DRILLTORQUE

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ABN: 14 009 271 461

23 February 2012.

Company Announcements Office
Australian Stock Exchange

Re: Drill Torque Limited (ASX – DTQ)
ASX Appendix 4D and Half Yearly Report 31 December 2011

Please find attached completed Appendix 4D and copy of Interim Financial Report for the Half-Year ended 31 December 2011.

Yours Faithfully

Robert Witty
Company Secretary

Drill Torque Limited
ABN 31 149 206 333
C/- Land McKaig, 96-98 Eighth Avenue Home Hill Qld 4806

DRILLTORQUE

Appendix 4D

Half Year ended 31st December 2011

Name of entity

Drill Torque Limited

ABN or equivalent company reference	Half year ended ('current reporting period')	'Previous corresponding period'
31 149 206 333	31 December 2011	31 December 2010

Results for Announcement to the Market

		Current period 31 December 2011	Previous period 31 December 2010	Change
		$A'000	$A'000*	$A'000
Revenue from continuing operations	Up 70.36% to	20,691	12,145	8,546
Profit before non-regular items from ordinary activities after tax attributable to members	Up 46.22% to	1,199	820	379
Profit after tax and non-regular items attributable to members	Up 46.22% to	1,199	820	379

* Excludes any contribution from Well Drilled Limited –acquired 28-2-2011

Dividends

The company has declared a fully franked interim dividend of 0.5 cents per share in relation to the half-year ended 31 December 2011.

Confirmation of the Interim Dividend details:

• Dividend amount per security	0.5 cents
• Franked amount per security	100%
• Date that the shares (ASX code : DTQ) will trade ex-dividend	30 March 2012
• Record date for determining entitlement to dividend	5 April 2012
• Payment date	20 April 2012

Net Tangible Assets per Security

	Current Period	Previous Period
Net tangible asset backing per ordinary security	10.42 cents	NA

DRILL TORQUE LTD
ACN 149 206 333

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2011

DRILL TORQUE LTD

CONTENTS

DRILL TORQUE LTD

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

The directors present their report together with the financial statements of Drill Torque Ltd ("the Company") and its subsidiaries for the half-year ended 31 December 2011 and the auditor's review report thereon.

DIRECTORS

The names of the directors of the Company during or since the end of the half-year are:

Name

David John Fairfull
David Charles Williamson
Ralph Howard Craven
Peter Richard Miller
Guy Hamish Drummond

The above named directors have held office during and since the end of the half-year.

PRINCIPAL ACTIVITIES

The Company currently operates a fleet of drill rigs in Queensland, South Australia, Western Australia, and Papua New Guinea that are capable of drilling for a diverse range of commodities across the minerals and energy industries.

REVIEW OF OPERATIONS

We are pleased to advise that for the half year ended 31 December 2011 Drill Torque Ltd (DTQ) delivered an EBITDA of $3.407 million (2010 - $2.690 million) on sales revenue of $20.691 million (2010 - $12.145 million) an increase of 26.65% and 70.36% respectively over the previous 2010 half year. Net profit after tax was $1.199 million, an increase of 46.22 % when compared to 2010 half year figure of $0.820 million.

While the foregoing may appear on the surface to be satisfactory, Directors and Senior Executives are disappointed with the latest half year result especially so when compared to previous forecasts. DTQ was tracking close to forecasts up until the last six weeks of the 2011 half year when climatic conditions mainly took their toll on performance.

The major issues effecting DTQ in the half year to 31 December 2011 were as follows:

- Listing and final delivery of IPO monies did not occur until August 2011 approximately 3-4 months later than anticipated in the original forecasts. Unfortunately this fact created a number of "knock on effects" that have been corrected in recent months.

- Unfavourable climatic conditions in December 2011 especially in Northern Queensland has led to the early shutdown of a number of drilling programmes which has adversely impacted on revenue.

- Shortage of skilled labour has hampered progress during the first six months of the financial year. Thankfully the efforts put in by DTQ management and HR staff over the last six months is starting to "bear fruit" and we are now receiving an influx of job enquiries from both domestic and overseas skilled drillers and offsiders. Our training and education initiatives are also starting to develop and we expect significant progress in this area over the next 6-12 months.

- Rig utilisation levels are at acceptable levels however shifts per rig are below forecasts due to the shortage of skilled staff. There was evidence of improvement in this area during January 2012.

- Delays have been experienced with the delivery of the three Schramm drilling rigs from the US, although as at the date of this report all three rigs are now on the wharf in Brisbane. Subject to receiving final import approvals we expect the first Schramm rig to be delivered to our new Townsville headquarters within the next 2-3 weeks and the other two in March 2012.

REVIEW OF OPERATIONS (CONTINUED)

- Delays were experienced in moving the whole of the DTQ operations into the new headquarters at 133 Crocodile Crescent, Mount St John, Townsville. Final relocation took place during December 2011 and all staff have settled in well in their new surroundings.

On a positive front DTQ has achieved a number of objectives over the first half of the 2011/2012 financial year as follows:

- Established a strong base going forward on the operational side of the business, which should result in an improved financial performance in the second half of the year (subject of course to receiving favourable climatic conditions).

- Our on-going OH&S training has resulted in our safety performance over the past 6 months being ahead of industry averages. DTQ is currently evaluating a new OH&S integrated Management System with an online database which should provide easier access on site as well as a much more secure system incorporating Document and Version control and trackable corrective actions.

- Enquiries for DTQ services, particularly from the coal and energy sector, continue at record levels and the quality of the enquiries is extremely high.

- Geographical spread of DTQ drill rigs has widened and we currently have two Drill Rigs working in Western Australia and one in South Australia. We expect to send further drill rigs to these locations over the next 6-12 months as enquiry from these regions has continued to be positive. DTQ continues to pursue the geographical spread of our Drill Rigs in an effort to put in place a defensive strategy against the on-going climatic risk in Northern Queensland where the bulk of our operations are situated.

- On the training and education front, DTQ has entered into an arrangement with the Great Barrier Reef Institute of TAFE to provide a comprehensive training scheme designed exclusively for the Drilling Industry. Funding is available for the training programme from the Federal and State Governments. We expect the first fourteen participants in the programme will commence the course in April 2012.

- Completed many of the set objectives for transition of DTQ from a private to a public entity. This required the integration of the "Well Drilled" acquisition, introduction of new accounting systems, implementing public company requirements, settling in a new public company Board of Directors, upgrading the OH&S systems, purchase of new equipment and relocating to the new headquarters. Within reason most if not all of these foregoing items has been finalised.

Outlook

It is difficult to forecast the outlook for the next six months due to the unstable climatic conditions, especially in Northern Queensland. However, your Directors and Senior Management team believe DTQ has recovered well from a difficult first half of the 2011/2012 financial year. In particular, January 2012 has commenced well ahead of our management forecasts and while we are predicting a difficult time in February 2012 we expect, subject to no rain, that the balance of the second half should be on or ahead of previous forecasts.

Conclusion

In conclusion on behalf of the Board, I wish to thank the management and staff of DTQ for their contribution in the company's first 5 months as a listed public vehicle. The transition to a public entity is no easy task and I think our management and staff have performed admirably given all the negative circumstances especially the skilled staff shortages and the inclement climatic conditions they encountered.

DRILL TORQUE LTD

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

DIVIDENDS

Interim ordinary dividend in relation to the half-year ended 31 December 2011 of 0.5 cents per fully paid share with a record date of 5 April 2012 and payment date of 20 April 2012.	$625,000

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2011.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

David John Fairfull
Chairman

Peter Richard Miller
Managing Director

Dated at Townsville this 21st day of February 2012.

DRILL TORQUE LTD

AUDITOR'S INDEPENDENCE DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Auditor's independence declaration under Section 307C of the Corporations Act 2001 to the Directors of Drill Torque Ltd

As lead engagement auditor for the review of the financial statements of Drill Torque Ltd for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Jessups

Ian Jessup
Partner

Dated at Townsville this 21st day of February 2012

Level 1, 19 Stanley Street
Townsville Qld 4810

DRILL TORQUE LTD

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	31 Dec 11 $	31 Dec 10 $
Revenue from continuing operations	2	20,690,958	12,145,087
Total income from continuing operations		20,690,958	12,145,087
Gain from continuing operations			
Gain on recognition of inventory		-	1,161,696
Changes in inventories of finished goods	7	147,994	-
Expenses from continuing operations			
Employee expenses		(8,767,525)	(5,270,914)
Depreciation and amortisation expenses		(1,217,597)	(1,094,373)
Advertising		(48,924)	(10,153)
Service and repairs		(1,235,787)	(553,365)
Rent		(106,696)	(48,496)
Other expenses		(7,273,005)	(4,733,977)
Finance expenses		(475,263)	(423,300)
Total expenses from continuing operations		(19,124,797)	(12,134,578)
Profit/(loss) before income tax		1,714,155	1,172,205
Income tax expense	13	(514,510)	(351,662)
Profit/(loss) for the period from continuing operations		1,199,645	820,543
Other comprehensive income		-	-
Total comprehensive income for the period		1,199,645	820,543
Earnings per share			
From continuing operations			
Basic (cents per share)		1.04	NA
Diluted (cents per share)		1.04	NA

The accompanying notes are an integral part of these financial statements.

DRILL TORQUE LTD

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	31 Dec 11 $	30 Jun 11 $
ASSETS			
Current assets			
Cash and cash equivalents	3(a)	1,615,254	764,764
Trade and other receivables	4	3,359,534	3,845,517
Other financial assets	5	6,788	3,758
Deferred tax asset	14	493,280	678,186
Other assets	6	1,124,477	291,931
Inventories	7	1,544,762	1,396,768
Total current assets		8,144,095	6,980,924
Non – current assets			
Other financial assets	5	15,690	8,307
Property, plant and equipment	12	16,370,465	11,790,197
Other assets	6	63,250	63,250
Deferred tax asset	14	362,856	-
Goodwill	8	1,515,032	1,515,032
Total non-current assets		18,327,293	13,376,786
Total assets		26,471,388	20,357,710
LIABILITIES			
Current liabilities			
Bank overdraft	3(b)	-	190,478
Trade and other payables	9	3,253,449	7,765,432
Other financial liabilities	10	4,401,998	6,933,260
Provision for income tax payable	14	284,110	41,819
Provisions	11	456,406	249,188
Total current liabilities		8,395,963	15,180,177
Non – current liabilities			
Other financial liabilities	10	3,457,370	3,732,159
Provisions	11	69,467	46,651
Total non-current liabilities		3,526,837	3,778,810
Total liabilities		11,922,800	18,958,987
Net assets		14,548,588	1,398,723
EQUITY			
Share capital	15	14,524,100	1,524,100
IPO costs	16	(1,049,780)	-
Retained earnings	17	1,074,268	(125,377)
Total equity		14,548,588	1,398,723

The accompanying notes are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Contributed Equity	Retained Earnings	Total $
Balance at 1 July 2010		100	(52,600)	(52,500)
Comprehensive income				
Profit/(loss) for the period		-	820,543	820,543
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	820,543	820,543
Shares issued during the period		-	-	-
Balance at 31 December 2010		100	767,943	768,043
Balance at 1 July 2011		1,524,100	(125,377)	1,398,723
Comprehensive income				
Profit/(loss) for the period	17	-	1,199,645	1,199,645
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	1,199,645	1,199,645
Shares issued during the period	15	13,000,000	-	13,000,000
IPO costs	16	(1,049,780)	-	(1,049,780)
Balance at 31 December 2011		13,474,320	1,074,268	14,548,588

The accompanying notes are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	31 Dec 11 $	31 Dec 10 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		23,106,620	12,983,237
Cash paid to suppliers and employees		(19,361,061)	(11,439,801)
Interest received		29,021	54,529
Interest paid		(436,793)	-
Net cash provided by operating activities		3,337,787	1,597,965
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		27,273	268,971
Acquisition of property, plant and equipment		(5,705,671)	(455,711)
Net cash used in investing activities		(5,678,398)	(186,740)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		13,000,000	-
Payments for IPO costs		(1,499,686)	-
Proceeds from borrowings		1,756,062	-
Repayment of (proceeds from) financial assets		-	(326,624)
Repayment of financial liabilities and ATO debt		(9,864,820)	(925,591)
Costs associated with borrowing		(9,976)	-
Net cash used in financing activities		3,381,580	(1,252,215)
Net increase (decrease) in cash and cash equivalents		1,040,969	159,010
Cash and cash equivalents at the beginning of the period		574,285	117,417
Cash and cash equivalents at the end of the period	3(c)	1,615,254	276,427

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2011 annual financial report for the financial year ended 30 June 2011. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

2. REVENUE

	31 Dec 2011 $	31 Dec 2010 $
From continuing operations		
Income from operations	20,555,099	11,523,694
Profit on sale of assets	4,079	150,535
Interest	29,021	54,529
Recoveries	86,434	392,080
Rental income	2,272	3,061
Government subsidy	5,000	3,718
Other	9,053	17,470
	135,859	621,393
Total income from continuing operations	20,690,958	12,145,087

3. CASH AND CASH EQUIVALENTS

	31 Dec 2011 $	30 Jun 2011 $
3(a) In funds accounts		
Bank balances	1,615,254	764,764
	1,615,254	764,764
3(b) Bank overdraft		
Bank overdraft	-	(190,478)
3(c) Net cash at bank	1,615,254	574,285

	31 Dec 2011 $	30 Jun 2011 $
4. TRADE AND OTHER RECEIVABLES		
Trade debtors	3,350,084	3,843,517
Bonds	9,450	2,000
	3,359,534	3,845,517
5. OTHER FINANCIAL ASSETS		
Current		
Borrowing costs	6,788	3,758
	6,788	3,758
Non-current		
Loans to directors (unsecured)	-	197
Borrowing costs	15,690	8,110
	15,690	8,307
6. OTHER ASSETS		
Current		
Prepayments	1,124,477	234,075
Listing costs carried forward	-	57,856
	1,124,477	291,931
Non-current		
Property held for sale	61,250	61,250
Shares in listed Company	2,000	2,000
	63,250	63,250
7. INVENTORIES		
Finished goods	1,544,762	1,396,768
	1,544,762	1,396,768
8. GOODWILL		
Balance at the beginning of the period	1,515,032	318,024
Amount recognised from business combination	-	1,515,032
Amount derecognised during the period	-	(318,024)
	1,515,032	1,515,032

9. TRADE AND OTHER PAYABLES

	31 Dec 2011 $	30 Jun 2011 $
Current		
Trade creditors	2,029,846	2,777,418
Other creditors	345,479	3,694,798
Accrued expenses	878,124	1,293,216
	3,253,449	7,765,432

10. OTHER FINANCIAL LIABILITIES

	31 Dec 2011 $	30 Jun 2011 $
Current		
Equipment finance leases	3,234,844	3,196,005
Loans		
Richvale Pty Ltd	-	1,500,000
Miller Superannuation Fund	-	490,000
Drummond Company	-	350,000
Jumani Pty Ltd	-	981,089
Pharmamark Pty Ltd	-	214,249
Insurance Premium Funding	71,772	201,917
WorkCover Funding	1,095,382	-
	4,401,998	6,933,260
Non - current		
Equipment finance leases	3,457,370	3,732,159
	3,457,370	3,732,159

11. PROVISIONS

	31 Dec 2011 $	30 Jun 2011 $
Annual leave provision - current		
Opening balance	210,918	141,576
Movement	206,877	69,342
Closing balance	417,795	210,918
Long service leave provision - current		
Opening balance	38,270	43,375
Movement	341	(5,105)
Closing balance	38,611	38,270
Total current provisions	456,406	249,188
Long service leave provision – non - current		
Opening balance	46,651	14,046
Movement	22,816	32,605
Closing balance	69,467	46,651
Total non - current provisions	69,467	46,651

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $	Plant and equipment $	Motor vehicles $	Furniture and fittings $	Total $
At 1 July 2011					
Cost or fair value	-	7,551,178	15,897,576	194,128	23,642,882
Accumulated depreciation	-	(2,472,946)	(9,274,671)	(105,068)	(11,852,685)
Net book amount	-	5,078,232	6,622,905	89,060	11,790,197
Half-year ended 31 December 2011					
Opening net book amount	-	5,078,232	6,622,905	89,060	11,790,197
Additions	3,551,013	1,806,417	434,998	23,735	5,816,163
Disposals	-	-	(23,194)	-	(23,194)
Other	-	2661	(98)	(286)	2,277
Depreciation	(5,780)	(453,002)	(738,596)	(17,600)	(1,214,978)
Closing net book amount	3,545,233	6,434,308	6,296,015	94,909	16,370,465
At 31 December 2011					
Cost or fair value	3,551,013	9,358,361	16,275,852	215,412	29,400,638
Accumulated depreciation	(5,780)	(2,924,053)	(9,979,837)	(120,503)	(13,030,173)
Net book amount	3,545,233	6,434,308	6,296,015	94,909	16,370,465

The property, plant and equipment classifications of plant and equipment and motor vehicles are comprised mainly of drilling rigs and associated equipment. Given the current boom in the resources industry and the resultant demand for drill rigs, the market value of both new and used rigs has risen significantly. Directors and management continually monitor both domestic and overseas markets on new and used drill rig pricing and availability and as a result are of the opinion that the net written down book amount of the Company's property, plant and equipment is conservative. Notwithstanding the foregoing and mindful of the volatility of the mining industry, Directors and management do not intend to change the current depreciation and amortisation rates.

	31 Dec 2011 $	31 Dec 2010 $

13. INCOME TAX EXPENSE

Income tax expense recognised in profit

	31 Dec 2011 $	31 Dec 2010 $
Income tax expense comprises		
Current tax	249,613	-
Deferred tax	273,459	351,662
Adjustments recognised in current year in relation to current tax of prior years	(8,562)	-
	514,510	351,662

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

	31 Dec 2011 $	31 Dec 2010 $
Profit from continuing operations	1,714,155	1,172,205
Income tax expense at 30% recognised in profit	514,246	351,662
Expenses that are not deductible in determining taxable profit	8,826	-
Adjustments recognised in current year in relation to current tax of prior years	(8,562)	-
	514,510	351,662

The tax rate used for the reconciliation above is the corporate tax rate of 30%.

14. TAX ASSETS AND LIABILITIES

	31 Dec 2011 $	30 Jun 2011 $
Tax assets – current		
Deferred tax asset	493,280	678,186
	493,280	678,186
Tax assets – non - current		
Deferred tax asset – IPO costs	362,856	-
	362,856	-
	856,136	678,186
Tax liabilities – current		
Provision for income tax payable	284,110	41,819
	284,110	41,819

Deferred tax assets arise on income and expenses recognised in comprehensive income.

	Opening balance 1/7/11	Recognised in profit/(loss)	Recognised in Equity	30%	Closing balance 31/12/11
Temporary differences					
Annual & long service leave provision	(88,842)	(229,732)	-	(68,920)	(157,762)
Super provision	(78,171)	(104,110)	-	(31,233)	(109,404)
Other accrued expenses	(175,815)	183,553	-	55,066	(120,749)
Building depreciation	-	127	-	38	38
IPO costs	(58,148)	132,650	(1,499,686)	(410,111)	(468,259)
	(400,976)	(17,512)	(1,499,686)	(455,160)	(856,136)
Unused tax losses					
Losses carried forward	(277,210)	924,032	-	277,210	-
	(678,186)	906,520	(1,499,686)	(177,950)	(856,136)

15. CONTRIBUTED EQUITY

	31 Dec 2011 $	30 Jun 2011 $
Balance at the beginning of the period	1,524,100	100
Issue of shares	13,000,000	1,524,000
	14,524,100	1,524,100

The Company issued a Prospectus dated 8 July 2011 inviting applications for the public issue of shares and options in the Company. Pursuant to the Prospectus, on 27 July 2011, 65,000,000 shares were issued (at 20 cents per share), resulting in total issued shares of 125,000,005. Attaching to the shares of the Company are Options. Options were allotted on 28 July 2011, one for every 10 shares held in the Company as at the date of allotment. The Company was admitted to the Official List of the Australian Stock Exchange Limited on 29 July 2011 and shares and options were officially quoted by the Australian Stock Exchange Limited from commencement of trading on 2 August 2011.

16. IPO COSTS

	31 Dec 2011 $	30 Jun 2011 $
Balance at the beginning of the period	-	-
IPO costs incurred during the period	1,499,686	-
Tax benefit	(449,906)	
	1,049,780	-

Costs incurred during the half-year ended 31 December 2011 in relation to the IPO (refer note 15) that are available as an offset against equity amounted to $1,499,686. The income tax benefit associated with these costs is $449,906.

17. RETAINED EARNINGS

	31 Dec 2011 $	30 Jun 2011 $
Balance at the beginning of the period	(125,377)	(52,600)
Profit/(loss) for the period	1,199,645	(72,777)
	1,074,268	(125,377)

18. SEGMENT REPORTING

The Company primarily operates within Australia, providing services wholly to a discrete industry segment (provision of drilling services to the mining industry). These geographic and operating segments are considered based on internal management reporting and the allocation of resources by the Company's chief decision makers (Board of Directors). On this basis, the financial results of the reportable operating and geographic segments are equivalent to the financial statements of the Company as a whole and no separate segment reporting is disclosed in these financial statements.

The Company has a drilling operation in PNG. During the financial period, and at balance date, revenue and the value of resources allocated to this operation are not material to the Company. Accordingly, these operations have been included within the Australian and Drilling Services segments.

DRILL TORQUE LTD

DIRECTORS' DECLARATION

The directors declare that:

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

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

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

DFairfull

David John Fairfull
Chairman

Dated at Townsville this 21st day of February 2012.

DRILL TORQUE LTD

INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

To the members of Drill Torque Ltd ACN 149 206 333,

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Drill Torque Ltd, which comprises the condensed balance sheet as at 31 December 2011, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a note outlining the accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Drill Torque Ltd are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Drill Torque Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Drill Torque Ltd on 21 February 2012, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Auditor's Opinion

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

(a) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

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

Dated this day the 21 February 2012

Level 1 19 Stanley Street
TOWNSVILLE QLD 4810

Ian Jessup
Jessups