particular its ability to expand its business. The loss of key staff to a competitor may magnify this impact.

The operations of Drill Torque are labour intensive. The Directors recognise that the growth of the Company is dependent on its ability both to retain existing personnel and recruit suitable additional employees and independent contractors. Increased levels of activity in the resources sector have resulted in a shortage of skilled personnel. Failure to retain existing employees or to recruit and retain additional or replacement personnel may have a negative impact on existing operations and the growth prospects of the Company and will have a direct correlation upon its ability to deliver its project commitments and achieve its forecast revenues. This could adversely affect the financial performance and/or financial position of the Company. This risk is mitigated by an increasing pool of prospective employees whom Drill Torque is able to train to meet its employment demands.

8.2.3 Effects of amended industrial relations laws

Recent changes to Commonwealth industrial relations laws particularly in regard to new awards may result in increased labour and compliance costs. This could impact on the

ability of the Company to retain key personnel, attract new workers or replacement personnel. Any further changes to Commonwealth industrial relations laws may result in additional labour and compliance costs.

Labour costs account for a substantial amount of Drill Torque's costs. For more detail regarding labour costs, refer to Section 6 of this Prospectus. Should Drill Torque incur increased labour costs in the future, which are not able to be passed on to customers, this may adversely affect the financial performance and/or financial position of the Company.

8.2.4 Industrial accidents

Industrial accidents may occur with respect to Drill Torque's business. In the event of a serious accident, for example resulting in a fatality or serious injury, or a series of such accidents on projects, substantial claims may be brought against Drill Torque. Any such claim could result in substantial liability for Drill Torque, which could negatively impact on growth prospects and adversely affect the financial performance and/or financial position of the Company.

8.2.5 Customer demand and outlook for resources industry

The Company's business depends on, amongst other things, the level of mining activity.

Levels depend on a number of factors outside the control of the Company, including, but not limited to, continued global economic growth, continued international demand and infrastructure constraints experienced by the Company's clients. Any prolonged decline in the demand for resources may result in a corresponding decline in the use for the Company's services which will have an adverse effect on the financial performance and/or financial position of the Company.

Commodity prices are volatile. As a result of strong demand across the minerals industry, the prices of many base metals are at historically high levels. Industry experience indicates that when commodities prices fall below certain levels, mining expenditure and activity decline in the following 12 months. There is a risk that a significant, sustained fall in commodities prices could substantially reduce future mining activity and accordingly demand for Drill Torque's services.

8.2.6 Equipment constraints

Some of the specialist services provided by Drill Torque require the use of purpose-built drilling rigs and equipment. Drill Torque may have difficulty in gaining access to additional purpose-built rigs or equipment 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. Drill Torque may also not be able to make the necessary capital investment to maintain or expand its rig fleet. 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.

8.2.7 Concentration risk and industry downturn

Drill Torque's focus on drilling gives rise to some degree of concentration risk in that the prospects of the Company are largely tied to the prospects of the mining industry. Drill Torque has sought to mitigate this risk by diversifying into the coal and coal seam gas sectors and spreading the geographical risk by securing clients outside of Queensland.

8.2.8 Operational risks

Drill Torque 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 failure, industrial action or disputes and natural disasters. Whilst the Company endeavours to take appropriate action to mitigate these operational risks and to insure against them, Drill Torque cannot control the risks to which its customers are exposed, nor can it completely remove all possible risks relating to its own business. A disruption to the operations of Drill Torque or its customers may have an adverse impact on the financial performance and/or financial position of the Company.

8.2.9 Changing customer preferences regarding contractual arrangements

The majority of Drill Torque's contracts for the provision of services are negotiated on a variable cost relationship-based agreement. However, a small number are negotiated on a fixed-price basis. Fixed-price contracts are typically higher risk. Should customers in the future exhibit a preference for fixed-price contractual arrangements, this may have an adverse effect on the financial performance and/or financial position of the Company. The nature of fixed cost contracts imposes additional risk on the Company. An increase in costs above that anticipated at the time of entering fixed cost contracts or provided for under the terms of the fixed cost contract could adversely affect the financial performance and/or financial position of the Company.

SECTION 8: RISK FACTORS

8.2.10 Capital and maintenance expenditure

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

8.2.11 Operating costs

There is a risk of unexpected increases in variable operating costs including labour, insurance and maintenance, which may adversely affect Drill Torque's operating and financial performance. 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 might be the result of regulatory changes (such as a carbon or mining tax).

8.2.12 Remote locations

Drill Torque regularly undertakes projects in remote locations. The remoteness of the location 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 onto the customer. Drill Torque may also be exposed to a greater risk of logistical difficulties with plant and equipment because of the remote locations of its projects. Historically Drill Torque has demonstrated an ability to efficiently manage these risks and will continue to factor these into its forward planning.

8.2.13 Early mine closure

Drill Torque typically enters into contracts for the provision of services in relation to large, individual mines, which remain in force over extended periods of time. The Company ordinarily deploys its equipment and/or 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.

8.2.14 Environmental incidents and claims

Drill Torque operates in an industry where environmental issues, including inclement weather, may delay contract performance or result in a complete shutdown of a project, causing a deferral or preventing receipt of anticipated revenues. Such issues may ultimately have an adverse effect on the financial performance and/or financial position of the Company.

8.2.15 Reputation

Drill Torque's ability to retain and source new customers is heavily dependent on its reputation and current relationships with key customers. A dissatisfied customer, poor performance or litigation may result in significant damage to the Drill Torque brand and may impact on Drill Torque's ability to maintain existing customers or enter into new customer relationships, resulting in an adverse impact on its financial performance and/or financial position. Drill Torque seeks to mitigate this risk by focusing on service delivery and client satisfaction.

8.2.16 Insurance risks

Drill Torque provides drilling services to third parties, which exposes the Company to the risk of liability from defective services, including indirect or consequential losses suffered by third parties. Drill Torque contractually limits its exposure to liability, and the Company maintains public liability insurance. Drill Torque also has Directors' and officers' insurance, which it believes to be commensurate with industry standards, and adequate having regard to the business activities of Drill Torque. Nevertheless, there remains a risk that Drill Torque's insurance coverage will be insufficient to meet a very large claim or a number of large claims or that Drill Torque is unable to secure insurance to satisfactorily cover all anticipated risks or that the cost of insurance will increase beyond anticipated levels. Accordingly, Drill Torque 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 Drill Torque.

8.2.17 Financing

Drill Torque has invested in a modern fleet of rigs, compressors and vehicles as well as maintenance facilities to ensure the fleet is able to be utilised to maximum advantage. As such, Drill Torque raised significant borrowings to acquire and finance these items of plant and equipment in the form of short term equipment finance loans (maximum term of 6 years) all with repayments of principal and interest. The loan profile is such that 62% of these loans will be fully paid out by 30 June 2013.

The Offer will only proceed if the full amount is raised. Following the Offer, total current liabilities will exceed total current assets by \$0.6 million. Total current liabilities include the debt to the ATO of \$3.4 million and equipment finance costs of \$4.95 million. Equipment finance costs are amortised over the period and the Company expects to meet them out of operating cash flows.

Drill Torque also utilises a revolving limit of \$2 million to maintain a fleet of support utilities and sedans. For safety and maintenance reasons, vehicles are continually purchased and sold within this facility.

Drill Torque's ability to make new acquisitions and further investment in its fleet may depend on it being able to obtain new capital at competitive rates in a timely manner. Failure to do so may limit Drill Torque's ability to fund its future growth. The funds raised from the Offer should serve to mitigate this risk.

8.2.18 Future funding

While the Directors believe that Drill Torque will have sufficient funds to fund its activities in the short term, the Company is operating in a dynamic and rapidly growing industry. If Drill Torque does not meet its stated objectives, it may need additional debt or equity funding. There can be no guarantee that such funding will be available to Drill Torque on reasonable terms or at all. Any such failure to obtain funding on reasonable terms may result in a loss of business opportunity and excessive funding costs, including dilution to Shareholders if equity funding is pursued.

8.2.19 Recognition of revenue

Drill Torque's performance is influenced by its ability to win new contracts for the provision of drilling services and the completion of those contracts in a timely and efficient manner. Where new and existing contracts are delayed the recognition of revenue for those contracts may be deferred to later accounting periods.

8.2.20 Entry of new competitors

The entry of additional competitors in the drilling services sector could result in reduced operating margins and loss of market share. Such occurrences could adversely affect the Company's operating and financial performance. This risk is mitigated in that the drilling services sector is highly capital intensive which acts as a barrier to new competitors. Despite Drill Torque's demonstrated ability to compete effectively in the markets in which it operates, the competitive nature of the sector means that there can be no assurance that Drill Torque will be able to compete successfully against current or future competition.

8.2.21 Growth – new customers

Drill Torque's ability to grow its business depends, to a large degree, on its ability to secure new customers and contracts. Failure to obtain drilling contracts may have a material adverse effect on Drill Torque. The level of competition varies depending on numerous factors. It may also be difficult to source profitable drilling contracts and this may have a material adverse effect on Drill Torque. Any number of factors may affect Drill Torque's ability to manage its future growth successfully. Additionally, if Drill Torque experiences strong growth in future years and is not able to properly manage such growth its financial performance could be adversely affected.

8.2.22 Regulatory environment

The sector in which Drill Torque operates is highly regulated by the various state and federal governments. Drill Torque must comply with the relevant regulations and, as a consequence, its ongoing operations are subject to regulatory changes. Changes to the way in which the market is regulated could adversely affect the business or financial performance of Drill Torque by the imposition of additional capital and/or operational obligations on Drill Torque.

8.2.23 Carbon and mining tax

Implications for the Australian mining industry of the Federal Government's proposed carbon and mining taxes remain unclear. As full details of these taxes are not yet known it is not possible to quantify their potential impact on the operations, performance, profitability, prospects or value of the Australian mining industry and therefore any impacts on the Company.

SECTION 8: RISK FACTORS

8.2.24 Concentration of shareholding

Following completion of the Offer, the Notch Vendors will together hold nearly 40% of all Shares in Drill Torque which might further increase if Management or Attaching Options are exercised. This is a significant block which may enable the Notch Vendors to exert influence over the outcome of matters relating to Drill Torque, including the election of Directors and the approval of transactions. The interests of the Notch Vendors may differ from the interests of Drill Torque and investors who purchase Shares in the Offer. In particular, any sale of Shares in the future by the vendors (following expiry of the escrow period as detailed in Section 9), 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 Notch Vendors may cause or at least contribute to a diminution in the liquidity of the market for the Shares.

8.2.25 Litigation

Litigation risks relating to Drill Torque, its subsidiaries or assets include, but are not limited to, contractual claims, environmental claims, occupational health and safety claims, employee claims, regulatory disputes, legal actions from special interest groups, as well as third party damage or losses resulting from drilling actions. Drill Torque is not currently involved in any disputes and is not aware of any circumstances which could give rise to any claims or disputes.

8.2.26 Environmental

State and national environmental legislation and regulations affect the operations of Drill Torque and its subsidiaries and assets. These regulations set standards regarding certain aspects of health and environmental quality, provide for penalties and other liabilities for violation of such standards 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 could be imposed on Drill Torque, its subsidiaries and assets.

8.2.27 Climate change

Drill Torque's operations and those of its customers do generate greenhouse gas emissions and there is increasing opinion that energy consumption is a contributor to global warming, greenhouse effects and potentially climate change. A number of governments or governmental bodies, including the Federal Government, have introduced or are contemplating regulatory change in response to the potential impacts of climate change and greenhouse gas emissions. These regulatory mechanisms could have a material adverse effect on Drill Torque's operations. While the terms of any climate change legislation are unclear, the regulation of greenhouse gas emissions may become more stringent in the future which could see changes in the demand for Drill Torque's services.

8.2.28 Occupational health, safety and environment

Site safety and occupational health and safety outcomes are a critical element in the reputation of Drill Torque and the ability to be awarded contracts in the drilling services sector. While Drill Torque has a strong commitment to achieving high quality safety performance on its sites, and has implemented a safety management system acceptable to all major clients proven by the fact that contracts have been performed and completed without any significant safety issues having arisen, a serious site safety incident could impact upon financial outcomes for the Company. Additionally, as the operator of heavy duty trucks, drill rigs and associated equipment, there are inherent risks to people and equipment. These include major safety incidents, general operational hazards, failure to comply with policies, terrorism and general health and safety. The consequences include injuries, loss of life, environmental harm and disruption to business activities. Laws and regulations as well as stipulations of customers may become more complex and stringent or the subject of increasingly strict interpretation or enforcement. The terms of licences and contracts may include more stringent requirements. Failure to comply with applicable legal requirements or recognised international standards may give rise to significant liabilities and may lead to suspended operations and increased costs.

Changes to workplace health and safety laws will come into effect in July 2011. It is too early to accurately anticipate any effect on the Company's business from these changes. To the extent that these changes result in additional compliance costs for the Company this may result in increased labour costs.

8.2.29 Foreign exchange

Foreign exchange risk arises from Drill Torque entering into commercial transactions that are denominated in currencies other than Australian dollars. Drill Torque is primarily exposed to foreign currency risk through the acquisition of drilling rigs and equipment that are denominated in foreign currency. In the context of Drill Torque's business, that exposure is currently immaterial. However, the risk remains that foreign exchange movements may increase the Australian dollar cost of such expenditure where exposure has not been effectively hedged.

8.3 General Investment Risks

8.3.1 Price of Shares may fluctuate

The price of the Shares on the ASX may rise and fall due to numerous factors including:

- general economic conditions including inflation, interest rates, and exchange rates;
- changes to government policy, legislation or regulation;
- variations in the prices of other listed stocks in general, or more mining and mining services stocks;
- inclusion or removal from major market indices;
- the nature of competition in the markets in which Drill Torque operates; and
- other general operational and business risks.

It is the nature of equity markets that a company's share price is subject to wide fluctuations, which may not reflect the underlying value of the company.

8.3.2 Trading in shares

Prior to the Offer there has been no public market for the Shares. Once the Shares are quoted on ASX, there can be no assurance that an active trading market will develop for the Shares. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. The price of the Shares might rise or fall and they might trade at prices above or below the Offer Price.

8.3.3 Taxation

Any change to the current taxation regime in Australia or an interpretation of Australian taxation laws by the Australian Taxation Office that is contrary to Drill Torque's view of those laws may increase the amount of tax paid by Drill Torque or affect the treatment of tax losses that may have otherwise reduced the tax payable by Drill Torque. Drill Torque obtains external expert advice on the application of the tax laws to its operations. Drill Torque is not currently in dispute with any revenue authority in respect to any taxation matter.

Personal tax liabilities are the responsibility of each individual investor. Drill Torque is not responsible for taxation or penalties incurred by investors.

8.3.4 Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board ('AASB') and are outside the Directors' and Drill Torque's control. Changes to accounting standards issued by AASB or changes to the commonly held views on the application of those standards could materially impact the volatility of Drill Torque's reported earnings and adversely affect the financial performance and position reported in Drill Torque's financial statements.

8.3.5 Force majeure

Force majeure events including natural disasters, sabotage, the outbreak of international hostilities and acts of terrorism may cause an adverse change in investor sentiment with respect to the stock market more generally or Drill Torque specifically. Some force majeure events are uninsurable.

8.3.6 Forecasts

Drill Torque has made a number of assumptions in preparing its forecast. The growth rates forecast in this Prospectus are dependent upon a number of factors as explained in Section 6 of this Prospectus. Many of these factors are outside of the control of the Company. Should any of these factors not materialise, the Company may not achieve its forecasts and its net profit may be lower than the forecast net profit set out in Section 6 of this Prospectus.



SECTION 9: MATERIAL CONTRACTS



SECTION 9: MATERIAL CONTRACTS

9.1 Underwriting Agreement

Drill Torque and the Underwriters have entered into the Underwriting Agreement on 27 June 2011. In accordance with the terms of the Underwriting Agreement, the Underwriters have agreed to manage the Offer and to underwrite the application for Shares under the Offer by subscribing for any Shares the subject of the Offer for which valid applications are not received. The Underwriters may appoint sub-underwriters.

The Underwriters' obligations under the Underwriting Agreement are subject to various conditions precedent.

9.1.1 Fees and costs

Drill Torque must pay the Underwriters a management fee of 1% of the Offer proceeds and an underwriting fee equal to 4% of the Offer proceeds.

In addition to the fees described above, Drill Torque has agreed to pay the Underwriters for certain agreed costs and expenses incurred by the Underwriters in relation to the Offer.

If the agreement is terminated for any reason, the Company must pay the Underwriters the costs, charges and expenses otherwise payable under the agreement within 2 business days of termination.

In addition, under the mandate letter dated 16 March 2011 dealing with the initial appointment of the Underwriters in connection with the Offer (**Mandate Letter**), Drill Torque has agreed to pay the Underwriters the following fees:

- a. in the event that Drill Torque terminates the Offer and completes a trade sale before 16 September 2011, a termination fee equal to 1% of \$13 million, being the estimated Offer proceeds; and
- b. in the event that the Mandate Letter is terminated by Drill Torque (unless such termination results from wilful default, negligence, unauthorised disclosure of information or breach of law or contract on the part of the Underwriters), and within 12 months of such termination Drill Torque raises funds or there is a trade sale of Drill Torque, a termination fee equal to 1% of the funds raised or the value of the trade sale.

9.1.2 Termination

As is normal for agreements of this nature, an Underwriter may terminate its obligations under the Underwriting Agreement if certain events occur before the Shares and the Attaching Options are issued (**Unqualified Termination Events**). In respect of the occurrence of certain other events, an Underwriter's ability to terminate is limited to circumstances in which the Underwriter is of the reasonable opinion that the event has had or is likely to have a material adverse effect on the success of the

Offer, the ability of the Underwriters to market or promote the Offer, the willingness of persons to apply for, or settle obligations to subscribe for, securities under the Offer, or the price or likely price at which securities under the Offer are likely to trade on ASX, or has given or is likely to give rise to a contravention of any applicable law or a liability for that Underwriter (**Qualified Termination Events**).

The Unqualified Termination Events include:

- a. (**index fall**) the S&P/ASX 200 Index published by ASX is at any time more than 10% below its level as at 5:00pm on the business day immediately preceding the date of the Underwriting Agreement;

(**supplementary or replacement prospectus**) a supplementary or replacement prospectus is lodged or an Underwriter forms the view (acting reasonably) that a supplementary or replacement prospectus must be lodged with ASIC;

- b. (**material adverse change**) a material adverse change, or any development involving a prospective material adverse change, occurs in relation to the Group from that described in the Prospectus;

- c. (**ASIC action**) ASIC:

- i. makes an order or interim order under section 739 of the Corporations Act concerning the Prospectus;
- ii. applies for an order under Part 9.5 of the Corporations Act in relation to the Offer or any Offer Document;
- iii. holds, or gives notice of intention to hold, a hearing or investigation in relation to the Offer or any Offer Document under the Corporations Act or the *Australian Securities and Investments Commission Act 2001* (Cth);
- iv. (A) prosecutes or gives notice of an intention to prosecute; or
(B) commences proceedings against, or gives notice of an intention to commence proceedings against,

the Company or any of its officers, employees or agents in relation to the Offer or any Offer Document;

- e. (**withdrawal of consent**)

- i. any person whose consent to the issue of the Prospectus or any supplementary or replacement prospectus is required by section 720 of the Corporations Act and who has previously consented to the issue of the Prospectus or any supplementary or replacement prospectus withdraws such consent;

SECTION 9: MATERIAL CONTRACTS

- ii. any person gives a notice under section 733(3) of the Corporations Act; or
- iii. any person (other than that Underwriter) who has previously consented to the inclusion of their name or any statement in the Prospectus or any supplementary or replacement prospectus withdraws that consent;
- f. **(withdrawal of Prospectus)** the Company withdraws the Prospectus or the Offer;
- g. **(return of application monies)** the Company is required to return application monies in respect of the Offer to the investors pursuant to the Corporations Act;
- h. **(ASX approval)** any of the ASX approvals obtained in relation to the Offer is withdrawn, qualified (other than by conditions acceptable to the Underwriters, acting reasonably) or withheld (or ASX indicates to the Company or an Underwriter that the approval is likely to be withdrawn, qualified or withheld);
- i. **(ASIC and ASX waivers)** any of the ASIC waivers or ASX waivers obtained in relation to the Offer are withdrawn, revoked or amended without the prior written approval of the Underwriters;
- j. **(Offer Documents)** the Underwriters form a view (acting reasonably) that:
 - i. there is an omission from the Prospectus or any supplementary or replacement prospectus of material required by the Corporations Act to be included;
 - ii. any documents issued or published by or on behalf of the Company in respect of the Offer, including the Prospectus, the Application Forms, any supplementary or replacement prospectus, any written materials that are presented or provided to prospective investors (including roadshow presentations) and any advertising or publicity documents, notices or reports (**Offer Documents**) contain a statement which is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission); or
 - iii. an Offer Document does not contain all information required to comply with all applicable laws.
- k. **(section 730 notice)** a person gives a notice to the Company under section 730 of the Corporations Act;
- l. **(insolvency)** any Group member becomes insolvent, or an act occurs or an omission is made which may result in a Group member becoming insolvent;
- m. **(debt facilities)**
 - i. the Company breaches, or defaults under, any provision, undertaking, covenant or ratio of a material debt or financing arrangement or any related documentation to which that entity is a party and fails within any notice period given to remedy the breach or default and which has, or may have, a material adverse effect on the Group; or
 - ii. there occurs:
 - (A) an event of default;
 - (B) a review event which gives a lender or financier the right to accelerate or require repayment of the debt or financing; or
 - (C) any other similar event,

under or with respect to any such debt or financing arrangement or related documentation; or
- n. **(Directors and senior management)**
 - i. a Director or any member of the senior management is charged with a criminal offence relating to any financial or corporate matter;
 - ii. any government agency commences any public action against the Company, any of the Directors or any member of the senior management, or announces that it intends to take any such action; or
 - iii. any Director or the Managing Director is disqualified under the Corporations Act from managing a corporation.

The Qualified Termination Events include:

 - a. **(breach)** the Company fails to comply with any of its obligations under the Underwriting Agreement, or any representation or warranty by the Company in the Underwriting Agreement is or becomes incorrect;
 - b. **(hostilities)** in respect of any one or more of Australia, the United States of America, any member state of the European Union, Indonesia, Japan, Russia, the People's Republic of China, North Korea or South Korea:
 - i. hostilities not presently existing commence (whether or not war has been declared);
 - ii. a major escalation in existing hostilities occurs (whether or not war has been declared);

- iii. a declaration is made of a national emergency or war; or
 - iv. a terrorist act is perpetrated in any of those countries or a diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
 - c. **(change in law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a new law, or the Government of Australia, or any State or Territory of Australia, the Reserve Bank of Australia, or any Minister or other government agency of Australia or any State or Territory of Australia, 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);
 - d. **(material adverse change in financial markets)** any of the following occurs:
 - i. any material adverse change or disruption to the political conditions or financial markets of Australia, Japan, the United Kingdom, the United States of America or the international financial markets or any change or development involving a prospective change in national or international political, financial or economic conditions,
 - ii. a general moratorium on commercial banking activities in Australia, the United States of America, Japan or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - iii. trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading;
 - e. **(Directors and senior management)** a change in the senior management or the Directors occurs, or a Director or any member of the senior management dies or becomes permanently incapacitated;
 - f. **(certificate)** a statement in a certificate of compliance furnished under the agreement is untrue, incorrect or misleading or deceptive in a material respect;
 - g. **(timetable)** any event specified in the timetable is delayed for more than 1 business day without the prior written approval of the Underwriters except where such a delay is a result of an act or omission of an Underwriter;
 - h. **(material contracts)** any contract, deed or other agreement which is material to the making of an informed investment decision in relation to the securities under the Offer is:
 - i. terminated, rescinded, altered or amended without the prior written consent of the Underwriters (such consent not to be unreasonably withheld); or
 - ii. found to be void or voidable; or
 - i. **(unauthorised alterations)** without the prior written consent of the Underwriters (such consent not to be unreasonably withheld), the Company alters its share capital or the Constitution.
- The Underwriters have consented to the lodgement of this replacement Prospectus by the Company and have waived any rights to terminate the Underwriting Agreement as a result of its lodgement.
- ### 9.1.3 Representations, warranties and undertakings
- The Underwriting Agreement contains various representations and warranties made by Drill Torque and the Underwriters, which are customary in such an agreement. Drill Torque also provides certain undertakings under the Underwriting Agreement regarding the conduct of Drill Torque prior to, and for limited periods of time following the Shares and the Attaching Options being issued.
- ### 9.1.4 Indemnity
- Drill Torque agrees to indemnify the Underwriters, each of their respective related bodies corporate and affiliates and each of their respective officers, employees, agents and advisers against all losses, liabilities, claims, damages, costs, charges and expenses whatsoever (including reasonable legal costs on a full indemnity basis) incurred or suffered directly or indirectly arising out of or in connection with the Offer or the Underwriting Agreement, other than to the extent that such losses are finally determined by a court of competent jurisdiction to result from the gross negligence, willful misconduct or fraud of the indemnified party.
- ### 9.1.5 Relationship of the Underwriters
- The obligations of the Underwriters under the Underwriting Agreement are several, and not joint or joint and several. Where the consent or approval of the Underwriters is required under the Underwriting Agreement, that consent or approval must be obtained from both Underwriters.

SECTION 9: MATERIAL CONTRACTS

9.2 Sale Agreements

1. On 18 February 2011, the Well Drilled Vendors sold all of the shares in Well Drilled to Notch. The consideration was the aggregate of 12.7% of all shares in Notch and the outstanding amount of all loans (including interest) made by the Well Drilled Vendors to Well Drilled. As at 31 May 2011 these loans inclusive of interest at 12.62% amount to \$1,183,500. Warranties usual in a transaction of this nature were given to Notch.
2. On 18 February 2011, the Notch Vendors sold all of the shares in Notch to Drill Torque for 60,000,000 new shares in Drill Torque. At the date of this transaction, the remaining shareholder in Drill Torque was WHSP which owned 5 shares. Warranties usual in a transaction of this nature were given to Drill Torque.
3. On 2 March 2011 Peter Miller and Sonya Miller sold 12,746,381 shares in Drill Torque to WHSP for \$2,039,421.
4. Mangakuri Pty Ltd ACN 118 837 880 as trustee for The Miller Family Discretionary Trust has agreed to sell a property to the Company situated at 133 Crocodile Court Mount St John for \$2,800,000. The Company will use the property as its new maintenance facilities and offices. Completion will take place approximately 14 days after conclusion of the IPO. The purchase price represents fair market value and the sale contract contains clauses usual in a transaction of this nature.

9.3 Executive service contracts

The Company has entered into executive service agreements with key executives being Peter Miller, Guy Drummond, Ian Milne and Bob Witty, which contain standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The agreements are expressed to cover periods specific to individual appointments, but may generally be terminated by notice by either party, or earlier in the event of certain breaches of the terms and conditions. The minimum period of service for each executive is 3 years.

Details of Directors' fees payable are set out in Section 10.

9.4 Executive Directors' fixed remuneration

The remuneration under the contract for the Managing Director, Peter Miller, is set out as follows:

- Base salary: \$400,000;
- Superannuation: \$25,000

Peter Miller's employment can be terminated by Drill Torque by giving 1 month notice or without notice in the event of misconduct. Peter Miller may terminate his employment by giving 3 months notice.

The remuneration under the contract for the other Executive Director, Guy Drummond, is as follows:

- Base salary: \$220,000;
- Superannuation: \$19,800

Guy Drummond's employment can be terminated by Drill Torque by giving 1 month notice or without notice in the event of misconduct. Guy Drummond may terminate his employment by giving 3 months notice.

9.5 Other Employment Agreements

The Company has agreement with its other permanent and casual staff which contain usual terms and conditions for agreements of this nature, including period of employment or stipulated hours of work, Company policy and rules (including health and safety), confidentiality, retention of intellectual property provisions and termination.

9.6 Restriction Agreements

In accordance with the requirements of the Listing Rules, and subject to the requirements of ASX, the Existing Shareholders have entered into Restriction Agreements in relation to all of the Shares they will own in Drill Torque at the completion of the Offer. Under the Restriction Agreements, the Existing Shareholders have agreed to not sell, dispose of or encumber any of the restricted Shares held by them until 24 months from the date the Shares are first quoted on the Official List. Restriction agreements for Shares that are subject to mandatory escrow restrictions are in a form consistent with the Listing Rules and restrict the ability of these Shareholders to dispose of, create any security interest in or transfer effective ownership or control of, the restricted Shares.

The table below sets out the relevant periods of restriction:

Shareholder	Number of Shares	Post Offer % of Shares	Period of Restriction
Peter Miller	19,816,809	15.9%	24 months from date of listing
Sonya Miller	19,816,810	15.9%	24 months from date of listing
Jumani	6,985,200	5.6%	24 months from date of listing
Pharmamark	634,800	0.5%	24 months from date of listing
WHSP	12,746,386	10.2%	24 months from date of listing
TOTAL	60,000,005	48.0%	

9.7 Leases

The following agreements of lease are in place –

9.7.1 Commercial Shed and Caretakers Residence

Landlord	Robert Lawlor
Tenant	Notch
Premises	Sir Hudson Fysh Drive Cloncurry Qld 4824
Term*	12 months from 1 June 2011 plus option for 12 months if agreed by both Landlord and Tenant
Rental	\$1,000 per month including GST
Usage	Commercial Shed and Caretakers Residence
Bond	\$2,000

Note: *This lease has expired and the Company occupies on a monthly tenancy. The terms of a new lease have been agreed on the same terms other than for the provision of a guarantee and the lease is in the process of being prepared. The Company expects the lease to be executed before the date of the Listing.

9.7.2 Current Head Office and Maintenance Facilities

Landlord	MT and LF Ryan
Tenant	Notch
Premises	18-20 Jackson Street Garbutt Qld 4817
Term	Monthly
Rental	\$4,097 per month plus GST
Usage	Offices and warehouse

9.7.3 New Maintenance Facilities and Offices

Landlord	Mangakuri Pty Ltd ACN 118 837 880
Tenant	Drill Torque
Premises	133 Crocodile Crescent Mount St John Qld 4815
Term	6 months from 1 March 2011
Rental	\$25,000 per month plus GST
Usage	Offices and maintenance facilities
Bond	Nil

9.7.4 Workshop

Landlord	Peter Miller and Sonya Miller
Tenant	Notch
Premises	Lot 4 on RP 818186 Elphinstone Ross Qld 4742
Term	2 years from 1 March 2011 plus option for further 2 years
Rental	\$85,000 per annum plus GST
Usage	Machinery Workshop
Bond	Nil

9.8 Corporate Facilities

9.8.1 Business Finance Agreements

Drill Torque, via Notch has entered into a business finance agreement with Bank of Queensland Ltd (BOQ). Under the agreement, BOQ has agreed to provide a \$200,000 overdraft facility to Notch on the following terms:

- Interest Rate – 10.14% variable (linked to BOQ's Residential Security Base overdraft rate with no additional margin)
- Security – 2nd Mortgage by Peter Miller and Sonya Miller over Lot 4 Landberg Road Gumlow Qld 4815
- Personal guarantee of each of Peter Miller and Sonya Miller.

SECTION 9: MATERIAL CONTRACTS

Under the agreement, Notch gives standard representations, warranties and undertakings for facilities of this kind. The agreement also contains standard events of default for facilities of this kind.

9.8.2 Hire Purchase Agreements

The Company, via Notch, has entered into a fleet management agreement with Toyota Fleet Management, a division of Toyota Finance Australia Limited (TFM). Under this agreement, the Company has a facility of \$2,000,000 to purchase Toyota vehicles.

The Company has utilised this facility by entering into hire purchase agreements with TFM. As at 30 April 2011, an amount of \$1,133,531 was utilised for the purchase of 32 vehicles.

The hire purchase agreements contain clauses usual in agreements of this nature. Under the agreements, a monthly instalment is payable per vehicle. Each instalment comprises an interest portion at variable market rates and a repayment of principal portion.

On conclusion of each agreement the Company must pay a final balloon instalment representing the balance owed in respect of the vehicle.

The Company's obligations to TFM under the facility are secured by a guarantee and indemnity by Peter Miller and Sonya Miller.

9.8.3 Other Finance Arrangements

The Company, via Notch, has also entered into a number of finance arrangements and/or agreements with various lenders including Adelaide Bank Limited, Bank of Queensland Equipment Finance Limited, Quickrent (a division of Cit Group Australia Limited), Capital Finance Pty Ltd, Esanda (a division of ANZ Bank Limited), Macquarie Leasing, MB Financial Services, Westpac, NAB, Suncorp Bank, St George Bank and CBFC Limited for the leasing of machinery, equipment and drill rigs. As at 30 April 2011, the aggregate liability of the Company under these agreements was \$7,222,429.

The agreements are on standard terms for agreements of their kind and the Company's liability is secured by way of mortgages over the assets to which each finance agreement relates.

Well Drilled has a finance lease agreement with Toyota Finance for two Landcruisers and a hire purchase agreement with Capital Finance for an Isuzu truck. These obligations will be assumed by Drill Torque after the Listing.

9.9 Key Operating Agreements

Drill Torque (via its subsidiaries) has entered into various operating agreements that are customary for the nature of its business. Drill Torque usually performs contract drilling services for minerals and energy exploration and mining companies under the terms and conditions of an exploration drilling agreement. Typically, a client will send Drill Torque a scope of works setting out the location and the type of drilling services required, the nature of drilling to be performed, the approximate number of metres to be drilled and the approximate target depth. Based on this information Drill Torque submits a proposal of charges to carry out the drilling services, provision of a camp if necessary and other terms and conditions, each of which are negotiated on a case by case basis. Typically, these include:

- i. Description of the drilling program;
- ii. Appointing representatives for both client and driller;
- iii. Details of equipment to be used on the program;
- iv. Undertaking that the driller holds relevant insurances;
- v. The driller's responsibilities with respect to laws, safety, maintenance, training, alcohol and drug policy (some areas have alcohol prohibition);
- vi. Environmental impact guidelines;
- vii. Confidentiality;
- viii. Default and termination; and
- ix. Assignment and subcontracting.

The drilling contracts are usually campaign based, i.e. for a pre-determined number of metres but are able to be cancelled by the customer at relatively short notice (if there is a lack of mineralisation for example). If there are good results the client would expect drilling to be continued beyond the contracted number of metres. Due to demand in the coal and CSG sectors Drill Torque is negotiating to purchase additional drill rigs to meet client requirements and if demand increases, the Company will consider the purchase of additional rigs. If the Company elects to purchase additional drill rigs for a particular program it would be done on a "take or pay basis" so that the purchase price of the drill rigs is met by the client's contractual obligation.



SECTION 10: ADDITIONAL INFORMATION



SECTION 10: ADDITIONAL INFORMATION

10.1 Corporate structure

Drill Torque was registered as a public company in Victoria on 8 February 2011 to acquire all the issued capital of Notch by issuing 60,000,000 shares to the shareholders of Notch.

Notch acquired all issued shares in Well Drilled on 18 February 2011 by issuing to the Well Drilled shareholders new shares in Notch.

On 2 March 2011, Peter Miller and Sonya Miller sold 12,746,381 shares in Drill Torque to WHSP for \$2,039,421.

Drill Torque has only one class of shares on issue being fully paid ordinary shares.

10.2 Constitution

Below is a summary of the key provisions of Drill Torque's Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of a Shareholder's rights and obligations.

10.3 Shares

The Directors are entitled to issue and cancel Shares in the capital of Drill Torque, grant Options over unissued shares and settle the manner in which fractions of a Share are to be dealt with. The Directors may decide the persons to whom and the terms on which Shares are issued or Options are granted as well as the rights and restrictions that attach to those Shares or Options.

The Constitution also permits the issue of preference shares on terms determined by the Directors including preference shares able to be redeemed.

Drill Torque may also sell a Share that is part of an unmarketable parcel of shares in accordance with the procedure set out in the Constitution.

10.4 Variation of class rights

The rights attached to any class of Shares may only be varied with the consent in writing of members holding at least 75% of the Shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of that class.

10.5 Share certificates

Subject to the requirements of the Corporations Act, the Listing Rules or the ASX Settlement and Operating Rules, Drill Torque need not issue share certificates if the Directors so decide.

10.6 Calls

The Directors may, from time to time, call upon Shareholders for unpaid monies on their Shares. The Directors must give Shareholders notice of a call at least 30 business days before the amount called is due, specifying the time and place of payment. If such a call is made, Shareholders are liable to pay the amount of each call by the time and at the place specified. A call is deemed to have been made when a Directors' resolution passing the call is made or on such later date fixed by the Board. A call may be revoked or postponed at the discretion of the Directors.

10.7 Forfeiture and lien

Drill Torque may forfeit Shares in relation to any call or other amount payable in respect of Shares which remains unpaid following any notice to that effect sent to a Shareholder. Forfeited Shares become the property of Drill Torque and the Directors may sell, reissue or otherwise dispose of the Shares as they think fit. A person whose Shares have been forfeited may still be required to pay Drill Torque all calls and other amounts owing in respect of the forfeited Shares (including interest) if the Directors so determine.

Drill Torque has a first and paramount lien for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a Shareholder's Shares. The lien extends to all distributions relating to the Shares, including dividends. Drill Torque's lien over Shares will be released if it registers a transfer of the Shares without giving the transferee notice of its claim.

10.8 Share transfers

Shares may be transferred by any method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules or by a written transfer in any usual form or in any other form approved by the Directors. The Directors may refuse to register a transfer of Shares where it is not in registrable form, Drill Torque has a lien over any of the Shares to be transferred or where it is permitted to do so by the Listing Rules or the ASX Settlement Operating Rules.

10.9 General meetings

Each Shareholder, Director and auditor as well as any person entitled to a Share in consequence of the death or bankruptcy of a Shareholder is entitled to receive notice of and attend any general meeting of Drill Torque. Three Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a chair and the adjournment of the meeting, unless a quorum is present.

10.10 Voting rights

Subject to any rights or restrictions attached to any Shares or class of Shares, on a show of hands each Shareholder present has one vote and, on a poll, one vote for each fully paid Share held, and for each partly paid Share, a fraction of a vote equivalent to the proportion to which the Share has been paid up. Voting may be in person or by proxy or representative.

10.11 Remuneration of Directors

Each Director is entitled to such remuneration from Drill Torque for his or her services as decided by the Directors but the total amount provided to all Directors for their services as Directors must not exceed in aggregate the amount fixed by Drill Torque in general meeting (see Section 10.27).

Directors who devote special attention to the business of Drill Torque or who otherwise perform services which are outside their ordinary duties as directors may be paid extra remuneration.

Directors are also entitled to be paid all travelling and other expenses they incur in attending to Drill Torque's affairs, including attending and returning from general meetings or Board meetings, or meetings of any committee engaged in Drill Torque's business.

10.12 Interests of Directors

A Director who has a material personal interest in a matter that is being considered by the Board must not be present at a meeting while the matter is being considered nor be counted in the quorum or vote on the matter, unless the Corporations Act allows otherwise.

10.13 Election of Directors

There must be a minimum of three Directors and the maximum number of Directors is to be fixed by the Directors, but may not be more than 9 unless Drill Torque in general meeting resolves otherwise. At every annual general meeting, subject to the Constitution, one third of the Directors (to the nearest whole number and excluding

the Managing Director) must retire from office and may offer themselves for re-election.

With respect to the retirement of Directors, the Directors longest in office since last being elected must retire. If a number of Directors were elected on the same day, the Directors to retire shall (in default of agreement between them) be determined by ballot.

10.14 Dividends

If the Directors determine that a final or interim dividend is payable, it will (subject to the terms of issue on any Shares or class of Shares) be paid on all Shares proportionate to the amount for the time being paid on each Share. Dividends may be paid by cash, electronic transfer or any other method as the Board determines.

The Directors may capitalise and distribute the whole or part of the amount from time to time standing to the credit of any reserve account or otherwise available for distribution to Shareholders. Such capitalisation and distribution must be in the same proportions which the Shareholders would be entitled to receive if distributed by way of a dividend.

Subject to the Listing Rules, the Directors may pay a dividend out of any fund or reserve or out of profits derived from any particular source.

10.15 Proportional takeover bids

Drill Torque may prohibit registration of transfers purporting to accept an offer made under a proportional takeover bid unless a resolution of Drill Torque has been passed approving the proportional takeover bid in accordance with the provisions of the Constitution.

The rules in the Constitution relating to proportional takeover bids will cease on the third anniversary of the adoption of the Constitution or unless renewed by a special resolution of Shareholders.

10.16 Indemnities and insurance

Drill Torque must indemnify current and past Directors and other executive officers (Officers) of Drill Torque on a full indemnity basis and to the full extent permitted by law against all liabilities incurred by the Officer as a result of their holding office in Drill Torque or of a related body corporate.

Drill Torque may also, to the extent permitted by law, purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability incurred by the Officer as a result of their holding office in Drill Torque or of a related body corporate.

SECTION 10: ADDITIONAL INFORMATION

10.17 Options

10.17.1 Attaching Options

Existing Shareholders and subscribers for New Shares under the Offer will receive 1 Attaching Option for every 10 Shares presently held or subscribed for under the Offer. The key terms of the Attaching Options are set out below:

- the Attaching Options are to be issued on the Allotment Date;
- the Attaching Options will be listed on the ASX;

- the Attaching Options may be freely transferred;
- the exercise price for each Attaching Option is \$0.30;
- the Attaching Options may not be exercised before the 2nd anniversary of the Listing Date or after the 5th anniversary of the Listing Date;
- upon the valid exercise of an Attaching Option, the Company will issue to the Option holder 1 fully paid ordinary Share for each Option exercised.

Shareholder entitlements for Attaching Options are as follows:

Shareholder	Number of Attaching Options	Attaching Option Strike Price	Percentage of all Shares on Conclusion of Offer
Peter Miller	1,981,681	30 cents	1.6%
Sonya Miller	1,981,681	30 cents	1.6%
Jumani ¹	698,520	30 cents	0.6%
Pharmamark ¹	63,480	30 cents	0.1%
WHSP	1,274,638	30 cents	1.0%
New Shareholders	6,500,000	30 cents	5.2%
Total	12,500,000		10.0%

1. Guy Drummond is a non beneficial shareholder in both Jumani and Pharmamark.

10.17.2 Management Options under the ESOP

The Company intends to issue initially 6,000,000 Management Options to the senior management of Drill Torque as follows:

Employee	Number of Management Options	Management Option Strike Price	Percentage of all Shares on Conclusion of Offer
Peter Miller	4,583,250	30 cents	3.7%
Guy Drummond	666,750	30 cents	0.5%
Bob Witty	500,000	30 cents	0.4%
Ian Milne	250,000	30 cents	0.2%
TOTAL	6,000,000		4.8%

The key terms of the Management Options are set out below:

- the Option holder must be continuously employed to be able to exercise Management Options;
- the Management Options are to be issued on the Allotment Date;
- the Management Options will not be listed;
- the Management Options may not be encumbered or transferred;
- the exercise price for each Management Option is \$0.30;
- the Management Options may not be exercised before the 3rd anniversary of the Listing Date or after the 5th anniversary of the Listing Date;
- upon the valid exercise of the Management Option, the Company will issue and allot 1 fully paid ordinary Share for each Management Option to the Option holder.

10.18 Deed of access, indemnity and insurance

The Company has entered into a deed of access, indemnity, and insurance with each Director, which confirms the Director's right of access to Board papers and documents relating to the Directors and requires the Company to indemnify the Director for liability incurred as an officer and promoter of the Company, subject to the restrictions imposed by the Corporations Act and the terms of the Constitution.

The deed provides that the Company must advance to the Director reasonable costs incurred or expected to be incurred by the Director in defending certain proceedings.

10.19 Related Party Transactions

- Mangakuri Pty Ltd ACN 118 837 880, as trustee for The Miller Family Discretionary Trust has agreed to sell a property to the Company situated at 133 Crocodile Court Mount St John for \$2,800,000. The Company will use the property as its new maintenance facility and offices. Completion will take place approximately 14 days after conclusion of the IPO. A.D. Dickinson of Collins & Eales, an Independent Certified Valuer prepared a report dated 20 December 2010 assessing the market value of the property on an "As If Complete" and "As Is" basis for property transfer purposes. The Board believes that the purchase price represents a fair market value having regards to the cost of acquiring the land, constructing a specific purpose building and to the valuation of Collins & Eales dated 20 December 2010. The sale contract contains clauses usual in a transaction of this nature. The purchase price will discharge the mortgage over the property and Notch will be released from the guarantee which it has executed in favour of the mortgagee.
- Peter Miller and Sonya Miller have leased a portion of Lot 4 on RP 818186 Elphinstone Ross Qld to Notch for a period of 2 years from 1 March 2011 at an annual rental of \$85,000 plus GST. Notch has a renewal option for a further 2 years. The premises are used as a Machinery Workshop. No bond is in place or required. The rental represents fair market value based on a valuation conducted by Peter Bartels of Collins & Eales, an Independent Certified Valuer on 22 December 2010 and the lease agreement contains clauses usual in a transaction of this nature.

- The Company has agreed to indemnify Peter and Sonya Miller from any liability which they incur arising out of an indemnity which they have provided to the commercial bankers of Notch for finance provided for the working capital requirements of Notch. This is a back to back guarantee and will fall away upon the Company replacing these arrangements with its own facilities.
- The shares acquired by the Company in Notch from the Notch Vendors prima facie constitute a related party transaction under Chapter 2E of the Corporations Act.

The Company is of the view that each of the above transactions fall within the exception contained in section 208(1)(b) of the Act, being an arm's length transaction as required by section 210 of the Act.

- The issue of Management Options to Peter Miller and Guy Drummond would ordinarily constitute a related party transaction under Chapter 2E of the Corporations Act.

The Company is of the view that the above transaction falls within the exception contained in Section 208(1)(b) of the Act, being reasonable remuneration to an officer of the Company under Section 211 of the Act.

10.20 Employee Share Option Plan

Drill Torque has established an employee share option plan to assist in the attraction, motivation and retention of its executives and employees. Details of the plan are:

10.20.1 Eligibility

The ESOP is available to all full time (and with the consent of ASIC), part time employees. An employee must be invited by the Board in writing to participate in the ESOP. The Board will determine the terms of the Management Options as to:

- when the Management Options may be exercised;
- the price at which the Management Options may be exercised; and
- any performance criteria which will apply before the Management Options may be exercised.

10.20.2 Maximum Allocation

The total number of Shares which would be issued to any single Executive on exercise of their Management Options must not, at any time exceed or be capable of exceeding, 4% of the total number of Shares on issue from time to time.

The total number of Shares which would be issued under this Plan upon exercise by all Executives of all Management Options must not, at any time exceed or be capable of exceeding, 5% of the total number of Shares on issue from time to time.

SECTION 10: ADDITIONAL INFORMATION

10.20.3 Executive no longer employed by the Company

The Company will not be required to issue to the Executive any Management Options for which the Executive has applied, if the Executive is no longer employed by the Company as at the date of delivery of the Executive's acceptance.

10.20.4 Listing

The Management Options will not be listed.

10.20.5 Termination of Employment

On termination of a Management Option holder's employment with the Company, their Management Options will lapse unless the Company in its discretion decides otherwise. On death or permanent disability, all Management Options will automatically vest.

10.20.6 Variation of ESOP

The Company may vary the terms of the ESOP provided that if the amendment will have a material adverse effect on the rights or interests of Option holders the approval of more than 50% of both Shareholders and Option holders must be obtained.

10.21 Australian taxation considerations

Set out below is an overview of the Australian tax implications for Australian residents and non-residents who acquire Shares under the Offer.

The taxation consequences of an investment in Drill Torque will depend upon your particular circumstances. You should make your own enquiries about the taxation consequences of an investment in Drill Torque. If you are in doubt, you should consult your accountant, stockbroker, lawyer or other professional adviser.

10.22 Tax considerations for Australian residents

10.22.1 Capital gains or losses

Australian income tax laws impose tax on capital gains (CGT). Resident Shareholders who hold Shares on capital account may become liable to pay CGT if they make a capital gain when they dispose of Shares (or another CGT event has occurred in respect of those Shares).

Generally:

- the Shareholder will be taken to have acquired Shares under the Offer when these are issued to the Shareholder and to have disposed of them when they transfer (or agree to transfer) them to another person (although tax laws also deem a disposal to have occurred in other circumstances);
- the capital gain or loss will be calculated as the sale price of the Shares (or, in some cases, market value) minus the acquisition price of the Shares and other amounts included in the Shareholder's cost base for the Shares (e.g. transaction costs);
- if the calculation results in a negative number, a capital loss has been made. A capital loss cannot be offset against ordinary taxable income but may be offset against current capital gains or carried forward and offset against future capital gains.

If the Shares are held for at least 12 months, the Shareholder may be entitled to a CGT discount (e.g. if the Shareholder is an individual or a trust, the capital gain may be discounted by 50% before tax is calculated or if the Shareholder is a complying superannuation fund or a similar entity, the discount is 33% but non-trustee companies are not entitled to this form of discount). The net taxable capital gain after permitted offsets (e.g. capital losses) and discounts is added to the Shareholder's other assessable income.

10.22.2 Revenue gains or losses

Profits or losses in respect of Shares acquired for the purpose of share trading are likely to be treated for tax purposes as revenue gains or losses without the concessions available under the CGT provisions.

Shareholders who hold Shares for a share trading purpose should seek independent professional advice as the issues are complex.

10.22.3 Dividends

Generally:

- dividends on Shares will be assessable income of the Shareholder in the tax year in which they are paid (or deemed to be paid) to the Shareholder (e.g. a dividend will be deemed to be paid where additional Shares are issued under a dividend reinvestment plan);
- if the dividend carries a franking credit, the dividend paid (or deemed to be paid) plus the franking credit will be included in the Shareholder's assessable income;

- the Shareholder will be entitled to offset the franking credit against tax payable by the Shareholder (provided the Shareholder is a qualifying person);
- a qualifying person is a Shareholder who satisfies the holding period rule (i.e. has held the Shares on which the dividend is paid 'at risk' for at least 45 days) and the related payments rule;
- individuals and complying superannuation funds and some other taxpayers are entitled to a refund of any part of the franking credits that exceed their tax payable; and
- special rules apply to Shareholders who are trusts or partnerships.

10.23 Tax considerations for non-residents

The comments below are subject to the provisions of any applicable tax treaties and double taxation agreements that Australia may have with the country in which a Shareholder is resident. Non-resident Applicants should seek their own independent professional advice in relation to the tax consequences in the country of their residence and any other relevant jurisdictions in respect of an investment in Drill Torque.

10.23.1 Capital gains or losses

Shareholders who are foreign residents (or trustees of foreign trusts) may not be subject to Australian CGT (nor be able to offset capital losses) on the disposal of all or some of their Shares (or where another CGT event has occurred in respect of those Shares).

Non-resident Shareholders should obtain their own independent professional advice about the tax consequences, including CGT, of acquiring Shares and any subsequent transfer (or agreement to transfer) all or some of those Shares to another person.

10.23.2 Revenue gains or losses

Profits or losses in respect of Shares acquired for the purpose of share trading are likely to be treated for tax purposes as revenue gains or losses without the concessions available under the CGT provisions. Non-resident Shareholders who hold Shares for a share trading purpose should obtain their own independent professional advice as the issues are complex.

10.23.3 Dividends

Generally, dividends paid (or deemed to be paid) to non-resident Shareholders will be subject to a final withholding tax unless the dividend is fully franked. The rate of dividend withholding tax rate is 30% unless Australia has a double

taxation agreement with the country in which the Shareholder is a resident (in which case, the rate of dividend withholding tax is usually reduced to 15%). Non-resident Shareholders should obtain their own independent professional advice in relation to the tax consequences of receiving (or being deemed to receive) dividends on Shares.

10.24 Recent and potential transactions

Except for the acquisition by Drill Torque of Notch and Well Drilled as set out in Section 10.1 of this Prospectus, the Company has not entered into any material transactions. As at the date of this Prospectus, no further transactions are planned.

10.25 Disputes and litigation

So far as the Directors are aware, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Drill Torque is directly or indirectly concerned which may have a material adverse affect on the business or financial position of the Group.

10.26 Directors' Interests

Other than as stated in this Section and elsewhere in this Prospectus:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director to induce them to become, or to qualify as, a Director of the Company;
- none of the following persons:
 - a Director or proposed Director of the Company;
 - each person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus;
 - a promoter of the Company; or
 - a stockbroker or Underwriter to the issue of the Shares or Options;

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

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

SECTION 10: ADDITIONAL INFORMATION

- was paid or given, or agreed to be paid or given, any amount or benefit for services provided by such persons in connection with the formation or promotion of the Company or the Offer.

The Directors are not required to hold any Shares or Options under the provisions of the Company's constitution.

Set out below are details of the interests of the Directors in Shares as at the date of this Prospectus. Interests include those held directly or otherwise.*

Directors' Interests in Shares

Director	Number of Shares	Post Offer % of Shares
David Fairfull	0	0.0%
David Williamson	0	0.0%
Ralph Craven	0	0.0%
Peter Miller	19,816,809	15.9%
Guy Drummond ¹	7,620,000	6.1%
TOTAL	27,436,809	21.9%

1. Guy Drummond has a non beneficial interest in these Shares being a director and shareholder of each of Pharmamark and Jumani and a beneficiary of the Drummond Family Trust.

* The above table does not take into account any Shares and Attaching Options for which Directors may subscribe for under the Offer.

The following Directors will have a relevant interest in the following Management and Attaching Options as at the date of this Prospectus. Details of the terms on which Options are issued are set out in Section 10.17*

Directors' Interests in Options

Director	Number of Options	Post Offer % of Shares
David Fairfull	0	0.0%
David Williamson	0	0.0%
Ralph Craven	0	0.0%
Peter Miller	6,564,931	5.3%
Guy Drummond	1,428,750	1.1%
TOTAL	7,993,681	6.4%

1. Guy Drummond has a non beneficial interest in 762,000 Attaching Options being a director and shareholder of each of Pharmamark and Jumani and a beneficiary of the Drummond Family Trust. Guy Drummond has a beneficial interest in 666,750 Management Options.

* The above table does not take into account any Shares and Attaching Options for which Directors may subscribe for under the Offer.

Other than set out above or elsewhere in this Prospectus:

- no Director or proposed Director has, or has had in the two years before lodgement of this Prospectus, any interest in the formation or promotion of Drill Torque, or the Offer, or in any property proposed to be acquired by Drill Torque in connection with its formation or promotion or the Offer; and
- no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director either to induce him or her to become, or to qualify him or her as a Director, or otherwise for services rendered by him or her in connection with the promotion or formation of Drill Torque or the Offer.

10.27 Directors' Remuneration

Drill Torque's Constitution limits the aggregate Non-Executive Directors' fees to the amount determined by Drill Torque at general meeting. Drill Torque has resolved in general meeting that such remuneration will not exceed \$500,000 per annum.

The base fee (including superannuation) payable to the Chairman is \$100,000 per annum and the base fee (including superannuation) for each other Non-Executive Director is between \$50,000 and \$60,000 per annum, which includes the fees payable for participation on Drill Torque's board committees (refer to Section 5).

If a Non-executive Director performs services, which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.

10.28 Foreign Selling Restrictions

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia except to the extent permitted by law.

10.29 Interests of Experts and Advisers

Drill Torque has engaged the following experts and advisers:

- Pitt Capital Partners Limited ACN 000 651 427 (Pitt Capital) and RBS Morgans Corporate Limited ACN 010 539 607 (RBS Morgans) have acted as Joint Lead Managers and Underwriters to the Offer. The fees payable to each are set out in Section 9.1.
- Sekel Oshry Lawyers (Sekel Oshry) has acted as legal adviser to Drill Torque in relation to the Offer and has performed work in relation to due diligence enquiries. Sekel Oshry will be paid approximately \$100,000 (excluding GST) in respect of these services up to the date of this Prospectus. Further amounts may be payable to Sekel Oshry in accordance with its normal time based rates.

- Lawler Corporate Finance Pty Limited ACN 097 893 957 (Lawler) has acted as Investigating Accountant to the Offer and has prepared the Investigating Accountant's Report and the Report on Director's Financial Forecasts in Section 7 and performed work in relation to due diligence enquiries. Lawler will be paid approximately \$120,000 (excluding GST) in respect to these services up until the date of this Prospectus. Lawler is independent of the Company and does not represent the Company or any of its subsidiaries.
- Hall Chadwick (Hall Chadwick) has acted as Tax Advisor to Drill Torque in relation to the Offer and has performed work in relation to due diligence enquiries. Hall Chadwick will be paid approximately \$400,000 (excluding GST) in respect of these services up to the date of this Prospectus. Further amounts may be payable to Hall Chadwick in accordance with its normal time based rates. David Fairfull is the Chairman of Shinewing Hall Chadwick National Association.

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- has any interest or has had any interest during the last two years, in the formation or promotion of Drill Torque, or in property acquired or proposed to be acquired by Drill Torque in connection with its formation or promotion, or the Offer; and
- no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of Drill Torque, or the Offer.

10.30 Expenses of the Offer

The total expenses of the Offer payable by Drill Torque including advisory, legal, accounting, tax, listing and administrative fees, underwriting fees, share registry fees and Prospectus design and printing costs are estimated to be approximately \$1.6 million (excluding GST). All fees will be paid by Drill Torque out of funds raised under the Offer and are further described in Section 2.10.

SECTION 10: ADDITIONAL INFORMATION

10.31 Consent to be named in Prospectus

Each person referred to below (Consenting Person) has given, and has not withdrawn, its written consent to be named in this Prospectus in the form and context in which it is named:

- Pitt Capital;
- RBS Morgans;
- Sekel Oshry;
- Lawler;
- Hall Chadwick;
- Advance Share Registry;
- Jessups;
- Collins & Eales.

None of the Consenting Persons has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. Each Consenting Person, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below. The Consenting Persons have not authorised or caused the issue of this Prospectus and take no responsibility for any part of this Prospectus other than references to their name.

Lawler has given, and has not withdrawn, its written consent to the inclusion of the Investigating Accountant's Report and the Report on Director's Financial Forecasts in Section 7 (and to any references to that report in this Prospectus in the form and context in which such references are included).

10.32 ASX admission and quotation

The Company will apply, within seven days of the date of this Prospectus, to ASX for admission to the official list of ASX and for official quotation of the Shares and Attaching Options on the market operated by ASX.

Quotation of the Shares and Attaching Options on ASX is expected to occur on or about 2 August 2011.

10.33 Electronic Prospectus

Pursuant to Class Order 00/044, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If investors have received this Prospectus as an electronic Prospectus, investors should ensure that they have received the entire Prospectus accompanied by the Application Forms. If not, investors should contact the Company who will send investors, free of charge, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, investors may obtain a copy of the Prospectus from the Company's website at www.drilltorque.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

10.34 Privacy

If you apply for Shares under this Prospectus, you will provide personal information to the Company (and its Share Registry). If you do not wish to provide this information, the Company may not be able to process your Application. Personal information is collected and used in order to process your application, comply with the Company's obligations under Part 2C of the Corporations Act and to administer your investment.

In processing and administering your investment, the Company may disclose your personal information to related bodies corporate, potential purchasers of interests in the Company or its businesses, the Company's agents, contractors or third party advisers that provide financial, administrative or other services in connection with the Company's business. Furthermore, the Corporations Act requires the Company to allow anyone to inspect its public registers, including the Share Registry, which may (if required by law) contain your personal information.

Under the Privacy Act, you may request access to your personal information that is held by, or on behalf of, the Company. You can do this by contacting the Company, or its Share Registry, details of which are set out elsewhere in this Prospectus.

10.35 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the registered office of Drill Torque for 13 months after the date of this Prospectus:

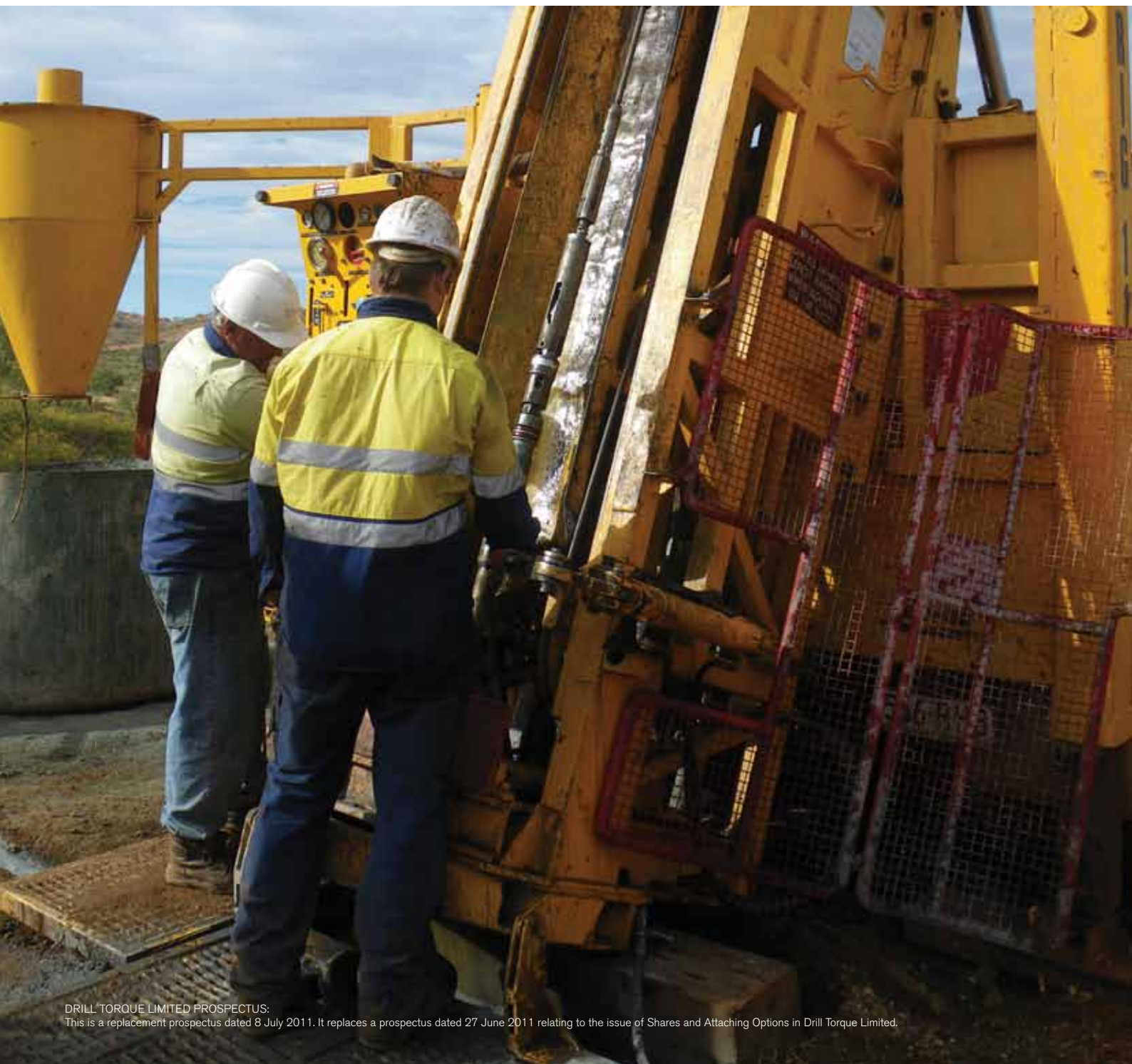
- a. the constitution of Drill Torque; and
- b. the consents to the issue of this Prospectus.

DIRECTORS' STATEMENT

The Directors report that after due enquiries by them, in their opinion, since the date of preparation of the financial statements in the financial information in Section 6, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

The issue of this Prospectus has been authorised by each of the Directors. Each Director has consented to the lodgement of this Prospectus with ASIC and its issue, and has not withdrawn that consent.

SECTION 11: GLOSSARY OF TERMS



SECTION 11: GLOSSARY OF TERMS

AUD or **A\$** or **\$** Australian Dollars.

AAS Australian Accounting Standards.

AASB Australian Accounting Standards Board.

ABARES Australian Bureau of Agricultural and Resource Economics and Sciences.

ABS Australian Bureau of Statistics.

Acts collectively, the:

- Workplace Health and Safety Act 1995
- Workplace Health and Safety Regulation 2008
- Mining and Quarrying Safety and Health Act 1999 Mining and Quarrying Safety and Health Regulation 2001
- Coal Mining Safety and Health Act 1999
- Coal Mining Safety and Health Regulation 2001
- Petroleum and Gas (Production and Safety) Act 2004 Petroleum and Gas (Production and Safety) Regulation 2004
- Environmental Protection Act 1994
- Environmental Protection Regulation 2008
- The Aboriginal Cultural Heritage Act 2003 Torres Strait Islander Cultural Heritage Act 2003
- Commonwealth Native Title Act 1993

Allotment Date the date on which Shares and Options are issued.

Applicant a person or entity who submits an Application Form.

Application Form an application form attached to this Prospectus.

Application Monies the money received by the Company pursuant to the Offer, being the Offer Price multiplied by the number of Shares applied for.

ASIC the Australian Securities and Investments Commission.

ASX ASX Limited ACN 008 624 691 or the exchange operated by it.

ASX Settlement Operating Rules the ASX Settlement Operating Rules issued by ASX Settlement Pty Ltd 008 504 532.

ATO Australian Taxation Office

Attaching Option a listed option granted free to both Existing Shareholders and any subscriber of Shares under the Offer to acquire 1 Share in Drill Torque for every 10 Shares held or subscribed for under the Offer at an exercise price of 30 cents per Share as described in Section 10.

Board the board of directors of Drill Torque.

BOP Blow Out Prevention.

Broker an ASX participating organisation.

Broker Firm Applicants persons offered a firm allocation of Shares by a Broker.

Broker Firm Offer the invitation to retail investors in Australia who have received a firm allocation of Shares from their Broker.

CHESS Clearing House Electronic Sub-register System, operated by ASX.

Closing Date the date on which the Offer closes being 22 July 2011 or such other date nominated by Drill Torque.

Company Drill Torque.

Constitution the constitution of Drill Torque.

Corporations Act *Corporations Act 2001* (Cth).

CSG Coal Seam Gas.

Directors the directors of Drill Torque.

Drill Torque Drill Torque Limited ACN 149 206 333.

DRP dividend reinvestment plan.

EBITDA earnings before interest, tax, depreciation and amortisation.

Employee an employee of Drill Torque as at the date of the Prospectus.

ESOP Executive Share and Option Plan.

Existing Shareholders the holders of Shares in Drill Torque prior to the date of this Prospectus, being Peter Miller, Sonya Miller, Jumani, Pharmamark and WHSP.

Exposure Period the period from 27 June 2011 ending on 11 July 2011.

Financial Information the Historical Financial Information and the Forecast Financial Information.

Forecast Financial Information the forecast financial information for the Forecast Period set out in Section 6.

Forecast Period the period from 1 May 2011 to 30 June 2012.

FY as the context requires, a financial year ended or ending 30 June.

Gas Act Petroleum and Gas (Production and Safety) Regulation 2004.

GFC Global Financial Crisis.

Group Drill Torque and each of its subsidiaries.

GST Goods and Services Tax.

SECTION 11: GLOSSARY OF TERMS

Guy Drummond Guy Hamish Drummond.

HIN holder identification number.

Historical Financial Information the historical financial information for the Historical Financial Periods.

Historical Financial Periods FY2008, FY2009 and FY2010.

Institutional Investor an investor to whom offers or invitations in respect of Shares can be made without the need for a lodged prospectus or other formality, including in Australia persons to whom offers or invitations in respect of Shares can be made without the need for a lodged prospectus under section 708 of the Corporations Act.

Institutional Offer the invitation to Institutional Investors in Australia, described in Section 2.

Investigating Accountant Lawler Corporate Finance Pty Limited ACN 097 893 957.

Investigating Accountant's Report the report on Financial Information prepared by the Investigating Accountant contained in Section 7.

IPO initial public offering.

Joint Underwriters or Underwriters Pitt Capital Partners Limited ACN 000 651 427 and RBS Morgans Corporate Limited ACN 010 539 607.

Jumani Jumani Pty Ltd ACN 109 385 551 as trustee of the Drummond Family Trust.

Listing Date the date on which Shares and Attaching Options are first quoted on the ASX.

Listing Rules listing rules of ASX.

LNG Liquefied Natural Gas.

Miller Family Peter Miller and Sonya Miller.

New Shareholders persons subscribing for Shares under the Offer.

New Shares new Shares to be issued by Drill Torque under the Offer.

Notch Notch Holdings Pty Ltd ACN 009 271 461.

Notch Vendors Peter Miller, Sonya Miller, Jumani and Pharmamark.

NPAT net profit after tax.

Management Option an option to acquire a Share in Drill Torque under the ESOP.

Offer the offer of Shares under this Prospectus, comprising the Institutional Offer and the Broker Firm Offer.

Offer Document has meaning given in Section 9.1.2 (j) (ii).

Offer Price \$0.20 per Share.

Option the Attaching Options and the Management Options.

Original Exposure Period the period from 27 June 2011 ending on 4 July 2011.

Original Prospectus the prospectus dated 27 June 2011 in relation to the issue of Shares and Attaching Options in Drill Torque and lodged with ASIC on that date.

PAYGW Pay as You Go Withholding.

Personnel employees and professional service contractors of Drill Torque.

Peter Miller Peter Richard Miller.

Pharmamark Pharmamark Australia Pty Ltd ACN 092 570 913.

Prospectus this replacement prospectus dated 8 July 2011 and lodged with ASIC on that date which replaces the Original Prospectus.

Retail Investor Australian resident retail investor clients of Brokers who have received an allocation of Shares under the Broker Firm Offer.

Report on Director's Financial Forecasts the report on Financial Forecasts prepared by Lawler and contained in Section 7.

RBS RBS Morgans Corporate Limited ACN 010 539 607.

Settlement Facility has the meaning specified in the ASX Settlement Rules.

Shareholders holders of Shares in Drill Torque.

Share Registry Advance Share Registry ACN 127 175 946.

Shares fully paid Shares in Drill Torque.

Sonya Miller Sonya Margaret Miller.

SRN security holder reference number.

Successful Applicant an Applicant who is issued Shares under this Prospectus.

Underwriting Agreement the agreement entered into between the Underwriters and Drill Torque, under which the Underwriters agree to underwrite the Offer as described in Section 9.1.

Well Drilled Well Drilled Pty Ltd ACN 123 980 343.

Well Drilled Vendors Jumani and Pharmamark.

WHSP Washington H. Soul Pattinson and Company Limited ACN 000 002 728.

You the investor under this Prospectus.

DRILL TORQUE LIMITED APPLICATION FORM

Before completing this Application Form, you should read the Prospectus dated 8 July 2011 and all instructions on the reverse of this form. No Shares or Attaching Options will be issued pursuant to this Prospectus later than 13 months after the date of the Prospectus.

A Number of Shares applied for

at \$0.20 each =

B Total amount payable

cheque(s) to equal this amount

A\$

You must apply for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 500 Shares (\$100)

You may be allocated all of the Shares above or a lesser number by the directors.

C Full name details

title, given name(s) (no initials) and surname or company name

Name of applicant 1

Name of joint applicant 2 or <account name>

Name of joint applicant 3 or <account name>

D Tax file number(s)

Or exemption category

Applicant 1 / company

Applicant 2 / trust

Applicant 3 / exemption

E Full postal address

title, given name(s) (no initials) and surname or company name

Number / street

Suburb / town

Suburb / town

State

Postcode

F CHESS HIN

(if applicable)

G Contact details

Contact email address

Contact name

Contact daytime telephone number

H Cheque Payment details

Drawer

Cheque number

BSB number

Account number

Total amount of cheque

Cheques should be marked "**Not Negotiable**" and made payable to your broker.

Share Registrars use only

Broker / Dealer stamp only

DECLARATION AND STATEMENTS:

By lodging this Application Form:

- I/We declare that all details and statements made by me/us are complete and accurate
- I/We agree to be bound by the terms and conditions set out in the Prospectus and by the Constitution of the Company
- I/We acknowledge that the Company will send me/us a paper copy of the Prospectus free of charge if I/We request so during the currency of the Prospectus.
- I/We authorise the Company to complete and execute any documentation necessary to effect the issue of Shares and Attaching Options to me/us; and
- I/We acknowledge that returning the Application Form with the Application Monies will constitute my/our offer to subscribe for Shares and Attaching Options in Drill Torque Limited and that no notice of acceptance of the application will be provided.

TO MEET THE REQUIREMENTS OF THE CORPORATIONS ACT 2001, THIS FORM MUST NOT BE HANDED TO ANY PERSON UNLESS IT IS ATTACHED TO OR ACCOMPANIED BY THE PROSPECTUS DATED 8 JULY 2011.

Guide to Drill Torque Application Form

This Application Form relates to the Offer of 65,000,000 Shares and Attaching Options in Drill Torque Limited at \$0.20 per Share pursuant to the Prospectus dated 8 July 2011. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares and Attaching Options of the Company and it is advisable to read this document before applying for Shares and Attaching Options. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

Please note the Attaching Options will be allocated on the basis of one Attaching Option for every ten Shares allocated. It is not necessary to apply separately for the Attaching Options.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form. Further particulars and the correct forms of registrable titles to use on the Application Form are contained below.

- A** Insert the number of Shares you wish to apply for.
- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the sum of \$0.20.
- C** Write the full name you wish to appear on the statement of holdings. This must be either your own name or the name of the company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that are presently registered in the CHES system.

- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Official Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F** The Company will apply to ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited.
- If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertificated form on the CHES subregister, complete Section F or forward your Offer Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section F blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For further information refer to Section 2.6 of the Prospectus.
- G** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- H** Please complete cheque details as requested:

Make your cheque payable to the Broker from whom you received a firm allocation in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

Before completing the Offer Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares and Attaching Options in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. Attaching Options will be allocated on the basis of one Attaching Option for every ten Shares allocated. It is not necessary to sign the Offer Application Form.

Privacy – Please refer to Section 10.34 of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on this Offer Application Form, the Company may not be able to accept or process your Application.

Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares or Attaching Options. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual Use names in full, no initials	Mr John Alfred Smith	JA Smith
Minor (a person under the age of 18) Use the name of a responsible adult; do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
Partnerships Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

Return your completed Application Form to your Broker. **Application Forms must be received no later than 5.00 pm EST time on the Closing Date.**

DRILL TORQUE LIMITED APPLICATION FORM

Before completing this Application Form, you should read the Prospectus dated 8 July 2011 and all instructions on the reverse of this form. No Shares or Attaching Options will be issued pursuant to this Prospectus later than 13 months after the date of the Prospectus.

A Number of Shares applied for

at \$0.20 each =

B Total amount payable

cheque(s) to equal this amount

A\$

You must apply for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 500 Shares (\$100)

You may be allocated all of the Shares above or a lesser number by the directors.

C Full name details

title, given name(s) (no initials) and surname or company name

Name of applicant 1

Name of joint applicant 2 or <account name>

Name of joint applicant 3 or <account name>

D Tax file number(s)

Or exemption category

Applicant 1 / company

Applicant 2 / trust

Applicant 3 / exemption

E Full postal address

title, given name(s) (no initials) and surname or company name

Number / street

Suburb / town

Suburb / town

State

Postcode

F CHESS HIN

(if applicable)

G Contact details

Contact email address

Contact name

Contact daytime telephone number

H Cheque Payment details

Drawer

Cheque number

BSB number

Account number

Total amount of cheque

Cheques should be marked "**Not Negotiable**" and made payable to your Broker.

Share Registrars use only

Broker / Dealer stamp only

DECLARATION AND STATEMENTS:

By lodging this Application Form:

- I/We declare that all details and statements made by me/us are complete and accurate
- I/We agree to be bound by the terms and conditions set out in the Prospectus and by the Constitution of the Company
- I/We acknowledge that the Company will send me/us a paper copy of the Prospectus free of charge if I/We request so during the currency of the Prospectus.
- I/We authorise the Company to complete and execute any documentation necessary to effect the issue of Shares and Attaching Options to me/us; and
- I/We acknowledge that returning the Application Form with the Application Monies will constitute my/our offer to subscribe for Shares and Attaching Options in Drill Torque Limited and that no notice of acceptance of the application will be provided.

TO MEET THE REQUIREMENTS OF THE CORPORATIONS ACT 2001, THIS FORM MUST NOT BE HANDED TO ANY PERSON UNLESS IT IS ATTACHED TO OR ACCOMPANIED BY THE PROSPECTUS DATED 8 JULY 2011.

Guide to Drill Torque Application Form

This Application Form relates to the Offer of 65,000,000 Shares and Attaching Options in Drill Torque Limited at \$0.20 per Share pursuant to the Prospectus dated 8 July 2011. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares and Attaching Options of the Company and it is advisable to read this document before applying for Shares and Attaching Options. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

Please note the Attaching Options will be allocated on the basis of one Attaching Option for every ten Shares allocated. It is not necessary to apply separately for the Attaching Options.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form. Further particulars and the correct forms of registrable titles to use on the Application Form are contained below.

- A** Insert the number of Shares you wish to apply for.
- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the sum of \$0.20.
- C** Write the full name you wish to appear on the statement of holdings. This must be either your own name or the name of the company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that are presently registered in the CHES system.

- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Official Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F** The Company will apply to ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited.
- If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertificated form on the CHES subregister, complete Section F or forward your Offer Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section F blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For further information refer to Section 2.6 of the Prospectus.
- G** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- H** Please complete cheque details as requested:

Make your cheque payable to the Broker from whom you received a firm allocation in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

Before completing the Offer Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares and Attaching Options in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. Attaching Options will be allocated on the basis of one Attaching Option for every ten Shares allocated. It is not necessary to sign the Offer Application Form.

Privacy – Please refer to Section 10.34 of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on this Offer Application Form, the Company may not be able to accept or process your Application.

Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares or Attaching Options. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual Use names in full, no initials	Mr John Alfred Smith	JA Smith
Minor (a person under the age of 18) Use the name of a responsible adult; do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
Partnerships Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

Return your completed Application Form to your Broker. Application Forms must be received no later than 5.00 pm EST time on the Closing Date.

CORPORATE DIRECTORY

Drill Torque Limited ACN 149 206 333

Directors

Mr David Fairfull (*Non-Executive Chairman*)
 Mr David Williamson (*Non-Executive Deputy Chairman & Chairman of Audit Committee*)
 Dr Ralph Craven (*Non-Executive Director*)
 Mr Peter Miller (*Executive Director*)
 Mr Guy Drummond (*Executive Director*)

Company Secretary

Mr Robert Witty (*Company Secretary*)

Investigating Accountant

Lawler Corporate Finance Pty Limited
 Level 9, 1 O'Connell Street
 Sydney NSW 2001
 Telephone: (02) 8346 6000
 Facsimile: (02) 8346 6099

Auditor

Jessups
 Accountants and Business Advisors
 19 Stanley Street
 Townsville QLD 4810

Taxation Advisor

Hall Chadwick Corporate (NSW) Limited
 Level 29, 31 Market Street
 Sydney NSW 2000

Registered Office

Level 1, 160 Pitt Street
 Sydney NSW 2000
 Telephone: (02) 9232 7166
 Facsimile: (02) 9233 1025

Website

www.drilltorque.com.au

Corporate Advisor

Pitt Capital Partners Limited
 Level 2, 160 Pitt Street
 Sydney NSW 2000

Joint Lead Managers & Underwriters

RBS Morgans Corporate Limited
 Level 29, Riverside Centre
 123 Eagle Street
 Brisbane QLD 4000
 Telephone: (07) 3334 4888
 Facsimile: (07) 3831 0593
www.rbsmorgans.com

Pitt Capital Partners Limited
 Level 2, 160 Pitt Street
 Sydney NSW 2000
 Telephone: (02) 9210 7000
 Facsimile: (02) 9210 7099
www.pittcapitalpartners.com.au

Legal Advisor

Sekel Oshry
 Level 8, Currency House
 23 Hunter Street
 Sydney NSW 2000

Share Registry

Advanced Share Registry Services
 150 Stirling Highway
 Nedlands WA 6009

Postal Address

PO Box 1156
 Nedlands WA 6909

ASX Codes

Shares: DTQ
 Attaching Options: DTQO



DRILLTORQUE

www.drilltorque.com.au