



Ausdrill Limited
11 Upper Macleay
Stadium, Sydney NSW 1585
Phone: 02 9550 1100
Fax: 02 9550 1101
Email: info@ausdrill.com.au
Website: www.ausdrill.com.au
ABN: 62 000 011 111

16 March 2011

Ms Jenny Cutri
Assistant Manager, Listings (Perth)
ASX Compliance Pty Limited
Level 8 Exchange Plaza
2 The Esplanade
Perth WA 6000

By email: jenny.cutri@asx.com.au

Dear Jenny

Ausdrill Limited (the "Company")

Thank you for your letter dated 11 March 2011.

Our responses to the questions which you pose are as follows:

Q1: When did the Company first become aware that its result for the period ended 31 December 2010 would be likely to vary by 15% or more from the previous corresponding period (the "Information")?

A1: We draw your attention to the following:

- (a) on 9 November 2010 Ausdrill published a Company Update which was posted on the ASX website. A copy of the Company Update is enclosed. On page 24 of the update Ausdrill noted that: "Target for FY2011 is to maintain EPS on the expanded capital base"; and
- (b) on 24 November 2010, Ausdrill's Chairman, in his address at the Annual General Meeting, (which was also published on the ASX website) referred to the target of maintaining the same EPS and went on to say that this meant a net profit after tax for the 2011 year of \$62 million. A copy of the Chairman's Address is enclosed. As you are aware, the net profit after tax for the period ended 31 December 2009 was \$21,183,000.



It is our position that following the Chairman's Address (which was released generally to the market at the time), Ausdrill's historical performance and the Company Update the market should reasonably have had an expectation that the net profit after tax figure for the period ended 31 December 2010 would be of the order of \$31 million.

The nature of the Ausdrill business is such that earnings and related profits can be uncertain. It was accordingly difficult to comment with certainty in relation to results for the period until such time as the period was essentially complete. In addition, there were two other factors which contributed to the uncertainty surrounding the final results for the period ended 31 December 2010. These were:

- (a) the final calculations of tax figures are performed by the Ausdrill Chief Financial Officer and can be difficult given the different tax jurisdictions in which Ausdrill operates. These figures, once finalised, are checked by the Ausdrill auditors. The precise tax numbers were only approved at the Ausdrill Board meeting prior to the release of the results. Ultimately, the tax payable had the consequence that tax represented a component of 27% of the before tax profit. In the previous period, tax had constituted 30.5% of the before tax profit; and
- (b) the recoverability of two significant receivables which were considered carefully at Audit Committee level as to whether a provision should be made. The Audit Committee then made a recommendation to the Board of Ausdrill which resolved at the Board meeting prior to the release of the results not to make a provision in respect of the amounts concerned.

The uncertainty as to the percentage attributable to tax and the retention or otherwise of the receivables referred to above, could potentially have had the consequence that the profit after tax was substantially lower than the figure of \$36,338,000 ultimately achieved, with the consequence that the resulting number would not necessarily have been in excess of 15% of the \$31 million suggested by the Chairman's Address. This position was not finally established until the Board meeting prior to the release of the results.



Q2: If the Company became aware of the Information prior to the release of the Half Year Report, please identify any earlier announcement from the Company which disclosed that result for the period ended 31 December 2010 would be significantly different from the previous corresponding period.

A2: We again refer you to the Company Update and the Chairman's Address, copies of which have both been enclosed.

Q3: Does the Company consider that the Information concerning the result for the period ended 31 December 2010 was material to the Company?

A3: Yes.

Q5: If there was no earlier announcement, and the Company became aware of the result for the period ended 31 December 2010 prior to 24 February 2011, please advise why the Information was not released to the market at an earlier time. Please comment specifically with respect to Listing Rule 3.1.

A5: As set out above, the Company believes that the market was properly informed.

Q6: Please confirm that the Company is in compliance with the listing rules and, in particular, Listing Rule 3.1.

A6: I confirm that the Company is in compliance with the Listing Rules and in particular, Listing Rule 3.1.

Please do not hesitate to contact me should you wish to discuss any of these matters further.

Yours faithfully

Domenic Santini
Company Secretary



11 March 2011

Mr Domenic Santini
Company Secretary
Ausdrill Limited
6-12 Uppsala Place
CANNING VALE WA 6155

ASX Compliance Pty Limited
ABN 26 087 780 489
2 The Esplanade
Perth WA 6000

GPO Box D187
Perth WA 6840

Telephone 61 (08) 9224 0003
Facsimile 61 (08) 9221 2020
Internet <http://www.asx.com.au>

By email: domenics@ausdrill.com.au

Dear Mr Santini

Ausdrill Limited (the "Company")

We refer the Company to the following.

1. The Company's Half Year Report for the period ended 31 December 2010 which was lodged by Company with ASX on 24 February 2011, and which reported a Net Profit After Tax of \$36,338,000, up 71.5% on the previous corresponding period.
2. ASX Companies Update dated 11 January 2010 which drew attention to paragraph 93 of ASX's Guidance Note 8 "Continuous Disclosure: Listing Rule 3.1" that refers to the disclosure of material information relating to the changes in an entity's previously released financial forecast or expectation. In the case where an entity has not made a forecast, a material variation from the previous corresponding period needs to be disclosed.

As you are aware, listing rule 3.1 requires an entity, once it becomes *aware* of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules, which states as follows.

"an entity becomes aware of information if a director or executive officer (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."

Paragraph 17 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- 3.1A.1 *A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 *One or more of the following applies.*
 - *It would be a breach of a law to disclose the information.*
 - *The information concerns an incomplete proposal or negotiation.*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
 - *The information is generated for the internal management purposes of the entity.*
 - *The information is a trade secret."*

Furthermore, paragraph 93 of ASX Guidance Note 8, states the following in relation to the provision of guidance regarding an entity's results.

"As a general policy, a variation in excess of 10% to 15% may be considered material, and should be announced by the entity as soon as the entity becomes aware of the variation. If the entity has not made a forecast, a similar variation from the previous corresponding period will need to be disclosed."

Example B in Guidance Note 8 also notes that if, on reviewing management accounts, an entity becomes aware that the actual revenues and profits for a period will vary to a material extent from the financial results for the previous corresponding period, disclosure would be required. In making this disclosure, the entity must provide some details, however qualified, of the extent of the variation.

Having regard to this definition, listing rule 3.1 and Guidance Note 8, we ask that you answer the following questions.

1. When did the Company first become aware that its result for the period ended 31 December 2010 would be likely to vary by 15% or more from the previous corresponding period (the "Information")?

Please note that ASX is of the opinion that when a company becomes aware that their profits or losses may be materially different from the previous corresponding period, the company should make an announcement to the market immediately indicating the scale and direction of any change. An entity in this situation should not wait until their Half Year Report is due to inform the market of the results.
2. If the Company became aware of the Information prior to the release of the Half Year Report, please identify any earlier announcement from the Company which disclosed that result for the period ended 31 December 2010 would be significantly different from the previous corresponding period.
3. Does the Company consider that the Information concerning the result for the period ended 31 December 2010 was material to the Company?

4. If the answer to question 3 is "no", please advise the basis on which the Company does not consider the Information concerning the result for the period ended 31 December 2010 to be material.
5. If there was no earlier announcement, and the Company became aware of the result for the period ended 31 December 2010 prior to 24 February 2011, please advise why the Information was not released to the market at an earlier time. Please comment specifically with respect to listing rule 3.1.
6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter. If the information requested by this letter is information required to be given to ASX under listing rule 3.1, your obligation is to disclose the information immediately.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell ASX each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

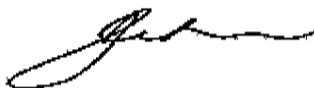
The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the expiry of the trading halt, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

Please send your response to me on **facsimile number (08) 9221 2020** or by email to **jenny.cutri@asx.com.au**. Your response should not be sent to the Company Announcements Office. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible, and in any event, not later than **12.00 pm WST on Thursday 17 March 2011**.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market if it considers it necessary for an informed market. Accordingly, it would be appreciated if you would prepare your response in a format suitable for release to the market and separately address each of the questions asked.

If you have any concerns about release of your response, or any queries in relation to this matter, please contact me immediately.

Yours sincerely



Jenny Cutri
Assistant Manager, Listings (Perth)