ASX RELEASE

11 OCTOBER 2013

2013 ANNUAL REPORT AND NOTICE OF AGM

Please find attached the Ausdrill Limited 2013 Annual Report.

Ausdrill Limited will hold its 2013 Annual General Meeting on Thursday 21 November 2013 at 10.00am (Perth time) at the Duxton Hotel, 1 St Georges Tce, Perth, Western Australia.

The Annual Report and Notice of Meeting will be distributed to shareholders today.

AUSDRILL LIMITED

Domenic Santini
Company Secretary

BRINGING MORE TO MINING

MAKING MINING WORK

AUSDRILL LIMITED
ANNUAL REPORT 2013

AUSDRILL

Ausdrill Limited
ABN 95 009 211 474

IT'S SIMPLE REALLY

Mining has always been about unearthing opportunity. For Ausdrill, our opportunity has been to evolve with our customers from a pure drilling services business, into a diverse mining services group.

Today, the Ausdrill Group provides contract mining and drilling services, hires and sells earthmoving equipment and parts, manufactures drill rigs, drilling consumables and explosives, analyses minerals, and procures and supplies mining goods and components.

What this means is simple really. We are able to provide our major resource companies with a broader and more diverse range of services and products, in a more competitive and integrated way.

Across eight countries, on hundreds of mining sites, Ausdrill people, expertise, products and technology is helping to making mining work.

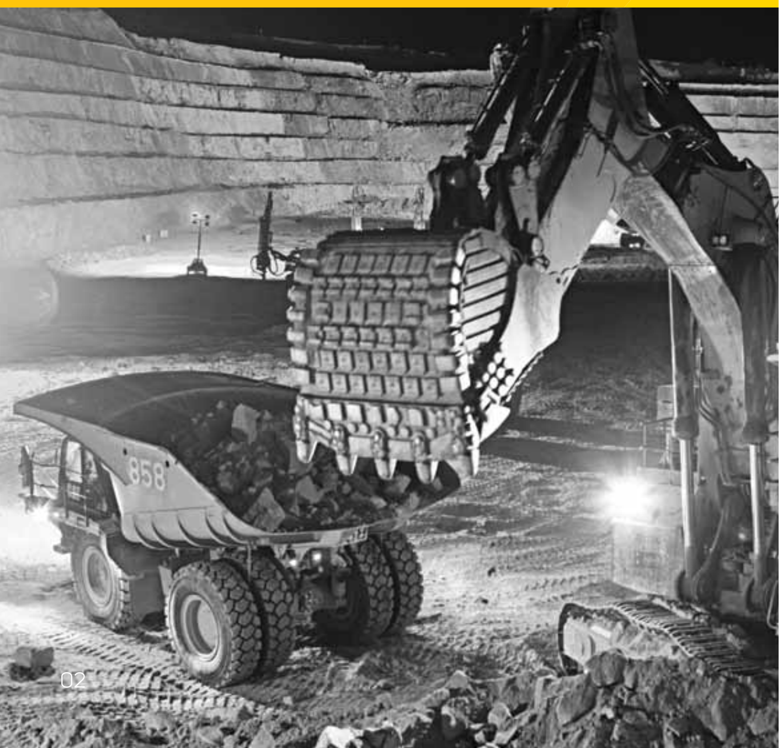
WHAT WE DO

MINING

Our contract mining businesses are some of the largest and most experienced in Africa. They provide a complete surface and underground mining service including people, expertise and equipment.

DRILLING

Our drilling businesses are some of the most advanced in the world, providing exploration, drill and blast, grade control and water well drilling for mining, together with production drilling and well servicing for the oil and gas industry.



EQUIPPING

Our equipment, manufacturing and parts businesses keep our resource customers, and Group businesses, fully equipped to mine. They provide earthmoving fleet hire and sales, equipment parts, dump truck bodies, drill rigs, drilling consumables, mineral analysis and explosives.

SUPPLYING

Our supply businesses procure and deliver the mining equipment, parts and consumables customers need to keep their mining operations working efficiently around the world.

FINANCIAL PERFORMANCE FOR THE YEAR

SALES REVENUE ↑

$1,128.6M

UP 6.6%

EBITDA ↓

$272.7M

DOWN 5.5%

EBIT ↓

$149.0M

DOWN 13.5%

FINAL DIVIDEND

5.5c

FINAL DIVIDEND OF 5.5 CENTS PER SHARE, FULLY FRANKED

PROFIT BEFORE TAX ↓

$109.5M

DOWN 28.2%

PROFIT AFTER TAX ↓

$90.4M

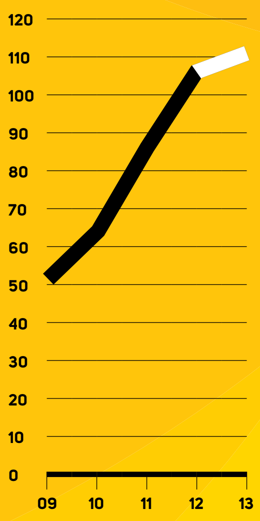
DOWN 19.4%

EARNINGS PER SHARE ↓

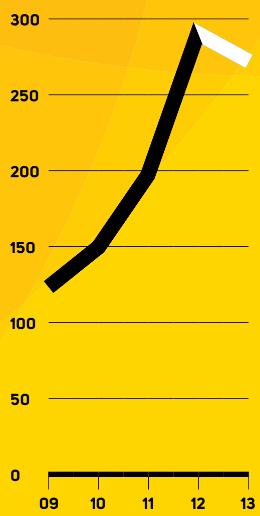
29.63c

DOWN 20.5%

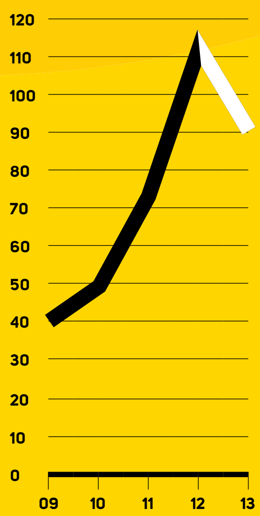
SALES REVENUE ($M)



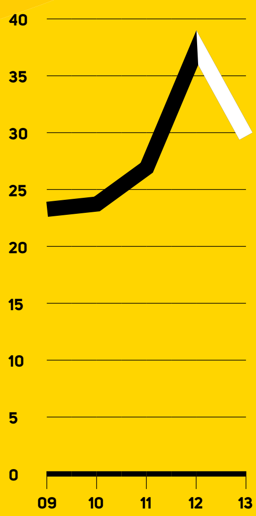
EBITDA ($M)



PROFIT AFTER TAX ($M)



EARNINGS PER SHARE (CENTS)



OPERATING AND FINANCIAL REVIEW

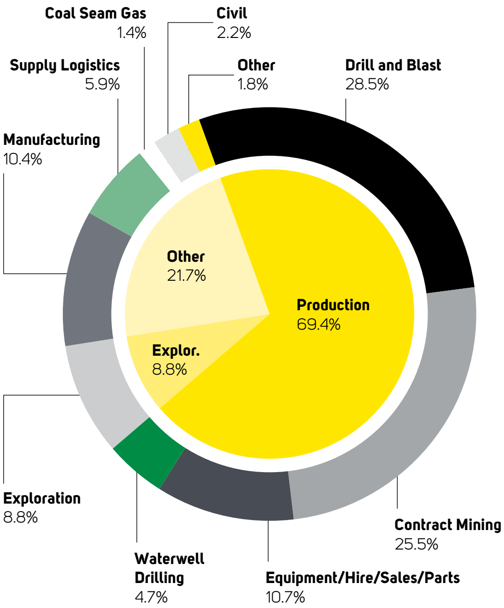
PRINCIPAL ACTIVITIES

Ausdrill's principal activity is providing production-related services to mining clients. In Australia these services comprise drill and blast, grade control, water well drilling and equipment sales, hire and parts. In Africa, the Group offers load and haul and crusher feed services in addition to all the production-related services that the Group provides in Australia. The Group complements these service offerings with significant in-house manufacturing capabilities that produce drilling rigs, light weight dump truck trays, parts and consumables, as well as supply and logistics that provide mining supplies and logistical services, both of which are used in Ausdrill's core services, and sold to external customers. In addition to these production-related services, the Group offers mineral analytics and exploration drilling services, which combined allow the Group to deliver a diversified range of vertically integrated services and products to clients. The Group also has established capability to provide exploration and production drilling services to the onshore oil and gas sector in Australia.

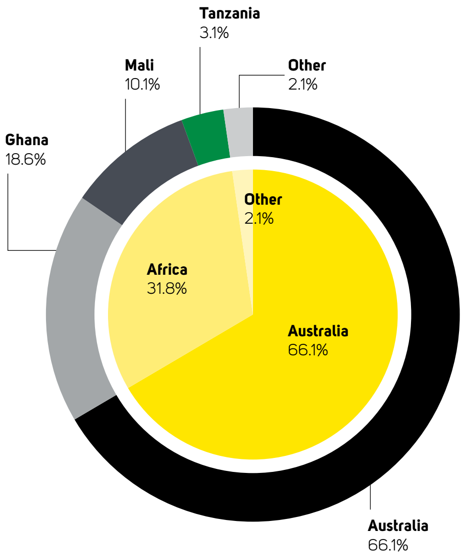
The Australian operations are primarily based in Western Australia, with a presence in Queensland, South Australia and New South Wales. Ausdrill's African operations are primarily located in Ghana, with a presence in Mali, Ivory Coast, Burkina Faso, Tanzania and Zambia. The Group provides specialist underground mining services (high speed decline development and production) through the African Underground Mining Services joint ventures of which the Group owns 50% of the shares, with Barminco Limited owning the remaining 50%.

The following charts show the percentages of sales revenue by business activity and by geography.

Ausdrill Revenue by Business Activity [1]



Ausdrill Revenue by Geography [1]



Note: (1) Based on FY2013 sales revenue including inter-segment sales

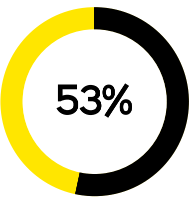
Ausdrill's operating businesses are grouped into the following five principal operating segments: Mining Services Australia; Contract Mining Services Africa, Manufacturing, Supply & Logistics and Other. Revenue shown in the chart below is for the year ended 30 June 2013 after inter-segment elimination.

MINING SERVICES AUSTRALIA

- Drill and Blast
- Grade Control
- Waterwell Drilling
- Equipment Sales, Hire and Parts
- Explosives Supply
- Exploration Drilling
- Mineral Analysis
- Exploration/production drilling services for onshore oil and gas

REVENUE [1]

$601M

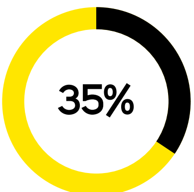


CONTRACT MINING SERVICES AFRICA

- Contract mining services including
  - Drill and Blast
  - Grade Control
  - Load and Haul
  - Crusher feed
  - Equipment hire and parts
- Exploration Drilling
- Underground development and production services
- Mineral Analysis

REVENUE [1]

$390M

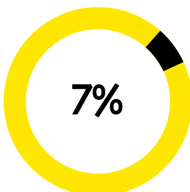


MANUFACTURING

- Manufacture of drill rigs
- Manufacture of drill rods, hammers, bits and consumables
- Manufacture of truck trays
- Manufacture of drill pipes

REVENUE [1]

$75M

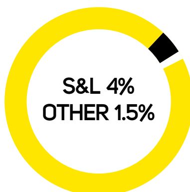


SUPPLY & LOGISTICS AND OTHER

- Supply and logistics for external customers
- Construction services for the utility, telecommunications and power industries
- Support function for offshore operations

REVENUE [1]

$62M



Note: [1] Excludes intercompany sales

Ausdrill's customers are predominantly mining companies that are in production in the gold and iron ore sectors. For the year ended 30 June 2013, approximately 65% of mining services revenues were generated from the provision of mining services to gold mining companies and approximately 29% to iron ore mining companies, in each case, primarily for work on producing mines. The mining services the Group provides are essential to continued production and therefore the mine owners' ability to generate revenue. Ausdrill's customer base includes many of the world's leading resource companies known as "majors" such as Anglo Gold, BHP Billiton, Barrick, Fortescue Metals Group, Kinross, Newmont, Rio Tinto, Gold Fields and Randgold. Majors are typically large, publicly-listed multinational corporations with annual mining revenue of more than US$500 million and the financial strength to develop major mines on their own. Ausdrill's growth in its chosen markets has been influenced by our long standing relationships with these customers (in some instances, extending over more than 20 years) and continued engagement with them as they pursue their strategies to develop and extract resources from deposits in Australia and Africa.

GROUP FINANCIAL PERFORMANCE

$ million	12 months to June 2013	12 months to June 2012	% change from previous corresponding period
Sales Revenue	**1,128.6**	1,059.1	+6.6%
EBITDA	**272.7**	288.4	-5.5%
EBIT	**149.0**	172.3	-13.5%
Profit before tax	**109.5**	152.5	-28.2%
Profit after tax	**90.4**	112.2	-19.4%

Ausdrill has reported a modest increase in revenue but a decrease in earnings largely as a result of the slow down in activities in the mining industry in Australia and Africa.

REVENUE

Sales Revenue for the Group increased by 6.6% or $69.5 million. This was mainly due to the first time contribution from the BTP business which was acquired with effect from 1 November 2012. Revenues from Contract Mining services in Africa increased during the year, where a new contract commenced at the Syama project for Resolute Mining Limited, but was offset by the reduction in activities in Australia, particularly in the areas of equipment hire, exploration and mining services at Fortescue Metals Group Ltd operations in the Pilbara.

Sales Revenue excludes Ausdrill's 50% share of revenue generated by the AUMS joint ventures being $150.0 million (2012: $115.5 million). AUMS is equity accounted and only Ausdrill's 50% share of net profits are included in the Consolidated income statement.

EXPENSES

The three largest expense categories are Materials, Labour and Depreciation and amortisation which represent 83.0% (2012: 86.1%) of all expenses.

Materials expenses increased by 7.4% or $25.9 million and is broadly in line with the increase in sales revenue for the Group.

Labour expenses increased by 8.9% or $30.0 million and is higher than the increase in sales revenue for the Group and reflects the costs associated with the slow down in the mining industry including the direct redundancy costs associated with the termination of employees.

Depreciation and amortisation expenses increased by 6.5% or $7.6 million and is broadly in line with the increase in sales revenue for the Group.

Other expenses include the increase in bad debt provisions taken on Central Norseman and Navigator Resources both of which went into administration during the financial year.

EARNINGS

EBITDA decreased from $288.4 million to $272.7 million for the year ended 30 June 2013 and the EBITDA margin (excluding equity accounted profits) decreased from 25.8% to 22.1%. Again the decrease in the EBITDA margin is as a result of the slow down in the mining industry, in particular the exploration and equipment hire businesses which are more cyclical in nature. The equity accounted profits from associates increased from $15.4 million in 2012 to $22.9 million.

EBIT decreased from $172.3 million in 2012 to $149.0 million for the year ended 30 June 2013 and the EBIT margin (excluding equity accounted profits) has decreased from 14.8% to 11.2%, in line with the decrease in the EBITDA margin.

The after tax profit decreased from $112.2 million in 2012 to $90.4 million for the year ended 30 June 2013. The lower profits result from the lower margins experienced this year as well as the impact of unusual expense items that were incurred during the year. The after tax 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 full year result includes the effects of unusual items that arose in the current year totalling approximately A$9.5m on an after tax basis and is summarised as follows:

Item	**A$m**
Bad debt provisions – Central Norseman Gold and Navigator Resources (In Administration)	-6.6
Contract variations recorded by AUMS relating to prior years	2.9
BTP: - BTP Fair Value adjustments arising on acquisition - Acquisition costs	 -6.5 -2.5
Costs in relation to the restructure of Ausdrill's financing arrangements	-3.1
Tax effect on above	5.9
Net Profit After Tax Impact	**-9.9**

The above items are highlighted as they are either non-recurring or do not reflect the underlying profitability of the business.

SEGMENT PERFORMANCE

The Group operates through five business segments: Mining Services Australia; Contract Mining Services Africa; Manufacturing; Supply & Logistics; and Other. Within each of the five business segments, the Group operates under a number of brands to provide services and products.

MINING SERVICES AUSTRALIA

	Segment Performance			
	Sales revenue		**Earnings before interest and tax**	
$ million	**2013**	2012	**2013**	2012
Mining Services Australia	**602.3**	599.8	**62.9**	92.2

Mining Services Australia has reported a decline in profits directly as a result of the downturn in the mining industry which started off in the iron ore sector in September 2012 and has now spread to all sectors with most commodities and metals showing a decline in prices over the year. This in turn has meant that mining companies have cancelled or significantly reduced spend on exploration and capital expenditure programmes, revised production schedules for ore and waste volumes and deferred all non-essential expenditures as much as possible. The results have been further impacted by a high level of bad debt provisions.

DRILL AND BLAST

Ausdrill was founded on the drill and blast business which relates directly to the production phase of the mining process and this continues to be an integral part of our service offering. This business has also been augmented by the provision of grade control services.

The business secured a 5 year contract extension at Prominent Hill. At the Superpit, operations continue under a Letter of Intent for blast hole drilling whilst the grade control services are currently subject to tender for a 3 year term.

The business further undertakes work as a sub-contractor for major 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.

During the year the business experienced the effects of the downturn in the mining industry and in particular the loss of work in the Pilbara, mainly with FMG, from September 2012 due to the fall in the iron ore price at around that time. The fall in the gold price in 2013 has also had an impact on the business with one client, Navigator Resources, going into administration resulting in a bad debt provision being raised as well as the consequent loss of ongoing work.

The business operates 183 rigs comprising top hammer drills, rotary and blasthole drills, purpose built probe drills and RC grade control drills.

BTP GROUP

The acquisition of BTP by Ausdrill Limited in November 2012, provided a unique opportunity to bring together two market leading earthmoving equipment businesses: BTP and Ausdrill Mining Services. The combined business now provides customers with a single-partner for all their equipment parts, equipment hire and used equipment needs. The BTP Group comprises two operating divisions:

- BTP Parts, Australia's largest supplier of reconditioned and exchange parts for mining and earthmoving equipment.
- BTP Equipment has an extensive fleet of excavators, dump trucks, dozers, graders and ancillary equipment to hire, as well as modern, well-maintained, low hour machines to sell.

The fall in commodity prices has generally resulted in the deferral of new projects and the scaling back of overall physical material movements on some production sites. This has resulted in surplus mining equipment in the sector, with trading conditions in the equipment rental market remaining below expected levels. It is also evident that all non-essential expenditure including the level of maintenance has been reduced significantly and has thus resulted in lower sales activity by the BTP Parts business. This is, however, expected to recover once the industry returns to a stable position. The business also has experienced an increase in bad debt provisions with one client, Central Norseman Gold, going into external administration during the year.

Since the acquisition the BTP business has undergone system changes and a rebranding program to align with the Ausdrill Group.

BTP is in a strong position to be able to recover quickly as soon as there is positive movement in the mining industry. In the meantime, parts inventory and equipment has been refurbished or rebuilt, in readiness for demand.

CONNECTOR DRILLING

Connector Drilling provides hydrogeological and large diameter surface drilling services to the resource sector. The business experienced significant revenue and earnings growth during the 2013 financial year underpinned by a continued strong demand for its services. Margins were however impacted by lower rig utilisation levels in the spot market, downward pressure on rates for contracted business and increased compliance costs. While these market conditions are anticipated to continue during the next six months, the business remains well positioned to outperform the broader hydrogeological drilling contractor market.

Connector Drilling remained lost time injury free for the year and continues to lead the market in terms of safety innovation in large diameter drilling and bore construction.

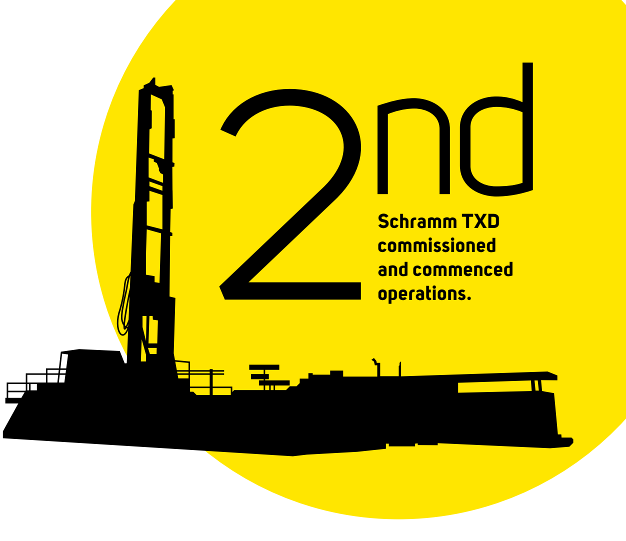
The outlook for next year remains strong with rig fleet utilisation levels continuing to be supported by long term multiple rig contracts. A number of new rig suites with industry leading engineering controls are scheduled to come on line during the next year. This will ensure Connector Drilling is well placed to consolidate its position as market leader in Western Australia. In addition, the fleet expansion will also enable the business to fulfil the expectation in place upon its acquisition in February 2011, namely to expand into markets outside of Western Australia and to leverage off the interstate infrastructure of other drilling service providers within the Ausdrill Group. Connector Drilling currently operates 12 rigs.

EXPLORATION

The Australian exploration drilling business is conducted through two businesses, one based in Kalgoorlie which primarily focuses on gold and base metals in the Goldfields region of Western Australia, and the other based in Perth and servicing the North West of Western Australia ("ANW"). The exploration business operates 41 rigs comprising RAB, RC and diamond drill rigs.

The Australian mining community reduced its exploration activity in response to the downturn in commodity prices and consequent lack of funding from capital markets. As a result, demand for exploration drilling services from junior and mid-tier mining houses decreased in the latter part of 2012. Activity in the Goldfields region continues at a lower rate with long term clients and the larger mining houses.

However, commercial activities continue with our major clients, BHP Billiton, Rio Tinto, Gold Fields and Consolidated Minerals, increasing our overall contracted services with these clients, thereby decreasing the impact of the economic downturn on the business.



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 current supply contracts.

During the year Synegex secured an emulsion supply which will enable it to better supply the market with up-to-date product offerings. Synegex has also gained regulatory approval for new bulk explosive product blends.

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 new facility with state of the art equipment in Canning Vale, Western Australia. The business commenced services in late 2011 and provides a range of analytical services to Australian and West African miners and explorers. MinAnalytical Laboratory Services attained accreditation to NATA to ISO17025.

A key strategy for this business has been to partner with African Mining Services (AMS) in West Africa in providing explorers and miners with 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.

During the year the business continued to build with substantial increase in analytical services, including a fully automated iron ore analysis system and African preparation services extending to other regions in Africa. However due to a slow down in exploration activities in the mining sector, the business performed below expectations and a cost reduction programme was undertaken. 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.

ENERGY DRILLING AUSTRALIA (EDA)

Based in Queensland, Energy Drilling Australia was established in 2009. It provides drilling services to companies operating in the conventional oil and gas, as well as coal seam gas (CSG) industries and now operates three built for purpose shallow oil and gas drilling rigs consisting of a Foremost Explorer III-65 (130,000 lbs hoist) and two Schramm TXD (200,000 lbs hoist) rigs, one of which was commissioned in early 2013.

In the past 12 months EDA has continued to establish its place within the industry by successfully completing contracts with EXOMA Energy, Comet Ridge and Queensland Energy Resources in the Galilee Basin centred around Longreach, and AGL centred around the Cooper Eromanga basin. To further enhance EDA's overall capability, the business expanded into the well servicing market with the introduction of two 70,000lb Rapid Service Rigs (RSR's) and one coil tubing unit which arrived in July 2013 with commissioning expected to be completed in September 2013.

During the year ended 30 June 2013, the business experienced slower than expected growth on the back of a somewhat large and indecisive market, resulting in EDA being unprofitable. However, with the addition of the third drilling rig and introduction of the well servicing equipment, EDA is expected to establish itself as a pre-eminent service provider in the industry.

Key Contracts

The key contracts in place at 30 June 2013 for the Mining Services Australia segment are:

Client	Project	Location	Services Provided
BHP Billiton	All Pilbara sites	Pilbara, WA	Drill and blast
BHP Billiton	Exploration	Pilbara, WA	Exploration drilling
Rio Tinto	Pilbara Iron	Pilbara, WA	Drill and blast
Rio Tinto	Pilbara Iron	Pilbara, WA	Exploration drilling
FMG	Cloudbreak/Christmas Creek	Pilbara, WA	Grade control
Mineral Resources	Carina Iron Ore	Pilbara, WA	Drill and blast
Kimberley Metals	Ridges Iron Ore	Pilbara, WA	Equipment hire
KCGM	Superpit	Goldfields, WA	Production drilling, grade control
Gold Fields	Kambalda & Agnew	Goldfields, WA	Exploration drilling
AngloGold Ashanti	Sunrise Dam	Goldfields, WA	Production drill and blast
Evolution Mining	Edna May Gold Mine	Goldfields, WA	Drill and blast
OZ Minerals	Prominent Hill Copper Gold	Prominent Hill, SA	Blast hole drilling
Ensham Resources	Ensham Coal	Ensham, QLD	Production drilling
First Quantum	Ravensthorpe Nickel	Ravensthorpe, WA	Drill and blast, grade control

CONTRACT MINING SERVICES AFRICA

	Segment Performance			
	Sales revenue		Earnings before interest and tax	
$ million	**2013**	2012	**2013**	2012
Contract Mining Services Africa	**389.6**	316.8	**82.0**	56.8

The African contract mining services business has continued to grow steadily. Segment performance has been boosted by the improved contribution from the AUMS Joint Venture and higher revenues from Mali. The results have not been materially affected by the performance of the Australian dollar in the current period as it was, on average, at similar levels to the prior year.

AFRICAN MINING SERVICES ("AMS")

In Ghana AMS:

- completed a contract with Golden Star Resources at Pampe – this contract was cut short due to a permanent wall failure;
- the life of mine contract at the Chirano mine was terminated as the owner and operator, Kinross, has decided to self-perform the works from May 2013; and
- extended and increased its contract with Newmont for exploration drilling services, for a further 3 years to March 2016.

In Mali, AMS:

- mobilised and established equipment and infrastructure for the contract mining works at the Syama mine, owned and operated by Resolute Mining Limited;
- is planning to demobilise from the operations at Yatela, owned by AngloGold, which is now scheduled to cease production in September 2013.

In Burkina Faso, AMS:

- established operations, with an initial fleet of exploration drilling rigs that are currently idle;
- carried out work for Avocet Mining's Inata Gold Mine for hire of earth moving equipment and completed early July 2013.

In Cote d'Ivoire, AMS:

- established operations to perform the drilling and blasting services of Cutback 4 for Newcrest at their Bonikro mine and these works have now been completed as at June 2013.

AMS continues to actively tender for new work in the region with a view to redeploy equipment and personnel. Whilst the mining industry activity has slowed down recently, there remains a number of opportunities for AMS.

AMS operates over 250 major equipment units (being dump trucks, excavators, loaders, blast hole drills and grade control drills) and 22 exploration drills in West Africa.

AUSDRILL TANZANIA

Ausdrill Tanzania currently provides drilling, blasting and exploration services to Anglo Gold Ashanti at the Geita Gold Mine, 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 Vale and also a few smaller junior miners this year. Due to the industry slow down all rigs are idle in a ready state for when drilling activity increases again.

Key Contracts

The key contracts in place at 30 June 2013 for the Contract Mining Services Africa segment are:

Client	Project	Location	Services Provided
Resolute	Syama Gold	Mali	Open pit mining
AngloGold Ashanti	Yatela Gold	Mali	Open pit mining
Perseus	Edikan Gold	Ghana	Open pit mining
Endeavour	Nzema Gold	Ghana	Open pit mining
Newmont Gold	Ahafo	Ghana	Exploration drilling
AngloGold Ashanti	Geita Gold	Tanzania	Drill and blast

AFRICAN UNDERGROUND MINING SERVICES (AUMS)

Ausdrill has a 50% interest in the AUMS joint ventures, with Barminco holding the other 50%. This business provides underground mining services to customers in Ghana, Mali and Burkina Faso and was established in 2009, 2010 and 2012 respectively. As expected the business has been steadily growing over that period with the number of underground operations increased from one to five.

AUMS was awarded a contract to perform underground mining services at the Perkoa Zinc Mine in Burkina Faso and has a letter of intent for a 5 year extension to works for Randgold at Yalea and Gara underground operations at Loulo. Services provided at the Chirano project are scheduled to cease in early 2014.

The Company's share of revenue for that business has grown from A$115.5 million in the year to June 2012 to A$150.0 million in the year to June 2013 with net profit after tax increasing from A$15.4 million to A$22.9 million (being Ausdrill's 50% share).

Key Contracts

The key contracts in place at 30 June 2013 for the AUMS joint ventures are:

Client	Project	Location	Services Provided
Randgold	Gara, Loulo operation	Mali	Underground mining
Randgold	Yalea, Loulo operation	Mali	Underground mining
Kinross	Chirano	Ghana	Underground mining
Nantou	Perkoa Zinc	Burkina Faso	Underground development
Newmont	Subika	Ghana	Diamond drilling

5 Year

extension to works for Randgold at Yalea and Gara underground operations at Loulo

MANUFACTURING

	Segment Performance			
	Sales revenue		Earnings before interest and tax	
$ million	**2013**	2012	**2013**	2012
Manufacturing	**128.1**	141.0	**11.5**	18.9

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

We continue to see a reasonable proportion of sales to external customers with $75.2 million (2012: $76.1 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 recently established operation in Queensland has continued to perform strongly in the oil and gas sector and has recently opened Australia's first API accredited blow out preventer (BOP) service centre working under an agreement with Integrated Equipment in the USA, providing much needed mechanical servicing facilities on Well Head Control Equipment for the Australian on shore oil and gas industry.

In May of this year DTA was awarded a five year supply contract for drilling and drill string consumables at five of BHP's Pilbara sites with supply commencing in July 2013. The business continues to expand its international supply routes building solid business relationships in South America and continuing its supply push into Africa.

REMET ENGINEERS

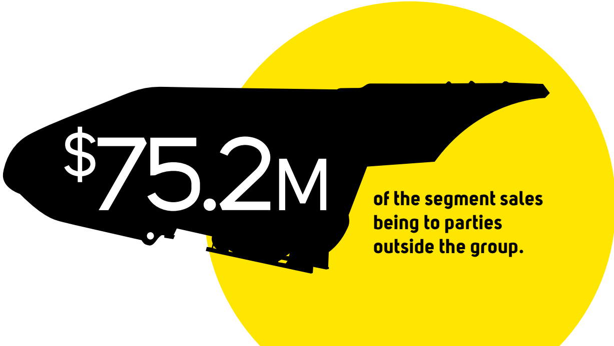
Remet manufactures premium quality drill rods and associated product primarily to support the wider Group drill activity and also as an external supplier to Australian and international mining, exploration, water well and all other facets of the drilling industry.

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.

On 1 July 2013 DTA and Remet Engineers merged into one business under the DTA banner. The business will gain significant operational benefits and increased manufacturing and engineering flexibility through the merger. Remet products and the strong Remet brand remain an integral part of the business.

DT HILOAD

DT HiLoad manufactures heavy duty light weight mining truck trays sold under the Hercules brand. The business has again shown sound and profitable growth in the year with a diverse range of customers. The Hercules brand has continued to penetrate the market and is becoming synonymous with payload efficiency and reliability.



The company delivered a number of large orders during the year and the in house production management software ensured that customer deliveries and communications were on time. Repeat orders were received from some of the oldest customers who bought the first bodies from the company in around 2004. In the capital constrained economic environment DT HiLoad is looking for innovative mines and contractors who are interested in cutting costs by investing in a haul truck body that can return its investment within a year.

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 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

	Segment Performance			
	Sales revenue		Earnings before interest and tax	
$ million	**2013**	2012	**2013**	2012
Supply & Logistics	**73.6**	75.1	**3.5**	3.3

Supply Direct achieved satisfactory results in 2013 with a good performance from the West African sector. The business successfully negotiated global supply deals direct, achieving better buying power for the Group. A business plan is being considered 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

	Segment Performance			
	Sales revenue		Earnings before interest and tax	
$ million	**2013**	2012	**2013**	2012
All Other Segments	**16.5**	22.0	**(10.9)**	1.0

The Other segment comprises corporate costs, foreign exchange gains and losses, costs of refinancing debt facilities, as well as the Diamond Communications business.

The loss for the year includes foreign exchange losses of $1.9 million (2012: gain of $4.8 million) and business combination costs of $2.6 million (2012: $0.4 million).

DIAMOND COMMUNICATIONS

Diamond Communications has reported satisfactory results for the year ending 2013. Diamond has continued with the underground power program completing projects in the Perth suburbs of Lathlain and Ashfield and commenced work in Hamilton Hill with future approved projects in the suburb of Coolbinia. Diamond has been heavily involved in network extension projects this year in the metropolitan area. Diamond also completed a large project in conjunction with SEQ Electrical in the Northern Territory for the Robinson Barracks extension.

The communications division has benefitted from the National Broadband Network (NBN) rollout and Diamond has successfully completed several large projects in WA and SA for Telstra under the Western Region Optical Fibre contact. Diamond has been awarded this contract again for an additional 3 years until 2015. Diamond has also been successful in being included in the Wideband Panel Contract and early indications are showing high work volumes across the Western Region.

Diamond expects to increase its share of work in the future from the NBN build which, along with the current stream of work, is expected to provide strong growth opportunities for the business.

GROUP FINANCIAL POSITION

Capital, funding and liquidity are managed at the corporate level, with the individual businesses focussed on working capital and operating cash flow management. The following commentary on the financial position relates to the Ausdrill Limited Group.

CASH FLOWS

A summary of the cash flows for the Group is as follows:

$ million	**2013**	2012
Cash flows from:		
- operating activities	187.3	156.8
- investing activities	(330.3)	(195.6)
- financing activities	93.3	23.6
Net Cash flow for the year	**(49.7)**	(15.3)
Opening Cash	124.2	140.7
Exchange rate effect on cash	4.3	(1.2)
Closing Cash	**78.8**	124.2

Cash flows from operating activities

Operating cash flow for the year improved to $187.3 million from $156.8 million in 2012, mainly due to the ongoing focus on cash and working capital management. The EBITDA conversion ratio has thus improved over the previous year.

$ million	2013	2012
EBIT	**149.0**	172.3
Add: Depreciation and amortisation	**123.7**	116.1
EBITDA	**272.7**	288.4
Operating cash flow	**187.3**	156.8
Add: Net Interest paid	32.5	18.3
Tax Paid	46.3	33.4
Adjusted Operating Cash Flow	**266.1**	208.5
EBITDA conversion	**97.6%**	72.3%

Cash flows from investing activities

The Group's business requires significant amounts of capital expenditure which is often a front ended investment, given the contracting nature of its operations. Whenever the Group enters into new contracts, it may need to acquire new capital equipment, typically mining equipment which has a useful life of between seven and 10 years. Capital expenditure is also required to maintain such capital equipment over its useful life. Consequently, during periods of high or rapid growth in revenues, the capital requirements of the Group increase. Historically, capital expenditures have been funded by a combination of operating cash flow and hire purchase arrangements.

The Group acquired the BTP business on 1 November 2012 for $161.3 million (net of cash) and invested $172.6 million in capital equipment to support existing operations. In addition a further $14.7 million was spent on capital equipment that was financed under hire purchase arrangements and is thus not included in the statement of operating cash flows as per the accounting standards.

The following table shows Ausdrill's acquisitions of property, plant and equipment and other non-current assets funded from all sources (excluding intangibles, but including hire purchase arrangements) by geography and segment for the periods indicated.

$ million	2013	2012
Australia		
Drill & Blast, Exploration, Connector, EDA	58.6	108.9
Equipment Sales, Hire and Parts	32.4	24.9
	91.0	133.8
Africa		
Ghana	29.9	54.3
Mali	51.3	57.3
Tanzania	1.0	7.2
Zambia	2.2	0.2
Burkina Faso	-	3.6
	84.4	122.6
Manufacturing	**7.8**	12.6
Supply & Logistics	**0.1**	0.2
Other	**4.4**	2.8
	187.7	272.0
Tangible assets acquired through business acquisitions	**55.9**	7.5

Cash flows from financing activities

Net financing cash flows were $93.3 million in the year ended 30 June 2013, an increase of $69.7 million, compared to $23.6 million in 2012. New bank debt with a syndicate of lenders including Commonwealth Bank of Australia (which had previously provided a $150.0 million revolving debt facility and was repaid with the proceeds of new credit facilities), was drawn to $75.0 million against the facility size of $300.0 million. The Group also raised US$300.0 million (or A$287.0 million) by way of an issue of unsecured notes that have a seven year term. A dividend payment of $34.9 million was made during the year. Proceeds from share issues was $8.3 million.

Working capital

The Group's working capital comprises current trade and other receivables, inventories and current trade and other payables.

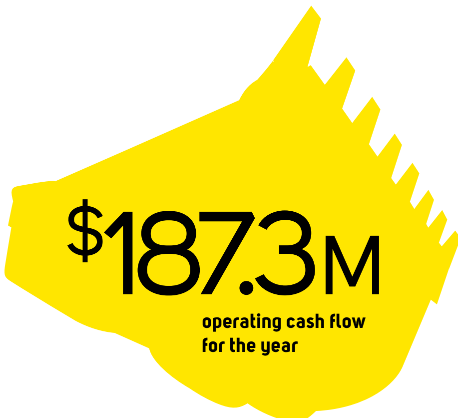
The following table shows the principal elements of working capital for the periods indicated.

$ million	2013	2012
Current trade and other receivables	**186.9**	226.4
Inventories	**257.3**	186.4
Current trade and other payables	**(131.7)**	(174.5)
Net working capital	**312.5**	238.3
Increase/(decrease) in net working capital	**74.2**	71.3

The Group's year end working capital balance has grown principally due to the effects of the BTP acquisition which had net working capital of $64.1 million at the time of acquisition. The levels of trade receivables remain in line with expectation and during the year the Group started receiving repayments of amounts due from the AUMS joint ventures.

Dividends

The level of dividends is primarily based on the earnings, cash flows and business requirements of the Group. Historically, the Company has paid dividends to its shareholders twice a year, in April and October. During the year ended 30 June 2013 the Company paid total cash dividends of $34.9 million.



The Company has also maintained a Dividend Reinvestment Plan ("DRP") that provides shareholders with the option of reinvesting dividends in additional shares, with the level of discount, if any, and pricing to be determined by the board of directors. Participation by shareholders in the DRP and the resultant issuance of shares reduced the cash amount paid to shareholders by $9.6 million in the year ended 30 June 2013 (2012: $5.0 million).

On 29 August 2013, the Company announced a final fully franked dividend of $0.055 per share or $17.2 million in the aggregate. The final dividend is expected to be paid to shareholders on 31 October 2013. An interim dividend of $0.065 per share was paid to shareholders on 15 May 2013.

Debt, gearing and other financing arrangements

At 30 June 2013, the Group had total debt of $551.3 million.

At 30 June 2013, the Group had cash and cash equivalents of $78.8 million, resulting in net debt of $472.5 million.

During 2012 Ausdrill revised its financing strategy with the plan to migrate from asset financing to a longer term corporate debt platform that will provide longer term funding to meet the Group's growth objectives in Australia and Africa.

In October 2012, the Group entered into a new $300 million revolving cash advance facility and a US$250 million term loan facility (the "New Credit Facilities"). These facilities have a three year term and bear interest at a margin over the Australian bank bill swap rate for borrowings in Australian dollars and LIBOR for borrowings in US dollars.

In November 2012, the Group issued unsecured notes to the value of US$300 million. These notes have a seven year term and have a fixed interest rate of 6.875% paid semi-annually.

The Group used the net proceeds of the notes offering to repay and cancel the term loan portion of the New Credit Facilities.

The following table shows net debt and gearing ratios.

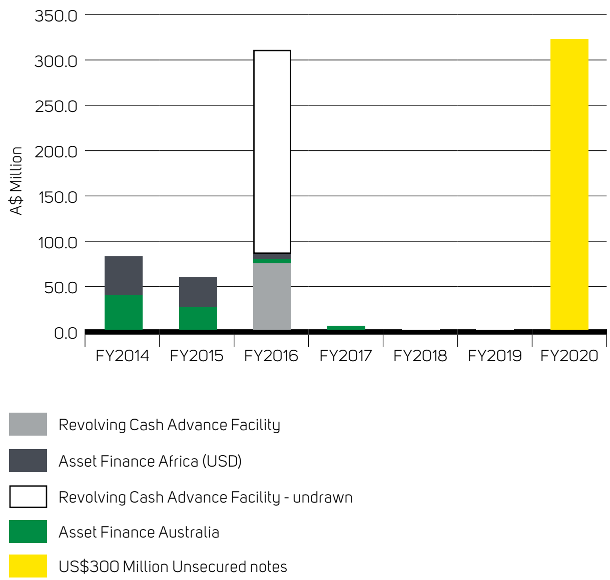
$ million	**2013**	2012
Revolving cash advance facility	**75.0**	97.0
Asset finance and other loans	**152.8**	268.3
US$300 million unsecured notes	**323.5**	-
Insurance Premium Funding	**-**	1.2
Total borrowings[1]	**551.3**	366.4
Cash and cash equivalents	**(78.8)**	(124.2)
Net debt	**472.5**	242.2
Total equity	**817.4**	740.7
Total capital	**1,289.9**	982.9
Gearing ratio	**36.6%**	24.6%

(1) Excludes pre-paid borrowing costs of $13.8 million

The US$ denominated borrowings of the Group include the US$300 million unsecured notes and hire purchase and asset financing arrangements of US$72.5 million. These borrowings are translated at the year-end exchange rate of A$1.00:US$0.9275 and, as a result of the weakening A$ over the year, an amount of $41.2 million has been included in the foreign currency translation reserve in relation to borrowings. This loss is more than offset by the translation gain arising from the translation of US$ assets in Africa.

The Group's secured financing facilities contain certain financial covenants which have been complied with during the year.

Ausdrill refinanced its debt position during the year to provide the necessary liquidity for its operations and the improved maturity profile is set out below.



BALANCE SHEET

The net assets of the Group increased by 10% to $817.4 million. This increase was substantially reflected in non-current assets which increased by $211 million reflecting the Group's acquisition of BTP coupled with capital investment and offset by higher borrowings. The Balance Sheet has also expanded due to the weakening A$ and hence the translation gains arising from the US dollar assets held in relation to the African business.

Cash and cash equivalents decreased by $45.4 million or 37% to $78.8 million. The planned cash balance for the Group is approximately $50 million as a result of the introduction of the new revolving cash advance facility available to the Group.

Trade and other receivables decreased by $39.5 million or 17% to $186.9 million and include the effects of a higher bad debt provision as well as the repayment of amounts owing by the AUMS joint ventures of $4.2 million.

Inventories increased by $71.0 million or 38% to $257.3 million. Of this increase, $65.9 million relates to the acquisition of BTP.

The net value of Property, Plant and Equipment increased by $131.3 million as a result of the acquisition of BTP and the expansion of the business principally in mining equipment.

Trade and other payables decreased by $42.9 million, or 25%, due to an increased focus in the last quarter of the financial year on reducing inventory purchases as well as capital expenditure.

As a consequence of the acquisition of BTP and the continued investment in plant and equipment, the net debt of the Group (gross debt excluding prepaid costs less cash) increased from $242.2 million at 30 June 2012 to $472.5 million at 30 June 2013. This translates to a 12.0% increase in the gearing ratio to 36.6% which is within planned levels.

Total drawn borrowings of $551.3 million represent 76% of liabilities, increasing by $184.9 million as a result of the issue of US$300 million in unsecured notes. Current borrowings decreased by $34 million as the Group continued to amortise existing hire purchase and finance lease liabilities.

Provisions of $12 million (long service leave) increased by $1.3 million and represent less than 2% of liabilities.

Shareholder equity increased due to retained profits of $46.8 million, $17.9 million of capital raised through share issues and the DRP and the translation of foreign operations (principally Ausdrill's African business) benefited from the devaluation of the A$ against the US$ improving the foreign currency translation reserve by $11.0 million.

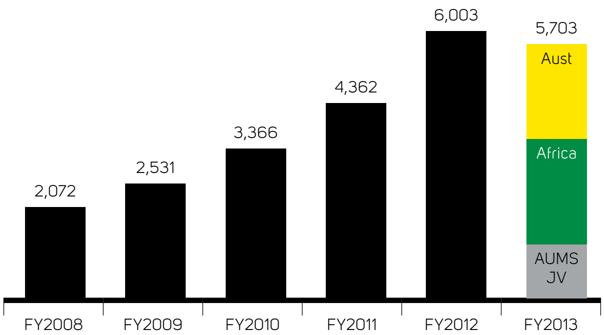
The return on average capital employed has decreased to 9.6% for the year to 30 June 2013 compared to 14.0% in the previous year and reflects the slow down in the mining industry. (This is calculated as follows: after tax EBIT divided by the sum of average receivables, inventory, plant and equipment, 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 36.6%, cash of $78.8 million, and interest cover (EBITDA/Net Interest) of 6.9 times. The Group's net tangible asset position has increased from $2.33 per share to $2.39 per share.

PEOPLE

The downturn in the resources sector, which has affected business operations adversely in the last half of the financial year, has resulted in a decline in our total Group employee numbers at 30 June compared to the period 12 months prior. This is despite the fact that, during the year, the Group employee numbers were bolstered by the acquisition of BTP in November 2012.

At 30 June 2013 the number of employees within the Group, including jointly owned entities, decreased to 5,703 – a decrease of 5% on the number (6,003) at the corresponding time last year but remains as an increase of 30.74% on the year ended June 2011 (4,362). The total number of Australian employees (excluding BTP) reduced from 2,447 in July 2012 to 1,933 in June 2013, a decline of 21% due to redundancies and natural attrition.



Employees within the Group as at 30 June 2013

In contrast to previous years, at the conclusion of the 2013 financial year, the labour market had become considerably buoyant to the point where we no longer suffered from the skilled labour shortage or were competing in a tight labour market. We have reduced the workforce as necessary across the Group through the cancellation of labour hire contractors, natural attrition and, regrettably, a number of redundancies.

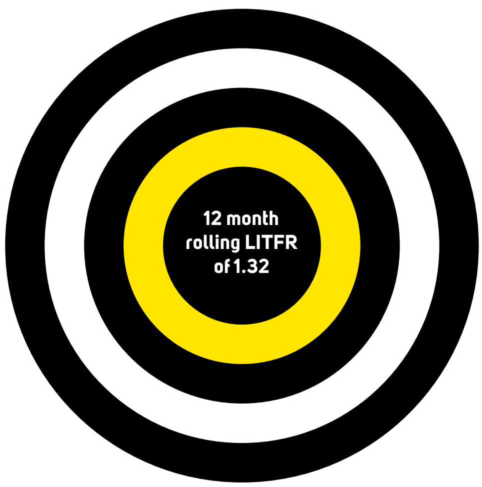
Further, we no longer have a need to engage new employees under the subclass 457 visa program except in some specialist oil and gas positions. Maintaining the right team of people to provide the services our customers require has been the key to the success of the Ausdrill Group. We are fortunate to have a large group of dedicated, hard-working people, a great number of whom have been with the Group for many years.

Despite the downturn in the industry the Group intends to continue to develop and expand the skills of its workforce through apprenticeships and extensive driller training programs both in Australia and Africa, to ensure we are better placed when the demand for services improves. With our reputation as an employer of choice firmly established, we are committed to providing all our staff with ongoing training and development opportunities. We continue to research and adopt incentives and benefits aimed at maintaining our reputation as an employer of choice and for the retention of our employees.

SAFETY, TRAINING AND QUALITY

The Ausdrill Group continued its commitment to provide a safe and healthy working environment for all employees, contractors and visitors. This was achieved through a wide ranging set of tools, practices and processes. During the past year the Group consolidated the efforts from previous years with the future focus being a further reduction in risks and incidents.

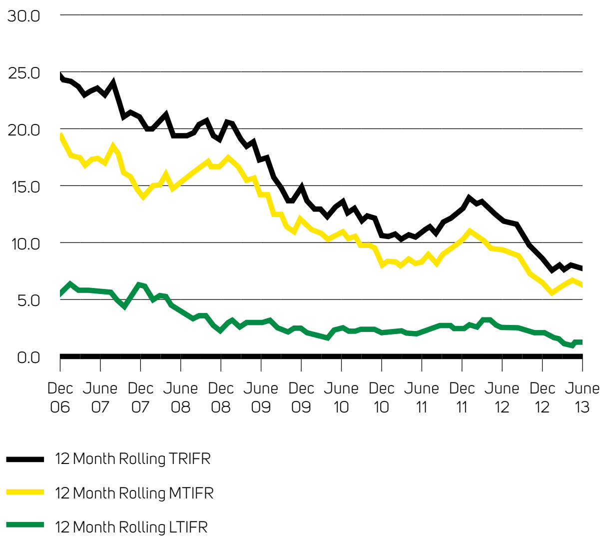
Safety priority areas included the development of procedural based task observations for use in the field and continual improvement, development and alignment of risk based standard work procedures across all businesses in the group. The Event Management System for the administration of events including incidents and accidents, safety meetings, action items and the like has been further developed after consultation with the user groups with an Injury Management module now part of the system. Risk assessments have continued to be carried out across each business and functional area.



The Training team instigated development of the generic induction into an online learning program. This work will more efficiently deliver company and safety information to new starters. As the Group's capability in online learning delivery develops, efficiencies and cost savings in training delivery are expected.

This year saw the completion of Certificate IV in Frontline Management program numbers 3 and 4, and the commencement of program number 5 in June 2013. The participants and their businesses continue to gain benefit from the leadership skills covered in this program, which the training provider, the Australian Institute of Management, has customised to suit the Ausdrill Group. The year also saw the commencement of the roll-out of compliance training in the Ausdrill code of conduct.

The 12 month rolling LTIFR of 1.32 this year is a significant reduction, with the 12 month rolling MTIFR and TRIFR also showing corresponding decreases.



GROUP BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE YEARS

STRATEGIES

Ausdrill's longer term strategy is to further strengthen its market leadership positions in the mining services industry in Australia and Africa by:

***Increasing vertical integration and broadening Ausdrill's service offering* —** Ausdrill plans to broaden the production-related service offering to increase the value of the services the Group can bring to customers and further embed Ausdrill within customers' operations. The BTP Acquisition, which has increased the equipment hire fleet and complements the Manufacturing business with increased equipment sales and parts, is the most recent example of this strategy. The Group believes that increasing its vertical integration and broadening the service offering will contribute to an even more resilient business characterized by strong, defensible market positions in higher margin specialist services.

***Continuing to deliver high quality products and services to drive enhanced customer productivity and competitive advantage* —** Ausdrill plans to offer additional products and services that are targeted at increasing client productivity in production-related activities. Ausdrill's focus on innovation, automation and adherence to stringent standards in the parts and manufacturing business will assist in the valuable role of delivering essential services to clients. High quality materials and services will lower cost and time for clients and drive an increasing return on their capital by lowering the need for repair and maintenance at customers' mines. An increase in the level of automation in products and services will also increase productivity for mine operators and helps Ausdrill become the mining services provider of choice for customers.

***Maintaining and improving strong safety standards and record across Ausdrill's operations* —** In ensuring the success of the business and welfare of employees, Ausdrill places a strong importance on safety. Ausdrill's major mining customers generally require potential service providers to qualify to their safety standards before the service providers are eligible to tender for projects. These requirements act as a barrier to entry to tendering for major projects. The Group has a long-standing dedication to implementing and adhering to customers' safety standards, which is recognized by key customers and Ausdrill will continue to seek ways to maintain and improve the safety of drilling services and products. All staff members are required to undergo compulsory training so that all employees will develop the skills and attitude to ensure workplace health and safety. The Group will continue to work in partnership with employees and sub-contractors to improve safety standards.

***Supporting existing clients' growth ambitions into new geographies where the opportunity meets our internal requirements* —** Ausdrill plans to strengthen ties with existing major mining company clients by following them into new geographies where such opportunities meet internal requirements regarding financial, safety and reputation considerations. Considerations will include the geological features of the site, the geopolitical stability of the area where the mine will be located as well as the infrastructure and environmental concerns. The Group will seek out long term contracts at mines with production phases that are anticipated to be long-lived which will increase earnings visibility and reduce costs by delaying the need for redeployment of capital and personnel. Customers will continue to be major mining companies that have robust businesses and outlooks. The Group will seek out counterparties that are well diversified, reducing the risk of not being able to collect on trade receivables. The Group Company has a successful track record of this strategy in Africa and Ausdrill believes that this strategy is an effective way to strengthen customer relationships and provide growth opportunities for the Group.

***Pursue a Conservative Financial Policy* —** Ausdrill intends to continue to pursue and maintain a prudent and sustainable capital structure that allows the Group to maintain financial and operational flexibility across a range of economic environments and cycles. The Group believes that prudent risk management policies are also represented by the enhanced debt structure and gearing (net debt to net debt plus equity) of 36.6% and net debt to EBITDA of 1.7 times as at June 30, 2013. The Group will leverage long-standing relationships with clients to ensure that the Group deploys working capital and capital expenditure in a way that maximises return on capital while maintaining prudent reserves as necessary.

PROSPECTS

Ausdrill's prospects of achieving the stated strategic objectives are subject to the uncertainties that exist in the broader mining industry in Australia and globally.

RISKS

The following section describes certain factors and trends that have a material impact on the financial condition and results of operations. Results of operations are impacted by both global and local factors.

Level of New Mining Services Contracts and Contract Renewals

Mining services provided under contracts represent a large part of revenues for services provided for contract mining, drill & blast, grade control, equipment hire, water well drilling, and exploration services. Under most of the Group's mining services contracts, the mine operator contracts us to undertake work in accordance with a work schedule. The Group's mining services contracts, other than equipment hire contracts and exploration, are typically for terms between three and five years. Some contracts, typically exploration contracts, have a shorter term, generally of one year while equipment rental contracts have varying terms from three to six months, up to two years.

Generally, in the mining industry, most contracts can be terminated for convenience by the customer at short notice and without penalty with the customer paying for all work completed to date, unused material and in most cases demobilisation from the sites and redundancies. As a result, there can be no assurance that work in hand will be realised as revenue in any future period. The Group is selective in the contracts that it enters into to allow for options to extend where possible to maximise the contract period and the return on capital.

Consequently, results from operations are affected by the number of new contracts the Group commences work under during a period, the number of existing contracts that are renewed during a period and the number of contracts that expire without renewal or extension or which are otherwise terminated during a period.

Contracts are at risk of termination or non-renewal due to the customer having no further need for the service such as when the mine has reached the end of its planned life or the operator ceases production because changes in the underlying commodity price or mining costs have rendered continued production from the mine uneconomic. Contracts are also at risk of termination or non-renewal as a result of competition if the customer seeks to use an alternative mining services provider to provide the service or if the customer decides to bring the contracted services in house. The Group has historically had a strong record of securing contract extensions. Extensions completed in the past 12 months include: KCGM (Superpit), the fifth extension in 23 years of service for an additional five years, with three one year options thereafter; Oz Minerals (Prominent Hill) extension for a further six years providing blast hole drilling services and RC grade control services; Ensham Resources (Ensham coal mine) for a three year extension of drill services, and; Newmont (Ahafo Gold mine, Ghana) the sixth consecutive contract extension for exploration drilling services.

65%

of mining services revenues were generated from provision of services to gold mining companies

Production Levels at Customers' Mines

Mining services provided in relation to the production phase (including development and rehabilitation work) of a mine represent a large part of sales revenue. Revenues are associated with and influenced by the long run decision of the mine owner to continue producing and the level at which they produce. The Group derives most revenues from mines which are already in production. The majority of other services, such as manufacturing, logistics and assaying, complement production-related services. Under most of the Group's mining services contracts, a portion of the revenue is earned through a variable component, primarily based on a unit of production agreed in the contract. Consequently, mining services revenues are linked to the volume of materials moved or drilled and not to the short-term price of the underlying commodity or short-term fluctuations in the profitability of the underlying mines. Mines in the production phase of their life cycle typically generate stable revenues because production volumes have historically been relatively stable, even during commodity downturns. A downturn in expenditure in the mining sector typically impacts existing production projects last, with areas such as exploration and infrastructure construction services typically cut first. In the year ended 30 June 2013, approximately 8.8% of total sales revenue was generated from the provision of services to exploration stage projects. Consequently, the Group has limited exposure to the exploration activities market which has been volatile as the level of activity is generally linked to market sentiment surrounding the outlook for commodity prices and also the ability of smaller junior mining companies to fund such activities from capital which is often raised in the equity markets.

The price of gold has fallen substantially in the last six months from US$1598.50 per ounce on 29 June 2012 to US$1,192.00 per ounce on 28 June 2013 which has put at risk production at higher cost mines. As the amount of gold produced globally in any single year constitutes a very small portion of the total potential supply of gold, variations in current production do not necessarily have a significant impact on the global supply of gold or on its price.

In the year ended 30 June 2013, approximately 65% of mining services revenues were generated from the provision of mining services to gold mining companies and approximately 29% to iron ore mining companies, in each case, for work on producing mines. Consequently, the Group's activity levels and results of operations are dependent on productions levels at customers' mines and it remaining economic to continue production at current gold and iron ore mines and growth is dependent on mine operators continuing to seek to expand production at existing mines or bring new mines into production.

The Group's customers in the gold and iron ore sector are predominantly large lower cost producers. In the gold sector, customers include AngloGold Ashanti, Barrick, Endeavour Mining, Gold Fields, Golden Star, Kinross, Newmont, Oz Minerals, Randgold, and Resolute Mining. Customers in the iron ore sector include BHP Billiton, Fortescue Metals Group, Hancock Prospecting, Kimberley Metals Group, Polaris Metals, and Rio Tinto. Iron ore produced from these mines is amongst the most cost competitive seaborne iron ore fines in the world on a delivered basis to China.

Scale of operations and mix of activities

The scale of operations and the mix of activities that the Group undertakes during a period also impacts results of operations. The scale of operations has grown steadily in recent years through a mix of organic growth and acquisitions. The mix of activities the Group undertakes for customers during a period also impacts results of operations due to the differing margins on business segments. The activity mix depends in part on customer demand for the Group's existing products and services as well as the ability to offer new products and services that the Group develops or acquires as part of acquisitions.

Currency fluctuations

The Group denominates its consolidated financial statements in Australian dollars. Broadly speaking, the Australian operations are Australian dollar denominated and the African operations are U.S. dollar denominated. For reporting purposes, the Group is exposed to fluctuations in the value of the Australian dollar versus other currencies. Because the Group's consolidated financial results are reported in Australian dollars, if the Group generates sales or earnings or has assets and liabilities in other currencies, the translation into Australian dollars for financial reporting purposes can result in a significant increase or decrease in the amount of those sales or earnings and net assets. For the 2013 financial year, the Group received approximately 32% of total revenue in currencies other than the Australian dollar, predominantly in U.S. dollars, Ghanaian cedi and West African francs. The Group does not generally hedge translated foreign currency exchange rate exposure. Fluctuations in foreign currency exchange rates may also make period to period comparisons of results of operations difficult. As the operations in Africa grow, foreign exchange translation risk may increase.

The African operations also are exposed to transaction risk. The Group often bids on contracts in U.S. dollars but a portion may be paid in local currency. The Group also purchases some of its major capital equipment in U.S. dollars. If the U.S. dollar strengthens against the local currency during the term of the contract, the revenue the Group earns from these contracts may be affected where rise and fall mechanisms in the contract are not perfectly correlated. During the period on which the Group earns revenue in a local currency and prior to exchanging that currency into U.S. dollars, the Group is exposed to further exchange rate risk. In addition, the Group purchases equipment for the Manufacturing business in currencies other than the U.S. dollar or the Australian dollar.

The Group does not generally hedge its normal operating foreign exchange exposures; however, the Group does sometimes hedge trade receivables that are generated where products are exported from Australia and those receivables are denominated in a currency that is foreign to functional currency. The Group may also hedge large capital expenditure items acquired in foreign currency. In respect of other monetary assets and liabilities held in currencies other than Australian dollars, 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 does not engage in any speculative trading activities.

Labour costs and availability

Labour expenses represent a significant portion of operating expenses. In addition, in order to compete for work and to service customers, the Group needs to be able to continue to attract and retain skilled employees.

OUTLOOK

The Group continues to pursue its strategy of providing a complete mining service solution to the mining industry. The industry is currently experiencing a period of uncertainty in relation to future levels of demand for commodities and the level of prices received for those commodities. The mining industry has responded by deferring all non-essential expenditure including capital works, exploration programmes and non-critical maintenance and a review is also being undertaken by most mining operations to determine the optimal level of mining of waste and ore at lower commodity prices. In this environment Ausdrill expects that volume of work undertaken at the various mining projects will change over coming months however in the medium term these are expected to stabilise to the original contracted volumes. However, opportunities remain for the Group to secure new work in the near term.

The Group's focus on production-related activities under long term contracts places it in good stead during these times of uncertainty. This is further reinforced by our geographic spread as well as the complete services offering that we provide to clients. We are planning to consolidate on the solid base that we have now set for the group with a focus on strengthening the business and improving cash flows in the next 12 months by:

- improving our clients' knowledge of the benefits of the package of diversified services offered by the Ausdrill Group;
- working with our clients to improve service, product safety and productivity whilst maintaining quality;
- identifying and pursuing new opportunities to provide mining services capitalising on the infrastructure that the Group already has in place;
- reviewing cost structures within the Group;
- reviewing working capital particularly inventory levels to ensure that it is commensurate with current levels of activity;
- improving the performance of specialist services provided in Australia including MinAnalytical and Energy Drilling Australia;
- restricting capital expenditure to replacement needs or identified growth opportunities; and
- extracting and realising the full benefit of cost synergies and revenue opportunities within the Group.

The Ausdrill Group will be working to achieve the returns necessary for a Company of its size and with the deleveraging plans being pursued will ensure that the Group will be well placed in the mining services sector to benefit from any upturn and opportunities that arise in the mining industry.

BOARD AND EXECUTIVE TEAM

Terry O'Connor
Non-executive Chairman

Ron Sayers
Managing Director

Wal King
Non-executive Director and Deputy Chairman

Terry Strapp
Non-executive Director

Mark Connelly
Non-executive Director

Don Argent
Non-executive Director

Alex McCulloch
Chief Operating Officer - Australia

Chris Tuckwell
Chief Operating Officer - Africa

José Martins
Chief Financial Officer

Domenic Santini
Company Secretary

Strati Gregoriadis
Company Secretary

CORPORATE DIRECTORY

DIRECTORS

Terence Edward O'Connor AM QC
Chairman

Ronald George Sayers
Managing Director

Wallace Macarthur King AO

Terrence John Strapp

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, 45 St George's Terrace
Perth Western Australia 6000

AUDITOR

PwC
Brookfield Place
125 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, 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

FINANCIAL REPORT

30 JUNE 2013

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 Western Australia 6155

A description of the nature of the consolidated entity's operations and its principal activities is included in the Operating and Financial Review commencing on page 5 of the Annual Report.

The financial report was authorised for issue by the directors on 29 August 2013. The directors have the power to amend and reissue the financial report.

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

DIRECTORS' REPORT

30 JUNE 2013

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 2013.

DIRECTORS

The following persons were directors of Ausdrill Limited during the whole of the financial year and up to the date of this report:
Terence Edward O'Connor AM QC
Ronald George Sayers
Wallace Macarthur King AO
Terrence John Strapp

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.

DIVIDENDS - AUSDRILL LIMITED

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

	2013 $'000	2012 $'000
Consolidated entity		
Final ordinary dividend for the year ended 30 June 2012 of 8.0 cents (2011: 6.5 cents) per fully paid share paid on 31 October 2012.	**24,376**	19,609
Interim ordinary dividend for the year ended 30 June 2013 of 6.5 cents (2012: 6.5 cents) per fully paid share paid on 15 May 2013.	**20,122**	19,748
	44,498	39,357

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 $17,175,247 (5.5 cents per fully paid share) to be paid on 18 October 2013 out of retained earnings at 30 June 2013.

OPERATING AND FINANCIAL REVIEW

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the operating and financial review on page 5 to 18 of this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

On 31 October 2012 Ausdrill acquired 100% of the various entities making up the Best Tractor Parts Group (BTP) for a cash consideration of $161 million on a debt free/cash free basis.

The acquisition of BTP complements Ausdrill's existing equipment hire offering and more importantly introduces new revenue streams to Ausdrill's existing activities in Australia through the BTP parts business, enhances our maintenance capabilities and captures additional opportunities to build relationships with blue chip customers.

BTP was established more than 25 years ago and its business includes the supply of new and reconditioned/refurbished earthmoving parts; rental of heavy earthmoving equipment and specialised mining support vehicles; and sales of earthmoving equipment. These businesses are also supported by a hydraulics and engineering capability and a global procurement network.

During the period Ausdrill was successful in refinancing its debt and signed a new three year dual currency, syndicated facility with a number of leading commercial and investment banks for a total of $550 million. The Company's new debt arrangement allowed Ausdrill to refinance its existing $150 million revolver, refinance approximately $30 million of asset finance facilities, and provided funding for the acquisition of Best Tractor Parts.

Ausdrill subsequently successfully issued US$300 million of 6.875% seven year Senior Unsecured Notes due 2019 in an offering to qualified institutional buyers. The net proceeds of the Notes issue were used to repay existing indebtedness outstanding under the new $550 million Syndicated Bank Facility and for general corporate purposes. Upon repayment, US$250 million of the commitments under the $550 million Syndicated Bank Facility were cancelled.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Additional comments on expected results of certain operations of the Group are included in this annual report under the review of operations and activities on page 5 to 18.

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

ENVIRONMENTAL REGULATION

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no matters or circumstances that have arisen since 30 June 2013 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 75.

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 Committee.

Interests in shares and options
1,004,285 ordinary shares.

Ronald George Sayers *Managing Director.* Age 61.

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)

Wallace Macarthur King AO, BE, MEngSc, Hon DSc, Hon FIEAust, CPEng, FAICD, FAIM, FAIB, FTSE
Non-executive director and Deputy Chairman. Age 69.

Experience and expertise
Mr King was appointed as a non-executive director and Deputy Chairman on 5 April 2011.

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.

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
304,285 ordinary shares.
1,000,000 inactive options.

Terrence John Strapp CPA, F Fin., MAICD *Non-executive director.* Age 69.

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.

INFORMATION ON DIRECTORS (CONTINUED)

Mr Mark Anthony Connelly BBus MAICD *Non-executive director.* Age 50.

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

Mr Connelly was appointed Managing Director of Papillon Resources in November 2012. Mr Connelly was previously Chief Operating Officer of Endeavour Mining Corporation, following its merger with Adamus Resources Limited, where he was Managing Director and CEO. With over 27 years' experience in the mining industry, Mr Connelly held senior executive positions with Newmont Mining Corporation and Inmet Mining Corporation prior to joining Adamus Resources. He has extensive experience with the development, construction and operation of mining projects for a variety of commodities, including gold, base metals and other resources in West Africa, Australia, North America and Europe.

Other current directorships
Managing Director of Papillon Resources since 2012.
Director of Manas Resources since 2013.

Former directorships in last 3 years
Director of Endeavour Mining Corporation from 2011 to 2012.
Managing Director of Adamus Resources from 2007 to 2011.

Special responsibilities
Member of the Audit Committee.

Interests in shares and options
None

Donald James Argent BCom, CPA, FAICD *Non-executive director.* Age 66.

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 Practising Accountant 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
40,000

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 2013 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees: Audit		Meetings of committees: Remuneration	
	A	B	A	B	A	B
Terence Edward O'Connor	14	14	7	7	2	2
Ronald George Sayers	14	14	*	*	*	*
Wallace Macarthur King	13	14	*	*	2	2
Terrence John Strapp	13	14	7	7	2	2
Mark Anthony Connelly	13	14	6	7	*	*
Donald James Argent	14	14	*	*	*	*

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 period
* = Not a member of the relevant committee

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr T E O'Connor and Mr W M King are the directors retiring by rotation, who being eligible, offer themselves 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.

The report contains the following sections:

(a) Directors and key management personnel disclosed in this report
(b) Remuneration governance
(c) Executive remuneration policy and framework
(d) Relationship between remuneration and Ausdrill Limited 's performance
(e) Non-executive director remuneration policy
(f) Voting and comments made at the company's 2012 Annual General Meeting
(g) Details of remuneration
(h) Service agreements
(i) Details of share-based compensation and bonuses

(a) Directors and key management personnel disclosed in this report

Non-executive and executive directors (see pages 23 to 25 for details about each director)

T E O'Connor
R G Sayers
T J Strapp
W M King
M A Connelly
D J Argent

Other key management personnel

Name	Position
A J McCulloch	Chief Operating Officer Australian Operations
C Tuckwell	Chief Operating Officer African Operations (from 1 August 2012)
M C Crocker	Group Engineering Manager
M J Hughes	Chief Financial Officer (until 20 July 2012)
J E Martins	Chief Financial Officer

(b) Remuneration governance

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 may seek advice from independent remuneration consultants.

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

REMUNERATION REPORT (CONTINUED)

(c) 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

Cash bonus

The amount of the cash bonus paid to senior executives and middle level management varies between $75,000 to a maximum of $150,000, inclusive of superannuation, according to the individual's position. The cash bonus is at the discretion of the Managing Director and Remuneration Committee and is dependent on the overall financial performance of the Group. If earnings per share is accretive on a year on year basis then the cash bonus becomes payable in the following financial year.

It is the Board's view that, given the varied businesses which comprise the Group and the nature of the Group's operations, it is most beneficial to shareholders and to the management concerned to have the STI linked to EPS being accretive. This promotes a high level of co-operation and cohesiveness amongst the various managers and businesses, encouraging them to maximise the use of services provided by the other group businesses, and striving for improvement within the Group. Historically, the STI has operated effectively in this way within Ausdrill, and as such, the Board does not believe that any change is necessary nor that it would be of overall benefit to Ausdrill to link the STI to specific KPIs for individuals.

New executives are eligible to receive the cash bonus, if payable, in the financial year following the commencement of their employment with the Group. There is no cash bonus payable where an executive's employment terminates prior to the end of the financial year.

Service bonus

The amount of the service bonus payable to all employees, excluding the executive director, is $1,000 per year of service plus superannuation. If earnings per share is accretive on a year on year basis then the service bonus to employees becomes payable in the following financial year.

The Remuneration Committee and Board retains the right to vary the above incentives in exceptional circumstances. Any variation and the reasons for it are disclosed.

Superannuation

Retirement benefits are delivered under the Superannuation Guarantee Legislation.

REMUNERATION REPORT (CONTINUED)

(c) Executive remuneration policy and framework (continued)

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.

The Company is currently reviewing the structure and terms of the Ausdrill Employee Option Plan with a view to adding performance hurdles to any future award.

Ausdrill Share Appreciation Rights (SARs)

The Managing Director was granted 4 million 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 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
- Brierty Limited
- Emeco Holdings Limited
- Industrea Limited
- Macmahon Holdings Limited
- NRW Holdings Limited
- Transfield Services Limited
- Boart Longyear Limited
- Downer EDI Limited
- Imdex Limited
- MACA Limited
- Monadelphous Group Limited
- Sedgman 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 42). 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.

REMUNERATION REPORT (CONTINUED)

(d) Relationship between remuneration and Ausdrill Limited's performance

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the four years to June 2013.

	30 June 2013 $000	30 June 2012 $000	30 June 2011 $000	30 June 2010 $000	30 June 2009 $000
Revenue	**1,131,283**	1,062,241	839,213	632,861	508,965
Net profit before tax	**109,456**	152,487	99,458	64,704	57,642
Net profit after tax	**90,399**	112,207	73,317	48,177	40,245
Share price at start of year ($ per share)	**3.42**	3.31	1.65	0.91	2.47
Share price at end of year ($ per share)	**0.86**	3.42	3.31	1.65	0.91
Basic earnings (cents per share)	**29.63**	37.28	27.13	23.71	23.23
Diluted earnings (cents per share)	**28.98**	36.97	26.92	23.53	23.23
Dividends (cents per share)	**12.00**	14.50	11.50	11.00	11.00
Dividend payments	**44,498**	39,357	30,183	20,924	18,991
Dividend payout ratio	**49.22%**	35.08%	41.17%	43.43%	47.19%

During the year there was a cash and service bonus paid which related to the overall performance of the Group for the year ended 30 June 2012. These bonuses are discretionary subject to earnings per share being positive.

(e) Non-executive director remuneration policy

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 remuneration, relevant to the officer of director.

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:	From 1 July 2010
Base fees	
Chairman	$120,000
Deputy chairman	$100,000
Other non-executive directors	$80,000
Additional fees	
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.

Voting and comments made at the company's 2012 Annual General Meeting

In 2012, 78.41% of the votes on the remuneration report were in favour of the report. Feedback Ausdrill received on its remuneration practices was to the effect that it should provide more details in relation to: (i) hurdles for executives' short term incentive (STI's) and long term incentives (LTI's); (ii) extending the LTI vesting period to 4 years; and (iii) improvements to the Managing Director's LTI.

In relation to the LTIs, the Board is of the view that the Company's Employee Share Option Plan provides adequate incentive to the Executive Managers, as does the Company's STI Plan.

The Company is currently reviewing the structure and terms of its Employee Option Plan.

REMUNERATION REPORT (CONTINUED)

(g) 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.

2013	Short-term employee benefits				Post-employment benefits	Long-term benefits	Share-based payments		
Name	Cash salary & fees $	Cash bonus* $	Non monetary benefits $	Service bonus $	Super-annuation $	Long service leave $	Options $	Share Appreciation Rights $	Total $
Non-executive directors									
T E O'Connor	130,000	-	-	-	11,700	-	-	-	141,700
W M King	100,000	-	-	-	9,000	-	208,548	-	317,548
T J Strapp	90,000	-	-	-	8,100	-	-	-	98,100
D J Argent [1]	108,205	-	-	-	9,738	-	-	-	117,943
M A Connelly [2]	74,872	-	-	-	6,738	-	-	-	81,610
Sub-total non-executive directors	**503,077**	**-**	**-**	**-**	**45,276**	**-**	**208,548**	**-**	**756,901**
Executive directors									
R G Sayers	817,025	-	25,000	-	25,000	9,182	-	1,021,935	1,898,142
Other key management personnel									
C Tuckwell [3]	543,295	-	69,459	-	-	-	-	-	612,754
A J McCulloch	310,723	114,679	25,000	8,740	48,436	5,639	1,620	-	514,837
M J Hughes [4]	36,122	-	-	17,811	2,982	-	1,080	-	57,995
M C Crocker	248,578	68,807	25,000	19,614	30,330	4,385	1,080	-	397,794
J E Martins	348,674	114,679	-	1,808	25,498	-	74,226	-	564,885
Total key management personnel compensation	**2,807,494**	**298,165**	**144,459**	**47,973**	**177,522**	**19,206**	**286,554**	**1,021,935**	**4,803,308**

* Cash and service bonus paid relates to the year ended 30 June 2012. There will be no cash and service bonus payable for the year ended 30 June 2013.
1 Mr D J Argent was appointed as a non-executive director on 25 July 2012. Mr Argent received a one off payment of $33,333 for consulting services provided to the Board prior to his appointment.
2 Mr M A Connelly was appointed as a non-executive director on 25 July 2012.
3 Mr C Tuckwell was appointed as Chief Operating Officer African Operations on 1 August 2012.
4 Mr M J Hughes retired on 20 July 2012.

2012	Short-term employee benefits				Post-employment benefits	Long-term benefits	Share-based payments		
Name	Cash salary & fees $	Cash bonus* $	Non monetary benefits $	Service bonus $	Super-annuation $	Long service leave $	Options $	Share Appreciation Rights $	Total $
Non-executive directors									
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 [2]	78,667	–	–	–	7,080	–	–	–	85,747
J E Askew [1]	14,725	–	–	–	–	–	–	–	14,725
Sub-total non-executive directors	**413,392**	**–**	**–**	**–**	**35,880**	**–**	**366,955**	**–**	**816,227**
Executive directors									
R G Sayers	767,500	–	25,000	–	50,000	72,716	–	596,129	1,511,345
Other key management personnel									
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 [3]	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 [4]	316,417	91,743	–	–	47,724	–	101,879	–	557,763
Total key management personnel compensation	**2,744,595**	**375,230**	**143,877**	**56,425**	**235,701**	**111,386**	**491,444**	**596,129**	**4,754,787**

* 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)

(g) Details of remuneration (continued)

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

Consolidated entity

Name	Fixed remuneration		At risk - STI		At risk - LTI *	
	2013 %	2012 %	2013 %	2012 %	2013 %	2012 %
Executive directors of Ausdrill Limited						
R G Sayers	**46**	61	**-**	-	**54**	39
Other key management personnel of the group						
C Tuckwell	**100**	-	**-**	-	**-**	-
A J McCulloch	**76**	78	**24**	21	**-**	1
M J Hughes	**67**	82	**31**	17	**2**	1
M C Crocker	**78**	82	**22**	17	**-**	1
J E Martins	**66**	65	**21**	17	**13**	18
J Kavanagh	**-**	81	**-**	18	**-**	1

* 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 period. Negative amounts indicate expenses reversed during the period due to a failure to satisfy the vesting conditions.

(h) 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	3 years commencing 1 July 2011	843,956	Contract can be terminated by either party with 12 months notice or payment in lieu.
C Tuckwell, Chief Operating Officer African Operations[1]	On-going	592,680	-
A J McCulloch, Chief Operating Officer Australian Operations	On-going	339,465	-
M C Crocker, Group Engineering Manager	On-going	271,571	-
J E Martins, Chief Financial Officer	On-going	364,465	-

* Base salaries quoted are for the year ended 30 June 2013; they are reviewed annually by the Remuneration Committee.
1 Mr Tuckwell was appointed as Chief Operating Officer African Operations on 1 August 2012.

REMUNERATION REPORT (CONTINUED)

(i) Details of share based compensation and bonuses

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	100%
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	100%
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	100%
29 November 2010	29 November 2012	29 November 2015	$2.20	$0.94	100%
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	100%
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	100%
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	100%
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	100%
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 37 to the financial statements.

REMUNERATION REPORT (CONTINUED)

(i) Details of share based compensation and bonuses (continued)

Name	Years of grant	Years which options may vest	Number of options granted	Value of options at grant date*	Number of options vested during the year	Vested %	Number of options forfeited during the year	Value at date of forfeiture**	Forfeited %
Directors of Ausdrill Limited									
R G Sayers	2012	2014	1,000,000	2,640,000	-	-	-	-	-
	2012	2014	3,000,000		-	-	-	-	-
W M King	2011	-	250,000		250,000	100	-	-	-
	2011	2014	250,000	698,000	-	-	-	-	-
	2011	2015	500,000		-	-	-	-	-
Other key management personnel of the Group									
C Tuckwell	-	-	-		-	-	-	-	-
A J McCulloch	2009	-	100,000		-	100	-	-	-
	2009	-	100,000	56,579	-	100	-	-	-
	2009	-	100,000		100,000	100	-	-	-
M J Hughes	2009	-	66,666		-	100	-	-	-
	2009	-	66,667	37,720	-	100	-	-	-
	2009	-	66,667		66,667	100	-	-	-
M C Crocker	2009	-	66,666		-	100	-	-	-
	2009	-	66,667	37,720	-	100	-	-	-
	2009	-	66,667		66,667	100	-	-	-
J E Martins	2010	-	100,000		100,000	100	-	-	-
	2010	2014	100,000	281,320	-	-	-	-	-
	2010	2015	100,000		-	-	-	-	-

* The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the period 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 period because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

The assessed fair value at grant date of options 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 Mote 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*
Other key management personnel of the Group			
M J Hughes	20 December 2012	66,667	71,907

* 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
20 December 2012	$1.44

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.

REMUNERATION REPORT (CONTINUED)

(i) Details of share based compensation and bonuses (continued)

Details of remuneration: options and rights

For each grant of options and rights included in the tables on page 32, 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 28). 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.

	Current year STI entitlement		Share-based compensation benefits (options)							
Name	Awarded %	Forfeited %	Year granted	No Granted	Value per share	Vested %	Vested number	Forfeited %	Financial years in which options may vest	Maxi value yet to vest $
W M King	-	-	2011	250,000	$4.21	100	250,000	-	-	-
	-	-	2011	250,000	$4.21	-	-	-	30/06/2014	-
	-	-	2011	500,000	$4.21	-	-	-	30/06/2015	-
R G Sayers	-	-	2012	1,000,000	$2.92	-	-	-	30/06/2014	122,497
	-	-	2012	3,000,000	$2.92	-	-	-	30/06/2014	754,839
A J McCulloch	-	-	2009	100,000	$1.29	100	100,000	-	-	-
	-	-	2009	100,000	$1.34	100	100,000	-	-	-
	-	-	2009	100,000	$1.44	100	100,000	-	-	-
M C Crocker	-	-	2009	66,666	$1.29	100	66,666	-	-	-
	-	-	2009	66,667	$1.34	100	66,667	-	-	-
	-	-	2009	66,667	$1.44	100	66,667	-	-	-
J E Martins	-	-	2010	100,000	$2.20	100	100,000	-	-	-
	-	-	2010	100,000	$2.30	-	-	-	30/06/2014	13,019
	-	-	2010	100,000	$2.40	-	-	-	30/06/2015	33,184
M J Hughes	-	-	2009	66,666	$1.29	100	66,666	-	-	-
	-	-	2009	66,667	$1.34	100	66,667	-	-	-
	-	-	2009	66,667	$1.44	100	66,667	-	-	-

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 2011	12 November 2013	$1.34	66,666
11 November 2012	12 November 2013	$1.44	766,674
12 May 2011	12 May 2014	$1.29	66,666
12 May 2012	12 May 2014	$1.34	66,667
12 May 2013	12 May 2014	$1.44	66,667
30 June 2013	30 June 2014	$1.44	100,001
29 November 2012	29 November 2015	$2.20	100,000
29 November 2013	29 November 2015	$2.30	100,000
29 November 2014	29 November 2015	$2.40	100,000
3 February 2013	3 February 2016	$3.20	66,666
3 February 2014	3 February 2016	$3.35	66,667
3 February 2015	3 February 2016	$3.50	66,667
9 March 2013	9 March 2016	$3.55	133,332
9 March 2014	9 March 2016	$3.70	133,333
9 March 2015	9 March 2016	$3.85	133,335
25 March 2013	25 March 2016	$3.80	66,666
25 March 2014	25 March 2016	$4.00	66,667
25 March 2015	25 March 2016	$4.15	66,667
29 June 2011	8 July 2016	$4.21	250,000
29 June 2011	8 July 2016	$4.21	250,000
29 June 2011	8 July 2016	$4.21	500,000
20 July 2013	8 July 2016	$3.55	66,666
20 July 2014	8 July 2016	$3.65	66,667
20 July 2015	8 July 2016	$3.85	66,667
			3,433,341

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 2013 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	66,666
12 November 2008	$1.34	166,666
12 November 2008	$1.44	300,003
30 June 2009	$1.29	33,333
30 June 2009	$1.34	166,667
		733,335

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 period are set out in note 25.

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 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 38.

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
29 August 2013

pwc

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Ausdrill Limited for the year ended 30 June 2013, 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 inrelation 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 the entities it controlled during the period.

N Henry

Nick Henry
Partner
PricewaterhouseCoopers

Perth
29 August 2013

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CORPORATE GOVERNANCE STATEMENT

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 (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 2013 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, King, Strapp, Argent and Connelly), 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 2013, and the number of meetings attended by each director, is disclosed on page 26.

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 2013.

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 24 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)

Board committees (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 July 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 securities 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 MAKING (CONTINUED)

Diversity Policy

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

The Group is committed to diversity and equal opportunity and recognises the benefits they can bring to the organisation's ability to achieve its goals. During the financial year ended 30 June 2013 the Group had in place a Diversity Policy outlining the Group's requirements in relation to diversity. The Group has since put in place a new Diversity and Equal Opportunity policy which it will report against in its annual report for the financial year ending 30 June 2014.

Ausdrill aims to provide a work environment that promotes equal opportunity and diversity, allowing employees to reach their potential, in an environment that is free from discrimination, harassment and bullying.

The Group is committed to fostering diversity at all levels, particularly in relation to gender diversity, and it is aiming at increasing gender diversity throughout the Group with a proactive approach adopted from recruitment through to training and internal promotion. The Diversity Policy in place during the reporting period complied with ASX Recommendation 3.2, however the Group did not comply with ASX Recommendation 3.3 in that the Board did not establish any specific measurable objectives for achieving gender diversity in accordance with the Diversity Policy. The Group instead focused on its general strategies for diversity which included recruiting from a diverse pool of candidates for all positions (including senior management and Board positions) and identifying factors to take into account in recruitment and selection processes to encourage diversity.

At 30 June 2013, 9% of the Group's workforce was female (30 June 2012: 7%). 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 involves working in remote areas performing mainly manual tasks and the available pool of female candidates is limited and therefore constrains the ability of the Group to increase overall female participation. However, across the Group's service and support functions the female participation rate increases to 36%.

The following statistics outline the percentage of women employed throughout the Group at the end of the current and the previous financial years:

	2013	2012
Board	**0%**	0%
Managers & senior staff	**2%**	2%
Administration	**36%**	36%
Skilled staff	**4%**	3%

Furthermore, the Group promotes 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 the Group's 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 23 to 26.

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.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING (CONTINUED)

Audit and Risk committee (continued)

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.

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 will be introduced for the year ended 30 June 2014.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 25 to the financial statements. It is the policy of external auditors to provide an annual declaration of their independence to the Audit and Risk 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.

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

(CONTINUED)

Continuous disclosure and shareholder communication (continued)

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 and Risk 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.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK (CONTINUED)

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 23 to 26.

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 INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	13 $'000	12 $'000
Revenue from continuing operations	5	**1,131,283**	1,062,241
Other income	6	**5,678**	12,733
Materials		**(376,831)**	(350,972)
Labour		**(367,803)**	(337,828)
Rental and hire		**(22,191)**	(23,789)
Depreciation and amortisation expense	7	**(123,695)**	(116,144)
Finance costs	7	**(42,272)**	(22,939)
Other expenses		**(115,057)**	(85,811)
Business combination/merger costs		**(2,555)**	(370)
Share of net profit of associates accounted for using the equity method	32	**22,946**	15,366
Impairment of goodwill	15	**(47)**	-
Profit before income tax		**109,456**	152,487
Income tax (expense)	8	**(19,057)**	(40,280)
Profit for the year		**90,399**	112,207
Profit is attributable to:			
Equity holders of Ausdrill Limited		**91,314**	112,943
Non-controlling interests		**(915)**	(736)
Profit for the year		**90,399**	112,207

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	36	**29.63**	37.28
Diluted earnings per share	36	**28.98**	36.97

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	13 $'000	12 $'000
Profit for the year		**90,399**	112,207
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	22(a)	**10,983**	1,240
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings, net of tax	22(a)	**194**	3,429
Other comprehensive income for the year, net of tax		**11,177**	4,669
Total comprehensive income for the year		**101,576**	116,876
Total comprehensive income for the year is attributable to:			
Equity holders of Ausdrill Limited		**102,491**	117,612
Non-controlling interests		**(915)**	(736)
Total comprehensive income for the year		**101,576**	116,876

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 2013

	Notes	13 $'000	12 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**78,826**	124,188
Trade and other receivables	10	**186,931**	226,451
Inventories	11	**257,347**	186,388
Total current assets		**523,104**	537,027
Non-current assets			
Receivables	10	**10,365**	12,991
Investments accounted for using the equity method	12	**65,462**	35,888
Property, plant and equipment	13	**840,768**	709,445
Deferred tax assets	14	**27,805**	14,888
Intangible assets	15	**71,892**	32,376
Total non-current assets		**1,016,292**	805,588
TOTAL ASSETS		**1,539,396**	1,342,615
LIABILITIES			
Current liabilities			
Trade and other payables	16	**131,656**	174,523
Borrowings	18	**73,323**	107,747
Current tax liabilities	17	**335**	25,346
Provisions	19	**7,508**	6,264
Total current liabilities		**212,822**	313,880
Non-current liabilities			
Borrowings	18	**464,133**	256,194
Deferred tax liabilities	20	**40,539**	27,345
Provisions	19	**4,516**	4,435
Total non-current liabilities		**509,188**	287,974
TOTAL LIABILITIES		**722,010**	601,854
NET ASSETS		**817,386**	740,761
EQUITY			
Contributed equity	21	**526,447**	508,513
Other reserves	22(a)	**2,329**	(10,461)
Retained earnings	22(b)	**290,589**	243,773
Capital and reserves attributable to owners of Ausdrill Limited		**819,365**	741,825
Non-controlling interests		**(1,979)**	(1,064)
TOTAL EQUITY		**817,386**	740,761

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	ATTRIBUTABLE TO OWNERS OF AUSDRILL LIMITED					
		Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2011		**501,696**	**(17,214)**	**170,187**	**654,669**	**274**	**654,943**
Profit for the year		-	-	112,943	112,943	(736)	112,207
Other comprehensive income		-	4,669	-	4,669	-	4,669
Total comprehensive income for the period		**-**	**4,669**	**112,943**	**117,612**	**(736)**	**116,876**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	21	4,942	-	-	4,942	-	4,942
Non-controlling interests on acquisition of subsidiary		-	602	-	602	(602)	-
Shares issued on conversion of employee share options, net of transaction costs	21	1,875	-	-	1,875	-	1,875
Dividends paid	23	-	-	(39,357)	(39,357)	-	(39,357)
Employee share options - value of employee services	22	-	1,482	-	1,482	-	1,482
		6,817	2,084	(39,357)	(30,456)	(602)	(31,058)
Balance at 30 June 2012		**508,513**	**(10,461)**	**243,773**	**741,825**	**(1,064)**	**740,761**
Profit for the year		-	-	91,314	91,314	(915)	90,399
Other comprehensive income		-	11,177	-	11,177	-	11,177
Total comprehensive income for the period		**-**	**11,177**	**91,314**	**102,491**	**(915)**	**101,576**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	21	16,979	-	-	16,979	-	16,979
Shares issued on conversion of employee share options, net of transaction costs	21	955	-	-	955	-	955
Dividends paid	23	-	-	(44,498)	(44,498)	-	(44,498)
Employee share options - value of employee services	22	-	1,613	-	1,613	-	1,613
		17,934	1,613	(44,498)	(24,951)	-	(24,951)
Balance at 30 June 2013		**526,447**	**2,329**	**290,589**	**819,365**	**(1,979)**	**817,386**

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 2013

	Notes	13 $'000	12 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,254,662**	1,086,456
Payments to suppliers and employees (inclusive of goods and services tax)		**(990,696)**	(881,049)
		263,966	205,407
Interest received		**2,724**	3,134
Interest and other costs of finance paid		**(35,219)**	(21,440)
Income taxes paid		**(46,331)**	(33,375)
Management fee received from associate		**2,150**	3,058
Net cash inflow from operating activities	34	**187,290**	156,784
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	29	**(161,271)**	119
Payments for property, plant and equipment		**(172,618)**	(190,389)
Proceeds from sale of property, plant and equipment		**4,317**	5,385
Loans (to) associates		**(395)**	(8,775)
Payment of development costs		**(314)**	(277)
Payments for patents and trademarks		**-**	(1,703)
Net cash (outflow) from investing activities		**(330,281)**	(195,640)
Cash flows from financing activities			
Proceeds from issues of shares, net of transaction costs		**8,349**	1,833
Proceeds from secured borrowings		**446,704**	189,583
Repayment of secured borrowings		**(505,873)**	(64,796)
Repayment of hire purchase and lease liabilities		**(101,139)**	(66,056)
Proceeds from unsecured borrowings		**286,972**	-
Dividends paid to company's shareholders	23	**(34,913)**	(34,374)
Repayment of unsecured borrowings		**(8,609)**	-
Return (payment) of bank guarantee		**1,837**	(2,639)
Net cash inflow from financing activities		**93,328**	23,551
Net (decrease) in cash and cash equivalents		**(49,663)**	(15,305)
Cash and cash equivalents at the beginning of the financial year		**124,188**	140,714
Effects of exchange rate changes on cash and cash equivalents		**4,301**	(1,221)
Cash and cash equivalents at end of year	9	**78,826**	124,188
Non-cash financing and investing activities	35		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2013

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 periods 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 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(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 2012.

(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 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 2013 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(h)).

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 32).

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.

(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)

(c) Segment reporting (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) 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.

(f) 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 substantially 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (continued)

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.

(i) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(g) 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 27). 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 27). 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.

(h) 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)

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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).

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investments and other financial assets (continued)

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(k).

(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.

(n) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Fair value estimation (continued)

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.

(o) 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(i)).

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

(p) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Intangible assets (continued)

(iii) Research and development

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

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

(iv) Designs and drawings

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

(q) 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.

(r) 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.

(s) 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.

(t) Provisions

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

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet 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.

(v) 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.

(w) 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(o).

(x) 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.

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Earnings per share (continued)

(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) 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.

(aa) 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.

(ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not been early adopted by the group. 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, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 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.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments (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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) New accounting standards and interpretations (continued)

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments (effective 1 January 2013) (continued)

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.

(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.

(iv) Revised AASB 119 Employee Benefits and, AASB 2012-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. AASB 119 will not have any impact on the Group's financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity 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 38 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 when its right to receive the dividend is established.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Parent entity financial information (continued)

(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 and Risk 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:

	Available for sale $'000	Assets at fair value through profit or loss $'000	Derivatives used for hedging $'000	Financial assets at amortised cost $'000	Total $'000
Financial assets					
2013					
Cash and cash equivalents	**-**	**-**	**-**	**78,826**	**78,826**
Trade and other receivables*	**-**	**-**	**-**	**188,380**	**188,380**
	-	**-**	**-**	**267,206**	**267,206**
2012					
Cash and cash equivalents	-	-	-	124,188	124,188
Trade and other receivables*	-	-	-	229,635	229,635
	-	-	-	353,823	353,823

* excluding prepayments.

	Liabilities at fair value through profit or loss $'000	Derivatives used for hedging $'000	Liabilities at amortised cost $'000	Total $'000
Financial liabilities				
2013				
Trade and other payables	**-**	**-**	**131,656**	**131,656**
Borrowings	**-**	**-**	**537,456**	**537,456**
	-	**-**	**669,112**	**669,112**
2012				
Trade and other payables	-	-	174,523	174,523
Borrowings	-	-	363,941	363,941
	-	-	538,464	538,464

(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 ZMW.

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 (2012: $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.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Foreign exchange risk* (continued)

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

30 June 2013	USD $'000	GHS $'000	GBP $'000	EUR $'000	TZS $'000	ZMW $'000	ZAR $'000	CAD $'000
Cash	**7,462**	**516**	**27**	**2,103**	**96**	**677**	**-**	**28**
Trade receivables	**15,715**	**-**	**-**	**47,522**	**-**	**-**	**-**	**-**
Trade payables	**(54,625)**	**(4,856)**	**(3)**	**(2,142)**	**(6)**	**(92)**	**(56)**	**-**
Borrowings	**(6,747)**	**(1,251)**	**-**	**(47,457)**	**-**	**-**	**-**	**-**

30 June 2012	USD $'000	GHS $'000	GBP $'000	EUR $'000	TZS $'000	ZMW $'000	ZAR $'000	CAD $'000
Cash	4,792	2,253	-	2,269	184	11	-	-
Trade receivables	7,381	-	-	38	-	9	-	-
Trade payables	(4,629)	(3,459)	-	(500)	(67)	(325)	-	-
Borrowings	(4,455)	-	-	-	-	-	-	-

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 2012.

	Profit or Loss A$'000
30 June 2013	
USD	**3,477**
GHS	**508**
GBP	**1**
EUR	**-**
TZS	**(19)**
ZMW	**(101)**
ZAR	**5**
CAD	**3**
	3,874
30 June 2012	
USD	(290)
GHS	110
EUR	296
TZS	(20)
ZMW	53
	149

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.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(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 2013 and 2012, the Group's borrowings at variable rate were denominated in Australian Dollars.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

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

	2013 $'000	2012 $'000
Cash and Cash Equivalents	**78,826**	124,188
Variable Rate Borrowings	**77,266**	98,694

Group sensitivity

At 30 June 2013, 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 $15,603 higher/lower (2012 - change of 100 bps: $254,945 higher/lower), mainly as a result of higher/lower interest income from these variable interest rate financial assets.

(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 38(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)	**2013 $'000**	2012 $'000
Australia	**93,594**	141,281
Africa	**94,165**	88,006
Asia	**528**	263
Europe	**93**	85
	188,380	229,635

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

	2013 $'000	2012 $'000
Trade receivables		
Counterparties with external credit rating (Moody's)		
A1	**8,727**	7,567
A2	**1,816**	181
A3	**4,338**	5,736
Ba1	**1,465**	-
Ba2	**-**	222
Ba3	**1**	22,269
Baa1	**7,110**	10,416
Baa2	**6,403**	33,545
Baa3	**12,173**	5,693
B1	**5,326**	-
Caa1	**1,394**	1,819
	48,753	87,448
*Counterparties without external credit rating **		
Group 1	**36,751**	33,498
Group 2	**102,876**	108,689
	139,627	142,187
Total trade receivables	**188,380**	229,635
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	**237**	21,762
AA-	**44,530**	84,345
A	**710**	1,652
BBB+	**-**	1,572
BBB	**2,156**	-
B-	**31,193**	14,857
	78,826	124,188

* 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.

(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.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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	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	Total contractual cash flows $'000	Carrying amount liabilities $'000
Group - at 30 June 2013							
Non-derivatives							
Non-interest bearing	**131,656**	**-**	**-**	**-**	**-**	**131,656**	**131,656**
Financial guarantee contracts	**8,035**	**-**	**-**	**-**	**-**	**8,035**	**8,035**
Variable rate	**4,187**	**4,105**	**7,980**	**76,766**	**-**	**93,038**	**77,266**
Fixed rate	**57,614**	**44,300**	**80,696**	**89,571**	**354,953**	**627,134**	**460,190**
Total non-derivatives	**201,492**	**48,405**	**88,676**	**166,337**	**354,953**	**859,863**	**677,147**
Group - at 30 June 2012							
Non-derivatives							
Non-interest bearing	174,523	-	-	-	-	174,523	174,523
Financial guarantee contracts	13,229	-	-	-	-	13,229	13,229
Variable rate	4,022	3,448	6,896	106,783	-	121,149	98,694
Fixed rate	65,605	57,214	89,239	84,224	-	296,282	265,247
Total non-derivatives	257,379	60,662	96,135	191,007	-	605,183	551,693

Details about the financial guarantee contracts are provided in note 38. 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(p). 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 15 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes

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

(iii) Useful lives of plant and equipment

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iv) Carrying value of property, plant and equipment

The Group reviews for impairment of property, plant and equipment in accordance with the accounting policy stated in note 1(i). The recoverable amount of these assets has been determined based on higher of the assets' fair value less costs to sell and value in use. Determination of the recoverable amount of an asset based on a discounted cash flow model, requires the use of estimates and assumptions, including; the appropriate rate at which to discount the cash flows, the timing of the cash flow, market risk premium, interest rates, exchange rates, growth rates, future capital requirements and future operating performance. Changes in these estimates and assumptions impact the recoverable amount of the asset, and accordingly could result in an adjustment to the carrying amount of that asset.

(v) 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 2013.

4 SEGMENT INFORMATION

(a) Description of segments

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

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

Mining Services Australia:

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

Contract Mining Services Africa:

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

Manufacturing:

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

Supply and Logistics:

The provision of mining supplies and logistics services.

All other segments:

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

Intersegment eliminations:

Represents transactions which are eliminated on consolidation.

4 SEGMENT INFORMATION (CONTINUED)

(b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the year ended 30 June 2013 and 30 June 2012 is as follows:

2013	Mining Services Australia $'000	Contract Mining Services Africa $'000	#Manu-facturing $'000	*Supply & Logistics $'000	All other segments $'000	Inter-segment Eliminations $'000	Consolidated $'000
Segment revenue							
Sales to external customers	**601,371**	**389,586**	**75,151**	**46,028**	**16,423**	**-**	**1,128,559**
Intersegment sales	**904**	**-**	**52,950**	**27,572**	**78**	**(81,504)**	**-**
Total sales revenue	**602,275**	**389,586**	**128,101**	**73,600**	**16,501**	**(81,504)**	**1,128,559**
Other revenue	**28,481**	**417**	**123**	**92**	**24,166**	**(50,555)**	**2,724**
Segment revenue	**630,756**	**390,003**	**128,224**	**73,692**	**40,667**	**(132,059)**	**1,131,283**
Segment EBITDA	**131,588**	**128,676**	**17,714**	**3,648**	**(8,927)**	**-**	**272,699**
Depreciation expense	**65,326**	**46,687**	**5,298**	**153**	**1,931**	**-**	**119,395**
Amortisation expense	**3,365**	**-**	**935**	**-**	**-**	**-**	**4,300**
Segment EBIT	**62,897**	**81,989**	**11,481**	**3,495**	**(10,858)**	**-**	**149,004**
Interest income	**(28,481)**	**(417)**	**(123)**	**(92)**	**(24,166)**	**50,555**	**(2,724)**
Interest expense	**18,211**	**15,398**	**3,286**	**1,483**	**54,449**	**(50,555)**	**42,272**
Segment result	**73,167**	**67,008**	**8,318**	**2,104**	**(41,141)**	**-**	**109,456**
Income tax expense							**(19,057)**
Profit for the period							**90,399**
Segment assets	**1,158,790**	**579,828**	**117,171**	**29,558**	**565,031**	**(910,982)**	**1,539,396**
Segment liabilities	**328,116**	**341,327**	**70,368**	**24,088**	**807,202**	**(849,091)**	**722,010**
Other segment information							
Investments in associates	**-**	**65,462**	**-**	**-**	**-**	**-**	**65,462**
Share of net profits of associates	**-**	**22,946**	**-**	**-**	**-**	**-**	**22,946**
Acquisition of property, plant and equipment, intangibles and other non-current assets	**190,447**	**84,424**	**7,828**	**77**	**4,384**	**-**	**287,160**

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
Segment revenue							
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)	–
Total sales revenue	599,831	316,771	140,989	75,076	21,966	(95,526)	1,059,107
Interest income	36,543	394	133	66	23,743	(57,745)	3,134
Total segment revenue	636,374	317,165	141,122	75,142	45,709	(153,271)	1,062,241
Segment EBITDA	160,721	97,312	23,999	3,413	2,991	–	288,436
Depreciation expense	65,007	40,502	4,223	140	1,967	–	111,839
Amortisation expense	3,465	–	840	–	–	–	4,305
Segment EBIT	92,249	56,810	18,936	3,273	1,024	–	172,292
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
Segment result	108,401	42,830	12,548	1,596	(12,888)	–	152,487
Income tax expense							(40,280)
Profit for the period							112,207
Segment assets	1,098,856	472,277	142,832	35,754	456,820	(863,924)	1,342,615
Segment liabilities	456,646	306,251	109,110	31,859	488,154	(790,166)	601,854
Other segment information							
Investments in associates	–	35,888	–	–	–	–	35,888
Share of net (losses) 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

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 $498.9 million (2012: $361.6 million) and payables of $398.4 million (2012: $463.4 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:

	2013 $'000	2012 $'000
Total segment revenue	**1,128,559**	1,059,107
Interest revenue	**2,724**	3,134
Total revenue from continuing operations (note 5)	**1,131,283**	1,062,241

5 REVENUE

	2013 $'000	2012 $'000
From continuing operations		
Sales revenue		
Sale of goods	**138,896**	99,126
Services	**989,663**	959,981
	1,128,559	1,059,107
Other revenue		
Interest - Related Parties	**661**	351
Interest - Others	**2,063**	2,783
	2,724	3,134
	1,131,283	1,062,241

6 OTHER INCOME

	2013 $'000	2012 $'000
Foreign exchange gains (net)	**-**	4,817
Management fee received from associate	**2,150**	3,058
Other	**3,528**	4,858
	5,678	12,733

7 EXPENSES

	Notes	2013 $'000	2012 $'000
Depreciation			
Buildings		**1,217**	1,361
Plant and equipment		**118,178**	110,478
Total depreciation		**119,395**	111,839
Amortisation			
Customer contracts		**3,691**	3,790
Other intangible assets		**609**	515
Total amortisation		**4,300**	4,305
Finance costs			
Hire purchase interest		**9,102**	12,909
Interest paid		**30,048**	10,030
Debt restructuring cost		**3,122**	-
Finance cost expensed		**42,272**	22,939
Net loss on disposal of property, plant and equipment		**2,511**	2,538
Rental expense relating to operating leases		**7,687**	4,648
Impairment losses - financial assets			
Trade receivables		**12,096**	1,729
Other receivables		**1,184**	-
		13,280	1,729
Impairment of acquisition			
Impairment of goodwill		**47**	-
Net foreign exchange losses		**1,861**	-

8 INCOME TAX EXPENSE

(a) Income tax expense

	Notes	2013 $'000	2012 $'000
Current tax		**18,077**	39,988
Deferred tax		**1,458**	3,092
Adjustments for current tax of prior periods		**(478)**	(2,800)
		19,057	40,280
Deferred income tax (revenue)/expense included in income tax expense comprises:			
(Increase) in deferred tax assets	14	**(3,738)**	(2,079)
Increase in deferred tax liabilities	20	**5,196**	5,171
		1,458	3,092

8 INCOME TAX EXPENSE (CONTINUED)

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

	2013 $'000	2012 $'000
Profit from continuing operations before income tax expense	**109,456**	152,487
Tax at the Australian tax rate of 30% (2012 - 30%)	**32,837**	45,746
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net (profit) of associates	**(6,884)**	(4,610)
Share-based payments	**484**	445
Other non-deductible items	**3,191**	18
Amortisation of intangibles	**293**	743
	29,921	42,342
Difference in overseas tax rates	**(7,491)**	(2,670)
(Over) provision in prior years	**(478)**	(2,800)
Adjustments for changes in tax legislation	**-**	2,345
Current year tax losses not recognised	**2,057**	1,295
Effect of currency translation on tax base	**(4,952)**	-
Previously unrecognised tax losses now recouped to reduce current tax expense	**-**	(232)
	(10,864)	(2,062)
Income tax expense	**19,057**	40,280

(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	**28**	25

(d) Tax expense (income) relating to items of other comprehensive income

Gains on revaluation of land and buildings	**-**	734

(e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	**11,000**	5,907
Potential tax benefit @ 30%	**3,300**	1,772

9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	78,826	124,188

(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	**78,826**	124,188
Balances per consolidated statement of cash flows	**78,826**	124,188

(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 TRADE AND OTHER RECEIVABLES

	Consolidated entity					
	2013			2012		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables	**169,959**	**-**	**169,959**	186,394	-	186,394
Provision for impairment of receivables (a)	**(18,640)**	**-**	**(18,640)**	(7,232)	-	(7,232)
	151,319	**-**	**151,319**	179,162	-	179,162
Loans to associated entities	**-**	**9,488**	**9,488**	-	9,093	9,093
Other receivables (c)	**26,696**	**877**	**27,573**	37,482	3,898	41,380
Prepayments	**8,916**	**-**	**8,916**	9,807	-	9,807
	186,931	**10,365**	**197,296**	226,451	12,991	239,442

(a) Impaired trade receivables

As at 30 June 2013, current trade receivables of the Group with a nominal value of $19,280,826 (2012: $8,360,149) were impaired. The increase in impaired trade receivables relates to clients which are in unexpectedly difficult economic situations. The amount of the provision for impaired receivables was $18,640,164 (2012: $7,232,457). The Group expects that a portion of the receivables is to be recovered.

The ageing of these receivables is as follows:

	2013 $'000	2012 $'000
3 to 6 months	**10,284**	2,486
Over 6 months	**8,997**	5,874
	19,281	8,360

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

	2013 $'000	2012 $'000
At 1 July	**7,232**	5,842
Provision for impairment recognised during the year	**12,096**	1,729
Receivables written off during the year as uncollectable	**(270)**	-
Impact of acquisition	**370**	-
Unused amounts reversed	**(788)**	(339)
At 30 June	**18,640**	7,232

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 2013, current trade receivables of the Group with nominal value of $71,650,157 (2012: $68,506,952) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

	2013 $'000	2012 $'000
Up to 2 months	**65,748**	58,817
Over 2 months	**5,902**	9,690
	71,650	68,507

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 receivables

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.

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

(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 fair value of the non-current receivables is as follows:

Consolidated entity

	2013		2012	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Other receivables	**877**	**877**	2,714	2,714
Loans to associated entities	**9,488**	**9,488**	10,277	10,277
	10,365	**10,365**	12,991	12,991

Risk exposure

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

	Notes	2013 $'000	2012 $'000
Work in progress		**11,377**	7,727
Finished goods		**34,415**	14,588
Consumables and store items		**211,555**	164,073
		257,347	186,388

12 NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Notes	2013 $'000	2012 $'000
Shares in associates	32	**65,462**	35,888

13 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment - at cost $'000	Plant and equipment under finance - at cost $'000	Total $'000
At 1 July 2011				
Cost or fair value	42,617	389,987	385,741	818,345
Accumulated depreciation	(1,806)	(165,079)	(108,633)	(275,518)
Net book amount	40,811	224,908	277,108	542,827
Year ended 30 June 2012				
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
Depreciation charge	(1,361)	(52,519)	(57,959)	(111,839)
Disposals	(834)	(4,949)	(2,141)	(7,924)
Transfers between classes	(144)	22,278	(22,134)	-
Transfers between group members	-	(473)	473	-
Closing net book amount	46,737	297,619	365,089	709,445
At 30 June 2012				
Cost or fair value	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
Year ended 30 June 2013				
Opening net book amount	**46,737**	**297,619**	**365,089**	**709,445**
Exchange differences	**443**	**11,729**	**8,497**	**20,669**
Transfer to inventory	**-**	**(6,420)**	**-**	**(6,420)**
Acquisition of business	**-**	**55,945**	**-**	**55,945**
Additions	**540**	**127,951**	**58,861**	**187,352**
Depreciation charge	**(1,217)**	**(74,830)**	**(43,348)**	**(119,395)**
Disposals	**(101)**	**(5,290)**	**(1,437)**	**(6,828)**
Transfers between classes	**(69)**	**105,052**	**(104,983)**	**-**
Transfers between group members	**-**	**1,265**	**(1,265)**	**-**
Closing net book amount	**46,333**	**513,021**	**281,414**	**840,768**
At 30 June 2013				
Cost	**47,573**	**864,224**	**408,536**	**1,320,333**
Accumulated depreciation	**(1,240)**	**(351,203)**	**(127,122)**	**(479,565)**
Net book amount	**46,333**	**513,021**	**281,414**	**840,768**

(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 18 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:

	2013 $'000	2012 $'000
Buildings		
Cost	**34,362**	33,528
Accumulated depreciation	**(7,870)**	(7,165)
Net book amount	**26,492**	26,363

14 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	**9,354**	9,109
Foreign tax credits	**110**	4,878
Accruals	**6,115**	3,929
Doubtful debts	**4,524**	2,184
	20,103	20,100
Other		
Borrowing and business expenses	**2,123**	1,666
Unrealised foreign exchange	**5,387**	249
Sub-total other	**7,510**	1,915
Total deferred tax assets	**27,613**	22,015
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	**192**	(7,127)
Net deferred tax assets	**27,805**	14,888
Deferred tax assets expected to be recovered within 12 months	**24,728**	16,371
Deferred tax assets expected to be recovered after more than 12 months	**2,885**	5,644
	27,613	22,015

	Employee Benefits $'000	Foreign tax credits $'000	Accruals $'000	Doubtful debts $'000	Other $'000	Total $'000
At 1 July 2011	6,817	4,417	4,100	1,773	2,804	19,911
Charged/(credited) - to profit or loss	2,292	461	(171)	411	(914)	2,079
Charged/(credited) - directly to equity	-	-	-	-	25	25
At 30 June 2012	9,109	4,878	3,929	2,184	1,915	22,015
Charged/(credited) - to profit or loss	**(236)**	**(4,768)**	**2,033**	**2,320**	**4,389**	**3,738**
Charged/(credited) - directly to equity	**-**	**-**	**-**	**-**	**28**	**28**
Acquisition of subsidiary	**481**	**-**	**153**	**20**	**1,178**	**1,832**
At 30 June 2013	**9,354**	**110**	**6,115**	**4,524**	**7,510**	**27,613**

15 NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Notes	Goodwill $'000	Other intangible assets $'000	Customer contracts $'000	Total $'000
At 1 July 2011					
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
Year ended 30 June 2012					
Opening net book amount		25,136	707	8,858	34,701
Additions internal development		-	277	-	277
Additions patents and trademarks		-	1,703	-	1,703
Amortisation charge		-	(515)	(3,790)	(4,305)
Closing net book amount		25,136	2,172	5,068	32,376
At 30 June 2012					
Cost		25,719	3,677	15,604	45,000
Accumulation amortisation and impairment		(583)	(1,505)	(10,536)	(12,624)
Net book amount		25,136	2,172	5,068	32,376
Year ended 30 June 2013					
Opening net book amount		**25,136**	**2,172**	**5,068**	**32,376**
Acquisition of business	29	**41,943**	**-**	**1,606**	**43,549**
Additions internal development		**-**	**314**	**-**	**314**
Impairment charge		**(47)**	**-**	**-**	**(47)**
Amortisation charge		**-**	**(609)**	**(3,691)**	**(4,300)**
Closing net book amount		**67,032**	**1,877**	**2,983**	**71,892**
At 30 June 2013					
Cost		**67,662**	**3,991**	**17,210**	**88,863**
Accumulated amortisation and impairment		**(630)**	**(2,114)**	**(14,227)**	**(16,971)**
Net book amount		**67,032**	**1,877**	**2,983**	**71,892**

** Amortisation of $4,300,001 (2012: $4,304,689) 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:

Consolidated entity

	MSA Segment $'000	Manufacturing Segment $'000	Total $'000
2013			
Carrying amount of goodwill	**61,442**	**5,590**	**67,032**
2012			
Carrying amount of goodwill	19,546	5,590	25,136

15 NON-CURRENT ASSETS - INTANGIBLE ASSETS (CONTINUED)

(b) Recoverable amount testing

The carrying amount of goodwill is tested for impairment annually at 30 June and whenever there is an indicator that the asset may be impaired. Where an asset is deemed impaired, it is written down to its recoverable amount.

Impairment testing is typically undertaken in one of two ways:

- A comparison of asset book values against fair value less costs to sell; or
- A comparison of the asset book values to the "value in use" of the assets.

In its impairment assessment, the Group determines the recoverable amount based on a value in use calculation, using cash flow projections based on the Group's budget and financial forecasts including a terminal value. Key assumptions used for impairment testing include:

Projected cash flows

Cash flow projections are based on the Board/Senior Management approved 2013/14 (FY14) budget and a further extrapolation for the subsequent four financial years by applying conservative growth rates for each division and assuming a 1 per cent terminal growth rate to allow for organic growth on the existing asset base. Cash flows are then determined utilising the calculated EBITDA less tax, capital maintenance spending and working capital charges to provide a "free cash flow" estimate. This calculated cash flow is then compared against the free cash flow in the business plan to ensure the two are consistent.

Growth rate estimates

The future annual growth rates for FY15 onwards are based on a conservative growth rate of 1.0% per annum.

Discount rates

Discount rate of 15.0 per cent (2012: 17.0 per cent) reflect Management's estimate of the time value of money and risks specific to each CGU. In determining the appropriate discount rate for each CGU, consideration has been given to the estimated weighted average cost of capital (WACC) for the Group adjusted for country and business risk specific to that CGU.

Gross margin

This has been based on historical margins achieved, with changes where appropriate for expected efficiency improvements.

Working capital

Working capital has been maintained to support the underlying business plus allowances for growth for each business unit.

Capital expenditure

Capital expenditure included in the terminal year calculation is for maintenance capital used for existing plant and replacement of plant as it is retired from service. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

Sensitivities

Sensitivity analysis has been undertaken for each CGU by varying terminal growth and discount rates. Assuming no material variation in these assumptions compared to those used in the analysis, Management is satisfied that the carrying value of the CGUs not impaired (refer above) exceeds their recoverable amount.

This discount rate would need to increase by 32 basis points for MSA Segment and 44 basis points for Manufacturing Segment or the terminal value growth rate would need to be negative growth of 6.5% for MSA Segment and 7.7% for Manufacturing Segment before the recoverable amount of any of the CGUs would be equal to the carrying value.

(c) Impairment charge

An impairment loss of $47,000 was recognised in the 2013 financial year (2012: nil) in relation to the goodwill acquired for Synegex Holding Pty Ltd. No class of asset other than goodwill was impaired.

16 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2013 $'000	2012 $'000
Trade payables	**49,835**	84,887
Other creditors and accruals	**81,821**	89,636
	131,656	174,523

(a) Risk exposure

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

17 CURRENT LIABILITIES - CURRENT TAX LIABILITIES

	2013	2012
Income tax	**335**	25,346

18 BORROWINGS

	Consolidated entity					
	2013			2012		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	**36,411**	**118,048**	**154,459**	41,847	163,773	205,620
Prepaid borrowing costs	**-**	**(2,832)**	**(2,832)**	-	(2,470)	(2,470)
Hire purchase liabilities	**36,912**	**36,434**	**73,346**	64,744	94,891	159,635
Total secured borrowings	**73,323**	**151,650**	**224,973**	106,591	256,194	362,785
Unsecured						
USD notes	**-**	**323,450**	**323,450**	-	-	-
Prepaid borrowing costs	**-**	**(10,967)**	**(10,967)**	-	-	-
Insurance Premium Funding	**-**	**-**	**-**	1,156	-	1,156
Total unsecured borrowings	**-**	**312,483**	**312,483**	1,156	-	1,156
Total borrowings	**73,323**	**464,133**	**537,456**	107,747	256,194	363,941

(a) Secured liabilities and assets pledged as security

At 30 June 2013, the Group had the following facilities that were not utilised at balance date:

	2013 $'000	2012 $'000
Total unutilised facilities - Bank Loans	**225**	53

Bank loans

On 5 October 2012, Ausdrill refinanced its debt and signed a new three year dual currency, syndicated facility with a number of leading commercial and investment banks for a total of $550 million.

This arrangement allowed Ausdrill to refinance its existing $150 million revolver, refinance approximately $30 million of asset finance facilities, and provided funding for the acquisition of Best Tractor Parts, which completed on 31 October 2012. The key terms of the facility 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.

In addition, Bank Loans includes asset financing arrangements with a range of banks and financiers which are secured by the specific assets financed.

USD notes

On 12 November 2012, Ausdrill completed an offering of US$300 million in aggregate principal amount of 6.875% Guaranteed Senior Unsecured Notes due 2019 in an offering to qualified institutional buyers in the United States pursuant to Rule 144A under the United States Securities Act of 1993, and to certain persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

18 BORROWINGS (CONTINUED)

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

The net proceeds of the Notes issued were used to repay existing indebtedness outstanding under the $550 million Syndicated Bank Facility entered into in early October and for general corporate purposes. Concurrent with this, US$250 million of the commitments under the $550 million Syndicated Bank Facility were cancelled.

Hire purchase and lease facilities

Hire purchase facilities are secured by the specific assets financed.

Covenants on financing facilities

The Group's financing facilities contain undertakings including an obligation to comply at all times with certain financial covenants which require the Group to operate within certain financing ratio threshold levels as well as ensuring that subsidiaries that contribute minimum threshold amounts of Group EBITDA and Group Total Tangible Assets are guarantors under various facilities.

Refinancing requirements

Where existing facilities approach maturity, the Group will seek to renegotiate with existing and new financers to extend the maturity date of those facilities. The Group's earnings profile, credit rating, state of the economy, conditions in financial markets and other factors may influence the outcome of those negotiations.

Credit ratings

The Group currently has a credit rating of Ba2 (Outlook Stable) from Moody's and a credit rating of BB (Outlook Stable) from Standard & Poor's. Where a credit rating is reduced or placed on negative watch, customers and suppliers may be less willing to contract with the Group. Banks and other lending institutions may demand more stringent terms (including increased pricing) on debt facilities to reflect the higher credit risk profile.

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

	2013 $'000	2012 $'000
Current		
Floating charge		
Cash and cash equivalents	**37,579**	96,025
Receivables	**89,633**	177,049
Inventory	**105,049**	122,604
Total current assets pledged as security	**232,261**	385,678
Non-current		
Hire purchase / Finance lease		
Plant and equipment	**142,125**	222,952
Secured bank loans		
Plant and equipment	**139,289**	142,138
Floating charge		
Plant and equipment	**281,260**	116,939
Freehold land and buildings	**41,429**	41,902
Receivables	**10,365**	-
Investment	**65,462**	-
	398,516	158,841
Total non-current assets pledged as security	**679,930**	523,931
Total assets pledged as security	**912,191**	909,609

18 BORROWINGS (CONTINUED)

(b) Fair value

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

Consolidated entity

	2013 Carrying amount $'000	2013 Fair value $'000	2012 Carrying amount $'000	2012 Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**154,459**	**156,958**	205,620	199,896
USD notes	**323,450**	**309,535**	-	-
Hire purchase liabilities	**73,346**	**72,492**	159,635	120,987
Other loans	**-**	**-**	1,156	1,156
	551,255	**538,985**	366,411	322,039

(c) Risk exposures

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

19 PROVISIONS

	Consolidated entity 2013 Current $'000	2013 Non-current $'000	2013 Total $'000	2012 Current $'000	2012 Non-current $'000	2012 Total $'000
Employee benefits - long service leave	**7,508**	**4,516**	**12,024**	6,264	4,435	10,699

20 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Foreign entities distributable profits	**17,375**	11,614
Inventories	**6,155**	8,405
Depreciation	**7,070**	6,190
Revaluation of land and buildings	**5,781**	5,766
	36,381	31,975
Other		
Receivables	**3,077**	1,702
Unrealised foreign exchange	**807**	722
Prepayments	**82**	73
Sub-total other	**3,966**	2,497
Total deferred tax liabilities	**40,347**	34,472
Set-off of deferred tax liabilities pursuant to set-off provisions (note 14)	**192**	(7,127)
Net deferred tax liabilities	**40,539**	27,345
Deferred tax liabilities expected to be settled within 12 months	**12,352**	13,439
Deferred tax liabilities expected to be settled after more than 12 months	**27,995**	21,033
	40,347	34,472

20 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES (CONTINUED)

	Foreign entities distributable profits $'000	Inventories $'000	Revaluation of land & buildings $'000	Depreciation $'000	Other $'000	Total $'000
At 1 July 2011	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
At 30 June 2012	11,614	8,405	5,766	6,190	2,497	34,472
Charged/(credited) - profit or loss	5,761	(2,358)	-	408	1,385	5,196
Charged/(credited) - directly to equity	-	-	15	-	-	15
Acquisition of subsidiary	-	108	-	472	84	664
At 30 June 2013	**17,375**	**6,155**	**5,781**	**7,070**	**3,966**	**40,347**

The deferred tax liability charged for revaluation of land & buildings in the current year includes currency translation differences of $14,514 (2012: $20,286).

21 CONTRIBUTED EQUITY

(a) Share capital

	2013 SHARES	2012 SHARES	**2013 $'000**	2012 $'000
Fully paid ordinary shares	**312,277,224**	304,397,289	**526,447**	508,513

(b) Movements in ordinary share capital:

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

21 CONTRIBUTED EQUITY (CONTINUED)

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

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	$'000
31 August 2012	Conversion of options	33,333	$1.29	43
31 August 2012	Conversion of options	33,333	$1.34	45
3 September 2012	Conversion of options	33,333	$1.29	43
3 September 2012	Conversion of options	33,333	$1.34	45
13 September 2012	Conversion of options	66,667	$1.34	89
14 September 2012	Conversion of options	33,333	$1.34	45
26 September 2012	Conversion of options	66,667	$1.34	89
9 October 2012	Conversion of options	33,333	$1.29	43
9 October 2012	Conversion of options	33,333	$1.34	45
31 October 2012	Dividend reinvestment plan	1,893,999	$2.81	5,330
31 October 2012	Shortfall placement facility for 2012 dividend	2,560,674	$2.89	7,404
14 November 2012	Conversion of options	100,001	$1.44	144
26 November 2012	Conversion of options	33,334	$1.44	48
5 December 2012	Conversion of options	33,334	$1.44	48
20 December 2012	Conversion of options	66,667	$1.44	96
21 March 2013	Conversion of options	66,667	$1.34	89
21 March 2013	Conversion of options	66,667	$1.44	96
15 May 2013	Dividend reinvestment plan	2,691,927	$1.58	4,256
				526,511
	Less: Transaction costs arising on share issue			(92)
	Deferred tax credit recognised directly in equity			28
30 June 2013	Balance	312,277,224		526,447

(c) Ordinary shares

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

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

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

(d) Dividend reinvestment plan

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

(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 37.

(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.

21 CONTRIBUTED EQUITY (CONTINUED)

(f) Capital risk management (continued)

The gearing ratios at 30 June 2013 and 30 June 2012 were as follows:

	Notes	2013 $'000	2012 $'000
Total borrowings*		**551,255**	366,411
Less: cash and cash equivalents		**(78,826)**	(124,188)
Net debt		**472,429**	242,223
Total equity		**817,386**	740,761
Total capital		**1,289,815**	982,984

* Excludes prepaid borrowing costs

Gearing ratio		**37%**	25%

Ausdrill Limited has complied with the financial covenants of its borrowing facilities during the 2013 and 2012 reporting periods.

22 OTHER RESERVES AND RETAINED PROFITS

(a) Other reserves

	Notes	2013 $'000	2012 $'000
Land and building revaluation reserve		**15,331**	15,137
Share-based payments reserve		**3,903**	2,290
Foreign currency translation reserve		**(17,507)**	(28,490)
Transactions with non-controlling interests		**602**	602
		2,329	(10,461)
Movements:			
Land and building revaluation reserve			
Balance at 1 July		**15,137**	11,708
Revaluation - gross	13	**-**	4,153
Deferred tax		**-**	(734)
Currency translation differences arising during the year		**194**	10
Balance 30 June		**15,331**	15,137
Movements:			
Share-based payments reserve			
Balance at 1 July		**2,290**	808
Option expense	37(c)	**1,613**	1,482
Balance 30 June		**3,903**	2,290
Movements:			
Foreign currency translation reserve			
Balance at 1 July		**(28,490)**	(29,730)
Currency translation differences arising during the year		**10,983**	1,240
Balance 30 June		**(17,507)**	(28,490)
Movements:			
Transactions with non-controlling interests			
Opening balance		**602**	-
Acquisition of additional ownership in entity		**-**	602
Balance 30 June		**602**	602

22 OTHER RESERVES AND RETAINED PROFITS

(b) Retained earnings

Movements in retained profits were as follows:

	Notes	2013 $'000	2012 $'000
Balance 1 July		**243,773**	170,187
Net profit for the year		**91,314**	112,943
Dividends	23	**(44,498)**	(39,357)
Balance 30 June		**290,589**	243,773

(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(o). 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.

23 DIVIDENDS

(a) Ordinary shares

	2013 $'000	2012 $'000
Final dividend for the year ended 30 June 2012 of 8.0 cents (2011: 6.5 cents) per fully paid share paid on 31 October 2012 (2011: 27 October 2011)		
Fully franked (2012: fully franked)	**24,376**	19,609
Interim dividend for the year ended 30 June 2013 of 6.5 cents (2012: 6.5 cents) per fully paid share paid on 15 May 2013 (2012: 24 April 2012)		
Fully franked (2012: fully franked)	**20,122**	19,748
Total dividends provided for or paid	**44,498**	39,357
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2013 and 2012 were as follows:		
Paid in cash	**34,913**	34,374
Satisfied by issue of shares	**9,585**	4,983
	44,498	39,357

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

In addition to the above dividends, since period end the directors have recommended the payment of a final dividend of 5.5 cents per fully paid ordinary share (2012 - 8.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 October 2013 out of retained earnings at 30 June 2013, but not recognised as a liability at period end, is	**17,175**	24,352

23 DIVIDENDS (CONTINUED)

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2013 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 2014.

	2013 $'000	2012 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2012 - 30%)	**54,057**	52,028

The above amounts represent the balance of the franking account as at the reporting date, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- 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 $7,360,820 (2012: $10,436,478).

24 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	2013 $	2012 $
Short-term employee benefits	**3,298,091**	3,320,127
Post-employment benefits	**177,522**	235,700
Long-term benefits	**19,206**	111,386
Share-based payments	**1,308,489**	1,087,574
	4,803,308	4,754,787

Detailed remuneration disclosures are provided in the remuneration report on page 26 to 34.

(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 26 to 34.

The numbers of options over ordinary shares in the Company and rights to deferred shares granted under the executive short-term incentive scheme that were 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.

2013	Balance at start of the period	Granted as compen-sation	Exercised	Other changes	Balance at end of the period	Vested and exercisable	Unvested
Directors of Ausdrill Limited							
W M King	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**250,000**	**750,000**
Other key management personnel of the Group							
A J McCulloch	**100,000**	**-**	**-**	**-**	**100,000**	**100,000**	**-**
M J Hughes	**66,667**	**-**	**(66,667)**	**-**	**-**	**-**	**-**
M C Crocker	**66,667**	**-**	**-**	**-**	**66,667**	**66,667**	**-**
J E Martins	**300,000**	**-**	**-**	**-**	**300,000**	**100,000**	**200,000**
2012							
Directors of Ausdrill Limited							
W M King	1,000,000	-	-	-	1,000,000	-	1,000,000
Other key management personnel of the Group							
J Kavanagh	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

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

24 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

(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 26 to 34.

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.

2013	Balance at start of the period	Granted as compen-sation	Exercised	Other changes	Balance at end of the period	Vested and exercisable	Unvested
Directors of Ausdrill Limited							
R G Sayers	**4,000,000**	**-**	**-**	**-**	**4,000,000**	**-**	**4,000,000**
2012							
Directors of Ausdrill Limited							
R G Sayers	-	4,000,000	-	-	4,000,000	-	4,000,000

(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.

2013	Balance at the start of the period	Received during the year on the exercise of options	Other changes during the period	Balance at end of the period
Directors of Ausdrill Limited				
Ordinary shares				
T E O'Connor	**1,004,285**	**-**	**-**	**1,004,285**
R G Sayers	**36,846,782**	**-**	**810,000**	**37,656,782**
W M King	**104,285**	**-**	**202,000**	**306,285**
T J Strapp	**400,000**	**-**	**-**	**400,000**
D J Argent [1]	**-**	**-**	**40,000**	**40,000**
M A Connelly [2]	**-**	**-**	**-**	**-**
Other key management personnel of the Group				
Ordinary shares				
C Tuckwell [3]	**-**	**-**	**-**	**-**
A J McCulloch	**100,000**	**-**	**(100,000)**	**-**
M J Hughes [4]	**-**	**66,667**	**(66,667)**	**-**
J E Martins	**-**	**-**	**-**	**-**

1 Mr D J Argent was appointed as a non-executive director on 25 July 2012.
2 Mr MA Connelly was appointed as a non-executive director on 25 July 2012.
3 Mr C Tuckwell was appointed as Chief Operating Officer African Operations on 1 August 2012.
4 Mr M J Hughes retired on 20 July 2012.

24 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

(iii) *Share holdings* (continued)

2012	Balance at the start of the period	Received during the year on the exercise of options	Other changes during the period	Balance at end of the period
Directors of Ausdrill Limited				
Ordinary shares				
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[1]	–	–	–	–
J E Askew[2]	600,000	–	(600,000)	–

1 Mr MG Hills resigned from the Board on 15 June 2012
2 Mr JE Askew resigned from the Board on 7 June 2011

Other key management personnel of the Group				
Ordinary shares				
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	–	–	–	–

(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.

(d) Other transactions with key management personnel

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:

	2013 $	2012 $
Amounts recognised as expense		
Rent of office buildings	**358,032**	358,032

25 REMUNERATION OF AUDITORS

During the period 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:

(a) PwC

	2013	2012
(i) Audit and other assurance services		
Audit and review of financial statements	**707,133**	675,397
Other assurance services		
Due diligence services	**566,965**	252,166
Debt offering assurance	**369,150**	-
Total remuneration for audit and other assurance services	**1,643,248**	927,563
(ii) Taxation services		
Tax compliance services	**749,969**	973,623
(iii) Other services		
Remuneration advice	**-**	21,000
Advisory and accounting consulting services	**201,119**	226,342
Total remuneration for other services	**201,119**	247,342
Total remuneration of PwC Australia	**2,594,336**	2,148,528

25 REMUNERATION OF AUDITORS (CONTINUED)

(b) Network firms of PwC Australia

	2013 $	2012 $
(i) Audit and other assurance services		
Audit and other assurance services	**165,323**	182,158
(ii) Taxation services		
Tax compliance services	**95,658**	15,218
(iii) Other services		
Advisory and accounting consulting services	**28,372**	71,530
Total remuneration of network firms of PwC Australia	**289,353**	268,906
(c) Non-PwC audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	**39,948**	35,376
(ii) Taxation services		
Tax compliance services	**16,139**	24,189
(iii) Other services		
Advisory and accounting consulting services	**42,921**	181,499
Total remuneration of non-PwC audit firms	**99,008**	241,064
Total auditors' remuneration	**2,982,697**	2,658,498

Assurance services provided by PwC during the year ended 30 June 2013 included due diligence fees of $566,965 in relation to the BTP acquisition and $369,150 in relation to the refinancing of debt facilities.

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.

26 CONTINGENCIES

(a) Contingent liabilities

In the course of its normal business, the group occasionally receives claims arising from its operating activities. In the opinion of the Directors, all such matters are covered by insurance or, if not covered, are without merit or are of such a kind or involve such amounts that would not have a material adverse effect on the operating results or financial position of the group if settled unfavourably.

For information about guarantees given by entities within the Group, including the parent entity, please refer to note 38.

(b) Contingent assets

The Group has lodged claims in relation to two matters which at the date of this report are unresolved and 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 2013 as receipt of these amounts are dependent on the outcome of the arbitration process and the litigation.

27 COMMITMENTS

(a) Capital commitments

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

	2013 $'000	2012 $'000
Property, plant and equipment		
Payable:		
Within one year	**13,248**	87,975

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

(b) Lease commitments

(i) Hire purchase liabilities

	2013 $'000	2012 $'000
Within one year	**40,829**	74,575
Later than one year but not later than two years	**26,909**	55,301
Later than two years but no later than five years	**11,607**	47,321
Total minimum hire purchase commitments	**79,345**	177,197
Future finance charges	**(5,999)**	(17,562)
	73,346	159,635
Hire purchase liabilities:		
Current	**36,912**	64,744
Non-current	**36,434**	94,891
Total lease liabilities	**73,346**	159,635

(ii) Operating leases

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

	2013 $'000	2012 $'000
Within one year	**11,099**	7,061
Later than one year but not later than five years	**17,157**	11,810
Later than five years	**-**	138
	28,256	19,009

28 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 24.

(c) Transactions with other related parties

The following transactions occurred with related parties:

	2013 $	2012 $
Sales of goods and services		
Associates	**19,146,881**	16,157,153
Interest received / receivable		
Associates	**661,412**	351,040
Management fee received / receivable		
Associates	**2,150,390**	3,057,967

28 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:

	2013 $	2012 $
Current receivables (sales of goods and services)		
Associates	**10,919,305**	14,662,775
Non-current receivables (loans)		
Associates	**9,487,871**	9,092,393

(e) Loans to/from related parties

	2013 $	2012 $
Loans to associates		
Beginning of the year	**9,092,393**	1,101,741
Loans advanced	**2,447,778**	8,390,740
Loans repaid	**(2,052,300)**	(400,088)
Interest charged	**661,412**	351,040
Interest received	**(661,412)**	(351,040)
End of period	**9,487,871**	9,092,393

(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 5.68% (2012: 7.13%).

Outstanding balances are unsecured and are repayable in cash.

29 BUSINESS COMBINATION

(a) Summary of acquisition of Best Tractor Parts Group

On 31 October 2012 Ausdrill Limited acquired 100% interest of Best Tractor Parts Group, a company that provides refurbished earthmoving parts, plant hire and rental, specialised mining support vehicles, and sales of earthmoving equipment.

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

	$'000
Purchase consideration	
Cash paid	164,712
Total purchase consideration	164,712

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	3,441
Property plant and equipment	55,945
Intangible assets	1,606
Inventories	65,866
Receivables	21,959
Other non-current assets	14
Deferred tax asset (net)	1,169
Payables	(23,727)
Employee benefit liabilities	(1,603)
Current tax liability	(1,901)
Net identifiable assets acquired	122,769
Goodwill on acquisition	41,943
Net assets acquired	164,712

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

29 BUSINESS COMBINATION (CONTINUED)

(a) Summary of acquisition of Best Tractor Parts Group (continued)

(i) Acquired receivables

The fair value of acquired receivables is $21,959,411. The gross contractual amount for trade receivables due is $22,329,595 of which $370,184 is expected to be uncollectable.

(ii) Acquisition related costs

Acquisition related costs of $2,555,080 are included in the income statement.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $66,964,104 and net (loss) of ($2,586,494) to the group from the period for 1 November 2012 to 30 June 2013. Included in the net loss of the period were amortisation/expensing in relation to inventory and property, plant and equipment fair value uplift of $6,720,842 required under Accounting Standards in relation to the BTP acquisition.

If the acquisition had occurred on 1 July 2012, consolidated revenue and consolidated profit for the year ended 30 June 2013 would have been $1,177,106,431 and $90,967,277 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2012, together with the consequential tax effects. The subsidiary's costs of the merger have also been excluded.

(b) Purchase consideration - cash outflow

	2013 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**164,712**
Less: balances acquired	
Cash	**(3,441)**
Outflow of cash - investing activities	**161,271**

(c) Prior period

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 business combination were disclosed in note 33 of the group's annual financial statements for the year ended 30 June 2012.

30 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):

			Equity holding **	
			2013	2012
Name of entity	**Country of incorporation**	**Class of shares**	**%**	%
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
AMCG	Ghana	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
Brandrill Exploration Drilling Pty Ltd	Australia	Ordinary	**100**	100
Brandrill Limited	Australia	Ordinary	**100**	100
BTP Equipment Pty Ltd	Australia	Ordinary	**100**	-
BTP Parts Pty Ltd	Australia	Ordinary	**100**	-
Best Hydraulics & Engineering Pty Ltd	Australia	Ordinary	**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**	100
Energy Drilling Australia Pty Ltd	Australia	Ordinary	**100**	100
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
Synegex Holdings Pty Ltd	Australia	Ordinary	**100**	100
West African Mining Services Ltd	Ghana	Ordinary	**100**	100

30 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.

31 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 Finance 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;
BTP Parts Pty Ltd;
BTP Equipment Pty Ltd;
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 Finance Pty Ltd, BTP Parts Pty Ltd and BTP Equipment Pty Ltd have been added to the closed group in 2013.

(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 2013.

31 DEED OF CROSS GUARANTEE (CONTINUED)

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

(continued)

	2013 $'000	2012 $'000
Consolidated income statement		
Revenue from continuing operations	**946,404**	947,270
Other income	**3,642**	13,642
Materials	**(316,415)**	(311,931)
Labour	**(305,673)**	(295,433)
Rental and hire	**(17,637)**	(21,201)
Depreciation and amortisation expense	**(102,947)**	(101,285)
Management Fees	**(10,377)**	(12,828)
Finance costs	**(37,848)**	(21,510)
Other expenses	**(83,011)**	(59,864)
Share of net profits of associates accounted for using the equity method	**22,946**	15,366
Impairment of goodwill	**(47)**	-
Profit before income tax	**99,037**	152,226
Income tax expense	**(18,637)**	(42,854)
Profit for the period	**80,400**	109,372
Consolidated statement of comprehensive income		
Other comprehensive income		
Profit for the period	**80,400**	109,372
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**7,301**	3,238
Items that will not be reclassified to profit or loss		
Gain on revaluation of land and buildings	**194**	3,429
Other comprehensive income for the period, net of tax	**7,495**	6,667
Total comprehensive income for the period	**87,895**	116,039
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**226,522**	155,600
Profit for the year	**80,400**	109,372
Dividends provided for or paid	**(44,498)**	(39,357)
Minority interest profit/loss	**-**	(93)
Retained earnings at the end of the financial year	**262,424**	225,522

31 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 2013 of the closed group.

	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	**49,082**	109,875
Trade and other receivables	**200,291**	194,133
Inventories	**212,937**	161,443
Total current assets	**462,310**	465,451
Non-current assets		
Receivables	**116,170**	43,841
Investments accounted for using the equity method	**100,001**	80,057
Property, plant and equipment	**698,999**	663,841
Deferred tax assets	**26,137**	10,649
Intangible assets	**71,892**	32,376
Total non-current assets	**1,013,199**	830,764
Total assets	**1,475,509**	1,296,215
Current liabilities		
Trade and other payables	**101,072**	135,695
Borrowings	**68,880**	197,746
Current tax liabilities	**1,499**	25,921
Provision	**7,295**	6,758
Total current liabilities	**178,746**	366,120
Non-current liabilities		
Borrowings	**464,161**	167,726
Deferred tax liabilities	**37,219**	22,964
Provisions	**3,796**	3,767
Total non-current liabilities	**505,176**	194,457
Total liabilities	**683,922**	560,577
Net assets	**791,587**	735,638
Equity		
Contributed equity	**526,447**	508,513
Reserves	**2,716**	1,603
Retained earnings	**262,424**	225,522
Total equity	**791,587**	735,638

32 INVESTMENTS IN ASSOCIATES

(a) Movements in carrying amounts

	2013 $'000	2012 $'000
Carrying amount at the beginning of the financial year	**35,888**	29,268
Share of profits after income tax	**22,946**	15,366
Share of exchange differences on translation	**6,628**	167
Transfer of carrying value of investment in associate on becoming a controlled entity	**-**	(8,913)
Carrying amount at the end of the financial year	**65,462**	35,888

(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:

		Group's share of:			
	Ownership Interest %	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2013					
African Underground Mining Services	**50**	**133,232**	**67,770**	**150,002**	**22,946**
2012					
African Underground Mining Services	50	101,054	65,166	115,452	15,366

African Underground Mining Services has operations in Ghana, Mali and Burkina Faso.

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.

33 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 29 August 2013 the directors declared the payment of a final ordinary dividend of $17,175,247 (5.5 cents per fully paid share) to be paid on 18 October 2013 out of retained profits at 30 June 2013. The financial effect of this transaction has not been brought to account at 30 June 2013.

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

	2013 $'000	2012 $'000
Profit for the year	**90,399**	112,207
Depreciation and amortisation	**123,695**	116,144
Impairment of other receivables	**1,184**	-
Loss on sale of non-current assets	**2,511**	2,538
Bad debts and provision for doubtful debts	**12,096**	1,729
Net exchange differences	**1,626**	(2,003)
Share of (profits) of associates	**(22,946)**	(15,366)
Impairment of goodwill	**47**	-
Non-cash employee benefits expense - shared based payments	**1,613**	1,482
Net (gain) on acquisition of investment	**-**	(500)
Change in operating assets and liabilities:		
Decrease/(increase) in trade debtors	**61,460**	(50,555)
Decrease/(increase) in inventories	**2,872**	(45,304)
Decrease/(increase) in other operating assets	**4,894**	(3,142)
(Increase) in deferred tax assets	**(10,251)**	(3,615)
(Decrease)/increase in trade creditors	**(64,908)**	30,003
Increase in other provisions	**21**	2,647
(Decrease)/increase in provision for income taxes payable	**(26,912)**	4,506
Increase in deferred tax liabilities	**9,889**	6,013
Net cash inflow from operating activities	**187,290**	156,784

35 NON-CASH INVESTING AND FINANCING ACTIVITIES

	2013 $'000	2012 $'000
Acquisition of plant and equipment by means of finance leases or hire purchases	**14,734**	79,635
Issue of shares under company dividend reinvestment plan	**9,585**	4,983
	24,319	84,618

36 EARNINGS PER SHARE

(a) Basic earnings per share

	2013 Cents	2012 Cents
Total basic earnings per share attributable to the ordinary equity holders of the Company	**29.63**	37.28

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the company	**28.98**	36.97

(c) Reconciliation of earnings used in calculating earnings per share

	2013 $'000	2012 $'000
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**91,314**	112,943

(d) Weighted average number of shares used as denominator

	2013 Number	2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**308,173**	302,935
Adjustments for calculation of diluted earnings per share:		
Effect of share appreciation rights on issue	**-**	511
Effect of share options on issue	**636**	2,089
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**308,809**	305,535

(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 37.

37 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.

37 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
2013								
12/11/2008	12/11/2013	$1.29	66,666	-	(66,666)	-	-	-
12/11/2008	12/11/2013	$1.34	233,332	-	(166,666)	-	66,666	66,666
12/11/2008	12/11/2013	$1.44	1,066,677	-	(300,003)	-	766,674	766,674
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	66,667
30/06/2009	30/06/2014	$1.29	33,333	-	(33,333)	-	-	-
30/06/2009	30/06/2014	$1.34	166,667	-	(166,667)	-	-	-
30/06/2009	30/06/2014	$1.44	166,668	-	-	(66,667)	100,001	100,001
29/11/2010	29/11/2015	$2.20	100,000	-	-	-	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	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	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	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	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	-
			4,233,343	-	(733,335)	(66,667)	3,433,341	1,750,005
Weighted average exercise price				$2.67	$1.38	$1.44	$2.97	$2.18

37 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
2012								
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

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 2013 was $2.73 (2012: $3.62).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.06 years (2012: 2.78 years).

Fair value of options granted

There were no options granted during the year ended 30 June 2013 (2012: 200,000).

37 SHARE-BASED PAYMENTS (CONTINUED)

(b) Share Appreciation Rights

There were no share appreciation rights granted during the year ended 30 June 2013 (2012: 4,000,000).

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
2013								
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	-
2012								
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	-

(c) Exercising from share-based payment recognition

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2013 $'000	2012 $'000
Options issued under employee option plan	**591**	886
Share appreciation rights	**1,022**	596
	1,613	1,482

38 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

Balance sheet		
Current assets	**90,486**	132,973
Non-current assets	**589,584**	667,515
Total assets	**680,070**	800,488
Current liabilities	**54,568**	99,705
Non-current liabilities	**39,447**	139,822
Total liabilities	**94,015**	239,527
Shareholders' equity		
Issued capital	**526,447**	508,513
Reserves		
Asset revaluation reserve	**563**	563
Share-based payments reserve	**3,903**	2,290
Retained earnings	**55,142**	49,595
Total equity	**586,055**	560,961
Profit for the period	**50,045**	54,334
Total comprehensive income	**50,045**	53,390

(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 $51,685,250 (2012: $91,595,379)
(ii) funding of subsidiaries for acquisition of plant and equipment amounting to $78,440,818 (2012: $103,787,466)

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$7.5 million (2012: USD$13.4 million).

In addition, there are cross guarantees given by Ausdrill Limited as described in note 31. No deficiencies of assets exist in any of these companies.

38 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012. 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 2013, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $5,538,676 (30 June 2012: $23,020,437). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

DIRECTORS' DECLARATION

30 JUNE 2013

In the directors' opinion:

(a) the financial statements and notes set out on pages 47 to 104 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 2013 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 31 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 31.

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 chief executive officer 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
29 August 2013

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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 2013, the income statement and 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 Ausdrill Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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. Those 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 consolidated 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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pwc

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 2013 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 26 to 34 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
29 August 2013

SHAREHOLDER INFORMATION

30 JUNE 2013

The shareholder information set out below was applicable as at 31 July 2013:

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	3,069	1,235,090
1,001 - 5,000	3,974	10,926,296
5,001 - 10,000	1,827	14,230,689
10,001 - 100,000	2,185	57,128,447
100,001 and over	178	228,756,702
	11,233	312,277,224

There were 1,786 holders of less than a marketable parcel of 463 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. Cherry Garden Nominees Pty Ltd	36,301,664	11.62%
2. HSBC Custody Nominees (Australia) Limited	30,301,914	9.70%
3. National Nominees Limited	27,659,503	8.86%
4. JP Morgan Nominees Australia Limited	25,369,484	8.12%
5. Bremerton Pty Ltd (The Bartlett Family Fund)	16,131,061	5.17%
6. Citicorp Nominees Pty Ltd	13,417,632	4.30%
7. JP Morgan Nominees Australia Limited (Cash Income a/c)	9,004,139	2.88%
8. Garry Patrick Connell & Devryn Lee Connell (Connell Contractor Super a/c)	3,408,040	1.09%
9. CTS Funds Pty Ltd (Civic Super Fund a/c)	3,139,665	1.01%
10. BNP Paribas Nominees Pty Ltd	2,972,954	0.95%
11. Mrs Patricia Gladys Wright	2,466,233	0.79%
12. Royale Blue Pty Ltd	2,267,000	0.73%
13. HSBC Custody Nominees (Australia) Limited – A/C 3	2,078,094	0.67%
14. Zero Nominees Pty Ltd	2,000,000	0.64%
15. QIC Limited	1,996,570	0.64%
16. RBC Investor Services Australia Nominees Pty Ltd (PISELECT)	1,986,669	0.64%
17. Mr Brian Gregory Wright & Ms Wendy Joy Wright (BG Wright Super Fund a/c)	1,684,380	0.54%
18. Mr Peter Mervyn Bartlett & Ms Julie Lorraine Bartlett (Bremerton P/L S/Fund)	1,552,793	0.50%
19. Share Direct Nominees Pty Ltd (10026 A/C)	1,429,950	0.46%
20. Citicorp Nominees Pty Ltd (Colonial First State Inv a/c)	1,294,666	0.41%
	186,462,411	59.72%

C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	Number held	Percentage
1. Cherry Garden Nominees Pty Ltd / Ronald George Sayers	36,846,782	11.80%
2. Invesco Australia Ltd	16,787,171	5.28%
3. Bremerton Group / PM & JL Bartlett	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

		2009	2010	2011	2012	**2013**
REVENUE						
Sales Revenue	**$'000**	505,468	630,963	834,641	1,059,107	**1,128,559**
Interest Received	**$'000**	3,452	1,898	4,572	3,134	**2,724**
Dividends Received	**$'000**	45	-	-	-	**-**
Total	**$'000**	508,965	632,861	839,213	1,062,241	**1,131,283**
PROFIT						
EBITDA	**$'000**	122,684	150,364	195,437	288,436	**272,699**
Depreciation and amortisation expense	**$'000**	52,415	69,833	82,509	116,144	**123,695**
EBIT	**$'000**	70,269	80,531	112,928	172,292	**149,004**
Net Interest Expense	**$'000**	12,627	15,827	13,470	19,805	**39,548**
Profit before income tax	**$'000**	57,642	64,704	99,458	152,487	**109,456**
Income tax expense	**$'000**	17,397	16,140	26,141	40,280	**19,057**
Profit after tax from continuing operations	**$'000**	40,245	48,564	73,317	112,207	**90,399**
Profit / (loss) from discontinued operation	**$'000**	-	(387)	-	-	**-**
Profit for the year	**$'000**	40,245	48,177	73,317	112,207	**90,399**
Number of Ordinary Shares at Year End	**000's**	174,774	261,820	301,453	304,397	**312,277**
Weighted Number of Ordinary Shares	**000's**	173,248	203,527	270,568	302,935	**308,173**
Basic earnings per share	**cents**	23.23	23.71	27.13	37.28	**29.63**
Diluted earnings per share	**cents**	23.23	23.53	26.92	36.97	**28.98**
STATEMENT OF FINANCIAL POSITION						
Total Assets	**$'000**	601,625	885,480	1,069,736	1,342,615	**1,539,396**
Total Liabilities	**$'000**	295,495	383,992	414,793	601,854	**722,010**
Shareholders' Equity	**$'000**	306,130	501,488	654,943	740,761	**817,386**
Net tangible assets per share	**dollar**	1.73	1.78	2.06	2.33	**2.39**
CASH FLOWS						
Gross cash flows from operating activities	**$'000**	73,008	157,016	136,102	205,407	**263,966**
Net cash flows from operating activities	**$'000**	48,401	123,007	117,349	156,784	**187,290**
Net cash flows from investing activities	**$'000**	(86,192)	(32,127)	(154,565)	(195,640)	**(330,281)**
Net cash flows from financing activities	**$'000**	(8,231)	9,040	36,739	23,551	**93,328**
Closing cash balance	**$'000**	44,686	144,387	140,714	124,188	**78,826**
Gross debt	**$'000**	211,080	242,900	223,612	366,411	**551,255**
Net debt	**$'000**	166,394	98,513	82,898	242,223	**472,429**
DIVIDENDS						
Total Dividends per share (Interim & Final declared)	**cents**	11.00	11.00	12.00	14.50	**12.00**
Total Dividends paid	**$'000**	18,991	20,924	30,183	39,357	**44,498**
NET DEBT/TOTAL CAPITAL	%	35	16	11	25	**37**
EBIT TO SALES REVENUE	%	13.90	12.76	13.53	16.27	**13.20**
EMPLOYEES AT YEAR END	#	2,531	3,619	4,362	6,003	**5,703**

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