

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014
ISSUED 25 FEBRUARY 2015



**BRINGING MORE
TO MINING**

Ausdrill Limited ABN 95 009 211 474

ASX Half-year information - 31 December 2014

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the
30 June 2014 Annual report

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Results for announcement to the market

Revenue for ordinary activities	Down	2.2%	to	\$'000 414,665
Loss from continuing ordinary activities after tax attributable to members	Down	1,326.8%	to	(177,390)
Net loss for the period attributable to members	Down	1,326.8%	to	(177,390)
Dividends		Amount per security	Franked amount per security	
Interim dividend	(cents)	1.0	1.0	
Previous corresponding period	(cents)	2.5	2.5	

Payment date of dividend

31 March 2015

Record date for determining entitlements to the interim dividend

20 March 2015

Dividend reinvestment plan

The Ausdrill Limited Dividend Reinvestment Plan (**DRP**) is not currently in operation following the decision on 19 September 2013 of the Board of Ausdrill Limited to suspend the DRP until further notice.

Net tangible assets per share

	31 December 2014 Cents	31 December 2013 Cents
Net tangible asset backing per ordinary share	180.42	241.43

Ausdrill Limited ABN 95 009 211 474
Interim financial report - 31 December 2014

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Ausdrill Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2011.

Directors' report

Your directors present their report on the consolidated entity consisting of Ausdrill Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

The following persons were directors of Ausdrill Limited during the whole of the half-year and up to the date of this report, except for as noted below:

Terence Edward O'Connor AM QC (Chairman)
Ronald George Sayers (Managing Director)
Terrence John Strapp
Donald James Argent
Mark Anthony Connelly
Mark Andrew Hine
Wallace Macarthur King

Mr Wallace Macarthur King AO (Deputy Chairman) was a director from the beginning of the financial period until his resignation on 28 October 2014.

Mark Andrew Hine was appointed as director on 24 February 2015.

Review of operations

Key points:

- **Sales Revenue down 2.3% from \$423.4m to \$413.6m**
- **EBITDA down 37.2% from \$94.1m to \$59.1m**
- **EBIT down 63.1% from \$40.5m to \$15.0m**
- **Operating profit after tax (excluding impairment expense) up 3.7% to \$19.9 million**
- **Impairment expense of \$197.3m (no tax recognised)**
- **Profit attributable to Ausdrill down from \$14.5m to a loss of \$177.4m**
- **Basic earnings per share down from 4.63 cents per share to a loss of 56.81 cents per share**
- **Interim dividend of 1.0 cent per share, fully franked**
- **First half continues to be impacted by lower level of demand for services and competitive environment**

Overview

As a diversified mining services company, Ausdrill Limited (ASX: ASL) experienced challenging market conditions during the six months to 31 December 2014 as a result of a number of factors, including falling commodity prices and adverse weather conditions in key operating regions.

The Company has responded to these challenges by reducing capital expenditure and paying down debt, placing Ausdrill in the best possible position to capitalise on the inevitable turnaround in the mining industry.

Ausdrill has reported a **net attributable loss of \$177.4 million** for the half year to 31 December 2014. The Board has declared an interim dividend of 1.0 cent per share, fully franked, payable on 31 March 2015.

The results for the half are disappointing and reflect the continuation of a challenging environment for the resources industry which are expected to continue for the remainder of the year with opportunities for improvements in selected markets expected later this year.

The key challenges that have given rise to the weaker performance are as follows:

- Mining Services Australia – in recent months the price of iron ore, which is one of the key commodities for our clients, has fallen materially. This has impacted on Ausdrill with Western Desert Resources going into administration, resulting in a bad debt provision of \$7.5 million plus the loss of future revenue from the loss of the drill and blast and explosive supply contracts. The drill and blast services at BHPB were in-sourced from November 2014. Other areas of its business (including waterwell drilling and equipment hire) have also been impacted due to the reduction in spend by clients as a result of lower iron ore prices. Ausdrill was also advised that its contract for drill and blast services at the Edna May Gold Mine would conclude earlier than expected in December 2014.
- Energy Drilling Australia – the expectation for the energy drilling business was that a break-even position would be achieved in FY2015 through better utilisation of the rig fleet. Whilst significant achievements have been made in getting the division's new 500,000lb rig to work, delays are being experienced in achieving continuity of work for the remaining rigs.
- Contract Mining Africa – Ausdrill's contract mining business in West Africa has underperformed in the first quarter as a result of higher than expected rainfall and pit flooding which affected profitability on certain sites. In addition, mining volumes have been adjusted where clients have advised that projects are to be re-optimised as a result of the lower US dollar gold price. Specifically, forecast revenues were adversely impacted by the deferral of mining of the Stage 2 cutback at the Syama sulphide open pit.

Although Guinea, one of the West African countries Ausdrill operates in, has been substantially impacted by the Ebola virus, to date Ausdrill operations have not been impacted in any significant way as a result of the virus, and measures are in place to monitor the situation and safeguard personnel.

Ausdrill remains positive on the outlook in Africa and is actively tendering for further work which, if successful, could substantially improve the earnings of the business.

During the period Ausdrill continued its strategy of deleveraging the business and managed to restrict net capital expenditure to \$9.9 million whilst paying down debt of \$56.8 million. Net cash flow from operations was sound at \$76.9 million which was higher than the previous corresponding period of \$65.7 million. Ausdrill also successfully refinanced its secured debt facility by reducing the facility amount from \$300 million to \$125 million, amending the debt coverage ratio to only include secured debt and to extend the term to March 2018.

As a result, Ausdrill remains well positioned with a strong level of undrawn liquidity to underpin the Group's ongoing funding requirements in both Australia and Africa.

Financial Performance

A\$ million	6 months to Dec 2013	6 months to Jun 2014	6 months to Dec 2014	% change from previous corresponding period
Sales Revenue	423.4	402.9	413.6	(2.3)%
EBITDA ⁽¹⁾	94.1	79.6	59.1	(37.2)%
EBIT ⁽²⁾	40.5	33.9	15.0	(63.1)%
Profit / (loss) attributable to Ausdrill	14.5	(57.1)	(177.4)	(1,326.8)%

(1) EBITDA is calculated as follows: Profit before tax from continuing operations plus depreciation and amortisation expense plus finance costs less interest received plus impairment expense

(2) EBIT is calculated as follows: Profit before tax from continuing operations plus finance costs less interest received plus impairment expense

Group revenue has decreased across all key segments of the Group. EBITDA has decreased from \$94.1 million in the previous corresponding period to \$59.1 million for the half year to December 2014. The EBITDA margin of 14.3% has decreased from the previous corresponding period of 22.2% as a result of the effects of lower volumes of activity coupled with competitive pressures and margin pressure from clients.

EBIT has decreased from \$40.5 million in the previous corresponding period to \$15.0 million for the half year to December 2014. The depreciation and amortisation charge for the period was \$44.2 million (\$53.6 million for the previous corresponding period). The EBIT margin has declined from 9.6% in the previous corresponding period to 3.6%.

The after tax profit attributable to Ausdrill shareholders has decreased from \$14.5 million in the previous corresponding period to a loss of \$177.4 million for the half year ended December 2014 and reflects the impact of lower EBITDA that flows through to the bottom line as well as the effect of the impairment expense for intangibles and plant and equipment.

During the half year to December 2014 the Group maintained its strategy of deleveraging and made debt repayments of \$56.8 million whilst restricting net capital expenditure to \$9.9 million.

The level of working capital in the business has decreased since June 2014, but remains at a high level and continues to be optimised to suit current levels of activity.

The return on average capital employed ⁽³⁾ was 2.0% for the half year to December 2014 compared to 4.6% in the previous corresponding period. These returns are far lower than targeted levels of around 10.5% and continue to be impacted by the challenging market conditions. The returns for the Group are expected to improve from FY2016 onwards and form the basis for the longer range business forecasts that are used for the testing of recoverable amounts as required under accounting standards. The testing that has been carried out at 31 December 2014 shows that the discounted cash flows are lower than the book values of assets for each of the key segments which has resulted in impairment of intangibles and plant and equipment. As a result, if any of the forecast assumptions are not achieved, or a higher discount rate is used, then the Group may be required to book a further impairment expense at that time.

Considering that Ausdrill operates a business model where nearly all of the assets required to perform its services are owned by the Group and are on the balance sheet, the financial position of the Group remains within acceptable levels with net secured debt to EBITDA of 0.1 times, a gearing ratio (net debt to net debt plus equity) of 40.4%, cash of \$77.2 million, and net interest cover (EBITDA/ Net Interest) of 3.8 times.

(3) Return on average capital employed is calculated as follows: after tax EBIT (excluding impairment expense) divided by the sum of the average receivables, inventory, plant and equipment, intangibles and associates less payables and current tax liabilities.

The Company's net tangible asset position has decreased from \$2.41 per share at 31 December 2013 to \$1.80 per share at 31 December 2014.

The decrease in business levels has unfortunately led to a reduction in staff from 4,536 at 31 December 2013 to 4,477 at 31 December 2014.

Mining Services – Australia	Segment revenues		Segment EBIT	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
	229,488	241,485	(100,769)	11,377

The Australian mining services business has reported decreased revenue and a fall in reported earnings. Excluding impairment expense the adjusted EBIT for the period was \$9.5 million compared to \$17.2 million in the prior corresponding period.

An impairment expense of \$110.3 million was booked in relation to this segment for items of equipment on which the recoverable amount was determined as being below book value.

The core drill and blast operations have reported lower earnings and revenues due to the reduction in activity levels and the bad debt provision of \$7.5 million against Western Desert Resources. Services were completed at various sites during the period including Area C for BHPB in October, Edna May for Evolution Mining in December, Frances Creek for Territory Iron in November and Koolan Island for Mt Gibson in November.

The Australian exploration and hydrogeological drilling services market continues to face increased competition, a smaller spot market and increasing compliance costs that have resulted in tighter margins. A gradual recovery is expected in the Australian gold sector due to the favourable Australian dollar gold price. During the period the business was successful in renewing the exploration drilling services contract with Goldfields for a further three years. Activity levels in the iron ore sector are now expected to be confined to the major miners due to the recent sharp falls in the iron ore price.

MinAnalytical Laboratory Services continues to be affected by the low level of activity in the exploration sector.

The equipment hire business continues to experience low utilisation of the hire fleet. This business remains subject to challenges due to the high levels of idle equipment in the industry. The equipment hire contract at the Ridges project for Kimberley Metals is scheduled to be completed in February 2015 whilst the contract for services at the Wambo project for Peabody is due for renewal in March 2015.

The BTP Parts business continues to experience a flat level of activity in the mining industry and an improvement in this sector is not expected until the latter part of 2015 when mining companies are expected to resume spending on maintenance of equipment as waste volumes rise and equipment ages.

Energy Drilling Australia (EDA), which provides exploration and production drilling services to the onshore oil and coal seam gas industry in Australia, continues to experience a challenging market for its services. However, the business has been successful in securing work for three of its four drilling rigs during the period, although the challenge remains in securing continuous work. The lower oil price poses a risk for demand for drilling services whereas the completion of construction for LNG in Queensland may lead to an increase in demand for services toward the latter part of this year.

Contract Mining Services – Africa	Segment revenues		Segment EBIT	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
	127,669	134,858	(54,934)	26,842

Excluding impairment expense the adjusted EBIT for the period was \$12.1 million compared to \$26.8 million in the prior corresponding period.

An impairment expense of \$67.0 million was booked in relation to this segment for items of equipment on which the recoverable amount was determined as being below book value.

The African contract mining services business has underperformed as a result of higher than expected rainfall and pit flooding which affected profitability on certain sites. In addition, mining volumes have been adjusted where clients have advised that projects are to be re-optimised as a result of the lower gold price. Specifically, forecast revenues were adversely impacted by the deferral of mining of the Stage 2 cutback at the Syama sulphide open pit. Work also commenced at the Syama Satellite pits during the period. Tender activity and inquiry levels remain high and the business is well placed to secure new work over the next 12 months.

Exploration activities remain at a very low level as a result of the focus by mining companies on cash conservation.

Ausdrill has a 50% interest in African Underground Mining Services (AUMS), with Barmenco holding the other 50%. This business provides underground mining services to customers in Ghana, Mali and Burkina Faso. Net profit after tax decreased from A\$10.5 million in the previous corresponding period to A\$4.4 million with Ausdrill's share being 50%. The Perkoa project in Burkina Faso resumed operations during the period and work at the Yaramoko Project for Roxgold is scheduled to commence in the first quarter of 2015. AUMS has received notice from Randgold Resources Ltd that the underground mining contract at the Gara and Yalea operations will be terminated effective from 1 May 2015. Negotiations are underway to determine the value of assets (inventory and equipment) to be transferred to Randgold in order for the work to be self-performed.

Revenues in the Africa segment are mainly derived in US dollars and the recent weakness in the Australia dollar has improved the reported results. In the current half year, the Australian dollar was, on average, approximately 12% lower than in the corresponding period.

Manufacturing	Segment revenues		Segment EBIT	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
	54,988	46,275	(18,801)	(530)

Excluding impairment expense the adjusted EBIT for the period was \$1.2 million compared to a loss of \$0.5 million in the prior corresponding period.

Revenues and profitability increased for the manufacturing segment mainly due to higher sales of light weight truck trays during the period. Trading conditions, however, remain subdued due to lower demand from the mining industry for capital goods whilst demand for drilling consumables has been impacted by the lower level of activity in the drill and blast segment.

An impairment expense of \$20.0 million was booked in relation to this segment for items of equipment and intangibles on which the recoverable amount was determined as being below book value with intangible assets written off.

Supply & Logistics	Segment revenues		Segment EBIT	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
	20,434	21,764	268	390

Supply Direct has reported lower earnings with activity levels tracking the lower volumes of goods being ordered by the mining industry.

All Other	Segment revenues		Segment EBIT	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
	24,460	24,825	(8,087)	(3,387)

Diamond Communications provides services in the western half of Australia for the IT and power sectors and has experienced flat levels of activity. This segment includes general overheads and also includes unallocated foreign exchange gains and losses.

Outlook

Ausdrill expects that the mining industry will continue to focus on cost savings programs as well as deferral of non-essential expenditure including capital works and exploration programs. However, maintenance and gold exploration activity is expected to increase in the next 12 months. This recovery will be assisted by the lower Australian dollar, the gold price, the forecast increase in volumes of production of iron ore from the Pilbara and the continuing high level of coal exports from Mackay and Newcastle.

Ausdrill also expects to secure additional work that is currently the subject of tenders. This work can be undertaken with only a minimal amount of new capital expenditure required.

Taking into consideration these matters, and subject to any change in circumstances, the Company expects revenues and EBITDA in the second half of the 2015 financial year to be similar to the first half, excluding any significant items or impairment expense.

The resources industry is expected to improve over the medium term in both Australia and Africa where Ausdrill has a long established presence and local know-how. As a consequence, Ausdrill remains very well placed for a recovery beyond the current financial year.

Dividends – Ausdrill Limited

The Directors have decided to pay an interim ordinary dividend based on the December 2014 half year result of 1.0 cent per share, 100% franked, payable on 31 March 2015. The record date for the dividend will be 20 March 2015.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

This report is made in accordance with a resolution of directors.



Ronald George Sayers
Managing Director

Perth
25 February 2015



Auditor's Independence Declaration

As lead auditor for the review of Ausdrill Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Ausdrill Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Justin Carroll', is written over the printed name.

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
25 February 2015

Ausdrill Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2014

	Notes	2014 \$'000	2013 \$'000
Revenue from continuing operations	3	414,665	424,181
Other income			
Realised foreign exchange gains		2,568	1,685
Unrealised foreign exchange (losses)/gains		(6,244)	4,911
Other income		4,014	1,919
Materials		(167,766)	(144,839)
Labour		(140,167)	(158,098)
Rental and hire		(6,452)	(6,908)
Depreciation and amortisation expense	5	(44,175)	(53,553)
Finance costs	5	(19,171)	(21,475)
Other expenses from ordinary activities	5	(42,594)	(33,266)
Impairment of goodwill	4	(10,314)	-
Impairment of property, plant and equipment	4	(186,968)	(5,844)
Share of net profits of joint ventures accounted for using the equity method		2,219	5,253
(Loss)/profit before income tax		<u>(200,385)</u>	<u>13,966</u>
Income tax benefit/(expense)	6	22,995	(624)
(Loss)/profit from continuing operations		<u>(177,390)</u>	<u>13,342</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(6,372)	11,726
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings, net of tax		310	84
Changes in the fair value of available-for-sale financial assets, net of tax		668	-
Other comprehensive (loss)/income for the half-year, net of tax		<u>(5,394)</u>	<u>11,810</u>
Total comprehensive (loss)/income for the half-year		<u>(182,784)</u>	<u>25,152</u>
(Loss)/profit is attributable to:			
Equity holders of Ausdrill Limited		(177,390)	14,460
Non-controlling interests		-	(1,118)
		<u>(177,390)</u>	<u>13,342</u>
Total comprehensive (loss)/income for the half-year is attributable to:			
Equity holders of Ausdrill Limited		(182,784)	26,270
Non-controlling interests		-	(1,118)
		<u>(182,784)</u>	<u>25,152</u>
		Cents	Cents
Earnings per share:			
Basic (loss)/earnings per share		(56.81)	4.63
Diluted (loss)/earnings per share		(56.81)	4.63

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Ausdrill Limited
Consolidated statement of financial position
As at 31 December 2014

	31 December 2014 Notes	30 June 2014 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	7 77,195	62,695
Trade and other receivables	143,684	157,648
Inventories	236,193	233,074
Current tax receivables	23,472	21,323
Total current assets	<u>480,544</u>	<u>474,740</u>
Non-current assets		
Receivables	1,285	6,735
Joint ventures accounted for using the equity method	74,984	67,592
Available-for-sale financial assets	4,778	3,819
Property, plant and equipment	579,188	777,162
Deferred tax assets	37,727	27,081
Intangible assets	8 -	10,607
Total non-current assets	<u>697,962</u>	<u>892,996</u>
TOTAL ASSETS	<u>1,178,506</u>	<u>1,367,736</u>
LIABILITIES		
Current liabilities		
Trade and other payables	116,262	111,926
Borrowings	9 42,169	50,467
Current tax liabilities	1,745	326
Provisions	9,200	9,084
Total current liabilities	<u>169,376</u>	<u>171,803</u>
Non-current liabilities		
Borrowings	9 416,458	402,844
Deferred tax liabilities	27,566	39,149
Provisions	1,706	1,772
Total non-current liabilities	<u>445,730</u>	<u>443,765</u>
TOTAL LIABILITIES	<u>615,106</u>	<u>615,568</u>
NET ASSETS	<u>563,400</u>	<u>752,168</u>
EQUITY		
Contributed equity	11 526,447	526,447
Other reserves	(2,428)	2,705
Retained earnings	39,381	223,016
Capital and reserves attributable to the owners of Ausdrill Limited	<u>563,400</u>	<u>752,168</u>
TOTAL EQUITY	<u>563,400</u>	<u>752,168</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Ausdrill Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2014

Notes	Attributable to owners of Ausdrill Limited				Non- controlling interests \$'000	Total equity \$'000
	Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000		
Balance at 1 July 2013	526,447	2,329	290,589	819,365	(1,979)	817,386
Profit for the half-year	-	-	14,460	14,460	(1,118)	13,342
Other comprehensive income	-	11,810	-	11,810	-	11,810
Total comprehensive income for the half-year	-	11,810	14,460	26,270	(1,118)	25,152
Transactions with owners in their capacity as owners:						
Dividends paid	10	-	(17,175)	(17,175)	-	(17,175)
Employee share options - value of employee services		-	815	815	-	815
		-	815	(17,175)	-	(16,360)
Balance at 31 December 2013	526,447	14,954	287,874	829,275	(3,097)	826,178
Balance at 1 July 2014	526,447	2,705	223,016	752,168	-	752,168
Loss for the half-year	-	-	(177,390)	(177,390)	-	(177,390)
Other comprehensive loss	-	(5,394)	-	(5,394)	-	(5,394)
Total comprehensive loss for the half-year	-	(5,394)	(177,390)	(182,784)	-	(182,784)
Transactions with owners in their capacity as owners:						
Dividends paid	10	-	(6,245)	(6,245)	-	(6,245)
Shares issued on conversion of employee share options, net of transaction costs		-	261	261	-	261
		-	261	(6,245)	-	(5,984)
Balance at 31 December 2014	526,447	(2,428)	39,381	563,400	-	563,400

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Ausdrill Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2014

	2014	2013
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	462,028	473,053
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(368,956)</u>	<u>(372,825)</u>
	93,072	100,228
Receipts from finance customers	1,333	-
Interest received	1,029	749
Interest and other costs of finance paid	(16,822)	(18,070)
Income taxes paid	(2,153)	(18,061)
Management fee received from joint ventures	475	863
Net cash inflow from operating activities	<u>14 76,934</u>	<u>65,709</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(12,590)	(31,950)
Proceeds from sale of property, plant and equipment	2,683	6,814
Payment of development costs	8 (113)	(748)
Repayment of loans from joint ventures	6,683	2,420
Payments for available-for-sale financial assets	-	(750)
Proceeds from sale of available-for-sale financial assets	217	-
Net cash outflow from investing activities	<u>(3,120)</u>	<u>(24,214)</u>
Cash flows from financing activities		
Proceeds from secured borrowings	7,500	25,000
Return of bank guarantee	-	(10)
Repayment of secured borrowings	(54,260)	(52,140)
Repayment of hire purchase and lease liabilities	(10,086)	(21,302)
Dividends paid to company's shareholders	10 (6,245)	(17,175)
Net cash outflow from financing activities	<u>(63,091)</u>	<u>(65,627)</u>
Net increase (decrease) in cash and cash equivalents	10,723	(24,132)
Cash and cash equivalents at the beginning of the financial year	62,695	78,826
Effects of exchange rate changes on cash and cash equivalents	3,777	2,064
Cash and cash equivalents at end of half-year	<u>7 77,195</u>	<u>56,758</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Ausdrill Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Estimates

The preparation of this condensed consolidated interim financial report also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2014.

Recoverable amounts for goodwill and other non-current assets

At 31 December 2014, the market capitalisation of the Company was below the carrying value of the Group's net assets. Under the requirements of Australian Accounting Standards, this is a trigger event for assessing whether the carrying value of the Group's goodwill and other non-current assets may be impaired.

In line with this requirement, the recoverable amounts of each of the Group's Cash Generating Units (CGU) were estimated having regard to the higher of their value in use (VIU) or their fair value less costs of disposal. VIU was determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs. VIU as at 31 December 2014 was determined in a consistent manner to that disclosed in the Group's 2014 Annual Report for assessing the impairment of goodwill as at 30 June 2014.

In the event that management's future earnings and growth assumptions are not achieved, impairment of non-current assets allocated to CGU's may occur in future periods.

2 Segment information

(a) Description of segments

Management has determined the operating segments based on the internal reports reviewed by the Board that are used to make strategic decisions. The Board assesses the performance of the operating segments based on revenue, EBIT, EBITDA and profit or loss before tax.

The operating segments are identified by the Board based on the nature of the services provided. The Board considers the business from a geographic perspective, similarity of the services provided and the nature of risks and returns associated with each business. The entity is organised into the following divisions by service type:

Mining Services Australia:

The provision of mining services including drilling and blasting, in-pit grade control, exploration drilling, earthmoving, waterwell drilling, energy drilling, equipment hire, equipment parts and sales and mineral analysis in Australia.

Contract Mining Services Africa:

The provision of mining services including drilling and blasting, in-pit grade control, exploration drilling and earthmoving in Africa.

Manufacturing:

The manufacture of drilling rods and consumables, drill rigs and dump truck tray bodies.

Supply and Logistics:

The provision of mining supplies and logistics services.

All other segments

Operating segments which do not meet the aggregation criteria for the current segments. This segment also includes Group central functions like treasury, financing and administration.

Intersegment eliminations

Represents transactions which are eliminated on consolidation.

2 Segment information (continued)

(b) Segment information provided to the Board

Half-year ended 31 December 2014	Mining Services Australia \$'000	Contract Mining Services Africa \$'000	#Manu- facturing \$'000	*Supply & Logistics \$'000	All other segments \$'000	Inter- segment Eliminations \$'000	Consolidated \$'000
Segment revenue							
Sales to external customers	226,930	127,516	35,495	14,408	9,207	-	413,556
Intersegment sales	2,299	-	19,465	6,001	98	(27,863)	-
Total sales revenue	229,229	127,516	54,960	20,409	9,305	(27,863)	413,556
Other revenue	259	153	28	25	15,155	(14,511)	1,109
Segment revenue	229,488	127,669	54,988	20,434	24,460	(42,374)	414,665
Segment EBITDA	33,389	28,806	3,879	306	(7,246)	-	59,134
Depreciation expense	(23,775)	(16,740)	(2,375)	(38)	(841)	-	(43,769)
Amortisation expense	(101)	-	(305)	-	-	-	(406)
Impairment of intangible assets	-	-	(10,314)	-	-	-	(10,314)
Impairment of assets	(110,282)	(67,000)	(9,686)	-	-	-	(186,968)
Segment EBIT	(100,769)	(54,934)	(18,801)	268	(8,087)	-	(182,323)
Interest income	259	153	28	25	15,155	(14,511)	1,109
Interest expense	(9,473)	(5,263)	(1,887)	(138)	(16,921)	14,511	(19,171)
Segment result	(109,983)	(60,044)	(20,660)	155	(9,853)	-	(200,385)
Income tax benefit							22,995
Loss for the half-year							(177,390)
Segment assets	1,035,836	552,040	98,177	15,998	480,968	(1,004,513)	1,178,506
Segment liabilities	246,210	251,087	61,720	10,516	838,211	(792,638)	615,106
Other segment information							
Investments in joint ventures	-	74,984	-	-	-	-	74,984
Share of profit from joint ventures	-	2,219	-	-	-	-	2,219
Acquisition of property, plant and equipment, intangibles and other non-current assets	1,346	9,986	638	27	706	-	12,703

This segment operates in the Australian region.

* This segment predominantly operates in the African region.

2 Segment information (continued)

(b) Segment information provided to the Board (continued)

Half-year ended 31 December 2013	Mining Services Australia \$'000	Contract Mining Services Africa \$'000	#Manu- facturing \$'000	*Supply & Logistics \$'000	All other segments \$'000	Inter- segment Eliminations \$'000	Consolidated \$'000
Segment revenue							
Sales to external customers	240,850	134,691	21,991	16,613	9,287	-	423,432
Intersegment sales	439	-	24,254	5,083	32	(29,808)	-
Total sales revenue	241,289	134,691	46,245	21,696	9,319	(29,808)	423,432
Other revenue	196	167	30	68	15,506	(15,218)	749
Total segment revenue	241,485	134,858	46,275	21,764	24,825	(45,026)	424,181
Segment EBITDA	49,136	44,514	2,356	453	(2,370)	-	94,089
Depreciation expense	(31,822)	(17,672)	(2,582)	(63)	(1,017)	-	(53,156)
Amortisation expense	(93)	-	(304)	-	-	-	(397)
Impairment of assets	(5,844)	-	-	-	-	-	(5,844)
Segment EBIT	11,377	26,842	(530)	390	(3,387)	-	34,692
Interest income	196	167	30	68	15,506	(15,218)	749
Interest expense	(9,856)	(8,396)	(1,730)	(333)	(16,378)	15,218	(21,475)
Segment result	1,717	18,613	(2,230)	125	(4,259)	-	13,966
Income tax expense							(624)
Profit for the half-year							13,342
Segment assets	1,123,403	577,908	110,906	18,396	634,447	(956,197)	1,508,863
Segment liabilities	253,717	310,740	63,974	13,171	797,971	(756,888)	682,685
Other segment information							
Investments in joint ventures	-	75,996	-	-	-	-	75,996
Share of profit from joint ventures	-	5,253	-	-	-	-	5,253
Acquisition of property, plant and equipment, intangibles and other non-current assets	25,325	5,938	1,077	7	351	-	32,698

This segment operates in the Australian region.

* This segment predominantly operates in the African region.

3 Revenue

	31 December 2014 \$'000	31 December 2013 \$'000
From continuing operations		
Sales revenue	47,192	35,360
Sale of goods	366,364	388,072
Services	<u>413,556</u>	<u>423,432</u>
Other revenue		
Interest - Others	949	569
Interest - Related Parties	160	180
	<u>1,109</u>	<u>749</u>
	<u>414,665</u>	<u>424,181</u>

4 Individually significant items

The following items are significant to the financial performance of the group, and so are listed separately here.

	Note	31 December 2014 \$'000	31 December 2013 \$'000
Impairment of non-current assets			
Plant and equipment	4(a)	186,968	5,844
Impairment of intangible assets			
Impairment of goodwill and other intangible assets	4(b)	10,314	-

(a) Impairment of non-current assets

The Company has experienced challenging market conditions during the six months to 31 December 2014 as a result of a number of factors, including falling commodity prices and adverse weather conditions in key operating regions and reflect the continuation of a challenging environment for the resources industry which are expected to continue for the remainder of the year.

As a result the Company has made estimates associated with the recoverable amount of its cash generating units (CGU) to determine whether there was any impairment in relation to their carrying value. Determining a CGU's recoverable amount was completed via the following methods:

- (a) Assets are firstly considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe;
- (b) For certain CGU's the recoverability of its assets is completed via a fair value less costs of disposal calculation;
- (c) For certain CGU's the recoverability of its assets is completed via a value in use methodology.

4 Individually significant items (continued)

(a) Impairment of non-current assets (continued)

The recoverable amount of a CGU is calculated as the higher of its fair value less costs of disposal or its value in use. The Company has sourced an external valuation where a fair value less costs of disposal has been adopted. In the instances where this has been adopted, the valuation technique and fair value hierarchy is noted below.

The recoverable amount of a CGU determined by a value in use calculation requires the use of assumptions. Cash flow projections are calculated using EBITDA, changes in working capital and capital expenditure to get to a "free cash flow" estimate. These projections are based on actual operating results, a Board approved FY15 business plan and subsequent financial forecasts prepared by management. Future cash flows are extrapolated by applying conservative growth rates for each segment and terminal growth rates not exceeding 3%. The methodology is consistent with that used at 30 June 2014.

Key assumptions used for value in use calculations

The calculation of value in use for the CGUs is most sensitive to the following assumptions:

- a) EBITDA/sales margins
- b) Discount rates
- c) Growth rates used to extrapolate cash flows beyond the forecast period

EBITDA margin

EBITDA margin is based on management's best estimate of the CGU's performance, taking into account past performance with changes where appropriate for expected market conditions and efficiency improvements.

Working capital has been adjusted, in particular inventory levels, to return to and reflect what would be considered a normal operating level to support the underlying business.

Capital expenditure

Capital expenditure with an emphasis on replacement capital only, has been kept to a minimum as idle machinery will gradually return to work to sustain the assumed levels of activity. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

Growth rate estimates and discount rates

CGU	Growth Rate					Post Tax Discount Rate	Pre Tax Discount Rate
	FY15	FY16	FY17	FY18-FY19	Terminal Year		
Kalgoorlie & Synegex CGU	(35.3%)	(10.3-11.3%)	2.0%-3.0%	2.0%-3.0%	2.0%-3.0%	11.1%-11.7%	15.7%-16.1%
Ausdrill Northwest (ANW) & Connector CGU	(22.7%)	1.1%	24.8%-25.1%	2.0%-3.0%	2.0%-3.0%	11.1%-11.7%	15.4%-16.1%
BTP Equipment (BTPE) CGU	(32.0%)	0.0%	0.0%	2.0%-3.0%	2.0%-3.0%	11.1%-11.7%	16.6%-17.3%
Contract Mining Services Africa (CMSA) CGU	19.4%	8.7%	26.2%	2.0%	2.0%	11.7%-12.3%	15.9%-16.7%

Kalgoorlie & Synegex CGU

This CGU is included in the Mining Services Australia (MSA) operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was \$132,500,000. As a result a plant and equipment impairment charge of \$20,000,000 was made.

4 Individually significant items (continued)

(a) Impairment of non-current assets (continued)

ANW & Connector CGU

This CGU is included in the MSA operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was \$61,500,000. As a result a plant and equipment impairment charge of \$43,000,000 was made.

BTPE CGU

This CGU is included in the MSA operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was \$46,500,000. As a result a plant and equipment impairment charge of \$20,000,000 was made.

Further a review was undertaken of the value of the idle hire equipment of BTP Equipment by testing their carrying values against the net present value of expected rental streams over the remaining useful lives of the individual assets. Consideration was given to the analysis of the limited observed orderly sales transactions for equipment in the market. In the absence of an orderly market, a review was also undertaken of the value of idle equipment with a comparison to market values, where available, historical sales, or if new, to current quotes for the same equipment. This review has resulted in an impairment charge of \$12,457,000.

CMSA CGU

This CGU is a reportable operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was \$321,500,000. As a result a plant and equipment impairment charge of \$67,000,000 was made.

Impact of reasonably possible changes in key assumptions

As all of these CGU's are written down to their recoverable amounts at 31 December 2014, any future adverse change in the key assumptions will result in further impairment.

Fair Value less Costs of Disposal

Energy Drilling Australia (EDA) CGU

This CGU is included in the MSA operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was \$42,500,000. To determine the recoverable amount of this CGU the Company engaged an independent external valuer to undertake a fair market valuation. The market approach, a Level 2 input in the fair value hierarchy, was employed for this valuation as credible comparisons were on hand to support this approach. As a result a plant and equipment impairment charge of \$13,796,000 was made.

Ausdrill Underground Mining Services Australia (AUMSA) CGU

This CGU is included in the MSA operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was \$12,613,000. To determine the recoverable amount of this CGU the Company engaged an independent external valuer to undertake a fair market valuation. The cost approach, a Level 2 input in the fair value hierarchy, was employed for this valuation. This approach begins with the replacement cost new and deducts all forms of depreciation to determine an estimate of value. It considers the maximum value of a property to a knowledgeable buyer would be the amount currently required to construct a new one of equal utility, adjusting the differences in age, condition and any other forms of depreciation and obsolescence factors. As a result a plant and equipment impairment charge of \$868,000 was made.

4 Individually significant items (continued)

(b) Impairment of goodwill and other intangible assets

Goodwill has been allocated to cash generating units (CGU), each of which is a reportable segment, for impairment testing as follows:

	Manufacturing Segment	
	31 December	30 June
	2014	2014
	\$'000	\$'000
Carrying amount of goodwill	-	5,603

As a result of the continued downturn, trading conditions which have remained subdued due to lower demand from the mining industry for capital goods and demand for drilling consumables that have been impacted by the lower level of activity in the drill and blast segment, the Company has reassessed the recoverable amount of its CGU's goodwill and other intangibles. This has resulted in an impairment charge of \$20,000,000 of which has been allocated as follows: \$4,700,000 against customer contracts and other intangibles, \$5,600,000 against goodwill and \$9,700,000 against plant and equipment. Its recoverable amount was \$65,500,000.

The recoverable amount of a CGU is determined based on a value in use calculation which requires the use of assumptions. Cash flow projections are calculated using EBITDA, changes in working capital and capital expenditure to get to a "free cash flow" estimate. These projections are based on actual operating results, a Board approved FY15 business plan and subsequent financial forecasts prepared by management. Future cash flows are extrapolated by applying conservative growth rates for each segment and terminal growth rates not exceeding 3%. The methodology is consistent with that used at 30 June 2014.

Key assumptions used for value in use calculations

The calculation of value in use for the CGUs is most sensitive to the following assumptions:

- a) EBITDA/sales margins
- b) Discount rates
- c) Growth rates used to extrapolate cash flows beyond the forecast period

Growth rate estimates and discount rates

CGU	Growth Rate					Post Tax Discount Rate	Pre Tax Discount Rate
	FY15	FY16	FY17	FY18-FY19	Terminal Year		
Manufacturing CGU	4.4%	1.0%	2.0%-5.1%	2.0%-3.0%	2.0%-3.0%	11.1%-11.7%	14.9%-15.5%

EBITDA margin

EBITDA margin is based on management's best estimate of the CGU's performance, taking into account past performance with changes where appropriate for expected market conditions and efficiency improvements.

Working capital has been adjusted, in particular inventory levels, to return to and reflect what would be considered a normal operating level to support the underlying business.

4 Individually significant items (continued)

(b) Impairment of goodwill and other intangible assets (continued)

Capital expenditure

Capital expenditure, with an emphasis on replacement capital only, has been kept to a minimum as idle machinery will gradually return to work to sustain the assumed levels of activity. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

Impact of reasonably possible changes in key assumptions

As the Manufacturing CGU is written down to its recoverable amount at 31 December 2014, any future adverse changes in the key assumptions will result in further impairment. The Company recognises that the volatility of the current economic climate and competitive pressures in the manufacturing industry has an impact on growth rate assumptions.

5 Expenses

(Loss)/profit before income tax includes the following specific expenses:

	31 December 2014 \$'000	31 December 2013 \$'000
Depreciation		
Buildings	735	639
Plant and equipment	43,034	52,517
Total depreciation	<u>43,769</u>	<u>53,156</u>
Amortisation		
Customer contracts	264	93
Other intangible assets	142	304
Total amortisation	<u>406</u>	<u>397</u>
Finance costs		
Hire purchase interest	833	2,278
Interest paid	15,989	15,792
Debt restructuring cost	638	-
Amortised borrowing cost	1,711	3,405
Finance costs expensed	<u>19,171</u>	<u>21,475</u>
Net loss on revaluation of financial assets at fair value through profit or loss	-	75
Net loss on disposal of property, plant and equipment	-	887
Rental expense relating to operating leases	4,033	4,288
Impairment of financial assets		
Trade receivables provisions/(reversals)	7,733	(2,097)

6 Income tax benefit/(expense)

The Company's effective tax rate for the half year ended 31 December 2014 is 11.6%. This effective tax rate is lower than the Australian company tax rate due to not recognising in full deferred tax assets arising from the impairment expense, the impact of functional currencies and other foreign non temporary differences. The effective tax rate excluding the impact of impairments, functional currencies and foreign non temporary differences is 30.4% (2014: 34%).

7 Current assets - Cash and cash equivalents

	31 December 2014 \$'000	30 June 2014 \$'000
Cash at bank and in hand	77,195	62,695

(a) Reconciliation to cash at the end of the period

The above figures are reconciled to cash at the end of the financial period as shown in the statement of cash flows as follows:

Cash and cash equivalents	77,195	62,695
Balances per consolidated statement of cash flows	77,195	62,695

8 Non-current assets - Intangible assets

	Goodwill \$'000	Other intangible assets \$'000	Customer contracts \$'000	Total \$'000
At 1 July 2013				
Cost	67,662	3,991	17,210	88,863
Accumulation amortisation and impairment	(630)	(2,114)	(14,227)	(16,971)
Net book amount	<u>67,032</u>	<u>1,877</u>	<u>2,983</u>	<u>71,892</u>
Half-year ended 31 December 2013				
Opening net book amount	67,032	1,877	2,983	71,892
Additions internal development	-	748	-	748
Amortisation charge**	-	(304)	(93)	(397)
Closing net book amount	<u>67,032</u>	<u>2,321</u>	<u>2,890</u>	<u>72,243</u>
At 31 December 2013				
Cost	67,662	4,739	17,210	89,611
Accumulation amortisation and impairment	(630)	(2,418)	(14,320)	(17,368)
Net book amount	<u>67,032</u>	<u>2,321</u>	<u>2,890</u>	<u>72,243</u>
At 1 July 2014				
Cost	67,662	4,886	17,210	89,758
Accumulation amortisation and impairment	(62,059)	(2,396)	(14,696)	(79,151)
Net book amount	<u>5,603</u>	<u>2,490</u>	<u>2,514</u>	<u>10,607</u>
Half-year ended 31 December 2014				
Opening net book amount	5,603	2,490	2,514	10,607
Additions internal development	-	113	-	113
Impairment charge	(5,603)	(2,461)	(2,250)	(10,314)
Amortisation charge**	-	(142)	(264)	(406)
Closing net book amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2014				
Cost	67,662	4,999	17,210	89,871
Accumulated amortisation and impairment	(67,662)	(4,999)	(17,210)	(89,871)
Net book amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

** Amortisation of \$405,964 (2013: \$397,488) is included in depreciation and amortisation expense in profit or loss.

9 Borrowings

	31 December 2014			30 June 2014		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Secured						
Bank loans	28,697	57,062	85,759	31,798	86,623	118,421
Prepaid borrowing costs	-	(2,196)	(2,196)	-	(2,230)	(2,230)
Hire purchase liabilities	13,472	3,394	16,866	18,669	8,262	26,931
Total secured borrowings	42,169	58,260	100,429	50,467	92,655	143,122
Unsecured						
Senior unsecured notes	-	366,569	366,569	-	318,235	318,235
Prepaid borrowing costs	-	(8,371)	(8,371)	-	(8,046)	(8,046)
Total unsecured borrowings	-	358,198	358,198	-	310,189	310,189
Total borrowings	42,169	416,458	458,627	50,467	402,844	453,311

On 15 December 2014 Ausdrill Limited refinanced its senior bank facilities, and secured a new dual currency \$125,000,000 syndicated debt facility. The new debt facility, which matures in March 2018, is with a number of leading lending institutions in the Australian banking market.

The facility provided funding to refinance all amounts outstanding under the Company's existing \$300,000,000 syndicated debt facility and contains increased flexibility and covenant headroom.

All banking covenants have been complied with at reporting date.

10 Dividends

(a) Ordinary shares

	Half-year ended	
	2014 \$'000	2013 \$'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half years ended 31 December 2014 and 2013 were as follows:		
Paid in cash	6,245	17,175

(b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since half-year end the directors have recommended the payment of an interim dividend of 1.0 cent per fully paid ordinary share (2013 - 2.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 March 2015 out of retained profits at 31 December 2014, but not recognised as a liability at the end of the half-year, is as follows:

	3,123	7,807
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11 Contributed equity

(a) Share capital

	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
Ordinary shares				
Fully paid ordinary shares	312,277,224	312,277,224	526,447	526,447

(b) Movements in ordinary share capital

Details	Notes	Number of shares	\$'000
Opening balance 1 July 2014		312,277,224	526,447
Balance 31 December 2014		312,277,224	526,447

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

The Company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. The Board has determined that the dividend reinvestment plan will be suspended until further notice and that all dividends be paid in cash.

12 Events occurring after the balance sheet date

On 25 February 2015, the directors declared the payment of an interim ordinary dividend of 1.0 cent (fully franked) per fully paid share to be paid on 31 March 2015 out of retained profits at 31 December 2014.

The financial effect of the above transaction has not been brought to account at 31 December 2014.

13 Investments in joint ventures

Summarised financial information of joint ventures

	Ownership interest	
	Half-year ended	
	31 December	31 December
	2014	2013
	%	%
African Underground Mining Services Ghana Ltd	50	50
African Underground Mining Services Mali Sarl	50	50
African Underground Mining Services Burkina Faso Sarl	50	50

14 Reconciliation of (loss)/profit after income tax to net cash inflow from operating activities

	31 December 2014 \$'000	31 December 2013 \$'000
(Loss)/profit for the half-year	(177,390)	13,342
Depreciation and amortisation	44,175	53,553
Impairment of goodwill and other intangibles	10,314	-
Impairment of property, plant and equipment	186,968	5,844
(Gain)/loss on sale of non-current assets	(374)	887
Net gains on sale of available-for-sale financial assets	(142)	-
Losses on available-for-sale financial assets at fair value through profit or loss	-	75
Interest receivable	(79)	-
Net foreign exchange differences	(1,983)	149
Bad debts and provision for doubtful debts	7,739	(2,097)
Share of profits of joint ventures	(2,219)	(5,253)
Non-cash employee benefits expense - shared based payments	261	815
Change in operating assets and liabilities:		
Decrease in trade debtors	23,596	22,256
Decrease in inventories	3,904	8,099
(Increase) in deferred tax assets	(9,642)	(5,760)
(Increase)/decrease in other operating assets	(2,625)	3,076
Increase/(decrease) in trade creditors	9,815	(17,614)
Increase/(decrease) in provision for income taxes payable	1,292	(13,212)
(Decrease)/increase in deferred tax liabilities	(16,797)	1,534
Increase in other provisions	121	15
Net cash inflow from operating activities	76,934	65,709

In the directors' opinion:

- (a) the financial statements and notes set out on pages 13 to 31 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that Ausdrill Limited will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the directors.



Ronald George Sayers
Managing Director

Perth
25 February 2015



Independent auditor's review report to the members of Ausdrill Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ausdrill Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ausdrill Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 consolidated entity's financial position as at 31 December 2014 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 Ausdrill Limited, 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*.



Independent auditor's review report to the members of Ausdrill Limited (continued)

Conclusion

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 Ausdrill Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Justin Carroll'.

Justin Carroll
Partner

Perth
25 February 2015