AUSDRILL LIMITED

ABN 95 009 211 474

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

BRINGING MORE
TO MINING

Ausdrill Limited ABN 95 009 211 474
ASX Half-year information - 31 December 2018

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2018 Annual report

Contents

Results for announcement to the market

				$'000
Revenue from ordinary activities	Up	45.7%	to	642,544
Profit from continuing ordinary activities after tax attributable to members	Up	515.2%	to	216,990
Net profit for the period attributable to members	Up	515.2%	to	216,990

Dividends		Amount per security	Franked amount per security
Interim dividend	(cents)	3.5	3.5
Previous corresponding period	(cents)	3.5	3.5

Payment date of dividend	27 March 2019
Record date for determining entitlements to the interim dividend	13 March 2019

Dividend reinvestment plan

The Company has a dividend reinvestment plan - Ausdrill Limited Dividend Reinvestment Plan (DRP) which is available for participation by all shareholders (subject to legal restraints applying in countries other than Australia). The Board has determined that the DRP will be suspended until further notice and that all dividends be paid in cash.

Net tangible assets per share

	31 December 2018 Cents	31 December 2017 Cents
Net tangible asset backing per ordinary share	**103.52**	210.67

Changes in controlled entities

On 31 October 2018, Ausdrill Limited acquired Barminco Holdings Pty Ltd ("Barminco"), a specialist underground hard-rock mining contractor with operations predominantly in Australia as well as in Africa, Egypt and India. The acquisition of Barminco increased the Group's ownership of the Africa Underground Mining Services (AUMS) entities from 50% to 100%. For further information on the acquisition refer note 10 in the interim financial report.

Explanation of results

Profit from ordinary activities after tax includes a step acquisition gain on Ausdrill Limited's existing 50% share of the African Underground Mining Services (AUMS) entities of $180.2 million, a gain on derecognition of foreign currency translation reserves as a result of the step acquisition of AUMS of $18.2 million, an impairment expense on property, plant and equipment of $31.2 million and a income tax benefit arising from the acquisition of Barminco and African tax provisions of $25.9 million.

The net tangible asset backing per ordinary share has decreased from the previous period due to the issue of shares to acquire Barminco and the equity raising during the current period.

Ausdrill Limited ABN 95 009 211 474
Interim financial report - for the half-year ended 31 December 2018

Contents

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 2018 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*.

Ausdrill Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 6-12 Uppsala Place, Canning Vale, Western Australia 6155. Its shares are listed on the Australian Stock Exchange.

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 2018.

Directors

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

Ian Howard Cochrane (Chairman)
Mark Anthony John Norwell (Managing Director) (appointed 17 September 2018)
Terrence John Strapp
Mark Andrew Hine
Robert James Cole (appointed 14 July 2018)
Alexandra Clare Atkins (appointed 14 July 2018)
Keith Gordon (appointed 1 November 2018)
Ronald George Sayers (Managing Director) (ceased 3 July 2018)
Donald James Argent (ceased 13 July 2018)

Review of operations

Key points:

- **Transformational acquisition of Barminco completed on 31 October 2018, making Ausdrill Australia's second largest mining services company**
- **Stronger, more diverse portfolio of businesses – expected to deliver better 'through the cycle' performance**
- **Integration of Barminco effectively complete with $11 million in synergies identified for FY20**
- **Ausdrill business and organisational structure reset to align with new scale of business**
- **Half year delivered strong financial and safety performance**
    - **Continued improvement in safety performance across the Group**
    - **Reported profit after tax from continuing operations increased to $217.0 million**
    - **Underlying profit after tax up 32.7% to $39.8 million**
    - **Basic earnings per share from continuing operations up from 10.31 cents per share to 41.12 cents per share**
    - **Fully franked interim dividend of 3.5 cents per share**
- **More than $2 billion in new contracts and contract extensions secured since 1 July 2018 (including Barminco)**
- **Credit ratings upgraded following transformational acquisition of Barminco**

Overview

Ausdrill Limited delivered a strong financial result for the six months to 31 December 2018, against the backdrop of improved conditions in the Company's key markets in both Australia and Africa.

In October 2018, Ausdrill successfully completed the acquisition of leading underground mining contractor, Barminco, creating Australia's second largest mining services company. The two businesses are a great fit, providing complementary services to mine owners and having a strong cultural alignment, having worked together in Africa through the African Underground Mining Services ("AUMS") joint venture for over a decade. The acquisition was undertaken together with a $250 million equity raising which assisted to keep leverage at pre-acquisition levels.

Operationally, the six months to 31 December 2018 was a period of strong overall portfolio performance. Margins across the Australian based Group businesses improved due to an ongoing program focused on business improvement and reducing operational costs. The African underground mining margins were stronger following the successful ramp up of the Subika project. Margins in the African surface mining business reduced during the period due to the combined impact of the underperformance of the Boungou contract and the exploration business, along with wet weather impacts on the supply chain.

Net debt increased by $280.4 million due to the acquisition of Barminco during the period. Gearing (net debt to net debt plus equity) increased from 25.7% at 30 June 2018 to 27.1% at 31 December 2018.

With cash reserves of $198.9 million and undrawn debt facilities of $176.5 million, the Group remains well positioned to fund newly awarded projects and to respond to growth and investment opportunities.

The Group's credit ratings were upgraded in November 2018 by both Moody's Investor Services and Standard and Poor's to Ba2 and BB respectively.

Safety and People

The health, safety and wellbeing of Ausdrill's people remains a core priority of the Group. The Group's commitment to continual improvement of its safety performance has resulted in the total number of recordable incidents falling during the period to 3.2. This improvement can in no small part be attributed to the commitment of every member of the Ausdrill team.

Ausdrill's focus on longer term health and safety strategies and implementation of initiatives, along with engagement of all levels of its workforce, has reduced the number of incidents and injuries. Ausdrill is constantly engaged with its people, clients and suppliers to seek out initiatives that will deliver improved performance in this area.

Employee numbers have increased from 5,278 at 30 June 2018 to 7,502 at 31 December 2018, with the large increase being directly attributable to the acquisition of Barminco.

Financial Performance

$million	6 months to Dec 18	6 months to Dec 17	% change
Sales revenue	**640.2**	**439.7**	**45.6% ▲**
EBITDA	**284.1**	**92.2**	**208.1% ▲**
EBIT	**213.7**	**57.9**	**269.1% ▲**
Profit before tax	**191.9**	**43.2**	**344.4% ▲**
Profit from continuing operations	**217.0**	**35.3**	**515.2% ▲**
Loss from discontinued operations	-	-	
Reported profit/(loss) after tax	**217.0**	**35.3**	

Note: Figures in columns may not add due to rounding

The statutory profits of the Group were significantly impacted by the acquisition accounting in relation to Barminco. To provide increased clarity in relation to the operating performance of the Group, the following additional information has been presented.

$million	6 months to Dec 18	6 months to Dec 17	% change
Statutory profit from continuing operations	**217.0**	**35.3**	**515.2%** ▲
AUMS step acquisition gains	(198.4)	-	
Amortisation of intangibles	6.7	-	
EDA asset impairment	31.2	-	
Transaction and restructure redundancy costs	14.1	-	
Tax benefit	(30.7)	-	
Claim settlement	-	(5.3)	
Underlying profit from continuing operations	**39.8**	**30.0**	**32.7%** ▲

The underlying profit from continuing operations reflects the operating performance of the Group, which includes the results of Barminco and 100% of AUMS from the purchase date of 31 October 2018. The result excludes one-off adjustments related primarily to the acquisition of Barminco.

On all measures, the results reflect a strong performance in FY18 reflecting both the strength of the historic Ausdrill business and the impact of the transformational acquisition of Barminco.

Working capital (i.e. trade and other receivables and inventories net of trade and other payables) increased by $138.1 million due to the acquisition of Barminco and AUMS in the period.

Capital expenditure totalled $76.6 million for the period, driven primarily by capital expenditure carried over from FY18 for the African growth projects and standard replacement cycle.

The Group's debt service capability remains robust with net interest cover (underlying EBITDA/Net Interest) at 5.99 times and the Group's net secured debt being in a net cash position.

UNDERGROUND MINING

The Underground Mining segment comprises Barminco and African Underground Mining Services (AUMS). Together, Barminco and AUMS are one of the world's largest hard-rock underground mining services companies, focused on creating value for mine owners.

$million	6 months to Dec 18	6 months to Dec 17	% change
Sales to external customers	172.7	-	-% ▲
Underlying EBIT	36.0	9.2	**292.3%** ▲

Note: from 1 Nov 2018 only

Barminco

The Barminco business was established in 1989 and operates gold and base metal mines for customers in Australia, India and Africa. Barminco offers a full suite of underground mining services from mine development to production and underground diamond drilling.

Since 1 July 2018, Barminco has successfully secured the following contract extensions:

- 5-year contract extension with AngloGold Ashanti Australia Ltd at the Sunrise Dam gold mine, totalling~$700m
- 4-year contract extension with Independence Group NL at the Nova nickel-copper operation, totalling~$240m
- 4-year contract with Gold Fields at the Agnew gold mine, totalling ~$335m
- 3-year contract with Regis Resources Limited at the Rosemont gold project totalling ~$113m

- 14-month contract with long term client, Western Areas, for decline rehabilitation and development works at the nickel miner's new Odysseus mine.
- 3 ½ year contract extension with Hindustan Zinc Limited at the Rampura Agucha mine totalling ~$100m

Barminco delivered a very strong financial performance with revenue of $104.3 million driven by scope increases at Sunrise Dam, Dugald River, Rampura Agucha and Western Areas, as well as additional revenue from the recently secured Mt Colin contract.

African Underground Mining Services (AUMS)

AUMS is a specialised high speed mechanised mining services business, providing underground mining services to customers in Ghana, Burkina Faso and Tanzania. AUMS has been operating in Africa since 2007.

During the half, AUMS successfully secured the following contracts:

- 5-year contract at the Obuasi gold project for AngloGold Ashanti awarded to Underground Mining Alliance ("UMA"), a 70/30 joint venture between AUMS and Rocksure International, worth US$375m
- 30-month contract at the Zone 55 and Bagassi South deposits at Roxgold Inc's Yaramoko gold project worth US$160m

AUMS delivered an exceptionally strong financial performance with revenue of $68.4 million as a result of the continued ramp up of the Subika contract in Ghana and newly secured Siou and Bagassi South projects in Burkina Faso.

SURFACE MINING

The Surface Mining segment comprises African Mining Services and Drilling Services Australia.

$million	6 months to Dec 18	6 months to Dec 17	% change
Sales to external customers	390.3	348.8	**11.9%** ▲
Underlying EBIT	28.5	35.8	**20.3%** ▼

African Mining Services (AMS)

Ausdrill has been operating in Africa since 1991 and through AMS since 1996. AMS is now West Africa's largest mining services provider, providing a full suite of contract mining and exploration drilling services to resource companies in Africa. With an extensive mining fleet that is interchangeable across projects, AMS is adaptable and offers maximum flexibility for its clients.

During the half, AMS focused on moving its new projects into full production. AMS also established operations in the Ivory Coast commencing exploration drilling for Tietto Minerals at the Daloa project.

In Ghana, AMS continued to provide:

- equipment hire services to Ghana Manganese Company at the Nsuta mine
- open pit mining services to Perseus Mining Ghana Limited at the Edikan gold mine until 31 December 2018
- open pit contract mining services to AngloGold Ashanti at the Iduapriem gold mine
- exploration drilling services for Cardinal Resources at the Namdini project

In Mali, AMS:

- continued to provide open pit contract mining services to Hummingbird Resources at the Yanfolila gold mine
- completed open pit contract mining services for Resolute Mining at Syama whilst retaining crusher feed duties
- continued to establish open pit contract mining services for Resolute Resources Limited at the Finkolo gold mine
- continued to provide exploration drilling services for B2Gold at the Fekola project

In Burkina Faso, AMS continued to provide:

- open pit contract mining services to SEMAFO at the Boungou gold mine
- equipment hire services to Nordgold at the Bissa gold mine
- exploration drilling services to West African Resources at the Sanbrado project

In Senegal, AMS continued to provide open pit contract mining services to Toro Gold at the Mako gold mine.

In West Africa, AMS has increased its major mining equipment fleet to over 540 units including dump trucks, excavators, loaders, blast hole drills and grade control drills, along with 15 exploration drills.

Tender activity remains strong and AMS is seeing a lift in exploration drilling programs, particularly in West Africa.

Drilling Services Australia (DSA)

Drilling Services Australia (DSA) reported a stable turnover for the period with margins tightening during the period. During the half, the business has focused on overhead optimisation and efficiencies which will continue to be implemented and administered in the second half of the year. This includes operational changes to right-size maintenance resources in the Goldfields and identifiable optimisation from the recent Ausdrill Exploration consolidation.

Drill & Blast

The provision of production drill and blast services to open cut mining operations represents the foundation on which Ausdrill was built and this continues to be an integral part of its service offering.

During the half, the business:

- secured new works at the Koolyanobbing iron ore mine for Polaris Metals (Mineral Resources Ltd);
- secured dry hire works at the Mt Karara mine with Downer;
- expanded works in the Pilbara area under the existing agreement with BHP Billiton;
- gauged an increase in enquiries for services within the coal sector on the East Coast; and
- added short-term works with growth potential.

During late 2018, the business was impacted by a temporary cessation of services at the Wodgina Lithium mine for Process Minerals International (PMI). The recent securing of work in the Pilbara and Midwest region ratifies a growing demand for services in the iron ore sector, whilst enquiries and services for the gold sector remained steady.

The business has a large operational fleet comprising production blast-hole drills, purpose-built probe drills and reverse circulation (RC) grade control drills.

Exploration

Subsequent to December 2018, DSA secured the following works:

- 12-month contract from Consolidated Minerals to provide exploration drilling services at the Woodie Woodie manganese mine, located in the Pilbara region of Western Australia
- 12-month contract from Bellevue Gold to provide exploration drilling services at the Bellevue gold project in the eastern goldfields of Western Australia

As part of its rationalisation plans, the two Australian exploration drilling businesses of Ausdrill Ltd (ASL) and Ausdrill Northwest (ANW) were consolidated into a single exploration group called Ausdrill Exploration.

During the year, exploration activity within the Pilbara region was strong with high utilisation of rigs and a solid order book secured for 2019. Optimisation from the consolidation of the Exploration businesses will lead to an improvement in production for established goldfields projects.

Geotechnical

DSA commenced the provision of geotechnical services including slope stabilisation, rockfall protection and portal establishment focussed on open pit mines and mining infrastructure projects. DSA further extended its drilling capability to include geotechnical, high reach and technical access slope work.

Works undertaken during the half included multiple ground support programs delivered to clients in the goldfields, mid-west and north-west regions of WA.

OTHER INVESTMENTS

This segment includes BTP Group, Supply Direct Group, MinAnalytical, Energy Drilling Australia (EDA), Well Control Solutions (WCS) and Ausdrill Properties. Consolidated revenue has decreased primarily as a result of a larger allocation of capacity to internal demand, consistent with the strategy to optimize group operational and financial performance.

$million	6 months to Dec 18	6 months to Dec 17*	% change
Sales to external customers	77.2	90.9	**15.1%** ▼
EBIT	10.8	10.1	**7.5%** ▲

* includes Diamond Communications which was sold 1 May 2018

BTP Group (BTP)

BTP is one of Australia's largest non-Original Equipment Manufacturer suppliers of heavy earthmoving equipment solutions to the mining and construction industries. BTP's offering includes maintenance and repair services, parts, reconditioned and service exchange for major components, equipment rebuilds, equipment rental and used equipment sales. BTP's equipment rental offering includes an extensive fleet of excavators, dump trucks, dozers, graders and ancillary equipment, including water carts.

Market conditions remained buoyant during the half year and the business improved its financial performance due to increased repair and maintenance services demand, strong capital allocation disciplines, and operating margin focus. The market for skilled labour tightened significantly during this period which resulted in an increased allocation of maintenance capacity and products to support BTP's rental fleet. During the half year, supply availability of high-quality low hour or near new large mining equipment continued to tighten. Consequently, the business transacted a lower level of used equipment sales due to retaining owned mining equipment for rental purposes. Consistent with this theme, the business acquired equipment during the half to expand its rental service offering.

BTP's unique value offering of end-to-end mining equipment maintenance and refurbishment services puts it in a good position to capitalise on a supply-constrained market. With persisting skilled labour shortages in the mining industry across Australia, BTP is investing in apprenticeships, trade upgrades and leadership training to improve its competitive standing. Investment by BTP to upskill its workforce provides a strong platform for cost effective scalability and a well-trained high-quality trade workforce. BTP's core capabilities and the provision of site and workshop labour support ensures that customers' end to end needs are delivered upon. BTP's mining equipment rental fleet continues to benefit from these same support structures ensuring optimisation of equipment availability and reliability whilst operating on customer sites, particularly at a time when these services have become increasingly scarce and difficult to procure.

Supply Direct Group (SDG)

SDG provides flexible and effective supply chain and logistics solutions predominantly to customers based in Africa, where supply chain issues are often complex. SDG works with customers to find the best machinery and parts supply source. SDG managed machinery and parts supply offering includes a range of services from sourcing parts on demand to providing fully integrated vendor-held stock models, to tailor made solutions involving complex project management. SDG concluded the half year with improvement in operational and financial performance which it expects to continue.

MinAnalytical Laboratory Services (MinAnalytical)

MinAnalytical offers a range of high-quality analytical services for the mineral exploration and mining Industry and is NATA accredited in accordance with ISO17025:2005.

During the half year, the business experienced increases in activity levels and delivered improvement in sales volumes. It successfully installed and commercialized its first Chrysos Photon Assay machine, which provides accurate gold mineral analysis results with much-reduced timeframes and improved safety and environmental outcomes when compared to traditional fire assay techniques.

Having successfully commissioned the first Chrysos unit at its facilities in Canning Vale, Western Australia, in the half year, the business is focused on its technology led transformation journey having committed to installing two additional units in the Kalgoorlie goldfields region with further commitment in progress with respect to automating associated sampling preparation processes. Successful commissioning of these Kalgoorlie based machines and robotics is scheduled to occur in the second half of calendar 2019. Successful development and implementation will improve the gold customer assay result delivery experience, operational and financial performance, and expands on the traditional fire assay service offering.

Well Control Solutions (WCS)

WCS provides rental, parts and consumables, and maintenance of pressure control and pump products for the oil and gas sector. During the half, business activity levels grew, supporting increased sales levels and improvement in financial performance. WCS expects this trend to continue.

Corporate and Finance

Underlying Corporate and Finance costs, which includes costs such as general overheads and unallocated foreign exchange gains and losses, were $5.8 million higher than the prior corresponding period predominantly due to lower foreign exchange gains in current period compared to the prior corresponding period.

OUTLOOK

The acquisition of Barminco in October 2018 represents a transformational event for the Ausdrill Group creating Australia's second largest mining services company. The new Group, under new leadership, will continue to embrace its history whilst pursuing appropriate strategies to deliver increased shareholder returns.

These strategies include embedding the Group's strategic pillars:

- Operational Excellence
- Strategic Growth
- Organisational Health
- Technology
- Building Financial Capacity

The Group's focus, underpinned by these strategic pillars, is to deliver best-of-class mining services, embracing innovation and technology, ensuring Ausdrill is at the forefront of delivering cost effective, high quality solutions to its clients. Areas of focus over the coming period will include:

- Safety and improving its already strong safety performance
- Improved operating efficiencies across the portfolio
- Increased discipline around working capital management
- Increased discipline around capital expenditure
- Focus on core service offerings and considering possible business rationalisation

Ausdrill expects to see continued strength in its core markets, particularly underground, and remains confident that the Group will deliver its full year guidance and will continue to grow into FY20.

Dividends

The Company's revenues have stabilised and grown over recent reporting periods and are expected to grow further over the next six to 12 months based on contracts already secured. While there continues to be a degree of uncertainty within the mining sector, the Company has delivered improved profitability and good cash flow in recent reporting periods. Consequently, the Directors have elected to declare an interim dividend of 3.5 cents per share for the half-year ended 31 December 2018.

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 13.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in this report and the accompanying financial report. Amounts in this report and the accompanying financial report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Mark Norwell
Managing Director

Perth

20 February 2019

Auditor's Independence Declaration

As lead auditor for the review of Ausdrill Limited for the half-year ended 31 December 2018, 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.

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
20 February 2019

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	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Revenue	4	**642,544**	440,928
Other income	6(a)	**200,932**	14,124
Materials expense		**(248,504)**	(171,201)
Labour costs		**(211,079)**	(149,621)
Rental and hire expense		**(10,493)**	(8,171)
Depreciation and amortisation expense	6(b)	**(70,428)**	(34,322)
Finance costs	6(b)	**(24,178)**	(15,913)
Other expenses from ordinary activities	6(b)	**(66,446)**	(41,815)
Impairment of property, plant and equipment	5	**(31,200)**	-
Share of net profits of joint ventures accounted for using the equity method		**10,709**	9,167
Profit before income tax		**191,857**	43,176
Income tax benefit/(expense)	7	**25,126**	(7,907)
Profit for the half year		**216,983**	35,269
Profit is attributable to:			
Equity holders of Ausdrill Limited		**216,990**	35,269
Non-controlling interests		**(7)**	-
		216,983	35,269
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**41.12**	10.31
Diluted earnings per share		**40.70**	10.08

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Ausdrill Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Profit for the half-year		**216,983**	35,269
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange gains/(losses) on translation of joint ventures accounted for using the equity method		**2,141**	676
Exchange (losses)/gains on translation of foreign operations		**9,654**	3,760
Effective portion of changes in the fair value of cash flow hedges		**3,738**	-
Foreign currency translation reserves derecognised on step acquisition of AUMS	10	**(18,163)**	-
Items that will not be reclassified to profit or loss			
Gain/(loss) on revaluation of land and buildings, net of tax		**510**	(113)
(Loss)/gain on revaluation of available-for-sale financial assets, net of tax		**(836)**	(642)
Other comprehensive (loss)/income for the half-year, net of tax		**(2,956)**	3,681
Total comprehensive income for the half-year		**214,027**	38,950
Total comprehensive income/(loss) for the half-year is attributable to:			
Equity holders of Ausdrill Limited		**214,023**	38,950
Non-controlling interests		**4**	-
		214,027	38,950

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 2018

	Notes	31 December 2018 $'000	30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**198,858**	137,258
Trade and other receivables		**362,851**	230,464
Inventories		**317,332**	212,600
Current tax receivables		**1,464**	964
Total current assets		**880,505**	581,286
Non-current assets			
Receivables		**3,159**	3,314
Joint ventures accounted for using the equity method	10, 14	**-**	71,266
Financial assets at fair value through other comprehensive income	2	**11,454**	11,999
Property, plant and equipment		**897,307**	664,347
Intangible assets	10	**765,802**	-
Derivative financial instruments	2	**12,221**	-
Deferred tax assets		**93,089**	35,549
Total non-current assets		**1,783,032**	786,475
TOTAL ASSETS		**2,663,537**	1,367,761
LIABILITIES			
Current liabilities			
Trade and other payables		**221,817**	122,770
Borrowings	8	**33,818**	3,334
Current tax liabilities		**8,719**	1,196
Employee benefit obligations		**66,367**	39,061
Total current liabilities		**330,721**	166,361
Non-current liabilities			
Borrowings	8	**712,734**	401,216
Deferred tax liabilities	13	**144,240**	24,947
Employee benefit obligations		**2,914**	486
Total non-current liabilities		**859,888**	426,649
TOTAL LIABILITIES		**1,190,609**	593,010
NET ASSETS		**1,472,928**	774,751
EQUITY			
Contributed equity	11	**1,126,825**	624,571
Other reserves		**(15,210)**	(12,459)
Retained earnings		**361,000**	162,639
Capital and reserves attributable to the owners of Ausdrill Limited		**1,472,615**	774,751
Non-controlling interests		**313**	-
TOTAL EQUITY		**1,472,928**	774,751

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

	Notes	Attributable to owners of Ausdrill Limited					
		Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2017		**526,447**	**(17,777)**	**121,444**	**630,114**	**-**	**630,114**
Profit for the half-year		-	-	35,269	35,269	-	35,269
Other comprehensive income/(loss)		-	3,681	-	3,681	-	3,681
Total comprehensive income/(loss) for the half-year		**-**	**3,681**	**35,269**	**38,950**	**-**	**38,950**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		97,730	-	-	97,730	-	97,730
Shares issued on conversion of employee share options		480	(397)	-	83	-	83
Dividends paid	9	-	-	(7,188)	(7,188)	-	(7,188)
Employee share options - value of employee services		-	459	-	459	-	459
		98,210	62	(7,188)	91,084	-	91,084
Balance at 31 December 2017		**624,657**	**(14,034)**	**149,525**	**760,148**	**-**	**760,148**
Balance at 1 July 2018		**624,571**	**(12,459)**	**162,639**	**774,751**	**-**	**774,751**
Profit for the half-year		-	-	216,990	216,990	(7)	216,983
Other comprehensive income/(loss)		-	(2,967)	-	(2,967)	11	(2,956)
Total comprehensive income/(loss) for the half-year		**-**	**(2,967)**	**216,990**	**214,023**	**4**	**214,027**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	11	243,829	-	-	243,829	-	243,829
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	10	258,393	-	-	258,393	-	258,393
Shares issued on conversion of employee share options	11	32	(26)	-	6	-	6
Non-controlling interests on acquisition of subsidiary	14	-	-	-	-	309	309
Dividends paid	9	-	-	(18,629)	(18,629)	-	(18,629)
Employee share options - value of employee services		-	242	-	242	-	242
		502,254	216	(18,629)	483,841	309	484,150
Balance at 31 December 2018		**1,126,825**	**(15,210)**	**361,000**	**1,472,615**	**313**	**1,472,928**

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

	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**697,528**	455,365
Payments to suppliers and employees (inclusive of goods and services tax)		**(604,455)**	(393,313)
		93,073	62,052
Interest received		**2,333**	1,198
Interest and other costs of finance paid		**(36,952)**	(14,363)
Income taxes paid		**(8,075)**	(9,123)
Management fee received from joint ventures		**357**	382
Net cash inflow from operating activities	15	**50,736**	40,146
Cash flows from investing activities			
Payments for purchase of subsidiaries	10	**(17,205)**	-
Payments for property, plant and equipment		**(76,587)**	(78,144)
Proceeds from sale of property, plant and equipment		**1,962**	4,375
Payments for assets at fair value through other comprehensive income/available-for-sale financial assets		**(650)**	(3,047)
Cash acquired on acquisition of subsidiary	10	**100,544**	-
Minority interest on start-up of joint venture	14	**309**	-
Net cash inflow/(outflow) from investing activities		**8,373**	(76,816)
Cash flows from financing activities			
Proceeds from issues of shares, net of transaction costs		**244,127**	97,813
Proceeds from secured borrowings		**195,116**	-
Repayment of secured borrowings		**(470)**	-
Proceeds from unsecured borrowings		**3,402**	-
Repayment of unsecured borrowings		**(419,036)**	(1,548)
Proceeds from hire purchase and lease liabilities		**13**	-
Repayment of hire purchase and lease liabilities		**(4,781)**	-
Dividends paid to Company's shareholders	9	**(18,629)**	(7,188)
Net cash (outflow)/inflow from financing activities		**(258)**	89,077
Net increase in cash and cash equivalents		**58,851**	52,407
Cash and cash equivalents at the beginning of the financial year		**137,258**	166,710
Effects of exchange rate changes on cash and cash equivalents		**2,749**	(478)
Cash and cash equivalents at the end of the half-year		**198,858**	218,639

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 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 200*1.

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 2018 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, except for the adoption of new and amended standards as set out below.

(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 2018.

Recoverable amounts for goodwill and other non-current assets

The recoverable amount of the Kalgoorlie/Synegex and Contract Mining Services Africa CGU's were estimated having regard to value in use (VIU). The VIU calculation was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU's assets. Please refer to note 5 for further information.

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.

(b) Significant accounting policies

Except as noted below, the accounting policies applied in these interim financial statements are the same as those applied in the consolidated annual financial statements as at and for the year ended 30 June 2018.

New or amended Accounting Standards and Interpretations adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2018 and are not expected to have any significant impact for the full financial year ending 30 June 2019.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Adoption of AASB 9

The Group has adopted AASB 9 *Financial Instruments* as issued in December 2014 from 1 July 2018. In accordance with the transitional provisions, comparative figures have not been restated.

AASB 9 replaces the provisions of AASB 139 *Financial Instruments* that relate to the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. AASB 9 also amends other standards dealing with financial instruments such as AASB 7 *Financial Instruments: Disclosures*.

1 Basis of preparation of half-year report (continued)

(b) Significant accounting policies (continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. In determining the recoverability of trade receivables using the expected credit loss model, the Group performs a risk analysis considering the type and age of the outstanding receivables, the creditworthiness of the counterparty, contract provisions, letter of credit and timing of payment. The Group has assessed the impact of the adoption of an ECL model under AASB 9 for trade receivables and contract assets and identified that the impairment loss provision was immaterial.

As disclosed in note 2, the Group holds equity securities which represent investments that the Group intends to hold for the long term for strategic purposes which were previously classified as available-for-sale. As permitted by AASB 9, the Group has designated these investments as measured at fair value through other comprehensive income (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit and loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

The new standard also introduces expanded disclosure requirements and changes from AASB 7 *Financial Instruments: Disclosures* which will be presented in the annual financial report for the period ended 30 June 2019. The changes in accounting policies will also be reflected in the annual report for the period ended 30 June 2019.

The adoption of AASB 9 did not result in a significant change to the recognition or measurement of financial instruments for the Group as presented in the interim financial report.

Adoption of AASB 15

The Group has adopted AASB 15 *Revenue from contracts with customers* from 1 July 2018. AASB 15 supersedes AASB 118 *Revenue*.

In accordance with the transition provisions in the standard, the Group has adopted AASB 15 using the modified retrospective approach. Under this approach, comparatives are not restated, instead, the cumulative impact of the adoption will be recognised in opening retained earnings as of 1 July 2018. The new standard is only applied to contracts that remain in force at the date of adoption.

Costs incurred prior to the commencement of a contract may arise due to set-up and mobilisation as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue in other receivables and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

The changes in accounting policies will be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019.

Management has assessed the effect of the new standard and there was no impact on adoption in opening retained earnings or in the Group's financial statements (other than disclosure).

(c) Impact of standards issued but not yet applied by the entity

(i) AASB 16 Leases

AASB 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

1 Basis of preparation of half-year report (continued)

(c) Impact of standards issued but not yet applied by the entity (continued)

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $24,519,768. The Group estimates that approximately 10.7% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. However, the Group has not yet assessed what other adjustments, if any, are necessary because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-to-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

2 Fair value measurements

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2018 and 30 June 2018 on a recurring basis:

At 31 December 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Cross currency interest rate swap derivatives (i)	-	12,221	-	12,221
Financial assets at fair value through other comprehensive income				
Australian listed equity securities	4,848	-	-	4,848
Australian unlisted securities	-	-	5,910	5,910
CAD listed equity securities	234	-	-	234
GBP listed equity securities	462	-	-	462
Total financial assets	5,544	12,221	5,910	23,675

At 30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets at fair value through other comprehensive income *				
Australian listed equity securities	5,093	-	-	5,093
Australian unlisted equity securities	-	-	5,663	5,663
CAD listed equity securities	514	-	-	514
GBP listed equity securities	729	-	-	729
Total financial assets	6,336	-	5,663	11,999

* These investments were classified as available-for-sale financial assets as at 30 June 2018.

Other than mentioned in (c) below, there has been no other transfers between levels in the current or prior period.

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.

(i) Cross currency interest rate swap derivatives
Barminco entered into cross currency interest rate swaps in April 2017 for a notional principal of US$350 million maturing on 15 May 2022, refer note 8. Barminco entered into four separate cross currency interest rate swaps with two different financial institutions to fully hedge the debt using cross currency interest rate swaps (CCIRS). CCIRS are a combination of fixed interest to fixed interest United States/Australian dollar and floating interest to fixed interest United States/Australian dollar.

2 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity 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.

(b) 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.
• The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

All remaining valuation techniques (level 3) are explained in (c) (i) below.

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

The following table presents the changes in level 3 items for the periods ended 31 December 2018 for recurring fair value measurements:

	Unlisted equity securities $'000	Total $'000
Opening balance 01 July 2018	**5,663**	**5,663**
Reclassification between levels	**247**	**247**
Closing balance 31 December 2018	**5,910**	**5,910**

Coolgardie Minerals Limited was listed on the Australian Securities Exchange in August 2018. Securities for this company previously included in Level 3 has been reclassified to Level 1 in the current period. Securities for Awati Resources Limited previously included in Level 1 has been reclassified as Level 3 in the current period.

(i) Valuation inputs and relationships to fair value

The fair value of the unlisted equity securities has been determined as its acquisition cost due to the acquisition proximity to 31 December 2018 and nothing has come to our attention that would impact this value. Opening balances have also been determined as their acquisition cost and nothing has come to our attention that would impact this value.

3 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 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.

Reportable segments are:

Surface Mining:
The provision of mining services including drilling and blasting, in-pit grade control, exploration drilling, earthmoving and hydrological well drilling in Australia and Africa.

Underground Mining:
The provision of underground mining services in Australia, Africa, Egypt and India.

Other Investments:
Operating segments which do not meet the aggregation criteria for the current segments. This includes the provision of mining supplies, products and services including equipment hire, equipment parts and sales, the provision of energy drilling, mineral analysis and property holding services.

Corporate and Finance:
This segment includes Group central functions including treasury, accounting, human resources, financing and administration.

Intersegment Eliminations:
Represents transactions which are eliminated on consolidation.

Restatement of prior year comparable:
The Company undertook an internal reorganisation of it businesses with effect from 1 November 2018.

With effect from that date, Drilling Services Australia and Contract Mining Services Africa were combined to form Surface Mining. Equipment Services & Supplies and All Other Segments were combined to form Other Investments. A branch has also been included in the Other Investments segment (previously included in the Surface Mining segment). A new segment was also created for Underground Mining.

The new definition has been applied to the half year ended 31 December 2017 as if the changes in structure had been effective from 1 July 2017. This has been done to facilitate comparability over multiple reporting periods.

3 Segment information (continued)

(b) Segment information provided to the Board

Half-year ended 31 December 2018	**Surface Mining**	**Underground Mining**	**Other Investments**	**Corporate & Finance**	**Inter-segment Eliminations**	**Consolidated**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue						
Sales to external customers	390,339	172,678	77,194	-	-	640,211
Intersegment sales	2,322	-	6,490	-	(8,812)	-
Total sales revenue	**392,661**	**172,678**	**83,684**	**-**	**(8,812)**	**640,211**
Timing of revenue recognition						
- At a point in time	4,551	-	11,366	-	-	15,917
- Overtime	388,110	172,678	72,318	-	(8,812)	624,294
	392,661	172,678	83,684	-	(8,812)	640,211
Interest income						2,333
Total segment revenue						**642,544**
Underlying segment EBIT	**28,539**	**35,966**	**10,826**	**(8,204)**	**-**	**67,127**
Transaction and restructuring costs	(309)	(1,640)	-	(11,967)	-	(13,916)
Amortisation expense - customer relationship intangibles	-	(6,720)	-	-	-	(6,720)
Impairment of property, plant and equipment	-	-	(31,200)	-	-	(31,200)
Fair value gain on AUMS	-	180,248	-	-	-	180,248
Foreign currency translation reserve derecognition on AUMS	-	18,163	-	-	-	18,163
Reported segment EBIT	**28,230**	**226,017**	**(20,374)**	**(20,171)**	**-**	**213,702**
Interest income						2,333
Interest expense						(24,178)
Profit before tax						**191,857**
Income tax (expense)/benefit						25,126
Profit/(loss) for the period						**216,983**
Segment assets	**1,805,514**	**1,337,214**	**234,836**	**735,057**	**(1,449,084)**	**2,663,537**
Segment liabilities	**359,819**	**807,797**	**23,985**	**963,314**	**(964,306)**	**1,190,609**
Other segment information						
Share of net profits from joint ventures	-	10,709	-	-	-	10,709
Depreciation and amortisation expenses	(40,608)	(24,034)	(5,613)	(173)	-	(70,428)
Acquisition of property, plant and equipment, intangibles and other non-current assets	41,307	22,856	12,184	890	-	77,237

3 Segment information (continued)

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

Half-year ended 31 December 2017 (restated)	Surface Mining $'000	Underground Mining $'000	Other Investments $'000	Corporate & Finance $'000	Inter-segment Eliminations $'000	Consolidated $'000
Segment revenue						
Sales to external customers	348,841	-	90,889	-	-	439,730
Intersegment sales	1,475	-	6,497	-	(7,972)	-
Total sales revenue	**350,316**	**-**	**97,386**	**-**	**(7,972)**	**439,730**
Timing of revenue recognition						
- At a point in time	2,108	-	13,409	-	-	15,517
- Overtime	348,208	-	83,977	-	(7,972)	424,213
	350,316	-	97,386	-	(7,972)	439,730
Interest income						1,198
Total segment revenue						**440,928**
Underlying segment EBIT	**35,820**	**9,167**	**10,071**	**(2,417)**	**-**	**52,641**
Settlement of claim	-	-	5,250	-	-	5,250
Reported segment EBIT	**35,820**	**9,167**	**15,321**	**(2,417)**	**-**	**57,891**
Interest income						1,198
Interest expense						(15,913)
Profit before tax						**43,176**
Income tax (expense)/benefit						(7,907)
Profit/(loss) for the period						**35,269**
Segment assets	**1,394,221**	**68,869**	**265,434**	**761,916**	**(1,182,250)**	**1,308,190**
Segment liabilities	**411,204**	**-**	**210,366**	**994,555**	**(1,068,082)**	**548,043**
Other segment information						
Investments in joint ventures	-	68,869	-	-	-	68,869
Share of net profits from joint ventures	-	9,167	-	-	-	9,167
Depreciation and amortisation expenses	(28,393)	-	(5,784)	(145)	-	(34,322)
Acquisition of property, plant and equipment, intangibles and other non-current assets	72,023	-	6,055	3,113	-	81,191

3 Segment information (continued)

(c) 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 statement of profit or loss.

Total revenue by geographical location is as follows:

	31 December 2018			31 December 2017		
	Total segment revenue $'000	**Inter-segment revenue $'000**	**Revenue from external customers $'000**	Total segment revenue $'000	Inter-segment revenue $'000	Revenue from external customers $'000
Surface Mining						
- Australia	**107,557**	**(2,194)**	**105,363**	105,284	(1,471)	103,813
- Ghana	**133,576**	**-**	**133,576**	120,657	(4)	120,653
- Burkina Faso	**46,930**	**-**	**46,930**	32,422	-	32,422
- Mali	**73,335**	**-**	**73,335**	50,956	-	50,956
- Senegal	**25,594**	**-**	**25,594**	12,416	-	12,416
- Other foreign countries	**5,669**	**(128)**	**5,541**	28,581	-	28,581
Underground Mining						
- Australia	**86,598**	**-**	**86,598**	-	-	-
- Ghana	**22,324**	**-**	**22,324**	-	-	-
- Burkina Faso	**23,696**	**-**	**23,696**	-	-	-
- Tanzania	**22,379**	**-**	**22,379**	-	-	-
- India	**3,966**	**-**	**3,966**	-	-	-
- Egypt	**13,715**	**-**	**13,715**	-	-	-
Other Investments						
- Australia	**71,715**	**(1,056)**	**70,659**	84,989	(2,748)	82,241
- Africa	**9,538**	**(3,697)**	**5,841**	9,505	(1,407)	8,098
- Other foreign countries	**2,431**	**(1,737)**	**694**	2,892	(2,342)	550
Interest income	**2,333**	**-**	**2,333**	1,198	-	1,198
Total segment revenue	**651,356**	**(8,812)**	**642,544**	448,900	(7,972)	440,928

4 Revenue

	31 December 2018 $'000	31 December 2017 $'000
From continuing operations		
Sales revenue		
Sale of goods	**15,917**	15,517
Services	**624,294**	424,213
	640,211	439,730
Other revenue		
Interest	**2,333**	1,198
	642,544	440,928

5 Individually significant items

Material profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	Note	31 December 2018 $'000	31 December 2017 $'000
Step acquisition gain on ASL's existing 50% share of AUMS	10	**180,248**	-
Foreign currency translation reserves derecognised on step acquisition of AUMS	10	**18,163**	-
Impairment of property, plant and equipment		**(31,200)**	-
Income tax net benefit - transactional and other		**25,886**	-

(a) Impairment of non-current assets

According to AASB 136 Impairment of Assets, impairment testing is required at the end of each reporting period or where there is an indication of possible impairment. For the half-year ended 31 December 2018, the Company assessed whether there were any indicators of impairment. In doing this management considered the profitability of the Cash Generating Units (**CGU's**) against their budgets. Where a business was performing significantly below its budget and forecast and had high under utilisation of property, plant and equipment, management considered that there was an impairment indicator and performed an impairment assessment for those CGUs. This was the case for the Kalgoorlie/Synegex CGU, Contract Mining Services Africa CGU, Ausdrill Northwest/Connector CGU and Energy Drilling Australia CGU. For these CGUs, management has made estimates associated with the recoverable amount of the relevant CGU to determine whether there was any impairment or reversal of previous impairment in relation to its carrying value. Determining a CGU's recoverable amount was completed via the following methods:

(i)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;

(ii)for certain CGUs the recoverability of its assets is completed via a fair value less costs of disposal calculation (**FVLCD**); and

(iii)for certain CGUs the recoverability of its assets is completed via a value in use methodology (**VIU**).

5 Individually significant items (continued)

The recoverable amount of a CGU is calculated as the higher of its FVLCD or its VIU. The Company has sourced an external valuation along with its own internal valuation where a FVLCD has been used. 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 VIU 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 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%. This methodology is consistently applied in reporting periods.

For the Kalgoorlie/Synegex and Contract Mining Services Africa CGUs, which had impairment triggers at 31 December 2018, a VIU methodology was adopted. Based on the testing of indicators of impairment performed, no impairment expense has been recognised at the CGU level.

For the Ausdrill Northwest/Connector and Energy Drilling Australia CGUs, which had impairment triggers at 31 December 2018, a valuation approach was adopted. The valuation approach, was a combination of Level 1, Level 2 and predominantly Level 3 inputs in the fair value hierarchy. The directors assessed the fair value of each asset, taking into account the independent valuation and determined the assets' fair value within a range of reasonable fair value estimates. As Energy Drilling Australia assets have been in care and maintenance for a number of years with no prospective buyers, a valuation this year was undertaken on the basis of 'fire sale' and 'scrap value'. As a result, an impairment expense of $31.2 million has been recognised at the Energy Drilling Australia CGU level. No impairment expense has been recognised at the Ausdrill Northwest/Connector CGU level.

Key assumptions used for value in use calculations

For certain CGUs the recoverability of its assets is completed via a VIU methodology. The calculation of VIU for the CGUs is most sensitive to the following assumptions:

(a) EBITDA/sales margins
(b) Capital expenditure
(c) Discount rates and 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

Future cash flows are extrapolated by applying conservative growth rates for each segment, terminal rates not exceeding 3% and appropriate discount rates to the CGU. This methodology is consistently applied in reporting periods.

6 Other income and expense items

(a) Other income

	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Step acquisition gain on ASL's existing 50% share of AUMS	10	**180,248**	-
Foreign currency translation reserves derecognised on step acquisition of AUMS	10	**18,163**	-
Other items [(i)]		**1,853**	6,525
Foreign exchange gain (net)		**251**	6,328
Management fee received from joint ventures		**357**	382
Insurance proceeds		**60**	889
		200,932	14,124

(i) The Group settled a claim and received $5.3 million net of GST during the prior period.

(b) Breakdown of expenses by nature

Depreciation and amortisation expense		
Buildings depreciation	**936**	797
Plant and equipment depreciation	**62,699**	33,525
Customer relationships intangibles amortisation	**6,720**	-
Software amortisation	**73**	-
Total depreciation and amortisation expense	**70,428**	34,322
Finance costs		
Hire purchase interest	**6,730**	29
Interest paid	**13,863**	14,333
Amortised borrowing cost	**3,384**	1,551
Fair value hedge ineffectiveness	**33**	-
Lease contracts interest	**168**	-
Total finance costs	**24,178**	15,913
Other expenses from ordinary activities		
Consultants	**12,650**	7,553
Freight	**8,081**	10,813
Staffing, safety and training	**9,494**	6,208
Travel and accommodation	**7,989**	4,627
IT and communications	**6,036**	3,097
Insurance	**5,083**	3,155
Other property related expenses	**4,510**	3,683
Inventory adjustments	**2,053**	1,070
Duties and taxes	**1,651**	1,360
Trade receivable provisions and bad debts	**104**	(100)
All other expenses	**8,795**	349
Total other expenses from ordinary activities	**66,446**	41,815
Impairment of financial assets		
Impairment of property, plant and equipment	**31,200**	-

7 Income tax benefit/(expense)

Effective tax rates for the half-year ended 31 December 2018 for Australian and global operations in terms of the Board of Taxation's Voluntary Tax Transparency Code:

(i) Australian operations

The accounting effective company tax rate for the half-year ended 31 December 2018 is (47.5%) (30 June 2018: 0.0%). This effective tax rate is lower than the Australian company tax rate due to the impact of functional currencies, items of income/expenditure which are not assessable/deductible, recognition of previously unrecognised tax losses/tax offsets, the inclusion of equity accounted profits in profit before tax and the acquisition of the Barminco Group. The effective tax rate excluding the impact of these items is 30.0% (30 June 2018: 30.0%).

(ii) Global operations

The accounting effective company tax rate for the half-year ended 31 December 2018 is (13.1%) (30 June 2018: 20.0%). This effective tax rate is lower than the Australian company tax rate due to the impact of different company tax rates in other countries, functional currencies, items of income/expenditure which are not assessable/deductible, recognition of previously unrecognised tax losses/tax offsets, the acquisition of the Barminco Group, step acquisition of AUMS and the provision for tax liabilities resulting from tax audits in Africa. The effective tax rate excluding the impact of these items is 30.0% (30 June 2018: 30.2%).

8 Borrowings

	31 December 2018			30 June 2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
USD notes	**-**	**493,281**	**493,281**	-	-	-
Bank loans	**-**	**200,217**	**200,217**	-	-	-
Prepaid borrowing costs	**-**	**(1,364)**	**(1,364)**	-	(1,235)	(1,235)
Hire purchase liabilities	**31,035**	**19,642**	**50,677**	-	-	-
Total secured borrowings	**31,035**	**711,776**	**742,811**	-	(1,235)	(1,235)
Unsecured						
USD notes	**-**	**-**	**-**	-	404,998	404,998
Joint venture partner loan	**-**	**958**	**958**	-	-	-
Prepaid borrowing costs	**-**	**-**	**-**	-	(2,547)	(2,547)
Insurance premium funding	**2,783**	**-**	**2,783**	3,334	-	3,334
Total unsecured borrowings	**2,783**	**958**	**3,741**	3,334	402,451	405,785
Total borrowings	**33,818**	**712,734**	**746,552**	3,334	401,216	404,550

	31 December 2018 $'000	30 June 2018 $'000
Total unutilised facilities - bank loans, hire purchase and lease facilities	**176,483**	199,433

8 Borrowings (continued)

Bank loans

In November 2018, Ausdrill Limited increased its revolving credit facility from A$200 million to A$300 million. The facility is a 3-year, dual currency, syndicated facility, maturing on 1 July 2020 and has been provided by a number of leading lending institutions in the Australian banking market. As at 31 December 2018, approximately two thirds of this facility was drawn down.

Effective 1 November 2018, following a review of the future liquidity requirements of Barminco and to reduce holding costs, Barminco negotiated a reduction in the their revolving debt facility from A$75 million to A$45 million. Barminco's revolving debt facility was agreed on 24 April 2017 for a term of three and half years. In addition to the A$45 million draw down facility available under the Barminco revolving debt facility, the terms of the agreement allow Barminco to draw up to an additional A$34.8 million in finance leasing from approved third party finance lease providers for plant and equipment purchases.

USD notes - secured

On 26 April 2017 Barminco issued 6.625% Senior Secured Notes due for repayment 15 May 2022 with a US$350 million principal amount. The 6.625% Senior Secured Notes due in May 2022 have been fully hedged using Cross Currency Interest Rate Swaps (CCIRS). The notes were issued by Barminco Finance Pty Ltd are secured and have been guaranteed by Barminco Holdings Pty Limited, Barminco Finance Pty Limited, Barminco Limited, Barminco AUMS Holdings Pty Limited, Barminco India Investments Pty Limited and Barminco India Holdings Pty Limited.The interest on the high yield bond is payable semi-annually on 15 May and 15 November. The High Yield Bonds are quoted on the Singapore Stock Exchange.

USD notes - unsecured

In September 2018, Ausdrill completed the A$250 million equity raising facilitating the repayment of the 6.875% Guaranteed Senior Unsecured Notes due November 2019, to maintain prudent leverage across the group.

Hire purchase and lease facilities

Hire purchase and lease facilities are secured by the specific assets financed.

Joint venture partner loan - unsecured

The joint venture partner loan relates to Underground Mining Alliance Limited, refer note 14.

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.

All banking covenants have been complied with at reporting date.

Refinancing requirements

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

Credit ratings

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

8 Borrowings (continued)

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:

	31 December 2018			30 June 2018		
	Carrying amount $'000	**Fair value $'000**	**Discount rate %**	Carrying amount $'000	Fair value $'000	Discount rate %
On-balance sheet						
Non-traded financial liabilities						
USD note - secured	**493,281**	**484,696**	**7.49**	**-**	**-**	**-**
USD note - unsecured	-	-	-	**404,998**	**411,468**	**6.22**

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

9 Dividends

(a) Ordinary shares

	31 December 2018 $'000	31 December 2017 $'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half-years ended 31 December 2018 and 2017 were as follows:		
Final ordinary fully franked dividend for the year ended 30 June 2018 of 1.5 cents (2017: 2.0 cents) per fully paid ordinary share and a special dividend of 2.0 cents (2017: nil) per fully paid ordinary share paid on 18 October 2018	**18,629**	7,188

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

	31 December 2018 $'000	31 December 2017 $'000
In addition to the above dividends, since half-year end the directors have recommended the payment of an interim dividend of 3.5 cents per fully paid ordinary share (2017 - 3.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 27 March 2019 out of retained earnings at 31 December 2018 but not recognised as a liability at the end of the half-year, is as follows:	**23,907**	12,629

10 Business combination

(a) Current period

Summary of acquisition of Barminco

On 31 October 2018 Ausdrill Limited acquired Barminco Holdings Pty Limited ("Barminco"), a specialist underground hard-rock mining contractor with operations predominantly in Australia as well as in Africa, Egypt and India. The acquisition of Barminco increased the Group's ownership of the AUMS entities from 50% to 100%. Ausdrill acquired all of the equity and equity-like instruments in Barminco in exchange for 150.7 million fully paid ordinary ex-dividend shares and $17.2 million in cash. All of the consideration shares issued are escrowed until the release of Ausdrill's FY19 results in late August 2019. However, if after the release of Ausdrill's December 2018 interim results, the Ausdrill share price trades on the ASX for any five consecutive days at a volume weighted average price of at least $2.04 (representing a 25% premium to the theoretical ex-rights price (TERP)), this escrow will cease to apply with respect to one third of the shares issued.

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

	$'000
Purchase consideration	
Ordinary shares issued	258,393
Cash paid	17,205
Total purchase consideration	275,598

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

	Fair value $'000
Cash and cash equivalents	61,391
Receivables	91,970
Inventories	22,893
Current tax asset	364
Property plant and equipment	140,797
Intangible assets	1,349
Investment in AUMS	84,116
Deferred tax asset (net)	9,221
Other non-current assets	1,353
Payables	(82,934)
Employee benefit liabilities	(28,857)
Borrowings	(505,422)
Other fair value adjustments to liabilities	(15,185)
Net identifiable assets (liabilities) acquired	(218,944)
Goodwill on acquisition (Barminco and 50% AUMS)	351,006
Customer related intangibles (Barminco and 50% AUMS)	205,051
Deferred tax liability on customer related intangibles	(61,515)
Net assets acquired	275,598

10 Business combination (continued)

(a) Current period (continued)

The acquisition of the Barminco Group occurred on 31 October 2018. In accordance with AASB 3 *Business Combinations*, the initial accounting determined above is provisional due to ongoing work finalising asset valuations and tax related matters. The provisional accounting for the acquisition may be adjusted in the next reporting period in the event that the finalisation of fair value procedures produces fair values which are different to those provisionally determined.

The goodwill is attributable to Barminco's strong position and performance as a specialist underground hard-rock mining contractor, Barminco's 50% share of the AUMS entities and synergies that are expected to arise. It has been allocated to the Underground Mining segment. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of the Barminco and 50% share of the AUMS customer related intangibles on acquisition is provisional pending the final valuations of those assets. It has been allocated to the Underground Mining segment. Deferred tax of $59,753,040 has been provided in relation to these fair value adjustments.

(i) Acquired receivables

The fair value of receivables is $91,970,000. This includes trade receivables with a fair value of $25,166,000. The gross contractual amount for trade receivables due is $25,166,000 of which $Nil is expected to be uncollectable. Receivables also include accrued revenue of $55,274,000 and other receivables of $11,530,000.

(ii) Acquisition related costs

Acquisition related costs of $14,057,483 are included in the consolidated statement of profit or loss, in other expenses from ordinary activities and finance costs.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $104,279,000 and net profit of $12,854,000 to the group from the period for 1 November 2018 to 31 December 2018.

If the acquisition had occurred on 1 July 2018, consolidated revenue and consolidated profit for the acquired group for the half year ended 31 December 2018 would have been $312,641,000 and $18,679,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for any transaction costs.

(iv) Step acquisition of Ausdrill Limited's existing 50% share of AUMS

As a result of the acquisition of Barminco, Ausdrill increased it's investment in the Africa Underground Mining Services (AUMS) entities (refer note 14) from 50% to 100%. As at 31 October 2018 the Group ceased equity accounting and has fully consolidated the AUMS entities.

	$'000
Acquisition date fair value of previously held equity interest	264,364
Less investment in AUMS	(84,116)
Step acquisition gain on Ausdrill Limited's existing 50% share of AUMS	180,248
Foreign currency translation reserves derecognised on step acquisition of AUMS	18,163
Total gain	198,411

Goodwill on acquisition	98,720
Customer related intangibles	116,469
Deferred tax liability on customer related intangibles	(34,941)
Step acquisition gain on Ausdrill Limited's existing 50% share of AUMS	180,248

The gain on the step acquisition of AUMS has been recorded in other income in the statement of comprehensive income.

10 Business combination (continued)

(a) Current period (continued)

(iv) Step acquisition of Ausdrill Limited's existing 50% share of AUMS (continued)

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

Cash and cash equivalents	39,153
Receivables	58,898
Inventories	56,858
Property plant and equipment	96,255
Deferred tax asset	4,409
Payables	(46,116)
Current tax liabilities	(1,899)
Borrowings	(37,344)
Employee benefit liabilities	(1,982)
Net identifiable assets (liabilities) acquired	168,232

The goodwill is attributable to AUMS's strong position and performance as a specialist underground hard-rock mining contractor and synergies that are expected to arise. It has been allocated to the Underground Mining segment. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of the AUMS customer related intangibles on acquisition is provisional pending the final valuations of those assets. It has been allocated to the Underground Mining segment. Deferred tax has been provided in relation to these fair value adjustments.

11 Contributed equity

(a) Share capital

	31 December 2018 Shares	30 June 2018 Shares	**31 December 2018 $'000**	30 June 2018 $'000
Ordinary shares				
Fully paid ordinary shares	**683,050,876**	362,197,492	**1,126,825**	624,571

(b) Movements in ordinary share capital

Details	**Notes**	**Number of shares**	**$'000**
Opening balance 1 July 2018		362,197,492	624,571
Contributions of equity, net of transaction costs and tax		170,048,778	243,829
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	10	150,666,463	258,393
Exercise of options issued under the Employee Option Plan		138,143	32
Balance 31 December 2018		683,050,876	1,126,825

(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 20 February 2019, the directors declared the payment of an interim dividend of 3.5 cents (fully franked) per fully paid share to be paid on 27 March 2019 out of retained earnings at 31 December 2018. See note 9(b) for further information.

The financial effect of the above transaction has not been brought to account at 31 December 2018.

There are no other 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.

13 Deferred tax liabilities

The deferred tax liability of $144.2 million includes an amount of $42.2 million (30 June 2018: nil) relating to the provision for tax liabilities resulting from tax audits in Africa.

14 Investments in joint ventures

Summarised financial information of joint ventures

		Ownership interest	
	Place of business/ Country of incorporation	**31 December 2018**	31 December 2017
		%	%
African Underground Mining Services Limited(i)	Ghana	100	50
African Underground Mining Services Mali Sarl(i)	Mali	100	50
African Underground Mining Services Burkina Faso Sarl(i)	Burkina Faso	100	50
AUMS (T) Limited(i)	Tanzania	100	50
Underground Mining Alliance Limited(ii)	Ghana	70	-

(i) Refer to note 10(a)(iv) for information about the Group's step acquisition of African Underground Mining Services (AUMS).
(ii) Underground Mining Alliance Limited (UMA) is a 70/30 joint venture between AUMS and Rocksure International, a Ghanaian mining contractor.

15 Cash flow information

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

	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Profit for the half year		**216,983**	35,269
Adjusted for			
Depreciation and amortisation expense	6(b)	**70,428**	34,322
Impairment of property, plant and equipment	5	**31,200**	-
(Gain)/loss on sale of non-current assets		**(55)**	366
Net exchange differences		**1,837**	6,025
Trade receivable provisions and bad debts		**104**	(100)
Share of profits of joint ventures		**(10,709)**	(9,167)
Non-cash employee benefits expense - share-based payments		**242**	459
Borrowing costs		**3,014**	-
Step acquisition gain on ASL's existing 50% share of AUMS	10	**(180,248)**	-
Foreign currency translation reserves derecognised on step acquisition of AUMS	10	**(18,163)**	-
Derivatives ineffectiveness		**33**	-
Change in operating assets and liabilities:			
(Increase)/decrease in trade debtors		**28,959**	(9,746)
(Increase)/decrease in inventories		**(18,806)**	(1,086)
(Increase)/decrease in deferred tax assets		**(48,067)**	(1,780)
(Increase)/decrease in other operating assets		**(138)**	(4,233)
(Decrease)/increase in trade creditors		**(37,924)**	(6,696)
(Decrease)/increase in provision for income taxes payable		**5,341**	(411)
(Decrease)/increase in deferred tax liabilities		**8,853**	975
(Decrease)/increase in other provisions		**(2,148)**	(4,051)
Net cash inflow from operating activities		**50,736**	40,146

(b) Non-cash investing and financing activities

	31 December 2018 $'000	31 December 2017 $'000
Issue of shares for Barminco acquisition	**(258,393)**	-
Acquisition of plant and equipment by means of finance leases or hire purchases	**13**	-
Total non-cash investing activities	**(258,380)**	-

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 14 to 39 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards including AASB 134 *Interim Financial reporting*, 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 2018 and of its performance for the half-year ended on that date,

(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 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.

Mark Norwell
Managing Director

Perth
20 February 2019

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 2018, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Ausdrill Limited. The Group comprises the Company and the entities it controlled from time to time during the 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 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 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*.

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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:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
20 February 2019