

27 SEPTEMBER 2012

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## 2012 ANNUAL REPORT AND AGM

Please find attached the Ausdrill Limited 2012 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 2012.

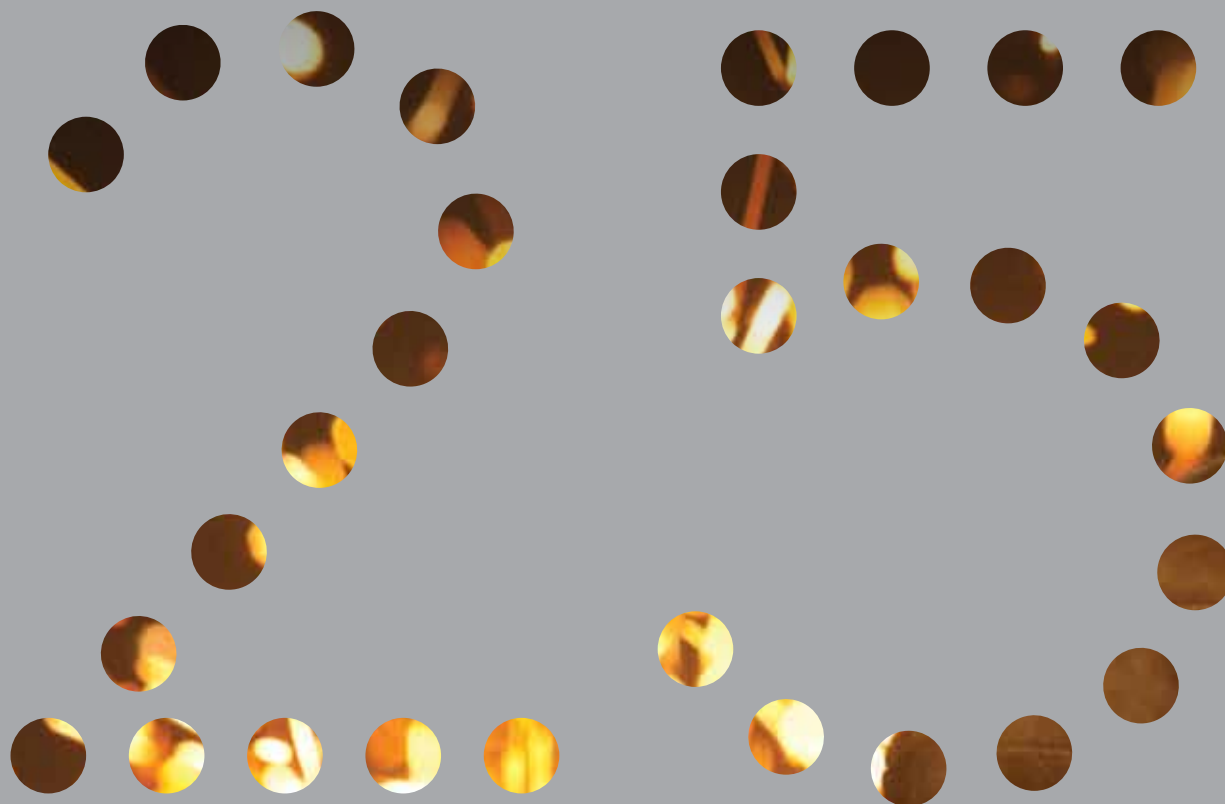
Ausdrill Limited will hold its 2012 Annual General Meeting on Friday 23 November 2012 at 4.00pm (Perth time) at the Duxton Hotel, 1 St Georges Tce, Perth, Western Australia.

### AUSDRILL LIMITED



**Domenic Santini**  
Company Secretary

**BRINGING MORE  
TO MINING**



**AUSDRILL LIMITED**  
ANNUAL REPORT 2012

**CELEBRATING  
25 YEARS OF GROWTH**

# 25 YEARS OF GROWTH

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AUSDRILL WAS FOUNDED IN 1987 BY MANAGING DIRECTOR RON SAYERS WITH A SINGLE DRILL RIG OPERATING FROM KALGOORLIE. TODAY, WE ARE AN ASX 200 LISTED COMPANY WITH 18 SPECIALIST RESOURCE BUSINESSES SPREAD ACROSS EIGHT COUNTRIES.

AS A GROUP AUSDRILL PROVIDES A DIVERSE AND INTEGRATED RANGE OF SERVICES TO BLUE-CHIP MINING AND RESOURCE COMPANIES INCLUDING EXPLORATION, ASSAYING, DRILL AND BLAST, CONTRACT MINING, EQUIPMENT HIRE, PROCUREMENT, LOGISTICS AND MANUFACTURING.

THIS YEAR WE CELEBRATE 25 YEARS CONTINUAL FOCUS ON MEETING CUSTOMERS' NEEDS.

**AUSDRILL LIMITED**

ABN 95 009 211 474

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**FOUNDED IN  
KALGOORLIE**



**1987**

01

On behalf of the Board I am delighted to present the Ausdrill Annual Report for the year ending 30 June 2012. The Report highlights the Company's continued growth in revenue and profitability.

The after tax profit for the year of \$112.2 million is a record, and we believe exceeds expectations. This is the eighth consecutive year in which the after tax profit has increased. Importantly, almost all divisions increased their profit contribution.

The Company has increased the final dividend from 6.5 cents to 8 cents per share.

The Company is seeing the benefit of its strategy of moving to provide a complete range of services to the mining industry. We expect to see increasing benefits as the new businesses reach their full potential.

The Connector Drilling business, acquired during the previous year, has made a very significant contribution to the Group following a full year of ownership. This division drills bores for dewatering mines ahead of production. The demand from mining companies for these services is very strong and we have purchased seven additional rigs since acquiring the business to meet this demand. We have designed and built, internally, a unique system for handling and installing well casing which is not only safer but quicker. All the rigs are now on one to three year contracts.

MinAnalytical, our new company providing geochemical and precious metals analyses to the mineral exploration and mining industry, has been in the start-up phase including installing equipment and hiring skilled personnel. All costs during this period, other than capital purchases, have been expensed. The business is now ramping up throughput but we do not anticipate that it will be profitable until towards the beginning of 2013. The level of enquiry from mining companies for mineral analytical work is such that we expect this business to be very profitable when it attains optimum throughput.

Shareholders will have seen that the Company has entered into an agreement to purchase Best Tractor Parts. This company's business includes the sale of reconditioned parts for heavy earthmoving equipment and the rental and sale of heavy earthmoving equipment. The business is supported by hydraulics and engineering capacity and a global procurement network. Upon completion of the acquisition we see the business complementing our existing businesses.

Although traditionally the Company has serviced the hard rock mining industry, we saw an opportunity to participate in the fast growing onshore gas drilling business on Australia's East Coast. To service this we set up Energy Drilling Australia, firstly as a joint venture and now as a wholly owned subsidiary. The business acquired new purpose built rigs from North America. We have two rigs operating with a third new rig expected to be ready to put to work by the end of 2012. We have ordered two Rapid Service rigs and a truck mounted coiled tubing rig due in 2013 for well servicing for which we expect to see growing demand.

As further opportunities are identified the Company will add new businesses either by acquisition or organic growth.

The Board has a special focus on health and safety, not only because of the statutory obligations it has, but also because it makes good business sense. The Group has continued to dedicate significant effort into improving safety performance and encouraging a supportive safety culture. We also recognise that this effort is ongoing and of more importance as the Group expands into new projects and in sheer size.

As we look ahead, there are conflicting signals in terms of the outlook for the mining industry. In Australia, junior exploration companies are having difficulty raising funds. As a consequence the demand for exploration drilling has reduced. However, as a result of our focus on production-related services under medium to long term contracts, combined with our strategy of working for the major mining houses, the effect on the Company should be minimal.

Our expectation is that, subject to no unexpected disruptions, our Australian business should continue to grow.

Africa continues to attract very significant mining related investment. It is a measure of the extent of worldwide interest in Africa that more than 200 West Australian companies are operating in Africa, almost all of them in the mining industry. Africa continues to be an area of great opportunity for Ausdrill. Indeed the Company recently received a notice of intent to award a US\$540 million mining contract from Resolute Mining, which will be the biggest award ever received by the Company.

Whilst there is some uncertainty in the world economy, we do not expect a major downturn in the mining industry. Some 60% of Ausdrill's work is in the gold industry and, in uncertain times, there is a flight to gold, which is a positive for the Company. Coupled with this, the fact that the bulk of the Company's work is in the production as opposed to the exploration phase of the industry, means that Ausdrill is well positioned to cope with a downturn if one were to occur, as was the case during the 2008/9 downturn, when the Company's revenues and profits increased.

If current conditions remain we expect the Company to improve revenues and maintain margins in the 2012/13 financial year.

Finally, on behalf of the Board and shareholders I would like to pay special tribute to our staff, led by the architect of the Company's growth, Ron Sayers, who has done an outstanding job. Ron would agree he cannot do everything himself. He has the support of an outstanding group of managers and core staff. I thank all staff for what has been an outstanding year.

**Terry O'Connor**  
Chairman

## CHAIRMAN'S STATEMENT



**FORMED AUSDRILL GHANA**  
**OPERATING IN 5 WEST AFRICAN COUNTRIES**



## SALES REVENUE

↑ **27%**

UP FROM \$834.6M TO **\$1059.1M**

## EBITDA

UP 48%  
FROM \$195.4M TO

**\$288.4M**

## EBIT

UP 53%  
FROM \$112.9M TO

**\$172.3M**

## PROFIT BEFORE TAX

UP 53% FROM  
\$99.5M TO

**\$152.5M**

## PROFIT AFTER TAX

UP 53% FROM  
\$73.3M TO

**\$112.2M**

↑ **37%**

BASIC EARNINGS PER  
SHARE UP FROM 27.13 TO  
**37.28** CENTS PER SHARE

**8.0c**

FINAL DIVIDEND  
OF **8.0** CENTS  
PER SHARE,  
FULLY FRANKED

SALES REVENUE  
(\$M)

**1059.1**

EBITDA  
(\$M)

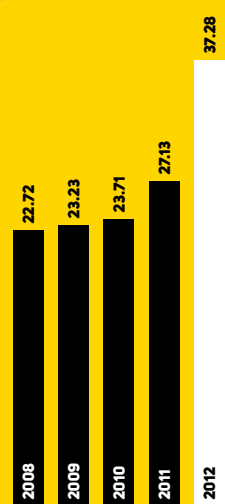
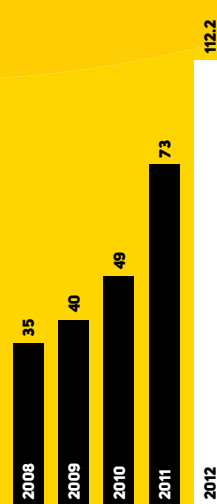
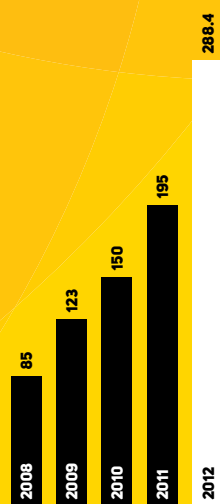
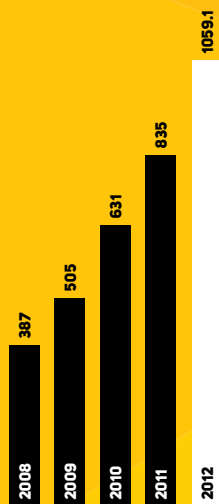
**288.4**

PROFIT AFTER TAX  
(\$M)

**112.2**

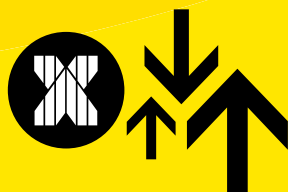
EARNINGS PER SHARE  
(CENTS)

**37.28**



# HIGHLIGHTS OF OUR 25TH YEAR

03



FLOATED ON THE  
AUSTRALIAN STOCK  
EXCHANGE

1994



#### EXPLORATION

EXPLORATION DRILLING  
MINERAL ANALYSIS  
WATERWELL DRILLING  
DRILLING CONSUMABLES  
MINING SUPPLIES  
LOGISTICS



#### MINE DEVELOPMENT

DRILL AND BLAST  
EQUIPMENT HIRE  
EARTHMOVING  
GRADE CONTROL  
MINERAL ANALYSIS  
DRILLING CONSUMABLES  
WATERWELL DRILLING  
EXPLOSIVES SUPPLY



#### SURFACE MINING

EQUIPMENT HIRE  
DRILL AND BLAST  
EXPLOSIVES SUPPLY  
LOAD AND HAUL  
MINERAL ANALYSIS  
WATERWELL DRILLING  
DRILLING CONSUMABLES  
DUMP TRUCK BODIES  
MINING SUPPLIES  
LOGISTICS  
GRADE CONTROL  
CRUSHER FEED



#### UNDERGROUND MINING

UNDERGROUND DEVELOPMENT  
AND PRODUCTION  
MINING SUPPLIES  
LOGISTICS



#### MANUFACTURING

DRILL RIGS  
DRILLING CONSUMABLES  
DUMP TRUCK BODIES



#### ENERGY

EXPLORATION DRILLING  
PRODUCTION DRILLING  
DRILLING CONSUMABLES  
WELL SERVICING



#### INFRASTRUCTURE

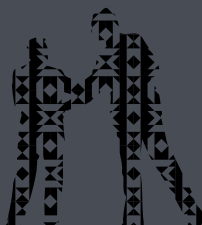
TELECOMMUNICATIONS AND  
UNDERGROUND POWER  
NETWORKS



# BUSINESS OVERVIEW



04



FORMED THE  
**AFRICAN MINING SERVICES (GHANA)**  
JOINT VENTURE

1996

## MINING SERVICES AUSTRALIA

### REVENUE (\$M)



2011  
**491.2**



2012  
**599.8**

### YEAR IN BRIEF

- Revenues increased with general growth in services provided
- Ausdrill Mining Services showing full deployment of hire fleet
- Energy Drilling Australia now wholly owned
- Connector Drilling made its first full year contribution
- MinAnalytical now fully operational and ramping up, break-even expected in beginning of 2013
- Reported margins include effects of start-up costs (MinAnalytical loss before tax of \$4.1 million), amortisation of intangibles (\$3.5 million)

AUSDRILL

AUSDRILL NORTHWEST

BRANDRILL

AMS

MinAnalytical

synergex

CONNECTOR DRILLING

ENERGY DRILLING AUSTRALIA

## CONTRACT MINING SERVICES AFRICA

### REVENUE (\$M)



2011  
**226.3**



2012  
**316.8**

### YEAR IN BRIEF

- Revenues higher from increased level of activity
- Profitability on two contracts in Ghana lower than expected and performance reviews under way with expected improvements in FY13
- Exploration fleet at full capacity, other than diamond rigs in Zambia
- African Underground Mining Services (50% owned) contributed net profit of A\$15.4 million (FY11: A\$7.7 million)
- Stronger A\$ has impacted on reported earnings – if translated at FY11 rates then FY12 revenues and NPAT would be higher by A\$15.6 million and A\$2.1 million respectively (using average exchange rates)

AMS

AFRICAN UNDERGROUND MINING SERVICES

AUSDRILL TANZANIA

AUSDRILL ZAMBIA

## MANUFACTURING

### REVENUE (\$M)



2011  
**106.9**



2012  
**141.0**

### YEAR IN BRIEF

- All businesses comprising:
  - Drilling Tools Australia (DTA);
  - Drill Rigs Australia;
  - Remet Engineers; and
  - DT HiLoad
 have recorded improved sales and profits
- Intersegment sales amount to \$64.9 million
- External sales make up more than half of segment sales
- Expansion under way at DTA and DT HiLoad
- Reported margins include effects of amortisation of intangibles of \$0.8 million

DTA

DRILL RIGS

REMET ENGINEERS

DT

## SUPPLY AND LOGISTICS

### REVENUE (\$M)



2011  
**75.1**



2012  
**75.1**

### YEAR IN BRIEF

- Intersegment sales amount to \$30.2 million
- External sales amounted to 60% of total sales

SUPPLY DIRECT





# A RECORD PROFIT IN A RECORD YEAR

MANAGING DIRECTOR'S REPORT ON OPERATIONS

06



COMMENCED OPERATIONS OF  
**DRILLING TOOLS  
AUSTRALIA PTY LTD**

2004



This being our 25th year of operation as Ausdrill I am pleased to report revenue of well in excess of \$1 billion, and a record net profit after tax of \$112.2 million for the 12 months to 30 June 2012.

Since our very early days as a business, Ausdrill has been focused on meeting the needs of our customers. As we have grown, the focus hasn't changed. We have simply expanded the range of services we offer our customers, and in line with this we've also substantially grown the Ausdrill team to keep up with demand.

Over the past financial year this has continued to be the way we have worked. We have grown the Group by winning work from our existing customers, we have expanded into new markets and we have never lost sight of the importance of our relationship with those businesses in the mining and energy sectors who have come to rely on Ausdrill for an ever-expanding range of services. The strong financial result which we have delivered comes as a consequence of this approach.

The increase in revenue and profit is as 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 our strategy of providing a diverse and vertically integrated service to the mining industry.

While prices for commodities have moderated recently the gold price remains near record levels thus enhancing 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 and this still remains the position. Predominantly our revenues are derived from the production phase of the mining lifecycle with exploration related drilling only accounting for 11% of revenues. This places us in good stead in the event of any slowdown in the mining industry which would usually affect the exploration services demand more than those supplying production services.

## FINANCIAL PERFORMANCE

Group revenue has increased due to continued growth in most parts of the Group and includes a full year contribution from Connector Drilling which was acquired in February 2011.

EBITDA has increased from \$195.4 million to \$288.4 million for the year ended 30 June 2012 and the EBITDA margin increased from 23.4% to 27.2%. The increased contribution in the equity accounted profits from associates of \$15.4 million (2011: \$3.6 million) as well as the turnaround of foreign exchange losses to profits together with improved business performance contributed to the higher reported margin.

This result was achieved despite the costs incurred in the start-up and acquisition of new businesses.

EBIT has increased from \$112.9 million in 2011 to \$172.3 million for the year ended 30 June 2012 and the EBIT margin has increased from 13.5% to 16.3%.

The after tax profit has increased from \$73.3 million in 2011 to \$112.2 million for the year ended 30 June 2012. 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.

The reported profits include pre-tax unrealised foreign exchange gains of \$3.0 million and realised foreign exchange gains of \$1.8 million resulting mainly from the volatility of the Australian dollar. The tax expense in 2012 also includes a reversal of a tax benefit of \$2.3 million booked in prior years on the Brandrill acquisition due to a change in tax legislation.

Net cash inflow from operating activities was \$156.8 million (2011: \$117.3 million) and was constrained due to growth requiring additional investment in working capital of \$71 million. During the year to 30 June 2012 Ausdrill acquired property, plant and equipment of \$270 million. The capital expenditure was incurred across most of the segments within the Group with our African business representing almost half of the year's expenditure. The African segment has expanded into Ivory Coast and is set to benefit from an increased level of activity in the resources sector in Africa as evidenced by the recent intention to award the US\$540 million Syama contract to Ausdrill.

The continued growth in the business has resulted in the need for Ausdrill to assess its financing strategy with the Group currently in the process of seeking proposals for the migration from asset financing to a longer term corporate debt platform. During the year the Company achieved the first step of this strategy by putting in place a \$150 million general purpose facility with Commonwealth Bank of Australia. The next phase of this programme, currently under way, will provide a platform for longer term funding to meet the Group's growth objectives in Australia and Africa.

The return on average capital employed has increased to 14% for the year to 30 June 2012 compared to 11.5% 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 gearing ratio (net debt to net debt plus equity) of 25%, cash of \$124 million, and interest cover (EBIT/Net Interest) of 8.7 times. The Group's net tangible asset position has increased from \$2.06 per share to \$2.33 per share.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

07



**PURCHASED REMAINING 50% OF  
AFRICAN MINING SERVICES (GHANA)**

**2005**

## MINING SERVICES – AUSTRALIA

The Australian contract mining services business has continued to grow steadily whilst showing an improvement in net profit.

### DRILL AND BLAST

Ausdrill was founded on the drill and blast business which provides services in the production phase of the mining process 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.

The business secured a further 12 month extension with Fortescue Metals Group for drill and blast works at its Cloudbreak and Christmas Creek operations, commencing June 2011. In addition, the business was awarded a 12 month contract extension with First Quantum Minerals for grade control at its Ravensthorpe Nickel Operation.

The business is also in the process of negotiating contracts for the renewal of services at both the Superpit and at Prominent Hill.

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 operates 191 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 41 rigs comprising RAB, RC and diamond drill rigs.

The Australian exploration drilling services market has seen renewed activity resulting in a higher utilisation of the rig fleet, except for our diamond rigs where demand has been subdued. The continual upgrading of our fleet to align ourselves with the requirements of our major clients, such as BHP Billiton, Goldfields, Rio Tinto, Barrick, Alacer and Consolidated Minerals, has seen continued demand for our services. As the majority of our equipment is committed to medium term contracts, we envisage that this demand will continue into the future. While it is possible that general exploration activity may be impacted by junior exploration companies being unable to raise capital, with

exploration activities accounting for just 11% of group revenue and carried out mainly for the major companies, any slowdown in activity is expected to be marginal.

### AUSDRILL MINING SERVICES AUSTRALIA (AMSA)

Ausdrill Mining Services Australia runs a fleet of 90 earthmoving units together with an ancillary equipment fleet of 27 units. 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 last year SynegeX has continued to see the benefits of increased revenue from new supply contracts at Sandfire's DeGrussa, PMI's Carina and the new Ravensthorpe projects. During the past year SynegeX has brought five new explosives trucks into operation, providing an expanded capacity to take on more work as well as improving customer service delivery. Two more trucks are in the design stage, with delivery expected during 2012/13 financial year.

### MINANALYTICAL LABORATORY SERVICES

MinAnalytical Laboratory Services was formed to provide quality analytical services to the mineral exploration and mining industry. The business is 80% owned by Ausdrill and is operating in a brand new facility with state of the art equipment in Canning Vale, Western Australia. The business commenced services in late 2011, providing fire assay and sample preparation services to Australian and West African customers. To date MinAnalytical has assayed over 100,000 samples for gold.

A partnership with African Mining Services in West Africa is providing explorers and miners a fast and complete range of services from drilling and sampling to assay results and ultimately mining. This is a unique service for the region where AMS under MinAnalytical technical supervision is operating remote on-site sample preparation facilities with the assay services being carried out in Australia in a very timely manner. Currently two onsite facilities are operating in the region with a third coming online in the latter part of 2012.

During the year the business was largely in start-up phase and reported a pre-tax loss of \$4.1 million. However the business is expected to grow substantially as more services, including a



**FORMED AUSDRILL MINING SERVICES  
TO PROVIDE EARTHMOVING SERVICES IN AUSTRALIA**

fully automated, iron ore analysis system, come on line during 2012 and the African preparation services extend to other regions in Africa. We expect this business to start showing a profit in 2013. The formation of this business continues the strategy of horizontal integration whereby the Ausdrill Group will provide a "one-stop shop" to the mineral exploration and mining industry.

#### CONNECTOR DRILLING

Connector Drilling was acquired in February 2011 and provides hydrogeological services to the mining industry with current activities mainly related to drilling dewatering bores for the large iron ore mines in the Pilbara.

Connector Drilling experienced significant revenue and earnings growth for the period underpinned by strong demand for its services. This performance was achieved despite delays associated with bringing a number of the new rig suites on line. The current 11 rig fleet is due to expand to 14 in the third quarter of 2012 with an additional rig scheduled to be deployed in January 2013. All four new rig suites are currently committed to 1-3 year contracts with BHP Billiton, Rio Tinto and other major mining groups. Additional licenced drillers to crew the new rigs are already embedded in current operations teams and are ready to be redeployed as required.

The outlook for next year remains strong with a full year's contribution from recently commissioned rigs together with the new rigs coming on stream resulting in a 50% increase in available rig shifts when compared to 2011/12 financial year. Connector Drilling's strong safety culture and industry best practice equipment has seen the business achieve preferred contractor status with its major clients. Rig utilisation levels are anticipated to remain high into and beyond 2013.

#### ENERGY DRILLING AUSTRALIA (EDA)

Based in Queensland, Energy Drilling Australia provides drilling services to companies operating in the coal seam gas (CSG) industry and currently operates 2 built for purpose shallow oil and gas drilling rigs consisting of a Foremost Explorer III-65 (130,000 lbs hoist) and a Schramm TXD (200,000 lbs hoist). EDA was established in 2009 and in the past 12 months has cemented its place in the CSG drilling industry by successfully completing a contract with Santos, importing and commissioning the Schramm TXD and securing a 2 rig contract with Exoma and Comet Ridge in the Galilee Basin centred around Longreach. In addition to CSG drilling, the rigs can also undertake oil and shale gas wells. During the year Ausdrill acquired a further 50% interest in EDA bringing the group ownership to 100%.

The business had a slow start due to adverse weather conditions which hampered rig operations and EDA has as a result reported a pre-tax loss of \$0.9 million for the year (2011: equity accounted loss of \$4.1 million). However, with the addition of the second rig and its immediate utilisation, EDA is expected to deliver a profit in 2012/2013 financial year.

To further enhance EDA's drilling capability, the business will expand to a 3 rig operation with the addition of a 2nd Schramm TXD which is currently being commissioned and will commence operations in late 2012.

Given the long term growth trends of the CSG industry, EDA will expand its capabilities to the provision and operation of well servicing equipment, and has ordered 2 rapid service rigs and 1 truck mounted coiled tubing unit. It is expected that this equipment will be available to commence operations in the first quarter of 2013.

#### CONTRACT MINING SERVICES – AFRICA

The African contract mining services business has continued to grow steadily. Net profit has been boosted by the improved contribution from the AUMS Joint Venture. The results have been affected by 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 \$15.6 million and \$2.1 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.

In Ghana AMS:

- added sample preparation (in conjunction with MinAnalytical) to the list of its services now offered;
- consolidated the mobilisation and establishment of its new contracts at Edikan, Nzema and Pampe (announced in last year's report);
- received notification of a life of mine contract extension to 2018 at the Chirano mine, owned and operated by Kinross; and
- extended and increased its contract with Newmont for exploration drilling services, for the 6th consecutive year. AMS is using purpose built drill rigs from Drill Rigs Australia (DRA) for this contract extension.

**ENTERED INTO AN ALLIANCE WITH BARMINCO  
ESTABLISHING THE AUMS  
JOINT VENTURE**





## AFRICAN MINING SERVICES (CONT)

In Mali AMS:

- received a letter of intent for the contract mining works at the Syama mine, owned and operated by Resolute Mining Limited. This contract is due to commence operating in October 2012.

In Burkina Faso AMS:

- established operations, with an initial investment of US\$15 million including a fleet of exploration drilling rigs that are currently in service;
- received a letter of intent from Gryphon Resources for the establishment and operation of a 30,000 per month sample preparation facility; and
- received a letter of intent from Avocet Mining's Inata Gold Mine for a 12 month hire of earth moving equipment.

In Cote d'Ivoire AMS:

- established operations to perform the drilling and blasting services of Cutback 4 for Newcrest at their Bonikro mine.

AMS continues to experience full utilisation of its mining and exploration equipment and operates 245 major equipment units (being dump trucks, excavators, loaders, blast hole drills and grade control drills) and 22 exploration drills.

## AUSDRILL TANZANIA

Ausdrill Tanzania currently provides drilling, blasting and exploration services to Anglo Gold Ashanti at the Geita Gold Mine, Resolute Mining at their Golden Pride Mine and regional exploration, as well as exploration services to a number of 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. The business has completed a contract for BHP Billiton in Zambia and is now contracted to Vale. It has identified a significant number of opportunities with blue chip clients for its modern fleet of drills. The business is currently building a regional base in Solwezi (located in the "new" copper belt) which is about 80% completed. A new 450 Schramm rig has also been purchased which should be in country by the end of the calendar year.



MANAGING DIRECTOR'S REPORT ON OPERATIONS

10



**PURCHASED 100% OF BRANDRILL  
BY WAY OF SCHEME OF ARRANGEMENT**

**2009**



#### AFRICAN UNDERGROUND MINING SERVICES (AUMS)

Ausdrill has a 50% interest in AUMS, 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. AUMS has recently been awarded a contract to perform underground mining services at the Perkooa Zinc Mine in Burkina Faso.

The Company's share of revenue for that business has grown from A\$61.7 million for the year to June 2011 to A\$115.5 million in the year to June 2012 with net profit after tax increasing from A\$7.7 million to A\$15.4 million (being Ausdrill's 50% share).

#### MANUFACTURING

Ausdrill's manufacturing businesses comprise Drilling Tools Australia, Remet Engineers, Drill Rigs Australia and DT HiLoad. This segment has recorded a substantial improvement in revenues and profits due to increased sales of drilling consumables and truck trays to the mining sector.



We continue to see growth in sales to external customers with \$76.1 million (2011: \$50.0 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 and drill rig spares to support Ausdrill subsidiaries and a growing number of external customers. The business was established in 2004 and has reported excellent growth in that time. The operations in Queensland have also performed strongly and earlier this year moved into a larger facility to accommodate the growing oil and gas drilling consumables and rental market. In the year ahead we plan to continue expansion of the product range through continuous research, development, improvement and innovation in the designs of products, including a number of innovations 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.

#### DT HILOAD

DT HiLoad manufactures heavy duty light weight mining truck trays. The business has shown sound and profitable growth in the year with a diverse range of customers. In September 2011, the Group finalised an agreement to acquire the remaining 10% of DT HiLoad, including patents and rights to manufacture of the truck trays in the geographic areas that we operate. The order book is healthy and premises have been expanded due to the growth of the business. The local manufacturing strategy has been successful.

#### REMET ENGINEERS

Remet manufactures premium quality drill rods and associated product primarily to support the wider Group drill activity and also as an external supplier to Australian and international mining, exploration, waterwell and all other facets of the drilling industry.

Remet has a long established reputation throughout the industry operating from Kalgoorlie and Perth. It continues in the pursuit of innovation in design, efficient manufacturing, workplace flexibility and other sustaining strategies.

In 2011, Remet phased in automated manufacturing using existing software which now streamlines production. Raw material stock is up 100% and finished goods up 370% ensuring excellent delivery for standard product. For 2013 the division is planning a move to larger premises and also considering establishing an east coast manufacturing facility to support company operations in the region and cost effective supply for our Brisbane sales office.

MANAGING DIRECTOR'S REPORT ON OPERATIONS



**PURCHASED  
SYNEGEX HOLDINGS PTY LTD  
MANUFACTURER OF BULK EXPLOSIVES**



#### DRILL RIGS AUSTRALIA

Drill Rigs Australia (DRA) manufactures rigs and drill support equipment mainly for the Group's requirements. The business manufactures exploration rigs (including diamond, reverse circulation, multi-purpose and rotary air blast rigs), and grade control rigs. DRA also manufactures the 330 Rock Commander, which is an excavator based rig providing high levels of productivity in difficult and unstable terrain. DRA intends to broaden the range of Rock Commander drills it manufactures which will have application to the iron ore industry. DRA has also commenced manufacture of the DRA/Connector Drilling Load Safe Trailer. This unit has become an integral part of the Connector Drilling water boring kit.

#### SUPPLY & LOGISTICS

Supply Direct achieved satisfactory results in 2012. Both the UK and South African bases are set for improved performance as we are expecting an increase in workload from the East and West African regions to be channelled through these branches. A business plan is being developed for establishment of a base in the USA which will give Supply Direct a more global footprint benefitting not only the African operations but the entire Group.

#### OTHER

The Other segment comprises corporate costs, foreign exchange gains and losses, interest income and expenses as well as the Diamond Communications business.

#### DIAMOND COMMUNICATIONS

Diamond Communications reported an improved result for the period. Diamond has been heavily involved in the rollout of the underground power program for Western Power with major projects this financial year being Attadale South, Lathlain and Ashfield in the Perth metropolitan area. There is still a strong demand for our skills in this sector of the market with several large projects scheduled for the next 12 months.

The communications division has also had a solid performance and was successful in providing Brookfield Rail's backbone fibre network for the Mid West rail expansion from Geraldton to Mullewa. This was a new market for Diamond, and the division received very positive feedback on its performance. Diamond will be looking at expanding this performance with several other rail tenders that are coming up.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

**FORMED MINANALYTICAL  
LABORATORY SERVICES AUSTRALIA  
ENTERING THE MINERALS ASSAYING BUSINESS**



Diamond has recently completed installing optic fibre to 17 remote communities throughout central Australia and islands near Darwin, and the successful completion of this project may lead to additional work in surrounding regions.

We have several large communications projects scheduled for 2013 in the remote areas of Western Australia. Diamond is currently tendering for the National Broadband Network (NBN) work that is now starting to build momentum and looks exciting for the near future. We have invested in new equipment and technology and we have a highly skilled workforce willing to take on the challenges ahead in 2013.

## PEOPLE

Bringing the right team of people together to provide the services our customers require has been the key to the success of the Ausdrill Group. We are fortunate to have a large group of dedicated, hard-working people, a great number of whom have been with the Group for many years.

Our staff numbers have continued to increase over the past year as we pursue business opportunities in both Australia and Africa. At 30 June 2012 the number of employees within the Group, including jointly owned entities, increased to 6,003 – an increase of 38% on the number (4,362) at the corresponding time last year and 66% on the year ended June 2010 (3,619).

Attracting and retaining quality employees remained an ongoing issue for management throughout 2011/12, and the shortage of skills in the labour market has continued. Despite the challenges posed by the tight competition for labour, the overall increase in the number of people we employ is evidence that we do remain competitive and are able to attract high calibre staff.

During the year the Group's Australian operations have continued to look to overseas markets to supplement the local labour supply and the past year has seen some success in attracting qualified personnel from New Zealand. The success of our efforts to extend opportunities to provide structured training in Australian operations for national employees of our subsidiaries in East and West Africa have been somewhat limited due to the English language requirements applicable for the granting of temporary residence visas.

The Group continues to develop and expand the skills of its workforce through apprenticeships and extensive driller training programs both in Australia and Africa.

With our reputation as an employer of choice firmly established, we are committed to provide all our staff with ongoing training and development opportunities.

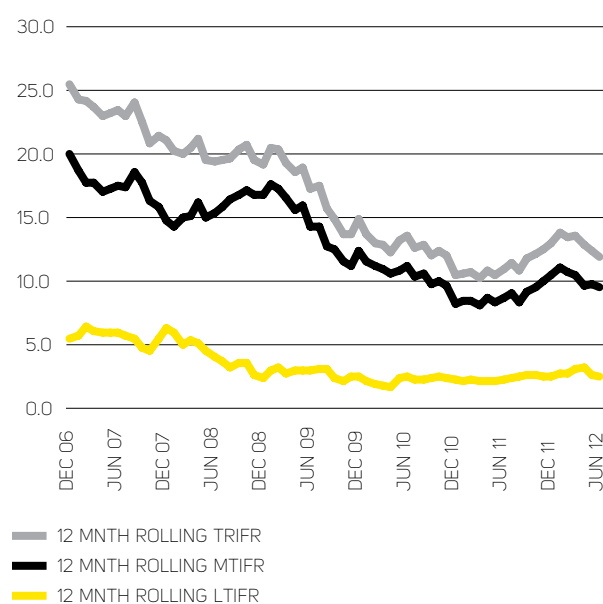
## SAFETY, TRAINING AND QUALITY

As a Company, we are 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 the past year 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.

Safety priority areas included the further development and customisation of our Event Management System for the administration of events including incidents and accidents, safety meetings, action items and the like. This has been rolled out across all sites within Australia, and now commencing in Africa. Risk based standard work procedures (SWP's) are being developed and aligned across all businesses in the Group, with risk assessments being carried out across each business and functional area.

### LOST TIME INJURIES (LTIFR)



**AUSDRILL BECOMES AN  
ASX 200 COMPANY**





### SAFETY, TRAINING AND QUALITY (CONT)

The Training team has recently concluded its fourth frontline leadership training (Certificate IV in Front Line Management) for supervisors with the continuous improvement projects showing a potential saving of over \$1 million. Through the continuing partnership with the Australian Institute of Management, a Diploma of Management for senior managers is in the final stages of development, with the initial program due to commence shortly.

The team has developed training and operator manuals for drill rigs and mining equipment, as well as providing ongoing nationally recognised training and qualifications in the RII09 Drilling Training Package.

The Quality Management System is progressing with the successful testing of Sharepoint 2010 and associated metadata.

The 12 month rolling LTIFR has remained static this year at around 2.4, with the 12 month rolling MTIFR and TRIFR showing slight increases.

### OUTLOOK

The Group continues to benefit from its strategy of providing a complete mining service solution to the mining industry at a time when production levels continue to rise. The Group's focus on production-related activities under long term contracts generates approximately 80% of revenue, and this places it in good stead. This is further reinforced by our geographic spread as well as the complete services offering that we provide to clients.

We are planning to take advantage of the solid base that we have now set for the group with further expansion of our asset base in both Australia and Africa as well as seeking out organic opportunities to expand our services. Growth is expected to be strong in West Africa as evidenced by the recent intention to award contract mining works by Resolute Mining to AMS in Mali as well as the continued growth in the specialist services provided in Australia including Connector Drilling and Energy Drilling Australia.

**\$\$\$1B>**

**2011**

**AUSDRILL ACHIEVES  
MARKET CAPITALISATION  
OF GREATER THAN A\$1 BILLION**



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.

A key area of concern for the Group and the mining industry in general continues to be the lack of suitably qualified and experienced people, particularly in Western Australia, who are required to meet the needs of the industry in the medium term. These constraints have put pressure on wage rates, as well as impacting on productivity levels. In response, the Group has been working on strategies to meet the challenge and continues to work with government and the broader mining industry in seeking solutions to provide the necessary skills for the future in a safe work place.

Based on current trading conditions and subject to no unexpected changes in our operating environment, we expect that the business will continue delivering growth in revenues of 15% at similar

operating margins to that achieved in 2012. This excludes the contribution from the Best Tractor Parts acquisition which we expect to complete during October 2012.

In closing, I wish to place on record my gratitude for the hard work of our entire management team and staff. Over the past 12 months they have continued to go "above and beyond" to meet our customers' requirements, as well as seeking innovations to drive our business forward. It is their efforts that enable us to once again deliver such a strong result.

**Ron Sayers**  
Managing Director

MANAGING DIRECTOR'S REPORT ON OPERATIONS

15

**PURCHASED  
CONNECTOR DRILLING**



**2011**



## **DIRECTORS**

**Terence Edward O'Connor AM QC**  
Chairman

**Ronald George Sayers**  
Managing Director

**Terrence John Strapp**

**Wallace Macarthur King AO**

**Mark Anthony Connelly**

**Donald James Argent**

## **SECRETARY**

**Efstratios V Gregoriadis**

**Domenic Mark Santini**

## **CHIEF FINANCIAL OFFICER**

**José Martins**

## **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**

**PwC**  
QV1 Building  
250 St George's Terrace  
Perth Western Australia 6000

## **SOLICITORS**

**Clifford Chance**  
Level 7  
190 St Georges Terrace  
Perth Western Australia 6000

**King & Wood Mallesons**  
Level 10, Central Park  
152 St George's Terrace  
Perth Western Australia 6000

## **BANKERS**

Commonwealth Bank of Australia  
Level 3  
150 St George's Terrace  
Perth Western Australia 6000

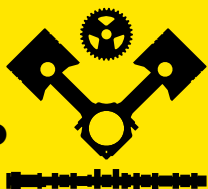
## **STOCK EXCHANGE LISTINGS**

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

## **WEBSITE**

[www.ausdrill.com.au](http://www.ausdrill.com.au)

# **CORPORATE DIRECTORY**



# FINANCIAL REPORT

30 JUNE 2012

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 28 August 2012. 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](http://www.ausdrill.com.au).

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# DIRECTORS' REPORT

30 JUNE 2012

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 2012.

## DIRECTORS

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

T E O'Connor  
R G Sayers  
T J Strapp  
W M King

M G Hills was a director from the beginning of the financial year until his resignation on 15 June 2012.

M A Connelly and D J Argent were appointed as directors on 25 July 2012 and continue in office at the date of this report.

## PRINCIPAL ACTIVITIES

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

- (a) provision of services to the mining industry including:
  - earthmoving;
  - drilling and blasting;
  - exploration drilling;
  - in-pit grade control;
  - energy drilling;
  - 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 – AUSTRILL LIMITED

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

	2012 \$'000	2011 \$'000
Final ordinary dividend for the year ended 30 June 2011 of 6.5 cents (2010: 6.0 cents) per fully paid share paid on 27 October 2011.	19,609	15,709
Interim ordinary dividend for the year ended 30 June 2012 of 6.5 cents (2011: 5.5 cents) per fully paid share paid on 24 April 2012.	19,748	14,474
	<b>39,357</b>	<b>30,183</b>

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 \$24,351,783 (8 cents per fully paid share) to be paid on 31 October 2012 out of retained earnings at 30 June 2012.

## 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.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated entity during the financial year.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in, and expected results of, the operations of the Group are referred to at pages 2 to 15 within the annual report. This report omits information on likely developments in the Group in future financial periods and the expected results of those operations the disclosure of which, in the opinion of the Directors, 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**

On 27 August 2012, Ausdrill Limited agreed to acquire a 100% interest in the Best Tractor Parts Group, a leading Australian supplier of used and reconditioned heavy earthmoving equipment and parts to the surface mining industry, for \$165 million on a cash free and debt free basis. On 27 August 2012, a \$16.5 million deposit was paid with the balance payable at completion. The acquisition forms part of Ausdrill's vertical integration across Ausdrill's existing activities and extension of the contribution realisable from Ausdrill's existing rental fleet. It will also increase Ausdrill's East Coast presence.

Completion is expected to occur on or about 31 October 2012, subject to a number of conditions precedent that include Ausdrill raising debt financing on terms acceptable to it. If Ausdrill is not able to complete the transaction it will forfeit the deposit.

At the date the Financial Statements were authorised for issue, the acquisition date is unknown and the initial accounting for the business combination was incomplete with the fair value assessments of the identifiable assets and liabilities to be acquired at acquisition and the calculation of the adjustment to the purchase price yet to be finalised. As a result, it is not possible to disclose the fair value of the identifiable assets and liabilities acquired, acquisition date, fair value of consideration transferred or to calculate the value of goodwill.

On 24 July 2012, the Company announced that, through its subsidiary African Mining Services Mali SARL (AMSM), it had received a Letter of Intent for a 5 year mining contract with a value of US\$540 million with a subsidiary of Resolute Mining Limited for its Syama Gold Project located in the south of Mali. The expected start date is 1 September 2012. AMSM will perform all contract mining services at the project. AMSM has also reached an agreement with the incumbent contractor to purchase the equipment currently being used at the operation. Further equipment will be obtained by AMSM as needed in accordance with project expansion requirements.

Other than the items noted above, there are no matters or circumstances that have arisen since 30 June 2012 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 74.*

### ***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 King & Wood Mallesons). 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 and Risk Committee.

### ***Interests in shares and options***

1,004,285 ordinary shares.

**Ronald George Sayers** *Managing Director. Age 60.*

### ***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 2007 to 2011.

### ***Special responsibilities***

Managing Director.

### ***Interests in shares and options***

36,846,782 ordinary shares.

4,000,000 share appreciation rights.

**INFORMATION ON DIRECTORS** (CONTINUED)

**Terrence John Strapp CPA, F Fin., MAICD** *Non-executive director. Age 68.*

***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 from 2007 to 2011.

***Special responsibilities***

Chairman of the Audit and Risk Committee.

Member of Remuneration Committee.

***Interests in shares and options***

400,000 ordinary shares.

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

*Non-executive director and Deputy Chairman. Age 68.*

***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.

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.

Deputy Chairman of University of New South Wales Foundation Limited.

Director of 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 incentive options.



**INFORMATION ON DIRECTORS** (CONTINUED)

**Mr Mark Anthony Connelly BBus** *Non-executive director. Age 49.*

***Experience and expertise***

Mr Mark Connelly was appointed as a non-executive director on 25 July 2012.

Mr Connelly is Chief Operating Officer and Director of Endeavour Mining Corporation and was instrumental in the development, permitting, construction and commissioning of Endeavour's Nzema Gold Mine in Ghana. Mr Connelly was formerly CEO and Managing Director of Adamus Resources and was heavily involved in the concept and deal formation of merging Adamus Resources and Endeavour Mining in December 2011.

Mr Connelly holds a Bachelor of Business degree and has held various senior management positions for a number of resource companies, including five years with Adamus Resources, five years with Newmont Mining Corporation, USA and 12 years with Inmet Mining Corporation, Canada.

***Other current directorships***

Director of Endeavour Mining Corporation since 2011.

***Former directorships in last 3 years***

Managing Director of Adamus Resources from 2006 to 2011.

***Special responsibilities***

Member of the Audit and Risk Committee.

***Interests in shares and options***

None.

**Donald James Argent BCom, CPA, FCIS, FAICD** *Non-executive director. Age 65.*

***Experience and expertise***

Mr Donald Argent was appointed as a non-executive director on 25 July 2012.

Mr Argent was the Director Finance and Administration for the Thiess Group, one of the largest integrated engineering and service providers in Australia and South East Asia. He joined Thiess Pty Ltd in 1985 following six years service with Thiess Holdings Ltd in the late 1970's, and, until he retired in July 2011, played an instrumental part in the growth of Thiess from a family-run business to a leading Australian construction, mining and services company.

Mr Argent holds a Bachelor of Commerce degree, is a Certified Practicing Accountant (CPA), Fellow of the Chartered Institute of Secretaries and a Fellow of the Australian Institute of Company Directors.

***Other current directorships***

Non-executive director of Sedgman Limited since 2006.

***Former directorships in last 3 years***

Director of Thiess Pty Ltd until July 2011.

***Special responsibilities***

None.

***Interests in shares and options***

None.

## INFORMATION ON DIRECTORS (CONTINUED)

**Mason Gordon Hills BEc, LLB (Hons)** *Non-executive director until 15 June 2012. Age 41.*

### **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**

None.

### **Former directorships in last 3 years**

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

Non-executive director of Talison Lithium Limited from 2009 to 2012.

Non-executive director of Bannerman Resources Limited from 2011 to 2012.

### **Special responsibilities**

Member of the Audit and Risk Committee.

### **Interests in shares and options**

Mr Hills is an employee of Resource Capital Fund which held 7,898,160 Ausdrill shares until 12 September 2011.

## COMPANY SECRETARY

The Company Secretaries of the Company are Efstratios V Gregoriadis 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 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 2012 and the numbers of meetings attended by each director were:

	Full meetings of directors		Audit	Meetings of committees			
	A	B		B	A	Remuneration	B
Terence Edward O'Connor	10	10	4	4	2		2
Ronald George Sayers	10	10	*	*	*		*
Terrence John Strapp	9	10	4	4	1		2
Mason Gordon Hills	8	10	3	4	*		*
Wallace Macarthur King	5	10	*	*	1		2

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 J Strapp is the director retiring by rotation, who being eligible, offers himself for re-election.

Mr M A Connelly was appointed as a director on 25 July 2012. In accordance with the Constitution, Mr M A Connelly retires as a director at the Annual General Meeting, who being eligible, offers himself for re-election.

Mr D J Argent was appointed as a director on 25 July 2012. In accordance with the Constitution, Mr D J Argent retires as a director at the Annual General Meeting, who being eligible, offers himself for re-election.

## REMUNERATION REPORT

The directors are pleased to present Ausdrill Limited's remuneration report which sets out remuneration information for Ausdrill Limited's non-executive directors, executive directors and other key management personnel.

### Directors and key management personnel disclosed in this report

Name	Position
<b>Non-executive and executive directors</b> See pages 19 to 22.	
<b>Other key management personnel</b>	
J Kavanagh	General Manager West African Operations
A J McCulloch	General Manager Australian and East African Operations
M J Hughes	Chief Financial Officer (until 20 July 2012)
M C Crocker	Group Engineering Manager
J E Martins	Chief Financial Officer

### Changes since the end of the reporting period

Mr M J Hughes retired from the position of Chief Financial Officer on 20 July 2012.

### Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- non-executive director fees;
- remuneration levels of executive directors and other key management personnel; and
- the over-arching executive remuneration framework.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. In doing this, the Remuneration Committee seeks advice from independent remuneration consultants (see page 25).

The Corporate Governance Statement provides further information on the role of this committee.

### Non-executive director remuneration policy

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.

The following fees have applied:	<b>From 1 July 2010</b>
<b>Base fees</b>	
Chairman	\$120,000
Deputy chairman	\$100,000
Other non-executive directors	\$80,000
<b>Additional fees</b>	
Audit and risk committee – Chairman	\$10,000
Remuneration committee – Chairman	\$10,000

### 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.

## **REMUNERATION REPORT (CONTINUED)**

### **Executive remuneration policy and framework**

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value
- transparent; and
- acceptable to shareholders.

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the Ausdrill Employee Option Plan.

#### **Base pay and benefits**

Executives receive their base pay and benefits 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 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.

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 subject to earnings per share being positive and based on the Group's overall performance. The amount is agreed by the Remuneration Committee which has the discretion to adjust short term incentives in light of unexpected or unintended circumstances.

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.

#### **Long term incentives**

Long-term incentives are provided to certain employees via the Ausdrill Employee Option Plan which was 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.

#### **Ausdrill Share Appreciation Rights (SARs)**

The Managing Director was granted 4,000,000 SARs after shareholders' approval was given at the Annual General Meeting on 23 November 2011. The SARs may be realised by Mr Sayers only to the extent that vesting conditions are met. No amount is payable on issue of the SARs.

Each SAR entitles Mr Sayers to a payment, by way of an issue of Shares of an equivalent value, on vesting equal to the positive difference between the share price at the time of vesting (Vesting) and the share price at the time the SARs are issued (Grant).

The share price at Vesting and Grant will be determined by reference to the volume weighted average share price of the Company during the 10 trading days prior to the stipulated date (10 day VWAP) at the time of Vesting and Grant.

The payment due is calculated according to the following formula – Total Vested SARs value = Total number of vested SARs x (10 day VWAP of the Shares at Vesting LESS 10 day VWAP of the Shares at Grant).

The number of Shares to be received on vesting of the SARs is calculated according to the following formula – Total Vested SARs value / 10 day VWAP of the Shares at Vesting. The resulting calculation is rounded down to the nearest whole Share.

The first tranche of 1,000,000 SARs issued to Mr Sayers will vest if Mr Sayers remains in the employ of the Company on 30 June 2014.

Mr Sayer's entitlement to the second tranche of 3,000,000 SARs will be subject to the Company's Total Shareholder Return (TSR) performance, including share price growth, dividends and capital returns, compared to the TSR of the selected peer group that are listed on the ASX (see list below) and any SARs to which Mr Sayers becomes entitled will only vest if he remains in the employ of the Company on 30 June 2014.

## REMUNERATION REPORT (CONTINUED)

### Executive remuneration policy and framework (continued)

#### Ausdrill Share Appreciation Rights (SARs) (continued)

Entitlements are based on the Company's ranking within the peer group, as follow:

TSR Rank	Proportion of options that vest
Less than 50% percentile	0%
50th percentile	50%
Between 50th and 75th percentile	Pro-rata (sliding scale) percentage
At or above 75th percentile	100%

For the SARs granted on 1 December 2011, the Comparator Group includes the following companies:

▪ Austin Engineering Limited	▪ Boart Longyear Limited
▪ Brierty Limited	▪ Downer EDI Limited
▪ Emeco Holdings Limited	▪ Index Limited
▪ Industrea Limited	▪ MACA Limited
▪ Macmahon Holdings Limited	▪ Monadelphous Group Limited
▪ NRW Holdings Limited	▪ Sedgman Limited
▪ Transfield Services Limited	▪ WDS Limited

#### Share trading policy

The trading of shares issued to participants under any of the Company's employee equity plans is subject to, and conditional upon, compliance with the Company's employee share trading policy (see page 38). Executives are prohibited from entering into any hedging arrangements over unvested options under the Company's employee option plan. The Company would consider a breach of this policy as gross misconduct resulting in disciplinary action and potentially dismissal.

#### Use of remuneration consultants

In September 2011, Ausdrill Limited's Remuneration Committee employed the services of PricewaterhouseCoopers (PwC) to review and provide recommendations in respect of new equity awards and long-term incentive plan design to Ausdrill Managing Director. Under the terms of the engagement, PwC provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid \$21,000 for these services.

PwC has confirmed that the above recommendations have been made free from undue influence by members of the Group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- PwC was engaged by, and reported directly to, the chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the chair of the Remuneration Committee under delegated authority on behalf of the Board.
- The report containing the remuneration recommendations was provided by PwC directly to the chair of the Remuneration Committee; and
- PwC was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, PwC was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

In addition to providing remuneration recommendations, PwC also provided various audit and non-audit services. For these services PwC was paid a total of \$2,127,528. Details of these services are disclosed on page 33 of the directors' report and in note 29 to the financial statements.



## 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 2012.

	30 June 2012 \$000	30 June 2011 \$000	30 June 2010 \$000	30 June 2009 \$000
Revenue	<b>1,062,241</b>	839,213	632,861	508,965
Net profit before tax	<b>152,487</b>	99,458	64,704	57,642
Net profit after tax	<b>112,207</b>	73,317	48,177	40,245
Share price at start of year (\$ per share)	<b>3.31</b>	1.65	0.91	2.47
Share price at end of year (\$ per share)	<b>3.42</b>	3.31	1.65	0.91
Basic earnings (cents per share)	<b>37.28</b>	27.13	23.71	23.23
Diluted earnings (cents per share)	<b>36.97</b>	26.92	23.53	23.23
Dividends (cents per share)	<b>14.50</b>	11.50	11.00	11.00

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

During the year the Company issued 200,000 options under the Ausdrill Employee Option Plan to senior executives and 4,000,000 share appreciation rights to the managing director. The Employee Option Plan and Share Appreciation Rights are designed to provide long-term incentives for executives to deliver long-term shareholder returns.

### Details of remuneration

The following tables show details of the remuneration received by the directors and the key management personnel of the Group for the current and previous financial year.

2012	Short-term employee benefits				Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary & fees	Cash bonus*	Non monetary benefits	Service bonus	Super-annuation	Long service leave	Options	Share Appreciation Rights	
Name	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>									
T E O'Connor	130,000	—	—	—	11,700	—	—	—	141,700
W M King	100,000	—	—	—	9,000	—	366,955	—	475,955
T J Strapp	90,000	—	—	—	8,100	—	—	—	98,100
M G Hills <sup>2</sup>	78,667	—	—	—	7,080	—	—	—	85,747
J E Askew <sup>1</sup>	14,725	—	—	—	—	—	—	—	14,725
<b>Sub-total non-executive directors</b>	<b>413,392</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>35,880</b>	<b>—</b>	<b>366,955</b>	<b>—</b>	<b>816,227</b>
<b>Executive directors</b>									
R G Sayers	767,500	—	25,000	—	50,000	72,716	—	596,129	1,511,345
<b>Other key management personnel</b>									
J Kavanagh	440,001	100,000	68,877	16,833	—	14,090	6,783	—	646,584
A J McCulloch	301,673	91,743	25,000	7,098	45,410	9,453	6,783	—	487,160
M J Hughes <sup>3</sup>	264,274	45,872	—	15,420	29,301	7,564	4,522	—	366,953
M C Crocker	241,338	45,872	25,000	17,074	27,386	7,563	4,522	—	368,755
J E Martins <sup>4</sup>	316,417	91,743	—	—	47,724	—	101,879	—	557,763
<b>Total key management personnel compensation</b>	<b>2,744,595</b>	<b>375,230</b>	<b>143,877</b>	<b>56,425</b>	<b>235,701</b>	<b>111,386</b>	<b>491,444</b>	<b>596,129</b>	<b>4,754,787</b>

\* Cash bonus paid relates to the year ended 30 June 2011.

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

2 Mr M G Hills resigned from the Board on 15 June 2012.

3 Mr M J Hughes retired on 20 July 2012.

4 Mr J E Martins was appointed as CFO on 1 May 2012.

## REMUNERATION REPORT (CONTINUED)

### Details of remuneration (continued)

2011	Short-term employee benefits				Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary & fees	Cash bonus*	Non monetary benefits	Service bonus	Super-annuation	Long service leave	Options	Share Appreciation Rights	
Name	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>									
T E O'Connor	130,000	–	–	–	11,700	–	–	–	141,700
W M King <sup>2</sup>	25,000	–	–	–	2,250	–	–	–	27,250
T J Strapp <sup>5</sup>	120,000	–	–	–	9,450	–	–	–	129,450
M G Hills	80,000	–	–	–	7,200	–	–	–	87,200
J E Askew <sup>1</sup>	69,177	–	–	–	–	–	–	–	69,177
<b>Sub-total non-executive directors</b>	<b>424,177</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>30,600</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>454,777</b>
<b>Executive directors</b>									
R G Sayers <sup>3</sup>	618,000	596,330	25,000	–	94,170	18,750	–	–	1,352,250
<b>Other key management personnel</b>									
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 <sup>4</sup>	241,399	–	–	–	21,726	–	59,012	–	322,137
<b>Total key management personnel compensation</b>	<b>3,239,222</b>	<b>896,330</b>	<b>235,092</b>	<b>74,452</b>	<b>247,437</b>	<b>68,592</b>	<b>111,984</b>	<b>–</b>	<b>4,873,109</b>

\* 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.

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 *	
	2012	2011	2012	2011	2012	2011
<b>Executive directors of Ausdrill Limited</b>						
R G Sayers	<b>61</b>	100	–	–	<b>39</b>	–
<b>Other key management personnel of the group</b>						
J Kavanagh	<b>99</b>	98	–	–	<b>1</b>	2
A J McCulloch	<b>99</b>	97	–	–	<b>1</b>	3
C A Gall	–	99	–	–	–	1
T J Collins	–	100	–	–	–	–
M J Hughes	<b>99</b>	97	–	–	<b>1</b>	3
M C Crocker	<b>99</b>	97	–	–	<b>1</b>	3
J E Martins	<b>82</b>	82	–	–	<b>18</b>	18

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

## 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 unless noted below:

Name	Term of agreement	Base salary including superannuation*	Termination benefit
R G Sayers, Managing Director	1 July 2012	817,500	Contract can be terminated by either party with 12 months notice or payment in lieu.
J Kavanagh, General Manager West African Operations	On-going	440,000	—
A J McCulloch, General Manager Australian and East African Operations	On-going	328,824	—
M J Hughes, Chief Financial Officer	Agreement terminated on retirement on 20 July 2012	288,058	—
M C Crocker, Group Engineering Manager	On-going	263,053	—
J E Martins, Chief Financial Officer <sup>1</sup>	On-going	353,824	—

\* Base salaries quoted are for the year ended 30 June 2012; they are reviewed annually by the Remuneration Committee.

<sup>1</sup> Mr Martins was appointed CFO on 1 May 2012.

## REMUNERATION REPORT (CONTINUED)

### 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	100%
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	100%
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	100%
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	1 July 2012	1 July 2016	\$4.21	\$0.63	n/a
29 June 2011	1 July 2013	1 July 2016	\$4.21	\$0.69	n/a
29 June 2011	1 July 2014	1 July 2016	\$4.21	\$0.74	n/a
21 July 2011	21 July 2013	21 July 2016	\$3.55	\$0.77	n/a
21 July 2011	21 July 2014	21 July 2016	\$3.65	\$0.79	n/a
21 July 2011	21 July 2015	21 July 2016	\$3.85	\$0.79	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 41 to the financial statements.

Name	Number of options and rights granted during the year	Value of options and rights at grant date*	Number of options and rights vested during the year	Number of options and rights lapsed during the year	Value at lapse date**
<b>Directors of Ausdrill Limited</b>					
T E O'Connor	—	—	—	—	—
W M King	—	—	—	—	—
T J Strapp	—	—	—	—	—
M G Hills	—	—	—	—	—
R G Sayers	4,000,000	2,640,000	—	—	—
<b>Other key management personnel of the Group</b>					
J Kavanagh	—	—	100,000	—	—
A J McCulloch	—	—	100,000	—	—
M J Hughes	—	—	66,667	—	—
M C Crocker	—	—	66,667	—	—
J E Martins	—	—	—	—	—

\* 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 and rights 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.

## REMUNERATION REPORT (CONTINUED)

### Share-based compensation (continued)

The assessed fair value at grant date of options and rights 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. Fair values at grant date for the share appreciation rights are determined independently using a Monte Carlo simulation valuation model that incorporates the probability of the relative TSR vesting condition.

### 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*
<b>Other key management personnel of the Group</b>			
J Kavanagh	1 March 2012	100,000	259,860
A J McCulloch	5 April 2012	100,000	274,860
M J Hughes	2 December 2011	133,333	234,479
M C Crocker	7 September 2011	66,666	133,239
M C Crocker	6 March 2012	66,667	262,001

\* 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
1 March 2012	\$1.34
5 April 2012	\$1.34
2 December 2011	\$1.29
2 December 2011	\$1.34
7 September 2011	\$1.29
6 March 2012	\$1.34

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.

### Details of remuneration: options and rights

For each grant of options and rights included in the tables on pages 29, 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.

## REMUNERATION REPORT (CONTINUED)

### Share-based compensation (continued)

Name	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Maximum total value of grant yet to vest \$
W M King	2011	—	—	01/07/2012	—
	2011	—	—	01/07/2013	85,715
	2011	—	—	01/07/2014	245,330
R G Sayers	2012	—	—	30/06/2014	534,194
	2012	—	—	30/06/2014	1,509,677
J Kavanagh	2009	100	—	—	—
	2009	100	—	—	—
	2009	—	—	11/11/2012	1,620
A J McCulloch	2009	100	—	—	—
	2009	100	—	—	—
	2009	—	—	11/11/2012	1,620
J E Martins	2010	—	—	29/11/2012	19,535
	2010	—	—	29/11/2013	44,283
	2010	—	—	29/11/2014	56,611
M C Crocker	2009	100	—	—	—
	2009	100	—	—	—
	2009	—	—	11/11/2012	1,080
M J Hughes	2009	100	—	—	—
	2009	100	—	—	—
	2009	—	—	11/11/2012	1,080

### LOANS TO DIRECTORS AND EXECUTIVES

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

### 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	66,666
12 November 2008	12 November 2013	\$1.34	233,332
12 November 2008	12 November 2013	\$1.44	1,066,677
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	33,333
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 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	1 July 2016	\$4.21	250,000
29 June 2011	1 July 2016	\$4.21	250,000
29 June 2011	1 July 2016	\$4.21	500,000
21 July 2011	21 July 2016	\$3.55	66,666
21 July 2011	21 July 2016	\$3.65	66,667
21 July 2011	21 July 2016	\$3.85	66,667
			<u>4,233,343</u>

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 2012 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	466,662
12 November 2008	\$1.34	833,333
30 June 2009	\$1.29	133,332
		<hr/> 1,433,327 <hr/>

## INDEMNIFICATION

Under the Company's constitution and subject to section 199A of the *Corporations Act 2001*, the Company indemnifies each of the Directors, each of the Company Secretaries and every other person who is an officer of the Company and its wholly-owned subsidiaries against:

- any liability incurred as an officer of the Company (as the case may be) by that person to any person other than the Company or a related body corporate of the Company, unless that liability arises out of conduct involving a lack of good faith or is a liability for a pecuniary penalty order under certain provisions of the *Corporations Act 2001*; and
- costs and expenses incurred in defending civil or criminal proceedings subject to certain conditions.

The above indemnity is a continuing indemnity and applies in respect of all acts done by a person while an officer of the Company or its wholly-owned subsidiaries even though the person is not an officer at the time the claim is made.

The Company has entered into a Deed of Indemnity, Access and Insurance ("Deed") with each current and former officer of the Company and its subsidiaries, including each Director and Company Secretary and persons who previously held those roles. Under each Deed, to the extent permitted by law and to the extent and in the amount that the officer is not indemnified under any other indemnity, including an indemnity contained in any insurance policy, the Company indemnifies the relevant officer against all liabilities of any kind (including liabilities for legal expenses) incurred by the officer arising out of:

- the discharge of his or her duties as an officer of the Company or a subsidiary of the Company, or as an officer of any corporation in which the Company holds securities ("Related Corporation") where the officer is representing the interests of the Company in relation to the Related Corporation; and
- the conduct of the business of the Company or a subsidiary of the Company, or a Related Corporation where the officer is representing the interests of the Company in relation to that Related Corporation.

No amount has been paid under any of these indemnities during the financial year under review.

## INSURANCE OF 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*.



## **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 29.

The board of directors has considered the position and, in accordance with advice received from the audit and risk 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, as set out below, 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 and risk 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*.

## **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 34.

## **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.



**Ronald George Sayers**  
Managing Director

Perth  
28 August 2012



## Auditor's Independence Declaration

As lead auditor for the audit of Ausdrill Limited for the year ended 30 June 2012, 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  
28 August 2012

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2012

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.

## 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;
- progress in relation to the company's diversity objectives and compliance with its diversity policy;
- 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 and Risk 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 the 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](http://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' 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 2012 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 five 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 five non-executive directors (Messrs O'Connor, Connelly, Strapp, King and Argent), 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 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.

### **Chair 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* (**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 2012, and the number of meetings attended by each director, is disclosed on page 22.

It is the Group's practice to allow its executive directors to accept appointments outside the Group with prior written approval of the Board. No appointments of this nature were accepted during the year ended 30 June 2012.

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 28 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 and Risk 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. In this regard, the Group has not complied with ASX Recommendation 2.4.

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.

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.

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

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 2012.

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. The Group has established a "Whistleblower" Policy which outlines the process for any director, manager, employee, consultant or contractor of the Group to make a report in connection with certain conduct if required, whether anonymously or not.

The Group has established a trading policy which outlines the restrictions, closed periods and processes required when directors, CEO and key management personnel trade company securities (**Securities Trading Policy**). This policy is available in the Corporate Governance section on the Group's website.

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 and Risk 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.

### **PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKINGW (CONTINUED)**

#### **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.

Ausdrill aims to provide a work environment that promotes diversity and allows each employee to reach their potential. The Group is committed to providing a workplace that is free from discrimination, harassment and bullying.

At 30 June 2012, 7% of our workforce was female. This reflects the reality of the industry within which the Group operates and the generally low participation rates of women in the manual trades and drilling industry workforce. A significant majority of employment across the Group's operations consist of working in remote areas performing many manual tasks and the available pool of female candidates is limited and therefore constrains the ability of the Company to increase female participation through internal promotion and external recruitment both across the workforce and at senior executive level. Across the Group's service and support functions the female participation rate increases to 36%.

Current staff summary of men and women:

	<b>Percentage of Employment</b>	
	<b>Female</b>	<b>Male</b>
Board	0%	100%
Managers & senior staff	2%	98%
Administration	36%	64%
Skilled staff	3%	97%
Total	7%	93%

Furthermore, we promote the involvement of Indigenous people in the Group's operations both in Australia and in Africa. The Group is committed to offering Indigenous people meaningful and sustainable employment and giving them support to build their careers with the Group. Several of our African employees are now working on an expatriate basis in other African countries. In Australia, the Group has employed an Indigenous employment co-ordinator and is a signatory to the Australian Employment Covenant.

### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

#### **Audit and risk committee**

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

The Audit and Risk 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 and Risk Committee Charter is available in the Corporate Governance section on the Group's website.

The Audit and Risk 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.

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

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

The Audit and Risk 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 and Risk Committee is entitled to consult independent experts and institute special investigations if it considers it necessary in order to fulfil its responsibilities.

##### **External auditors**

The Group and Audit and Risk 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 29 to the financial statements. It is the policy of 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 AND 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 Chief Financial Officer 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 Chief Financial Officer. 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.

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 and Risk Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Audit and Risk 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 above mentioned 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 and Risk 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 and Risk 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 and Risk 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 2012

		<b>12</b>	<b>11</b>
	NOTES	\$'000	\$'000
<b>Revenue from continuing operations</b>	5	<b>1,062,241</b>	839,213
Other income	6	<b>12,733</b>	8,431
Materials		<b>(350,972)</b>	(283,811)
Labour		<b>(337,828)</b>	(283,300)
Rental and hire		<b>(23,789)</b>	(26,206)
Depreciation and amortisation expense	7	<b>(116,144)</b>	(82,509)
Finance costs	7	<b>(22,939)</b>	(18,042)
Other expenses		<b>(85,811)</b>	(56,884)
Business combination / merger costs		<b>(370)</b>	(1,045)
Share of net profit of associates accounted for using the equity method	36	<b>15,366</b>	3,611
Profit before income tax		<b>152,487</b>	99,458
Income tax (expense)	8	<b>(40,280)</b>	(26,141)
<b>Profit for the year</b>		<b>112,207</b>	73,317
<b>Other comprehensive income</b>			
Gain / (loss) on revaluation of land and buildings, net of tax	25(a)	<b>3,429</b>	(50)
Exchange differences on translation of foreign operations	25(a)	<b>1,240</b>	(22,436)
<b>Other comprehensive income for the year, net of tax</b>		<b>4,669</b>	(22,486)
<b>Total comprehensive income for the year</b>		<b>116,876</b>	50,831
<b>Profit is attributable to:</b>			
Equity holders of Ausdrill Limited		<b>112,943</b>	73,403
Non-controlling interests		<b>(736)</b>	(86)
<b>Profit for the year</b>		<b>112,207</b>	73,317
<b>Total comprehensive income attributable to:</b>			
Equity holders of Ausdrill Limited		<b>117,612</b>	50,917
Non-controlling interests		<b>(736)</b>	(86)
<b>Total comprehensive income for the year</b>		<b>116,876</b>	50,831
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	40	<b>37.28</b>	27.13
Diluted earnings per share	40	<b>36.97</b>	26.92

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 2012

		<b>12</b>	<b>11</b>
	NOTES	\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	<b>124,188</b>	140,714
Trade and other receivables	10	<b>226,451</b>	170,670
Inventories	11	<b>186,388</b>	138,958
<b>Total current assets</b>		<b>537,027</b>	450,342
<b>Non-current assets</b>			
Receivables	12	<b>12,991</b>	1,686
Investments accounted for using the equity method	13	<b>35,888</b>	29,268
Property, plant and equipment	14	<b>709,445</b>	542,827
Deferred tax assets	15	<b>14,888</b>	10,912
Intangible assets	16	<b>32,376</b>	34,701
<b>Total non-current assets</b>		<b>805,588</b>	619,394
<b>TOTAL ASSETS</b>		<b>1,342,615</b>	1,069,736
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	<b>174,523</b>	142,633
Borrowings	18	<b>107,747</b>	97,478
Current tax liabilities	19	<b>25,346</b>	20,931
Provisions	20	<b>6,264</b>	5,620
<b>Total current liabilities</b>		<b>313,880</b>	266,662
<b>Non-current liabilities</b>			
Borrowings	21	<b>256,194</b>	126,134
Deferred tax liabilities	22	<b>27,345</b>	19,589
Provisions	23	<b>4,435</b>	2,408
<b>Total non-current liabilities</b>		<b>287,974</b>	148,131
<b>TOTAL LIABILITIES</b>		<b>601,854</b>	414,793
<b>NET ASSETS</b>		<b>740,761</b>	654,943
<b>EQUITY</b>			
Contributed equity	24	<b>508,513</b>	501,696
Other reserves	25(a)	<b>(10,461)</b>	(17,214)
Retained earnings	25(b)	<b>243,773</b>	170,187
Capital and reserves attributable to owners of Ausdrill Limited		<b>741,825</b>	654,669
Non-controlling interests		<b>(1,064)</b>	274
<b>TOTAL EQUITY</b>		<b>740,761</b>	654,943

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	ATTRIBUTABLE TO OWNERS OF AUSDRILL LIMITED				Non-controlling interests	Total equity
		Contributed equity	Other reserves	Retained earnings	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2010</b>		<b>369,181</b>	<b>5,000</b>	<b>126,967</b>	<b>501,148</b>	<b>340</b>	<b>501,488</b>
Profit for the year		–	–	73,403	73,403	(86)	73,317
Other comprehensive income		–	(22,486)	–	(22,486)	–	(22,486)
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>(22,486)</b>	<b>73,403</b>	<b>50,917</b>	<b>(86)</b>	<b>50,831</b>
<b>Transactions with owners in their capacity as owners:</b>							
Contributions of equity, net of transaction costs and tax	24	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	24	1,062	–	–	1,062	–	1,062
Dividends paid	26	–	–	(30,183)	(30,183)	–	(30,183)
Employee share options – value of employee services	25	–	272	–	272	–	272
<b>Balance at 30 June 2011</b>		<b>501,696</b>	<b>(17,214)</b>	<b>170,187</b>	<b>654,669</b>	<b>274</b>	<b>654,943</b>
<b>Balance at 1 July 2011</b>		<b>501,696</b>	<b>(17,214)</b>	<b>170,187</b>	<b>654,669</b>	<b>274</b>	<b>654,943</b>
Profit for the year		–	–	112,943	112,943	(736)	112,207
Other comprehensive income		–	4,669	–	4,669	–	4,669
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>4,669</b>	<b>112,943</b>	<b>117,612</b>	<b>(736)</b>	<b>116,876</b>
<b>Transactions with owners in their capacity as owners:</b>							
Contributions of equity, net of transaction costs and tax	24	4,942	–	–	4,942	–	4,942
Non-controlling interests on acquisition of subsidiary	33	–	602	–	602	(602)	–
Shares issued on conversion of employee share options, net of transaction costs	24	1,875	–	–	1,875	–	1,875
Dividends paid	26	–	–	(39,357)	(39,357)	–	(39,357)
Employee share options – value of employee services	25	–	1,482	–	1,482	–	1,482
<b>Balance at 30 June 2012</b>		<b>508,513</b>	<b>(10,461)</b>	<b>243,773</b>	<b>741,825</b>	<b>(1,064)</b>	<b>740,761</b>

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 2012

		12	11
	NOTES	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		1,086,456	842,017
Payments to suppliers and employees (inclusive of goods and services tax)		(881,049)	(705,915)
		205,407	136,102
Interest received		3,134	4,572
Interest and other costs of finance paid		(21,440)	(17,223)
Income taxes paid		(33,375)	(10,349)
Management fee received from associate		3,058	4,247
<b>Net cash inflow from operating activities</b>	38	156,784	117,349
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	33	119	(28,222)
Payment for purchase of equity investments		–	(13,016)
Payments for property, plant and equipment		(190,389)	(122,970)
Proceeds from sale of property, plant and equipment		5,385	8,842
Proceeds from sale of available-for-sale financial assets		–	259
Loans (to) from associates		(8,775)	580
Payment of development costs		(277)	(38)
Payments for patents and trademarks		(1,703)	–
<b>Net cash (outflow) from investing activities</b>		(195,640)	(154,565)
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares, net of transaction costs		1,833	129,565
Proceeds from secured borrowings		189,583	32,003
Repayment of secured borrowings		(64,796)	(30,351)
Repayment of hire purchase and lease liabilities		(66,056)	(67,245)
Payments for bank guarantees		(2,639)	–
Dividends paid to company's shareholders	26	(34,374)	(27,233)
<b>Net cash inflow from financing activities</b>		23,551	36,739
<b>Net (decrease) in cash and cash equivalents</b>		(15,305)	(477)
Cash and cash equivalents at the beginning of the financial year		140,714	144,387
Effects of exchange rate changes on cash and cash equivalents		(1,221)	(3,196)
<b>Cash and cash equivalents at end of year</b>	9	124,188	140,714
Non-cash financing and investing activities	39		

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012

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## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements 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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and Interpretations issued by the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Ausdrill Limited is a for-profit entity for the purpose of preparing the financial statements.

#### (i) 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).

#### (ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of the revised AASB 124 *Related Party Disclosures* resulted in the disclosure of additional related party transactions and required the restatement of some comparative information in note 32, and the adoption of AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* enabled the removal of certain disclosures in relation to commitments and the franking of dividends.

#### (iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

#### (iv) 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.

#### (v) 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 2012 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 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, consolidated statement of changes in equity and consolidated statement of financial position respectively.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Principles of consolidation (continued)

#### (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint 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 36).

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in 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.

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 asset 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 the entity operates ('the functional currency'). The consolidated 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 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 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 operation is sold or any borrowings forming part of the net investment are repaid, exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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 base of assets and liabilities and their carrying amount 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, 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 substantively enacted by the end of 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 those 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.

## 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 an impairment are reviewed for possible reversal of the impairment at each reporting period.

### (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 in 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.

### (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 not 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 uncollectible 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 uncollectible 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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 statement of financial position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and receivables (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 way 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 or 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.

#### *Impairment*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a 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 profit or loss. 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 profit or loss.

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



## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Investments and other financial assets (continued)

#### (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.

### (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.

### (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.

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 profit or loss during the reporting 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 income statement.

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 5 – 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 and losses on disposals are determined by comparing proceeds with carrying amount. These gains or losses are included in profit or loss.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

#### (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 and 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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (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 employee's services up to the end of 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 the 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.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

#### (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 flows.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (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 31). 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 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to 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 98/100, 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 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

**(i) AASB 9 Financial Instruments, 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, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013\* but is available for early adoption. When adopted, the standard will affect in particular the Group 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. In the current reporting period, the Group recognised no gains in other comprehensive income.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

\*In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

**(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)**

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 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.

**(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)**

AASB 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 a 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 for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the Group already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. 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.

Amendments to AASB 128 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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (ab) New accounting standards and interpretations (continued)

#### (iii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*

AASB 13 was released in September 2011. It 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 consolidated 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.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### (ac) Parent entity financial information

The financial information for the parent entity, Ausdrill Limited, disclosed in note 42 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 installments.

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 Group.

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.

## 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:

	2012 \$'000	2011 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	<b>124,188</b>	140,714
Trade and other receivables	<b>216,644</b>	164,162
Non-current receivables	<b>12,991</b>	1,686
	<b>353,823</b>	306,562
<b>Financial liabilities</b>		
Trade and other payables	<b>174,523</b>	142,633
Borrowings	<b>363,941</b>	223,612
	<b>538,464</b>	366,245

### (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, GHS, EUR, TZS 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 \$nil (2011: \$nil) in forward exchange contracts.

The Group hedges large capital expenditure items acquired in foreign currency that are to be delivered over a period up to 2 years.

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 end of the reporting period, expressed in Australian dollar, was as follows:

	30 June 2012					30 June 2011				
	USD \$'000	GHS \$'000	EUR \$'000	TZS \$'000	ZMK \$'000	USD \$'000	GHS \$'000	EUR \$'000	TZS \$'000	ZMK \$'000
Cash	<b>4,792</b>	<b>2,253</b>	<b>2,269</b>	<b>184</b>	<b>11</b>	645	2,516	65	361	33
Trade receivables	<b>7,381</b>	—	<b>38</b>	—	<b>9</b>	4,486	—	—	—	—
Trade payables	<b>(4,629)</b>	<b>(3,459)</b>	<b>(500)</b>	<b>(67)</b>	<b>(325)</b>	(1,261)	(1,508)	(94)	(62)	(1,474)
Borrowings	<b>(4,455)</b>	—	—	—	—	(8,591)	—	—	—	—



## 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 pre-tax 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 2011.

	Profit or Loss A\$'000
<b>30 June 2012</b>	
USD	(290)
GHS	110
EUR	296
TZS	(20)
ZMK	53
	<b>149</b>
<b>30 June 2011</b>	
USD	319
GHS	(64)
EUR	20
TZS	(19)
ZMK	92
	<b>348</b>

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 has no exposure to equity securities and material commodity price risk.

#### (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 2012 and 2011, the Group's borrowings at variable rate were denominated in Australian Dollars.

Refer to note 21(b) for the impact of fair value risk on borrowings.

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

	2012 \$'000	2011 \$'000
Cash and Cash Equivalents	<b>124,188</b>	140,714
Variable Rate Borrowings	<b>98,694</b>	13,819

##### Group sensitivity

At 30 June 2012, 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 \$254,945 higher/lower (2011 – change of 100 bps: \$1,268,957 higher/lower), mainly as a result of higher/lower interest income from these variable interest rate financial assets.

## 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.

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 42(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 receivables at the reporting date by geographic region was:

(AUD)	2012 \$'000	2011 \$'000
Australia	141,281	108,974
Africa	88,006	56,584
Asia	263	170
Europe	85	120
	<b>229,635</b>	<b>165,848</b>

#### Trade receivables

##### Counterparties with external credit rating

A1	7,567	6,919
A2	181	–
A3	5,736	–
Ba2	222	136
Ba3	22,269	–
Baa1	10,416	24,278
Baa2	33,545	–
Baa3	5,693	15,212
B2	–	20,310
Caa1	1,819	–
	<b>87,448</b>	<b>66,855</b>

##### Counterparties without external credit rating\*

Group 1	33,498	22,620
Group 2	108,689	76,373
	<b>142,187</b>	<b>98,993</b>
<b>Total trade receivables</b>	<b>229,635</b>	<b>165,848</b>

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	21,762	120,773
AA-	84,345	478
A+	–	8,441
A	1,652	–
BBB+	1,572	–
B+	–	23
B-	14,857	10,999
	<b>124,188</b>	<b>140,714</b>

\* 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.

#### *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.

Contractual maturities of financial liabilities	Carrying amount liabilities \$'000	Total contractual cash flows \$'000	Less than 6 months \$'000	6 – 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
<b>Group – at 30 June 2012</b>							
<b>Non-derivatives</b>							
Non-interest bearing	174,523	174,523	174,523	–	–	–	–
Financial guarantee contracts	13,229	13,229	13,229	–	–	–	–
Variable rate	98,694	121,149	4,022	3,448	6,896	106,783	–
Fixed rate	265,247	296,282	65,605	57,214	89,239	84,224	–
<b>Total non-derivatives</b>	<b>551,693</b>	<b>605,183</b>	<b>257,379</b>	<b>60,662</b>	<b>96,135</b>	<b>191,007</b>	<b>–</b>
<b>Group – at 30 June 2011</b>							
<b>Non-derivatives</b>							
Non-interest bearing	142,633	142,633	142,633	–	–	–	–
Financial guarantee contracts	23,205	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	–
<b>Total non-derivatives</b>	<b>389,451</b>	<b>410,062</b>	<b>230,325</b>	<b>46,039</b>	<b>68,620</b>	<b>65,079</b>	<b>–</b>

Details about the financial guarantee contracts are provided in note 42. 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.

## 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 16 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.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### (a) Critical accounting estimates and assumptions (continued)

##### *(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.

##### *(iv) Contract claims*

Ausdrill is a party to various contract claims and disputes in various jurisdictions. The Company periodically reviews the status of open claims and disputes with both inside and outside counsel and judgements made are subject to change as new information becomes available. The amount of a claim or a dispute provision may change in the future as new developments or information is noted in relation to the particular matter. Revisions to these estimates will impact future net income.

#### (b) Critical judgements in applying accounting policies

There have been no critical judgements used in preparing the Group's financial statements for the year ended 30 June 2012.

### 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:

##### ***Mining Services Australia:***

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

#### 4 SEGMENT INFORMATION (CONTINUED)

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

2012	Mining Services Australia \$'000	Contract Mining Services Africa \$'000	#Manu- facturing \$'000	*Supply & Logistics \$'000	All other segments \$'000	Inter- segment Eliminations \$'000	Consolidated \$'000
<b>Segment revenue</b>							
Sales to external customers	599,468	316,771	76,102	44,847	21,919	–	1,059,107
Intersegment sales	363	–	64,887	30,229	47	(95,526)	–
<b>Total sales revenue</b>	<b>599,831</b>	<b>316,771</b>	<b>140,989</b>	<b>75,076</b>	<b>21,966</b>	<b>(95,526)</b>	<b>1,059,107</b>
Other revenue	36,543	394	133	66	23,743	(57,745)	3,134
<b>Segment revenue</b>	<b>636,374</b>	<b>317,165</b>	<b>141,122</b>	<b>75,142</b>	<b>45,709</b>	<b>(153,271)</b>	<b>1,062,241</b>
<b>Segment EBITDA</b>	<b>160,721</b>	<b>97,312</b>	<b>23,999</b>	<b>3,413</b>	<b>2,991</b>	<b>–</b>	<b>288,436</b>
Depreciation expense	65,007	40,502	4,223	140	1,967	–	111,839
Amortisation expense	3,465	–	840	–	–	–	4,305
<b>Segment EBIT</b>	<b>92,249</b>	<b>56,810</b>	<b>18,936</b>	<b>3,273</b>	<b>1,024</b>	<b>–</b>	<b>172,292</b>
Interest income	(36,543)	(394)	(133)	(66)	(23,743)	57,745	(3,134)
Interest expense	20,391	14,374	6,521	1,743	37,655	(57,745)	22,939
<b>Segment result</b>	<b>108,401</b>	<b>42,830</b>	<b>12,548</b>	<b>1,596</b>	<b>(12,888)</b>	<b>–</b>	<b>152,487</b>
Income tax expense							(40,280)
<b>Profit for the year</b>							<b>112,207</b>
<b>Segment assets</b>	<b>1,098,856</b>	<b>472,277</b>	<b>142,832</b>	<b>35,754</b>	<b>456,820</b>	<b>(863,924)</b>	<b>1,342,615</b>
<b>Segment liabilities</b>	<b>456,646</b>	<b>306,251</b>	<b>109,110</b>	<b>31,859</b>	<b>488,154</b>	<b>(790,166)</b>	<b>601,854</b>
<b>Other segment information</b>							
Investments in associates	–	35,888	–	–	–	–	35,888
Share of net profits of associates	–	15,366	–	–	–	–	15,366
Acquisition of property, plant and equipment, intangibles and other non-current assets	133,845	122,586	12,624	159	2,790	–	272,004
<b>2011</b>							
<b>Segment revenue</b>							
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)	–
<b>Total sales revenue</b>	<b>491,171</b>	<b>226,253</b>	<b>106,886</b>	<b>75,059</b>	<b>19,681</b>	<b>(84,409)</b>	<b>834,641</b>
Interest income	16,114	903	79	(110)	13,630	(26,044)	4,572
<b>Total segment revenue</b>	<b>507,285</b>	<b>227,156</b>	<b>106,965</b>	<b>74,949</b>	<b>33,311</b>	<b>(110,453)</b>	<b>839,213</b>
<b>Segment EBITDA</b>	<b>113,532</b>	<b>66,830</b>	<b>16,494</b>	<b>3,023</b>	<b>(4,442)</b>	<b>–</b>	<b>195,437</b>
Depreciation expense	49,115	24,125	3,099	152	1,716	–	78,207
Amortisation expense	3,650	–	652	–	–	–	4,302
<b>Segment EBIT</b>	<b>60,767</b>	<b>42,705</b>	<b>12,743</b>	<b>2,871</b>	<b>(6,158)</b>	<b>–</b>	<b>112,928</b>
Interest income	(16,114)	(903)	(79)	110	(13,630)	26,044	(4,572)
Interest expense	17,173	5,732	5,292	844	15,045	(26,044)	18,042
<b>Segment result</b>	<b>59,708</b>	<b>37,876</b>	<b>7,530</b>	<b>1,917</b>	<b>(7,573)</b>	<b>–</b>	<b>99,458</b>
Income tax expense							(26,141)
<b>Profit for the year</b>							<b>73,317</b>
<b>Segment assets</b>	<b>924,398</b>	<b>313,109</b>	<b>103,765</b>	<b>29,602</b>	<b>337,196</b>	<b>(638,334)</b>	<b>1,069,736</b>
<b>Segment liabilities</b>	<b>329,957</b>	<b>187,632</b>	<b>83,230</b>	<b>26,210</b>	<b>362,462</b>	<b>(574,698)</b>	<b>414,793</b>
<b>Other segment information</b>							
Investments in associates	8,913	20,355	–	–	–	–	29,268
Share of net (losses) profits of associates	(4,089)	7,700	–	–	–	–	3,611
Acquisition of property, plant and equipment, intangibles and other non-current assets	76,962	93,021	6,004	173	2,871	–	179,031

# This segment operates in the Australian region.

\* This segment predominantly operates in the African region.

#### 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 \$361.6 million (2011: \$273.3 million) and payables of \$463.4 million (2011: \$334.3 million), which are of an intergroup nature that represent funding arrangements in different operating segments within the Group.

##### (c) Other segment information

###### (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 Board is measured in a manner consistent with that in the consolidated income statement.

Segment revenue reconciles to total revenue from continuing operations as follows:

	2012 \$'000	2011 \$'000
Total segment revenue	1,059,107	834,641
Interest revenue	3,134	4,572
Total revenue from continuing operations (note 5)	1,062,241	839,213

#### 5 REVENUE

##### From continuing operations

###### Sales revenue

Sale of goods

Services

99,126	76,591
959,981	758,050
1,059,107	834,641

###### Other revenue

Interest – Related Parties

Interest – Others

351	919
2,783	3,653
3,134	4,572
1,062,241	839,213

#### 6 OTHER INCOME

Gain on sale of property, plant and equipment

Gain on sale of available-for-sale financial assets

Foreign exchange gains (net)

Management fee received from associates

Other

–	136
–	156
4,817	–
3,058	4,247
4,858	3,892
12,733	8,431

## 7 EXPENSES

Profit before income tax includes the following specific expenses:

	Notes	2012 \$'000	2011 \$'000
<i>Depreciation</i>			
Buildings		1,361	1,174
Plant and equipment		110,478	77,033
Total depreciation		111,839	78,207
<i>Amortisation</i>			
Other intangible assets		515	338
Customer contracts		3,790	3,964
Total amortisation		4,305	4,302
<i>Finance costs</i>			
Hire purchase interest		12,909	12,289
Interest paid		10,030	5,753
Finance costs expensed		22,939	18,042
Net loss on disposal of property, plant and equipment		2,538	–
Rental expense relating to operating leases		4,648	3,441
Net foreign exchange losses		–	7,449
<i>Impairment of acquisition</i>			
Impairment of goodwill		–	53
<i>Impairment losses – financial assets</i>			
Trade receivables		1,729	3,923

## 8 INCOME TAX EXPENSE

### (a) Income tax expense

Current tax		39,988	33,770
Deferred tax		3,092	(5,974)
Adjustments for current tax of prior periods		(2,800)	(1,655)
		40,280	26,141
Deferred income tax (revenue) / expense included in income tax expense comprises:			
(Increase) decrease in deferred tax assets	15	(2,079)	1,441
Increase (decrease) in deferred tax liabilities	22	5,171	(7,415)
		3,092	(5,974)



## 8 INCOME TAX EXPENSE (CONTINUED)

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	2012 \$'000	2011 \$'000
Profit from continuing operations before income tax expense	<b>152,487</b>	99,458
Tax at the Australian tax rate of 30% (2011 – 30%)	<b>45,746</b>	29,837
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net (profit) of associates	<b>(4,610)</b>	(1,083)
Share-based payments	<b>445</b>	82
Amortisation of intangibles	<b>743</b>	174
Other non-deductible items	<b>18</b>	2,660
	<b>42,342</b>	31,670
Difference in overseas tax rates	<b>(2,670)</b>	(3,874)
Adjustments for changes in tax legislation	<b>2,345</b>	–
Previously unrecognised tax losses now recouped to reduce current tax expense	<b>(232)</b>	–
(Over) provision in prior years	<b>(2,800)</b>	(1,655)
Current year tax losses not recognised	<b>1,295</b>	–
	<b>(2,062)</b>	(5,529)
Income tax expense	<b>40,280</b>	26,141

### (c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

Deferred tax – credited directly to equity	<b>25</b>	647
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### (d) Tax expense (income) relating to items of other comprehensive income

Gains on revaluation of land and buildings	<b>734</b>	–
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### (e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	<b>5,907</b>	1,833
Potential tax benefit @ 30%	<b>1,772</b>	550

## 9 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and in hand	<b>124,188</b>	140,714
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### (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:

Balance as above	<b>124,188</b>	140,714
Balances per consolidated statement of cash flows	<b>124,188</b>	140,714

### (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.

## 10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2012 \$'000	2011 \$'000
<b>Net trade receivables</b>		
Trade receivables	186,394	144,794
Provision for impairment of receivables	(7,232)	(5,842)
	<b>179,162</b>	<b>138,952</b>
<b>Other debtors</b>		
Other debtors	37,482	25,210
Prepayments	9,807	6,508
	<b>226,451</b>	<b>170,670</b>

### (a) Impaired trade receivables

As at 30 June 2012, current trade receivables of the Group with a nominal value of \$8,360,149 (2011: \$6,099,013) were impaired. The amount of the provision for impaired receivables was \$7,232,457 (2011: \$5,842,041). It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

3 to 6 months	2,486	2,053
Over 6 months	5,874	4,046
	<b>8,360</b>	<b>6,099</b>

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

At 1 July	5,842	2,504
Provision for impairment recognised during the year	1,729	3,923
Unused amounts reversed	(339)	(585)
At 30 June	<b>7,232</b>	<b>5,842</b>

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 2012, current trade receivables of the Group with nominal value of \$68,506,952 (2011: \$40,122,870) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Up to 2 months	58,817	29,624
Over 2 months	9,690	10,499
	<b>68,507</b>	<b>40,123</b>

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 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.

## 11 CURRENT ASSETS – INVENTORIES

	2012 \$'000	2011 \$'000
Work in progress – at cost	7,727	6,887
Finished goods – at cost	14,588	6,792
Consumables and store items – at cost	164,073	125,279
	<b>186,388</b>	<b>138,958</b>

## 12 NON-CURRENT ASSETS – RECEIVABLES

Loans to associated entities	10,277	1,102
Other receivables	2,714	584
	<b>12,991</b>	<b>1,686</b>

### (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 are as follows:

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans to associates	10,277	10,277	1,102	1,102
Other receivables	2,714	2,714	584	584
	<b>12,991</b>	<b>12,991</b>	<b>1,686</b>	<b>1,686</b>

### (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

	Notes	2012 \$'000	2011 \$'000
Shares in associates	36	<b>35,888</b>	29,268

#### 14 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
<b>At 1 July 2010</b>				
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
<b>Year ended 30 June 2011</b>				
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)
Transfers 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
<b>At 30 June 2011</b>				
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
<b>Year ended 30 June 2012</b>				
Opening net book amount	40,811	224,908	277,108	542,827
Exchange differences	207	2,093	2,394	4,694
Revaluation	4,153	–	–	4,153
Acquisition of business	–	6,927	583	7,510
Additions	3,905	99,354	166,765	270,024
Disposals	(834)	(4,949)	(2,141)	(7,924)
Transfers between group members	–	(473)	473	–
Transfers between classes	(144)	22,278	(22,134)	–
Depreciation charge	(1,361)	(52,519)	(57,959)	(111,839)
Closing net book amount	46,737	297,619	365,089	709,445
<b>At 30 June 2012</b>				
Cost	46,737	539,088	502,160	1,087,985
Accumulated depreciation	–	(241,469)	(137,071)	(378,540)
Net book amount	46,737	297,619	365,089	709,445

##### (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 2012 revaluations were made by the directors as at 30 June 2012 and were based on independent assessments by members of the Australian Property Institute, and the Ghana Institute of Surveyors.

##### (b) Non-current assets pledged as security

Refer to note 21 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:

	2012 \$'000	2011 \$'000
<b>Buildings</b>		
Cost	33,528	30,513
Accumulated depreciation	(7,165)	(6,131)
Net book amount	26,363	24,382

## 15 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	2012 \$'000	2011 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Employee benefits	<b>9,109</b>	6,817
Foreign tax credits	<b>4,878</b>	4,417
Accruals	<b>3,929</b>	4,100
Doubtful debts	<b>2,184</b>	1,773
	<b>20,100</b>	17,107
<i>Other</i>		
Borrowing and business expenses	<b>1,666</b>	1,744
Unrealised foreign exchange	<b>249</b>	1,009
Business acquisitions	<b>–</b>	51
Sub-total other	<b>1,915</b>	2,804
Total deferred tax assets	<b>22,015</b>	19,911
Set-off of deferred tax liabilities pursuant to set-off provisions (note 22)	<b>(7,127)</b>	(8,999)
Net deferred tax assets	<b>14,888</b>	10,912
Deferred tax assets expected to be recovered within 12 months	<b>16,371</b>	14,245
Deferred tax assets expected to be recovered after more than 12 months	<b>5,644</b>	5,666
	<b>22,015</b>	19,911

	Employee Benefits \$'000	Foreign tax credits \$'000	Accruals \$'000	Doubtful debts \$'000	Other \$'000	Total \$'000
<b>At 1 July 2010</b>	5,782	7,596	4,255	673	2,348	20,654
Charged / (credited) – to profit or loss	984	(3,179)	(155)	1,100	(191)	(1,441)
Charged / (credited) – directly to equity	–	–	–	–	647	647
Acquisition of subsidiary	51	–	–	–	–	51
<b>At 30 June 2011</b>	6,817	4,417	4,100	1,773	2,804	19,911
Charged / (credited) – to profit or loss	<b>2,292</b>	<b>461</b>	<b>(171)</b>	<b>411</b>	<b>(914)</b>	<b>2,079</b>
Charged / (credited) – directly to equity	–	–	–	–	<b>25</b>	<b>25</b>
<b>At 30 June 2012</b>	<b>9,109</b>	<b>4,878</b>	<b>3,929</b>	<b>2,184</b>	<b>1,915</b>	<b>22,015</b>

## 16 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill \$'000	Other intangible assets \$'000	Customer contracts \$'000	Total \$'000
<b>At 1 July 2010</b>				
Cost	25,719	1,639	12,479	39,837
Accumulation amortisation and impairment	(530)	(652)	(2,782)	(3,964)
Net book amount	25,189	987	9,697	35,873
<b>Year ended 30 June 2011</b>				
Opening net book amount	25,189	987	9,697	35,873
Acquisition of business	–	–	3,125	3,125
Additions patents and trademarks	–	58	–	58
Impairment charge	(53)	–	–	(53)
Amortisation charge	–	(338)	(3,964)	(4,302)
Closing net book amount	25,136	707	8,858	34,701
<b>At 30 June 2011</b>				
Cost	25,719	1,697	15,604	43,020
Accumulation amortisation and impairment	(583)	(990)	(6,746)	(8,319)
Net book amount	25,136	707	8,858	34,701
<b>Year ended 30 June 2012</b>				
Opening net book amount	25,136	707	8,858	34,701
Additions patents and trademarks	–	1,703	–	1,703
Additions internal development	–	277	–	277
Amortisation charge	–	(515)	(3,790)	(4,305)
Closing net book amount	25,136	2,172	5,068	32,376
<b>At 30 June 2012</b>				
Cost	25,719	3,677	15,604	45,000
Accumulated amortisation and impairment	(583)	(1,505)	(10,536)	(12,624)
Net book amount	25,136	2,172	5,068	32,376

\*\* Amortisation of \$4,304,689 (2011: \$4,302,108) is included in depreciation and amortisation expense in profit or loss.

### (a) Impairment tests for goodwill

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

- Mining Services Australia (MSA) cash generating unit
- Manufacturing cash generating unit

#### *Mining Services Australia cash generating unit*

The recoverable amount of the MSA unit has been determined based on a value in use calculation using the 2013 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 17% (2011: 19%).

#### *Manufacturing cash generating unit*

The recoverable amount of the manufacturing unit is determined based on a value in use calculation using the 2013 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 17% (2011: 20%).

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

	MSA Segment \$'000	Manufacturing Segment \$'000	Total \$'000
<b>2012</b>			
Carrying amount of goodwill	19,546	5,590	25,136
<b>2011</b>			
Carrying amount of goodwill	19,546	5,590	25,136

## 16 NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

### (b) Key assumptions used for value-in-use calculations

	EBITDA margin *		Growth rate **		Pre-Tax Discount rate ***	
	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %
<b>CGU</b>						
MSA	<b>26.9</b>	26.9	<b>1.0</b>	1.0	<b>16.7</b>	19.3
Manufacturing	<b>23.7</b>	20.0	<b>1.0</b>	1.0	<b>17.1</b>	20.1

\* 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.

Cash outflows for financial years from 30 June 2013 onwards have been adjusted to reflect an estimated increase in energy, supply chain and transport costs arising from the introduction of the Clean Energy Legislation (Clean Energy Act 2011 and supporting legislation) from 1 July 2012. It is unlikely that any of the group's activities will be identified as being emission-intensive trade-exposed (EITE). As a result, the cash inflows do not include any allowance for potential EITE assistance.

## 17 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Note	2012 \$'000	2011 \$'000
Trade payables		<b>84,887</b>	69,233
Other creditors and accruals		<b>89,636</b>	73,400
		<b>174,523</b>	142,633

### (a) Risk exposure

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

## 18 CURRENT LIABILITIES – BORROWINGS

### Secured

Bank loans		<b>41,847</b>	37,161
Hire purchase liabilities	31	<b>64,744</b>	56,114
Total secured current borrowings		<b>106,591</b>	93,275

### Unsecured

Insurance Premium Funding		<b>1,156</b>	4,203
Total unsecured current borrowings		<b>1,156</b>	4,203
Total current borrowings		<b>107,747</b>	97,478

### (a) Risk exposures

Details of the Group'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 21.

## 19 CURRENT LIABILITIES – CURRENT TAX LIABILITIES

Income tax		<b>25,346</b>	20,931
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## 20 CURRENT LIABILITIES – PROVISIONS

Employee benefits – long service leave		<b>6,264</b>	5,620
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## 21 NON-CURRENT LIABILITIES – BORROWINGS

	Note	2012 \$'000	2011 \$'000
<b>Secured</b>			
Bank loans		163,773	36,611
Prepaid borrowing costs		(2,470)	–
Hire purchase liabilities	31	94,891	89,523
Total secured non-current borrowings		256,194	126,134

### (a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

Bank overdrafts and bank loans	205,620	73,772
Hire purchase liabilities	159,635	145,637
Total secured liabilities	365,255	219,409

On 4 April 2012, Ausdrill Limited entered into a secured revolving credit facilities agreement with Commonwealth Bank of Australia. The agreement provides for financial accommodation under two facilities: A and B. The total commitments are A\$150,000,000 split evenly between Facility A and Facility B. Both facilities are working capital facilities. Facility A has a term of three years and Facility B a term of four years. Although both facilities are revolving, Facility B amortises by A\$5,000,000 half-yearly for a period of three years (but will not amortise in the final year of its term). The key terms of the facilities agreement are set out in a separate common terms deed entered into for future flexibility. That deed contains positive and negative covenants typical for facilities of this nature and quantum.

Each of the Australian subsidiaries of Ausdrill Limited provides a cross-guarantee in respect of each other's obligations. The guarantee and indemnity is included in the common terms deed and is market standard. A guarantor coverage test applies. Ausdrill must ensure that the guarantor group comprises those entities which represent not less than 95 percent of EBITDA and 95 percent of the Total Tangible Assets of the non-African Group. Ausdrill and the guarantors provide all assets and undertaking security in the form of a general security agreement in favour of CBA Corporate Services as Security Trustee. This is the new form of fixed and floating charge which is now used under the Personal Property Securities Act 2009. Ausdrill has, until an event of default occurs and is continuing, the ability to make use of circulating assets without having to deposit receivables into a blocked account. Ausdrill, Ausdrill International and Supply Direct must also provide featherweight security and the security package is completed by the provision of real property mortgages by Ausdrill and other subsidiaries which hold real property in Western Australia and Queensland.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2012 \$'000	2011 \$'000
<b>Current</b>		
<b>Floating charge</b>		
Cash and cash equivalents	96,025	75,988
Receivables	177,049	46,486
Inventory	122,604	29,465
Total current assets pledged as security	385,678	151,939
<b>Non-current</b>		
<b>First mortgage</b>		
Freehold land and buildings	–	33,447
<b>Hire purchase / Finance lease</b>		
Plant and equipment	222,952	200,191
<b>Secured bank loans</b>		
Plant and equipment	142,138	71,052
<b>Floating charge</b>		
Plant and equipment	116,939	31,453
Freehold land and buildings	41,902	3,038
	158,841	34,491
Total non-current assets pledged as security	523,931	339,181
Total assets pledged as security	909,609	491,120



## 21 NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

### (b) Fair value

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

	2012		2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>On-balance sheet</b>				
<i>Non-traded financial liabilities</i>				
Bank loans*	203,150	199,896	73,772	66,231
Hire purchase liabilities	159,635	120,987	145,637	130,455
Other loans	1,156	1,156	4,203	4,203
	<b>363,941</b>	<b>322,039</b>	223,612	200,889

\*Includes prepaid borrowing costs.

### (c) Risk exposures

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

## 22 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	2012 \$'000	2011 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Foreign entities distributable profits	11,614	9,228
Inventories	8,405	7,661
Revaluation of land and buildings	5,766	5,053
Depreciation	6,190	4,226
	<b>31,975</b>	26,168
<i>Other</i>		
Prepayments	73	32
Receivables	1,702	2,061
Unrealised foreign exchange	722	327
Sub-total other	<b>2,497</b>	2,420
Total deferred tax liabilities	<b>34,472</b>	28,588
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	<b>(7,127)</b>	(8,999)
Net deferred tax liabilities	<b>27,345</b>	19,589
Deferred tax liabilities expected to be settled within 12 months	<b>13,439</b>	14,284
Deferred tax liabilities expected to be settled after more than 12 months	<b>21,033</b>	14,304
	<b>34,472</b>	28,588

	Foreign entities distributable profits \$'000	Inventories \$'000	Revaluation of land & buildings \$'000	Depreciation \$'000	Other \$'000	Total \$'000
<b>At 1 July 2010</b>	7,705	7,073	5,172	13,190	2,863	36,003
Charged / (credited) – profit or loss	1,523	588	(119)	(8,964)	(443)	(7,415)
<b>At 30 June 2011</b>	9,228	7,661	5,053	4,226	2,420	28,588
Charged / (credited) – profit or loss	2,386	744	–	1,964	77	5,171
Charged / (credited) – directly to equity	–	–	713	–	–	713
<b>At 30 June 2012</b>	<b>11,614</b>	<b>8,405</b>	<b>5,766</b>	<b>6,190</b>	<b>2,497</b>	<b>34,472</b>

The deferred tax liability charged for revaluation of land & buildings in the current year includes currency translation differences of \$20,286 (2011: nil).

## 23 NON-CURRENT LIABILITIES – PROVISIONS

	2012 \$'000	2011 \$'000
Employee benefits – long service leave	<b>4,435</b>	2,408

## 24 CONTRIBUTED EQUITY

### (a) Share capital

	2012 Shares	2011 Shares	2012 \$'000	2011 \$'000
Fully paid ordinary shares	<b>304,397,289</b>	301,452,517	<b>508,513</b>	501,696

### (b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price \$	\$'000
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
				505,300
	Less: Transaction costs arising on share issue			(4,251)
	Deferred tax credit recognised directly in equity			647
<b>30 June 2011</b>	<b>Balance</b>	<b>301,452,517</b>		<b>501,696</b>
<b>1 July 2011</b>	<b>Opening balance</b>	<b>301,452,517</b>		<b>501,696</b>
<b>5 August 2011</b>	<b>Conversion of options</b>	<b>66,666</b>	<b>\$1.29</b>	<b>86</b>
<b>7 September 2011</b>	<b>Conversion of options</b>	<b>166,665</b>	<b>\$1.29</b>	<b>215</b>
<b>24 October 2011</b>	<b>Conversion of options</b>	<b>66,666</b>	<b>\$1.29</b>	<b>86</b>
<b>27 October 2011</b>	<b>Dividend reinvestment plan</b>	<b>1,002,309</b>	<b>\$2.98</b>	<b>2,991</b>
<b>21 November 2011</b>	<b>Conversion of options</b>	<b>66,666</b>	<b>\$1.29</b>	<b>86</b>
<b>21 November 2011</b>	<b>Conversion of options</b>	<b>66,667</b>	<b>\$1.34</b>	<b>89</b>
<b>2 December 2011</b>	<b>Conversion of options</b>	<b>133,332</b>	<b>\$1.29</b>	<b>172</b>
<b>2 December 2011</b>	<b>Conversion of options</b>	<b>133,334</b>	<b>\$1.34</b>	<b>179</b>
<b>13 December 2011</b>	<b>Conversion of options</b>	<b>33,333</b>	<b>\$1.34</b>	<b>45</b>
<b>10 January 2012</b>	<b>Conversion of options</b>	<b>33,333</b>	<b>\$1.34</b>	<b>45</b>
<b>19 January 2012</b>	<b>Conversion of options</b>	<b>66,667</b>	<b>\$1.34</b>	<b>89</b>
<b>1 March 2012</b>	<b>Conversion of options</b>	<b>66,666</b>	<b>\$1.29</b>	<b>86</b>
<b>1 March 2012</b>	<b>Conversion of options</b>	<b>133,333</b>	<b>\$1.34</b>	<b>179</b>
<b>6 March 2012</b>	<b>Conversion of options</b>	<b>66,667</b>	<b>\$1.34</b>	<b>89</b>
<b>9 March 2012</b>	<b>Conversion of options</b>	<b>66,667</b>	<b>\$1.34</b>	<b>89</b>
<b>13 March 2012</b>	<b>Conversion of options</b>	<b>33,333</b>	<b>\$1.34</b>	<b>45</b>
<b>5 April 2012</b>	<b>Conversion of options</b>	<b>166,666</b>	<b>\$1.34</b>	<b>224</b>
<b>24 April 2012</b>	<b>Dividend reinvestment plan</b>	<b>509,136</b>	<b>\$3.91</b>	<b>1,992</b>
<b>10 May 2012</b>	<b>Conversion of options</b>	<b>33,333</b>	<b>\$1.29</b>	<b>43</b>
<b>10 May 2012</b>	<b>Conversion of options</b>	<b>33,333</b>	<b>\$1.34</b>	<b>45</b>
				508,572
	Less: Transaction costs arising on share issue			(84)
	Deferred tax credit recognised directly in equity			25
<b>30 June 2012</b>	<b>Balance</b>	<b>304,397,289</b>		<b>508,513</b>

## 24 CONTRIBUTED EQUITY (CONTINUED)

### (c) Ordinary shares

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

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

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

### (d) Dividend reinvestment plan

The Company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. There will be a 2.5% 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 financial year, is set out in note 41.

### (f) Capital risk management

The Group's objectives when managing its capital are to safeguard its ability to continue as a going concern, so 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.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. 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 plus net debt.

The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	2012 \$'000	2011 \$'000
Total borrowings*	366,411	223,612
Less: cash and cash equivalents	(124,188)	(140,714)
Net debt	242,223	82,898
Total equity	740,760	654,943
Total capital	982,983	737,841
<b>Gearing ratio</b>	<b>25%</b>	<b>11%</b>

\* Excludes prepaid borrowing costs

Ausdrill Limited has complied with the financial covenants of its borrowing facilities during the 2012 and 2011 reporting periods.

## 25 OTHER RESERVES AND RETAINED PROFITS

### (a) Other reserves

	Note	2012 \$'000	2011 \$'000
Land and building revaluation reserve		15,137	11,708
Share-based payments reserve		2,290	808
Foreign currency translation reserve		(28,490)	(29,730)
Transactions with non-controlling interests		602	–
		<b>(10,461)</b>	<b>(17,214)</b>
<b>Movements:</b>			
<i>Land and building revaluation reserve</i>			
Balance at 1 July		11,708	11,758
Revaluation – gross	14	4,153	–
Deferred tax		(734)	–
Currency translation differences arising during the year		10	(50)
Balance 30 June		<b>15,137</b>	<b>11,708</b>
<b>Movements:</b>			
<i>Share-based payments reserve</i>			
Balance at 1 July		808	536
Option expense	41(a)	1,482	272
Balance 30 June		<b>2,290</b>	<b>808</b>
<b>Movements:</b>			
<i>Foreign currency translation reserve</i>			
Balance at 1 July		(29,730)	(7,294)
Currency translation differences arising during the year		1,240	(22,436)
Balance 30 June		<b>(28,490)</b>	<b>(29,730)</b>
<b>Movements:</b>			
<i>Transactions with non-controlling interests</i>			
Acquisition of additional ownership in entity	33(b)	602	–
Balance 30 June		<b>602</b>	<b>–</b>

### (b) Retained earnings

Movements in retained profits were as follows:

Balance 1 July		170,187	126,967
Net profit for the year		112,943	73,403
Dividends	26	(39,357)	(30,183)
Balance 30 June		<b>243,773</b>	<b>170,187</b>

### (c) Nature and purpose of other 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) 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.

#### (iii) Foreign currency translation

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.

#### (iv) Transactions with non-controlling interests

This reserve is used to record the differences described in note 1(b)(iii) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

## 26 DIVIDENDS

### (a) Ordinary shares

	2012 \$'000	2011 \$'000
Final dividend for the year ended 30 June 2011 of 6.5 cents (2010: 6 cents) per fully paid share paid on 27 October 2011 (2010: 29 October 2010) Fully franked (2011: fully franked)	19,609	15,709
Interim dividend for the year ended 30 June 2012 of 6.5 cents (2011: 5.5 cents) per fully paid share paid on 24 April 2012 (2011: 21 April 2011) Fully franked (2011: fully franked)	19,748	14,474
Total dividends provided for or paid	39,357	30,183
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2012 and 2011 were as follows:		
Paid in cash	34,374	27,233
Satisfied by issue of shares	4,983	2,950
	39,357	30,183

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

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 8 cents per fully paid ordinary share (2011 – 6.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 October 2012 out of retained earnings at 30 June 2012, but not recognised as a liability at year end, is

24,352	19,594
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### (c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2013.

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2011 – 30%)

52,028	30,947
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The above amounts represent the balance of the franking account as at the reporting date, 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 \$10,436,478 (2011: \$8,397,606).

## 27 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 (2011: \$nil).

Refer to note 2 for foreign exchange risk exposures.

## 28 KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Key management personnel compensation

	2012 \$	2011 \$
Short-term employee benefits	3,320,127	4,445,093
Post-employment benefits	235,700	247,437
Long-term benefits	111,386	68,593
Share-based payments	1,087,574	111,985
	<b>4,754,787</b>	<b>4,873,108</b>

Detailed remuneration disclosures are provided in the remuneration report on page 23 to 31.

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

#### (i) Option holdings

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 page 23 to 31.

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

	Balance at start of the year	Granted as compen- sation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<b>2012</b>							
<b>Directors of Ausdrill Limited</b>							
W M King	1,000,000	–	–	–	1,000,000	–	1,000,000
<b>Other key management personnel of the Group</b>							
J Kavanagh	200,000	–	(100,000)	–	100,000	–	100,000
A J McCulloch	200,000	–	(100,000)	–	100,000	–	100,000
M J Hughes	200,000	–	(133,333)	–	66,667	–	66,667
M C Crocker	200,000	–	(133,333)	–	66,667	–	66,667
J E Martins	300,000	–	–	–	300,000	–	300,000
<b>2011</b>							
<b>Directors of Ausdrill Limited</b>							
W M King	–	1,000,000	–	–	1,000,000	–	1,000,000
<b>Other key management personnel of the Group</b>							
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	–	66,637
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.

#### (ii) Share appreciation rights

Details of share appreciation rights provided as remuneration and shares issued on the exercise of such rights, together with terms and conditions of the rights, can be found in the remuneration report on page 23 to 31.

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

	Balance at start of the year	Granted as compen- sation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<b>2012</b>							
<b>Directors of Ausdrill Limited</b>							
R G Sayers	–	4,000,000	–	–	4,000,000	–	4,000,000
<b>2011</b>							
<b>Directors of Ausdrill Limited</b>							
R G Sayers	–	–	–	–	–	–	–

## 28 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 other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
<b>2012</b>				
<i>Directors of Ausdrill Limited</i>				
<b>Ordinary shares</b>				
T E O'Connor	1,004,285	–	–	1,004,285
R G Sayers	36,846,782	–	–	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)	–
+ Mr M G Hills resigned from the Board on 15 June 2012				
++Mr J E Askew resigned from the Board on 7 June 2011				
<i>Other key management personnel of the Group</i>				
<b>Ordinary shares</b>				
J Kavanagh	–	100,000	(100,000)	–
A J McCulloch	50,000	100,000	(50,000)	100,000
M J Hughes	–	133,333	(133,333)	–
M C Crocker	–	133,333	(133,333)	–
J E Martins	–	–	–	–
<b>2011</b>				
<i>Directors of Ausdrill Limited</i>				
<b>Ordinary shares</b>				
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
+ Mr W M King appointed 5 April 2011				
++Mr J E Askew resigned from the Board on 7 June 2011.				
<i>Other key management personnel of the Group</i>				
<b>Ordinary shares</b>				
J Kavanagh	–	100,000	(100,000)	–
A J McCulloch	–	100,000	(50,000)	50,000
C A Gall	–	33,333	–	33,333

### (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.

## 28 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### (d) Other transactions with key management personnel

Mr J E Askew, a director of Ausdrill Limited until his resignation on 7 July 2011, 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 until his resignation on 31 May 2011. 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 key management personnel of Ausdrill Limited :

	2012 \$	2011 \$
<b>Amounts recognised as revenue</b>		
Sales revenue	–	9,242,742
<b>Amounts recognised as expense</b>		
Finance costs	–	300,550
Rent of office buildings	358,032	358,032
	<b>358,032</b>	658,582
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:		
<b>Subsidiaries</b>		
Current assets	–	1,266,854



## 29 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:

	2012 \$	2011 \$
<b>(a) PwC</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	675,397	673,855
Other assurance services		
Due diligence services	252,166	—
Total remuneration for audit and other assurance services	927,563	673,855
<b>(ii) Taxation services</b>		
Tax compliance services	973,623	655,905
<b>(iii) Other services</b>		
Remuneration advice	21,000	—
Advisory and accounting consulting services	226,342	53,038
Total remuneration for other services	247,342	53,038
Total remuneration of PwC Australia	2,148,528	1,382,798
<b>(b) Network firms of PwC Australia</b>		
<b>(i) Audit and other assurance services</b>		
Audit and other assurance services	182,158	173,091
<b>(ii) Taxation services</b>		
Tax compliance services	15,218	18,579
<b>(iii) Other services</b>		
Advisory and accounting consulting services	71,530	137,026
Total remuneration of network firms of PwC Australia	268,906	328,696
<b>(c) Non-PwC audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	35,376	49,218
<b>(ii) Taxation services</b>		
Tax compliance services	24,189	3,036
<b>(iii) Other services</b>		
Advisory and accounting consulting services	181,499	28,770
Total remuneration of non-PwC audit firms	241,064	81,024
<b>Total auditors' remuneration</b>	<b>2,658,498</b>	<b>1,792,518</b>

It is the Group policy to employ PwC on assignments additional to their statutory audit duties where PwC 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.

## 30 CONTINGENCIES

### (a) Contingent liabilities

#### (i) Guarantees

For information about guarantees given by entities within the Group, including the parent entity, please refer to note 42.

### (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 2012 as receipt of these amounts are dependent on the outcome of the arbitration process and the litigation.

## 31 COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2012 \$'000	2011 \$'000
<i>Property, plant and equipment</i>		
Payable:		
Within one year	<b>87,975</b>	107,114

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

### (b) Lease commitments

#### (i) Hire purchase liabilities

Within one year	<b>74,575</b>	66,816
Later than one year but not later than two years	<b>55,301</b>	47,656
Later than two years but no later than five years	<b>47,321</b>	51,067
Total minimum hire purchase commitments	<b>177,197</b>	165,539
Future finance charges	<b>(17,562)</b>	(19,902)
	<b>159,635</b>	145,637
Hire purchase liabilities:		
Current	<b>64,744</b>	56,114
Non-current	<b>94,891</b>	89,523
Total lease liabilities	<b>159,635</b>	145,637

#### (ii) Operating leases

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

Within one year	<b>7,061</b>	3,302
Later than one year but not later than five years	<b>11,810</b>	6,390
Later than five years	<b>138</b>	186
	<b>19,009</b>	9,878

## 32 RELATED PARTY TRANSACTIONS

### (a) Parent entities

The ultimate parent entity of the Group is Ausdrill Limited.

### (b) Key management personnel

Disclosures relating to key management personnel are set out in note 28.

### (c) Transactions with other related parties

The following transactions occurred with related parties:

<i>Sales of goods and services</i>		
Associates	<b>16,157,153</b>	14,539,385
<i>Interest received / receivable</i>		
Associates	<b>351,040</b>	919,327
<i>Management fee received / receivable</i>		
Associates	<b>3,057,967</b>	4,247,180

### 32 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (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:

	2012 \$	2011 \$
<i>Current receivables (sales of goods and services)</i>		
Associates	<b>14,662,775</b>	14,308,633
<i>Non-current receivables (loans)</i>		
Associates	<b>10,276,715</b>	1,101,741

#### (e) Loans to / from related parties

<i>Loans to associates</i>		
Beginning of the year	<b>1,101,741</b>	1,681,503
Loans advanced	<b>9,575,062</b>	232,047
Loans repaid	<b>(400,088)</b>	(811,809)
Interest charged	<b>351,040</b>	919,327
Interest received	<b>(351,040)</b>	(919,327)
End of year	<b>10,276,715</b>	1,101,741

#### (f) 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 7.13% (2011: 8.95%).

Outstanding balances are unsecured and are repayable in cash.

### 33 BUSINESS COMBINATION

#### (a) Summary of acquisition of Energy Drilling Australia Pty Ltd

On 1 July 2011 Ausdrill Limited acquired the remaining 50% of the issued share capital of Energy Drilling Australia Pty Ltd, a company that provides drilling services to the coal seam gas industry.

Details of the purchase consideration, the net assets and liabilities acquired and bargain purchase on acquisition are as follows:

	\$'000
<b>Purchase consideration</b>	
Carrying value of previously held 50% interest	<b>8,913</b>
Loss on revaluation of previously held 50% interest	<b>(4,892)</b>
Fair value of previously held 50% interest	<b>4,021</b>
Seller consideration due 30 June 2012 (\$1,500,000)	<b>(1,371)</b>
Total purchase consideration	<b>2,650</b>
	<b>FAIR VALUE</b>
The assets and liabilities recognised as a result of the acquisition are as follows:	<b>\$'000</b>
Cash	<b>119</b>
Trade receivables	<b>1,284</b>
Inventories	<b>987</b>
Plant and equipment	<b>7,510</b>
Deferred tax asset	<b>538</b>
Trade payables	<b>(1,624)</b>
Employee Benefits	<b>(17)</b>
Interest Bearing Liabilities	<b>(755)</b>
Net identifiable assets acquired	<b>8,042</b>
Gain on acquisition of additional 50% investment	<b>5,392</b>
Loss on revaluation of previously held 50% interest	<b>(4,892)</b>
Net gain on acquisition of EDA	<b>500</b>

### 33 BUSINESS COMBINATION (CONTINUED)

#### (b) Non-controlling interests

On 30 September 2011, Ausdrill Limited acquired the remaining 10% of the issued shares of DT HiLoad Australia Pty Ltd for a purchase consideration of \$1. The carrying amount of the non-controlling interests in DT HiLoad Australia Pty Ltd on the date of acquisition was \$602,510. The group recognised a decrease in non-controlling interests of \$602,510 and an increase in equity attributable to owners of the parent of \$602,509. The effect of changes in the ownership interests of DT HiLoad Australia Pty Ltd on the equity attributable to owners of Ausdrill Limited during the year is summarised as follows:

	2012 \$'000	2011 \$'000
Carrying amount of non-controlling interests acquired	602	—
Consideration paid to non-controlling interests	—	—
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	602	—

### 34 SUBSIDIARIES

#### (a) Significant investments in subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2012 %	2011 %
African Mining Services Burkina Faso Sarl	Burkina Faso	Ordinary	100	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
Ausdrill Underground Mining Services Pty Ltd*	Australia	Ordinary	100	100
Australian Communications Engineering Pty Ltd	Australia	Ordinary	100	100
AMCG	Ghana	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	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 HiLoad Australia Pty Ltd	Australia	Ordinary	100	90
Energy Drilling Australia Pty Ltd	Australia	Ordinary	100	50
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	100
MinAnalytical Laboratory Services Pty Ltd	Australia	Ordinary	80	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
Synege Holdings Pty Ltd	Australia	Ordinary	100	100
West African Mining Services Ltd	Ghana	Ordinary	100	100

### 34 SUBSIDIARIES (CONTINUED)

#### (a) Significant investments in subsidiaries (continued)

- \* Ausdrill Underground Mining Services Pty Ltd was formerly Ausminco Mining & Equipment Supplies Pty Ltd.
- \*\* 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.  
 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 HiLoad Australia Pty Ltd is 100% owned by Brandrill Limited.  
 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.

### 35 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;  
 Ausdrill Underground Mining Services 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;  
 DT HiLoad Australia Pty Ltd;  
 Energy Drilling Australia Pty Ltd;  
 Golden Plains Pty Ltd;  
 Remet Engineers Pty Ltd;  
 Supply Direct Pty Ltd; and  
 Synegex Holdings Pty Ltd.

Ausdrill Underground Mining Services Pty Ltd, DT HiLoad Australia Pty Ltd and Energy Drilling Australia Pty Ltd have been added to the closed group in 2012.

**35 DEED OF CROSS GUARANTEE** (CONTINUED)

**(a) Consolidated income statement, 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 2012.

	2012 \$'000	2011 \$'000
<b>Consolidated statement of comprehensive income</b>		
Revenue from continuing operations	947,270	722,451
Other income	13,642	7,538
Materials	(311,931)	(234,190)
Labour	(295,433)	(246,273)
Rental and hire	(21,201)	(23,843)
Depreciation and amortisation expense	(101,285)	(72,418)
Management Fees	(12,828)	(18,153)
Finance costs	(21,510)	(17,141)
Other expenses	(59,864)	(43,918)
Share of net profits of associates accounted for using the equity method	15,366	3,611
<b>Profit before income tax</b>	<b>152,226</b>	<b>77,664</b>
Income tax expense	(42,854)	(18,884)
<b>Profit for the year</b>	<b>109,372</b>	<b>58,780</b>
<b>Other comprehensive income</b>		
Profit / (loss) on revaluation of land and buildings, net of tax	3,429	(50)
Exchange differences on translation of foreign operations	3,238	(16,301)
<b>Other comprehensive income for the year, net of tax</b>	<b>6,667</b>	<b>(16,351)</b>
<b>Total comprehensive income for the year</b>	<b>116,039</b>	<b>42,429</b>
<b>Summary of movements in consolidated retained earnings</b>		
Retained earnings at the beginning of the financial year	155,600	168,802
Profit for the year	109,372	58,780
Dividends provided for or paid	(39,357)	(30,183)
Minority interest profit/loss	(93)	—
<b>Retained earnings at the end of the financial year</b>	<b>225,522</b>	<b>197,399</b>

### 35 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 2012 of the closed group.

	2012 \$'000	2011 \$'000
<b>Current assets</b>		
Cash and cash equivalents	109,875	119,005
Trade and other receivables	194,133	150,751
Inventories	161,443	113,020
Total current assets	465,451	382,776
<b>Non-current assets</b>		
Receivables	43,841	72,589
Investments accounted for using the equity method	80,057	76,693
Property, plant and equipment	663,841	496,469
Deferred tax assets	10,649	7,949
Intangible assets	32,376	28,540
Total non-current assets	830,764	682,240
<b>Total assets</b>	1,296,215	1,065,016
<b>Current liabilities</b>		
Trade and other payables	135,695	122,258
Borrowings	197,746	88,122
Current tax liabilities	25,921	19,821
Provision	6,758	4,600
Total current liabilities	366,120	234,801
<b>Non-current liabilities</b>		
Borrowings	167,726	119,853
Deferred tax liabilities	22,964	16,540
Provisions	3,767	1,874
Total non-current liabilities	194,457	138,267
<b>Total liabilities</b>	560,577	373,068
<b>Net assets</b>	735,638	691,948
<b>Equity</b>		
Contributed equity	508,513	501,696
Reserves	1,603	(7,147)
Retained earnings	225,522	197,399
<b>Total equity</b>	735,638	691,948

### 36 INVESTMENTS IN ASSOCIATES

#### (a) Movements in carrying amounts

	2012 \$'000	2011 \$'000
Carrying amount at the beginning of the financial year	29,268	15,526
Share of profits after income tax	15,366	3,611
Share of exchange differences on translation	167	(2,885)
Acquisition of interests in associates	–	13,016
Transfer of carrying value of investment in associate on becoming a controlled entity	(8,913)	–
Carrying amount at the end of the financial year	35,888	29,268

#### (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	
<b>2012</b>					
<b>African Underground Mining Services</b>	<b>50</b>	<b>101,054</b>	<b>65,166</b>	<b>115,452</b>	<b>15,366</b>
<b>2011</b>					
African Underground Mining Services	50	55,991	35,331	61,651	7,700
Energy Drilling Australia Pty Ltd	50	5,905	7,764	1,126	(4,089)
		61,896	43,095	62,777	3,611

African Underground Mining Services has operations in Ghana and Mali.

On 1 July 2011, Ausdrill Limited acquired the remaining 50% of Energy Drilling Australia Pty Ltd.

African Underground Mining Services is not a consolidated entity of Ausdrill Limited because Ausdrill Limited is not able to govern the activities of this entity so as to obtain benefits from it.

### 37 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 28 August 2012 the directors declared the payment of a final ordinary dividend of \$24,351,783 (8 cents per fully paid share) to be paid on 31 October 2012 out of retained profits at 30 June 2012. The financial effect of this transaction has not been brought to account at 30 June 2012.

On 27 August 2012, Ausdrill Limited agreed to acquire a 100% interest in the Best Tractor Parts Group, a leading Australian supplier of used and reconditioned heavy earthmoving equipment and parts to the surface mining industry, for \$165 million on a cash free and debt free basis. On 27 August 2012, a \$16.5 million deposit was paid with the balance payable at completion. The acquisition forms part of Ausdrill's vertical integration across Ausdrill's existing activities and extension of the contribution realisable from Ausdrill's existing rental fleet. It will also increase Ausdrill's East Coast presence.

Completion is expected to occur on or about 31 October 2012, subject to a number of conditions precedent that include Ausdrill raising debt financing on terms acceptable to it. If Ausdrill is not able to complete the transaction it will forfeit the deposit.

At the date the Financial Statements were authorised for issue, the acquisition date is unknown and the initial accounting for the business combination was incomplete with the fair value assessments of the identifiable assets and liabilities to be acquired at acquisition and the calculation of the adjustment to the purchase price yet to be finalised. As a result, it is not possible to disclose the fair value of the identifiable assets and liabilities acquired, acquisition date, fair value of consideration transferred or to calculate the value of goodwill.

On 24 July 2012, the Company announced that, through its subsidiary African Mining Services Mali SARL (AMSM), it had received a Letter of Intent for a 5 year mining contract with a value of US\$540 million with a subsidiary of Resolute Mining Limited for its Syama Gold Project located in the south of Mali. The expected start date is 1 September 2012. AMSM will perform all contract mining services at the project. AMSM has also reached an agreement with the incumbent contractor to purchase the equipment currently being used at the operation. Further equipment will be obtained by AMSM as needed in accordance with project expansion requirements.



### 38 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 \$'000	2011 \$'000
<b>Profit for the year</b>	<b>112,207</b>	73,317
Depreciation and amortisation	<b>116,144</b>	82,509
Loss / (gain) on sale of non-current assets	<b>2,538</b>	(136)
(Gain) on sale of available-for-sale financial assets	–	(156)
Bad debts and provision for doubtful debts	<b>1,729</b>	3,923
Net exchange differences	<b>(2,003)</b>	2,282
Share of (profits) of associates	<b>(15,366)</b>	(3,611)
Impairment of goodwill	–	53
Non-cash employee benefits expense – shared based payments	<b>1,482</b>	272
Net (gain) on acquisition of investment	<b>(500)</b>	–
<b>Change in operating assets and liabilities:</b>		
(Increase) in trade debtors	<b>(50,555)</b>	(49,489)
(Increase) in inventories	<b>(45,304)</b>	(40,222)
(Increase) in other operating assets	<b>(3,142)</b>	(645)
(Increase) in deferred tax assets	<b>(3,615)</b>	(10,722)
Increase in trade creditors	<b>30,003</b>	32,770
Increase in other provisions	<b>2,647</b>	690
Increase in provision for income taxes payable	<b>4,506</b>	17,665
Increase in deferred tax liabilities	<b>6,013</b>	8,849
<b>Net cash inflow from operating activities</b>	<b>156,784</b>	117,349

### 39 NON-CASH INVESTING AND FINANCING ACTIVITIES

Acquisition of plant and equipment by means of finance leases or hire purchases	<b>79,635</b>	56,061
Issue of shares under company dividend reinvestment plan	<b>4,983</b>	2,950
	<b>84,618</b>	59,011

#### 40 EARNINGS PER SHARE

##### (a) Basic earnings per share

	2012 Cents	2011 Cents
Total basic earnings per share attributable to the ordinary equity holders of the Company	<b>37.28</b>	27.13

##### (b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the company	<b>36.97</b>	26.92
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##### (c) Reconciliation of earnings used in calculating earnings per share

	2012 \$'000	2011 \$'000
<i>Basic and diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	<b>112,943</b>	73,403

##### (d) Weighted average number of shares used as denominator

	2012 Number '000	2011 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>302,935</b>	270,568
Adjustments for calculation of diluted earnings per share:		
Effect of share appreciation rights on issue	<b>511</b>	—
Effect of share options on issue	<b>2,089</b>	2,101
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	<b>305,535</b>	272,669

##### (e) Information on the classification of securities

###### (i) Options and rights

Options granted to employees under the Ausdrill Limited Employee Option Plan and rights issued to the managing director 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 and rights have not been included in the determination of basic earnings per share. Details relating to the options and rights are set out in note 41.

#### 41 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.

41 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
<b>2012</b>								
12/11/2008	12/11/2013	\$1.29	566,661	—	(466,662)	(33,333)	66,666	66,666
12/11/2008	12/11/2013	\$1.34	1,099,998	—	(833,333)	(33,333)	233,332	233,332
12/11/2008	12/11/2013	\$1.44	1,100,011	—	—	(33,334)	1,066,677	—
12/05/2009	12/05/2014	\$1.29	66,666	—	—	—	66,666	66,666
12/05/2009	12/05/2014	\$1.34	66,667	—	—	—	66,667	66,667
12/05/2009	12/05/2014	\$1.44	66,667	—	—	—	66,667	—
30/06/2009	30/06/2014	\$1.29	166,665	—	(133,332)	—	33,333	33,333
30/06/2009	30/06/2014	\$1.34	166,667	—	—	—	166,667	166,667
30/06/2009	30/06/2014	\$1.44	166,668	—	—	—	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	01/07/2016	\$4.21	250,000	—	—	—	250,000	—
29/06/2011	01/07/2016	\$4.21	250,000	—	—	—	250,000	—
29/06/2011	01/07/2016	\$4.21	500,000	—	—	—	500,000	—
21/07/2011	21/07/2016	\$3.55	—	66,666	—	—	66,666	—
21/07/2011	21/07/2016	\$3.65	—	66,667	—	—	66,667	—
21/07/2011	21/07/2016	\$3.85	—	66,667	—	—	66,667	—
			5,566,670	200,000	(1,433,327)	(100,000)	4,233,343	633,331
Weighted average exercise price			\$2.26	\$3.68	\$1.32	\$1.36	\$2.67	\$1.33

41 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Option Plan (continued)

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
<b>2011</b>								
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	01/07/2016	\$4.21	—	250,000	—	—	250,000	—
29/06/2011	01/07/2016	\$4.21	—	250,000	—	—	250,000	—
29/06/2011	01/07/2016	\$4.21	—	500,000	—	—	500,000	—
			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

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 2012 was \$3.62 (2011: \$2.99).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.78 years (2011: 3.37 years).

**Fair value of options granted**

There were 200,000 options granted during the year ended 30 June 2012 (2011: 2,100,000). 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 2012 included:

Grant Date	Expiry date	Exercise price	Granted during the year Number	Share price at grant date	Expected price volatility of the Company's shares	Expected dividend yield	Risk-free interest rate	Valuation per option at grant date
21/07/2011	21/07/2016	\$3.55	66,666	\$3.29	45%	4.30%	4.50%	\$0.77
21/07/2011	21/07/2016	\$3.65	66,667	\$3.29	45%	4.30%	4.50%	\$0.79
21/07/2011	21/07/2016	\$3.85	66,667	\$3.29	45%	4.30%	4.50%	\$0.79
Total			200,000					

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.

#### 41 SHARE-BASED PAYMENTS (CONTINUED)

##### (b) Share Appreciation Rights

The Managing Director was granted 4,000,000 SARs after shareholders' approval was given at the Annual General Meeting on 23 November 2011. The SARs may be realised by Mr Sayers only to the extent that vesting conditions are met. No amount is payable on issue of the SARs.

Each SAR entitles Mr Sayers to a payment, by way of an issue of Shares of an equivalent value, on vesting equal to the positive difference between the share price at the time of vesting (Vesting) and the share price at the time the SARs are issued (Grant). The share price at Vesting and Grant will be determined by reference to the volume weighted average share price of the Company during the 10 trading days prior to the stipulated date (10 day VWAP) at the time of Vesting and Grant.

The payment due is calculated according to the following formula – Total Vested SARs value = Total number of vested SARs x (10 day VWAP of the Shares at Vesting LESS 10 day VWAP of the Shares at Grant).

The number of Shares to be received on vesting of the SARs is calculated according to the following formula – Total Vested SARs value / 10 day VWAP of the Shares at Vesting. The resulting calculation is rounded down to the nearest whole Share.

The first tranche of 1,000,000 SARs issued to Mr Sayers will vest if Mr Sayers remains in the employ of the Company on 30 June 2014.

Mr Sayer's entitlement to the second tranche of 3,000,000 SARs will be subject to the Company's Total Shareholder Return (TSR) performance, including share price growth, dividends and capital returns, compared to the TSR of the selected peer group that are listed on the ASX (see list below) and any SARs to which Mr Sayers becomes entitled will only vest if he remains in the employ of the Company on 30 June 2014.

Entitlements are based on the Company's ranking within the peer group, as follow:

TSR Rank	Proportion of options that vest
Less than 50th percentile	0%
50th percentile	50%
Between 50th and 75th percentile	Pro-rata (sliding scale) percentage
At or above 75th percentile	100%

For the SARs granted on 1 December 2011, the Comparator Group includes the following companies:

■ Austin Engineering Limited	■ Boart Longyear Limited
■ Brierty Limited	■ Downer EDI Limited
■ Emeco Holdings Limited	■ Imdex Limited
■ Industrea Limited	■ MACA Limited
■ Macmahon Holdings Limited	■ Monadelphous Group Limited
■ NRW Holdings Limited	■ Sedgman Limited
■ Transfield Services Limited	■ WDS Limited

Set out below are summaries of rights granted under the plan:

Grant date	Vesting date	Grant 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
<b>2012</b>								
01/12/2011	30/06/2014	\$2.92	–	1,000,000	–	–	1,000,000	–
01/12/2011	30/06/2014	\$2.92	–	3,000,000	–	–	3,000,000	–
			–	4,000,000	–	–	4,000,000	–

No rights expired during the periods covered by the above tables.

##### Fair value of rights granted

There were 4,000,000 rights granted during the year ended 30 June 2012 (2011: nil). The fair value at grant date is independently determined using a Monte Carlo simulation valuation model that incorporates the probability of the relative TSR vesting condition being met, with the following inputs:

Grant date	Vesting date	Grant price	Grant during the year Number	Share price at measurement date	Expected price volatility of the Company's shares	Expected dividend yield	Risk-free interest rate	Valuation per option at grant date
01/12/2011	30/06/2014	\$2.92	1,000,000	\$2.98	45%	4.30%	3.10%	\$0.69
01/12/2011	30/06/2014	\$2.92	3,000,000	\$2.98	45%	4.30%	3.10%	\$0.65
Total			4,000,000					

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.

#### 41 SHARE-BASED PAYMENTS (CONTINUED)

##### (c) 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:

	2012 \$'000	2011 \$'000
Options issued under employee option plan	886	272
Share appreciation rights	596	–
	<b>1,482</b>	<b>272</b>

#### 42 PARENT ENTITY FINANCIAL INFORMATION

##### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

<b>Balance sheet</b>		
Current assets	<b>132,973</b>	151,939
Non-current assets	<b>667,515</b>	516,730
Total assets	<b>800,488</b>	668,669
Current liabilities	<b>99,705</b>	95,732
Non-current liabilities	<b>139,822</b>	34,307
Total liabilities	<b>239,527</b>	130,039
<i>Shareholders' equity</i>		
Issued capital	<b>508,513</b>	501,696
Reserves		
Asset revaluation reserve	<b>563</b>	1,507
Share-based payments reserve	<b>2,290</b>	808
Retained earnings	<b>49,595</b>	34,619
Total equity	<b>560,961</b>	538,630
<b>Profit for the year</b>	<b>54,334</b>	31,665
<b>Total comprehensive income</b>	<b>53,390</b>	31,665

##### (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 \$91,595,379 (2011: \$87,710,662)
- (ii) funding of subsidiaries for acquisition of plant and equipment amounting to \$103,787,466 (2011: \$42,398,913)

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\$13.4 million (2011: USD\$24.9 million).

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 2012 or 30 June 2011. For information about guarantees given by the parent entity, please see above.

##### (d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2012, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling \$23,020,437 (30 June 2011: \$29,497,840). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

# DIRECTORS' DECLARATION

30 JUNE 2012

In the director s' opinion:

- (a) the financial statements and notes set out on pages 43 to 96 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 2012 and of its performance for the 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 35 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 35.

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 report is made in accordance with a resolution of directors.



**Ronald George Sayers**  
**Managing Director**

Perth  
28 August 2012



## 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 2012, 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.





## 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 2012 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 31 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Nick Henry

Nick Henry  
Partner

Perth  
28 August 2012

# SHAREHOLDER INFORMATION

30 JUNE 2012

The shareholder information set out below was applicable as at 31 July 2012:

## A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Holding	ORDINARY SHARES	
	Number of Holders	Shares
1 – 1,000	2,870	1,074,377
1,001 – 5,000	2,962	7,791,346
5,001 – 10,000	1,120	8,269,551
10,001 – 100,000	1,163	27,496,576
100,001 and over	103	259,765,439
	8,218	304,397,289

There were 1,050 holders of less than a marketable parcel of 150 ordinary shares.

## B. EQUITY SECURITY HOLDERS

### Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	ORDINARY SHARES	
	Number held	Percentage of issued shares
1. National Nominees Limited	48,211,707	15.84%
2. HSBC Custody Nominees (Australia) Limited	37,884,687	12.45%
3. Cherry Garden Nominees Pty Ltd / Ronald George Sayers	36,301,664	11.93%
4. JP Morgan Nominees Australia Limited	34,674,149	11.39%
5. Bremerton Pty Ltd (The Bartlett Family Fund)	16,064,489	5.28%
6. Cogent Nominees Pty Ltd	14,591,052	4.79%
7. JP Morgan Nominees Australia Limited (Cash Income a/c)	9,768,917	3.21%
8. RBC Dexia Investor Services Australia	7,356,373	2.42%
9. AMP Life Limited	6,240,103	2.05%
10. Citicorp Nominees Pty Ltd	5,658,504	1.86%
11. Cogent Nominees Pty Ltd (SMP Accounts)	5,175,133	1.70%
12. GP & DL Connell (Connell Contractor Super)	3,408,040	1.12%
13. CTS Funds Pty Ltd	2,904,309	0.95%
14. Patricia Gladys Wright	2,466,233	0.81%
15. Cogent Nominees Pty Ltd (DRP)	2,334,115	0.77%
16. Citicorp Nominees Pty Ltd (Colonial First State Inv a/c)	2,207,972	0.73%
17. Queensland Investment Corporation	1,354,437	0.44%
18. PM & JL Bartlett	1,202,793	0.40%
19. HSBC Custody Nominees (Australia) Ltd	1,081,269	0.36%
20. TE & EA O'Connor (T E O'Connor Super Fund)	1,004,285	0.33%
	<b>239,890,231</b>	<b>78.83%</b>

## C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	ORDINARY SHARES	
	Number held	Percentage
1. Cherry Garden Nominees Pty Ltd / Ronald George Sayers	36,846,782	12.10%
2. AMP Limited	21,931,489	7.20%
3. Bremerton Group	16,064,489	5.28%

## 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

		2008	2009	2010	2011	2012
<b>REVENUE</b>						
Sales Revenue	\$'000	387,141	505,468	630,963	834,641	<b>1,059,107</b>
Interest Received	\$'000	3,828	3,452	1,898	4,572	<b>3,134</b>
Dividends Received	\$'000	15	45	–	–	<b>–</b>
<b>Total</b>	<b>\$'000</b>	<b>390,984</b>	<b>508,965</b>	<b>632,861</b>	<b>839,213</b>	<b>1,062,241</b>
<b>PROFIT</b>						
EBITDA	\$'000	84,684	122,684	150,364	195,437	<b>288,436</b>
Depreciation and amortisation expense	\$'000	28,890	52,415	69,833	82,509	<b>116,144</b>
EBIT	\$'000	55,794	70,269	80,531	112,928	<b>172,292</b>
Net Interest Expense	\$'000	5,320	12,627	15,827	13,470	<b>19,805</b>
Profit before income tax	\$'000	50,474	57,642	64,704	99,458	<b>152,487</b>
Income tax expense	\$'000	15,142	17,397	16,140	26,141	<b>40,280</b>
Profit after tax from continuing operations	\$'000	35,332	40,245	48,564	73,317	<b>112,207</b>
Profit / (loss) from discontinued operation	\$'000	–	–	(387)	–	<b>–</b>
Profit for the year	\$'000	35,332	40,245	48,177	73,317	<b>112,207</b>
Number of Ordinary Shares at Year End	000's	172,150	174,774	261,820	301,453	<b>304,397</b>
Weighted Number of Ordinary Shares	000's	155,489	173,248	203,527	270,568	<b>302,935</b>
Basic earnings per share	cents	22.72	23.23	23.71	27.13	<b>37.28</b>
Diluted earnings per share	cents	22.72	23.23	23.53	26.92	<b>36.97</b>
<b>STATEMENT OF FINANCIAL POSITION</b>						
Total Assets	\$'000	503,070	601,625	885,480	1,069,736	<b>1,342,615</b>
Total Liabilities	\$'000	222,338	295,495	383,992	414,793	<b>601,854</b>
Shareholders' Equity	\$'000	280,732	306,130	501,488	654,943	<b>740,761</b>
Net tangible assets per share	dollar	1.61	1.73	1.78	2.06	<b>2.33</b>
<b>CASH FLOWS</b>						
Gross cash flows from operating activities	\$'000	52,925	73,008	157,016	136,102	<b>205,407</b>
Net cash flows from operating activities	\$'000	43,037	48,401	123,007	117,349	<b>156,784</b>
Net cash flows from investing activities	\$'000	(88,673)	(86,192)	(32,127)	(154,565)	<b>(195,640)</b>
Net cash flows from financing activities	\$'000	86,966	(8,231)	9,040	36,739	<b>23,551</b>
Closing cash balance	\$'000	88,956	44,686	144,387	140,714	<b>124,188</b>
Gross debt	\$'000	135,908	211,080	242,900	223,612	<b>366,411</b>
Net debt	\$'000	46,952	166,394	98,513	82,898	<b>242,223</b>
<b>DIVIDENDS</b>						
Total Dividends per share (Interim & Final declared)	cents	11.00	11.00	11.00	12.00	<b>14.50</b>
Total Dividends paid	\$'000	15,171	18,991	20,924	30,183	<b>39,357</b>
<b>NET DEBT/TOTAL CAPITAL</b>						
	%	14	35	16	11	<b>25</b>
<b>EBIT TO SALES REVENUE</b>						
	%	14.41	13.90	12.76	13.53	<b>16.27</b>
<b>EMPLOYEES AT YEAR END</b>						
	#	2,072	2,531	3,619	4,362	<b>6,003</b>

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