

26 SEPTEMBER 2014

2014 ANNUAL REPORT AND NOTICE OF AGM

Please find attached the Ausdrill Limited 2014 Annual Report.

Ausdrill Limited will hold its 2014 Annual General Meeting on Friday 31 October 2014 at 10.00am (Perth time) at the Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia.

The 2014 Annual Report and Notice of Meeting will be distributed to shareholders today.

AUSDRILL LIMITED



Domenic Santini
Company Secretary

**BRINGING MORE
TO MINING**

STRENGTHENING OUR BUSINESS



AUSDRILL AT A GLANCE



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A STRATEGY TO GET BETTER AT WHAT WE DO BEST

The mining game has changed. Today, miners are looking for new and better ways to lower their total mining costs to stay world competitive.

Just like our customers, we're also looking at how we can provide better services, more efficiently, for a lower cost and in a safer way.

These are big challenges, but our businesses are already working to implement the necessary strategies to grow in the new world we work in.

Such as packaging our diversified services to bring the benefits of standardisation and integration to our customers' sites, mining data so our customers can remove the hidden costs and inefficiencies from their operations, developing innovative new tools and equipment to make mining safer and more productive, and using the synergies across the Group to ensure we deliver a competitive value offer.

Across eight countries, on hundreds of mining sites, Ausdrill people, expertise, products and technology are focused on getting better at what we do best.

INNOVATION AND CHANGE HIGHLIGHTS

ON THE FRONT FOOT WITH SAFETY RISK ASSESSORS

Risk assessments in the mining services sector have traditionally been one of the many responsibilities of site based HSE personnel.

In 2012, Ausdrill changed this approach with the formation of a specialist HSE Risk Team focused solely on reducing health and safety risks across Ausdrill Group sites worldwide.

To date, the Team has undertaken 146 risk assessments across 40 sites. Risk Assessments are uploaded directly into Ausdrill's Risk Register within the Group's safety data management system, which allows better control and mitigation of hazards and promotion of best-practice safety standards across the Group.

The HSE Risk Team has helped Ausdrill lead the way in providing healthy and safe workplaces in the mining services industry.

HELPING CUSTOMERS OPTIMISE THEIR MINE PROCESSES

The easy gains in mine productivity and cost reduction have now been exhausted. To mine at a lower cost, resource companies are now having to look much closer at every process to get smarter and leaner.

The Ausdrill drilling businesses have each designed and carried out detailed productivity audits specifically designed to identify process losses. All members of the drill crews participate in the audit program to ensure we gather a balanced view of the existing productivity performance.

Data and recommendations from the audit process are then summarised by the respective management teams, with audit improvements being rolled out as expeditiously as possible. In some instances, productivity improvements of greater than 10% have been achieved in a matter of months.





HIGHER RATES OF PENETRATION AT A LOWER COST

To get Australia's minerals out of the ground, mining companies first have to drill. Every metre drilled costs miners money, not just in labour and equipment, but also in drilling consumables such as hammers, bits, rods and subs.

The merging of Remet into Drilling Tools Australia (DTA) has enabled the creation of a new drilling consumables 'supermarket' where any miner or contractor with any model rig can buy everything they need from one source.

But this is only half the story. DTA also designs and manufactures locally in its advanced robotic facility. This means the company is able to manufacture to order so customers can optimise both consumable life and drilling performance across different site geologies.

The result is DTA is helping the world's largest mining companies achieve higher rates of penetration and significant cost savings, using the same rigs and personnel.

OIL AND GAS EXPLORATION GOES HIGH-TECH

Energy Drilling Australia's (EDA) new \$20 million high-tech drill rig is the first of its kind in Australia, and only the second in the world.

The benefit to Australia's oil and gas companies of this new addition is significant cost savings and better safety over current drilling equipment. The rig is highly mechanised with features such as automated pipe handling so less people are required to operate it. The innovative design also eliminates the need for cranes to assemble or move the rig, allowing faster mobilisation and greater drilling productivity.

The new rig will enable EDA to capitalise on increasing exploration activity within the oil and gas sectors of Queensland, the Northern Territory and South Australia.



FINANCIAL PERFORMANCE FOR THE YEAR

SALES REVENUE

\$826.3M

-26.8%



EBITDA¹

\$173.7M*

-36.3%



PROFIT BEFORE TAX¹

\$34.4M*

-68.5%



EBIT¹

\$74.5M*

-50.0%



AN
ASX300
LISTED
COMPANY

EARNINGS PER SHARE

9.7c*

-67.2%



PROFIT AFTER TAX

\$29.1M*

-67.8%

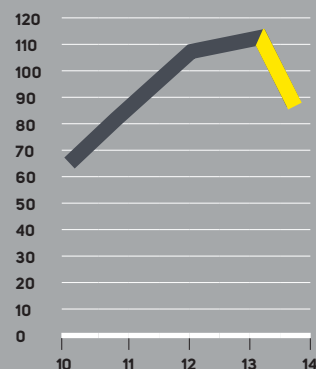


FINAL DIVIDEND

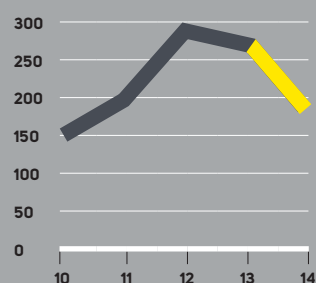
2.0c

FINAL DIVIDEND OF 2.0 CENTS PER SHARE, FULLY FRANKED

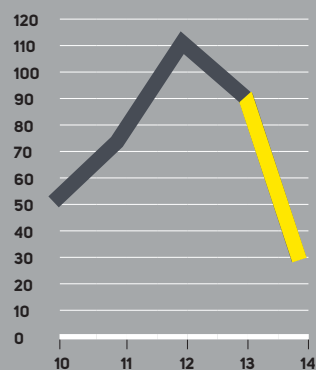
SALES REVENUE (\$M)



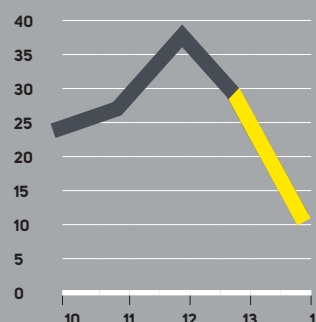
EBITDA ^{*1} (\$M)



PROFIT AFTER TAX ^{*1} (\$M)



EARNINGS PER SHARE ^{*1} (CENTS)



* Figures exclude the effects of any impairment charge

¹ Refer notes page 19

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

Ausdrill's key focus is providing a broad range of services to mining clients. Ausdrill (**Company or Group**) has invested in people, businesses and equipment over more than 25 years to ensure it can successfully deliver services across every stage of the mining lifecycle, with a particular focus on production. It is a strategy that has delivered strong returns for the Company to date, and one which management believes will continue to deliver in the years ahead.

In Australia the services offered include 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.

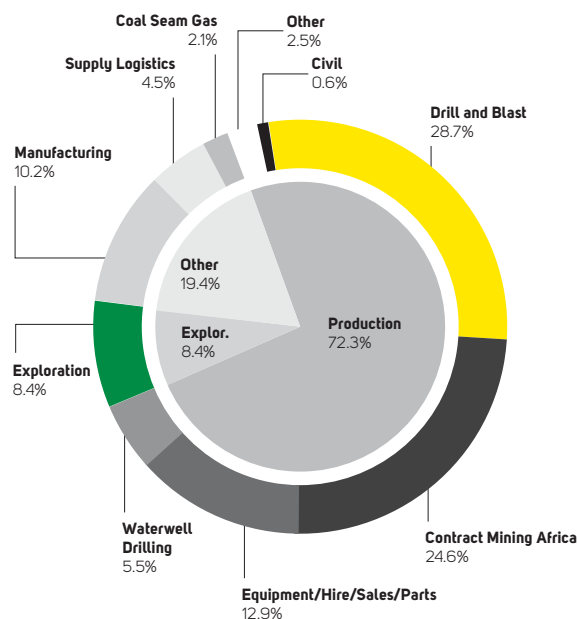
These service offerings are complemented by significant in-house manufacturing capabilities that produce drilling rigs, light weight dump truck trays, parts and consumables, as well as supply and logistics that provide mining supplies and logistical services, both of which are used in Ausdrill's core services, and sold to external customers.

In addition to the above services, the Group offers mineral analytics and exploration drilling services. The combined services and production capabilities enable 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.

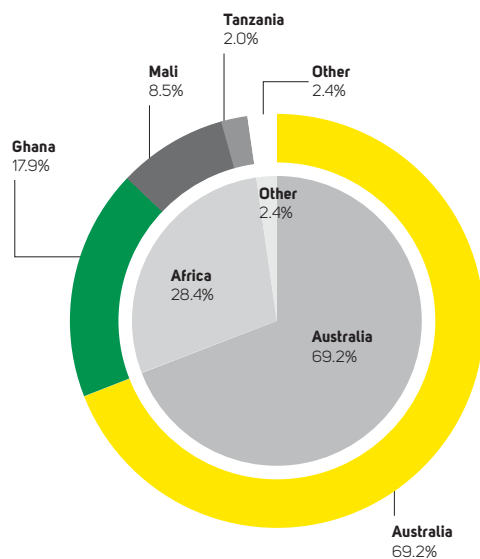
The Australian operations are primarily based in Western Australia, with a presence in Queensland, South Australia and New South Wales. Ausdrill's African operations are primarily located in Ghana, with a presence in Mali, Burkina Faso, Guinea and Tanzania. The Group provides specialist underground mining services (high speed decline development and production) through its 50-50 joint venture with Barmenco Limited, African Underground Mining Services.

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

Ausdrill Revenue by Business Activity *



Ausdrill Revenue by Geography *



* Based on FY2014 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 2014 AFTER INTER-SEGMENT ELIMINATION.

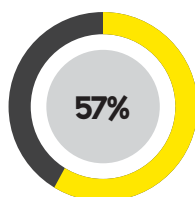
MINING SERVICES AUSTRALIA



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 *

\$472M



CONTRACT MINING SERVICES AFRICA



Contract mining services including

- Drill and Blast
- Grade Control
- Load and Haul
- Crusher feed
- Equipment hire and parts

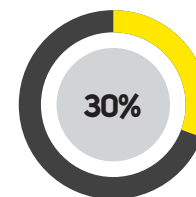
Exploration Drilling

Underground development and production services

Mineral Analysis

REVENUE *

\$251M



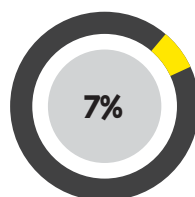
MANUFACTURING



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

REVENUE *

\$55M



SUPPLY & LOGISTICS AND OTHER



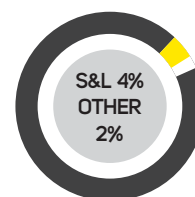
Supply and logistics for external customers

Construction services for the utility, telecommunications and power industries

Support function for offshore operations

REVENUE *

\$48M



* Excludes intercompany sales

Ausdrill's clients are predominantly mining companies that are in production in the gold and iron ore sectors. For the year ended 30 June 2014, approximately 64% 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 that 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 such as Anglo Gold, BHP Billiton, Barrick, Rio Tinto, Gold Fields and Randgold. These companies are typically large, publicly-listed multinational corporations with annual mining revenue of more than US\$500 million and have 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 2014		12 months to June 2013	% change from previous corresponding period
	Statutory	Non-IFRS		
Sales Revenue	826.3	826.3	1,128.6	-26.8
EBITDA ^{1 2}	157.2	173.7*	272.7	-36.3
EBIT ^{1 2}		74.5*	149.0	-50.0
Operating Profit ^{1 3} before tax		34.4*	109.5	-68.5
Operating Profit/(Loss) after tax	(43.9)	29.1*	90.4	-67.8

* Figures exclude the effects of any impairment charges

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

REVENUE

Sales Revenue for the Group decreased by 26.8% or \$302.3 million. The reduction in activities was across all segments of the business and generally appears to be due to mining companies seeking to lower costs by reducing mining volumes and deferring expenditure as much as possible as a result of lower commodity prices.

Sales Revenue excludes Ausdrill's 50% share of revenue generated by the AUMS joint ventures being \$136.8 million (2013: \$150.0 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 85% (2013: 83.0%) of all expenses.

Materials expenses decreased by 23% or \$86.8 million and is broadly in line with the decrease in sales revenue for the Group.

Labour expenses decreased by 20% or \$75.1 million and reflects the decline in activity associated with the slow down in the mining industry including the direct redundancy costs associated with the termination of employees.

Depreciation and amortisation expenses decreased by 20% or \$24.5 million and reflects the lower utilisation of equipment associated with the slow-down in the mining industry.

EARNINGS

EBITDA (excluding impairment) decreased from \$272.7 million to \$173.7 million for the year ended 30 June 2014 and

the EBITDA margin (excluding equity accounted profits and impairment) decreased from 22.1% to 20.8%. The EBITDA margin has been impacted by the underperformance of Energy Drilling Australia and MinAnalytical. The equity accounted profits from joint ventures decreased from \$22.9 million in 2013 to \$1.4 million.

EBIT (excluding impairment) decreased from \$149.0 million to \$74.5 million for the year ended 30 June 2014 and the EBIT margin (excluding equity accounted profits and impairment) has decreased from 11.2% to 8.8%, which reflects the impact of margin pressure and the under-utilisation of plant and equipment.

Profit after tax decreased from \$90.4 million to an operating profit after tax of \$29.1 million for the year ended 30 June 2014. The lower profits result from the lower revenue and margins experienced this year. The operating profit after tax includes the benefit of a lower tax charge due to the profits from the operations in Mali being tax exempt for the first half of the year, and a revenue-based tax system applying in Tanzania.

The reported loss after tax for the year of \$43.9 million includes the effects of impairment charges made in the current year totalling \$73.0 m on an after tax basis and is summarised as follows:

Item	A\$m
Tangible asset impairment:	
– write down of plant and equipment	16.5
Tax effect on above	(4.9)
Intangible asset impairment:	
– Goodwill in the Mining Services Australia Segment	61.4
Net Profit After Tax Impact	73.0

The above items are highlighted as they are non-operating expenses and are not expected to be recurring.

For an entity with goodwill, accounting standards require a mandatory impairment test to be performed annually at the same time each year. (This is normally undertaken by Ausdrill at the end of the financial year and was last undertaken for the 31 December 2013 half year report). Further it is required that at the end of each reporting period an entity must consider whether there are any indicators which may suggest the entity's assets could be impaired and if so impairment testing should be performed. Given the current lower levels of activity in the mining sector (leading to a higher level of idle equipment) and the Company's market capitalisation being lower than the book value of equity, management considered that for the year ended 30 June 2014 a review of goodwill and tangible assets should be undertaken to test for impairment.

Whilst the Group's longer range business forecasts that are used for the testing of recoverable amounts as required under accounting standards are based on certain assumptions, if any of the forecast assumptions are not achieved, or it is necessary for

a higher discount rate to be used in the Group's impairment testing, then the Group may be required to book a further impairment expense at that time.

The impairment testing for the year ending 30 June 2014 resulted in an impairment charge in the current year and full details of the methodology and assumptions used are set out in note 7(d) to the financial statements.

Operating profit is reported by Ausdrill to provide a greater understanding of the underlying business performance of the Company. Operating profit excludes significant items of income or expense which are either individually or in the aggregate material to Ausdrill and are either outside the ordinary course of business or are part of the ordinary course of business but are unusual due to their size and nature.

Reconciliation of non-IFRS Financial Information		A\$m
Loss after tax as reported		(43.9)
Add back:		
Impairment expense	77.9	
Tax effect on Impairment expense	4.9	
Net Impairment expense after tax		73.0
Operating Profit after tax		29.1
Add:		
Tax expense on Operating Profit		5.3
Profit before tax		34.4
Net Interest Expense		40.1
EBIT		74.5
Depreciation and amortisation expense		99.2
EBITDA		173.7

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	2014	2013	2014	2013
Mining Services Australia	473.8	602.3	41.0*	62.9

*Figures exclude the effects of any impairment charges

Mining Services Australia has reported a decline in profits directly as a result of the downturn in the mining industry with most commodities 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.

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 renegotiated a life of mine contract extension at Prominent Hill, with expected completion of the open pit in mid-2018. A new 4.5 year contract was secured with La Mancha Resources to provide drilling, blasting and grade control services at its White Foil gold project.

A three year contract was awarded by Western Desert Resources to provide drill and blast services at its Roper Bar iron ore project. In addition, a new two year contract was awarded by Mt Gibson Iron to provide blast hole drilling at its Koolan Island operations. At the Kalgoorlie Superpit in the Western Australian Goldfields, operations continue under a Letter of Intent for both blast hole drilling and grade control services.

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 due to the move by the major mining companies to perform more activities in-house. The weakness in the gold price during FY2014 has continued to have an adverse impact on the business, with clients under cost pressures reducing work across the board.

The business operates 178 rigs comprising top hammer drills, rotary and blast hole drills, purpose built probe drills and RC grade control drills. Whilst some of the older rigs have been retired, the business continues to upgrade with purpose-built machines where prudent.

BTP GROUP

The acquisition of Best Tractor Parts (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; and
- BTP Equipment, which 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 continuing instability 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 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 has also experienced collection issues with certain clients, which are being closely monitored. However, in these trying conditions this risk remains.

BTP Parts is pushing forward in partnership with other companies in the Group to form supply branches in Africa. This expansion in international distribution will further build the Group's footprint with major mining companies worldwide.

BTP Parts continues to be the market leader in innovation of not only component rebuilds and supply, but also the development of transportation stands. Incorporating the latest research and development as well as safety standards, the initial contract to supply BHP has now developed into the construction and sale of over 360 stands.

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 remained steady and in line with market conditions with our major blue chip clients during the 2014 financial year. 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 12 months, the business remains well positioned to outperform the broader hydrogeological drilling contractor market.

Rig fleet utilisation levels continue to be supported by long term multiple rig contracts. Connector Drilling is well placed to consolidate its position as market leader in Western Australia. In addition, the fleet will also enable the business to fulfil the expectation to expand into markets outside of Western Australia and to leverage the interstate infrastructure of other drilling service providers within the Ausdrill Group.

Connector Drilling is a leader in the market in terms of safety innovation in large diameter drilling and bore construction.

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.

Over the past 12 months the Australian mining industry has continued to reduce 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. Activity in the Goldfields region continues at a lower rate with long term clients and the larger mining houses.

ANW has continued to steadily increase rig numbers with major clients throughout the year, while demand for services from the small to mid-tier clients has reduced. Although pressure on drilling rates and compliance costs have continued to increase, ANW is developing strategies to offset these costs by increased utilisation and production efficiency gains.

To further enhance ANW's position with major clients, ANW has designed a new rig which offers major increases in operator safety by removing the driller from the rig through the introduction of remote control technology.

During the year ANW was acknowledged for its commitment to the continuous improvement of equipment by being named overall winner of Rio Tinto's Supplier Recognition program.

With large exploration programs forecast by major clients over the coming year, ANW is well placed to capitalise on its current position and maintain market share in an increasingly competitive environment. Commercial activities continue with major clients such as BHP Billiton, Rio Tinto, Gold Fields, Northern Star and Consolidated Minerals. As the Group's Exploration division focuses on the provision of contracted services with these clients the impact of the general downturn on the business is minimised.

SYNEGEX

SynegeX manufactures and supplies explosives to other Ausdrill businesses and to external customers. In the past year SynegeX has continued to see the benefits of increased revenue from current supply contracts.

SynegeX has continued to build its business strength through secure contracted supply of essential raw materials and improved bulk explosives products and handling equipment. Over the past 12 months SynegeX secured explosives supply to two new projects, subcontracting through Ausdrill drill and blast, to Western Desert Resources at its Roper Bar iron ore project, and La Mancha Resources at its White Foil gold project.

MINANALYTICAL LABORATORY SERVICES

MinAnalytical Laboratory Services offers a range of high quality analytical services for the mineral exploration and mining Industry and is NATA accredited in accordance to ISO17025:2005. Based in Canning Vale, Western Australia, MinAnalytical has a team of dedicated people with many years' industry experience utilising the latest technology. Recent restructuring of the business has seen Ausdrill take 100% ownership and reposition the company to suit the current environment and allow it to quickly respond to an upturn in activity.

The business completed the commissioning and NATA accreditation of its fully automated iron ore laboratory and successfully secured foundation customers. MinAnalytical has built up strong relationships with existing customers and is maintaining a base load of work. The division is an important part of the Group's offering to clients of an integrated service across every stage of the mining lifecycle.

ENERGY DRILLING AUSTRALIA (EDA)

Based in Queensland, EDA was established in 2009 to provide drilling services for companies operating in the conventional/shale oil and gas markets, as well as coal seam gas (CSG) markets. EDA now operates four purpose built oil & gas rigs as well as 2 well servicing rigs (RSR) and one coil tubing unit (CTU). The four rigs consist of:

- 1 x Foremost Explorer III-65 (130,000 lbs hoist) rig
- 2 x Schramm TXD200 (200,000lb hoist) rigs
- 1 x Schramm T500XD (500,000lb hoist) rig

The three service rigs consist of:

- 2 x C-Tech (70,000lb hook load) service rigs
- 1 x C-Tech CT-300 (30,000lb) Coil Tubing Unit.

In the past 12 months EDA has continued to consolidate its position within the oil & gas service industry, focusing on operational excellence, customer service, internal management support and industry accreditation. EDA successfully qualified for ISO9001 quality certification in June 2014 and is now one of the only drilling contractors to be triple certified in safety, environment and quality. This has been achieved by emphasising oil and gas experience within its own personnel and the successful completion of drilling programs within or exceeding customer expectations. EDA's current and past clients include Bridgeport Energy Australia, Strike Energy, AGL, Queensland Energy Resources, Senex Energy and Statoil.

The signing of the Statoil contract in early 2014 was a significant achievement for EDA given Statoil's standing as one of the world's leading oil and gas producers, and demonstrates EDA's ability to deliver both the support and services required by a major operator.

The securing of a long-term contract for EDA's newest acquisition, Rig #4 (T500XD), marked another significant milestone. The T500XD commenced operations for Senex in August 2014, and this rig, along with Rig #3 which is currently also contracted to Senex, could result in EDA becoming a significant drilling resource for Senex.

The T500XD's ability to drill deeper, more complex wells has attracted attention from other major operators within the oil and gas industry who we believe will be closely monitoring the success of the T500XD.

During the financial year ending 30 June 2014, the CSG market demand for drilling contractors experienced a slowdown. Some CSG companies have consolidated the number of drilling contractors, offering contracts based on volume. Other CSG operators have also positioned themselves to supply their own drilling rigs. EDA's decision to focus more on the shale/conventional drilling market during 2014 and beyond has reduced the impact of these developments. EDA is also well placed to supply well servicing rigs and benefit from the anticipated increase in gas demand with the commissioning of the Gladstone LNG plant in 2015.

However, with the change in the CSG market and the yet to be recognised demand for well servicing services, it has been an unprofitable year for Rig #1 and the Service Rigs. All efforts are ongoing to secure contracts for this equipment, whilst reducing personnel and general costs but maintaining operational integrity.

EDA is currently tendering and negotiating on contracts for existing services in Western Australia, South Australia, the Northern Territory and Queensland.

Key Contracts

The key contracts in place at 30 June 2014 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	Exploration drilling
Mt Gibson Iron	Koolan Island	Pilbara, WA	Blast hole drilling
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
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
Western Desert Resources	Roper Bar Iron Ore	Gulf Country, NT	Drill and blast
La Mancha Resources	White Foil Gold	Goldfields, WA	Exploration drilling, drill & blast, grade control
Territory Iron	Frances Creek Iron Ore	NT	Drill and blast
Senex Energy	Multi well drilling program	Cooper Basin, QLD	Drilling services as part of oil & gas exploration
Statoil	5 wells to evaluate shale prospects	South Georgina Basin, NT	Drilling services

CONTRACT MINING SERVICES: AFRICA

	Segment Performance			
	Sales revenue		Earnings before interest and tax	
\$ million	2014	2013	2014	2013
Contract Mining Services Africa	251.1	389.6	35.5	82.0

The African contract mining services business has reported a decline in revenues and earnings as a result of the cessation of mining contracts at Yatela, Pampe and Chirano as well as lower mining volumes at the Edikan and Syama projects. The group has redeployed the majority of the assets from the completed projects to the new projects at Siguiri and Iduapriem. Segment performance has been impacted by the lower contribution from the AUMS Joint Venture. The effect of a lower average Australian vs US Dollar exchange rate during the year has had an 11% positive impact on reported revenues and profits compared to the prior year.

AFRICAN MINING SERVICES (AMS)

In Ghana AMS:

- mobilised and established equipment and infrastructure for the contract mining works at the Iduapriem mine, owned and operated by AngloGold Ashanti (AGA). AGA's mine plans at Iduapriem indicate a significant increase in volumes in 2015;
- was awarded a five year extension for contract mining services at the Nzema mine owned and operated by Endeavour Mining;

- had the exploration drilling services contract terminated at Newmont due to a decrease in client funds available for exploration drilling services; and
- completed construction of a new office and accommodation facility in Accra, now utilised as Ausdrill's African headquarters.

In Mali, AMS:

- demobilised its Yatela operations, owned and operated by AngloGold Ashanti, as mine production ceased in September 2013;
- was awarded Tailings Storage Facility works at Syama, which was completed on schedule and budget;
- had a significant contract variation leading to a reduction in mining volumes at the Syama gold mine, owned and operated by Resolute Mining Limited. Volumes at Syama are due to return to near tender levels during the first half of FY2015 which will see the bulk of idle plant in Mali return to productive work; and
- established its first exploration drilling services contract.

In Burkina Faso, AMS:

- maintained a presence, but the fleet of exploration drilling rigs is currently idle.

In Guinea, AMS:

- mobilised and established equipment and infrastructure for the contract mining works at the Siguiri mine, owned and operated by AngloGold Ashanti.

Whilst the mining industry activity, in particular exploration drilling, has slowed down, there are a number of opportunities AMS can pursue. Tender activity in West Africa is at the highest level it has been for two years. AMS has secured the last three tenders that have progressed to active projects at Nzema, Iduapriem and Siguiri, which indicates our pricing is highly competitive.

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 provides drilling, blasting and exploration services to the East African mining industry, as well as exploration services to the region. During the year work carried out at the Geita gold mine was completed. The business operates eight rigs which are currently idle. The business is actively looking for opportunities in the region.

AMS operates over 250 major equipment units and 22 exploration drills in West Africa.

Key Contracts

The key contracts in place at 30 June 2014 for the Contract Mining Services Africa segment are:

Client	Project	Location	Services Provided
Resolute	Syama Gold	Mali	Open pit mining
Perseus	Edikan Gold	Ghana	Open pit mining
Endeavour	Nzema Gold	Ghana	Open pit mining
AngloGold Ashanti	Iduapriem	Ghana	Open pit mining
AngloGold Ashanti	Siguiri	Guinea	Open pit mining

**SALES
REVENUE**

\$826.3M

**DOWN FROM
\$1128.6M IN 2013**

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 and commenced work for customers in Ghana, Mali and Burkina Faso in 2009, 2010 and 2012 respectively. The number of underground operations for AUMS has decreased from five to two.

Key Contracts

The key contracts in place at 30 June 2014 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
Nantou	Perkoa Zinc	Burkina Faso	Underground development

The Company's share of revenue from AUMS has decreased from A\$150.0 million in the year to June 2013 to A\$136.8 million in the year to June 2014, with net profit after tax decreasing from A\$22.9 million to A\$1.4 million (being Ausdrill's 50% share). The cessation of work at the Chirano operation and the reduced scale of operations at the Perkoa Zinc Mine resulted in reduced revenues, which coupled with higher than expected maintenance costs have led to a decline in profits this year.

MANUFACTURING

Segment Performance

	Sales revenue		Earnings before interest and tax	
\$ million	2014	2013	2014	2013
Manufacturing	91.9	128.1	1.0	11.5

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.

External customers accounted for \$54.9 million (2013: \$75.2 million) of the segment sales during the 12 months to 30 June 2014.

DRILLING TOOLS AUSTRALIA (DTA)

DTA manufactures and sells a full range of drilling consumables and drill rig spares to support the Group and a steadily growing number of external customers in Australia and internationally. The business was established in 2004 and has reported excellent growth since that time but has not been immune to the slowdown in the mining sector through FY14. On 1 July 2013 DTA and Remet Engineers merged into one business under the DTA banner providing the market with full drill string solutions for any and all rig types. The business continues to gain significant operational benefits and increased manufacturing and engineering flexibility from the merger in both its Canning Vale and Kalgoorlie operations. Remet products and the strong Remet brand remain an integral part of the business.

The Queensland operation continues to perform strongly in the oil and gas sector.

The recently opened BOP (blow out preventer) service centre working under a licensed agreement with Integrated Equipment in the USA, has provided a much needed API Certified mechanical servicing and re-certification facility for Well Head Control Equipment for the Australian oil and gas industry. Exclusive sales and service agreements with USA manufacturers of well control equipment and spare parts keeps it well placed to benefit from this growing sector of the market.

DTA continues to add value to BHP mining operations across the Pilbara as it enters its second year of a five year supply agreement. DTA is pursuing growth opportunities in South America and is continuing to push into Africa to establish a position as a major service and engineered solutions provider in the mining consumables sector.

DT HILOAD

DT HiLoad manufactures heavy duty light weight mining truck trays sold under the Hercules brand.

The market demand for mining trucks plummeted during the year. Mining companies have halted all major capital expenditure and there are many trucks parked up at sites globally. There are some signs that miners are starting to look for efficiency gains which the Hercules tray can provide and there are some

positive signs of increased activity in international markets.

In response to the downturn, costs and staff have been significantly reduced during the year.

During the past year, the business introduced the new Barracuda range of excavator and loader buckets. Innovation continues on a number of fronts, all associated with the core business of mining haul trucks. For example, one innovation currently in the development stage is a pin extraction tool for removing truck tray pins. Once implemented, the need for employees to be working under a suspended load will be eliminated.

DRILL RIGS AUSTRALIA (DRA)

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, 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 completed manufacturing the DRA/Rock Marshall 365, which is currently test drilling in the Pilbara.

DRA's latest project, the DRA/Rock Sapper 315, is currently being developed as a top hammer rig, which will replace the Pantera type rig. DRA has also manufactured 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	2014	2013	2014	2013
Supply & Logistics	41.2	73.6	1.0	3.5

Supply Direct achieved satisfactory results in 2014 with a good performance from the African sector, particularly South Africa. A bonded warehouse has been established in South Africa to assist other Ausdrill group companies establish a stronger foothold in Africa.

OTHER

Segment Performance

	Sales revenue		Earnings before interest and tax	
\$ million	2014	2013	2014	2013
All Other Segments	17.4	16.5	(4.0)	(10.9)

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

The profit for the year includes foreign exchange gains of \$5.8 million (2013: loss of \$1.9 million).

DIAMOND COMMUNICATIONS

Diamond Communications has reported satisfactory results for the year ending 2014.

Diamond has continued with the underground power program in the suburbs of Perth, completing projects in Hamilton Hill and progressing with delivery in Coolbinia and Shenton Park. Additional projects are expected to come to fruition during 2014/15.

Diamond has successfully completed several large projects in WA and SA for Telstra under the Western Region Optical Fibre contract. A large portion of this work was related to Rip & Plough using D7-D10 Cat dozers. This program of works appears to be coming to an end and moving into more large hauling type projects in metro areas.

Work continues on the design with the option to construct the Onslow to Karratha optical fibre on behalf of Trident and this may generate a further wave of work for the Rip & Plough teams if successful.

Significant growth has been evident in the Telstra Wideband Contract and these expanding volumes are expected to increase based on strong delivery performance to date in WA and SA. Diamond has also been successful in winning several projects with OPTUS and AARNet.

The division is currently in contractual negotiations with several large companies to build the National Broadband Network (NBN). These works have the potential to be a major part of the next stage of growth for Diamond due to the lack of available industry resources for the performance of this work.

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	2014	2013
Cash flows from:		
- operating activities	142.1	187.3
- investing activities	(56.2)	(330.3)
- financing activities	(101.2)	93.3
Net Cash flow for the year	(15.3)	(49.7)
Opening Cash	78.8	124.2
Exchange rate effect on cash	(0.8)	4.3
Closing Cash	62.7	78.8

NET DEBT

\$400.9M

DOWN FROM
\$472.5M IN 2013

**GEARING
RATIO****34.8%**DOWN FROM
36.6% IN 2013**Cash flows from operating activities**

Operating cash flow for the year declined to \$142.1 million from \$187.3 million in 2013, reflecting the lower activity levels in the business. The EBITDA conversion ratio has however remained strong due to a continued focus on working capital reduction.

\$ million	2014	2013
EBIT	74.5*	149.0
Add: Depreciation and amortisation	99.2	123.7
EBITDA	173.7*	272.7
Operating cash flow	142.1	187.3
Add: Net Interest paid	29.7	32.5
Tax Paid	21.9	46.3
Adjusted Operating Cash Flow	193.8	266.1
EBITDA conversion	111.6%	97.6%

* Excluding impairment

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 ten 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.

As a result of the slow-down in the mining industry Ausdrill's strategy has been to reduce capital expenditure to a minimum. As a result the level of capital expenditure is lower than the level of depreciation and is likely to remain so in the next year.

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	2014	2013
Australia		
Drill & Blast, Exploration, Connector, EDA	39.7	58.6
Equipment Sales, Hire and Parts	9.6	32.4
	49.3	91.0
Africa		
Ghana	10.0	29.9
Mali	1.4	51.3
Tanzania	-	1.0
Zambia	-	2.2
	11.4	84.4
Manufacturing	1.0	7.8
Supply & Logistics	-	0.1
Other	3.0	4.4
	64.7	187.7
Less proceeds from asset sales	(10.2)	(4.3)
Net capital expenditure	54.5	183.4

Cash flows from financing activities

Net financing cash outflows were \$101.2 million in the year ended 30 June 2014, an increase of \$194.5 million, compared to an inflow \$93.3 million in 2013. In the current year the Group has focussed on its debt reduction strategy as a result of the lower level of activities and hence debt repayments of \$77 million have been made during the year. A dividend payment of \$25 million was made during the year. In the prior year the Group refinanced its debt facilities and drew down debt to finance the acquisition of BTP and capital expenditure.

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	2014	2013
Current trade and other receivables	157.6	186.9
Inventories	233.1	257.3
Current trade and other payables	(111.9)	(131.7)
Net working capital	278.8	312.5
Increase/ (decrease) in net working capital	(33.7)	74.2

The Group's year end working capital balance has decreased as a result of the lower levels of activity. The levels inventory are being closely monitored as the Group's target of realising cash savings from lower inventory hold levels remains a priority.

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 2014 the Company paid total cash dividends of \$25 million.

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

On 27 August 2014, the Company announced a final fully franked dividend of \$0.02 per share or \$6.2 million in the aggregate. The final dividend is expected to be paid to shareholders on 17 October 2014, with a record date of 3 October 2014. An interim dividend of \$0.025 per share was paid to shareholders on 31 March 2014.

Debt, gearing and other financing arrangements

At 30 June 2014, the Group had total debt of \$463.6 million. Cash and cash equivalents totalled \$62.7 million, resulting in net debt of \$400.9 million.

In October 2012, the Group entered into a new \$300 million revolving cash advance facility. This facility has a three year term and bears 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 following table shows net debt and gearing ratios.

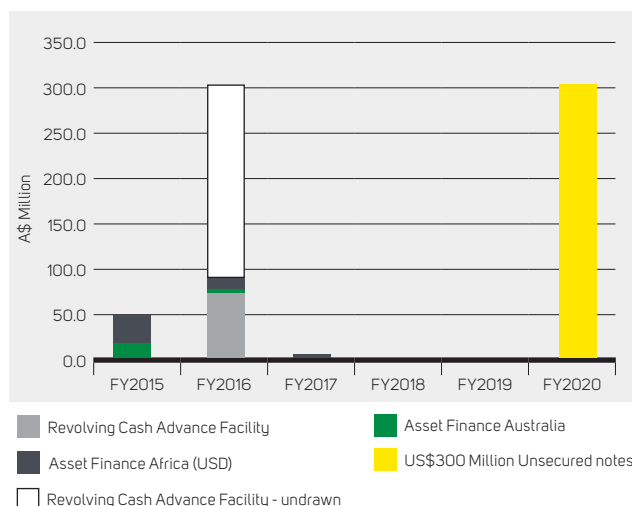
\$ million	2014	2013
Revolving cash advance facility	75.0	75.0
Asset finance and other loans	70.4	152.8
US\$300 million unsecured notes	318.2	323.5
Total borrowings *	463.6	551.3
Cash and cash equivalents	(62.7)	(78.8)
Net debt	400.9	472.5
Total equity	752.2	817.4
Total capital	1,153.1	1,289.9
Gearing ratio	34.8%	36.6%

* Excludes pre-paid borrowing costs of \$10.3 million

The US\$ denominated borrowings of the Group include the US\$300 million unsecured notes and hire purchase and asset financing arrangements of US\$41.2 million. These borrowings are translated at the year-end exchange rate of A\$1.00:US\$0.9427 and, as a result of the strengthening A\$ over the year, an amount of \$5.9 million has been included in the foreign currency translation reserve in relation to borrowings. This gain is partially offset by the translation loss arising from the translation of US\$ assets in Africa.

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

Ausdrill's debt structure provides the necessary liquidity for its operations and the maturity profile is set out as follows:



BALANCE SHEET

The net assets of the Group decreased by 8.0% to \$752.2 million during FY14. This decrease was substantially reflected in non-current assets which decreased by \$123.3 million reflecting the impairment charge and the excess of depreciation over capital expenditure.

Cash and cash equivalents decreased by \$16.1 million or 20.4% to \$62.7 million.

Trade and other receivables decreased by \$29.3 million or 15.7% to \$157.6 million and reflect the lower level of sales during the year.

Inventories decreased by \$24.2 million or 9.4% to \$233.1 million.

The net value of Property, Plant and Equipment decreased by \$63.6 million as a result of level of capital expenditure being lower than depreciation and also due to the impairment expense.

Trade and other payables decreased by \$19.8 million, or 15.0%, due to an increased focus on reducing inventory purchases as well as capital expenditure.

As a consequence of the strategy to deleverage the business, the net debt of the Group (gross debt excluding prepaid costs less cash) decreased from \$472.5 million at 30 June 2013 to \$400.9 million at 30 June 2014. This translates to a 1.8% decrease in the gearing ratio to 34.8% which remains within planned levels.

Total drawn borrowings of \$463.6 million represent 75% of liabilities, decreasing by \$87.7 million. Current borrowings decreased by \$22.8 million as the Group continued to amortise existing hire purchase and finance lease liabilities.

Provisions of \$10.9 million (long service leave) decreased by \$1.2 million and represent less than 2.0% of liabilities.

Shareholder equity decreased due to the current year loss of \$43.9 million. The translation of foreign operations (principally Ausdrill's African business) had a small change over the year.

The return on average capital employed has decreased to 4.1% for the year to 30 June 2014 compared to 9.6% 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 34.8%, cash of \$62.7 million, and interest cover (EBITDA/Net Interest) of 4.3 times. The Group's net tangible asset position has decreased from \$2.39 per share to \$2.37 per share.

PEOPLE

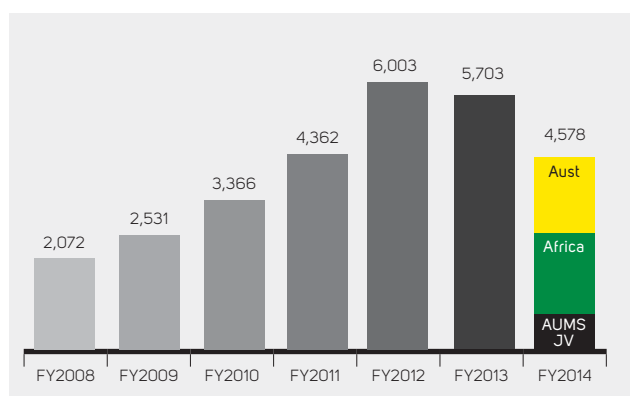
The Ausdrill Group is fortunate to have many highly-experienced, long-serving employees who are the “backbone” of the Company, and who underpin our ability to consistently deliver outstanding service to our clients. This has been the key to the success of the Group.

With the Group’s reputation as an employer of choice firmly established, Ausdrill is committed to providing all our staff with ongoing training and development opportunities. We continue to research and adopt incentives and benefits aimed at enhancing our reputation as an employer of choice and for the retention of our employees.

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

The recent downturn in the resources sector has resulted in a reduction in our total Group employee numbers compared to the previous 12 months.

At 30 June 2014 the number of employees within the Group, including jointly owned entities, stood at 4,578 – a decrease of 19.7% on the number (5,703) at the corresponding time last year. The total number of employees based in Australia has reduced from 2,135 in July 2013 to 1,796 in June 2014, a decline of 15.9% as a result of both natural attrition, and regrettably, some redundancies.



As a result of changing dynamics of the labour market, the necessity to engage skilled overseas workers has ceased except in some specialist oil and gas positions.

SAFETY, TRAINING AND QUALITY

As part of the Group’s commitment to ensuring the success of the business and welfare of all employees, Ausdrill places a strong importance on safety.

While safety is a focus of every employee, the Group’s Health, Safety, Environment, Training and Quality (**HSETQ**) team has specific responsibilities to provide the training and systems to achieve a safe and healthy working environment for all employees, contractors and visitors.

Reaffirming the Group’s proactive approach to safety across all sites, the HSETQ team has driven the development of a significant new program, known as **One Safe – All Safe**. This program, which will be rolled out across the Group during FY15, defines how



Ausdrill manages and promotes safety across all business units, and will ensure the Group remains the contractor of choice in the marketplace. A highly visible logo will be used across many mediums to endorse this initiative.

The team has maintained its focus on reducing risks in the business by firstly identifying the HSEQ risks and then controlling them. To monitor the effectiveness of these controls they are entered and tracked through an Electronic Safety Data Management System (**MYOSH**), which has been refined and enhanced over the past year.

The Ausdrill Group Corporate HSETQ team are engaged in continuous professional development with employees studying a combination of vocational and tertiary qualifications. This allows the team to identify the latest developments in workplace health and safety research and practice and subsequently implement relevant initiatives throughout the Ausdrill Group.

The Group’s Injury Management team supports injured workers return to full fitness and a return to work. Claim costs remain significantly lower than the industry average, while the number of claims has also decreased, reflecting a decrease in the number of incidents across the Group’s business units.

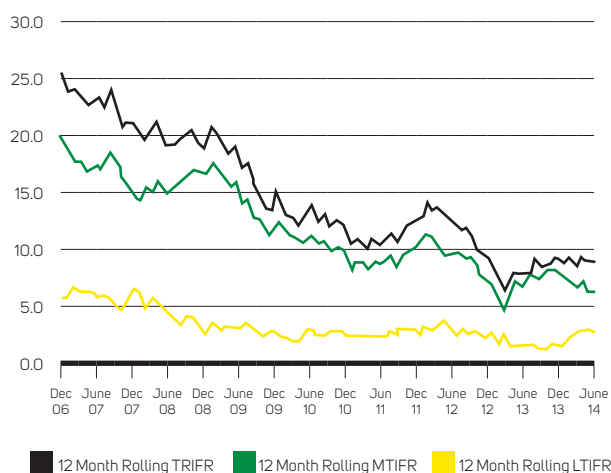
The Training team has continued to develop online training modules with the group online induction modules being rolled out to all business units.

Frontline management and supervisor courses continue for the Group with the training team working closely with external training providers to review and customise the content of the courses to suit the Ausdrill Group. This year saw 14 employees complete the fifth Ausdrill Certificate IV in Frontline Management, with a further eight employees currently on the sixth program, which requires employees to complete a continuous improvement project.

Furthermore, 35 employees successfully completed the Supervisory Skill program.

The HSE Internal Audit program, with audits conducted by a Certified Internal Auditor, has now been in place for two years. Sites across the Group have demonstrated year on year improvement in their HSE Internal Audit performance.

The 12 month rolling Lost time injury frequency rate (**LTIFR**) shows a slight increase this year, however, both the Medical treatment injury frequency rate (**MTIFR**) and Total Recordable Injury Frequency Rate (**TRIFR**) show a small reduction.



OUTLOOK⁵

The Group continues to pursue its strategy of providing a complete mining service solution to the mining industry. The industry, however, is continuing to experience a period of uncertainty in relation to future levels of demand for commodities and the level of prices received for those commodities.

During these challenging times we continue with an unchanged focus from last year to strengthen the business and cash flows over the coming year 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;
- extracting and realising the full benefit of cost synergies and revenue opportunities within the Group; and
- continuing to focus on reducing net debt, which was reduced by \$71 million during FY2014.

Ausdrill is expecting an improved result in FY2015 with improvements expected particularly in the Energy Drilling Australia business and in the African Mining Services business. The anticipated improvements in these businesses are based on contracts which are now in place as well as an expected increase in demand for those services.

Ausdrill is of the view that provided there is not a significant fall in commodity prices from current levels, the mining downturn may have bottomed out or be close to the bottom. However, it anticipates that any recovery will be slow with challenging market and mining industry conditions continuing in FY2015, with subdued activity particularly in the Australian market.

Ausdrill expects the focus by the mining industry's strategy of on deferring all non-essential expenditure including capital works, exploration programmes and non-critical maintenance will taper at some point, and possibly towards the end of FY2015, and that the surplus capacity that exists in the mining services industry will then start to diminish.

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

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:

Effective Marketing of Ausdrill's service offering

Ausdrill plans to refine its marketing of 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 Group believes that its vertical integration and broad service offering will contribute to an even more resilient business characterised 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 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 34.8% and net debt to EBITDA of 2.3 times as at June 30, 2014. 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, many of which are beyond Ausdrill's reasonable control.

RISKS

The following section describes certain factors and trends that have the potential to have a material adverse impact on the financial condition and results of operations. Results of operations are impacted by both global and local factors. These factors may arise individually, simultaneously or in combination.

The factors identified below are not necessarily listed in order of importance and are not intended as an exhaustive list of all the risks and uncertainties associated with Ausdrill's business. Additional risks and uncertainties not presently known to management, or that management currently considers to be immaterial or manageable, may adversely affect Ausdrill's business.

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.

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 2014, approximately 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 since the peak in 2012 which has put production at risk 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 2014, approximately 64% 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 production 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, Newmont, OZ Minerals, Randgold, and Resolute Mining. Customers in the iron ore sector include BHP Billiton, Kimberley Metals Group 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 2014 financial year, the Group received approximately 30% 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.

Increased risk of doing business in Africa

Ausdrill's African operations are subject to business risks, including health risks such as the recent Ebola outbreak, political instability, war or civil disturbance, expropriation, import and export restrictions, exchange controls, inflationary economies, currency risks and risks related to the restrictions on repatriation of earnings or proceeds from liquidated assets of foreign subsidiaries. These risks may cause Ausdrill to cease doing business in certain high growth markets. In addition, in Ausdrill's foreign operations Ausdrill faces operating difficulties, including workforce instability, harsh environmental conditions and remote locations. New mining projects by Ausdrill's customers are increasingly occurring in countries where these risks are significant, which means an increasing portion of Ausdrill's business may be subject to these risks.

Uninsured risks

Ausdrill's operations are subject to many hazards inherent in the mining services industry, including blowouts, cratering, explosions, fires, loss of hole, damages or lost equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage and damage to the property of others. Additionally, warranty and indemnity provisions in Ausdrill's mining services contracts could leave Ausdrill exposed to the risk and liability associated with the services performed under such contracts. Ausdrill seeks protection for certain of these risks through insurance. However, it cannot ensure that such insurance or any indemnification it may receive from third parties will adequately protect the Company against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a third party or an insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not be available to cover any or all of these risks, or, even if available, may not be adequate. Insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive or uneconomic. In future insurance renewals, the Company may choose to increase its self insurance retentions (and thus assume a greater degree of risk) in order to reduce costs associated with increased insurance premiums.

Ausdrill's operations may be subject to delays in obtaining equipment and supplies and the availability of transportation for the purpose of mobilizing rigs and other equipment, particularly where rigs or mines are located in remote areas with limited infrastructure support. In addition, the Company's operations are subject to adverse weather conditions, natural disasters and mine accidents or unscheduled stoppages or closings. If Ausdrill's operations are interrupted or suspended for a prolonged period as a result of any such events, its revenues could be adversely affected.

1. EBITDA, EBIT and Operating profit are non-IFRS financial measures which Ausdrill uses in managing its business. The section at Earnings on page 7 of the Operating and Financial Review in the Annual Report reconciles these non-IFRS financial measures to the most appropriate IFRS measure.
2. "EBITDA" is "Earnings before interest, tax, depreciation and amortization, and significant items"; and "EBIT" is "Earnings before interest and tax and significant items".
3. "Operating profit" is profit/(loss) before impairment charges.
4. Statutory profit/(loss) is profit/(loss) after tax.
5. Disclaimer:
These materials include forward looking statements concerning projected earnings, revenue, growth, outlook or other matters for the financial year ending 30 June 2014 or beyond. Forward-looking statements can

generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words and include statements regarding certain plans, strategies and objectives of management, trends and outlook. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Ausdrill's actual results, performance and achievements or industry results to differ materially from any future results, performance or achievements, or industry results, expressed or implied by these forward-looking statements.

Forward-looking statements are based upon management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect Ausdrill's business and operations in the future. Ausdrill cannot give any assurance that the assumptions upon which management

based its forward-looking statements will prove to be correct, or that Ausdrill's business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond its control. Any forward-looking statements contained in these materials speak only as of the date of these materials. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, Ausdrill disclaims any obligation or undertaking to publicly update or revise any forward-looking statement contained in these materials or to reflect any change in management's expectations with regard thereto after the date hereof of any change in events, conditions or circumstances on which any such statement is based. No representation or warranty, express or implied, is given as to the accuracy, completeness, likelihood of achievement or reasonableness of any forecasts, projections or prospects referred to in these materials.

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
Level 15, 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 30, 250 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 2014

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These financial statements are consolidated financial statements for the Group consisting of Ausdrill Limited and its subsidiaries. A list of major subsidiaries is included in note 14. The financial statements are 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

The financial statements was authorised for issue by the directors on 27 August 2014. The directors have the power to amend and reissue the financial statements.

All press releases, financial report and other information are available at our Shareholders' Centre on our website: www.ausdrill.com.au

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Ausdrill Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014. Throughout the report, the consolidated entity is referred to as the Group.

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
Mark Anthony Connelly
Donald James Argent

DIVIDENDS - AUSTRILL LIMITED

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

	14 \$'000	13 \$'000
Final ordinary dividend for the year ended 30 June 2013 of 5.5 cents (2012: 8.0 cents) per fully paid share paid on 18 October 2013.	17,175	24,376
Interim ordinary dividend for the year ended 30 June 2014 of 2.5 cents (2013: 6.5 cents) per fully paid share paid on 31 March 2014.	7,806	20,122
	24,981	44,498

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$6,245,545 (2.0 cents per fully paid share) to be paid on 17 October 2014 out of retained earnings at 30 June 2014.

REVIEW OF OPERATIONS

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 19 of this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year ended 30 June 2014.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

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 19.

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.

INFORMATION ON DIRECTORS

Terence Edward O'Connor AM QC LLB (WA). *Non-executive Chairman.* Age 76.

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

None.

Special responsibilities

Chairman of the Board.

Chairman of the Remuneration Committee.

Member of the Audit and Risk Committee.

Interests in shares and options

1,004,285 ordinary shares.

Ronald George Sayers *Managing Director.* Age 62.

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.

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 70.

Experience and expertise

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

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

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

Other current directorships

Non-executive director of Asia Resource Minerals plc from June 2014.

Non-executive director and Deputy Chairman of Sundance Resources from May 2014.

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

None.

Special responsibilities

Deputy Chairman.

Member of the Remuneration Committee.

Interests in shares and options

310,285 ordinary shares.

1,000,000 incentive options.

Terrence John Strapp CPA, SF Fin., MAICD *Non-executive director. Age 70.*

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 Senior 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 the 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 51.*

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.

Non-executive director of Manas Resources since 2013.

Non-executive chairman of Toro Gold since 2014.

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 67.*

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 ordinary shares.

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 2014 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit		Remuneration	
	A	B	A	B	A	B
Terence Edward O'Connor	15	15	5	6	2	2
Ronald George Sayers	14	15	*	*	*	*
Wallace Macarthur King	13	15	*	*	1	2
Terrence John Strapp	14	15	6	6	2	2
Mark Anthony Connelly	11	15	4	6	*	*
Donald James Argent	15	15	*	*	*	*

A = Number of meetings attended

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

* = Not a member of the relevant committee

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr D J Argent and Mr M A Connelly 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 2014 remuneration report which sets out remuneration information for the Company's non-executive directors, executive directors and other key management personnel. The report contains the following sections:

- Key management personnel disclosed in this report
- Remuneration governance
- Use of remuneration consultants
- Executive remuneration policy and framework
- Relationship between remuneration and Ausdrill Limited's performance
- Non-executive director remuneration policy
- Voting and comments made at the company's 2013 Annual General Meeting
- Details of remuneration
- Service agreements
- Details of share-based compensation and bonuses
- Equity instruments held by key management personnel
- Loans to key management personnel
- Other transactions with key management personnel

(a) 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	W M King
R G Sayers	M A Connelly
T J Strapp	D J Argent

Other key management personnel

Name	Position
A J McCulloch	Chief Operating Officer Australian Operations
C Tuckwell	Chief Operating Officer African Operations (until 30 June 2014)
J Kavanagh	Chief Operating Officer African Operations (from 25 June 2014)
J E Martins	Chief Financial Officer
M C Crocker	Group Engineering Manager

(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,
- the over-arching executive remuneration framework, and
- operation of the incentive plans which apply to executive directors and senior executives (the executive team), including key performance indicators and performance hurdles.

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 (see section (c) below).

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

REMUNERATION REPORT (CONTINUED)

(c) Use of remuneration consultants

The remuneration committee engaged Remuneration Strategies Group (RSG) to review and provide recommendations in respect of new equity awards and long-term incentive plan design. These recommendations covered the Group's key management personnel and senior executive management. Under the terms of the engagement, RSG provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid \$35,000 for these services.

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

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

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

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

(d) 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.

REMUNERATION REPORT (CONTINUED)

(d) Executive remuneration policy and framework (continued)

Superannuation

Retirement benefits are delivered under the Superannuation Guarantee Legislation.

Long term incentives

The Board completed a review of the LTIP in 2014. The review included benchmarking of Ausdrill's LTI policy against a "benchmark group" comprised of sector competitors. The review sought to ensure that the balance between rewarding performance and motivating and retaining existing senior executives was effective and reflected the Company's business strategies. Accordingly the review focused on the composition and operation of the performance conditions. The following changes were made as a result of the review:

- Introduction of an additional performance hurdle, Total Shareholder Return (TSR), so that the exercise of options will be subject to the achievement of this hurdle relative to a peer group (previously the only hurdle was remaining in the employment of Ausdrill at the end of the vesting period);
- Introduction of a TSR performance vesting scale consistent with previous SAR's issued to the managing director and sector competitors (previously none); and
- Introduction of TSR measures applying to each third of the options granted to each senior executive (previously none).

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 will be issued in three (equal) tranches as follows:

- Tranche 1 (one third of the options) will become exercisable after the second anniversary of their date of issue;
- Tranche 2 (a further one third of the options) will become exercisable after the third anniversary of their date of issue; and
- Tranche 3 (the remaining one third of the options) will become exercisable after the fourth anniversary of their date of issue.

Options are granted under the plan for no consideration. Options are granted for a five year period. Vesting will occur based on the Company's ranking within the peer group, as follows:

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

For the options granted on 7 October 2013, the peer group includes the following companies:

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

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 and have vested as at 30 June 2014.

As the price of Ausdrill shares on 30 June 2014 was lower than the 10 day VWAP at the time of the grant the total vested value of the SARs is nil and the SARs will not result in the issue of any shares to Mr Sayers.

As the SARs have passed their vesting date, the SARs have now lapsed and are of no further force of effect.

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 41). 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)

(e) 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 five years to June 2014.

	30 June 2014 \$000	30 June 2013 \$000	30 June 2012 \$000	30 June 2011 \$000	30 June 2010 \$000
Revenue	827,860	1,131,283	1,062,241	839,213	632,861
Net profit before tax*	34,430	109,456	152,487	99,458	64,704
Net profit after tax*	29,095	90,399	112,207	73,317	48,177
Share price at start of year (\$ per share)	0.86	3.42	3.31	1.65	0.91
Share price at end of year (\$ per share)	0.86	0.86	3.42	3.31	1.65
Basic (loss)/earnings (cents per share)	(13.64)	29.63	37.28	27.13	23.71
Diluted (loss)/earnings (cents per share)	(13.64)	28.98	36.97	26.92	23.53
Dividends (cents per share)	4.50	12.00	14.50	11.50	11.00
Dividend payments	24,981	44,498	39,357	30,183	20,924
Dividend payout ratio	85.86%	49.22%	35.08%	41.17%	43.43%

* Does not include impairment expense

These bonuses are discretionary subject to earnings per share being positive. There will be no cash and service bonus payable for the year ended 30 June 2014.

(f) 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 or 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.

Mr 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.

(g) Voting and comments made at the company's Annual General Meeting

In 2013, 86.2% of the votes on the remuneration report were in favour of the report.

The Company did not receive any specific feedback at the AGM on its remuneration practices.

REMUNERATION REPORT (CONTINUED)

(h) 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.

2014	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments	Share Appreciation Rights	Total
	Cash salary and fees	Cash bonus*	Non-monetary benefits					
Name	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
T E O'Connor	130,000	-	-	-	12,025	-	-	142,025
W M King	100,000	-	-	-	9,250	-	122,497	231,747
T J Strapp	90,000	-	-	-	8,325	-	-	98,325
D J Argent	60,500	-	-	-	26,900	-	-	87,400
M A Connelly	80,000	-	-	-	7,400	-	-	87,400
Sub-total non-executive directors	460,500	-	-	-	63,900	-	122,497	646,897
Executive directors								
R G Sayers	808,956	-	25,000	-	35,000	4,116	-	1,021,935
Other key management personnel								
C Tuckwell ¹	592,648	-	84,524	-	-	-	18,720	695,892
A J McCulloch	301,359	-	25,000	-	38,105	7,563	18,720	390,747
M C Crocker	248,578	-	25,000	-	22,993	8,767	12,480	317,818
J E Martins	339,465	-	-	-	25,000	4,955	36,447	405,867
J Kavanagh ²	-	-	-	-	-	-	-	-
Total key management personnel compensation	2,751,506	-	159,524	-	184,998	25,401	208,864	4,352,228

* There will be no cash and service bonus payable for the year ended 30 June 2014.

1 Mr C Tuckwell resigned as Chief Operating Officer African Operations on 30 June 2014.

2 Mr J Kavanagh was appointed as Chief Operating Officer African Operations on 25 June 2014. He did not receive any remuneration in respect of this appointment during the year ended 30 June 2014.

2013	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments	Share Appreciation Rights	Total
	Cash salary and fees	Cash bonus*	Non-monetary benefits					
Name	\$	\$	\$	\$	\$	\$	\$	\$
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
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	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.

REMUNERATION REPORT (CONTINUED)

(h) Details of remuneration (continued)

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

Name	Fixed remuneration		At risk - STI		At risk - LTI *	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Executive directors						
R G Sayers	46	46	-	-	54	54
Other key management personnel of the group						
C Tuckwell	97	100	-	-	3	-
A J McCulloch	95	76	-	24	5	-
M J Hughes	-	67	-	31	-	2
M C Crocker	96	78	-	22	4	-
J E Martins	91	66	-	21	9	13

* Since the long-term incentives are provided exclusively by way of options and rights, the percentages disclosed also reflect the value of remuneration consisting of options and rights, based on the value of options and rights expensed during the year.

(i) 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	On-going	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	-
J Kavanagh, Chief Operating Officer African Operations ²	On-going	533,333	-

* Base salaries quoted are for the year ended 30 June 2014; they are reviewed annually by the Remuneration Committee.

1 Mr Tuckwell resigned as Chief Operating Officer African Operations on 30 June 2014.

2 Mr Kavanagh was appointed as Chief Operating Officer African Operations on 25 June 2014.

REMUNERATION REPORT (CONTINUED)

(j) 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
29 November 2010	29 November 2013	29 November 2015	\$2.30	\$0.94	100%
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	100%
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	100%
9 March 2011	9 March 2015	9 March 2016	\$3.85	\$1.00	n/a
29 June 2011	1 July 2013	1 July 2016	\$4.21	\$0.69	100%
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	100%
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
7 October 2013	7 October 2015	7 October 2018	\$1.70	\$0.12	n/a
7 October 2013	7 October 2016	7 October 2018	\$1.70	\$0.12	n/a
7 October 2013	7 October 2017	7 October 2018	\$1.70	\$0.12	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 19 to the financial statements.

REMUNERATION REPORT (CONTINUED)

(j) 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	1,000,000	100	1,000,000	-	100
	2012	2014	3,000,000		3,000,000	100	3,000,000	-	100
W M King	2011	-	250,000	698,000	-	100	-	-	-
	2011	-	250,000	-	250,000	100	-	-	-
	2011	2015	500,000	-	-	-	-	-	-
Other key management personnel of the Group									
C Tuckwell	2014	2016	200,000	71,140	-	-	200,000	71,140	100
	2014	2017	200,000	-	-	-	200,000	-	100
	2014	2018	200,000	-	-	-	200,000	-	100
A J McCulloch	2014	2016	200,000	71,140	-	-	-	-	-
	2014	2017	200,000	-	-	-	-	-	-
	2014	2018	200,000	-	-	-	-	-	-
M C Crocker	2014	2016	133,333	47,427	-	-	-	-	-
	2014	2017	133,333	-	-	-	-	-	-
	2014	2018	133,334	-	-	-	-	-	-
J E Martins	2010	-	100,000	281,320	-	100	-	-	-
	2010	-	100,000	-	100,000	100	-	-	-
	2010	2015	100,000	-	-	-	-	-	-
J E Martins	2014	2016	200,000	71,140	-	-	-	-	-
	2014	2017	200,000	-	-	-	-	-	-
	2014	2018	200,000	-	-	-	-	-	-

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

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

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 or a Monte Carlo simulation valuation model that incorporates the probability of the relative TSR vesting condition.

Shares provided on exercise of remuneration options

No ordinary shares in the Company were provided as a result of the exercise of remuneration options to a director of Ausdrill Limited and other key management personnel of the Group.

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)

(k) Equity instruments held by key management personnel

The tables on the following page show the number of:

- (i) options over ordinary shares in the company, and
- (ii) shares in the company

that were held during the financial year by key management personnel of the Group, including their close family members and entities related to them.

There were no shares granted during the reporting period as compensation.

(i) Option and rights holdings

2014 Name	Balance at start of the year	Granted as compensation	Exercised (option)/ Vested (rights)	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
W M King							
- Options	1,000,000	-	-	-	1,000,000	500,000	500,000
R G Sayers							
- SAR's	4,000,000	-	-	(4,000,000)	-	-	-
A McCulloch							
- Options	100,000	600,000	-	(100,000)	600,000	-	600,000
M C Crocker							
- Options	66,667	400,000	-	(66,667)	400,000	-	400,000
J E Martins							
- Options	300,000	600,000	-	-	900,000	200,000	700,000
C Tuckwell							
- Options	-	600,000	-	(600,000)	-	-	-

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

(ii) Share holdings

2014 Name	Balance at the start of the year	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the year	Balance at end of the year
Directors of Ausdrill Limited					
Ordinary shares					
T E O'Connor	1,004,285	-	-	-	1,004,285
R G Sayers	37,656,782	-	-	(810,000)	36,846,782
W M King	306,285	-	-	4,000	310,285
T J Strapp	400,000	-	-	-	400,000
M A Connelly	-	-	-	-	-
D J Argent	40,000	-	-	-	40,000

None of the shares above are held nominally by the directors or any of the other key management personnel.

(l) Loans to key management personnel

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

(m) Other transactions with key management personnel

Mr R G Sayers, a director of Ausdrill Limited, is a shareholder of FMR Investments Pty Ltd, which provided aviation services to Ausdrill International and Management Services Pty Ltd, a subsidiary of Ausdrill Ltd. The services were provided on normal commercial terms and conditions.

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.

A director, Mr M A Connelly, is the managing director of Papillon Resources. Papillon Resources through its subsidiary Songhoi Resources entered into an exploration drilling contract with an Ausdrill Limited subsidiary, African Mining Services Mali Sarl. The contract was based on normal commercial terms and conditions.

REMUNERATION REPORT (CONTINUED)

(m) Other transactions with key management personnel (continued)

Aggregate amounts of each of the above types of other transactions with key management personnel of Ausdrill Limited:

	14	13
	\$	\$
(i) Amounts recognised as revenue		
Exploration drilling services	927,224	-
(ii) Amounts recognised as expense		
Rent of office buildings	358,032	358,032
Aviation services	41,450	-
	399,482	358,032
(iii) Amounts recognised as assets and liabilities		
At the end of the reporting period the following aggregate amounts were recognised in relation to the above transactions:		
Current assets	454,043	-

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
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	33,333
9 March 2014	9 March 2016	\$3.70	33,333
9 March 2015	9 March 2016	\$3.85	33,334
29 June 2011	1 July 2016	\$4.21	250,000
29 June 2011	1 July 2016	\$4.21	250,000
29 June 2011	1 July 2016	\$4.21	500,000
21 July 2001	21 July 2016	\$3.55	66,666
21 July 2001	21 July 2016	\$3.65	66,667
21 July 2001	21 July 2016	\$3.85	66,667
7 October 2013	7 October 2018	\$1.70	3,599,978
7 October 2013	7 October 2018	\$1.70	3,599,978
7 October 2013	7 October 2018	\$1.70	3,600,044
			12,600,000

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

No ordinary shares of Ausdrill Limited were issued during the year ended 30 June 2014 on the exercise of options granted under the Ausdrill Limited Employee Option Plan. No further shares have been issued since that date.

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.

INDEMNIFICATION (CONTINUED)

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

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

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

INSURANCE OF OFFICERS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in note 20 to the financial statements.

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 37.

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.

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



Ronald George Sayers
Managing Director

Perth
27 August 2014

AUDITOR'S INDEPENDENCE DECLARATION



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Ausdrill Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.

A handwritten signature in black ink, appearing to read 'Justin Carroll'.

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
27 August 2014

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Liability limited by a scheme approved under Professional Standards Legislation.

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 to:

- 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. A review of senior executives' performance was not conducted in the reporting period.

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.

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.

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

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 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.

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 2014, 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 2014.

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.

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

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 Mr Connelly and entities connected with Mr Sayers and Mr Connelly had business dealings with the Group, as described in section (m) of the remuneration report and note 18 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.

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.

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

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. An assessment in accordance with this process was not undertaken during the reporting period.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment.

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, and the Group also has an Anti-Bribery Policy and standard. 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.

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.

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 supports 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 2014, 9% of the Group's workforce was female (30 June 2013: 9%). 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 corporate service and support functions the female participation rate increases to 34%.

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

Diversity Policy (continued)

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

	2014	2013
Board	0%	0%
Managers & senior staff	2%	2%
Administration	34%	36%
Skilled staff	4%	4%

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.

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 was 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 20 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.

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 the 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 the 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.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK (CONTINUED)

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

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

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

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

Risk and opportunity management committee

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

The Group's Risk and Opportunity Management Committee, which is comprised of senior executives, is responsible for the operation of the risk management system. The Audit and Risk Committee receives 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 2014

		14	13
	Notes	\$'000	\$'000
Revenue from continuing operations	2	827,860	1,131,283
Other income	4(a)	10,140	5,678
Materials		(289,995)	(376,831)
Labour		(292,751)	(367,803)
Rental and hire		(13,542)	(22,191)
Depreciation and amortisation expense	4(b)	(99,177)	(123,695)
Finance costs	4(b)	(41,604)	(42,272)
Other expenses		(67,946)	(115,057)
Business combination/merger costs		-	(2,555)
Share of net profit of joint ventures accounted for using the equity method		1,445	22,946
Impairment of goodwill	7(d)	(61,429)	(47)
Impairment of property, plant and equipment	7(b)	(16,464)	-
(Loss)/profit before income tax		(43,463)	109,456
Income tax expense	5	(396)	(19,057)
(Loss)/profit for the year		(43,859)	90,399
(Loss)/profit is attributable to:			
Equity holders of Ausdrill Limited		(42,592)	91,314
Non-controlling interests		(1,267)	(915)
(Loss)/profit for the year		(43,859)	90,399
		Cents	Cents
(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per share	21	(13.64)	29.63
Diluted (loss)/earnings per share	21	(13.64)	28.98

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 2014

		14	13
	Notes	\$'000	\$'000
(Loss)/profit for the year		(43,859)	90,399
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	8(b)	2,286	10,983
<i>Items that will not be reclassified to profit or loss</i>			
(Loss)/gain on revaluation of land and buildings, net of tax	8(b)	(33)	194
(Loss)/gain on revaluation of available-for-sale financial assets, net of tax	8(b)	(38)	-
Other comprehensive income for the year, net of tax		2,215	11,177
Total comprehensive (loss)/income for the year		(41,644)	101,576
Total comprehensive (loss)/income for the year is attributable to:			
Equity holders of Ausdrill Limited		(40,377)	102,491
Non-controlling interests		(1,267)	(915)
Total comprehensive (loss)/income for the year		(41,644)	101,576

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 2014

		14	13
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	62,695	78,826
Trade and other receivables	6(b)	157,648	186,931
Inventories	7(a)	233,074	257,347
Current tax receivables		21,323	-
Total current assets		474,740	523,104
Non-current assets			
Receivables	6(b)	6,735	10,365
Joint ventures accounted for using the equity method	14(b)	67,592	65,462
Available-for-sale financial assets	6(c)	3,819	-
Property, plant and equipment	7(b)	777,162	840,768
Deferred tax assets	7(c)	27,081	27,805
Intangible assets	7(d)	10,607	71,892
Total non-current assets		892,996	1,016,292
Total assets		1,367,736	1,539,396
LIABILITIES			
Current liabilities			
Trade and other payables	6(d)	111,926	131,656
Borrowings	6(e)	50,467	73,323
Current tax liabilities		326	335
Provisions	7(e)	9,084	7,508
Total current liabilities		171,803	212,822
Non-current liabilities			
Borrowings	6(e)	402,844	464,133
Deferred tax liabilities	7(c)	39,149	40,539
Provisions	7(e)	1,772	4,516
Total non-current liabilities		443,765	509,188
Total liabilities		615,568	722,010
Net assets		752,168	817,386
EQUITY			
Contributed equity	8(a)	526,447	526,447
Other reserves	8(b)	2,705	2,329
Retained earnings	8(c)	223,016	290,589
Capital and reserves attributable to owners of Ausdrill Limited		752,168	819,365
Non-controlling interests		-	(1,979)
Total equity		752,168	817,386

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 2014

	Notes	Attributable to owners of Ausdrill Limited				Non-controlling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000		
Balance at 1 July 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	8(a)	16,979	-	-	16,979	-	16,979
Shares issued on conversion of employee share options, net of transaction costs	8(a)	955	-	-	955	-	955
Dividends paid	12(b)	-	-	(44,498)	(44,498)	-	(44,498)
Employee share options - value of employee services	8(b)	-	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
(Loss) for the year		-	-	(42,592)	(42,592)	(1,267)	(43,859)
Other comprehensive income		-	2,215	-	2,215	-	2,215
Total comprehensive income for the period		-	2,215	(42,592)	(40,377)	(1,267)	(41,644)
Transactions with owners in their capacity as owners:							
Non-controlling interests on acquisition of subsidiary	8(b)	-	(3,266)	-	(3,266)	3,246	(20)
Dividends paid	12(b)	-	-	(24,981)	(24,981)	-	(24,981)
Employee share options - value of employee services	8(b)	-	1,427	-	1,427	-	1,427
		-	(1,839)	(24,981)	(26,820)	3,246	(23,574)
Balance at 30 June 2014		526,447	2,705	223,016	752,168	-	752,168

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 2014

		14	13
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		912,205	1,254,662
Payments to suppliers and employees (inclusive of goods and services tax)		(719,834)	(990,696)
		192,371	263,966
Interest received		1,555	2,724
Interest and other costs of finance paid		(31,325)	(35,219)
Income taxes paid		(21,930)	(46,331)
Management fee received from joint ventures		1,446	2,150
Net cash inflow from operating activities	9(a)	142,117	187,290
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	13	(20)	(161,271)
Payments for property, plant and equipment		(64,719)	(172,618)
Payments for available-for-sale financial assets		(4,624)	-
Proceeds from sale of property, plant and equipment		10,212	4,317
Proceeds from sale of available-for-sale financial assets		1,018	-
Loans from/(to) joint ventures		2,805	(395)
Payment of development costs		(895)	(314)
Net cash (outflow) from investing activities		(56,223)	(330,281)
Cash flows from financing activities			
Proceeds from issues of shares, net of transaction costs		-	8,349
Proceeds from secured borrowings		47,500	446,704
Repayment of secured borrowings		(78,005)	(505,873)
Repayment of hire purchase and lease liabilities		(46,473)	(101,139)
Proceeds from unsecured borrowings		-	286,972
Dividends paid to company's shareholders	12(b)	(24,981)	(34,913)
Repayment of unsecured borrowings		-	(8,609)
Return of bank guarantee		750	1,837
Net cash (outflow) inflow from financing activities		(101,209)	93,328
Net (decrease) in cash and cash equivalents		(15,315)	(49,663)
Cash and cash equivalents at the beginning of the financial year		78,826	124,188
Effects of exchange rate changes on cash and cash equivalents		(816)	4,301
Cash and cash equivalents at end of year	6(a)	62,695	78,826
Non-cash investing and financing activities	9(b)		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2014

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HOW NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction
- (b) analysis and sub-totals, including segment information
- (c) information about estimates and judgements made in relation to particular items.

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1 SEGMENT INFORMATION

(a) Description of segments

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

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

Mining Services Australia:

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

Contract Mining Services Africa:

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

Manufacturing:

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

Supply and Logistics:

The provision of mining supplies and logistics services.

All other segments:

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

Intersegment eliminations:

Represents transactions which are eliminated on consolidation.

1 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 2014 is as follows:

2014	Mining Services Australia \$'000	Contract Mining Services Africa \$'000	#Manu- facturing \$'000	*Supply & Logistics \$'000	All other segments \$'000	Inter- segment Eliminations \$'000	Consolidated \$'000
Segment revenue							
Sales to external customers	472,107	251,057	54,910	30,864	17,367	-	826,305
Intersegment sales	1,672	-	36,990	10,374	55	(49,091)	-
Total sales revenue	473,779	251,057	91,900	41,238	17,422	(49,091)	826,305
Other revenue	28,826	386	64	124	31,184	(59,029)	1,555
Total segment revenue	502,605	251,443	91,964	41,362	48,606	(108,120)	827,860
Segment EBITDA	98,973	68,984	6,702	1,111	(2,114)	-	173,656
Depreciation expense	57,862	33,500	5,062	115	1,887	-	98,426
Amortisation expense	142	-	609	-	-	-	751
Goodwill impairment	61,429	-	-	-	-	-	61,429
Impairment of assets	16,464	-	-	-	-	-	16,464
Segment EBIT	(36,923)	35,484	1,031	996	(4,002)	-	(3,414)
Interest income	(28,826)	(386)	(64)	(124)	(31,184)	59,029	(1,555)
Interest expense	19,905	14,919	3,677	525	61,607	(59,029)	41,604
Segment result	(28,002)	20,951	(2,582)	595	(34,425)	-	(43,463)
Income tax expense							(396)
(Loss) for the year							(43,859)
Segment assets	1,097,576	505,144	109,482	14,668	625,608	(984,742)	1,367,736
Segment liabilities	271,017	246,842	63,074	10,307	817,661	(793,333)	615,568
Other segment information							
Investments in joint ventures	-	67,592	-	-	-	-	67,592
Share of net profits from joint ventures	-	1,445	-	-	-	-	1,445
Acquisition of property, plant and equipment, intangibles and other non-current assets	49,323	11,389	1,937	9	7,580	-	70,238

This segment operates in the Australian region.

* This segment predominantly operates in the African region.

1 SEGMENT INFORMATION (CONTINUED)

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

The segment information provided to the Board for the reportable segments for the year ended 30 June 2013 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
Total segment revenue	630,756	390,003	128,224	73,692	40,667	(132,059)	1,131,283
Segment EBITDA	131,635	128,676	17,714	3,648	(8,927)	-	272,746
Depreciation expense	65,326	46,687	5,298	153	1,931	-	119,395
Amortisation expense	3,365	-	935	-	-	-	4,300
Goodwill impairment	47	-	-	-	-	-	47
Impairment of assets	-	-	-	-	-	-	-
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 year							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 joint ventures	-	65,462	-	-	-	-	65,462
Share of net profits from joint ventures	-	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

This segment operates in the Australian region.

* This segment predominantly operates in the African region.

Included in all other segments on this and the previous page are assets and liabilities of the Group's central treasury, financing and administration function, with receivables and investments of \$560.3 million (2013: \$498.9 million) and payables of \$412.6 million (2013: \$398.4 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:

	14 \$'000	13 \$'000
Total segment revenue	826,305	1,128,559
Interest revenue	1,555	2,724
Total revenue from continuing operations (note 2)	827,860	1,131,283

2 REVENUE

	14 \$'000	13 \$'000
From continuing operations		
<i>Sales revenue</i>		
Sale of goods	79,571	138,896
Services	746,734	989,663
	826,305	1,128,559
<i>Other revenue</i>		
Interest - Related Parties	357	661
Interest - Others	1,198	2,063
	1,555	2,724
	827,860	1,131,283

(a) Revenue recognition

Revenue is recognised for the major business activities using the methods outlined below.

(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) Other revenue

See note 25(e) for the recognition and measurement of other revenue.

3 INDIVIDUALLY SIGNIFICANT ITEMS

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

	14 \$'000	13 \$'000
	Notes	
Impairment of goodwill	7(d)	61,429
Impairment of other assets		47
Plant and equipment	3(a)	16,464
		-

(a) Impairment of other assets

The MSA Cash Generating Unit (CGU) has underperformed in the financial year ended 30 June 2014 due to the slowdown in the mining industry. Therefore a further review was undertaken to determine whether there was any impairment related to specific assets.

Assets are considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe. Further a review was undertaken of the value of the idle hire equipment of BTP Equipment with a comparison to market values (where available), historical sales, or if new, to current quotes for the same equipment. Consideration was also given to the analysis of the limited observed orderly sales transactions for equipment in the market.

For the interim period ended 31 December 2013 a review of the carrying amount of MinAnalytical's assets was undertaken and resulted in an impairment expense of \$4,132,869. There was no further impairment expensed to 30 June 2014.

For the interim period ended 31 December 2013 a review of the carrying value of idle hire equipment of BTP Equipment resulted in an impairment expense of \$1,711,000. Following a further review to 30 June 2014 a further impairment expense of \$4,307,000 was required. Further a review of the carrying value of the plant and equipment of the drill and blast business considered to be in poor condition or beyond economic repair resulted in an impairment expense of \$6,313,000.

A review was also undertaken of the net realisable value of inventory items in BTP Parts by looking at gross profit margins achieved in recent market conditions to assess whether there were any indicators of impairment. The review was performed on a sample basis and found no evidence of any material indicators of impairment.

4 OTHER INCOME AND EXPENSE ITEMS

This note provides a breakdown of the items included in “other income” and an analysis of expenses by nature. Information about specific profit and loss items is disclosed in the related balance sheet notes.

(a) Other income

	14	13
	\$'000	\$'000
Management fee received from joint ventures	1,446	2,150
Other	2,610	3,528
Foreign exchange gain (net)	5,816	-
Gain on sale of available-for-sale financial assets	268	-
	10,140	5,678

(b) Breakdown of expenses by nature

<i>Depreciation</i>		
Buildings	1,368	1,217
Plant and equipment	97,058	118,178
Total depreciation	98,426	119,395
<i>Amortisation</i>		
Customer contracts	142	3,691
Other intangible assets	609	609
Total amortisation	751	4,300
<i>Finance costs</i>		
Hire purchase interest	3,771	9,102
Interest paid	33,862	25,255
Debt restructuring cost	448	3,122
Amortised borrowing cost	3,523	4,793
Finance cost expensed	41,604	42,272
<i>Net loss on disposal of property, plant and equipment</i>	1,048	2,511
<i>Rental expense relating to operating leases</i>	8,522	7,687
<i>Impairment losses - financial assets</i>		
Trade receivables (reversals)/provisions	(3,381)	12,096
Other receivables	695	1,184
	(2,686)	13,280
<i>Impairment of other assets</i>		
Plant and equipment	16,464	-
<i>Impairment of acquisition</i>		
Impairment of goodwill	61,429	47
<i>Net foreign exchange losses</i>	-	1,861

5 INCOME TAX EXPENSE

This note provides an analysis of the group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the group's tax position.

(a) Income tax expense

		14	13
	Notes	\$'000	\$'000
Current tax		2,358	18,077
Deferred tax		(648)	1,458
Adjustments for current tax of prior periods		(1,314)	(478)
		396	19,057
Deferred income tax (revenue)/expense included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	7(c)(i)	3,148	(3,738)
(Decrease)/increase in deferred tax liabilities	7(c)(ii)	(3,796)	5,196
		(648)	1,458
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
(Loss)/profit from continuing operations before income tax expense		(43,463)	109,456
Tax at the Australian tax rate of 30% (2013 - 30%)		(13,039)	32,837
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Goodwill impairment		18,429	-
Share of net (profit) of joint ventures		(434)	(6,884)
Share-based payments		445	484
Amortisation of intangibles		98	293
Other foreign non temporary differences		(2,889)	(1,234)
Other non deductible items		1,925	1,410
		4,535	26,906
Difference in overseas tax rates		(3,474)	(7,491)
(Over) provision in prior years		(1,314)	(478)
Current year tax losses not recognised		1,082	2,057
Effect of currency translation on tax base		892	(4,952)
Adjustment for withdrawal of tax exemption		2,240	-
Deferred tax recognised on undistributed profits for foreign subsidiaries and joint ventures		(3,565)	3,015
		(4,139)	(7,849)
Income tax expense		396	19,057
(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		16	28
(d) Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		4,693	11,000
Potential tax benefit @ 30%		1,408	3,300
(e) Unrecognised temporary differences			
Temporary difference relating to investment in subsidiaries for which deferred tax liabilities have not been recognised:			
Undistributed earnings		95,729	46,830
		95,729	46,830
Unrecognised deferred tax liabilities relating to the above temporary differences		9,573	4,531

Ausdrill Limited has undistributed earnings of \$95,729,000 (2013: \$46,830,000) which, if paid out of as dividends, would be unfranked and therefore subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from the subsidiary and is not expected to distribute these profits in the foreseeable future.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

	Notes	Assets at FVTOCI \$'000	Financial assets at amortised cost \$'000	Total \$'000
Financial assets				
2014				
Cash and cash equivalents	6(a)	-	62,695	62,695
Trade and other receivables*	6(b)	-	153,393	153,393
Available-for-sale financial assets	6(c)	3,819	-	3,819
		3,819	216,088	219,907
2013				
Cash and cash equivalents	6(a)	-	78,826	78,826
Trade and other receivables*	6(b)	-	188,380	188,380
		-	267,206	267,206

* excluding prepayments.

	Notes	Liabilities at amortised cost \$'000	Total \$'000
Financial liabilities			
2014			
Trade and other payables	6(d)	111,926	111,926
Borrowings	6(e)	453,311	453,311
		565,237	565,237
2013			
Trade and other payables	6(d)	131,656	131,656
Borrowings	6(e)	537,456	537,456
		669,112	669,112

The Group's exposure to various risks associated with the financial instruments is discussed in note 11. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(a) Cash and cash equivalents

	14	13
	\$'000	\$'000
Current assets		
Cash at bank and in hand	62,695	78,826

(i) 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	62,695	78,826
Balances per consolidated statement of cash flows	62,695	78,826

(ii) Risk exposure

The Group's exposure to interest rate risk and foreign exchange risk is discussed in note 11. 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.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Trade and other receivables

	2014			2013		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	121,529	-	121,529	169,959	-	169,959
Provision for impairment of receivables (see note 11(b))	(15,434)	-	(15,434)	(18,640)	-	(18,640)
	106,095	-	106,095	151,319	-	151,319
Loans to joint ventures	-	6,683	6,683	-	9,488	9,488
Other receivables (ii)	40,563	52	40,615	26,696	877	27,573
Prepayments	10,990	-	10,990	8,916	-	8,916
	157,648	6,735	164,383	186,931	10,365	197,296

Further information relating to loans to related parties and key management personnel is set out in note 18.

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement not more than 90 days from the date of recognition and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 11(b) and 25(k) respectively.

(ii) Other receivables

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

(iii) 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 11.

(iv) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts.

(v) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 11(a).

(c) Available-for-sale financial assets

Available-for-sale financial assets include the following classes of financial assets:

	14	13
	\$'000	\$'000
Non-current assets		
Listed securities		
Equity securities	1,819	-
Unlisted securities		
Convertible note	2,000	-
	3,819	-

(i) Classification of financial assets as available-for-sale

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVTPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(c) Available-for-sale financial assets (continued)

(ii) Impairment indicators for available-for-sale financial assets

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. See note 25(m) for further details about the group's impairment policies for financial assets.

(iii) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

	14 \$'000	13 \$'000
Gains/(losses) recognised in other comprehensive income	(55)	-

(iv) Non-current assets pledged as security

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

(v) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 6(f) below. None of the available-for-sale financial assets are either past due or impaired.

All available-for-sale financial assets are denominated in Australian currency. For an analysis of the sensitivity of available-for-sale financial assets to price and interest rate risk refer to note 11(a).

(d) Trade and other payables

Current liabilities

Trade payables	47,202	49,835
Other creditors and accruals	64,724	81,821
	111,926	131,656

Trade payables are unsecured and are usually paid within 45 to 60 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

(e) Borrowings

	2014			2013		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Secured						
Bank loans	31,798	86,623	118,421	36,411	118,048	154,459
Prepaid borrowing costs	-	(2,230)	(2,230)	-	(2,832)	(2,832)
Hire purchase liabilities	18,669	8,262	26,931	36,912	36,434	73,346
Total secured borrowings	50,467	92,655	143,122	73,323	151,650	224,973
Unsecured						
USD notes	-	318,235	318,235	-	323,450	323,450
Prepaid borrowing costs	-	(8,046)	(8,046)	-	(10,967)	(10,967)
Total unsecured borrowings	-	310,189	310,189	-	312,483	312,483
Total borrowings	50,467	402,844	453,311	73,323	464,133	537,456

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(e) Borrowings (continued)

(i) Secured liabilities and assets pledged as security

At 30 June 2014, the Group had the following facilities that were not utilised at balance date:

	14 \$'000	13 \$'000
Total unutilised facilities - Bank Loans	227,371	227,725

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 1933, and to certain persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

The net proceeds of the Notes issued were used to repay existing indebtedness outstanding under the \$550 million Syndicated Bank Facility entered into in October 2012 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.

Other than the matter stated below, Ausdrill Limited has complied with the financial covenants of its borrowing facilities during the 2014 and 2013 reporting period, see note 12 for details.

At 31 December 2013 the Company had an immaterial breach of one of its debt covenants relating to a hire purchase facility. The Company reclassified \$6,259,253 to current liabilities for the period ending 31 December 2013. This breach was immaterial to the business and did not create a cross default under its senior debt facilities or its high yield notes. It has since been repaid.

Refinancing requirements

Where existing facilities approach maturity, the Group will seek to renegotiate with existing and new financiers 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 Ba3 (Outlook Stable) from Moody's and a credit rating of BBB- (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.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(e) Borrowings (continued)

(ii) Hire purchase liabilities

	14	13
	\$'000	\$'000
Within one year	19,919	40,829
Later than one year but not later than two years	7,496	26,909
Later than two years but no later than five years	1,060	11,607
Total minimum hire purchase commitments	28,475	79,345
Future finance charges	(1,544)	(5,999)
	26,931	73,346
Hire purchase liabilities:		
Current	18,669	36,912
Non-current	8,262	36,434
Total lease liabilities	26,931	73,346

(iii) Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	2014			2013		
	Carrying amount	Fair value	Discount rate	Carrying amount	Fair value	Discount rate
	\$'000	\$'000	%	\$'000	\$'000	%
On-balance sheet						
<i>Non-traded financial liabilities</i>						
USD notes	318,235	298,174	8.59	323,450	309,535	7.80

The fair values of non-current borrowings are based on discounted cash flows using the rates disclosed in the table above.

(iv) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 11.

(f) Recognised fair value measurements

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2014	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Available-for-sale financial assets				
Equity securities	1,819	-	-	1,819
Total financial assets	1,819	-	-	1,819
At 30 June 2013				
Financial assets				
Available-for-sale financial assets				
Equity securities	-	-	-	-
Total financial assets	-	-	-	-

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(f) Recognised fair value measurements (continued)

(i) Fair value hierarchy (continued)

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

Level 2: 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 which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.

7 NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
 - inventories (note 7(a))
 - property, plant and equipment (note 7(b))
 - deferred tax balances (note 7(c))
 - intangible assets (note 7(d))
 - provisions (note 7(e))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

(a) Inventories

	14	13
	\$'000	\$'000
Current assets		
Work in progress	14,238	11,377
Finished goods	34,595	34,415
Consumables and store items	184,241	211,555
	233,074	257,347

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. See note 25(l) for the group's other accounting policies for inventories.

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Property, plant and equipment

	Land and buildings	Plant and equipment	Plant and equipment under finance	Total
Non-current	\$'000	\$'000	\$'000	\$'000
At 1 July 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)	106,317	(106,248)	-
Closing net book amount	46,333	513,021	281,414	840,768
At 30 June 2013				
Cost or fair value	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
Year ended 30 June 2014				
Opening net book amount	46,333	513,021	281,414	840,768
Exchange differences	(69)	1,783	(98)	1,616
Transfer to inventory	-	(3,791)	-	(3,791)
Additions	10,593	54,126	-	64,719
Depreciation charge	(1,368)	(71,123)	(25,935)	(98,426)
Impairment loss	-	(16,464)	-	(16,464)
Disposals	(4,803)	(6,430)	(27)	(11,260)
Transfers between classes	-	89,503	(89,503)	-
Closing net book amount	50,686	560,625	165,851	777,162
At 30 June 2014				
Cost	53,279	1,015,883	230,588	1,299,750
Accumulated depreciation	(2,593)	(455,258)	(64,737)	(522,588)
Net book amount	50,686	560,625	165,851	777,162

(i) Non-current assets pledged as security

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

(ii) 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:

	14 \$'000	13 \$'000
Buildings		
Cost	40,069	34,362
Accumulated depreciation	(8,926)	(7,870)
Net book amount	31,143	26,492

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Property, plant and equipment (continued)

(iii) Revaluation, depreciation methods and useful lives

Land is not depreciated. Depreciation on major 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

See note 25(n) for the other accounting policies relevant to property, plant and equipment.

(iv) Impairment loss

Refer to note 3(a) for details.

(c) Deferred tax balances

(i) Deferred tax assets

	Notes	14 \$'000	13 \$'000
The balance comprises temporary differences attributable to:			
Employee benefits		9,358	9,354
Foreign tax credits		110	110
Accruals		3,408	6,115
Doubtful debts		4,437	4,524
		17,313	20,103
<i>Other</i>			
Borrowing and business expenses		1,185	2,123
Unrealised foreign exchange		5,967	5,387
Available-for-sale financial assets		16	-
Sub-total other		7,168	7,510
Total deferred tax assets		24,481	27,613
Adjustment of deferred tax liabilities pursuant to set-off provisions	7(c)(ii)	2,600	192
Net deferred tax assets		27,081	27,805
Deferred tax assets expected to be recovered within 12 months		23,134	24,728
Deferred tax assets expected to be recovered after more than 12 months		1,347	2,885
		24,481	27,613

	Employee Benefits \$'000	Foreign tax credits \$'000	Accruals \$'000	Doubtful debts \$'000	Other \$'000	Total \$'000
At 1 July 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
(Charged)/credited - to profit or loss	4	-	(2,707)	(87)	(358)	(3,148)
(Charged)/credited - directly to equity	-	-	-	-	16	16
At 30 June 2014	9,358	110	3,408	4,437	7,168	24,481

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax balances (continued)

(ii) Deferred tax liabilities

	Notes	14 \$'000	13 \$'000
The balance comprises temporary differences attributable to:			
Foreign entities distributable profits		13,646	17,375
Inventories		2,168	6,155
Depreciation		9,078	7,070
Revaluation of land and buildings		5,779	5,781
		30,671	36,381
<i>Other</i>			
Receivables		4,980	3,077
Unrealised foreign exchange		788	807
Prepayments		110	82
Sub-total other		5,878	3,966
Total deferred tax liabilities		36,549	40,347
Adjustment of deferred tax liabilities pursuant to set-off provisions	7(c)(i)	2,600	192
Net deferred tax liabilities		39,149	40,539
Deferred tax liabilities expected to be settled within 12 months		9,862	12,352
Deferred tax liabilities expected to be settled after more than 12 months		26,687	27,995
		36,549	40,347

	Foreign entities distributable profits \$'000	Inventories \$'000	Revaluation of land & buildings \$'000	Depreciation \$'000	Other \$'000	Total \$'000
At 1 July 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
Charged/(credited) - profit or loss	(3,729)	(3,987)	-	2,008	1,912	(3,796)
Charged/(credited) - directly to equity	-	-	(2)	-	-	(2)
At 30 June 2014	13,646	2,168	5,779	9,078	5,878	36,549

The deferred tax liability charged for revaluation of land & buildings in the current year includes currency translation differences of \$1,623 (2013: \$14,514).

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) Non-current assets - Intangible assets

	Note	Goodwill \$'000	Other intangible assets \$'000	Customer contracts \$'000	Total \$'000
At 1 July 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	13	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
Accumulation amortisation and impairment		(630)	(2,114)	(14,227)	(16,971)
Net book amount		67,032	1,877	2,983	71,892
Year ended 30 June 2014					
Opening net book amount		67,032	1,877	2,983	71,892
Additions internal development		-	895	-	895
Impairment charge		(61,429)	-	-	(61,429)
Amortisation charge*		-	(282)	(469)	(751)
Closing net book amount		5,603	2,490	2,514	10,607
At 30 June 2014					
Cost		67,662	4,886	17,210	89,758
Accumulated amortisation and impairment		(62,059)	(2,396)	(14,696)	(79,151)
Net book amount		5,603	2,490	2,514	10,607

* Amortisation of \$750,826 (2013: \$4,300,001) is included in depreciation and amortisation expense in profit or loss.

(i) Customer contracts

The customer contracts were acquired as part of a business combination (see note 13 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

(ii) Impairment tests for goodwill

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

	Mining Services Australia (MSA) Segment	Manufacturing Segment	Total
2014	\$'000	\$'000	\$'000
Carrying amount of goodwill	-	5,603	5,603
2013			
Carrying amount of goodwill	61,429	5,603	67,032

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) Non-current assets - Intangible assets

(iii) Recoverable amount testing

The Group tests whether goodwill has suffered any impairment on an annual basis or whenever there is an indicator of impairment. The recoverable amount of a CGU is determined based on a value in use calculation which requires the use of assumptions.

Cash flow projections are calculated using EBITDA, changes in working capital and capital expenditure to get to a "free cash flow" estimate. These projections are based on actual operating results, a Board approved FY15 business plan and subsequent financial forecasts prepared by management. Future cash flows are extrapolated by applying conservative growth rates for each segment and terminal growth rates not exceeding 3%.

The following key assumptions were used to determine the recoverable amounts:

Outlook

Due to the protracted downturn in the mining services sector the Company considers it is at a low point in its activity levels and is projecting a recovery to more normal levels in the medium term and has therefore carried out rigorous testing to ensure that the assumptions used are reasonable given the circumstances. Further, it is assumed that contracts expiring in the next five years are renewed or replaced.

Growth rate estimates and discount rates

CGU	Growth Rate					EBITDA Margin	Post Tax Discount Rate	Pre Tax Discount Rate
	FY15	FY16	FY17	FY18 - FY19	Terminal Year			
MSA	-6.9%	2.5%-6.8%	2.5%-3.8%	2.5%-3.8%	2.5%-3.0%	23.0%-23.5%	10.5%-11.2%	13.9%-15.2%
Manufacturing	1.4%	2.5%-6.1%	2.5%-7.3%	2.5%-3.0%	2.5%-3.0%	10.7%-14.7%	10.5%-11.2%	13.6%-14.8%
CMSA	25%	10.3%	2.5%-3.0%	2.5%-3.0%	2.5%-3.0%	26.8%-27.6%	11.3%-11.9%	16.1%-17.7%

The revenue growth in the first year reflects the best estimate for the coming year taking account of business specific conditions, macroeconomic, strategic and market factors. Growth rates for subsequent years are based on Ausdrill's five year outlook taking into account all available information at this current time and are subject to change over time.

Nominal post tax discount rates were derived using the weighted average cost of capital that has been calculated using the CAPM model referencing comparable mining services companies. The discount rate used for the Contract Mining Services Africa (**CMSA**) CGU has been adjusted for risk due to geographic location and takes into account the historic cost of insuring sovereign risk events in West Africa. A post-tax discount rate is applied to post tax cash flows that include an allowance for tax based on the respective jurisdictions' tax rate.

EBITDA margin

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

Working capital

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

Capital expenditure

Capital expenditure has been kept to a minimum in the first two years as idle fleet returns to work. Thereafter, capital expenditure will return to normal levels with an emphasis on replacement capital to sustain the levels of activity.

Replacement capital expenditure is assumed in the terminal year as equipment is retired from service. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

Outcomes of testing

The MSA CGU experienced the effects of the down turn in the mining industry, and in particular, a loss of work in the Pilbara, as major mining companies moved to perform more activities in house. In addition, the falling gold price continued to have an adverse impact on the business with clients under cost pressures reducing work across the board. Impairment testing at 30 June 2014, based on the range of assumptions set out above, resulted in the MSA CGU being impaired by \$72,038,000. Its estimated recoverable amount was \$571,264,000. As a result a goodwill impairment charge of \$61,429,000 and a plant and equipment impairment charge of \$10,609,000 was made. Refer to note 3(a) for further information on impairment on plant and equipment charge.

There was no impairment in the Manufacturing CGU as the impairment testing at 30 June 2014 resulted in the estimated recoverable amount of \$99,525,000 exceeding its carrying amount by \$9,775,000.

Impairment testing is intended to assess the recoverable amount of both tangible and intangible assets. As such, although the Contract Mining Services Africa CGU has nil goodwill, impairment testing has been performed for this CGU which resulted in the estimated recoverable amount of \$376,700,000 exceeding its carrying amount by \$6,580,000.

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) Non-current assets - Intangible assets (continued)

Impact of reasonably possible changes in key assumptions

The CGU valuations are sensitive to changes in the post tax discount rate and the EBITDA margin for cash flow forecasts and terminal value. For the CGU's which were not impaired, the following table shows the amount by which the post tax discount rate and EBITDA margin would need to change individually in order for the estimated recoverable amount of the CGU to be equal to the carrying amount:

CGU	Increase required in the post tax discount rate for the carrying amount to equal the recoverable amount (in percent)	Decrease required in the EBITDA margin assumption for the carrying amount to equal the recoverable amount (in percent)
Manufacturing	1.0%	1.1%
CMSA	0.29%	0.3%

(e) Provisions

	Current	2014 Non- current	Total	Current	2013 Non- current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits - long service leave	9,084	1,772	10,856	7,508	4,516	12,024

(i) Information about individual provisions and significant estimates

Employee benefits

The provision for employee benefits relates to the group's liability for long service leave and annual leave.

(f) Recognised fair value measurements

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 6(f).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2014				
Assets				
Land and buildings				
Office buildings	-	-	5,130	5,130
Industrial sites	-	-	45,556	45,556
Total non-financial assets	-	-	50,686	50,686

There were no transfers between any levels for recurring fair value measurements during the year.

(ii) Valuation techniques used to determine level 3 fair values

The Group obtains independent valuations for its freehold land and buildings (classified as property, plant and equipment) at least every three years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.
- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(f) Recognised fair value measurements (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2014 and 2013 for recurring fair value measurements:

	Office buildings \$'000	Industrial sites \$'000	Total \$'000
Opening balance 1 July 2013	-	46,333	46,333
Acquisitions	5,246	5,347	10,593
Disposals	-	(4,803)	(4,803)
Losses recognised in other comprehensive income	-	(69)	(69)
Depreciation and impairment	(116)	(1,252)	(1,368)
Closing balance 30 June 2014	5,130	45,556	50,686

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 30 June 2014 \$'000	Valuation Technique	Unobservable inputs*	Range of inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Industrial Sites - Australia	40,956	Income capitalisation	Capitalisation rate	7.75%-15% (9.3%)	The higher the capitalisation rate, the lower the fair value
			Market rental value per (m2)	\$33-\$69 per m ² (\$53)	The higher the market rate, the higher the fair value
Industrial Sites - Ghana	4,600	Direct comparison m ²	Selection of industrial sites with similar approximate utility	\$2-\$534 per m ² (\$134)	The higher the rate per square metre , the higher the fair value

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Includes office building in Ghana (2014: \$5,130,000; 2013: nil) completed in December 2013. The fair value is taken to be approximate to its historical cost less depreciation to 30 June 2014.

(v) Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the Group's Land and Buildings every 3 years. As at 30 June 2012, the fair values of the Industrial Sites properties have been determined by members of the Australian Property Institute, and the Ghana Institute of Surveyors.

8 EQUITY

(a) Contributed equity

(i) Share capital

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

(ii) Movements in ordinary share capital:

Details	Notes	Number of shares	\$'000
Opening balance 1 July 2012		304,397,289	508,513
Exercise of options		733,335	1,008
Dividend reinvestment plan		4,585,926	9,586
Shortfall placement facility for 2012 dividends (issue price of \$2.89)		2,560,674	7,404
			526,511
Less: Transaction costs arising on share issue		-	(92)
Deferred tax credit recognised directly in equity		-	28
Balance 30 June 2013		312,277,224	526,447
Balance 30 June 2014		312,277,224	526,447

(iii) 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.

(iv) 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.

(v) 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 19.

8 EQUITY (CONTINUED)

(b) Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

		Revaluation surplus	Available-for- sale financial assets	Share- based payments	Transactions with non- controlling interests	Foreign currency translation	Total
Consolidated entity	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012		15,137	-	2,290	602	(28,490)	(10,461)
Currency translation differences		194	-	-	-	10,983	11,177
Other comprehensive income		194	-	-	-	10,983	11,177
Transactions with owners in their capacity as owners							
Share-based payment expenses	19	-	-	1,613	-	-	1,613
At 30 June 2013		15,331	-	3,903	602	(17,507)	2,329
Balance at 1 July 2013		15,331	-	3,903	602	(17,507)	2,329
Revaluation - gross	7(b), 6(c)	-	(55)	-	-	-	(55)
Deferred tax	7(c)	-	17	-	-	-	17
Currency translation differences		(33)	-	-	-	2,286	2,253
Other comprehensive income		(33)	(38)	-	-	2,286	2,215
Transactions with owners in their capacity as owners							
Share-based payment expenses	19	-	-	1,427	-	-	1,427
Transactions with NCI		-	-	-	(3,266)	-	(3,266)
At 30 June 2014		15,298	(38)	5,330	(2,664)	(15,221)	2,705

(i) Nature and purpose of other reserves

Revaluation surplus- property, plant and equipment

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relations to the asset is transferred to retained earnings; see accounting policy note 25(n) for details.

Available-for-sale financial assets

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets (eg equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy note 25(m) for details.

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.

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 joint ventures are recognised in other comprehensive income and are accumulated in this reserve.

Transactions with non-controlling interests

This reserve is used to record the differences described in note 25(b)(iv) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

8 EQUITY (CONTINUED)

(c) Retained earnings

Movements in retained profits were as follows:

	Notes	14 \$'000	13 \$'000
Balance 1 July		290,589	243,773
Net (loss)/profit for the year		(42,592)	91,314
Dividends	12(b)	(24,981)	(44,498)
Balance 30 June		223,016	290,589

9 CASH FLOW INFORMATION

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

(Loss)/profit for the year	(43,859)	90,399
Depreciation and amortisation	99,177	123,695
Impairment of goodwill	61,429	47
Impairment of other receivables	695	1,184
Impairment of property, plant and equipment	16,464	-
Loss on sale of non-current assets	1,048	2,511
Net (gain) on sale of available-for-sale financial assets	(268)	-
Net exchange differences	644	1,626
Bad debts and provision for doubtful debts	(3,381)	12,096
Share of (profits) of joint ventures	(1,445)	(22,946)
Non-cash employee benefits expense - shared based payments	1,427	1,613
Change in operating assets and liabilities:		
Decrease in trade debtors	31,336	61,460
Decrease in inventories	24,449	2,872
Decrease/(increase) in deferred tax assets	636	(10,251)
(Increase)/decrease in other operating assets	(2,205)	4,894
(Decrease) in trade creditors	(20,924)	(64,908)
(Decrease) in provision for income taxes payable	(21,407)	(26,912)
(Decrease)/increase in deferred tax liabilities	(763)	9,889
(Decrease)/Increase in other provisions	(936)	21
Net cash inflow from operating activities	142,117	187,290

(b) Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance leases or hire purchases	-	14,734
Issue of shares under company dividend reinvestment plan	-	9,585
	-	24,319

Risk

This section of the notes discusses the group’s exposure to various risks and shows how these could affect the group’s financial position and performance.

10	Critical accounting estimates and judgements	75
11	Financial risk management	75
12	Capital management	82

10 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in notes 1 to 10 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Significant estimates and judgements

- Estimated fair value of certain available-for-sale financial assets - note 6(c)
- Estimation of fair values of land and buildings - note 7(b)
- Estimated of useful life of property, plant and equipment - note 7(b)
- Estimated goodwill impairment - note 7(d)
- Estimated useful life of intangible asset - note 7(d)
- Estimation of fair values of contingent liabilities and contingent purchase consideration in a business combination - note 13
- Recognition of revenue - note 2
- Recognition of deferred tax asset for carried forward tax losses - note 7(c)
- Impairment of available-for-sale financial assets - note 6(c)
- Consolidation decisions and classification of joint arrangements - note 14

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.

(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 2014.

11 FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in AUD	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk - security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversion
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments and available-for-sale debt instruments	Aging analysis Credit rating	Credit limits, retention of title over goods sold, letters of credits
Borrowings and other liabilities	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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's financial risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

The Group hedges large capital expenditure items acquired in foreign currency that are to be declared over a period of 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.

(i) Foreign exchange risk

Exposure

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

	30 June 2014									
	USD \$'000	GHS \$'000	GBP \$'000	EUR \$'000	TZS \$'000	ZMW \$'000	ZAR \$'000	CAD \$'000	CFA \$'000	SGD \$'000
Cash	3,520	2,106	2	126	62	177	-	-	-	-
Trade receivables	18,255	-	-	48,856	-	24	-	61	-	-
Trade payables	(50,324)	(4,455)	(21)	(802)	(70)	-	(27)	(1)	(1,721)	(36)
Borrowings	(29,830)	-	-	(49,141)	-	-	-	-	(5,571)	-

	30 June 2013									
	USD \$'000	GHS \$'000	GBP \$'000	EUR \$'000	TZS \$'000	ZMW \$'000	ZAR \$'000	CAD \$'000	CFA \$'000	SGD \$'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)	-	-	-	-	-	-

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	14 \$'000	13 \$'000
<i>Amounts recognised in profit or loss</i>		
Net foreign exchange gain/(loss) included in other income/other expenses	5,816	(1,861)
Total net foreign exchange gains/(losses) recognised in profit or loss before income tax for the period	5,816	(1,861)
<i>Net gain (losses) recognised in other comprehensive income (note 8(b))</i>		
Translation of foreign operations	2,286	10,983

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or Loss A\$'000
30 June 2014	
USD	5,305
GHS	214
GBP	2
EUR	(2,770)
TZS	1
ZMW	(18)
ZAR	2
CAD	(5)
CFA	663
SGD	3
	3,397
30 June 2013	
USD	3,477
GHS	508
GBP	1
EUR	-
TZS	(19)
ZMW	(101)
ZAR	5
CAD	3
	3,874

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.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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.

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 2014 and 2013, the Group's borrowings at variable rate were denominated in Australian Dollars.

Refer to note 11(c) Liquidity Risk for cash, cash equivalents and variable rate exposure.

Instruments used by the group

As at the end of the reporting period, the Group had the following variable rate borrowings:

Consolidated entity	30 June 2014			30 June 2013		
	Weighted average interest rate %	Balance \$'000	% of total loans	Weighted average interest rate %	Balance \$'000	% of total loans
Bank loans	5.3%	77,154	17.0%	8.3%	77,266	14.4%
Net exposure to cash flow interest rate risk		77,154			77,266	

Sensitivity

At 30 June 2014, 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 \$771,540 higher/lower (2013 - change of 100 bps: \$772,660 higher/lower), mainly as a result of higher/lower interest income from these variable interest rate financial assets.

(iii) Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet as available-for-sale.

The majority of the Group's equity securities are publicly traded on the ASX.

Sensitivity analysis

The table below summarises the impact of an increase/decrease of the available-for-sale financial assets on the Group's equity for the year. The analysis is based on the assumption that the available-for-sale financial assets had increased by 10% or decreased by 10% with all other variables held constant.

Consolidated entity	Impact on other components of equity	
	14 \$'000	13 \$'000
Available-for-sale assets - increase 10%	267	-
Available-for-sale assets - decrease 10%	(127)	-

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale. As the fair value of the available-for-sale financial assets would still be above cost, no impairment loss would be recognised in profit or loss as a result of the decrease in the index.

Amounts recognised in profit or loss and other comprehensive income

The amounts recognised in other comprehensive income in relation to the various investments held by the Group are disclosed in note 6.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

(i) Risk management

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.

(ii) Credit quality

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

	14	13
(AUD)	\$'000	\$'000
Australia	94,418	93,594
Africa	58,354	94,165
Asia	528	528
Europe	93	93
	153,393	188,380
Trade receivables		
<i>Counterparties with external credit rating (Moody's)</i>		
A1	15,179	8,727
A2	1,194	1,816
A3	6,041	4,338
Ba1	1,983	1,465
Ba3	-	1
Baa1	-	7,110
Baa2	6,099	6,403
Baa3	4,127	12,173
B1	-	5,326
B3	661	-
Caa1	45	1,394
	35,329	48,753
<i>Counterparties without external credit rating *</i>		
Group 1	10,425	36,751
Group 2	105,390	102,876
Group 3	2,249	-
	118,064	139,627
Total trade receivables	153,393	188,380
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	145	237
AA-	46,031	44,530
A	643	710
BBB	1,681	2,156
B-	14,195	31,193
	62,695	78,826

* 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.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

(iii) Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See note 3 for information about how impairment losses are calculated.

As at 30 June 2014, current trade receivables of the Group with a nominal value of \$16,542,264 (2013: \$19,280,826) 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 \$15,434,040 (2013: \$18,640,164). The Group expects that a portion of the receivables is to be recovered.

The ageing of these receivables is as follows:

	14	13
	\$'000	\$'000
3 to 6 months	4,694	10,284
Over 6 months	11,848	8,997
	16,542	19,281

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

At 1 July	18,640	7,232
Provision for impairment recognised during the year	(2,686)	12,096
Receivables written off during the year as uncollectable	(445)	(270)
Impact of acquisition	-	370
Unused amounts reversed	(75)	(788)
At 30 June	15,434	18,640

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.

(iv) Past due but not impaired

As at 30 June 2014, trade receivables of \$42,611,085 (2013: \$71,650,157) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Up to 2 months	40,959	65,748
Over 2 months	1,652	5,902
	42,611	71,650

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.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the group aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties.

(i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	14	13
	\$'000	\$'000
Floating rate		
- Bank loans	227,371	227,725
	227,371	227,725

Maturities of financial liabilities

The tables below analyses the Group's financial liabilities 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	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Group - at 30 June 2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-interest bearing	111,566	-	-	-	-	111,566	111,566
Variable rate	3,456	2,935	76,390	-	-	82,781	75,575
Fixed rate	38,531	34,427	41,251	66,804	329,174	510,187	377,736
Total	153,553	37,362	117,641	66,804	329,174	704,534	564,877
Group - at 30 June 2013							
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	201,492	48,405	88,676	166,337	354,953	859,863	677,147

Details about the financial guarantee contracts are provided in note 24. 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.

12 CAPITAL MANAGEMENT

(a) Risk management

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

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

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

The gearing ratios at 30 June 2014 and 30 June 2013 were as follows:

	14	13
	\$'000	\$'000
Total borrowings*	463,587	551,255
Less: cash and cash equivalents	(62,695)	(78,826)
Net debt	400,892	472,429
Total equity	752,168	817,386
Total capital	1,153,060	1,289,815
	35%	37%

* Excludes prepaid borrowing costs.

Gearing ratio

See note 6(e) for information on financial covenants on borrowing.

(b) Dividends

(i) Ordinary shares

Final dividend for the year ended 30 June 2013 of 5.5 cents (2012: 8.0 cents) per fully paid share	17,175	24,376
Interim dividend for the year ended 30 June 2014 of 2.5 cents (2013: 6.5 cents) per fully paid share	7,806	20,122
Total dividends provided for or paid	24,981	44,498
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2014 and 2013 were as follows:		
Paid in cash	24,981	34,913
Satisfied by issue of shares	-	9,585
	24,981	44,498

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

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 2.0 cents per fully paid ordinary share (2013 - 5.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 17 October 2014 out of retained earnings at 30 June 2014, but not recognised as a liability at year end, is

6,246	17,175
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(iii) Franked dividends

The franked portions of the final dividends recommended after 30 June 2014 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 2015.

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2013 - 30%)

45,982	54,057
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The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

GROUP STRUCTURE

This section provides information which will help users understand how the group structure affects the financial position and performance of the group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation
- transactions with non-controlling interests, and
- interests in joint operations.

A list of significant subsidiaries is provided in note 14. This note also discloses details about the group’s equity accounted investments.

13	Business combination	84
14	Interests in other entities	85

13 BUSINESS COMBINATION

(a) Non-controlling interests

On 1 March 2014, Ausdrill Limited acquired the remaining 20% of the issued shares of MinAnalytical Holdings Pty Ltd for a purchase consideration of \$20,000. The carrying amount of the non-controlling interests in MinAnalytical Holdings Pty Ltd on the date of acquisition was (\$3,266,253). The group recognised an increase in non-controlling interests of \$3,266,253 and a decrease in equity attributable to owners of the parent of \$3,266,253. The effect of changes in the ownership interests of MinAnalytical Holdings Pty Ltd on the equity attributable to owners of Ausdrill Limited during the year is summarised as follows:

	14 \$'000	13 \$'000
Carrying amount of non-controlling interests acquired	(3,246)	-
Consideration paid to non-controlling interests	(20)	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(3,266)	-

(b) Prior period

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 business combination were disclosed in note 29 of the group's annual financial statements for the year ended 30 June 2013.

14 INTERESTS IN OTHER ENTITIES

(a) Material 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 25(b):

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2014 %	2013 %
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
African Mining Services Guinea Sarl	Guinea	Ordinary	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	100
BTP Parts Pty Ltd	Australia	Ordinary	100	100
Best Hydraulics & Engineering	Australia	Ordinary	100	100
Connector Drilling Pty Ltd	Australia	Ordinary	100	100
Diamond Communications Pty Ltd	Australia	Ordinary	100	100
Drill Rigs Australia Pty Ltd	Australia	Ordinary	100	100
Drilling Tools Australia Pty Ltd	Australia	Ordinary	100	100
DT HiLoad Australia Pty Ltd	Australia	Ordinary	100	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	100	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
AMCG	Ghana	Ordinary	100	100

* 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:

14 INTERESTS IN OTHER ENTITIES (CONTINUED)

(a) Material subsidiaries (continued)

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 and African Mining Services Guinea Sarl are 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 is 100% 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.

African Mining Services Guinea Sarl carries on business in Guinea.

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.

(b) Interests in joint ventures

Set out below are the joint ventures of the Group as at 30 June 2014 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2014	2013			2014	2013
		%	%			\$'000	\$'000
African Underground Mining Services	Ghana, Mali and Burkina Faso	50	50	Joint ventures	Equity method	67,592	65,462

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.

14 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Interests in joint ventures (continued)

(i) Summarised financial information for joint ventures

The tables on the following page provide summarised financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not Ausdrill Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	African Underground Mining Services	
	14	13
	\$'000	\$'000
Summarised balance sheet		
Current assets		
Cash and other cash equivalents	15,871	13,975
Other current assets	56,380	74,415
Total current assets	72,251	88,390
Non-current assets	24,850	44,843
Current liabilities		
Financial liabilities (excluding trade payables)	2,816	10,219
Other current liabilities	19,207	41,439
Total current liabilities	22,023	51,658
Non-current liabilities		
Financial liabilities (excluding trade payables)	6,900	13,895
Other non-current liabilities	584	2,218
Total non-current liabilities	7,484	16,113
Net assets	67,592	65,462
Reconciliation to carrying amounts:		
Balance at 1 July	65,462	35,888
Profit for the period	1,445	22,946
Other comprehensive income	685	6,628
Balance at 30 June	67,592	65,462

(i) Summarised financial information for joint ventures

Summarised statement of comprehensive income

Revenue	136,794	150,002
Interest income	368	180
Depreciation and amortisation	(19,419)	(15,719)
Interest expense	(2,334)	(2,530)
Income tax expense	(586)	(900)
Profit from continuing operations	1,445	22,946
Profit for the period	1,445	22,946
Other comprehensive income	685	6,628
Total comprehensive income	2,130	29,574

UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

- (a) Unrecognised tax amounts – see note 5
- (b) Non-cash investing and financing transactions – see note 9(b).

15	Contingencies	89
16	Commitments	89
17	Events occurring after the reporting period	89

15 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 24.

(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 2014 as receipt of these amounts are dependent on the outcome of the arbitration process and the litigation.

16 COMMITMENTS

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	14 \$'000	13 \$'000
Property, plant and equipment Payable:		
Within one year	6,084	13,248
The capital commitments are to be funded from cash and available finance facilities.		

(b) Non-cancellable operating leases

The Group leases various offices, warehouses and retail stores under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess warehouse space is sub-let to third parties also under non-cancellable operating leases.

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

Within one year	9,115	11,099
Later than one year but not later than five years	9,921	17,157
Later than five years	30	-
	19,066	28,256

17 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in subsequent financial years.

OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

18	Related party transactions	91
19	Share-based payments	92
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18 RELATED PARTY TRANSACTIONS

(a) Parent entities

The ultimate parent entity of the Group is Ausdrill Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 14(a).

(c) Key management personnel compensation

	14	13
	\$	\$
Short-term employee benefits	2,911,030	3,298,091
Post-employment benefits	184,998	177,522
Long-term benefits	25,401	19,206
Share-based payments	1,230,799	1,308,489
	4,352,228	4,803,308

Detailed remuneration disclosures are provided in the remuneration report on pages 26 to 35.

(d) Transactions with other related parties

The following transactions occurred with related parties:

<i>Sales of goods and services</i>		
Associates	11,279,162	19,146,881
Entities controlled by key management personnel	927,224	-
<i>Interest received / receivable</i>		
Associates	357,163	661,412
<i>Management fee received / receivable</i>		
Associates	1,446,313	2,150,390
<i>Purchase of goods</i>		
Rent of office buildings	358,032	358,032
Aviation services	41,450	-

(i) Purchases from entities controlled by key management personnel

The Group acquired the following goods and services from entities that are controlled by members of the Group key management personnel:

- rental of an office building
- provision of exploration drilling services
- aviation services

18 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) 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:

	14	13
	\$	\$
<i>Current receivables (sales of goods and services)</i>		
Joint ventures	3,034,459	10,919,305
Entities controlled by key management personnel	453,043	-
<i>Non-current receivables (loans)</i>		
Joint ventures	6,682,932	9,487,871

(f) Loans to/from related parties

<i>Loans to joint ventures</i>		
Balance at 1 July	9,487,871	9,092,393
Loans advanced	-	2,447,778
Loans repaid	(2,804,939)	(2,052,300)
Interest charged	357,163	661,412
Interest received	(357,163)	(661,412)
Balance at 30 June	6,682,932	9,487,871

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. The average interest rate on loans during the year was 5.19% (2013: 5.68%).

19 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The Employee Option Plan is designed to provide long-term incentives for senior managers and above (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.

The amount of options that will vest depends on Ausdrill Limited's total return to shareholders (TSR), including share price growth, dividends and capital returns, ranking with a peer group of selected companies that are listed on the ASX over a period of time. Once vested, the options remain exercisable for a period of 5 years from their issue date. Options are granted under the plan for no consideration.

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

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

	2014		2013	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 July	\$2.97	3,433,341	\$2.67	4,233,343
Granted during the year	\$1.70	12,500,000	-	-
Exercised during the year	-	-	\$1.38	(733,335)
Forfeited during the year	\$1.92	(3,333,341)	\$1.44	(66,667)
As at 30 June	\$1.99	12,600,000	\$2.97	3,433,341
Vested and exercisable at closing balance	\$3.59	966,665	\$2.18	1,750,005

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

19 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Option Plan (continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices.

Grant date	Expiry date	Exercise price	Share options 30 June 2014	Share options 30 June 2013
12/11/2008	12/11/2013	1.34	-	66,666
12/11/2008	12/11/2013	1.44	-	766,674
12/05/2009	12/05/2014	1.29	-	66,666
12/05/2009	12/05/2014	1.34	-	66,667
12/05/2009	12/05/2014	1.44	-	66,667
30/06/2009	30/06/2014	1.44	-	100,001
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	33,333	133,332
09/03/2011	09/03/2016	3.70	33,333	133,333
09/03/2011	09/03/2016	3.85	33,334	133,335
25/03/2011	25/03/2016	3.80	-	66,666
25/03/2011	25/03/2016	4.00	-	66,667
25/03/2011	25/03/2016	4.15	-	66,667
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
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
07/10/2013	07/10/2018	1.70	3,599,978	-
07/10/2013	07/10/2018	1.70	3,599,978	-
07/10/2013	07/10/2018	1.70	3,600,044	-
			12,600,000	3,433,341
Weighted average remaining contractual life of options outstanding at end of period			3.93 years	2.06 years

(i) Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2014 was 11.85 cents per option (2013 - nil). The fair value at grant date is independently determined using a Monte Carlo simulation valuation model that incorporates the probability of the relative TSR vesting condition.

- (a) Options are granted for a five year period for no consideration and vest based on Ausdrill TSR rating with a peer group of selected companies as follows:
- Tranche 1 (one third of the options) will become exercisable after the second anniversary of their date of issue;
 - Tranche 2 (a further one third of the options) will become exercisable after the third anniversary of their date of issue; and
 - Tranche 3 (the remaining one third of the options) will become exercisable after the fourth anniversary of their date of issue.
- (b) exercise price: \$1.70
(c) grant date: 7 October 2013
(d) expiry date: 7 October 2018
(e) share price at grant date: \$1.34
(f) expected price volatility of the company's shares: 27.46%
(g) expected dividend yield: 7%
(h) risk-free interest rate: 3.09%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Where options are issued to employees of subsidiaries within the Group, the subsidiaries compensate Ausdrill Limited for the amount recognised as expense in relation to these options.

19 SHARE-BASED PAYMENTS (CONTINUED)

(b) Share Appreciation Rights

There were no share appreciation rights granted during the year ended 30 June 2014 (2013: nil).

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
2014								
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	-	-
2013								
01/12/2011	30/06/2014	\$2.92	1,000,000	-	-	-	1,000,000	-
01/12/2011	30/06/2014	\$2.92	1,000,000	-	-	-	3,000,000	-
			4,000,000	-	-	-	4,000,000	-

(c) Expenses arising from share-based payment transactions

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

	14 \$'000	13 \$'000
Options issued under employee option plan	405	591
Share appreciation rights	1,022	1,022
	1,427	1,613

20 REMUNERATION OF AUDITORS

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

(a) PricewaterhouseCoopers Australia

	14	13
	\$	\$
(i) Audit and other assurance services		
Audit and review of financial statements	903,156	707,133
Other assurance services		
Due diligence services	-	566,965
Debt offering assurance	-	369,150
Total remuneration for audit and other assurance services	903,156	1,643,248
(ii) Taxation services		
Tax compliance services	199,143	749,969
(iii) Other services		
Advisory and accounting consulting services	31,896	201,119
Total remuneration of PricewaterhouseCoopers Australia	1,134,195	2,594,336

(b) Network firms of PricewaterhouseCoopers Australia

(i) Audit and other assurance services		
Audit and other assurance services	222,920	165,323
(ii) Taxation services		
Tax compliance services	112,431	95,658
(iii) Other services		
Advisory and accounting consulting services	54,810	28,372
Total remuneration of network firms of PricewaterhouseCoopers Australia	390,161	289,353

(c) Non PricewaterhouseCoopers audit firms

(i) Audit and other assurance services		
Audit and review of financial statements	93,550	39,948
(ii) Taxation services		
Tax compliance services	28,385	16,139
(iii) Other services		
Advisory and accounting consulting services	14,498	42,921
Total remuneration of non PricewaterhouseCoopers audit firms	136,433	99,008
Total auditors' remuneration	1,660,789	2,982,697

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

21 EARNINGS PER SHARE

(a) Basic earnings per share

	14 Cents	13 Cents
Total basic (loss)/earnings per share attributable to the ordinary equity holders of the Company	(13.64)	29.63

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the Company	(13.64)	28.98
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(c) Reconciliation of earnings used in calculating earnings per share

	14 \$'000	13 \$'000
<i>Basic and diluted earnings per share</i>		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	(42,592)	91,314

(d) Weighted average number of shares used as denominator

	14 Number	13 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	312,277	308,173
Adjustments for calculation of diluted earnings per share:		
Effect of share options on issue	-	636
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	312,277	308,809

(e) Information on the classification of securities

(i) Options and rights

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options and rights are set out in note 19.

22 ASSETS PLEDGED AS SECURITY

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

	14	13
	\$'000	\$'000
Current		
Floating charge		
Cash and cash equivalents	48,585	37,579
Receivables	102,912	89,633
Inventory	166,571	105,049
Total current assets pledged as security	318,068	232,261
Non-current		
Hire purchase / Finance lease		
Plant and equipment	58,518	142,125
Secured bank loans		
Plant and equipment	107,334	139,289
Floating charge		
Plant and equipment	435,682	281,260
Freehold land and buildings	44,644	41,429
Receivables	6,735	10,365
Investment	74,700	65,462
	561,761	398,516
Total non-current assets pledged as security	727,613	679,930
Total assets pledged as security	1,045,681	912,191

23 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.

23 DEED OF CROSS GUARANTEE (CONTINUED)

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

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

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2014 of the closed group.

	14 \$'000	13 \$'000
<i>Consolidated income statement</i>		
Revenue from continuing operations	714,490	946,404
Other income	5,641	3,642
Materials	(252,634)	(316,415)
Labour	(247,579)	(305,673)
Rental and hire	(11,225)	(17,637)
Depreciation and amortisation expense	(86,557)	(102,947)
Management Fees	(9,521)	(10,377)
Finance costs	(40,033)	(37,848)
Other expenses from ordinary activities	(54,454)	(83,011)
Share of net profits of joint ventures accounted for using the equity method	1,445	22,946
Impairment of goodwill	(61,429)	(47)
Impairment of property, plant and equipment	(12,331)	-
(Loss)/profit before income tax	(54,187)	99,037
Income tax expense	109	(18,637)
(Loss)/profit for the year	(54,078)	80,400
<i>Consolidated statement of comprehensive income</i>		
Other comprehensive income		
(Loss)/profit for the year	(54,078)	80,400
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(91)	7,301
<i>Items that will not be reclassified to profit or loss</i>		
(Loss)/gain on revaluation of land and buildings	(33)	194
(Loss)/gain on revaluation of available-for-sale assets	(38)	-
Other comprehensive (loss)/income for the period, net of tax	(162)	7,495
Total comprehensive (loss)/income for the year	(54,240)	87,895
<i>Summary of movements in consolidated retained earnings</i>		
Retained earnings at the beginning of the financial year	262,410	226,522
(Loss)/profit for the year	(54,078)	80,400
Dividends provided for or paid	(24,981)	(44,498)
Retained earnings at the end of the financial year	183,351	262,424

23 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 2014 of the closed group.

	14 \$'000	13 \$'000
Current assets		
Cash and cash equivalents	45,391	49,082
Trade and other receivables	133,079	200,291
Inventories	194,631	212,937
Current tax assets	18,345	-
Total current assets	391,446	462,310
Non-current assets		
Receivables	130,420	116,170
Investments accounted for using the equity method	97,685	100,001
Available-for-sale financial assets	3,819	-
Property, plant and equipment	639,296	698,999
Deferred tax assets	27,075	26,137
Intangible assets	10,607	71,892
Total non-current assets	908,902	1,013,199
Total assets	1,300,348	1,475,509
Current liabilities		
Trade and other payables	89,763	101,072
Borrowings	49,247	68,880
Current tax liabilities	-	1,499
Provision	8,642	7,295
Total current liabilities	147,652	178,746
Non-current liabilities		
Borrowings	402,840	464,161
Deferred tax liabilities	34,479	37,219
Provisions	1,598	3,796
Total non-current liabilities	438,917	505,176
Total liabilities	586,569	683,922
Net assets	713,779	791,587
Equity		
Contributed equity	526,447	526,447
Reserves	3,981	2,716
Retained earnings	183,351	262,424
Total equity	713,779	791,587

24 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	14 \$'000	13 \$'000
Balance sheet		
Current assets	73,928	90,486
Non-current assets	611,370	589,584
Total assets	685,298	680,070
Current liabilities	17,586	54,568
Non-current liabilities	21,098	39,447
Total liabilities	38,684	94,015
<i>Shareholders' equity</i>		
Issued capital	526,447	526,447
Reserves		
Asset revaluation reserve	563	563
Share-based payments reserve	5,331	3,903
Retained earnings	114,273	55,142
Total equity	646,614	586,055
Profit for the year	84,112	50,045
Total comprehensive income	84,112	50,045

(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 \$14,867,289 (2013: \$51,685,250)
- (ii) funding of subsidiaries for acquisition of plant and equipment amounting to \$43,420,058 (2013: \$78,440,818)

In addition, there are cross guarantees given by Ausdrill Limited as described in note 23. No deficiencies exist in any of these companies.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013. 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 2014, the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment (30 June 2013: \$5,538,676). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Ausdrill Limited and its subsidiaries.

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the group

The group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards* arising from AASB 13
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* and
- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*, which had a small impact on the impairment disclosures, and

The adoption of these standards did not have a significant impact on the Group's financial statements with the exception of AASB 13 *Fair Value Measurement*, which has resulted in additional disclosure in the notes to the financial statements. All other accounting policies are consistent with those adopted and disclosed in the annual financial report for the year ended 30 June 2013. Accounting policies are applied consistently by each entity in the Group.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 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.

Title of standard	Nature of change	Impact	Mandatory application date/Date of adoption by group
<i>Accounting for acquisitions in joint operations - Amendments to IFRS 11 #</i>	In May 2014, the IASB made limited scope amendments to IFRS 11 <i>Joint Arrangements</i> to explicitly address the accounting for the acquisition of an interest in a joint operation. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. While the AASB has not yet made equivalent amendments to AASB 11, they are expected to be issued in the second half of 2014.	As required under the transitional provisions, the group will apply the amendments prospectively to acquisitions occurring on or after 1 July 2016. They will therefore not affect any of the amounts currently recognised in the financial statements.	Mandatory for financial years commencing on or after 1 January 2016. Expected date of adoption by the group: 1 July 2016.
AASB 2013-3 Amendments to AASB 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	The AASB has made small changes to some of the disclosures that are required under AASB 136 <i>Impairment of Assets</i> .	The amendments may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements.	Mandatory for financial years commencing on or after 1 January 2014. The group intends to apply the amendments for financial years commencing 1 July 2014.

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.

(iv) Historical cost convention

These financial statements have been prepared on a historical cost basis except for the following:

- revaluation of land and buildings, and
- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 25(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.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation (continued)

(ii) Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Ausdrill Limited has only joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated statement of financial position.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, 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 other entity.

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

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.

(iv) Changes in ownership interests

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 a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group has directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of foreign operations (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.

The specific accounting policies for the group's main types of revenue are explained in note 2. Revenue for other business activities is recognised on the following basis:

(i) Interest income

Interest income is recognised 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 substantively enacted by the end of the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (continued)

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 16). 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 16). 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
- liabilities incurred
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

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, 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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

25 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. See note 6(b) for further information about the Group's accounting for trade receivables and note 11(b) for a description of the Group's impairment policies.

(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,
- 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 and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 6 for details about each type of financial asset.

(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 6(b)).

(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.

25 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 6(f).

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. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 11(b).

(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.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Property, plant and equipment

The Group's accounting policy for land and buildings is explained in note 7(b). All other 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 shareholders' 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 surplus attributable to the asset; all other decreases are charged to income statement.

The depreciation methods and periods used by the group are disclosed in note 7(b).

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 25(i)).

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

(o) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 25(h). 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 1).

(ii) 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.

(iii) 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.

(p) 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.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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.

(s) 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.

(t) 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 liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore 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 of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (continued)

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Ausdrill Limited Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 19.

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 at grant date is independently determined using a Black-Scholes or Monte Carlo 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.

(u) Contributed equity

Ordinary shares are classified as 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.

(v) 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 25(n).

(w) Dividends

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

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) 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.

(z) Rounding of amounts

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

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Parent entity financial information

The financial information for the parent entity, Ausdrill Limited, disclosed in note 24 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.

(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.

DIRECTORS' DECLARATION

30 JUNE 2014

In the directors' opinion:

- (a) the financial statements and notes set out on pages 45 to 111 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 2014 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 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 23.

Note 25(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 declaration is made in accordance with a resolution of the directors.



Ronald George Sayers
Director

Perth
27 August 2014



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 consolidated statement of financial position as at 30 June 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Ausdrill Group (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 25(a), 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSDRILL LIMITED (CONTINUED)

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 2014 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 25(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 26 to 35 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A handwritten signature in black ink that appears to read 'Justin Carroll'.

Justin Carroll
Partner

Perth
27 August 2014

SHAREHOLDER INFORMATION

30 JUNE 2014

The shareholder information set out below was applicable as at 31 July 2014:

A. DISTRIBUTION OF EQUITY SECURITIES

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

Holding	Ordinary shares	
	Number of Holders	Shares
1 - 1,000	2,947	1,172,478
1,001 - 5,000	3,531	9,671,386
5,001 - 10,000	1,700	13,255,712
10,001 - 100,000	2,100	56,686,290
100,001 and over	159	231,491,358
	10,437	312,277,224

There were 1,710 holders of less than a marketable parcel of 459 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. HSBC Custody Nominees (Australia) Limited	39,256,487	12.57%
2. JP Morgan Nominees Australia Limited	37,966,454	12.16%
3. Cherry Garden Nominees Pty Ltd	36,301,664	11.62%
4. National Nominees Limited	22,845,992	7.32%
5. Citicorp Nominees Pty Ltd	16,397,563	5.25%
6. Bremerton Pty Ltd	16,131,061	5.17%
7. Mr Garry Patrick Connell + Ms Devryn Lee Connell	4,022,456	1.29%
8. HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	3,482,353	1.12%
9. CTS Funds Pty Ltd <Civic Super Fund A/C>	3,139,665	1.01%
10. Mrs Patricia Gladys Wright	2,466,233	0.79%
11. BNP Paribas Noms Pty Ltd	2,462,948	0.79%
12. Royale Blue Pty Ltd	2,267,000	0.73%
13. HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,145,719	0.69%
14. Mr Brian Gregory & Mrs Wendy Joy Wright <BG Wright Super Fund>	1,684,380	0.54%
15. Mr Peter M Bartlett & Mrs Julie L Bartlett <Bremerton P/L S/Fund>	1,552,793	0.50%
16. HSBC Custody Nominees (Australia) - A/C 3	1,443,942	0.46%
17. ABN Amro Clearing Sydney Nominees Pty Ltd	1,291,578	0.41%
18. QIC Limited	1,266,254	0.41%
19. Mrs PG Wright & Mr MG Wright & Mr JG Wright <PG Wright Super Fund A/C>	1,221,500	0.39%
20. Mr TE O'Connor & Mrs EA O'Connor <TE O'Connor Super Fund>	1,004,285	0.32%
	198,350,327	63.54%

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. FMR LLC	19,118,025	6.12%
3. Bremerton Group / PM & JL Bartlett	17,683,854	5.75%
4. Invesco Australia Ltd	17,505,068	5.61%

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

		2010	2011	2012	2013	2014
REVENUE						
Sales Revenue	\$'000	630,963	834,641	1,059,107	1,128,559	826,305
Interest Received	\$'000	1,898	4,572	3,134	2,724	1,555
Dividends Received	\$'000	-	-	-	-	-
Total	\$'000	632,861	839,213	1,062,241	1,131,283	827,860
PROFIT/(LOSS)						
EBITDA*	\$'000	150,364	195,437	288,436	272,746	173,656
Depreciation and amortisation expense	\$'000	69,833	82,509	116,144	123,695	99,177
EBIT*	\$'000	80,631	112,928	172,292	149,051	74,479
Net Interest Expense	\$'000	15,827	13,470	19,805	39,548	40,049
Profit before income tax	\$'000	64,804	99,511	152,487	109,503	34,430
Income tax expense attributable to operating profit*	\$'000	16,140	26,141	40,280	19,057	5,335
Operating profit*	\$'000	48,664	73,370	112,207	90,446	29,095
Impairment expense after tax	\$'000	(100)	(53)	-	(47)	(72,954)
Profit / (loss) from discontinued operation	\$'000	(387)	-	-	-	-
Profit / (loss) for the year	\$'000	48,177	73,317	112,207	90,399	(43,859)
Number of Ordinary Shares at Year End	000's	261,820	301,453	304,397	312,277	312,277
Weighted Number of Ordinary Shares	000's	203,527	270,568	302,935	308,173	312,277
Basic earnings/(loss) per share	cents	23.71	27.13	37.28	29.63	(13.64)
Diluted earnings/(loss) per share	cents	23.53	26.92	36.97	28.98	(13.64)
STATEMENT OF FINANCIAL POSITION						
Total Assets	\$'000	885,480	1,069,736	1,342,615	1,539,396	1,367,736
Total Liabilities	\$'000	383,992	414,793	601,854	722,010	615,568
Shareholders' Equity	\$'000	501,488	654,943	740,761	817,386	752,168
Net tangible assets per share	dollar	1.78	2.06	2.33	2.39	2.37
CASH FLOWS						
Gross cash flows from operating activities	\$'000	157,016	136,102	205,407	263,966	192,371
Net cash flows from operating activities	\$'000	123,007	117,349	156,784	187,290	142,117
Net cash flows from investing activities	\$'000	(32,127)	(154,565)	(195,640)	(330,281)	(56,223)
Net cash flows from financing activities	\$'000	9,040	36,739	23,551	93,328	(101,209)
Closing cash balance	\$'000	144,387	140,714	124,188	78,826	62,695
Gross debt	\$'000	242,900	223,612	366,411	551,255	463,587
Net debt	\$'000	98,513	82,898	242,223	472,429	400,892
DIVIDENDS						
Total Dividends per share (Interim & Final declared)	cents	11.00	12.00	14.50	12.00	4.50
Total Dividends paid	\$'000	20,924	30,183	39,357	44,498	24,981
NET DEBT/TOTAL CAPITAL						
	%	16	11	25	37	35
EBIT TO SALES REVENUE						
	%	12.76	13.53	16.27	13.20	9.01
EMPLOYEES AT YEAR END						
	#	3,619	4,362	6,003	5,703	4,578

* EBITDA, EBIT, Profit before income tax and Operating profit excludes impairment expense and discontinued operation.

