

16 SEPTEMBER 2011

2011 ANNUAL REPORT AND AGM

Please find attached the Ausdrill Limited 2011 Annual Report.

It is anticipated that the hard copy version of the Annual Report, along with the Notice of Meeting, will be distributed to shareholders mid October 2011.

Ausdrill Limited will hold its 2011 Annual General Meeting on Wednesday 23 November 2011 at 4.00pm (Perth time) at the Duxton Hotel, 1 St Georges Tce, Perth, Western Australia.

AUSDRILL LIMITED



Domenic Santini
Company Secretary

**BRINGING MORE
TO MINING**



BRINGING MORE TO MINING

ANNUAL REPORT 2011



CHAIRMAN'S STATEMENT	02
HIGHLIGHTS OF YEAR	03
BUSINESS OVERVIEW	04
OPERATIONS OVERVIEW	05
MANAGING DIRECTOR'S REVIEW OF OPERATIONS	06
OUR YEAR IN PICTURES	13
CORPORATE DIRECTORY	16
DIRECTORS' REPORT	18
CORPORATE GOVERNANCE	33
FINANCIAL STATEMENTS	41
SHAREHOLDER INFORMATION	104
FINANCIAL TABLE	105

AUSDRILL LIMITED
ABN 95 009 211 474



THE COMPLETE MINING SERVICES GROUP

AUSDRILL IS A DIVERSE AND INTEGRATED MINING SERVICES GROUP PROVIDING EXPLORATION, ASSAYING, DRILL AND BLAST, CONTRACT MINING, EQUIPMENT HIRE, PROCUREMENT, LOGISTICS AND MANUFACTURING SERVICES TO BLUE-CHIP MINING AND RESOURCE COMPANIES.

OVER THE PAST 10 YEARS, AUSDRILL HAS GROWN FROM A \$5 MILLION DRILLING COMPANY INTO AN ASX 200 LISTED COMPANY EMPLOYING OVER 4,000 PEOPLE IN 18 SPECIALIST MINING SERVICES BUSINESSES ACROSS EIGHT COUNTRIES.

IN THIS, OUR 24TH YEAR IN BUSINESS, WE'RE CONTINUING TO GET ON WITH WHAT WE DO BEST.



FOCUSING ON WHAT MATTERS

I AM PLEASED TO PRESENT THE ANNUAL REPORT FOR AUSDRILL LIMITED FOR THE YEAR ENDED 30 JUNE 2011 WHICH HIGHLIGHTS CONTINUED GROWTH IN REVENUES AND PROFITABILITY. THE GROUP HAS DELIVERED A RECORD PROFIT OF \$73.3 MILLION. THIS RESULT EXCEEDED EXPECTATIONS, AND IS AUSDRILL'S SEVENTH CONSECUTIVE YEAR OF RECORD PROFITS.

The mining sector continues to experience unprecedented activity with a subsequent high demand for services. This, together with the acquisition in December 2009 of Brandrill Ltd and the increased services offered by Ausdrill, has resulted in revenues increasing by 32.3% to \$834.6 million. Operating margins in the Group have remained largely unchanged despite the Group increasing both its personnel and equipment levels. The safety, recruitment, training and retention of personnel remains a key focus for the Group as the industry is experiencing a shortage of experienced staff particularly in Western Australia.

We regret to report that we experienced a fatality of a contractor at our Western Australian operations and the fatality of an employee at our Ghanaian operations during the year. Our goal continues to be the provision of a work place in which no person suffers injury. Challenges in meeting this objective include an ongoing shortage of skilled labour and the consequent increase in productivity demands that are placed on everyone in the industry.

To meet the expected high demand for our services over the medium term, the Group continues to invest heavily in plant and equipment both in Australia and Africa. To fund that demand, the Group undertook a capital raising in April 2011 and raised a gross amount of \$132 million. Our financial position remains strong with cash at bank of \$141 million and net debt of \$83 million. The Group is therefore well placed to continue to grow and to take advantage of further opportunities as they arise either within or complementary to our core activities.

In line with our previously stated intention of offering a full range of services to the mining industry, the Group has established a mineral assaying business, MinAnalytical Laboratory Services, and acquired Connector Drilling, a hydrogeological drilling business. We consider that the services offered by these businesses will be in high demand and will complement the services already provided to our mining clients. These new Ausdrill businesses form part of our strategy to be a complete mining services provider to the industry.

Commodity prices have remained strong over the year and have underpinned activity in the mining sector. In particular, the record gold price has enhanced the profitability of mining projects in this sector, where we have witnessed an increased

volume of work on existing projects. The Group is particularly well placed to meet the growing needs of the sector.

Notwithstanding the volatility in financial markets, the Group achieved two significant milestones during the financial year, the first being the inclusion in the ASX 200 index and the second being a market capitalisation in excess of \$1 billion.

In recognition of our strong financial result, Ausdrill has increased the final dividend to 6.5 cents per share bringing the total dividend for the financial year to 12.0 cents per share.

The Group is fortunate to employ a dedicated and loyal workforce that is capably led by our Managing Director, Mr Ron Sayers. The contribution by staff to the ongoing success of the Group is appreciated and I thank them for their dedication and commitment to the attainment of another record year for Ausdrill.

Ausdrill is continuing to pursue a strategy of:

- working primarily for the major mining houses;
- seeking long term contracts whenever possible;
- focusing on services to the gold mining industry which historically has provided more than 60% of Ausdrill's revenue; and
- participating in the growth of services required for production of iron ore, particularly in the Pilbara.

While there are significant uncertainties in terms of the global economic outlook, Ausdrill believes this approach will underpin the Group's performance for the next 12 months.

The Group remains in an excellent financial position and has a range of businesses that are now reaping the rewards of the investment made in prior years. The Board looks forward to the future of the Group with confidence that the coming year will be one of continued growth.



T E O'Connor
Chairman

HIGHLIGHTS OF ANOTHER BUSY YEAR

SALES REVENUE IS UP 32.3% FROM \$631.0M TO **\$834.6M**

EBITDA IS UP 30.0% FROM \$150.4M TO **\$195.4M**

EBIT IS UP 40.2% FROM \$80.5M TO **\$112.9M**

PROFIT BEFORE TAX IS UP 53.7% FROM \$64.7M TO **\$99.5M**

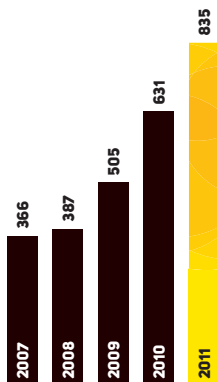
PROFIT AFTER TAX IS UP 52.2% FROM \$48.2M TO **\$73.3M**

BASIC EARNINGS PER SHARE IS UP 14.4% FROM 23.71 CENTS PER SHARE TO **27.13 CENTS** PER SHARE ON AN ENLARGED CAPITAL BASE

FINAL DIVIDEND OF **6.5 CENTS** PER SHARE, FULLY FRANKED

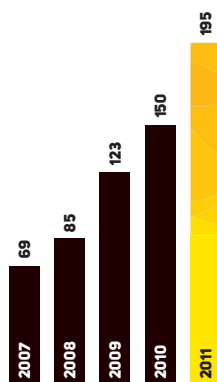
**SALES REVENUE
(\$M)**

834.6



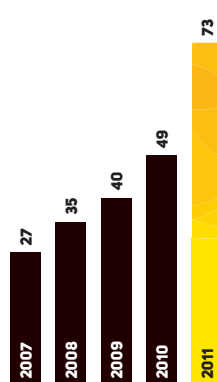
**EBITDA
(\$M)**

195.4



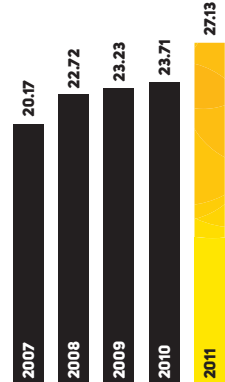
**PROFIT AFTER TAX
(\$M)**

73.3



**EARNINGS PER SHARE
(CENTS)**

27.13



BUSINESS OVERVIEW



EXPLORATION DRILLING (RC, RAB AND DIAMOND)
MINERAL ANALYSIS
WATERWELL DRILLING (ARTESIAN BORES)
DRILL RIG MANUFACTURE
MANUFACTURE OF DRILL RODS, HAMMERS, BITS AND CONSUMABLES
SUPPLIES AND LOGISTICS



EQUIPMENT HIRE
DRILL & BLAST
EARTHMOVING
IN PIT GRADE CONTROL
MANUFACTURE OF DRILL RODS, HAMMERS, BITS AND CONSUMABLES
MINERAL ANALYSIS
WATERWELL DRILLING (PRODUCTION BORES)



UNDERGROUND DEVELOPMENT AND PRODUCTION SERVICES
SUPPLIES AND LOGISTICS

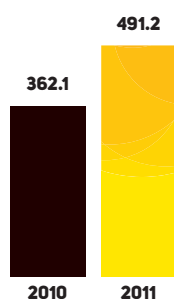


EQUIPMENT HIRE
DRILL & BLAST
IN PIT GRADE CONTROL
LOAD & HAUL AND CRUSHER FEED
MINERAL ANALYSIS
WATERWELL DRILLING (DEWATERING BORES)
MANUFACTURE OF DRILL RIGS AND DUMP TRUCK TRAY BODIES
MANUFACTURE OF DRILL RODS, HAMMERS, BITS AND CONSUMABLES
SUPPLIES AND LOGISTICS

OPERATIONS OVERVIEW

CONTRACT MINING SERVICES AUSTRALIA

REVENUE (\$M)

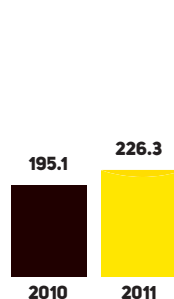


YEAR IN BRIEF

- Brandrill integration completed
- Revenues increased due to first full year of Brandrill since acquisition and growth in business
- Ausdrill Mining Services showing full utilisation of hire fleet at year end
- Energy Drilling Australia set to benefit from activity in coal seam gas market
- Connector Drilling acquired on 21 February 2011
- MinAnalytical to commence laboratory services in Q4 of 2011
- Reported margins impacted by start-up costs (EDA and MinAnalytical), amortisation of intangibles, Connector acquisition costs and provision made on disputed receivable. Q1 of 2011 also impacted moderately by unseasonal weather

CONTRACT MINING SERVICES AFRICA

REVENUE (\$M)

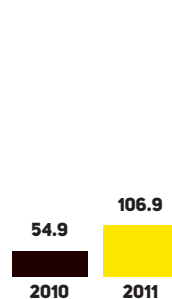


YEAR IN BRIEF

- Revenues higher from increased level of activity. Profits higher from improved performance at operations in Mali and AUMS
- Exploration fleet at full capacity now, expanded into Burkina Faso and Zambia
- Tanzania now providing base for expansion in East Africa – evidenced by award of BHPB contract in Zambia
- African Underground Mining Services (50% owned) has grown from one contract in 2009 to five in 2011
- Stronger A\$ has impacted on reported earnings – if translated at 2010 rates then revenues and NPAT would be higher by A\$28 million and A\$3.9 million respectively

MANUFACTURING

REVENUE (\$M)



YEAR IN BRIEF

- All businesses comprising:
 - Drilling Tools Australia;
 - Drill Rigs Australia;
 - Remet Engineers; and
 - DT HiLoad
 have recorded improved sales and profits
- External sales make up almost half of segment sales

SUPPLY AND LOGISTICS

REVENUE (\$M)



YEAR IN BRIEF

- Continuing improvement from increased level of activity
- External sales amounted to \$47.6 million



GETTING ON WITH WHAT WE DO BEST

I AM PLEASED TO REPORT A STRONG NET PROFIT AFTER TAX OF \$73.3 MILLION FOR THE FULL YEAR TO 30 JUNE 2011. WE HAVE GROWN OUR BUSINESS BY WINNING NEW WORK AND THROUGH ACQUISITIONS, WE HAVE CONTINUED TO ATTRACT NEW STAFF WHO WISH TO BE A PART OF THE AUSDRILL TEAM, WE HAVE STRENGTHENED OUR RELATIONSHIPS WITH KEY CUSTOMERS THROUGH AN EXPANSION OF OUR SERVICE OFFERINGS, AND WE HAVE DELIVERED A STRONG FINANCIAL RESULT.

The increase in revenue and profit is a result of the expansion of the Group's asset base through increased capital expenditure to meet growth in the industry. The Group has also benefitted from the contribution from the Brandrill acquisition in December 2009 and the positive outcomes of the Group's strategy of providing a diverse and vertically integrated service to the mining industry.

Strong commodity prices have underpinned activity in this sector and in particular the record gold price enhances the profitability of mining projects. Ausdrill is particularly well placed to meet the growing needs of the sector. Historically more than 60% of the Group's mining services revenues have been derived from the gold sector. We are also experiencing increasing revenues from the iron ore sector, particularly in the Pilbara.

The reported profits include pre-tax unrealised foreign exchange losses of \$2.3 million and realised foreign exchange losses of \$5.2 million resulting mainly from the strong Australian dollar. Costs relating to the acquisition of Connector Drilling of \$1.05 million have also been expensed as required by Accounting Standards. The profits for the corresponding year to 30 June 2010 included Brandrill merger costs and foreign exchange losses of \$3.5 million on a pre-tax basis.

FINANCIAL PERFORMANCE

Group revenue has increased following the acquisition of Brandrill, which now forms part of the Australian contract mining services segment as well as continued growth in all other parts of the Group.

EBITDA has increased from \$150.4 million in 2010 to \$195.4 million for the year ended 30 June 2011 whilst the EBITDA margin of 23.4% is slightly lower than the margin of 23.8% seen in the year to June 2010 which included the effects of the Brandrill acquisition for the first time.

This result was achieved despite the adverse impact of the strong Australian dollar on the reported profits, costs incurred in the start-up and acquisition of new businesses and provisions made on disputed receivables.

EBIT has increased from \$80.5 million in 2010 to \$112.9 million for the year ended 30 June 2011 whilst the EBIT margin of 13.5% has improved from that seen in the year ended June 2010 of 12.8%, mainly as a result of improved utilisation of equipment during the year.

The after tax profit has increased from \$48.2 million in 2010 to \$73.3 million for the year ended 30 June 2011. The improved profits also include the continued benefit of a lower tax charge due to the profits from the operations in Mali being tax exempt for the first 8 years and a revenue based tax system applying in Tanzania.

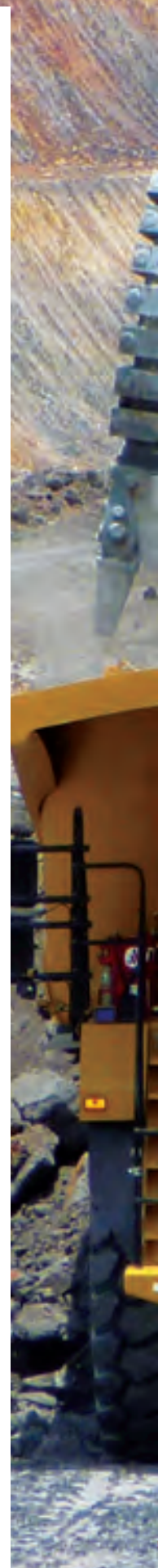
Net cash inflow from operating activities was \$117.3 million (2010: \$123.0 million) and was constrained due to the growth of the business requiring additional investment in working capital.

During the year to 30 June 2011 Ausdrill continued to expand its asset base and acquired property, plant and equipment of \$179 million. The capital expenditure was incurred across most of the segments within the Group with our African business representing more than half of the year's expenditure. The African segment has expanded into new countries including Zambia and Burkina Faso and is also benefitting from an increased level of activity in the gold sector as well as iron ore and copper.

The continued growth in the business has resulted in the need for additional equity and a capital raising which raised a gross amount of \$132 million was undertaken in April 2011.

The return on average capital employed was 11.5% for the year to 30 June 2011 compared to 10.0% in the previous year. (This is calculated as follows: after tax EBIT divided by the sum of average receivables, inventory, plant and equipment, investment in associates, intangibles less payables).

The financial position of the Group remains strong with a net debt to equity ratio of 12.7%, cash of \$141 million, and interest cover (EBIT/Net Interest) of 8.4 times. The Group's net tangible asset position has increased from \$1.78 per share to \$2.06 per share.



CONTRACT MINING SERVICES – AUSTRALIA

The Australian contract mining services business has continued to grow steadily whilst showing an improvement in net profit largely as a result of the improved results from Brandrill.

DRILL AND BLAST

Ausdrill was founded on the drill and blast business and this continues to be an integral part of our service offering. In recent times this business has been augmented by the provision of grade control services.

Brandrill was acquired in December 2009 and now forms part of the Australian contract mining services segment. Most of the Brandrill contracts have been reassigned into the existing Ausdrill businesses. Key contracts are being renegotiated as and when they fall due for renewal which has contributed to an improved performance for the business.

Our production drilling and blasting business secured a new grade control contract commencing in October 2010 for three years with Fortescue Metals Group ("FMG") at its Cloud Break and Christmas Creek operations. In addition we have been awarded a three year grade control contract at FMG's new Solomon project beginning in October 2011. The business was also successful in securing a two year extension to an existing drill and blast contract at St Ives for Gold Fields as well as new contracts at the Carina Iron Ore Project owned by Mineral Resources and the Ravensthorpe Nickel Operation owned by First Quantum Minerals.

Renegotiation of coal contracts over the past year and a rationalisation of the overheads has resulted in an improved result for the division. Additional work secured with new clients such as Anglo Coal and Xstrata shows the sector is continuing to grow. A renewed push back into the Hunter Valley in NSW is also proving to be successful.

The business further undertakes work as a sub-contractor for major civil contractors and during the year has carried out drill and blast works at Barrow Island, the Burrup Peninsula, the Sino Iron project and Cape Preston.

The business was impacted by adverse weather conditions in Western Australia during February and March 2011 with normal operating levels resuming from April 2011. The results for the year also include an impairment charge of \$2.8 million made against a receivable recorded in prior years. The debt is now in dispute and the Group is continuing to seek full recovery of the disputed amount.

The business operates 186 rigs comprising top hammer drills, rotary and blasthole drills, purpose built probe drills and RC grade control drills.

EXPLORATION

The Australian exploration business is conducted through two businesses, one based in Kalgoorlie which primarily focuses on gold and base metals in the Goldfields region and the other based in Perth and servicing the North West of Western Australia. The exploration business operates 42 rigs comprising RAB, RC and diamond drill rigs.



**AUSDRILL'S FLEET OF
OVER 500 DRILL RIGS
AND EARTHMOVING
EQUIPMENT NEARING
FULL DEPLOYMENT
AT JUNE 2011**

The Australian exploration drilling services market has seen renewed activity resulting in a higher utilisation of the rig fleet, both RC and diamond. The continual upgrading of our fleet to align ourselves with our major clients, such as BHP Billiton, Goldfields, Rio Tinto, Barrick, Alacer and Consolidated Minerals, has seen the demand for our services increase two-fold. As the majority of our equipment is committed to long term contracts, we envisage that this trend will continue into the future.

AUSDRILL MINING SERVICES AUSTRALIA (AMSA)

Ausdrill Mining Services Australia runs a fleet of 64 earthmoving units together with an ancillary equipment fleet of 40 units in Australia. Its operations are primarily focused on the Pilbara with the hire of equipment to mining companies and contractors. The services of AMSA have been in strong demand, with full utilisation of the fleet at year end. The outlook for hire equipment is positive for the future with additional investment in new and near-new equipment expected to continue in the next 12 months.

SYNEGEX

SynegeX manufactures and supplies explosives to other Ausdrill businesses and to external customers. In the past year SynegeX has begun to see the benefits of increased revenue from two new supply contracts at Sandfire's DeGrussa project and PMI's Carina project. A recent return to profitability is the best result in 12 months and is expected to improve with increased volumes at Carina. In addition, a third new project commences at Ravensthorpe in late 2011. With five new explosives trucks in the build program we will be able to improve our service to current customers and have capacity to take on more work. These trucks will be completed between September and December this year.

MINANALYTICAL LABORATORY SERVICES

MinAnalytical Laboratory Services was formed to provide analysis of samples to the mining industry. The business is 80% owned by Ausdrill and is progressing with a brand new facility with state of the art equipment in Canning Vale, Western Australia. The business is expected to be operational by the 4th quarter of 2011. It has already secured a management team with combined industry experience of over 200 years, and has received positive enquiries from the Australian and African mining sectors. The formation of this business continues the strategy of horizontal integration whereby the Ausdrill Group will provide a "one-stop shop" to its mining clients.

CONNECTOR DRILLING

The recently acquired hydrogeological drilling business, Connector Drilling, experienced full utilisation of its rig fleet from the acquisition date of 21 February to 30 June 2011. Across this period the business contributed strong earnings performance. Connector Drilling has also completed the fabrication and testing of its drill pipe and casing handling system designed for use with dual rotary rigs. This system leads the industry and was custom built for the latest rig (which was commissioned in July 2011) to join Connector

THE CONTINUAL UPGRADING OF OUR FLEET TO ALIGN OURSELVES WITH OUR MAJOR CLIENTS HAS SEEN THE DEMAND FOR OUR SERVICES INCREASE

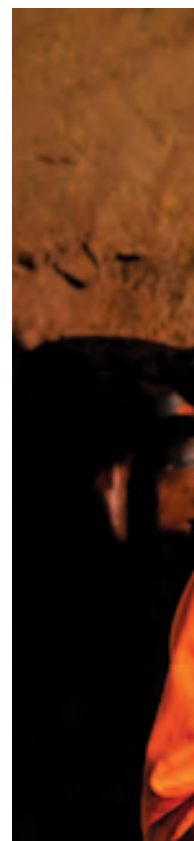
Drilling's fleet. The fleet is to be further expanded with Connector Drilling's 9th rig suite nearing mine site readiness and an additional three rig suites set to be commissioned during the third quarter of the financial year ending June 2012. With the current fleet booked and all new rig suites set to be committed to long term drilling programs with both existing and new clients, Connector Drilling is set to contribute strongly to the Group's 2012 earnings. Costs incurred in relation to the acquisition of the business of \$1.05 million have been expensed in the profit and loss in 2011.

ENERGY DRILLING AUSTRALIA (EDA)

Energy Drilling Australia operates a Foremost Explorer III-65 drilling rig in Queensland that provides drilling services to companies in the coal seam gas industry. The business was 50% owned by Ausdrill during the financial year and, on 1 July 2011, Ausdrill acquired the remaining 50%. The business was established in 2009 and subsequent activities have largely involved testing and commissioning of equipment, recruitment and training of personnel. The operation in Queensland had a slow start due to adverse weather conditions and EDA has as a result reported an equity accounted loss of \$4.1 million for the year (2010: \$0.6 million loss). However, following the award in May 2011 of its first term contract with SANTOS, which is expected to run for 15 months, we anticipate that the business will operate profitably in the next year.

Furthermore, and in view of the outlook for increased activity in this sector, we are seeking to expand this business and have subsequently placed an order for a new Schramm TXD200 drill rig. This is a larger capacity rig compared to the Foremost rig with EDA intending to use it to offer a more flexible drilling package targeting a more diverse range of the work available within the energy sector. We expect to see this rig arrive into Australia in October 2011 with a planned start-up in early 2012.

In addition, EDA is also considering the well servicing market as there is continued demand for this activity after the initial wells are drilled. The business plan is under way with equipment selection to follow and is expected to come to fruition during 2012.



CONTRACT MINING SERVICES – AFRICA

The African contract mining services business has continued to grow steadily whilst showing an improvement in net profit due to the improved contributions from operations in Ghana, Mali and the AUMS Joint Venture. The improvement in revenue was achieved notwithstanding the effects of the stronger Australian dollar in the current period. If the reported revenues and profits were translated at the average exchange rates used in the corresponding prior period then the revenue and profit before tax for the year would increase by \$28.1 million and \$3.9 million respectively.

AFRICAN MINING SERVICES (AMS)

AMS maintains a full suite of surface contract mining and exploration drilling services for the mining industry throughout West Africa. The business was successful in securing a significant 63 month, US\$300 million, contract at the Edikan Gold mine for Perseus Mining Limited which has commenced pre-production works in the first quarter of 2011. Following three years of exploration drilling for Adamus Resources Limited, we commenced works at the Nzema Gold mine in November 2010 where we were awarded a three year, US\$58 million contract.

AMS has received a Letter of Intent for the contract mining works at the Pampe mine, owned and operated by Golden Star Resources Limited. This contract is due to commence operating in August 2011. Other surface mining contracts of significance for African Mining Services are for Kinross at the Chirano mine in Ghana and for AngloGold Ashanti at the Yatela mine in Mali.

AMS is currently experiencing full utilisation of its exploration drilling fleet and we have recently mobilised additional drilling equipment to the region in order to support newly established operations in Burkina Faso. The costs of the establishment of operations in Burkina Faso have resulted

in a \$0.5 million loss and are included in the profit and loss. In addition a provision of \$2.0 million has been made against a disputed claim relating to damages sustained in a fire that occurred at AMS's workshops. AMS is pursuing full recovery of all our claims arising from the incident.

AMS operates 158 major equipment units (being dump trucks, excavators, loaders, blast hole drills and grade control drills) and 17 exploration drills.

AUSDRILL TANZANIA

Ausdrill Tanzania currently provides drilling, blasting and exploration services to Anglo Gold Ashanti at the Geita Gold Mine in Tanzania, as well as regional exploration services to a number of other clients. Ausdrill Tanzania is working on expanding the business by offering these services to other clients in the region. The business operates 18 rigs.

AUSDRILL ZAMBIA

The operations in Tanzania have formed a significant base from which further opportunities in Eastern Africa can be targeted. This is evidenced by the recent expansion into Zambia with BHP Billiton where we have deployed three rigs to carry out exploration drilling services for a 12 month period with an option for a further 12 months. With the entry into Zambia, we have identified a significant number of opportunities and, to assist with the pursuit of these, we are currently building a regional base in Solwezi (located in the "new" copper belt).

AFRICAN UNDERGROUND MINING SERVICES (AUMS)

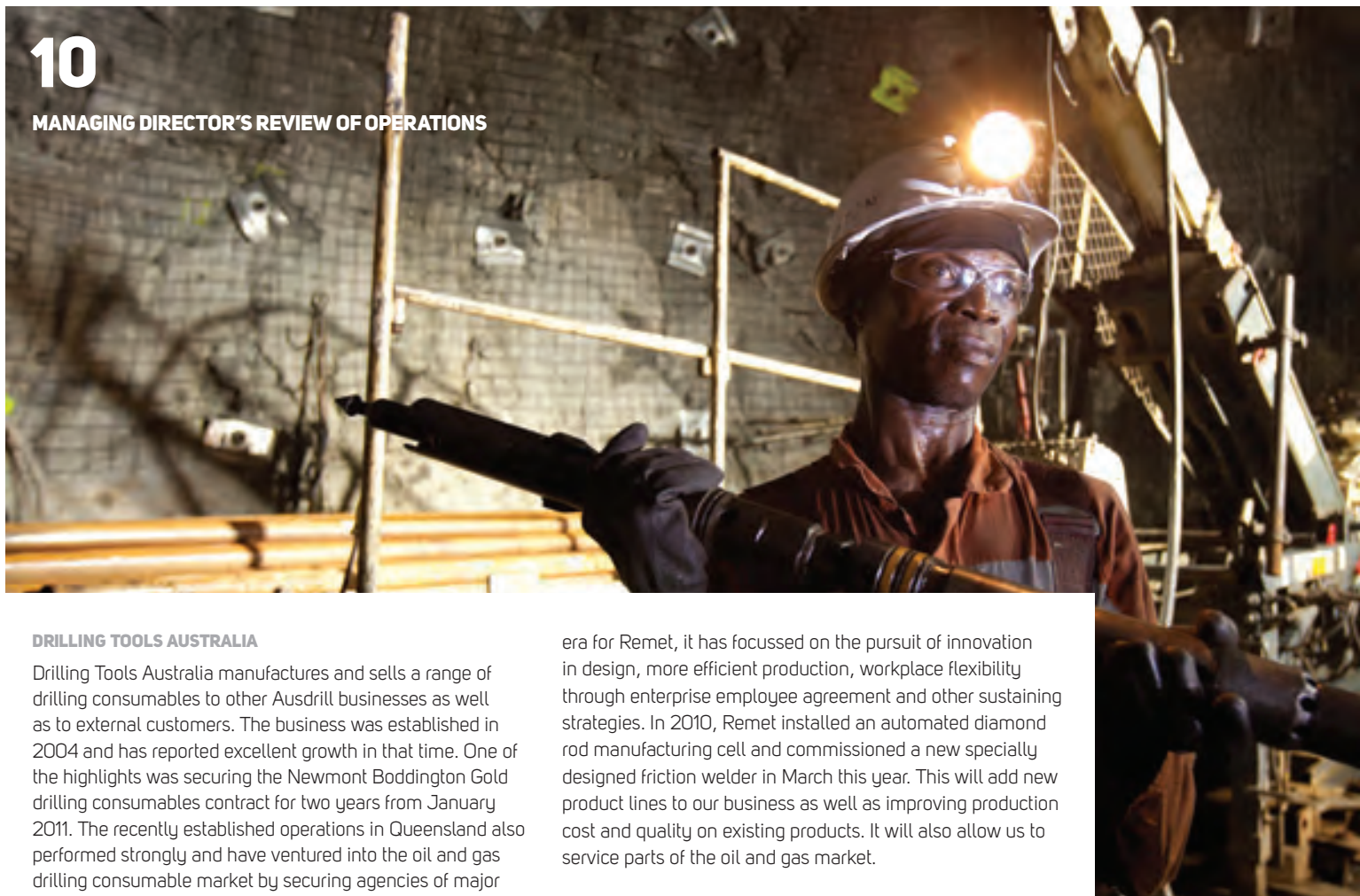
Ausdrill has a 50% interest in African Underground Mining Services, with Barmenco holding the other 50%. This business provides underground mining services to customers in Ghana and Mali and was established in 2009 and 2010 respectively. As expected the business has been steadily growing over that period with the number of underground operations increasing from one to five. Our share of revenue for that business has grown from A\$21.5 million for the year to June 2010 to A\$61.7 million in the year to June 2011 with net profit after tax increasing from a loss of A\$0.1 million to a profit of A\$7.7 million (being Ausdrill's 50% share). The recent award of additional work at the Subika Mine owned by Newmont in Ghana provides further growth for the business for the next financial year.

MANUFACTURING

The manufacturing businesses comprise Drilling Tools Australia, Remet Engineers, Drill Rigs Australia and DT HiLoad, which was acquired as part of the Brandrill acquisition. This segment has recorded a substantial improvement in revenues and profits due to increased sales of drilling consumables and truck tray bodies to the mining sector.

We continue to see growth in sales to external customers with \$50.0 million (2010: \$22.4 million) of the segment sales being to parties outside the group.





DRILLING TOOLS AUSTRALIA

Drilling Tools Australia manufactures and sells a range of drilling consumables to other Ausdrill businesses as well as to external customers. The business was established in 2004 and has reported excellent growth in that time. One of the highlights was securing the Newmont Boddington Gold drilling consumables contract for two years from January 2011. The recently established operations in Queensland also performed strongly and have ventured into the oil and gas drilling consumable market by securing agencies of major suppliers. In the year ahead we plan to continue expansion of product range through continuous research, development, improvement and innovation of the designs of multiple products including a number that are pending patents. There will be an increased investment in training and development of personnel, with special focus on automation and production techniques as well as expansion of capacity to meet growing demands for our products. We plan to expand into exploration markets in Australia, Africa and South America with our new RC hammer range (patent pending) and further expansion into the oil and gas drilling consumable market.

DT HILOAD

DT HiLoad manufactures light weight truck tray bodies. The business has shown an improvement in profitability following the investment in June 2010 in new equipment that allows DT HiLoad to manufacture their specialist dump truck trays locally. The resulting reductions in manufacturing cost has improved margins and improved the competitiveness of this business. Customers have responded positively to the improved capacity to respond quickly to their needs along with the after sales service. We have reached an in-principle agreement to purchase the remaining 10% not owned by the Group as well as patents and rights to the manufacture of the truck trays in the geographic areas that we operate. The transaction remains subject to contract.

REMET ENGINEERS

Remet manufactures high quality drill rods and associated products for the Australian and international mining and exploration industry. It operates out of its long established Kalgoorlie operations and also the recently completed state of the art factory at Canning Vale. During this new

era for Remet, it has focussed on the pursuit of innovation in design, more efficient production, workplace flexibility through enterprise employee agreement and other sustaining strategies. In 2010, Remet installed an automated diamond rod manufacturing cell and commissioned a new specially designed friction welder in March this year. This will add new product lines to our business as well as improving production cost and quality on existing products. It will also allow us to service parts of the oil and gas market.

DRILL RIGS AUSTRALIA

Drill Rigs Australia manufactures rigs mainly for Ausdrill's requirements. The business manufactures exploration rigs (including Diamond, RC and multi-purpose) and grade control rigs, and has recently commenced production of the Rock Commander which is a mid-sized blast hole rig.

SUPPLY & LOGISTICS

Supply Direct has recorded a significant improvement in revenues and consequently in net profit. The improved profit is due to a recovery in general mining activity. Sales to external customers accounted for \$47.6 million of segment sales (2010: \$30.9 million).

OTHER

DIAMOND COMMUNICATIONS

Diamond Communications reported an improved result for the period achieved through works in the western half of Australia for the communications and power sectors. Strong demand for its services in the construction of end to end power and optic fibre infrastructure projects continues. The impending National Broadband Network rollout will further increase demand for the services provided by Diamond.

The successful network build for the Albany wind farm and the continued performance of the Northern Territory remote projects has enhanced our reputation to be able to meet targets whilst encountering difficult work and logistical conditions.

PEOPLE

The Ausdrill Group's dedicated, hard-working people continue to be the key to the continued growth and achievements of the Group.

The number of Group employees as at the close of the 2011 financial year has continued to increase on previous years as a result of ongoing opportunities in Australia and Africa. At 30 June 2011 the number of employees within the Group, including jointly owned entities, increased to 4,362 – an increase of 29.6% on the number at the corresponding time last year and 72.3% on the year ended June 2009.

Despite the competitive nature of the employment market, particularly in Western Australia, the increase in employee numbers is an indication of high activity levels and the increasing diversified nature of the Group's activities both in Australia and Africa. Attracting and retaining quality employees is an ongoing issue for management and the shortage of skills in the labour market is expected to continue.

During the year the Group has actively recruited overseas employees sponsored under temporary working visas and this initiative will continue to support both Australian and African operations. We are exploring opportunities to provide structured training in Australian operations for national employees of our subsidiaries in East and West Africa.

Supplementing the recruitment of experienced personnel, the Group continues to develop and expand the skills of its workforce through apprenticeships and extensive driller training programs both in Australia and Africa.

We continue to promote the Group as an employer of choice while continuing to commit to ongoing training. The growth in employee numbers over the past two years is evidence that we are successfully competing in the labour market.

During the past year, the Group has actively pursued staff initiatives aimed at retaining and reinforcing our caring culture. With the acceptance by the majority of our Australian employees, The Ausdrill Way is an initiative aimed at providing early financial and welfare support in addition to our Employee Assistance Program to employees and their families who may be affected by a family tragedy. Ausdrill has also signed up to support FIFO Families, an organisation formed to provide a valuable support network for the families of fly in, fly out workers.

SAFETY TRAINING AND QUALITY

The management of the Ausdrill Group is committed to providing a safe and healthy working environment for all employees, contractors and visitors. This is being achieved through a wide ranging set of tools, practices and processes.

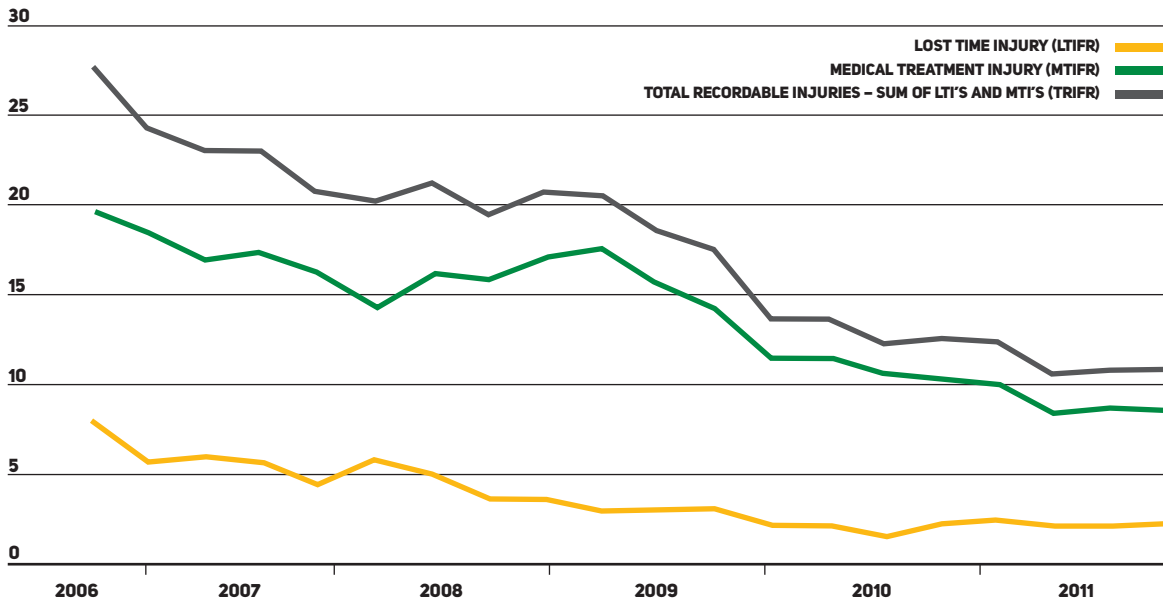
During 2010 and 2011 the Group continued to dedicate significant effort into improving safety performance, encouraging a supportive safety culture and providing managers with tools and skills to assist in the management of HSE Training and Quality.

THE GROWTH IN EMPLOYEE NUMBERS OVER THE PAST TWO YEARS IS EVIDENCE THAT WE ARE SUCCESSFULLY COMPETING IN THE LABOUR MARKET

Safety priority areas included the implementation of an Event Management System for the administration of events including incidents and accidents, safety meetings, action items and the like. This is currently being rolled out across all sites within Australia. The project aligning Standard Work Procedures (SWP's) across all businesses continued, included the developing of risk based SWP's. With the Risk and Opportunity Management Committee finalising the Risk Management Framework, further improvements are being made with detailed site specific risk assessments and management plans for all Ausdrill projects, along with Energy Source Registers and Risk Assessments for all equipment and tasks.

The Training team has been busy developing and providing customised frontline leadership training (Certificate IV in Front Line Management) for senior supervisors, introductory leadership and safety training for new and existing supervisors and coordinating Professional Development for Senior Managers through a partnership with the Australian Institute of Management. In parallel with the Event Management System a Training Management System is being rolled out to assist with the monitoring and co-ordination of internal and external training and competencies, compliances and licences. Within the operations, the team has been busy developing training and operator manuals for drill rigs and mining equipment and providing ongoing nationally recognised training and qualifications in the RIIO9 Drilling Training Package (that was recognised by the National Industry Skills Council, SkillsDMC Chairman's Award for 2010).

This development has been rounded out through the implementation of a Quality based Document Management Centre that will maintain all company documents and subsequent version and approval controls.



The 12 month rolling LTIFR has remained static this year at around 2.2, with the 12 month rolling MTIFR and TRIFR showing steady improvements.

Regrettably, the Ausdrill Group experienced two fatalities during 2010 and 2011.

In line with our commitment to safety, we have fully investigated each incident with a view to ensuring lessons are learnt and improvements implemented where necessary.

OUTLOOK

The Group continues to benefit from its strategy of providing a complete mining service solution to the mining industry at a time when the industry is experiencing strong growth.

We are planning for further expansion of our asset base through further capital expenditures in both Australia and Africa as well as seeking out opportunities (by acquisition or organically) to expand our services. Targeted areas for expansion over and above growth in our core businesses include underground contract mining services in Australia, increased manufacturing capability both in Western Australia and Queensland and additional services to complement our hydrogeological drilling services.

We expect to see growth in all areas of the business and expect that both Australia and Africa will continue to grow, with Africa still holding vast potential for the resources sector.

A key area of concern for the Group and the mining industry in general is the lack of suitably qualified and experienced workforce, particularly in Western Australia, that will be required to meet the needs of the industry in the medium term. These constraints will put pressure on wage rates and may result in a rescheduling of projects. The Group has been actively working on strategies to meet the challenge and will be developing a training academy, with the support of major

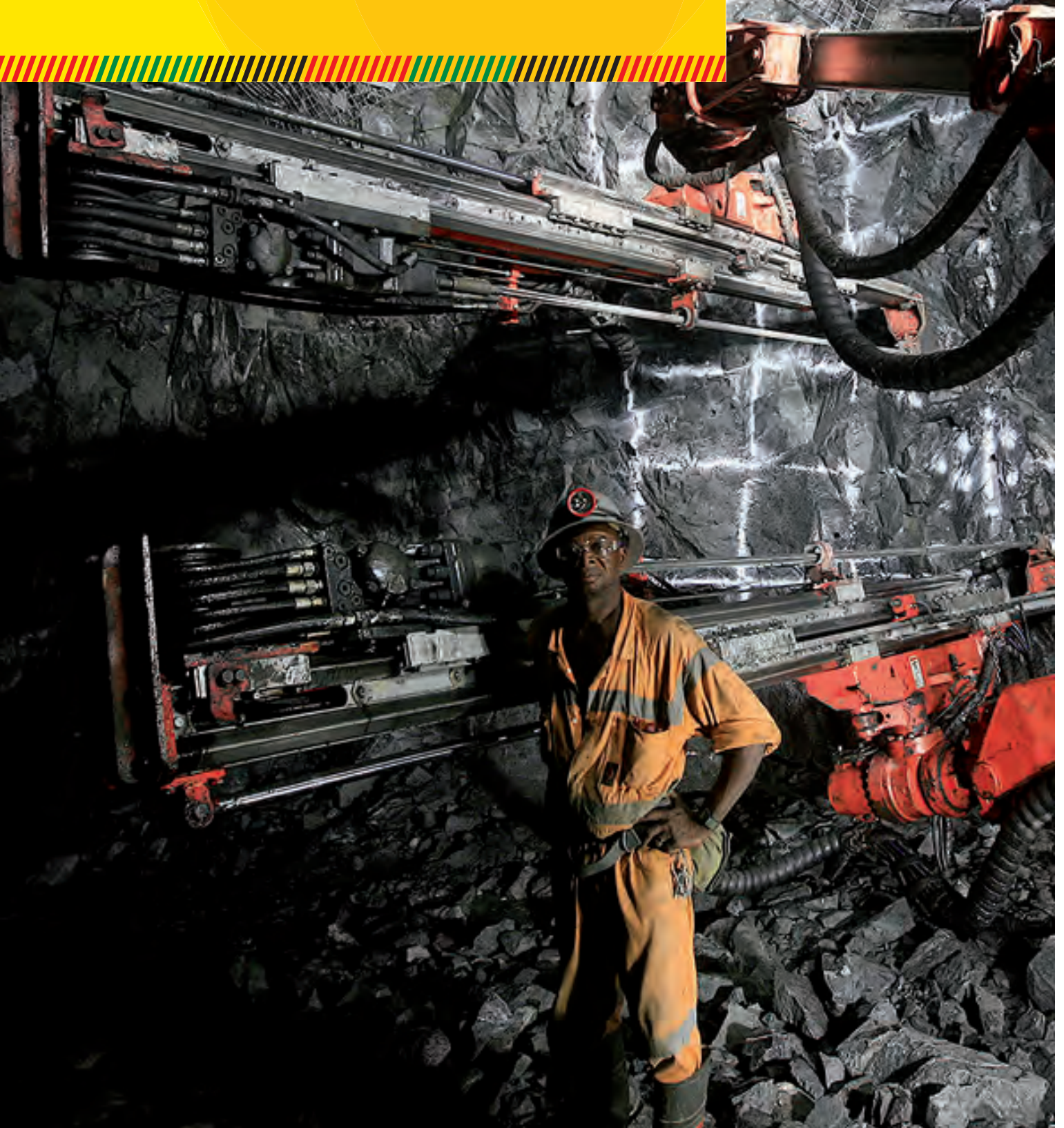
mining companies, to assist in providing the necessary skills for the future in a safe work place.

Subject to no unexpected changes in our operating environment we expect that revenues will continue to increase during 2011/12.

Finally I wish to thank the management team and staff for their efforts during the past year. Their continued dedication and commitment during a period of high activity has resulted in the Group being able to continue to deliver an outstanding result.

R G Sayers
Managing Director

OUR YEAR IN PICTURES



20 YEARS IN AFRICA

AUSDRILL HAS BEEN OPERATING IN AFRICA FOR 20 YEARS AND THE FOLLOWING PHOTOGRAPHS ARE A SNAPSHOT OF OUR ACTIVITIES AND OUR PEOPLE





CORPORATE DIRECTORY

DIRECTORS

Terence Edward O'Connor AM QC
Chairman

Ronald George Sayers
Managing Director

Terrence John Strapp

Mason Gordon Hills

Wallace Macarthur King AO

SECRETARIES

Efstratios V Gregoriadis

Mark Joseph Hughes

Domenic Mark Santini

CHIEF FINANCIAL OFFICER

Mark Joseph Hughes

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

6-12 Uppsala Place
Canning Vale, Western Australia 6155

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000

AUDITOR

PricewaterhouseCoopers
QV1 Building
250 St George's Terrace
Perth, Western Australia 6000

SOLICITORS

Clifford Chance
Level 12, London House
216 St George's Terrace
Perth, Western Australia 6000

Mallesons Stephen Jaques
Level 10, 152 St George's Terrace
Perth, Western Australia 6000

BANKERS

HSBC Australia Limited
190 St George's Terrace
Perth, Western Australia 6000

Westpac Banking Corporation Limited
Level 14
109 St George's Terrace
Perth, Western Australia 6000

STOCK EXCHANGE LISTINGS

Ausdrill Limited shares are listed
on the Australian Stock Exchange.
ASX CODE: **ASL**

WEBSITE ADDRESS

www.ausdrill.com.au

Ausdrill Limited
ABN 95 009 211 474

FINANCIAL REPORT

30 JUNE 2011

DIRECTORS' REPORT	18
AUDITOR'S INDEPENDENCE DECLARATION	32
CORPORATE GOVERNANCE STATEMENT	33
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	41
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	42
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	43
CONSOLIDATED STATEMENT OF CASH FLOWS	44
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	45
DIRECTORS' DECLARATION	101
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSDRILL LIMITED	102
SHAREHOLDER INFORMATION	104
FINANCIAL TABLE	105

This financial report covers the consolidated financial statements for the consolidated entity consisting of Ausdrill Limited and its subsidiaries. The financial report is presented in the Australian currency.

Ausdrill Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ausdrill Limited
6-12 Uppsala Place
CANNING VALE WA 6155

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Managing Director's Report on Operations commencing on page 6 and in the Directors' Report on page 18, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 29 August 2011. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.ausdrill.com.au.

DIRECTORS' REPORT

30 JUNE 2011

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Ausdrill Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

DIRECTORS

The following persons were directors of Ausdrill Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

T E O'Connor

R G Sayers

T J Strapp

M G Hills

W M King was appointed as a non-executive director on 5 April 2011 and continues in office at the date of this report.

J E Askew was a director from the beginning of the financial year until his resignation on 7 June 2011.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of:

- (a) provision of mining services including:
 - earthmoving;
 - drilling and blasting;
 - exploration drilling;
 - in-pit grade control;
 - waterwell drilling; and
 - mineral analysis.
- (b) manufacture of drilling rods and consumables, drill rigs and dump truck tray bodies;
- (c) provision of mining supplies and logistics services; and
- (d) contract services to the telecommunications and utility sectors.

DIVIDENDS – AUSDRILL LIMITED

Dividends paid to members during the financial year were as follows:

	2011 \$'000	2010 \$'000
Final ordinary dividend for the year ended 30 June 2010 of 6 cents (2009: 6 cents) per fully paid share paid on 29 October 2010.	15,709	10,486
Interim ordinary dividend for the year ended 30 June 2011 of 5.5 cents (2010: 5 cents) per fully paid share paid on 21 April 2011.	14,474	10,438
	30,183	20,924

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$19,594,414 (6.5 cents per fully paid share) to be paid on 27 October 2011 out of retained profits at 30 June 2011.

REVIEW OF OPERATIONS

A separate detailed review of Group operations during the financial year is included in the Managing Director's Report on Operations and details on the segment results are set out in note 4 to the financial report.

DIRECTORS' REPORT

CONTINUED

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 21 February 2011, the Group acquired the Connector waterwell drilling business. Consideration paid was \$28m plus deferred consideration of \$3m to the end of 30 June 2011.

Other significant changes in the state of affairs of the Group during the financial year were as follows:

	2011 \$'000
A net increase in contributed equity of \$132,515,000 (from \$369,181,000 to \$501,696,000) as a result of:	
Issue of 647,083 fully paid ordinary shares @ \$2.23 each under the dividend reinvestment plan	1,443
Conversion of 833,328 options @ \$1.29 each	1,075
Placement of 37,000,000 shares @ \$3.50 each	129,500
Issue of 410,672 fully paid ordinary shares @ \$3.67 each under the dividend reinvestment plan	1,507
Issue of 741,275 fully paid ordinary shares @ \$3.50 each under the share purchase plan	2,594
Costs associated with issues of shares, net of tax	(3,604)
Net increase in share capital	<u>132,515</u>

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulations but is committed to reducing the impact of its operations on the environment. Our clients have obligations under environmental regulations. The Group complies with its contractual obligations in this regard.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

INFORMATION ON DIRECTORS

Terence Edward O'Connor AM QC LLB (WA). *Non-executive Chairman.* Age 73.

Experience and expertise

Mr Terry O'Connor is a Barrister. He is a graduate of the University of Western Australia, and was formerly a partner in the legal firm Stone James Stephen Jaques (now Mallesons Stephen Jaques). Mr O'Connor was formerly the Chairman of the Anti-Corruption Commission, the Chancellor of the University of Notre Dame Australia and a Commissioner of the Australian Football League. Mr O'Connor has held the position of Chairman since 1993.

Other current directorships

Non-executive director of EBM Insurance Brokers Limited from 1990.

Former directorships in last 3 years

None

Special responsibilities

Chairman of the Board.
Chairman of the Remuneration Committee.
Member of the Audit Committee.

Interests in shares

1,004,285 ordinary shares.

INFORMATION ON DIRECTORS (CONTINUED)

Ronald George Sayers *Managing Director. Age 59.*

Experience and expertise

Mr Ron Sayers was re-appointed as Managing Director in December 2000. Mr Sayers founded Ausdrill in 1987 and was Managing Director until May 1997. He was formerly the branch manager of a large mining supply group and has been involved with the mining industry for over 40 years.

Other current directorships

None.

Former directorships in last 3 years

Non-executive director of Carbine Resources Limited from March 2007 to May 2011.

Special responsibilities

Managing Director.

Member of the Remuneration Committee (up to 17 December 2010).

Interests in shares

36,846,782 ordinary shares.

Terrence John Strapp CPA, F Fin., MAICD *Non-executive director. Age 67.*

Experience and expertise

Mr Terry Strapp was appointed as a non-executive director on 21 July 2005.

Mr Strapp has extensive experience in banking, finance and corporate risk management and has been actively involved in the mining industry for 30 years. He is a Certified Practising Accountant (CPA), a Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

Other current directorships

Non-executive director of GR Engineering Limited from 2011.

Former directorships in last 3 years

Non-executive director of The Mac Services Group Limited.

Special responsibilities

Chairman of the Audit Committee.

Member of Remuneration Committee.

Interests in shares

400,000 ordinary shares.

DIRECTORS' REPORT
CONTINUED

INFORMATION ON DIRECTORS (CONTINUED)

Mason Gordon Hills BEc, LLB (Hons) *Non-executive director. Age 40.*

Experience and expertise

Mr Mason Hills was appointed as a non-executive director on 24 February 2010.

Mr Hills has practised extensively in corporate finance and resources law. He was a partner of Wright Legal, a niche resources and industry focused banking and corporate law firm, before joining Resource Capital Fund in 2006. Mr Hills' practice included acquisitions, public offerings, corporate and securities regulation, project development and corporate and project finance acting for mining, mining services, financial institutions and government bodies both in Australia and overseas.

Mr Hills has a Bachelor of Economics from the University of Western Australia and a Bachelor of Laws with First Class Honours from Murdoch University.

Other current directorships

Non-executive director of Talison Lithium Limited from October 2009.

Non-executive director of Bannerman Resources Limited from May 2011.

Former directorships in last 3 years

Non-executive director of Brandrill Limited from September 2008 to December 2009.

Special responsibilities

Member of the Audit Committee.

Interests in shares

Mr Hills is an employee of Resource Capital Fund which holds 7,898,160 Ausdrill shares at the date of this report.

Wallace Macarthur King AO, BE, MEngSc, Hon DSc, Hon FIEAust, CPEng, FAICD, FAIM, FAIB, FTSE

Non-executive director and Deputy Chairman. Age 67.

Experience and expertise

Mr King is a Civil Engineer and has worked in the construction industry for over 40 years. He was Chief Executive Officer of Leighton Holdings Limited, a company with substantial operations in Australia, Asia and the Middle East, from 1987 until his retirement on 31 December 2010. He remains as a consultant.

Mr King is an Honorary Fellow of the Institution of Engineers Australia, a Foundation Fellow of the Australian Institute of Company Directors, and a Fellow of the Australian Institute of Management, the Australian Institute of Building and the Australian Academy of Technological Sciences and Engineering. He is also a Member of the American Society of Civil Engineers.

Mr King was appointed as a non-executive director and deputy chairman on 5 April 2011.

Other current directorships

Non-executive director of Coca-Cola Amatil Limited from 2002.

Director of University of New South Wales Foundation Limited, Kimberley Foundation Australia Limited and Garvan Research Foundation.

Former directorships in last 3 years

Chief Executive Officer of Leighton Holdings Limited until December 2010.

Special responsibilities

Deputy Chairman.

Member of Remuneration Committee.

Interests in shares and options

104,285 ordinary shares.

1,000,000 options over ordinary shares in Ausdrill Limited.

DIRECTORS' REPORT
 CONTINUED

INFORMATION ON DIRECTORS (CONTINUED)

James Edward Askew BE (Min) (Melb), M Eng Sci (Melb), F.AusIMM., M.A.I.M.E., M.C.I.M.M. *Non-Executive director.*
 Age 63.

Experience and expertise

Mr Jim Askew is a mining engineer, having some 40 years international experience in the mining industry. He has held numerous positions on boards of mining companies in Australia, Europe and North America and has been a non-executive director of Ausdrill since 1987. Resigned 7 June 2011.

Other current directorships

Chairman of OceanaGold Corporation since 2006.

Non-executive director of Golden Star Resources Ltd from 1999.

Non-executive director of Conquest Mining Limited since 2010.

Former directorships in last 3 years

Chairman of Sino Gold Mining Ltd from 2002 to 2009.

Chairman of Asian Mineral Resources Limited from 2002 to 2010.

Non-executive director of Eldorado Gold Corporation from 2009 to 2010.

Special responsibilities

Member of the Audit Committee.

Member of the Remuneration Committee.

Interests in shares

600,000 ordinary shares.

COMPANY SECRETARIES

The company secretaries of the company are Efstratios V Gregoriadis, Mark Joseph Hughes and Domenic Mark Santini.

Efstratios (Strati) Gregoriadis B.A., L.L.B., M.B.A joined the Company in February 2011 in the position of Group General Counsel / Company Secretary. Prior to joining the Company Mr Gregoriadis held the role of Group General Counsel / Company Secretary at Macmahon Holdings Limited and has held various other positions as a lawyer in private legal practice.

Mr Hughes is a Chartered Accountant who was appointed as company secretary in September 1994. He is the Chief Financial Officer of the Company having been promoted to this position in June 2000. Prior to joining the Company, Mr Hughes was a senior audit manager at a major chartered accounting practice.

Mr Santini is a Certified Practising Accountant who was appointed as company secretary in August 2007. He is also the Group Financial Controller of the Company. During the ten years prior to joining the Company, Mr Santini held various commercial roles with public and private companies.

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

	Full meetings of directors		Audit	Meetings of committees			
	A	B		B	Remuneration		B
T E O'Connor	17	17	3	3	1		1
R G Sayers	17	17	*	*	*		*
J E Askew	16	17	2	3	0		1
T J Strapp	17	17	3	3	1		1
M G Hills	17	17	3	3	*		*
W M King	3	3	*	*	1		1

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = Not a member of the relevant committee

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr T E O'Connor and Mr M G Hills are the directors retiring by rotation who, being eligible, offer themselves for re-election.

DIRECTORS' REPORT
CONTINUED

REMUNERATION REPORT

This remuneration report sets out remuneration information for Ausdrill Limited's non-executive directors, executive directors, other key management personnel and the five highest remunerated executives of the Group.

The key management personnel of Ausdrill Limited includes the directors as per pages 19-22 and the following executive officers, which are also the 5 highest paid executives of the Company:

- R G Sayers – Managing Director
- A J McCulloch – General Manager Australian and East African Operations
- M C Crocker – Group Engineering Manager
- M J Hughes – Chief Financial Officer
- J E Martins – General Manager Corporate Finance & Investor Relations

The key management personnel of the Group are the directors of Ausdrill Limited as per pages 19-22 and the following executive officers, which are also the 5 highest paid executives of the Group.

- R G Sayers – Managing Director
- J Kavanagh – General Manager West African Operations
- A J McCulloch – General Manager Australian and East African Operations
- C A Gall – Regional Manager East Africa
- T J Collins – Regional Operations Manager East Africa

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate. The framework aligns executive reward with achievement of strategic objectives and conforms with prevailing market conditions. The Board ensures that executive remuneration satisfies the following key criteria for good governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- transparency; and
- capital management.

The Group has structured an executive remuneration framework that attracts and retains high calibre executives, is market competitive and complementary to the goals of the organisation. The structure recognises Group growth, rewards capability and experience and provides a clear salary structure.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board ensures non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Directors' fees

The current base fees were last reviewed with effect from 1 July 2010. The Chairman and other non-executive directors who chair a committee receive additional yearly fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool currently stands at \$800,000 per annum and was approved by shareholders at the annual general meeting on 27 November 2009.

	From 1 July 2010
Base fees	
Chairman	\$120,000
Deputy chairman	\$100,000
Other non-executive directors	\$80,000
Additional fees	
Audit committee – chairman	\$10,000
Remuneration committee – chairman	\$10,000

REMUNERATION REPORT (CONTINUED)***Retirement allowances for non-executive directors***

Australian based resident non-executive directors are also entitled to superannuation in accordance with the Superannuation Guarantee Legislation.

Other than compulsory superannuation contributions, non-executive directors do not receive any retirement allowances.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits,
- short term performance incentives,
- other remuneration such as superannuation, and
- long-term incentives through participation in the Ausdrill Employee Option Plan.

The combination of these comprises the executive's total remuneration.

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive fixed base pay. The remuneration committee obtain relevant comparative information and seek independent advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Benefits

Executives can elect to receive a fully maintained motor vehicle as a component of their base pay.

Short-Term Incentives

The cash bonus is discretionary based on the Group's performance and the amount is agreed by the remuneration committee.

The service bonus to all employees is based on years of service and payable annually.

Superannuation

Retirement benefits are delivered under the Superannuation Guarantee Legislation.

Ausdrill Employee Option Plan

Options are granted under the Ausdrill Employee Option Plan which was last approved by shareholders at the 2005 annual general meeting. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Under the plan, participants are granted options which only vest if the employees are still employed by the Group at the end of the vesting period.

Options are granted under the plan for no consideration. Options are granted for a five year period and become exercisable as follows:

- 33.33% after the second anniversary
- 33.33% after the third anniversary
- 33.33% after the fourth anniversary

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

DIRECTORS' REPORT
CONTINUED

REMUNERATION REPORT (CONTINUED)

Performance of Ausdrill Limited

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the four years to June 2011.

	30 June 2011 \$000	30 June 2010 \$000	30 June 2009 \$000	30 June 2008 \$000
Revenue	839,213	632,861	508,965	390,984
Net profit before tax	99,458	64,704	57,642	50,474
Net profit after tax	73,317	48,177	40,245	35,332
Share price at start of year (\$)	1.65	0.91	2.47	2.59
Share price at end of year (\$)	3.31	1.65	0.91	2.47
Basic earnings (cents per share)	27.13	23.71	23.23	22.72
Diluted earnings (cents per share)	26.92	23.53	23.23	22.72
Dividends (cents per share)	11.50	11.00	11.00	11.00

During the year there was a cash service bonus paid. These bonuses are discretionary and are subject to the Group's overall performance.

During the year the Company issued 1,100,000 options under the Ausdrill Employee Option Plan. The Employee Option Plan is designed to provide long-term incentives for executives to deliver long-term shareholder returns.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and the five highest paid executives of the Ausdrill Limited Group are set out in the following tables.

Key management personnel of the Group and other executives of the Company and the Group

2011	Short-term employee benefits				Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary & fees \$	Cash bonus* \$	Non monetary benefits \$	Service bonus \$	Super-annuation \$	Long service leave \$	Options \$	Total \$
Non-executive directors								
T E O'Connor	130,000	—	—	—	11,700	—	—	141,700
W M King ²	25,000	—	—	—	2,250	—	—	27,250
T J Strapp ⁵	120,000	—	—	—	9,450	—	—	129,450
M G Hills	80,000	—	—	—	7,200	—	—	87,200
J E Askew ¹	69,177	—	—	—	—	—	—	69,177
Sub-total non-executive directors	424,177	—	—	—	30,600	—	—	454,777
Executive director								
R G Sayers ³	618,000	596,330	25,000	—	94,170	18,750	—	1,352,250
Other key management personnel								
J Kavanagh	504,977	100,000	67,546	15,833	—	7,926	14,447	710,729
A J McCulloch	280,707	100,000	25,000	6,181	45,026	11,870	14,447	483,231
C A Gall	353,863	—	46,273	16,471	—	6,341	4,816	427,764
T J Collins	325,481	—	46,273	5,307	—	5,089	—	382,150
M J Hughes	258,562	50,000	—	14,503	29,076	9,004	9,631	370,776
M C Crocker	232,056	50,000	25,000	16,157	26,839	9,612	9,631	369,295
J E Martins ⁴	241,399	—	—	—	21,726	—	59,012	322,137
Total key management personnel compensation	3,239,222	896,330	235,092	74,452	247,437	68,592	111,984	4,873,109

* Cash bonus paid relates to the year ended 30 June 2010.

¹ Mr J E Askew resigned from the Board on 7 June 2011.

² M W M King was appointed as a non-executive director on 5 April 2011.

³ Mr R G Sayers was paid a \$650,000 cash bonus, inclusive of superannuation, upon completion of his 4 year service agreement which expired on 30 June 2009.

⁴ Mr J E Martins was appointed on 9 September 2010.

⁵ Mr T J Strapp received a one off payment for \$30,000 for additional services and attendance at fortnightly meetings with management throughout the year.

DIRECTORS' REPORT
 CONTINUED

REMUNERATION REPORT (CONTINUED)

2010	Short-term employee benefits			Service bonus	Post-employment benefits	Long-term benefits	Share-based payments	Total
NAME	Cash salary and fees	Cash bonus*	Non monetary benefits		Super-annuation	Long service leave	Options	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
T E O'Connor	90,000	—	—	—	8,100	—	—	98,100
T J Strapp	60,000	—	—	—	5,400	—	—	65,400
M G Hills ¹	27,500	—	—	—	2,475	—	—	29,975
J E Askew	60,000	—	—	—	—	—	—	60,000
Sub-total non-executive directors	237,500	—	—	—	15,975	—	—	253,475
Executive director								
R G Sayers	500,000	—	25,000	—	69,423	96,678	—	691,101
Other key management personnel								
J Kavanagh ³	468,944	86,962	72,723	14,833	10,436	7,494	20,691	682,083
A J McCulloch	265,637	86,962	25,000	5,263	42,414	9,302	20,691	455,269
A G Broad ²	262,101	61,962	25,000	14,296	31,613	—	20,691	415,663
M C Crocker ³	269,847	36,206	27,756	16,611	10,506	15,586	13,794	390,306
B D Mann	180,692	66,308	25,000	18,243	62,932	12,914	13,794	379,883
M J Hughes ³	245,582	66,308	—	13,586	29,293	10,302	13,794	378,865
Total key management personnel compensation	2,430,303	404,708	200,479	82,832	272,592	152,276	103,455	3,646,645

* Cash bonus paid relates to the year ended 30 June 2009.

1 Mr M G Hills was appointed as a non-executive director on 24 February 2010.

2 Mr A G Broad resigned from the Group in July 2010.

3 Cash salary and fees include paid out accrued annual leave.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk – STI		At risk – LTI *	
	2011	2010	2011	2010	2011	2010
Executive directors of Ausdrill Limited						
R G Sayers	100%	100%	–%	–%	–%	–%
Other key management personnel of Ausdrill Limited and the Group						
J Kavanagh	98%	97%	–%	–%	2%	3%
A J McCulloch	97%	95%	–%	–%	3%	5%
C A Gall	99%	–%	–%	–%	1%	–%
T J Collins	100%	–%	–%	–%	–%	–%
M J Hughes	97%	96%	–%	–%	3%	4%
M C Crocker	97%	96%	–%	–%	3%	4%
J E Martins	82%	–%	–%	–%	18%	–%
A G Broad	–%	95%	–%	–%	–%	5%
B D Mann	–%	96%	–%	–%	–%	4%

* Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year. Negative amounts indicate expenses reversed during the year due to a failure to satisfy the vesting conditions.

DIRECTORS' REPORT
CONTINUED

REMUNERATION REPORT (CONTINUED)

Service agreements

On appointment to the board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for key management personnel are also formalised in service agreements. Each of these agreements provide for other benefits including car allowances and participation, when eligible, in the Ausdrill Limited Employee Option Plan.

All key management personnel are employed on standard letters of appointment that provide for annual reviews of base salary and between 4 and 12 weeks of termination by either party.

Share-based compensation

Options

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	% Vested
12 November 2008	12 November 2010	12 November 2013	\$1.29	\$0.20	100%
12 November 2008	12 November 2011	12 November 2013	\$1.34	\$0.19	n/a
12 November 2008	12 November 2012	12 November 2013	\$1.44	\$0.18	n/a
12 May 2009	12 May 2011	12 May 2014	\$1.29	\$0.15	100%
12 May 2009	12 May 2012	12 May 2014	\$1.34	\$0.14	n/a
12 May 2009	12 May 2013	12 May 2014	\$1.44	\$0.14	n/a
30 June 2009	30 June 2011	30 June 2014	\$1.29	\$0.11	100%
30 June 2009	30 June 2012	30 June 2014	\$1.34	\$0.11	n/a
30 June 2009	30 June 2013	30 June 2014	\$1.44	\$0.10	n/a
29 November 2010	29 November 2012	29 November 2015	\$2.20	\$0.94	n/a
29 November 2010	29 November 2013	29 November 2015	\$2.30	\$0.94	n/a
29 November 2010	29 November 2014	29 November 2015	\$2.40	\$0.94	n/a
3 February 2011	3 February 2013	3 February 2016	\$3.20	\$0.84	n/a
3 February 2011	3 February 2014	3 February 2016	\$3.35	\$0.84	n/a
3 February 2011	3 February 2015	3 February 2016	\$3.50	\$0.85	n/a
9 March 2011	9 March 2013	9 March 2016	\$3.55	\$0.99	n/a
9 March 2011	9 March 2014	9 March 2016	\$3.70	\$0.99	n/a
9 March 2011	9 March 2015	9 March 2016	\$3.85	\$1.00	n/a
25 March 2011	25 March 2013	25 March 2016	\$3.80	\$1.07	n/a
25 March 2011	25 March 2014	25 March 2016	\$4.00	\$1.07	n/a
25 March 2011	25 March 2015	25 March 2016	\$4.15	\$1.08	n/a
29 June 2011	8 July 2012	8 July 2016	\$4.21	\$0.63	n/a
29 June 2011	8 July 2013	8 July 2016	\$4.21	\$0.69	n/a
29 June 2011	8 July 2014	8 July 2016	\$4.21	\$0.74	n/a

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. Options may not be exercised during the period of four weeks prior to the release of the half-yearly and annual financial results of the Group to the market.

Details of options over ordinary shares in the company provided as remuneration to each director of Ausdrill Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Ausdrill Limited. Further information on the options is set out in note 42 to the financial statements.

DIRECTORS' REPORT
 CONTINUED

REMUNERATION REPORT (CONTINUED)

Name	Number of options granted during the year	Value of options at grant date *	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date **
Directors of Ausdrill Limited					
T E O'Connor	—	—	—	—	—
W M King	1,000,000	\$698,000	—	—	—
T J Strapp	—	—	—	—	—
M G Hills	—	—	—	—	—
R G Sayers	—	—	—	—	—
Other key management personnel					
J Kavanagh	—	—	100,000	—	—
A J McCulloch	—	—	100,000	—	—
C A Gall	—	—	33,333	—	—
T J Collins	—	—	—	—	—
M J Hughes	—	—	66,666	—	—
M C Crocker	—	—	66,666	—	—
J E Martins	300,000	\$281,320	—	—	—

* The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

** The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Ausdrill Limited and other key management personnel of the Group are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	Value at exercise date *
Other key management personnel of the Group			
J Kavanagh	19 April 2011	100,000	\$220,860
A J McCulloch	29 November 2010	100,000	\$124,860
C A Gall	6 December 2010	33,333	\$51,286

* The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
19 April 2011	\$1.29
29 November 2010	\$1.29
6 December 2010	\$1.29

No amounts are unpaid on any shares issued on the exercise of options.

Employee share scheme

None of the directors of Ausdrill Limited are eligible to participate in the company's employee share scheme.

Mr W M King was issued 1,000,000 options as part of his remuneration package. This was approved by shareholders at the General Meeting held on 29 June 2011.

DIRECTORS' REPORT
CONTINUED

REMUNERATION REPORT (CONTINUED)

Details of remuneration: options

For each grant of options included in the tables on pages 27 to 28, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The options vest after two, three and four years, provided the vesting conditions are met (see page 24). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Maximum total value of grant yet to vest \$
J Kavanagh	2009	100	—	—	—
	2009	—	—	12/11/2011	2,358
	2009	—	—	11/11/2012	6,046
A J McCulloch	2009	100	—	—	—
	2009	—	—	12/11/2011	2,358
	2009	—	—	11/11/2012	6,046
C A Gall	2009	100	—	—	—
	2009	—	—	12/11/2011	786
	2009	—	—	11/11/2012	2,015
M J Hughes	2009	100	—	—	—
	2009	—	—	12/11/2011	1,572
	2009	—	—	11/11/2012	4,031
M C Crocker	2009	100	—	—	—
	2009	—	—	12/11/2011	1,572
	2009	—	—	11/11/2012	4,031
J E Martins	2010	—	—	29/11/2012	66,574
	2010	—	—	29/11/2013	75,632
	2010	—	—	29/11/2014	80,103
W M King	2011	—	—	08/07/2012	157,600
	2011	—	—	08/07/2013	171,900
	2011	—	—	08/07/2014	368,500

LOANS TO EXECUTIVES AND DIRECTORS

No loans have been made to directors of Ausdrill Limited or the key management personnel of the Group, including their personally-related entities.

DIRECTORS' REPORT
 CONTINUED

SHARES UNDER OPTION

Unissued ordinary shares of Ausdrill Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
12 November 2008	12 November 2013	\$1.29	566,661
12 November 2008	12 November 2013	\$1.34	1,099,998
12 November 2008	12 November 2013	\$1.44	1,100,011
12 May 2009	12 May 2014	\$1.29	66,666
12 May 2009	12 May 2014	\$1.34	66,667
12 May 2009	12 May 2014	\$1.44	66,667
30 June 2009	30 June 2014	\$1.29	166,665
30 June 2009	30 June 2014	\$1.34	166,667
30 June 2009	30 June 2014	\$1.44	166,668
29 November 2010	29 November 2015	\$2.20	100,000
29 November 2010	29 November 2015	\$2.30	100,000
29 November 2010	29 November 2015	\$2.40	100,000
3 February 2011	3 February 2016	\$3.20	66,666
3 February 2011	3 February 2016	\$3.35	66,667
3 February 2011	3 February 2016	\$3.50	66,667
9 March 2011	9 March 2016	\$3.55	133,332
9 March 2011	9 March 2016	\$3.70	133,333
9 March 2011	9 March 2016	\$3.85	133,335
25 March 2011	25 March 2016	\$3.80	66,666
25 March 2011	25 March 2016	\$4.00	66,667
25 March 2011	25 March 2016	\$4.15	66,667
29 June 2011	8 July 2016	\$4.21	250,000
29 June 2011	8 July 2016	\$4.21	250,000
29 June 2011	8 July 2016	\$4.21	500,000
			<hr/> 5,566,670 <hr/>

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Ausdrill Limited were issued during the year ended 30 June 2011 on the exercise of options granted under the Ausdrill Limited Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
12 November 2008	\$1.29	833,328

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium in respect of insuring the directors and officers of the Company and the Group. The insurance contract prohibits disclosure of the premium or the nature of liabilities insured against under the policy.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

DIRECTORS' REPORT
CONTINUED**NON-AUDIT SERVICES**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in note 30.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

AUDITORS' INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 32.

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. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



R G SAYERS
MANAGING DIRECTOR

Perth
29 August 2011



Auditor's Independence Declaration

As lead auditor for the audit of Ausdrill Limited for the year ended 30 June 2011, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Henry' with a stylized flourish at the end.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
29 August 2011

PricewaterhouseCoopers, ABN 52 780 433 757
QV1, 250 St Georges Terrace, GPO BOX D198, PERTH WA 6000
DX 77 Perth, Australia
T +61 8 9238 3000, F +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

CORPORATE GOVERNANCE STATEMENT

30 JUNE 2011

The Group and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Group's key governance principles and practices, which are set out in this statement, are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance.

The Group believes that, except in one respect, throughout the 2011 financial year and to the date of this report it has complied with all of the ASX Guidelines. The recommendation with which the Group has not complied is Recommendation 2.4 (that the Board should establish a nomination committee). Given the size of the Board and the Group, the Board considers that it is appropriate for the full Board to perform the functions that would otherwise be fulfilled by a nomination committee.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The relationship between the Board, the Managing Director and other senior management is critical to the long term success of the Group. The directors are responsible to the shareholders and must ensure that the Group is appropriately managed to protect and enhance the interests and wealth of shareholders and other key stakeholders. The Board recognises its responsibility to act honestly, fairly, diligently and in accordance with the law and to promote this culture throughout the Group.

The responsibilities of the Board include:

- oversee the Group, including its control and accountability systems;
- appoint and remove the Managing Director and conduct his or her performance assessment;
- appoint and remove the Company Secretary;
- ratify the appointment and/or removal of members of the senior management team;
- provide input into and final approval of management's development of corporate strategy and performance objectives;
- provide strategic guidance to the Group including contributing to the development of and approving the corporate strategy;
- review, ratify and monitor systems of risk management and internal control, codes of conduct, and legal compliance;
- monitor senior executives' performance and implementation of strategy;
- ensure appropriate resources are available to senior executives;
- approve and monitor organisational performance and the achievement of the Group's strategic goals and objectives and the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- with the assistance of the Audit Committee, approve and monitor financial and other reporting, including approval of the annual and half-year financial reports and liaison with the Group's external auditors;
- ensure there are effective management processes in place and approve major corporate initiatives;
- enhance and protect the reputation of the Group;
- establish and regularly review an appropriate remuneration policy; and
- consider and review (in lieu of the establishment of a nomination committee):
 - the necessary and desirable competencies of directors;
 - Board succession plans;
 - the process for evaluation of the performance of the Board, its committees and directors; and
 - the appointment and re-election of directors.

Matters reserved to the Board include determining whether the Group should commence business in a new industry or jurisdiction, entering arrangements that create a significant commitment for the Group, the capital structure of the Group including the increase or decrease of shares on issue, and approving business plans and budgets.

Day to day management of the Group's affairs and implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

The Board Charter, available in the Corporate Governance section on the Group's website at www.ausdrill.com.au (the Group's website) explains the balance of responsibility between the Chairman, non-executive directors and the Managing Director.

The monitoring of senior executives' performance and implementation of strategy is, as set out above, the responsibility of the Board. The Managing Director conducts annual performance reviews of the senior executives' who report him to evaluate their performance against relevant performance measures and reports to the Board on the outcome of this review. The last senior executives' performance review was conducted in June 2011 in accordance with the process described in this paragraph.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board operates in accordance with the broad principles expressed in its Charter which is available in the Corporate Governance section on the Group's website. The Charter details the Board's composition and responsibilities.

Details of the members of the Board, their experience, expertise, qualifications and terms of office are set out in the Directors' Report under the heading "Information on Directors". At the date of signing the Directors' Report, the Board comprises one executive director and four non-executive directors.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)**Board composition**

The Board is structured to ensure that:

- its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and an efficient decision-making process.

Under the Board Charter:

- the Board should comprise between 3 and 7 directors;
- a majority of the Board should be independent directors;
- the Chairman should be an independent director;
- the Chairman is elected by the full Board and is required to meet regularly with the Managing Director;
- the Group is to maintain a mix of directors on the Board from different backgrounds with complementary skills and experience; and
- the role of Chairman and Managing Director should not be exercised by the same individual.

Directors' independence

The Board has adopted the definition of "independent director" set out in the ASX Guidelines, and determines the independence of directors based on those guidelines. Materiality for these purposes is determined on both a quantitative and qualitative basis. An amount of over 5% of annual turnover of the Group or 5% of the individual directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

The four non-executive directors (Messrs O'Connor, King, Strapp and Hills), being the majority of the Board, are independent.

The Managing Director, Mr Sayers, is not independent as he is an executive and he and his related entities are substantial shareholders of the Group.

Directors are required to notify the Company Secretary (and the Board at each Board meeting) of any changes to their circumstances which may impact on their independence. The Board formally assesses independence each year. To facilitate this process, the directors are required to provide all information which may be relevant to the assessment.

Non-executive directors

The non-executive directors met on a number of occasions during the year, some occasions in scheduled sessions, without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings were shared with the Board.

Term of office

The Company's Constitution specifies that at every annual general meeting (**AGM**) one-third of the directors (excluding the Managing Director) or the number nearest to but exceeding one-third must retire from office and that no director may retain office without re-election for more than three years or (if later) until the third AGM following their last election.

Chairman and Managing Director

The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functioning. In accepting the position, the Chairman has acknowledged that it requires a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chairman.

The Managing Director is accountable for planning, co-ordinating and directing the operations of the Group to achieve strategic, financial and operating objectives as agreed with the Board.

The roles of Chairman and Managing Director are separate roles and are exercised by separate people.

Induction

Letters of appointment for each new Board member set out the terms and conditions of the appointment as well as the legal and disclosure obligations as required by the Corporations Act 2001 (Cwlth) (**Corporations Act**) and the ASX Listing Rules.

The Group has an induction program for non-executive directors, which enables new directors to actively participate in Board decision-making as soon as possible. The induction program ensures that new directors have a full understanding of, inter alia, the Group's financial position, strategies, operations and risk management policies. It also includes an explanation of the respective rights, duties, responsibilities and roles of the Board and senior executives.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

Commitment

Non-executive directors are expected to spend at least 30 days a year preparing for and attending Board and committee meetings and associated activities.

The number of meetings of the Board and of each Board committee held during the year ended 30 June 2011, and the number of meetings attended by each director, is disclosed on page 22. One of the Board meetings was held at an operational site of the Group and a full tour of the facilities was included as part of the visit.

It is the Group's practice to allow its executive directors to accept appointments outside the Group with prior written approval of the Managing Director. No appointments of this nature were accepted during the year ended 30 June 2011.

The commitments of non-executive directors are considered by the Board prior to a director being appointed to the Board and these commitments are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Group.

Conflict of interests

The Board has adopted a Conflicts of Interest Protocol which is set out in the Board Charter. In accordance with the Conflicts of Interest Protocol, in circumstances where the Company Secretary has been notified of a conflict of interest by a director or where the Managing Director in consultation with the Chairman has determined a director to have a conflict of interest, for so long as that conflict of interest remains:

- the director concerned will not receive Board (or Board committee) papers or other information which relates in any way to the declared or perceived matter which is the subject of the conflict of interest; and
- the director concerned will be requested to withdraw from any part of a Board (or Board committee) meeting for the duration of any discussion on that matter.

In accordance with the Board Charter, the directors concerned declared their interests in those dealings to the Group and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Group pertaining to those dealings.

Mr Sayers and entities connected with Mr Sayers had business dealings with the Group, as described in note 29 to the financial statements

Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Remuneration and Audit Committees. Each is comprised entirely of non-executive directors. The committee structure and membership is reviewed on an annual basis.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. Each of these charters is reviewed on an annual basis and is available in the Corporate Governance section on the Group's website. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

The full Board performs the functions that would otherwise be fulfilled by a nomination committee.

The Board notes the commentary in the ASX Guidelines that:

- a board nomination committee is an efficient mechanism for examination of the selection and appointment practices of the Group;
- for a smaller Board, the same efficiencies may not be derived from a formal committee structure; and
- companies without a nomination committee should have Board processes in place which raise issues that would otherwise be considered by the nomination committee.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

The Board Charter sets out the Board's policy for the nomination and appointment of directors. This states that it is the responsibility of the Board (in lieu of the establishment of a nomination committee) to consider and review:

- the necessary and desirable competencies of directors;
- Board succession plans;
- the process for evaluation of the performance of the Board, its committees and directors; and
- the appointment and re-election of directors.

The Board assesses the skills required to discharge competently the Board's duties having regard to the Group's performance, financial position and strategic direction. As and when it considers it appropriate, and when a non-executive director retires, the Board assesses the skills represented on the Board by the non-executive directors and determines whether those skills meet the skills identified as required. Having regard to the skills required and the skills already represented on the Board, the Board will implement a process to identify suitable candidates for appointment as a non-executive director. The process for identifying suitable candidates may include a search undertaken by an appropriately qualified independent third party acting on a brief prepared by the Board which identifies the skills sought. The Board then appoints the most suitable candidate who must stand for election at the next AGM of the Group.

The Board's recommendation in respect of the re-election of existing directors is not automatic and is contingent on their past performance, contribution to the Group, and the current and future needs of the Board and the Group. The Board is also aware of the advantages of Board renewal and succession planning.

Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

Performance assessment

The directors undertake an annual self assessment performance evaluation of the Board, its committees and the Chairman. The performance evaluation is conducted in such a manner as the Board deems appropriate. The assessment also considers the adequacy of induction and continuing education, access to information and the support provided by the Company Secretary. Management is invited to contribute to this appraisal process. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. An assessment carried out in accordance with this process was undertaken during February 2011.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. The results and any action plans of the Chairman's assessment are documented together with specific performance goals which are agreed for the coming year.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**Code of conduct**

The Board has adopted a code of conduct for directors to promote responsible decision making and ethical behaviour (**Directors' Code**). The Director's Code is set out in the Company's Board Charter.

The Board considers that the Directors' Code reflects the practices necessary and appropriate to maintain confidence in the Group's integrity and to take into account the directors' legal obligations and the expectations of the Group's stakeholders.

The Board recognises that it has a responsibility to set the ethical tone and standards of the Group.

In addition to the Directors' Code, the Group has adopted a code of conduct for all directors and employees (**Employees' Code**).

The Employees' Code is available in the Corporate Governance section on the Group's website. The Employees' Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and the reasonable expectations of all stakeholders.

In summary, the key principles set out in the Employees' Code require all employees and directors to act with the utmost integrity and professionalism, to exercise objectivity, fairness, equality, courtesy, consideration and sensitivity, to avoid conflicts of interest and to comply with the letter and the spirit of the law. Given that the Group also operates outside of Australia, the Employees' Code contains detailed provisions dealing with bribery of foreign officials. The Employees' Code also details the responsibility and accountability of individuals for reporting and investigating breaches of the code, including the Group's policies on "whistleblowers".

The Group has established a policy concerning trading in the Company's securities by directors, senior executives and employees (**Securities Trading Policy**). This policy is available in the Corporate Governance section on the Group's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING (CONTINUED)

Directors and senior executives must seek the Chairman's consent before trading in the securities of Ausdrill Limited. They (along with those involved in the preparation and release of the Group's financial statements) are also prohibited from trading in the securities of Ausdrill Limited from 1 July until the first trading day after the announcement of the Group's preliminary annual results and the period from 1 January until the first trading day after the announcement of the Group's half-yearly results (except where approved by the Board or in certain other circumstances).

The Securities Trading Policy is reviewed annually by the Audit Committee to assess compliance and effectiveness.

The Board is satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Diversity Policy

The Group has a diverse workforce in various geographic locations around the world. Its workforce comprises employees from varied ethnic backgrounds and races, across both genders.

The Group values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the Group has developed a Diversity Policy, a copy of which can be found on the Group's website.

This policy outlines the Group's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Group's progress in achieving them. The aim is to achieve these objectives in the medium term as positions become vacant and as the Group continues to grow and appropriately skilled candidates are available.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit committee

The Audit Committee is comprised of three independent non-executive directors, being Messrs Strapp (Chairman), O'Connor and Hills. Details of their qualifications and attendance at Audit Committee meetings are set out in the directors' report on pages 19 to 22.

The Audit Committee members are financially literate and have an appropriate understanding of the industries in which the Group operates. Mr Strapp is a qualified accountant and a finance professional with experience in financial and accounting matters.

A copy of the Audit Committee Charter is available in the Corporate Governance section on the Group's website.

The Audit Committee's objectives are to:

- assist the Board to discharge its responsibilities in relation to the Group's:
 - reporting of financial information;
 - application of accounting policies;
 - financial management;
 - internal control systems;
 - risk management systems;
 - business policies and practices;
 - protection of the Group's assets; and
 - compliance with applicable laws, regulations, standards and best practice guidelines;
- improve the credibility and objectivity of the accountability process, including financial reporting;
- provide a formal forum for communication between the Board and senior financial management;
- improve the effectiveness of the external audit function and be a forum for improving communications between the Board and the external auditors;
- facilitate the maintenance of the independence of the external auditor;
- review the Group's financing arrangements and hedging strategies;
- improve the quality of internal and external reporting of financial and non-financial information;
- oversee the establishment and implementation of the risk management and internal control system of the Group; and
- review the effectiveness of the Group's risk management and internal control system.

The Audit Committee obtains regular reports from management, the external auditors and any project teams under its charter.

The Audit Committee has full and open access to all of the Group's books and records and to management, staff and the external auditors of the Group. The Audit Committee is entitled to consult independent experts and institute special investigations if it considers it necessary in order to fulfil its responsibilities.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING (CONTINUED)**External auditors**

The Group and Audit Committee's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PwC was appointed as the external auditor in 1989. It is PwC's policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2009.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 30 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditor is requested to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

PRINCIPLES 5 & 6: MAKE TIMELY AND BALANCED DISCLOSURES AND RESPECT THE RIGHTS OF SHAREHOLDERS**Continuous disclosure and shareholder communication**

The Group has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price or value of the securities of Ausdrill Limited. This helps to ensure investor confidence and achieve full and fair value for the securities of Ausdrill Limited through appropriate disclosure. A copy of the Disclosure Policy is available in the Corporate Governance section of the Group's website.

The Company Secretary has been nominated as the person responsible for communications with the ASX. In addition, the Company Secretary has responsibility for overseeing, coordinating and monitoring disclosure of information to ASX and communicating with the Managing Director, the Chairman and the Chief Financial Officer in relation to continuous disclosure matters.

The Managing Director and the General Manager Corporate Finance & Investor Relations are responsible for overseeing and coordinating disclosure of information to the media and to analysts, brokers and shareholders, and for communicating with the Company Secretary in relation to continuous disclosure matters. The Managing Director and the Company Secretary are responsible for ensuring that all employees are aware of their obligation to bring price-sensitive matters to management's attention, and to safeguard the confidentiality of corporate information to avoid the need for premature disclosure.

The manager of each business unit is responsible for communicating with the Company Secretary in relation to possible continuous disclosure matters concerning the business unit.

All information disclosed to the ASX is posted on the Group's website as soon as practicable after it is disclosed to ASX.

The Group hosts briefings for institutional investors and analysts to discuss information already released to the market via ASX and to provide background information to assist analysts and institutions in their understanding of the Group's businesses. The Group's policy is to not disclose or discuss price sensitive information unless it has already been released to the market via ASX.

Generally, such briefings are conducted by the Managing Director and the General Manager Corporate Finance & Investor Relations. The Company Secretary may attend to consider (together with the Managing Director and other senior executives) whether there has been an inadvertent disclosure of price sensitive information. If there has been such a disclosure, then the information is immediately disclosed to ASX.

The Group has established a Shareholder Communications Policy which recognises the right of shareholders to be informed of matters, in addition to those prescribed by law, which affect their investments in the Group. A copy of this policy is available in the Corporate Governance section of the Group's website.

All shareholders are entitled to receive a copy of the Group's annual reports. In addition, the Group seeks to provide opportunities for communication with shareholders through electronic means.

The Group's website carries the following information for shareholders:

- ASX announcements;
- details relating to the Company's directors and senior management;
- dividend history;
- annual reports;
- top 20 shareholders;
- the full text of notices of meeting and explanatory materials; and
- press releases and financial data for at least the last three years.

PRINCIPLES 5 AND 6: MAKE TIMELY AND BALANCED DISCLOSURES AND RESPECT THE RIGHTS OF SHAREHOLDERS (CONTINUED)

The website allows shareholders to make direct contact with the Group and access Group information on demand. The website also has an option for shareholders to register their email address for email updates on certain Group matters. The Group's share registrar offers a similar service to alert shareholders of new Group announcements to ASX.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit Committee and reviewed by the full Board.

The Audit Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Audit Committee monitors the Group's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the committee:

- reviews the framework and methodology for risk identification, the degree of risk the Group is willing to accept, the management of risk and the processes for auditing and evaluating the Group's risk management system;
- reviews group-wide objectives in the context of the abovementioned categories of corporate risk;
- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Group's exposure to risk;
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis; and
- reviews compliance with agreed policies.

The committee recommends any actions it deems appropriate to the Board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system and has to report to the Audit Committee on the effectiveness of:

- the risk management and internal control system during the year; and
- the Group's management of its material business risks.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

A corporate strategy workshop attended by senior management and some Board members is held annually over several days. The purpose of the workshop is to review the Group's strategic direction in detail and includes specific focus on the identification of the key business and financial risks which could prevent the Group from achieving its objectives.

Risk and opportunity management committee

The Group has established a Risk and Opportunity Management Policy, a copy of which is available in the Corporate Governance section of the Group's website.

The Group's Risk and Opportunity Management Committee, which is comprised of senior executives, is responsible for the operation of the risk management system. The Audit Committee receives quarterly reports from this committee as to the effectiveness of the Group's management of material risks that may impede meeting business objectives.

Each business unit reports on the key business risks in their area to the Risk and Opportunity Management Committee. The basis for this report is a review of the past performance of their area of responsibility, and the current and future risks they face. The review is undertaken by business unit management.

The Risk and Opportunity Management Committee consolidates the business unit reports and recommends any actions to the Audit Committee for its consideration.

Corporate reporting

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Group's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Remuneration Committee consists of Messrs O'Connor (Chairman), Strapp and King. Details of their qualifications and attendance at Remuneration Committee meetings are set out in the directors' report on pages 19 to 22.

The Remuneration Committee operates in accordance with its charter which is available in the Corporate Governance section of the Group's website. The Remuneration Committee's objectives and responsibilities are to review and make recommendations to the Board on:

- remuneration, recruitment, retention and termination policies and procedures for senior executives and directors;
- senior executives' remuneration and incentives;
- superannuation arrangements; and
- the remuneration framework for directors.

The Remuneration Committee Charter states that the Remuneration Committee shall have access to appropriate internal and external resources to enable it to fulfil its functions appropriately. The Remuneration Committee is authorised to seek advice from external consultants or specialists to assist with its functions.

The Group's remuneration policies are aimed at motivating senior executives to pursue the long-term growth and success of the Group, and demonstrating a clear relationship between senior executives' performance and remuneration. No individual is directly involved in deciding his or her own remuneration. The structure of remuneration for non-executive directors is clearly distinguished from that of executive directors and senior executives. Non-executive directors are not entitled to any retirement benefits other than those required pursuant to the Superannuation Guarantee Legislation. Non-executive directors do not receive bonus payments.

Further information on the Group's remuneration of directors and executives (including the principles used to determine remuneration) is set out in the directors' report under the heading "*Remuneration Report*".

The Group's Securities Trading Policy provides that participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

		11	10
	NOTES	\$'000	\$'000
Revenue from continuing operations	5	839,213	632,861
Other income	6	8,431	4,159
Materials		(283,811)	(208,953)
Labour		(283,300)	(211,397)
Rental and hire		(26,206)	(18,876)
Depreciation and amortisation expense	7	(82,509)	(69,833)
Finance costs	7	(18,042)	(17,725)
Other expenses		(56,884)	(43,551)
Business combination / merger costs		(1,045)	(1,255)
Share of net profit / (loss) of associates accounted for using the equity method	37	3,611	(726)
Profit before income tax		99,458	64,704
Income tax (expense)	8	(26,141)	(16,140)
Profit from continuing operations		73,317	48,564
(Loss) from discontinued operations	43	–	(387)
Profit for the year		73,317	48,177
Other comprehensive income			
(Loss) on revaluation of land and buildings, net of tax	26	(50)	(11)
Available-for-sale financial assets	26	–	13
Exchange differences on translation of foreign operations	26	(22,436)	(7,686)
Other comprehensive income for the year, net of tax		(22,486)	(7,684)
Total comprehensive income for the year		50,831	40,493
Profit attributable to:			
Equity holders of Ausdrill Limited		73,403	48,255
Non-controlling interests		(86)	(78)
Profit for the year		73,317	48,177
Total comprehensive income attributable to:			
Equity holders of Ausdrill Limited		50,917	40,571
Non-controlling interests		(86)	(78)
Total comprehensive income for the year		50,831	40,493
Earnings per share		Cents	Cents
Basic earnings per share	41	27.13	23.71
Diluted earnings per share	41	26.92	23.53

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

		11	10
	NOTES	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	140,714	144,387
Trade and other receivables	10	170,670	132,638
Inventories	11	138,958	104,759
Total current assets		450,342	381,784
Non-current assets			
Receivables	12	1,686	2,257
Investments accounted for using the equity method	13	29,268	15,526
Available-for-sale financial assets	14	–	103
Property, plant and equipment	15	542,827	449,763
Deferred tax assets	16	10,912	174
Intangible assets	17	34,701	35,873
Total non-current assets		619,394	503,696
TOTAL ASSETS		1,069,736	885,480
LIABILITIES			
Current liabilities			
Trade and other payables	18	142,633	115,823
Borrowings	19	97,478	95,591
Current tax liabilities	20	20,931	2,252
Provisions	21	5,620	5,379
Total current liabilities		266,662	219,045
Non-current liabilities			
Borrowings	22	126,134	147,309
Deferred tax liabilities	23	19,589	15,523
Provisions	24	2,408	2,115
Total non-current liabilities		148,131	164,947
TOTAL LIABILITIES		414,793	383,992
NET ASSETS		654,943	501,488
EQUITY			
Contributed equity	25	501,696	369,181
Reserves	26(a)	(17,214)	5,000
Retained earnings	26(b)	170,187	126,967
Capital and reserves attributable to the owners of Ausdrill Limited		654,669	501,148
Non-controlling interests		274	340
TOTAL EQUITY		654,943	501,488

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

CONSOLIDATED – 2010	NOTES	ATTRIBUTABLE TO MEMBERS OF AUSDRILL LIMITED				Non-controlling interests	Total equity
		Contributed equity	Reserves	Retained earnings	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009		194,152	12,342	99,636	306,130	–	306,130
Profit for the year		–	–	48,255	48,255	(78)	48,177
Other comprehensive income		–	(7,684)	–	(7,684)	–	(7,684)
Total comprehensive income for the year		–	(7,684)	48,255	40,571	(78)	40,493
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		4,027	–	–	4,027	–	4,027
Shares issued in consideration of acquisition of subsidiary, net of transaction costs		70,466	–	–	70,466	–	70,466
Shares issued pursuant to capital raising, net of transaction costs		100,536	–	–	100,536	–	100,536
Non-controlling interest on acquisition of subsidiary		–	–	–	–	418	418
Dividends paid	27	–	–	(20,924)	(20,924)	–	(20,924)
Employee share options – value of employee services	26	–	342	–	342	–	342
Balance at 30 June 2010		369,181	5,000	126,967	501,148	340	501,488
CONSOLIDATED – 2011							
Balance at 1 July 2010		369,181	5,000	126,967	501,148	340	501,488
Profit for the year		–	–	73,403	73,403	(86)	73,317
Other comprehensive income		–	(22,486)	–	(22,486)	–	(22,486)
Total comprehensive income for the year		–	(22,486)	73,403	50,917	(86)	50,831
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		2,921	–	–	2,921	–	2,921
Non-controlling interests on acquisition of subsidiary		–	–	–	–	20	20
Shares issued pursuant to capital raising, net of transaction costs		128,532	–	–	128,532	–	128,532
Shares issued on conversion of employee share options, net of transaction costs		1,062	–	–	1,062	–	1,062
Dividends paid	27	–	–	(30,183)	(30,183)	–	(30,183)
Employee share options – value of employee services	26	–	272	–	272	–	272
Balance at 30 June 2011		501,696	(17,214)	170,187	654,669	274	654,943

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	11 \$'000	10 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		842,017	644,383
Payments to suppliers and employees (inclusive of goods and services tax)		(705,915)	(487,367)
		136,102	157,016
Interest received		4,572	1,898
Interest and other costs of finance paid		(17,223)	(16,952)
Income taxes paid		(10,349)	(21,094)
Management fee received from associate		4,247	2,139
Net cash inflow from operating activities	39	117,349	123,007
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	34	–	111
Payment for purchase of business, net of cash acquired	34	(28,222)	(500)
Payment for purchase of equity investments		(13,016)	(6,445)
Payments for property, plant and equipment		(122,970)	(43,349)
Payments for available-for-sale financial assets		–	(103)
Proceeds from sale of property, plant and equipment		8,842	2,665
Proceeds from sale of business		–	15,183
Proceeds from sale of available-for-sale financial assets		259	333
Cash sold on disposal of subsidiary		–	(22)
Loans from associates		580	–
Other		(38)	–
Net cash (outflow) from investing activities		(154,565)	(32,127)
Cash flows from financing activities			
Proceeds from issues of shares, net of transaction costs		129,565	99,114
Proceeds from secured borrowings		32,003	3,481
Repayment of secured borrowings		(30,351)	(41,733)
Repayment of hire purchase and lease liabilities		(67,245)	(34,953)
Dividends paid to company's shareholders	27	(27,233)	(16,869)
Net cash inflow from financing activities		36,739	9,040
Net (decrease) increase in cash and cash equivalents		(477)	99,920
Cash and cash equivalents at the beginning of the financial year		144,387	44,686
Effects of exchange rate changes on cash and cash equivalents		(3,196)	(219)
Cash and cash equivalents at end of year	9	140,714	144,387
Non-cash financing and investing activities	40		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2011

1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	46	23	NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES	77
2	FINANCIAL RISK MANAGEMENT	59	24	NON-CURRENT LIABILITIES – PROVISIONS	77
3	CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	63	25	CONTRIBUTED EQUITY	78
4	SEGMENT INFORMATION	64	26	RESERVES AND RETAINED PROFITS	80
5	REVENUE	66	27	DIVIDENDS	81
6	OTHER INCOME	67	28	DERIVATIVE FINANCIAL INSTRUMENTS	82
7	EXPENSES	67	29	KEY MANAGEMENT PERSONNEL DISCLOSURES	82
8	INCOME TAX EXPENSE	68	30	REMUNERATION OF AUDITORS	85
9	CURRENT ASSETS – CASH AND CASH EQUIVALENTS	68	31	CONTINGENCIES	85
10	CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	69	32	COMMITMENTS	86
11	CURRENT ASSETS – INVENTORIES	70	33	RELATED PARTY TRANSACTIONS	87
12	NON-CURRENT ASSETS – RECEIVABLES	70	34	BUSINESS COMBINATIONS	88
13	NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	70	35	SUBSIDIARIES	90
14	NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS	70	36	DEED OF CROSS GUARANTEE	91
15	NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT	71	37	INVESTMENTS IN ASSOCIATES	94
16	NON-CURRENT ASSETS – DEFERRED TAX ASSETS	72	38	EVENTS OCCURRING AFTER THE BALANCE SHEET DATE	94
17	NON-CURRENT ASSETS – INTANGIBLE ASSETS	73	39	RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	95
18	CURRENT LIABILITIES – TRADE AND OTHER PAYABLES	75	40	NON-CASH INVESTING AND FINANCING ACTIVITIES	95
19	CURRENT LIABILITIES – BORROWINGS	75	41	EARNINGS PER SHARE	96
20	CURRENT LIABILITIES – CURRENT TAX LIABILITIES	75	42	SHARE-BASED PAYMENTS	96
21	CURRENT LIABILITIES – PROVISIONS	75	43	DISCONTINUED OPERATIONS	99
22	NON-CURRENT LIABILITIES – BORROWINGS	76	44	PARENT ENTITY FINANCIAL INFORMATION	100

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Ausdrill Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial statement has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of Ausdrill Limited and its subsidiaries also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements in conforming with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation***(i) Subsidiaries***

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ausdrill Limited ("company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Ausdrill Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for all business combinations by the Group (refer to note 1(aa)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 37).

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in the reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the consolidated financial statements by reducing the carrying amount of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Ausdrill Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Ausdrill Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Foreign currency translation (continued)****(iii) Group companies**

The results and financial position of Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign entity is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Ausdrill Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Inventories

(i) Consumables and store items, work in progress and finished goods

Consumables and store items, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Contract services

Sales are recognised monthly on the basis of units of production at agreed contract rates.

(ii) Mining supplies and manufactured goods

Sales are recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer.

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(j) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more than 90 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Investments and other financial assets***Classification***

The Group classifies its investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position (note 10) and (note 12).

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Financial assets – recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit and loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investments and other financial assets (continued)

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) *Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Impairment testing of trade receivables is described in note 1(j).

(ii) *Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the statement of financial position date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(m) Property, plant and equipment**

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation.

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining reserve attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

Land is not depreciated. Depreciation on major earthmoving plant and equipment and components is calculated on machine hours worked over their estimated useful life. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 10-25 years
- Plant and equipment 2-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains or losses on disposals are determined by comparing proceeds with carrying amounts. These gains or losses are included in profit or loss.

(n) Intangible assets**(i) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Intangible assets (continued)

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit.

(iv) Designs and Drawings

Designs and drawings acquired as part of a business combination are recognised separately from goodwill. The designs and drawings are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the projected technical life of the design and drawings, which is expected to be five years.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(r) Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(s) Employee benefits****(i) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in other payables. All other short-term employee benefit obligations are presented as other payables.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

The fair value of options granted under the Ausdrill Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(t) Contributed equity

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(u) Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred. Significant costs incurred in overhauling plant and equipment are capitalised and depreciated over the remaining useful life of the asset or the component in accordance with note 1(m).

(v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 15). Finance leases are capitalised at the lease's inception at the fair value of the leased property, plant and equipment or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 32). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(z) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(ab) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Ausdrill Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

(iii) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

(iv) IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* and revised IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (effective 1 January 2013)

In May 2011, the IASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. The AASB is expected to issue equivalent Australian standards shortly.

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements*, and SIC-12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

IFRS 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. IFRS 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As the group is not party to any joint arrangements, this standard will not have any impact on its financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) New accounting standards and interpretations (continued)

IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

IAS 27 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the group will not affect any of the amounts recognised in the financial statements.

Amendments to IAS 28 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group is still assessing the impact of these amendments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(v) IFRS 13 Fair Value Measurement (effective 1 January 2013)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(vi) Revised IAS 1 Presentation of Financial Statements (effective 1 July 2012)

In June 2011, the IASB made an amendment to IAS 1 *Presentation of Financial Statements*. The AASB is expected to make equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 July 2012.

(vii) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(ac) Parent entity financial information**

The financial information for the parent entity, Ausdrill Limited, disclosed in note 44 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Ausdrill Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Ausdrill Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Ausdrill Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Ausdrill Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Ausdrill Limited for any current tax payable assumed and are compensated by Ausdrill Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ausdrill Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the company.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange and other price risks and aging analysis for credit risk.

The Group's key management personnel report to the Audit Committee and Board regularly on the progress and objectives of the risks and the associated corporate governance policy objectives.

The Group holds the following financial instruments:

	2011 \$'000	2010 \$'000
Financial assets		
Cash and cash equivalents	140,714	144,387
Trade and other receivables	164,162	126,207
Non-current receivables	1,686	2,257
Available-for-sale financial assets	—	103
	306,562	272,954
Financial liabilities		
Trade and other payables	142,633	115,823
Borrowings	223,612	242,900
	366,245	358,723

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The currencies in which these transactions primarily are denominated are AUD, USD, CEDI, EURO, TSH and ZMK.

The Group hedges its USD trade receivables that are denominated in a currency that is foreign to its functional currency. The Group uses forward exchange contracts to hedge its foreign currency risk. All of the forward exchange contracts have maturities of less than 6 months. As at the date of this report, the Group held US\$nil (2010: USD\$1,282,414) in forward exchange contracts.

The Group hedges large capital expenditure items acquired in US dollars that are to be delivered over a long period of time.

In respect of other monetary assets and liabilities held in currencies other than the AUD, the Group ensures that the net exposure is kept to an acceptable level by matching foreign denominated financial assets with matching financial liabilities and vice versa.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2011					30 June 2010				
	USD \$'000	CEDI \$'000	EURO \$'000	TSH \$'000	ZMK \$'000	USD \$'000	CEDI \$'000	EURO \$'000	TSH \$'000	ZMK \$'000
Cash	645	2,516	65	361	33	2,441	3,317	15	89	—
Trade receivables	4,486	—	—	—	—	3,497	—	—	—	—
Trade payables	(1,261)	(1,508)	(94)	(62)	(1,474)	(3,631)	(2,264)	—	(10)	—
Borrowings	(8,591)	—	—	—	—	(8,035)	—	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity Analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or Loss A\$'000
30 June 2011	
USD	319
CEDI	(64)
EURO	20
TSH	(19)
ZMK	92
	348
30 June 2010	
USD	425
CEDI	(55)
EURO	(1)
TSH	(5)
ZMK	—
	364

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. The Group's exposure to other foreign exchange movements is not material.

(ii) Price risk

The Group is no longer exposed to equity securities and commodity price risk.

In the previous year, if the quoted prices had increased / decreased by 10%, with all other variables held constant, the Group's equity would have increased / decreased by \$7,215.

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risks arise from cash, cash equivalents and long-term borrowings. Cash, cash equivalents and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2011 and 2010, the Group's borrowings at variable rate were denominated in Australian Dollars.

Refer to note 22(f) for the impact of fair value risk on borrowings.

Refer to note 2(c) Liquidity Risk for cash, cash equivalents and variable rate exposure.

	2011 \$'000	2010 \$'000
Cash and Cash Equivalents	140,714	144,387
Variable Rate Borrowings	13,819	24,851

Group sensitivity

At 30 June 2011, if interest rates had changed by +/- 100 basis points (bps) from the year-end rates with all other variables held constant, pre-tax profit for the year would have been \$1,268,957 higher/lower (2010 – change of 100 bps: \$1,195,356 higher/lower), mainly as a result of higher/lower interest income from these variable interest rate financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. Credit risk also arises from cash and cash equivalents. The Group limits its exposure to credit risk from cash and cash equivalents by only investing in counterparties that have an acceptable credit rating.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note 2(a)(i).

Credit risk further arises in relation to financial guarantees given to certain parties. Financial guarantees are generally only provided to wholly-owned subsidiaries or for purposes of entering into equipment lease and hire purchase arrangements, and premise rental agreements. Details of outstanding guarantees are provided in note 44(b).

The Group's credit policy requires each new customer to be individually analysed for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings when available and credit references from previous customers. Purchase limits are established for each customer. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis.

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

(AUD)	2011 \$'000	2010 \$'000
Australia	108,974	82,779
Africa	56,584	45,296
North America	—	123
Asia	169	138
Europe	120	128
	165,847	128,464
Trade receivables		
<i>Counterparties with external credit rating (Moody's)</i>		
A1	6,919	9,979
A3	—	20
Ba2	136	—
Baa1	24,278	14,278
Baa3	15,212	12,193
B2	20,310	23,359
	66,855	59,829
<i>Counterparties without external credit rating **</i>		
Group 1	22,620	26,734
Group 2	76,372	41,901
Group 3	—	—
	98,992	68,635
Total trade receivables	165,847	128,464

The Group's maximum exposure to credit risk for cash at bank and short term deposits was:

Cash at bank and short-term bank deposits

(AUD)		
AA	120,773	126,687
AA-	478	414
A+	8,441	8,347
B+	23	40
B-	10,999	8,899
	140,714	144,387

** Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the group aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. The Group policy is to maintain a net debt to equity ratio of no greater than 70%.

Maturities of financial liabilities

The tables below analyses the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount liabilities	Total contractual cash flows	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group – At 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives							
Non-interest bearing	142,633	142,633	142,633	–	–	–	–
Financial guarantee contracts	23,205	23,205	–	–	–	–	–
Variable rate	13,819	14,375	11,752	1,229	1,224	170	–
Fixed rate	209,794	229,849	52,735	44,810	67,396	64,909	–
Total non-derivatives	389,451	410,062	207,120	46,039	68,620	65,079	–
Group – At 30 June 2010							
Non-derivatives							
Non-interest bearing	115,824	115,824	115,824	–	–	–	–
Financial guarantee contracts	17,316	17,316	–	–	–	–	–
Variable rate	24,851	26,222	20,154	1,787	2,862	1,419	–
Fixed rate	218,049	273,572	51,746	46,342	84,776	58,221	32,487
Total non-derivatives	376,040	432,934	187,724	48,129	87,638	59,640	32,487

Details about the financial guarantee contracts are provided in note 44. The amounts disclosed in the table are the maximum amounts allocated to the earliest period in which the guarantee could be called. The parent entity does not expect these payments to eventuate.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements (continued)

The following table presents the group's assets and liabilities measured and recognised at fair value at 30 June 2011 and 30 June 2010:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2011				
Assets				
Available-for-sale financial assets				
Equity securities	—	—	—	—
Total assets	—	—	—	—
At 30 June 2010				
Assets				
Available-for-sale financial assets				
Equity securities	103	—	—	103
Total assets	103	—	—	103

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(n). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 17 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(iii) Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation for its plant and equipment. This estimate is based on historical assessments of the useful life obtained from similar equipment. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down assets where the useful life of the asset is considered to have expired.

(b) Critical judgements in applying the entity's accounting policies

There have been no critical judgements used in preparing the Group's financial statements for the year ended 30 June 2011.

4 SEGMENT INFORMATION**(a) Description of segments**

Management has determined the operating segments based on the internal reports reviewed by the Board that is used to make strategic decisions. The Board assesses the performance of the operating segments based on revenue and profit 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:

Contract Mining Services Australia:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

4 SEGMENT INFORMATION (CONTINUED)

(b) Segment information provided to the Board

Full Year ended 30 June 2011	Contract Mining Services Australia \$'000	Contracting Mining Services Africa \$'000	Manu- facturing \$'000	Supply & Logistics* \$'000	All other segments \$'000	Inter- segment Eliminations \$'000	Consol- idated \$'000
Segment revenue							
Sales to external customers	491,122	226,253	50,034	47,610	19,622	–	834,641
Intersegment sales	49	–	56,852	27,449	59	(84,409)	–
Total sales revenue	491,171	226,253	106,886	75,059	19,681	(84,409)	834,641
Other revenue	16,114	903	79	(110)	13,630	(26,044)	4,572
Total segment revenue	507,285	227,156	106,965	74,949	33,311	(110,453)	839,213
Segment result	59,708	37,876	7,530	1,917	(7,573)	–	99,458
Income tax expense							(26,141)
Profit for the year							73,317
Segment assets	924,398	313,109	103,765	29,602	337,196	(638,334)	1,069,736
Segment liabilities	329,957	187,632	83,230	26,210	362,462	(574,698)	414,793
Other segment information							
Investments in associates	8,913	20,355	–	–	–	–	29,268
Share of net profits/(losses) of associates	(4,089)	7,700	–	–	–	–	3,611
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	76,962	93,021	6,004	173	2,871	–	179,031
Depreciation and amortisation expense	52,766	24,125	3,750	152	1,716	–	82,509
Interest Expense	17,173	5,732	5,292	844	15,045	(26,044)	18,042
Full Year ended 30 June 2010							
Segment revenue							
Sales to external customers	362,065	195,062	22,406	30,937	22,333	–	632,803
Intersegment sales	45	–	32,535	10,988	128	(43,696)	–
Total sales revenue	362,110	195,062	54,941	41,925	22,461	(43,696)	632,803
Other revenue	13,802	493	178	251	5,672	(18,498)	1,898
Total segment revenue	375,912	195,555	55,119	42,176	28,133	(62,194)	634,701
Segment result	53,423	18,874	2,036	(437)	(9,744)	–	64,152
Income tax expense							(15,975)
Profit for the year							48,177
Segment assets	712,398	254,537	75,758	18,158	221,251	(396,622)	885,480
Segment liabilities	267,027	146,101	62,821	16,621	239,960	(348,538)	383,992
Other segment information							
Investments in associates	3,142	12,384	–	–	–	–	15,526
Share of net (losses) of associates	(628)	(98)	–	–	–	–	(726)
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	57,352	29,232	14,664	259	2,068	–	103,575
Depreciation and amortisation expense	38,323	27,089	2,707	138	1,576	–	69,833
Interest Expense	12,890	5,811	2,516	523	14,483	(18,498)	17,725

* This segment predominantly operates in the African region.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

4 SEGMENT INFORMATION (CONTINUED)

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

Included in all other segments on the previous page are assets and liabilities of the Group's central treasury, financing and administration function, with receivables and investments of \$273.3 million (2010: \$163.8 million) and payables of \$334.3 million (2010: \$209.8 million), which are of an intergroup nature that represent funding arrangements in different operating segments within the Group.

(c) Other segment information

	2011 \$'000	2010 \$'000
(i) Segment revenue		
Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the directors is measured in a manner consistent with that in the income statement.		
Segment revenue reconciles to total revenue from continuing operations as follows:		
Total revenue to external customers	834,641	632,803
Interest revenue	4,572	1,898
Less: sales from discontinued operation	–	(1,840)
Total revenue from continuing operations (note 5)	839,213	632,861
(ii) Segment result		
A reconciliation of the segment result to operating profit before income tax is provided as follows:		
Segment result per segment note	99,458	64,152
Add:		
Loss before income tax from discontinued operation	–	541
Loss on sale of discontinued operation before income tax	–	11
Profit before income tax from continuing operations	99,458	64,704
(iii) Segment tax expense		
A reconciliation of the segment tax expense to income tax expense in the statement of comprehensive income is provided as follows:		
Income tax expense per segment note	26,141	15,975
Add:		
Income tax benefit resulting from the operational loss from the discontinued operation	–	162
Income tax benefit resulting from the loss on sale of discontinued operation	–	3
Income tax expense from continuing operations	26,141	16,140

5 REVENUE

From continuing operations

<i>Sales revenue</i>		
Sale of goods	76,591	41,482
Services	758,050	589,481
	834,641	630,963
<i>Other revenue</i>		
Interest – Related parties	919	498
Interest – Others	3,653	1,400
	4,572	1,898
	839,213	632,861

From discontinued operations (note 43)

Sales Revenue	–	1,840
---------------	---	-------

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

6 OTHER INCOME

	2011 \$'000	2010 \$'000
Gain on sale of property, plant and equipment	136	–
Gain on sale of available-for-sale financial assets	156	187
Management fee received from associates	4,247	2,139
Other	3,892	1,833
	8,431	4,159

7 EXPENSES

Profit before income tax includes the following specific expenses:

Depreciation

Buildings	1,174	1,192
Plant and equipment	77,033	65,533
Total depreciation	78,207	66,725

Amortisation

Amortisation of intangibles	4,302	3,108
-----------------------------	--------------	-------

Finance costs

Hire purchase interest	12,289	10,643
Interest paid	5,753	7,082
Finance costs expensed	18,042	17,725

<i>Net loss on disposal of property, plant and equipment</i>	–	643
--	---	-----

<i>Rental expense relating to operating leases</i>	3,441	2,196
--	--------------	-------

<i>Net foreign exchange losses</i>	7,449	2,216
------------------------------------	--------------	-------

Impairment on acquisition

Impairment of goodwill	53	100
------------------------	-----------	-----

Impairment losses – financial assets

Trade receivables	3,923	697
-------------------	--------------	-----

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

8 INCOME TAX EXPENSE

	2011 \$'000	2010 \$'000
(a) Income tax expense		
Current tax	33,770	16,407
Deferred tax	(5,974)	5,517
Adjustments for current tax of prior periods	(1,655)	(5,784)
	26,141	16,140
Deferred income tax expense / (revenue) included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets (note 16)	(10,040)	5,218
Increase in deferred tax liabilities (note 23)	4,066	299
	(5,974)	5,517
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	99,458	64,704
Tax at the Australian tax rate of 30% (2010 – 30%)	29,837	19,411
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net (profit) / loss of associates	(1,083)	218
Share-based payments	82	103
Other non-deductible items	2,834	314
	31,670	20,046
Difference in overseas tax rates	(3,874)	1,878
(Over) provision in prior years	(1,655)	(5,784)
	(5,529)	(3,906)
Income tax expense	26,141	16,140
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Deferred tax – credited directly to equity (note 25)	647	1,369
	647	1,369
(d) Tax expense (income) relating to items of other comprehensive income		
(Losses) on revaluation of land and buildings (note 26(a))	–	(5)
Available-for-sale financial assets (note 26(a))	–	5
	–	–
(e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	1,833	3,150
Potential tax benefit @ 30%	550	945

9 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	140,714	144,387
(a) Reconciliation to cash at the end of the year		
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	140,714	144,387
Balances per statement of cash flows	140,714	144,387

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2011 \$'000	2010 \$'000
Net trade receivables		
Trade receivables	144,794	108,659
Provision for impairment of receivables	(5,842)	(2,504)
	138,952	106,155
Other debtors		
Other debtors	25,210	20,052
Prepayments	6,508	6,431
	170,670	132,638

(a) Impaired trade receivables

As at 30 June 2011, current trade receivables of the Group with a nominal value of \$16,597,776 (2010: \$12,532,187) were impaired. The amount of the provision was \$5,842,041 (2010: \$2,504,432).

The ageing of these receivables is as follows:

3 to 6 months	12,552	4,766
Over 6 months	4,046	7,766
	16,598	12,532

Movements in the provision for impairment of receivables are as follows:

At 1 July 2010	2,504	1,462
Provision for impairment recognised during the year	3,923	697
Impact of acquisitions	–	453
Unused amount reversed	(585)	(108)
	5,842	2,504

The creation and release of the provision for impaired receivables has been included in other expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As at 30 June 2011, current trade receivables of the Group with nominal value of \$40,379,842 (2010: \$28,616,750) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing of these trade receivables is as follows:

Up to 2 months	29,624	18,589
Over 2 months	10,756	10,028
	40,380	28,617

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(c) Other Debtors

This amount includes operating expense rebates, accrued revenue and an amount recoverable from a third party for damages sustained in a fire.

(d) Foreign exchange and interest rate risk

Information about the Group's exposure to exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value amount of each class of receivable mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

11 CURRENT ASSETS – INVENTORIES

	2011 \$'000	2010 \$'000
Work in progress		
– at cost	6,887	5,555
Finished goods		
– at cost	6,792	3,855
Consumables and store items		
– at cost	125,279	95,349
	138,958	104,759

12 NON-CURRENT ASSETS – RECEIVABLES

	2011 \$'000	2010 \$'000
Loans to associated entities	1,102	1,682
Other receivables	584	575
	1,686	2,257

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Fair values

The fair values and carrying values of non-current receivables of the Group are as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans to associated entities	1,102	1,102	1,682	1,682
Other receivables	584	584	575	575
	1,686	1,686	2,257	2,257

(c) Risk exposure

Information about the group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

13 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2011 \$'000	2010 \$'000
Shares in associates (note 37)	29,268	15,526

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

14 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 \$'000	2010 \$'000
At beginning of year	103	128
Additions	–	103
Disposals	(103)	(333)
Revaluation adjustment	–	205
At end of year	–	103
Listed equity securities	–	103
Total equity securities	–	103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

14 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(a) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the Group.

(b) Impairment and risk exposure

None of the financial assets are either past due or impaired.

All available-for-sale financial assets were denominated in Australian currency. For an analysis of the sensitivity of available-for-sale financial assets to price and interest rate risk refer to note 2.

15 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings \$'000	Plant and equipment- at cost \$'000	Plant and equipment under finance – at cost \$'000	Total \$'000
At 1 July 2009				
Cost or fair value	41,299	221,094	295,422	557,815
Accumulated depreciation	–	(122,253)	(64,450)	(186,703)
Net book amount	41,299	98,841	230,972	371,112
Year ended 30 June 2010				
Opening net book amount	41,299	98,841	230,972	371,112
Exchange differences	(207)	(221)	(9,294)	(9,722)
Acquisition of business	340	33,865	36,371	70,576
Additions	1,350	57,715	44,510	103,575
Disposals	–	(12,845)	(6,208)	(19,053)
Transfer between group members	–	(680)	680	–
Transfers between classes	1	448	(449)	–
Depreciation charge	(1,192)	(32,487)	(33,046)	(66,725)
Closing net book amount	41,591	144,636	263,536	449,763
At 30 June 2010				
Cost or fair value	42,774	288,042	354,767	685,583
Accumulated depreciation	(1,183)	(143,406)	(91,231)	(235,820)
Net book amount	41,591	144,636	263,536	449,763
Year ended 30 June 2011				
Opening net book amount	41,591	144,636	263,536	449,763
Exchange differences	(863)	(10,581)	(12,722)	(24,166)
Acquisition of business	–	25,112	–	25,112
Additions	1,438	92,879	84,714	179,031
Disposals	(181)	(6,613)	(1,912)	(8,706)
Transfer between group members	–	4,575	(4,575)	–
Transfers between classes	–	6,666	(6,666)	–
Depreciation charge	(1,174)	(31,766)	(45,267)	(78,207)
Closing net book amount	40,811	224,908	277,108	542,827
At 30 June 2011				
Cost or fair value	42,617	389,987	385,741	818,345
Accumulated depreciation	(1,806)	(165,079)	(108,633)	(275,518)
Net book amount	40,811	224,908	277,108	542,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

15 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Valuations of land and buildings

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2009 revaluations were made by the directors as at 30 June 2009 and were based on independent assessments by members of the Australian Property Institute.

(b) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the Group.

(c) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2011 \$'000	2010 \$'000
Buildings		
Cost	30,513	30,670
Accumulated depreciation	(6,131)	(5,120)
Net book amount	24,382	25,550

16 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

Employee benefits	6,817	5,782
Foreign tax credits	4,417	7,596
Accruals	4,100	4,255
Doubtful debts	1,773	673
	17,107	18,306

Other

Borrowing and business expenses	1,744	2,206
Unrealised foreign exchange	1,009	136
Available-for-sale financial assets	–	6
Business acquisitions	51	–
Sub-total other	2,804	2,348

Total deferred tax assets	19,911	20,654
Set-off of deferred tax liabilities (note 23)	(8,999)	(20,480)
Net deferred tax assets	10,912	174

Movements:

Opening balance at 1 July	174	209
Credited / (charged) to profit or loss (note 8)	10,040	(5,218)
Credited to equity	647	1,369
Acquisition of business (note 34)	51	3,814
Closing balance at 30 June	10,912	174
Deferred tax assets to be recovered within 12 months	7,807	132
Deferred tax assets to be recovered after more than 12 months	3,105	42
	10,912	174

The movement in the year to each category of deferred tax above resulted in a charge/credit to profit and loss with the exception of \$647,000 in Borrowing and business expenses which were recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

17 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill \$'000	Other intangible assets \$'000	Customer Contracts \$'000	Total \$'000
At 1 July 2009				
Cost	2,638	1,628	–	4,266
Accumulated amortisation and impairment	(430)	(326)	–	(756)
Net book amount	2,208	1,302	–	3,510
Year ended 30 June 2010				
Opening net book amount	2,208	1,302	–	3,510
Acquisition of business (note 34)	23,081	11	12,479	35,571
Impairment charge	(100)	–	–	(100)
Amortisation charge	–	(326)	(2,782)	(3,108)
Closing net book amount	25,189	987	9,697	35,873
At 30 June 2010				
Cost	25,719	1,639	12,479	39,837
Accumulated amortisation and impairment	(530)	(652)	(2,782)	(3,964)
Net book amount	25,189	987	9,697	35,873
Year ended 30 June 2011				
Opening net book amount	25,189	987	9,697	35,873
Acquisition of business (note 34)	–	–	3,125	3,125
Additions – internal development	–	58	–	58
Impairment charge	(53)	–	–	(53)
Amortisation charge	–	(338)	(3,964)	(4,302)
Closing net book amount	25,136	707	8,858	34,701
At 30 June 2011				
Cost	25,719	1,697	15,604	43,020
Accumulated amortisation and impairment	(583)	(990)	(6,746)	(8,319)
Net book amount	25,136	707	8,858	34,701

(a) Description of the Group's intangible assets and goodwill

(i) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (c) and (d) of this note).

(ii) Other intangible assets

The other intangible asset arose on the acquisition of Remet in April 2008 in relation to designs and drawings and is carried at cost less accumulated depreciation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of five years. The amortisation has been recognised in the income statement in the line item "amortisation". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(iii) Customer contracts

The customer contracts intangible assets arose on the merger of the Brandrill Group on 16 December 2009 and the acquisition of the Connector Drilling business on 21 February 2011 and are carried at cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over the remaining period of the contracts they relate to. The amortisation has been recognised in the income statement in the line item "amortisation". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

17 NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)**(b) Impairment losses recognised**

An impairment loss of \$53,000 was recognised in the 2011 financial year (2010: \$100,000) in relation to the goodwill acquired for SynegeX.

(c) Impairment tests for goodwill**(i) Description of the cash generating units and other relevant information**

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

- Contract Mining Services Australia (CMSA) cash generating unit
- Manufacturing cash generating unit

Contract Mining Services Australia cash generating unit

Goodwill is allocated to the Group's CMSA cash generating unit. The Brandrill drill and blast business is considered, together with the pre-existing Ausdrill Group's contract mining services activities, to be a single cash generating unit as it has been integrated into the operations of the core contract mining services business in the Ausdrill Group.

The recoverable amount of the CMSA unit has been determined based on a value in use calculation using the 2012 cash flow projections approved by senior management. This has been extrapolated over a further period of four years, using a conservative growth rate of 1.0% per annum. After five years a terminal growth rate is assumed and a terminal value in use value calculated. The pre-tax, risk free discount rate applied to cash flow projections is 19% (2010: 18%).

Manufacturing cash generating unit

Goodwill is allocated to the Group's Manufacturing cash generating unit. The DT Hi Load business is considered, together with the pre-existing Ausdrill Group manufacturing activities, to be a single cash generating unit, as it has been integrated into the operations of the core manufacturing business in the Ausdrill Group.

The recoverable amount of the manufacturing unit is determined based on a value in use calculation using the 2012 cash flow projections approved by senior management. This has been extrapolated over a further period of four years, using a conservative growth rate of 1.0% per annum. After five years a terminal growth rate is assumed and a terminal value in use value calculated. The pre-tax, risk free discount rate applied to cash flow projections is 20% (2010: 19%).

(ii) Carrying amount of goodwill and trademarks allocated to each of the cash generating units

	CMSA Segment \$'000	Manufacturing Segment \$'000	Total \$'000
2011			
Carrying amount of goodwill	19,546	5,590	25,136
2010			
Carrying amount of goodwill	19,599	5,590	25,189

(d) Key assumptions used for value-in-use calculations

	EBITDA margin *		Growth rate **		Pre-Tax Discount rate ***	
	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
Cash Generating Unit						
CMSA	26.9	22.6	1.0	1.0	19.3	18.2
Manufacturing	20.0	25.2	1.0	1.0	20.1	19.1

* Budgeted EBITDA margin.

** Weighted average growth rate used to extrapolate cash flows beyond the budget period.

*** In performing the value-in-use calculations for each CGU, the group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above.

Discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the Group as a whole and adjusted for country and business risk specific to the unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

18 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2011 \$'000	2010 \$'000
Trade payables	69,233	61,026
Other creditors and accruals	73,400	54,797
	142,633	115,823

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

19 CURRENT LIABILITIES – BORROWINGS

Secured

Bank loans	37,161	38,047
Hire purchase liabilities (note 32)	56,114	55,808
Total secured current borrowings	93,275	93,855

Unsecured

Insurance premium funding	4,203	1,736
Total unsecured current borrowings	4,203	1,736
Total current borrowings	97,478	95,591

(a) Risk exposures

Details of the Company's exposure to risks arising from current and non-current borrowings are set out in note 2.

(b) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 22.

20 CURRENT LIABILITIES – CURRENT TAX LIABILITIES

Income tax	20,931	2,252
------------	---------------	--------------

21 CURRENT LIABILITIES – PROVISIONS

Employee benefits – long service leave	5,620	5,379
--	--------------	--------------

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

22 NON-CURRENT LIABILITIES – BORROWINGS

	2011 \$'000	2010 \$'000
Secured		
Bank loans	36,611	47,103
Hire purchase liabilities (note 32)	89,523	100,206
Total non-current borrowings	126,134	147,309
(a) Secured liabilities and assets pledged as security		
The total secured liabilities (current and non-current) are as follows:		
Bank overdrafts and bank loans	73,772	85,150
Hire purchase liabilities	145,637	156,014
Total secured liabilities	219,409	241,164
The bank loans are secured by:		
(i) Registered mortgage debenture over all the assets and undertakings of the parent entity;		
(ii) First ranking mortgage over land and buildings;		
(iii) Assignment of vehicles financed;		
(iv) A negative pledge over a controlled entity's existing fixed assets;		
(v) A lien over the specific asset financed.		
The carrying amounts of assets pledged as security for current and non-current borrowings are:		
Current		
Floating charge		
Cash and cash equivalents	75,988	88,169
Receivables	46,486	33,832
Inventory	29,465	17,849
Total current assets pledged as security	151,939	139,850
Non-current		
First mortgage		
Freehold land and buildings	33,447	33,204
Hire purchase / Finance lease		
Plant and equipment	220,213	175,221
Secured bank loans		
Plant and equipment	51,030	87,027
Floating charge		
Plant and equipment	31,453	15,664
Freehold land and buildings	3,038	3,194
	34,491	18,858
Total non-current assets pledged as security	339,181	314,310
Total assets pledged as security	491,120	454,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

22 NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

(f) Fair value

The carrying amounts and fair values of borrowings at the end of reporting period are:

	2011		2010	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
On-balance sheet				
<i>Non-traded financial liabilities</i>				
Bank loans	73,772	66,231	85,150	77,429
Hire purchase liabilities	145,637	130,455	156,014	145,267
Other loans	4,203	4,203	1,736	1,736
	223,612	200,889	242,900	224,432

(g) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 2.

23 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:		
Foreign entities distributable profits	9,228	7,705
Inventories	7,661	7,073
Revaluation of land and buildings	5,053	5,172
Depreciation	4,226	13,190
	26,168	33,140
<i>Other</i>		
Prepayments	32	72
Receivables	2,061	2,660
Unrealised foreign exchange	327	131
Sub-total other	2,420	2,863
Total deferred tax liabilities	28,588	36,003
Set-off of deferred tax assets (note 16)	(8,999)	(20,480)
Net deferred tax liabilities	19,589	15,523
Movements:		
Opening balance at 1 July	15,523	12,689
Charged to profit or loss (note 8)	4,066	299
Acquisition of business	–	2,535
Closing balance at 30 June	19,589	15,523
Deferred tax liabilities to be settled within 12 months	7,846	1,328
Deferred tax liabilities to be settled after more than 12 months	11,743	14,195
	19,589	15,523

24 NON-CURRENT LIABILITIES – PROVISIONS

Employee benefits – long service leave	2,408	2,115
--	--------------	--------------

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

25 CONTRIBUTED EQUITY

(a) Share capital

	2011 Shares	2010 Shares	2011 \$'000	2010 \$'000
Fully paid ordinary shares	301,452,517	261,820,159	501,696	369,181

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price \$	\$'000
1 July 2009	Opening balance	174,773,978		194,152
6 November 2009	Dividend reinvestment plan issue	897,420	\$1.75	1,569
16 December 2009	Consideration for Brandrill Limited	32,787,159	\$2.13	69,837
18 December 2009	Cancellation of Brandrill options	307,035	\$2.13	654
9 April 2010	Shares issued pursuant to Capital Raising	30,960,000	\$2.00	61,920
30 April 2010	Dividend reinvestment plan issues	1,215,759	\$2.05	2,486
7 May 2010	Shares issued pursuant to Entitlement Offer	13,348,789	\$2.00	26,698
11 May 2010	Shortfall Shares – Entitlement Offer	7,530,019	\$2.00	15,060
				<u>372,376</u>
	Less: Transaction costs arising on share issues			(4,564)
	Deferred tax credit recognised directly in equity			<u>1,369</u>
30 June 2010	Balance	<u>261,820,159</u>		<u>369,181</u>
1 July 2010	Opening balance	261,820,159		369,181
29 October 2010	Dividend reinvestment plan	647,083	\$2.23	1,443
29 November 2010	Conversion of options	233,333	\$1.29	301
3 December 2010	Conversion of options	33,333	\$1.29	43
6 December 2010	Conversion of options	99,999	\$1.29	129
30 December 2010	Conversion of options	33,333	\$1.29	43
20 January 2011	Conversion of options	66,666	\$1.29	86
21 March 2011	Conversion of options	66,666	\$1.29	86
4 April 2011	Conversion of options	133,332	\$1.29	172
12 April 2011	Conversion of options	33,333	\$1.29	43
15 April 2011	Placement	37,000,000	\$3.50	129,500
19 April 2011	Conversion of options	100,000	\$1.29	129
21 April 2011	Dividend reinvestment plan	410,672	\$3.67	1,507
18 May 2011	Share purchase plan	741,275	\$3.50	2,594
10 June 2011	Conversion of options	33,333	\$1.29	43
				<u>505,300</u>
	Less: Transaction costs arising on share issues			(4,251)
	Deferred tax credit recognised directly in equity			<u>647</u>
30 June 2011	Balance	<u>301,452,517</u>		<u>501,696</u>

(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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

25 CONTRIBUTED EQUITY (CONTINUED)

(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. There will be no discount applied to the weighted average market price of all shares traded during the five business days up to and including the record date for determining the entitlement to this dividend.

(e) Options

Information relating to the Ausdrill Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 42.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings as shown in the statement of financial position less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position.

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain a net gearing ratio up to 70%. The net gearing ratios at 30 June 2011 and 30 June 2010 were as follows:

	2011 \$'000	2010 \$'000
Total borrowings	223,612	242,900
Less: cash and cash equivalents (note 9)	(140,714)	(144,387)
Net debt	82,898	98,513
Total equity	654,943	501,488
Gearing ratio	13%	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

26 RESERVES AND RETAINED PROFITS

	2011 \$'000	2010 \$'000
(a) Reserves		
Land and buildings revaluation reserve	11,708	11,758
Share based payments reserve	808	536
Foreign currency translation reserve	(29,730)	(7,294)
	(17,214)	5,000
Movements:		
<i>Land and buildings revaluation reserve</i>		
Balance 1 July	11,758	11,769
Currency translation differences arising during the year	(50)	(11)
Balance 30 June	11,708	11,758
Movements:		
<i>Available-for-sale investments revaluation reserve</i>		
Balance 1 July	–	(13)
Revaluation – gross (note 14)	–	205
Deferred tax (note 23)	–	(62)
Transfer to net profit – gross	–	(187)
Deferred tax (note 23)	–	57
Balance 30 June	–	–
Movements:		
<i>Share based payments reserve</i>		
Balance 1 July	536	194
Option expense	272	342
Balance 30 June	808	536
Movements:		
<i>Foreign currency translation reserve</i>		
Balance 1 July	(7,294)	392
Currency translation differences arising during the year	(22,436)	(7,686)
Balance 30 June	(29,730)	(7,294)
(b) Retained profits		
Movements in retained profits were as follows:		
Opening retained earnings	126,967	99,636
Net profit for the year	73,403	48,255
Dividends (note 27)	(30,183)	(20,924)
Balance 30 June	170,187	126,967

(c) Nature and purpose of reserves

(i) Land and buildings revaluation reserve

The land and buildings revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(m). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

26 RESERVES AND RETAINED PROFITS (CONTINUED)

(c) Nature and purpose of reserves (continued)

(iii) Share based payments reserve

The share based payments reserve is used to recognise the fair value of options issued to employees that are expensed in the statement of comprehensive income each year.

(iv) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

The Group's share of exchange differences arising on translation of foreign associates are recognised in other comprehensive income and are accumulated in this reserve.

27 DIVIDENDS

	2011 \$'000	2010 \$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2010 of 6 cents (2009: 6 cents) per fully paid share paid on 29 October 2010 (2009: 6 November 2009)		
Fully franked (2009: fully franked)	15,709	10,486
Interim dividend for the year ended 30 June 2011 of 5.5 cents (2010: 5 cents) per fully paid share paid on 21 April 2011 (2010: 30 April 2010)		
Fully franked (2010: fully franked)	14,474	10,438
Total dividends provided for or paid	30,183	20,924
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2011 and 2010 were as follows:		
Paid in cash	27,233	16,869
Satisfied by issue of shares	2,950	4,055
	30,183	20,924
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have declared the payment of a final dividend of 6.5 cents per fully paid ordinary share, (2010: 6 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 27 October 2011, out of retained profits at 30 June 2011, but not recognised as a liability at year end, is	19,594	15,709
(c) Franked dividends		
The franked portions of the final dividends recommended after 30 June 2011 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2012. Franking credits available for subsequent financial years based on a tax rate of 30% (2010: 30%)	30,947	18,668

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax,
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$8,397,606 (2010: \$6,732,518).

28 DERIVATIVE FINANCIAL INSTRUMENTS**(a) Instruments used by the Group****(i) Forward exchange contracts**

These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. Any changes in fair values are taken to the income statement immediately. At balance date there were no contracts in place and the net unrealised loss on these contracts amounted to \$nil (2010: \$73,895).

The procurement and logistics business records some sales in US dollars. The Group had entered forward exchange contracts to sell US dollars based on the expected date of payment of the foreign currency by the client.

Refer to note 2 for foreign exchange risk exposures.

29 KEY MANAGEMENT PERSONNEL DISCLOSURES**(a) Key management personnel compensation**

	2011 \$	2010 \$
Short-term employee benefits	4,445,093	3,118,322
Post-employment benefits	247,437	272,592
Long-term benefits	68,593	152,276
Share-based payments	111,985	103,455
	4,873,108	3,646,645

Detailed remuneration disclosures are provided in the remuneration report on pages 23 to 29.

(b) Equity instrument disclosures relating to key management personnel**(i) Options provided as remuneration and shares issued on exercise of such options**

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 27 to 29.

(ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Ausdrill Limited and key management personnel of the Company, including their personally related parties, are set out below.

2011	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Ausdrill Limited							
W M King	–	1,000,000	–	–	1,000,000	–	1,000,000
Other key management personnel of the Group							
J Kavanagh	300,000	–	(100,000)	–	200,000	–	200,000
A J McCulloch	300,000	–	(100,000)	–	200,000	–	200,000
C A Gall	100,000	–	(33,333)	–	66,667	–	66,667
M J Hughes	200,000	–	–	–	200,000	66,666	133,334
M C Crocker	200,000	–	–	–	200,000	66,666	133,334
J E Martins	–	300,000	–	–	300,000	–	300,000

All vested options are exercisable at the end of the year.

2010**Other key management personnel**

J Kavanagh	300,000	–	–	–	300,000	–	300,000
A J McCulloch	300,000	–	–	–	300,000	–	300,000
A G Broad	300,000	–	–	–	300,000	–	300,000
M C Crocker	200,000	–	–	–	200,000	–	200,000
B D Mann	200,000	–	–	–	200,000	–	200,000
M J Hughes	200,000	–	–	–	200,000	–	200,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

29 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Equity instrument disclosures relating to key management personnel (continued)

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Ausdrill Limited and each of the other key management personnel of the Group, including their personally-related entities, are set out below:

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
2011				
Directors of Ausdrill Limited				
Ordinary shares				
T E O'Connor	1,000,000	—	4,285	1,004,285
R G Sayers	36,842,497	—	4,285	36,846,782
W M King +	—	—	104,285	104,285
T J Strapp	400,000	—	—	400,000
M G Hills	—	—	—	—
J E Askew ++	600,000	—	—	600,000
+ W M King appointed 5 April 2011				
++ J E Askew resigned 7 June 2011				
Other key management personnel				
Ordinary shares				
J Kavanagh	—	100,000	(100,000)	—
A J McCulloch	—	100,000	(50,000)	50,000
C A Gall	—	33,333	—	33,333
T J Collins	—	—	—	—
M J Hughes	—	—	—	—
M C Crocker	—	—	—	—
J E Martins	—	—	—	—
2010				
Directors of Ausdrill Limited				
Ordinary shares				
T E O'Connor	1,000,000	—	—	1,000,000
R G Sayers	34,342,497	—	2,500,000	36,842,497
T J Strapp	105,531	—	294,469	400,000
M G Hills*	—	—	—	—
J E Askew	600,000	—	—	600,000

* M G Hills was appointed 24 February 2010

There were no shares held by any other key management personnel of the Group during the year ended 30 June 2010.

Mr Hills is an employee of Resource Capital Funds Management Pty Ltd ("RCFMPL"). Resource Capital Fund IV L.P., a fund managed by a related party of RCFMPL, owns 7,898,160 Ausdrill Limited shares

(c) Loans to key management personnel

No loans were made to directors of Ausdrill Limited and other key management personnel of the Group, including their personally related parties.

29 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)**(d) Other transactions with key management personnel****(i) Directors of Ausdrill Limited**

Mr J E Askew, a director of Ausdrill Limited, is a director of Golden Star Resources Ltd. A subsidiary of Ausdrill Limited, African Mining Services (Ghana) Pty Ltd, entered into contracts with Golden Star Resources Ltd for the hire of plant and equipment. The contracts are based on normal commercial terms and conditions.

Mr R G Sayers, a director of Ausdrill Limited, was also a director of Carbine Resources Ltd. A subsidiary of Ausdrill Limited, African Mining Services Burkina Faso Sarl, entered into contracts to perform exploration drilling services. These contracts are based on normal commercial terms and conditions.

Mr R G Sayers, a director of Ausdrill Limited, is a shareholder of FMR Investments Pty Ltd, which provided a \$6 million funding facility to Energy Drilling Australia Pty Ltd, an associate entity of Ausdrill Limited. The facility was entered into on 10 November 2009 and was based on normal commercial terms and conditions. An unsecured guarantee was provided by Ausdrill Limited for this facility. This was repaid in full in September 2010.

Mr R G Sayers, a director of Ausdrill Limited, is a shareholder of FMR Investments Pty Ltd, which provided a \$14 million hire purchase funding facility to Ausdrill Mining Services Pty Ltd, a subsidiary of Ausdrill Limited. The facility was entered into on 23 October 2009 and was based on normal commercial terms and conditions. An unsecured guarantee was provided by Ausdrill Limited for this facility. This was repaid in full in September 2010.

Ausdrill Limited has rented an office building from Mr R G Sayers for the past year. The rental agreement is based on normal commercial terms and conditions and is reviewed annually.

Aggregate amounts of each of the above types of other transactions with directors of Ausdrill Limited:

	2011 \$	2010 \$
Amounts recognised as revenue		
Sales revenue	9,242,742	6,352,762
Amounts recognised as expense		
Finance costs	300,550	870,770
Rent of office building	358,032	358,032
	658,582	1,228,802

Aggregate amounts receivable and payable to director related entities of the Group at the end of the reporting period relating to the above types of other transactions:

Subsidiaries

Current assets	1,266,854	1,449,849
Current liabilities	–	2,427,697
Non-current liabilities	–	9,788,070
Associates	–	5,984,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

30 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2011 \$	2010 \$
(a) PwC Australia		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial reports	673,855	429,273
<i>(ii) Taxation services</i>		
Tax compliance services, including review of company income tax returns	655,905	333,675
<i>(iii) Other services</i>		
Advisory and accounting consulting services	53,038	341,422
Total remuneration of PwC Australia	1,382,798	1,104,370
(b) Related practices of PwC Australia		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	173,091	90,727
<i>(ii) Taxation services</i>		
Tax compliance services, including review of company income tax returns	18,579	122,345
<i>(iii) Other services</i>		
Advisory and accounting consulting services	137,026	–
Total remuneration of related practices of PwC Australia	328,696	213,072
(c) Non-PwC audit firms		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	49,218	12,124
<i>(ii) Taxation services</i>		
Tax compliance services, including review of company income tax returns	3,036	15,681
<i>(iii) Other services</i>		
Advisory and accounting consulting services	28,770	–
Total remuneration of non-PwC audit firms	81,024	27,805
Total auditors' remuneration	1,792,518	1,345,247

It is the Group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PwC is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

31 CONTINGENCIES

(a) Contingent liabilities

Guarantees

For information about guarantees given by entities within the Group, including the parent entity, please refer to note 44.

(b) Contingent assets

The Group has lodged claims in relation to three matters which at the date of this report are unresolved. One of the matters has been referred to arbitration and two are subject to litigation. The directors are confident that favourable outcomes will be achieved. However, the contingent assets have not been recognised as receivables at 30 June 2011 as receipt of these amounts are dependent on the outcome of the arbitration process and the litigation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

32 COMMITMENTS

(a) Capital commitments

	2011 \$'000	2010 \$'000
<i>Property, plant and equipment</i>		
Payable:		
Within one year	107,114	11,972

The capital commitments are to be funded from cash and available finance facilities.

(b) Lease commitments

(i) Hire purchase liabilities

Within one year	66,816	62,253
Later than one year but not later than two years	47,656	62,952
Later than two years but no later than five years	51,067	53,651
Total minimum hire purchase commitments	165,539	178,856
Future finance charges	(19,902)	(22,842)
	145,637	156,014

Hire purchase liabilities:

Current	56,114	55,808
Non-current	89,523	100,206
	145,637	156,014

(ii) Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	3,302	1,975
Later than one year but not later than five years	6,390	3,295
Later than five years	186	175
	9,878	5,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

33 RELATED PARTY TRANSACTIONS

(a) Parent entities

The ultimate parent entity of the Group is Ausdrill Limited.

(b) Key management personnel

Disclosure relating to key management personnel including related party transactions are set out in note 29.

(c) Transactions with other related parties

The following transactions occurred with related parties:

	2011 \$	2010 \$
<i>Sales of goods and services</i>		
Associates	14,539,385	7,766,509
<i>Interest received / receivable</i>		
Associates	919,327	498,377
<i>Management fee received / receivable</i>		
Associates	4,247,180	2,138,901

(d) Outstanding balances arising from sales / purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2011 \$	2010 \$
<i>Current receivables (sales of goods and services)</i>		
Associates	14,308,633	6,011,725
<i>Non-current receivables (loans)</i>		
Associates	1,101,741	1,681,503

(e) Loans to / from related parties

<i>Loans to associates</i>		
Beginning of Year	1,681,503	9,667,730
Loans advanced	232,047	1,681,503
Loans repaid	(811,809)	–
Loans reclassified to equity	–	(9,667,730)
Interest charged	919,327	498,377
Interest received	(919,327)	(498,377)
End of year	1,101,741	1,681,503

(f) Guarantees

Information on guarantees provided by the parent entity are disclosed in note 44.

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. The average interest rate on loans during the year was 8.95% (2010: 9.80%).

Outstanding balances are unsecured and are repayable in cash.

34 BUSINESS COMBINATIONS**(a) Summary of acquisition of Connector waterwell drilling business**

On 21 February 2011, the Group acquired the Connector waterwell drilling business.

Details of the purchase consideration, the net assets and liabilities acquired and goodwill are as follows:

	\$000
Purchase consideration	
Initial purchase consideration	28,341
Less: Employee entitlements, net of tax	(119)
Cash paid	28,222
Contingent consideration	3,125
Total purchase consideration	31,347
	FAIR VALUE
	\$'000
The assets and liabilities recognised as a result of the acquisition are as follows:	
Inventories	3,229
Plant and equipment	25,112
Intangible assets	3,125
Deferred tax asset	51
Employee benefit liabilities	(170)
Net identifiable assets acquired	31,347

Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owners of the business of Connector Drilling 50% of EBITDA if the business generates a positive EBITDA to 30 June 2011. The amount of \$3,125,000 is subject to audit by the vendor and is payable on 30 September 2011.

Revenue and profit contribution

The acquired business contributed revenues of \$13,807,000 and net profit after tax of \$1,483,000 to the Group for the period from 21 February 2011 to 30 June 2011.

It is impracticable to disclose the revenue and profit and loss as if the acquisition had occurred on 1 July 2010 due to the fact that Ausdrill did not acquire the legal entity of Connector Drilling and therefore does not have access to the books and records relating to the pre-acquisition period.

Acquisition-related costs

Acquisition-related costs of \$1,045,000 are included in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

34 BUSINESS COMBINATIONS (CONTINUED)

(b) Summary of acquisition of Brandrill Limited

On 16 December 2009 the parent entity acquired 100% of the issued share capital of Brandrill Limited, a mining services company specialising in drilling and blasting with contracts across Australia in both mining and civil projects. The acquisition has significantly increased the Group's market share in this industry which complements the Group's existing businesses and will reduce costs through economies of scale.

Details of the net assets acquired and goodwill are as follows:

	\$000
Purchase consideration	
Fair value of shares issued	70,370
Total purchase consideration	70,370
	Fair value \$'000
The assets and liabilities arising from the acquisition are as follows:	
Cash and cash equivalents	111
Property plant and equipment	69,906
Intangible assets	12,479
Inventories	14,141
Receivables	21,178
Other current assets	4,066
Deferred tax asset (net)	1,279
Other non-current assets	46
Payables	(19,056)
Employee benefit liabilities	(4,668)
Borrowings	(50,058)
Current tax liability	(1,375)
Net identifiable assets acquired	48,049
Less: non-controlling interests	(418)
Goodwill on acquisition	22,739
Net assets acquired	70,370

The goodwill is attributable to the workforce and profitability of the acquired business along with the synergies that are expected to arise. None of the goodwill recognised is expected to be deductible for tax purposes.

Equity instruments issued

The Group issued 33,037,595 ordinary shares in Ausdrill Limited in consideration for the acquisition of Brandrill. The fair value of ordinary shares issued has been determined with reference to the price quoted on the Australian Stock Exchange at the date of acquisition.

Acquired receivables

The fair value of acquired trade receivables is \$21,178,000. The gross contractual amount for trade receivables due is \$21,631,000, of which \$453,000 is expected to be uncollectable.

Acquisition related costs

Acquisition related costs of \$1,255,000 are included in the statement of comprehensive income.

Non-controlling interests

In accordance with the accounting policy set out in note 1, the Group elected to recognise the non-controlling interests in DT Hi Load Australia Pty Ltd at its proportionate share of the acquired net identifiable assets.

Revenue and profit contribution

If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated profit for the year ended 30 June 2010 would have been \$707,044,000 and \$48,678,000 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2009, together with the consequential tax effects. The subsidiary's costs of the merger have also been excluded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

35 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2011 %	2010 %
African Mining Services Burkina Faso Sarl	Burkina Faso	Ordinary	100	–
African Mining Services (Ghana) Pty Ltd	Australia	Ordinary	100	100
African Mining Services Mali Sarl	Mali	Ordinary	100	100
Ausdrill (Ghana) Pty Ltd	Australia	Ordinary	100	100
Ausdrill International & Management Services Pty Ltd	Australia	Ordinary	100	100
Ausdrill International Pty Ltd	Australia	Ordinary	100	100
Ausdrill Mining Services Pty Ltd	Australia	Ordinary	100	100
Ausdrill Northwest Pty Ltd	Australia	Ordinary	100	100
Ausdrill Properties Pty Ltd	Australia	Ordinary	100	100
Ausdrill Tanzania Limited	Tanzania	Ordinary	100	100
Ausdrill Utilities Pty Ltd	Australia	Ordinary	100	100
Ausminco Mining & Equipment Suppliers Pty Ltd	Australia	Ordinary	100	100
Australian Communications Engineering Pty Ltd	Australia	Ordinary	100	100
Brandrill Exploration Drilling Pty Ltd	Australia	Ordinary	100	100
Brandrill Limited	Australia	Ordinary	100	100
Connector Drilling Pty Ltd	Australia	Ordinary	100	–
Diamond Communications Pty Ltd	Australia	Ordinary	100	100
Drill Rigs Australia Pty Ltd	Australia	Ordinary	100	100
Drilling Tools Australia Pty Ltd	Australia	Ordinary	100	100
DT Hi Load Australia Pty Ltd	Australia	Ordinary	90	90
Golden Plains Pty Ltd	Australia	Ordinary	100	100
Logistics Direct Australia Pty Ltd	Australia	Ordinary	100	100
Logistics Direct Pty Ltd	Ghana	Ordinary	100	100
MinAnalytical Holdings Pty Ltd	Australia	Ordinary	100	–
MinAnalytical Laboratory Services Pty Ltd	Australia	Ordinary	80	–
Mining Technology and Supplies Ltd	Ghana	Ordinary	100	100
Perforaciones Ausdrill Chile Ltda	Chile	Ordinary	100	100
Remet Engineers Pty Ltd	Australia	Ordinary	100	100
Rockbreaking Solutions Pty Ltd	Australia	Ordinary	100	100
Rockmin Pty Ltd	Australia	Ordinary	100	100
RockTek Limited	Australia	Ordinary	100	100
RockTek USA Ltd	USA	Ordinary	100	100
Supply Direct Pty Ltd	Australia	Ordinary	100	100
Supply Direct South Africa Pty Ltd	Australia	Ordinary	100	100
Synegeex Holdings Pty Ltd	Australia	Ordinary	100	100
West African Mining Services Ltd	Ghana	Ordinary	100	100

** All controlled entities are directly controlled by Ausdrill Limited with the exception of:

Perforaciones Ausdrill Chile Ltd is 99% owned by Ausdrill Limited and 1% owned by Ausdrill International Pty Ltd.

African Mining Services Mali Sarl, African Mining Services (Ghana) Pty Ltd, West African Mining Services Limited and Ausdrill Tanzania Limited which are 100% owned by Ausdrill International Pty Ltd.

African Mining Services Burkina Faso Sarl is 100% owned by African Mining Services (Ghana) Pty Ltd.

Mining Technology and Supplies Limited which is 100% owned by West African Mining Services Limited.

Australian Communications Engineering Pty Ltd which is 100% owned by Diamond Communications Pty Ltd.

Supply Direct Pty Ltd which is 100% owned by Golden Plains Pty Ltd.

Supply Direct South Africa Pty Ltd, Logistics Direct Australia Pty Ltd and Logistics Direct Limited are 100% owned by Supply Direct Pty Ltd.

Remet Engineers which is 100% owned by Drilling Tools Australia Pty Ltd.

Brandrill Exploration Drilling Pty Ltd and Rockbreaking Solutions which are 100% owned by Brandrill Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

35 SUBSIDIARIES (CONTINUED)

RockTek Limited and Rockmin Pty Ltd which are 100% owned by Rockbreaking Solutions Pty Ltd and RockTek USA which is 100% owned by RockTek Limited.

DT Hi Load Australia Pty Ltd is 90% owned by Brandrill Limited.

Synergex Holdings Pty Ltd was acquired by Ausdrill International Pty Ltd on 1 July 2009.

MinAnalytical Laboratory Services Pty Ltd which is 80% owned by MinAnalytical Holdings Pty Ltd, a company formed by Ausdrill Limited in October 2010.

Ausdrill Limited carries on business in Australia.

African Mining Services (Ghana) Pty Ltd, Ausdrill (Ghana) Pty Ltd, West African Mining Services Limited, Mining Technology and Supplies Limited and Logistics Direct Limited carry or carried on business in Ghana.

Ausdrill Tanzania Limited carries on business in Tanzania. Ausdrill Utilities Pty Ltd has a branch which carries on business in Zambia.

African Mining Services Mali Sarl carries on business in Mali.

African Mining Services Burkina Faso Sarl carries on business in Burkina Faso.

Perforaciones Ausdrill Chile Ltda carried on business in Chile, and Supply Direct South Africa Pty Ltd carries on business in South Africa. Supply Direct Pty Ltd has a branch which carries on business in the United Kingdom.

Steps have been taken for the voluntary liquidation of West African Mining Services Limited, Mining Technology and Supplies Ltd and Perforaciones Ausdrill Chile Ltda.

36 DEED OF CROSS GUARANTEE

Ausdrill Limited and the entities noted below are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The closed group consists of Ausdrill Limited and the following entities:

- African Mining Services (Ghana) Pty Ltd;
- Ausdrill International Pty Ltd;
- Ausdrill Limited;
- Ausdrill Mining Services Pty Ltd;
- Ausdrill Northwest Pty Ltd;
- Ausdrill Properties Pty Ltd;
- Ausdrill Utilities Pty Ltd;
- Australian Communications Engineering Pty Ltd;
- Brandrill Limited;
- Connector Drilling Pty Ltd;
- Diamond Communications Pty Ltd;
- Drill Rigs Australia Pty Ltd
- Drilling Tools Australia Pty Ltd;
- Golden Plains Pty Ltd;
- Remet Engineers Pty Ltd;
- Supply Direct Pty Ltd; and
- Synergex Holdings Pty Ltd.

In 2010 the closed group consisted of Ausdrill Limited and Brandrill Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

36 DEED OF CROSS GUARANTEE (CONTINUED)

(a) Consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Ausdrill Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2011.

	2011 \$'000	2010 \$'000
Statement of comprehensive income		
Revenue from continuing operations	722,451	265,934
Other income	7,538	463
Materials	(234,190)	(69,637)
Labour	(246,273)	(114,566)
Rental and hire	(23,843)	(5,542)
Depreciation and amortisation expense	(72,418)	(26,577)
Management Fees	(18,153)	–
Finance costs	(17,141)	(7,834)
Other expenses	(43,918)	(15,951)
Share of net profits of associates accounted for using the equity method	3,611	–
Profit before income tax	77,664	26,290
Income tax expense	(18,884)	(7,820)
Profit for the year	58,780	18,470
Other comprehensive income		
Available-for-sale financial assets	–	74
(Loss) on revaluation of land and buildings, net of tax	(50)	–
Exchange differences on translation of foreign operations	(16,301)	–
Other comprehensive income for the year, net of tax	(16,351)	74
Total comprehensive income for the year	42,429	18,544
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	168,802	30,374
Profit for the year	58,780	18,544
Dividends provided for or paid	(30,183)	(20,924)
Retained earnings at the end of the financial year	197,399	27,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

36 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2011 of the closed group.

	2011 \$'000	2010 \$'000
Current assets		
Cash and cash equivalents	119,005	91,839
Trade and other receivables	150,751	56,713
Inventories	113,020	27,621
Total current assets	382,776	176,173
Non-current assets		
Receivables	72,589	198,874
Investments in subsidiaries at cost	76,693	3,256
Property, plant and equipment	496,469	149,263
Deferred tax assets	7,949	537
Intangible assets	28,540	26,012
Total non-current assets	682,240	377,942
Total assets	1,065,016	554,115
Current liabilities		
Trade and other payables	122,258	44,914
Borrowings	88,122	47,607
Current tax liabilities	19,821	725
Provisions	4,600	2,565
Total current liabilities	234,801	95,811
Non-current liabilities		
Borrowings	119,853	57,520
Deferred tax liabilities	16,540	–
Provisions	1,874	1,567
Total non-current liabilities	138,267	59,087
Total liabilities	373,068	154,898
Net assets	691,948	399,217
Equity		
Contributed equity	501,696	369,181
Reserves	(7,147)	2,043
Retained earnings	197,399	27,993
Total equity	691,948	399,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

37 INVESTMENTS IN ASSOCIATES

(a) Movements in carrying amounts

	2011 \$'000	2010 \$'000
Carrying amount at the beginning of the financial year	15,526	1,902
Share of profits/(losses) after income tax	3,611	(726)
Share of exchange differences on translation	(2,885)	(36)
Acquisition of interests in associates	13,016	14,386
Carrying amount at the end of the financial year	29,268	15,526

(b) Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Group's share of:			Profit / (Loss) \$'000
		Assets \$'000	Liabilities \$'000	Revenues \$'000	
2011					
African Underground Mining Services Ghana Ltd	50%	40,189	25,212	36,994	2,453
African Underground Mining Services Mali Sarl	50%	15,802	10,119	24,657	5,247
Energy Drilling Australia Pty Ltd	50%	5,905	7,764	1,126	(4,089)
		61,896	43,095	62,777	3,611
2010					
African Underground Mining Services Ghana Ltd	50%	24,882	11,656	19,973	264
African Underground Mining Services Mali Sarl	50%	4,063	4,118	1,553	(362)
Energy Drilling Australia Pty Ltd	50%	5,017	3,470	82	(628)
		33,962	19,244	21,608	(726)

The above associates are incorporated in Ghana, Mali and Australia.

38 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 29 August 2011 the directors declared the payment of a final ordinary dividend of \$19,594,414 (6.5 cents per fully paid share) to be paid on 27 October 2011 out of retained profits at 30 June 2011. The financial effect of this transaction has not been brought to account at 30 June 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

39 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011 \$'000	2010 \$'000
Profit for the year	73,317	48,177
Depreciation and amortisation	82,509	69,833
(Gain) / loss on sale of non-current assets	(136)	643
(Gain) on sale of available-for-sale financial assets	(156)	(187)
Net loss on sale of business	–	11
Bad debts and provision for doubtful debts	3,923	697
Net exchange differences	2,282	102
Share of (profits) / losses of associates	(3,611)	726
Fair value (gains) on investments	–	(100)
Impairment of goodwill	53	100
Non-cash employee benefits expense – share-based payments	272	342
Change in operating assets and liabilities		
(Increase) in trade debtors	(49,489)	(27,395)
(Increase) in inventories	(40,222)	(408)
(Increase) in other operating assets	(645)	(8,404)
(Decrease) / increase in future income tax benefit	(10,722)	1,278
Increase in trade creditors	32,770	42,079
Increase in other provisions	690	1,911
Increase / (decrease) in provision for income taxes payable	17,665	(11,117)
Increase in provision for deferred income tax	8,849	4,719
Net cash inflow from operating activities	117,349	123,007

40 NON-CASH INVESTING AND FINANCING ACTIVITIES

	2011 \$'000	2010 \$'000
Acquisition of plant and equipment by means of finance leases or hire purchase	56,061	60,226
Acquisition of subsidiary by issue of shares	–	70,370
Issue of shares under company dividend reinvestment plan	2,950	4,055
	59,011	134,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

41 EARNINGS PER SHARE

	2011 Cents	2010 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	27.13	23.71
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	26.92	23.53

(c) Reconciliations of earnings used in calculating earnings per share

	2011 \$'000	2010 \$'000
<i>Basic and diluted earnings per share</i>		
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share:		
From continuing operations	73,403	48,642
From discontinued operation	–	(387)
	73,403	48,255

(d) Weighted average number of shares used as the denominator

	2011 Number '000	2010 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	270,568	203,527
Adjustments for calculation of diluted earnings per share:		
Effect of share options on issue	2,101	1,568
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	272,669	205,095

(i) Options

Options granted to employees under the Ausdrill Limited Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 42.

42 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The establishment of the Ausdrill Limited Employee Option Plan was approved by shareholders at the 2005 annual general meeting. The Employee Option Plan is designed to provide long-term incentives for senior management (excluding executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options are granted for a five year period and become exercisable as follows:

- 33.33% after the second anniversary
- 33.33% after the third anniversary
- 33.34% after the fourth anniversary

Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

42 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Option Plan (continued)

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2011								
12/11/2008	12/11/2013	\$1.29	1,399,989	—	(833,328)	—	566,661	566,661
12/11/2008	12/11/2013	\$1.34	1,399,998	—	—	(300,000)	1,099,998	—
12/11/2008	12/11/2013	\$1.44	1,400,013	—	—	(300,002)	1,100,011	—
12/05/2009	12/05/2014	\$1.29	133,332	—	—	(66,666)	66,666	66,666
12/05/2009	12/05/2014	\$1.34	133,334	—	—	(66,667)	66,667	—
12/05/2009	12/05/2014	\$1.44	133,334	—	—	(66,667)	66,667	—
30/06/2009	30/06/2014	\$1.29	266,665	—	—	(100,000)	166,665	166,665
30/06/2009	30/06/2014	\$1.34	266,667	—	—	(100,000)	166,667	—
30/06/2009	30/06/2014	\$1.44	266,668	—	—	(100,000)	166,668	—
29/11/2010	29/11/2015	\$2.20	—	100,000	—	—	100,000	—
29/11/2010	29/11/2015	\$2.30	—	100,000	—	—	100,000	—
29/11/2010	29/11/2015	\$2.40	—	100,000	—	—	100,000	—
03/02/2011	03/02/2016	\$3.20	—	66,666	—	—	66,666	—
03/02/2011	03/02/2016	\$3.35	—	66,667	—	—	66,667	—
03/02/2011	03/02/2016	\$3.50	—	66,667	—	—	66,667	—
09/03/2011	09/03/2016	\$3.55	—	133,332	—	—	133,332	—
09/03/2011	09/03/2016	\$3.70	—	133,333	—	—	133,333	—
09/03/2011	09/03/2016	\$3.85	—	133,335	—	—	133,335	—
25/03/2011	25/03/2016	\$3.80	—	66,666	—	—	66,666	—
25/03/2011	25/03/2016	\$4.00	—	66,667	—	—	66,667	—
25/03/2011	25/03/2016	\$4.15	—	66,667	—	—	66,667	—
29/06/2011	08/07/2016	\$4.21	—	250,000	—	—	250,000	—
29/06/2011	08/07/2016	\$4.21	—	250,000	—	—	250,000	—
29/06/2011	08/07/2016	\$4.21	—	500,000	—	—	500,000	—
Total			5,400,000	2,100,000	(833,328)	(1,100,002)	5,566,670	799,992
Weighted average exercise price			\$1.36	\$3.74	\$1.29	\$1.38	\$2.26	\$1.29
2010								
12/11/2008	12/11/2013	\$1.29	1,399,989	—	—	—	1,399,989	—
12/11/2008	12/11/2013	\$1.34	1,399,998	—	—	—	1,399,998	—
12/11/2008	12/11/2013	\$1.44	1,400,013	—	—	—	1,400,013	—
12/05/2009	12/05/2014	\$1.29	133,332	—	—	—	133,332	—
12/05/2009	12/05/2014	\$1.34	133,334	—	—	—	133,334	—
12/05/2009	12/05/2014	\$1.44	133,334	—	—	—	133,334	—
30/06/2009	30/06/2014	\$1.29	266,665	—	—	—	266,665	—
30/06/2009	30/06/2014	\$1.34	266,667	—	—	—	266,667	—
30/06/2009	30/06/2014	\$1.44	266,668	—	—	—	266,668	—
Total			5,400,000	—	—	—	5,400,000	—
Weighted average exercise price			\$1.36	—	—	—	\$1.36	—

No options expired during the periods covered by the above tables.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2011 was \$2.99 (2010: not applicable).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.37 years (2010: 3.50 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

42 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Option Plan (continued)

Fair value of options granted

There were 2,100,000 options granted during the year ended 30 June 2011 (2010: nil). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2011 included:

Grant Date	Expiry date	Exercise price	Granted during the year Number	Share price at grant date Number	Expected price volatility of the Company's shares * Number	Expected dividend yield Number	Risk-free interest rate Number	Valuation per option at grant date Number
29/11/2010	29/11/2015	\$2.20	100,000	\$2.05	52%	4.30%	5.25%	\$0.94
29/11/2010	29/11/2015	\$2.30	100,000	\$2.05	52%	4.30%	5.25%	\$0.94
29/11/2010	29/11/2015	\$2.40	100,000	\$2.05	52%	4.30%	5.25%	\$0.94
03/02/2011	03/02/2016	\$3.20	66,666	\$3.05	45%	4.30%	5.20%	\$0.84
03/02/2011	03/02/2016	\$3.35	66,667	\$3.05	45%	4.30%	5.20%	\$0.84
03/02/2011	03/02/2016	\$3.50	66,667	\$3.05	45%	4.30%	5.20%	\$0.85
09/03/2011	09/03/2016	\$3.55	133,332	\$3.31	45%	4.30%	5.20%	\$0.99
09/03/2011	09/03/2016	\$3.70	133,333	\$3.31	45%	4.30%	5.20%	\$0.99
09/03/2011	09/03/2016	\$3.85	133,335	\$3.31	45%	4.30%	5.20%	\$1.00
25/05/2011	25/05/2016	\$3.80	66,666	\$3.56	45%	4.30%	5.10%	\$1.07
25/05/2011	25/05/2016	\$4.00	66,667	\$3.56	45%	4.30%	5.10%	\$1.07
25/05/2011	25/05/2016	\$4.15	66,667	\$3.56	45%	4.30%	5.10%	\$1.08
29/06/2011	08/07/2016	\$4.21	250,000	\$3.24	45%	4.30%	4.70%	\$0.63
29/06/2011	08/07/2016	\$4.21	250,000	\$3.24	45%	4.30%	4.70%	\$0.69
29/06/2011	08/07/2016	\$4.21	500,000	\$3.24	45%	4.30%	4.70%	\$0.74
Total			2,100,000					

* The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2011 \$'000	2010 \$'000
Options issued under employee option plan	272	342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

43 DISCONTINUED OPERATIONS

(a) Description

On 28 February 2010 the Group sold its Strange Drilling business and the division disposed of is reported in this financial report as a discontinued operation. This business, whilst engaged in similar activities, utilises a very different fleet of equipment which was not compatible with the Group's existing operations.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the two months ended 28 February 2010.

	2010 \$'000
Revenue (note 5)	1,840
Expenses	(2,381)
(Loss) before income tax	(541)
Income tax benefit	162
(Loss) after income tax of discontinued operations	(379)
(Loss) on sale of the division before income tax	(11)
Income tax benefit	3
(Loss) on sale of the division after income tax	(8)
(Loss) from discontinued operation	(387)
Net cash inflow from operating activities	80
Net cash inflow from investing activities (includes an inflow of \$15,183,000 from the sale of the division)	15,183
Net increase in cash generated by the division	15,263

(c) Details of the sale of the division

Consideration received or receivable:	
Cash	15,183
Total disposal consideration	15,183
Carrying amount of net assets sold	(15,194)
(Loss) on sale before income tax	(11)
Income tax benefit	3
(Loss) on sale after income tax	(8)

The carrying amounts of assets and liabilities as at 28 February 2010 were:

	28 Feb 2010 \$'000
Property, plant and equipment	14,282
Other current assets	390
Inventories	713
Total assets	15,385
Trade creditors	(191)
Total liabilities	(191)
Net assets	15,194

44 PARENT ENTITY FINANCIAL INFORMATION**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 \$'000	2010 \$'000
Statement of financial position		
Current assets	151,939	139,900
Non-current assets	516,730	364,115
Total assets	668,669	504,015
Current liabilities	95,732	64,118
Non-current liabilities	34,307	35,536
Total liabilities	130,039	99,654
<i>Shareholders' equity</i>		
Contributed equity	501,696	369,181
Reserves		
Asset revaluation reserve	1,507	1,507
Share based payments reserve	808	536
Retained earnings	34,619	33,137
Total equity	538,630	404,361
Profit or loss for the year	31,665	23,688
Total comprehensive income	31,665	23,723

(b) Guarantees entered into by the parent entity

The parent entity has given unsecured guarantees in respect of:

- (i) leased and hire purchased equipment of subsidiaries amounting to \$87,710,662 (2010: \$95,847,753)
- (ii) funding of subsidiaries for acquisition of plant and equipment amounting to \$42,398,913 (2010: \$59,706,838)

The parent has also provided an unsecured contingent guarantee to African Underground Mining Services Ghana Ltd and African Underground Mining Services Mali Sarl (associated entities) for an equipment and working capital facility of USD\$24.9 million (2010: USD\$30 million). As at 30 June 2011 an amount of USD\$24,870,657 has been drawn down under this facility (2010: USD\$9,534,971).

In 2010 the parent entity provided an unsecured guarantee of \$6 million to Energy Drilling Australia Pty Ltd, an associate Company, for an equipment and working capital facility. This facility was repaid in September 2010.

In addition, there are cross guarantees given by Ausdrill Limited as described in note 36. No deficiencies of assets exist in any of these companies.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010. For information about guarantees given by the parent entity see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2011, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling \$29,497,840 (30 June 2010: \$2,288,983). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

DIRECTORS' DECLARATION

30 JUNE 2011

In the directors' opinion:

- (a) the financial statements and notes set out on pages 41 to 100 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 30 June 2011 and of its performance for the financial year ended on that date, and
- (b) 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
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 36 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 described in note 36.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



R G SAYERS
MANAGING DIRECTOR

Perth
29 August 2011



Independent auditor's report to the members of Ausdrill Limited

Report on the Financial Report

We have audited the accompanying financial report of Ausdrill Limited (the company) which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Ausdrill Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PricewaterhouseCoopers, ABN 52 780 433 757
QV1, 250 St Georges Terrace, GPO BOX D198, PERTH WA 6000
DX 77 Perth, Australia
T +61 8 9238 3000, F +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Independent auditor's report to the members of Ausdrill Limited (cont'd)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Ausdrill Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 23 to 29 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Ausdrill Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Nick Henry

Nick Henry
Partner

Perth
29 August 2011

SHAREHOLDER INFORMATION

30 JUNE 2011

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding as at 31 July 2011:

			ORDINARY SHARES	
			Number of Holders	Shares
1	–	1,000	2,769	1,019,873
1,001	–	5,000	2,920	7,700,058
5,001	–	10,000	1,188	8,748,715
10,001	–	100,000	1,340	31,402,309
100,001		and over	119	252,581,562
			8,336	301,452,517

There were 1,038 holders of less than a marketable parcel of 154 ordinary shares.

B. EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities as at 31 July 2011 are listed below:

Name	ORDINARY SHARES	
	Number held	Percentage of issued shares
1. National Nominees Limited	50,037,225	16.60%
2. Cherry Garden Nominees Pty Ltd / Ronald George Sayers	36,301,664	12.04%
3. JP Morgan Nominees Australia Limited	33,712,152	11.18%
4. HSBC Custody Nominees (Australia) Limited	29,763,684	9.87%
5. Bremerton Pty Ltd (The Bartlett Family Fund)	16,018,698	5.31%
6. Cogent Nominees Pty Ltd	13,130,927	4.36%
7. JP Morgan Nominees Australia Limited (Cash Income a/c)	9,621,076	3.19%
8. Citicorp Nominees Pty Ltd	9,056,169	3.00%
9. Resource Capital Fund IV L.P.	7,898,160	2.62%
10. AMP Life Limited	4,482,373	1.49%
11. GP & DL Connell (Connell Contractor Super)	3,408,040	1.13%
12. Patricia Gladys Wright	2,466,233	0.82%
13. Queensland Investment Corporation	2,414,539	0.80%
14. CTS Funds Pty Ltd (Civic Super Fund)	2,091,836	0.69%
15. Equity Trustees Limited	1,720,000	0.57%
16. Gerald Harvey	1,456,994	0.48%
17. Bond Street Custodians Ltd	1,336,395	0.44%
18. PM & JL Bartlett	1,202,793	0.40%
19. TE & EA O'Connor (TE O'Connor Super Fund)	1,004,285	0.33%
20. Cogent Nominees Pty Ltd (SMP Accounts)	991,102	0.33%
Total held by the twenty largest shareholders	228,114,345	75.65%

C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below as at 31 July 2011:

	ORDINARY SHARES	
	Number held	Percentage
1. Cherry Garden Nominees Pty Ltd / Ronald George Sayers	36,301,664	12.04%
2. Bremerton Group	16,018,698	5.31%
3. AMP Limited	15,683,164	5.20%
4. Invesco Australia Limited	15,079,991	5.00%

D. VOTING RIGHTS

Every member present at a meeting of the company in person or by proxy shall have one vote and upon a poll each share shall have one vote.

FINANCIAL TABLE

		2007	2008	2009	2010	2011
REVENUE						
Sales Revenue	\$'000	365,605	387,141	505,468	630,963	834,641
Interest Received	\$'000	2,557	3,828	3,452	1,898	4,572
Dividends Received	\$'000	–	15	45	–	–
Total	\$'000	368,162	390,984	508,965	632,861	839,213
PROFIT						
EBITDA	\$'000	68,575	84,684	122,684	150,364	195,437
Depreciation and amortisation expense	\$'000	26,996	28,890	52,415	69,833	82,509
EBIT	\$'000	41,579	55,794	70,269	80,531	112,928
Net Interest Expense	\$'000	4,990	5,320	12,627	15,827	13,470
Profit before income tax	\$'000	36,589	50,474	57,642	64,704	99,458
Income tax expense	\$'000	9,970	15,142	17,397	16,140	26,141
Profit after tax from continuing operations	\$'000	26,619	35,332	40,245	48,564	73,317
Profit / (loss) from discontinued operations	\$'000	925	–	–	(387)	–
Profit for the year	\$'000	27,544	35,332	40,245	48,177	73,317
Number of Ordinary Shares at Year End	000's	132,209	172,150	174,774	261,820	301,453
Weighted Number of Ordinary Shares	000's	131,996	155,489	173,248	203,527	270,568
Basic earnings per share	cents	20.17	22.72	23.23	23.71	27.13
Diluted earnings per share	cents	20.87	22.72	23.23	23.53	26.92
STATEMENT OF FINANCIAL POSITION						
Total Assets	\$'000	307,085	503,070	601,625	885,480	1,069,736
Total Liabilities	\$'000	155,854	222,338	295,495	383,992	414,793
Shareholders' Equity	\$'000	151,231	280,732	306,130	501,488	654,943
Net tangible assets per share	cents	1.14	1.61	1.73	1.78	2.06
CASH FLOWS						
Gross cash flows from operating activities	\$'000	53,675	52,925	73,008	157,016	136,102
Net cash flows from operating activities	\$'000	48,220	43,037	48,401	123,007	117,349
Net cash flows from investing activities	\$'000	(20,891)	(88,673)	(86,192)	(32,127)	(154,564)
Net cash flows from financing activities	\$'000	(23,075)	86,966	(8,231)	9,040	36,740
Closing cash balance	\$'000	48,555	88,956	44,686	144,387	140,714
Gross Debt	\$'000	97,504	135,908	211,080	242,900	223,612
Net Debt	\$'000	48,949	46,952	166,394	98,513	82,898
DIVIDENDS						
Total Dividends per share (Interim & Final declared)	cents	9.00	11.00	11.00	11.00	12.00
Total Dividends paid	\$'000	9,187	15,171	18,991	20,924	30,183
NET DEBT/EQUITY	%	32	17	54	20	13
EBIT TO SALES REVENUE	%	11.37	14.41	13.90	12.76	13.53
EMPLOYEES AT YEAR END	#	1,651	2,072	2,531	3,366	4,362



FOLLOW US AT
AUSDRILL.COM.AU

DESIGNED BY **mindfield**