# INTERIM FINANCIAL REPORT

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

BRINGING MORE TO MINING

# Ausdrill Limited ABN 95 009 211 474
# ASX Half-year information - 31 December 2014

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2014 Annual report

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## Results for announcement to the market

| | | | | $'000 |
|---|---|---|---|---|
| Revenue for ordinary activities | Down | 2.2% | to | 414,665 |
| Loss from continuing ordinary activities after tax attributable to members | Down | 1,326.8% | to | (177,390) |
| Net loss for the period attributable to members | Down | 1,326.8% | to | (177,390) |

| **Dividends** | | Amount per security | Franked amount per security |
|---|---|---|---|
| Interim dividend | (cents) | 1.0 | 1.0 |
| Previous corresponding period | (cents) | 2.5 | 2.5 |

| | |
|---|---|
| Payment date of dividend | 31 March 2015 |
| Record date for determining entitlements to the interim dividend | 20 March 2015 |

## Dividend reinvestment plan

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

## Net tangible assets per share

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

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

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

## Directors' report

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

### Directors

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

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

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

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

### Review of operations

**Key points:**

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

### Overview

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

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

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

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

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

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

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

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

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

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

## Financial Performance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Outlook

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

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

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

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

## Dividends – Ausdrill Limited

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

## Auditor's independence declaration

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

## Rounding of amounts

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

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

Ronald George Sayers
Managing Director

Perth
25 February 2015

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# Auditor's Independence Declaration

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

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
25 February 2015

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

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

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

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

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

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

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

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

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

## 1 Basis of preparation of half-year report

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

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

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

### (a) Estimates

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

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

Recoverable amounts for goodwill and other non-current assets

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

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

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

## 2 Segment information

### (a) Description of segments

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

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

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

**Contract Mining Services Africa:**
The provision of mining services including drilling and blasting, in-pit grade control, exploration drilling and earthmoving in Africa.

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

**Supply and Logistics:**
The provision of mining supplies and logistics services.

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

**Intersegment eliminations**
Represents transactions which are eliminated on consolidation.

## 2 Segment information (continued)

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

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

# This segment operates in the Australian region.

* This segment predominantly operates in the African region.

## 2 Segment information (continued)

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

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

# This segment operates in the Australian region.

* This segment predominantly operates in the African region.

## 3 Revenue

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

## 4 Individually significant items

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

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

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

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

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

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

## 4 Individually significant items (continued)

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

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

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

**Key assumptions used for value in use calculations**

The calculation of value in use for the CGUs is most sensitive to the following assumptions:
a) EBITDA/sales margins
b) Discount rates
c) Growth rates used to extrapolate cash flows beyond the forecast period

EBITDA margin

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

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

Capital expenditure

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

Growth rate estimates and discount rates

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

**Kalgoorlie & Synegex CGU**

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

## 4 Individually significant items (continued)

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

**ANW & Connector CGU**

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

**BTPE CGU**

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

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

**CMSA CGU**

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

**Impact of reasonably possible changes in key assumptions**

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

**Fair Value less Costs of Disposal**

**Energy Drilling Australia (EDA) CGU**

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

**Ausdrill Underground Mining Services Australia (AUMSA) CGU**

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

## 4 Individually significant items (continued)

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

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

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

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

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

**Key assumptions used for value in use calculations**

The calculation of value in use for the CGUs is most sensitive to the following assumptions:
a) EBITDA/sales margins
b) Discount rates
c) Growth rates used to extrapolate cash flows beyond the forecast period

Growth rate estimates and discount rates

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

EBITDA margin

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

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

## 4 Individually significant items (continued)

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

Capital expenditure

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

**Impact of reasonably possible changes in key assumptions**

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

## 5 Expenses

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

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

## 6 Income tax benefit/(expense)

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

## 7 Current assets - Cash and cash equivalents

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

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

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

| | **31 December 2014 $'000** | 30 June 2014 $'000 |
|---|---|---|
| Cash and cash equivalents | **77,195** | 62,695 |
| Balances per consolidated statement of cash flows | **77,195** | 62,695 |

## 8 Non-current assets - Intangible assets

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

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

## 9 Borrowings

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

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

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

All banking covenants have been complied with at reporting date.

## 10 Dividends

### (a) Ordinary shares

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

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

| | | |
|---|---|---|
| In addition to the above dividends, since half-year end the directors have recommended the payment of an interim dividend of 1.0 cent per fully paid ordinary share (2013 - 2.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 March 2015 out of retained profits at 31 December 2014, but not recognised as a liability at the end of the half-year, is as follows: | **3,123** | 7,807 |

## 11 Contributed equity

### (a) Share capital

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

### (b) Movements in ordinary share capital

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

### (c) Ordinary shares

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

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

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

### (d) Dividend reinvestment plan

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

## 12 Events occurring after the balance sheet date

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

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

## 13 Investments in joint ventures

**Summarised financial information of joint ventures**

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

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

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

In the directors' opinion:

(a) the financial statements and notes set out on pages 13 to 31 are in accordance with the Corporations Act 2001, including:
   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that Ausdrill Limited will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

Ronald George Sayers
Managing Director

Perth
25 February 2015

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

## *Report on the Half-Year Financial Report*

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

### *Directors' responsibility for the half-year financial report*

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

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ausdrill Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

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

***PricewaterhouseCoopers, ABN 52 780 433 757***
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# Independent auditor's review report to the members of Ausdrill Limited (continued)

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ausdrill Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Justin Carroll
Partner

Perth
25 February 2015