AUSDRILL LIMITED

ABN 95 009 211 474

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

BRINGING MORE
TO MINING

Ausdrill Limited ABN 95 009 211 474
ASX Half-year information - 31 December 2017

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2017 Annual report

Contents

Results for announcement to the market

				$'000
Revenue from ordinary activities	Up	17.8%	to	440,928
Profit from continuing ordinary activities after tax attributable to members	Up	163.5%	to	35,269
Net profit for the period attributable to members	Up	168.4%	to	35,269

Dividends		Amount per security	Franked amount per security
Interim dividend	(cents)	3.5	3.5
Previous corresponding period	(cents)	2.0	2.0

Payment date of dividend	30 March 2018
Record date for determining entitlements to the interim dividend	16 March 2018

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 2017 Cents	31 December 2016 Cents
Net tangible asset backing per ordinary share	**210.67**	194.93

Ausdrill Limited ABN 95 009 211 474

Interim financial report - for the half-year ended 31 December 2017

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 2017 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 2017.

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)
Ronald George Sayers (Managing Director)
Terrence John Strapp
Donald James Argent
Mark Anthony Connelly
Mark Andrew Hine

Terence Edward O'Connor was a director and the Chairman from the beginning of the financial period until his retirement on 5 December 2017.

Ian Howard Cochrane, former Deputy Chairman, was appointed as Chairman on 5 December 2017.

Review of operations

Key points:

- **Outstanding financial performance – profit after tax from continuing operations increased by 163.5%**
- **Continued improvement in safety performance across the Group**
- **Sales revenue up 17.9% to $439.7 million**
- **EBITDA up 40.6% to $92.2 million**
- **EBIT up 70.9% to $57.9 million**
- **Basic earnings per share from continuing operations up from 4.29 cents per share to 10.31 cents per share**
- **Fully franked interim dividend of 3.5 cents per share**
- **More than $400 million in new contracts and contract extensions secured since 30 June 2017**
- **Successfully refinanced and upsized bank debt facility from $125 million to $200 million**
- **Completion of $100 million institutional equity raising provides significant balance sheet strength and flexibility. Cash reserves of $218.6 million and improved gearing of 17.5%**

Overview

Ausdrill Limited delivered a strong financial result for the six months to 31 December 2017. This was against the backdrop of improved conditions in the Company's key markets in both Australia and Africa.

The Company continues to focus on cost reduction, business rationalisation and improvements to allow it to deliver on its strategy of providing value to its clients.

Market conditions improved during the reporting period with increases in the price of base metals, iron ore, and gold, and increased demand for mining services, equipment and parts. Equipment and labour supply continues to tighten, as demand increases.

Operationally, the six months to 31 December 2017 was a period of significant change. Margins across the Australian based businesses improved due to an ongoing program focused on business improvement and reducing operational costs. Earnings before interest and tax increased in the African businesses following the start-up of one new underground project and three new surface mining projects. However, margins in the African businesses reduced largely in line with expectations with the ramp-up of these new mining projects. Margins in the African businesses are expected to improve in the second half of the financial year, following the ramp-up of these new projects.

The areas of focus for each business segment during the period were:

Contract Mining Services Africa ("CMSA")

The key focus for CMSA was the successful mobilisation and ramp-up of new projects: Mako for Toro Gold in Senegal, Yanfolila for Hummingbird Resources in Mali, Boungou for SEMAFO in Burkina Faso and Subika for Newmont in Ghana. Supply and equipment delays were monitored closely, and Guinea equipment and spares were utilised across other projects in West Africa as the Siguiri site demobilised. Tendering activity remains strong due to the many new project opportunities in Africa for both African Mining Services **("AMS")** and African Underground Mining Servces **("AUMS")**.

Drilling Services Australia ("DSA")

In February 2018, the business received a Letter of Intent for a 3-year contract with Process Minerals International Pty Ltd (PMI), a subsidiary of Mineral Resources Limited, at its Wodgina lithium mine. The business also secured a 3-year extension with Evolution Mining at its Mungari project during the half. These new and extended projects will replace and grow the revenue base following the Ravensthorpe mine closure and Prominent Hill coming to the end of its mine life in April 2018. Ground support was introduced as an additional service offering to DSA's existing client base. This additional service offering is expected to broaden the DSA customer base and grow revenue in the future. Further opportunities to rationalise this business continue to be pursued and are expected to deliver margin improvement in the future.

Equipment Services and Supplies ("ESS")

The equipment rental and parts market continues to show signs of recovery, driven by improving commodity prices and industry wide ageing fleet. Increased demand for BTP products and services (both internal and external) resulted in the expansion of its component rebuild capacity. Following completion of the LEAN program, the ESS segment continues to focus on profitable revenue conversion and business improvement activities.

All Other

MinAnalytical's investment in new technology continued through the commercialisation of the Chrysos Photon Assay machine, with the first unit expected to be installed in the second half of FY18. Well Control Solutions (WCS) is benefiting from increased rental revenues. Diamond Communications is benefiting from increased demand for cable laying services through the NBN roll-out. This has resulted in modest increases to the contributions from both WCS and the Diamond Communications businesses. This segment's result also includes an income item of $5.3 million for settlement of a prior year claim.

Corporate and Finance

The centralisation of accounting, payroll and procurement activities is now complete at the corporate office in Western Australia and the rollout of the automated reporting suite is nearing completion. Together with the increased adoption and system enhancements of the procure to pay software tool, these initiatives are delivering savings in procurement and administrative activities, across the Australian businesses.

During the reporting period, the Group completed a $100 million equity raising which was strongly supported by existing and new institutional investors globally, providing significant balance sheet strength and flexibility.

Net debt decreased by $60.2 million due to good cash flow and receipt of the equity raise proceeds which were partially offset by ongoing investment in new projects during the period. Gearing (net debt to net debt plus equity) decreased from 26.0% at 30 June 2017 to 17.5% at 31 December 2017. With cash reserves of $218.6 million and undrawn debt facilities of $199.5 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 October 2017 by both Moody's Investor Services and Standard and Poor's to Ba3 and BB- respectively.

Safety

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. 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, is proving to reduce the number of incidents and injuries. Ausdrill is constantly engaged with its people, its peers, clients and suppliers to seek out initiatives that will deliver improved performance in this area.

Employee numbers (including AUMS JV) have increased from 4,582 at 30 June 2017 to 4,835 at 31 December 2017. The movement was mainly as a result of an increase in AMS and AUMS employees due to the new growth projects in Africa.

Financial Performance

$million	6 mths to Dec 17	6 mths to Dec 16	% change
Sales revenue	**439.7**	**373.0**	**17.9%** ▲
EBITDA	**92.2**	**65.6**	**40.6%** ▲
EBIT	**57.9**	**33.9**	**70.9%** ▲
Profit before tax	**43.2**	**19.3**	**123.2%** ▲
Profit from continuing operations	**35.3**	**13.4**	**163.5%** ▲
Loss from discontinued operations	-	(0.2)	
Reported profit/(loss) after tax	**35.3**	**13.1**	

Note: Figures in columns may not add due to rounding

Group sales revenue increased from $373.0 million in the prior corresponding period to $439.7 million or by 17.9%, with all core segments delivering increased or stable revenue levels. Reported margins in the Australian business improved on the prior corresponding period, whilst margins in the African based businesses were largely in line with expectations following the mobilisation and ramp-up of four new mining projects.

EBITDA increased from $65.6 million in the prior corresponding period to $92.2 million or by 40.6%. All parts of the business delivered incremental EBITDA.

The EBITDA margin (excluding equity accounted profits) increased from 15.7% in the prior corresponding period to 18.9% but included the benefit of a non-recurring claim settlement totalling $5.3 million. Excluding the benefit of this claim, the underlying EBITDA margin increased to 17.7%. The primary drivers of the increase in EBITDA were the growth in the African surface and underground mining portfolios. The improved margin was driven by increased demand for equipment hire and parts, better portfolio performance by our drilling business, a non-recurring $5.3 million claim settlement as well as favourable exchange movements. This was partially offset by the ramp-up of new projects in Africa.

EBIT increased from $33.9 million in the prior corresponding period to $57.9 million or by 70.9%. The EBIT margin (excluding equity accounted profits) increased from 7.2% in the prior corresponding period to 11.1%. Excluding the benefit of the claim settlement, the underlying EBIT margin increased to 9.9%.

The after tax profit, from continuing operations, attributable to Ausdrill shareholders increased from $13.4 million in the prior corresponding period to $35.3 million or by 163.5%. This translated to an increase in earnings per share from 4.29 cents to 10.31 cents.

During the half, the Group generated good cash flow which was supplemented by a $100 million equity raise, which assisted in reducing gearing (net debt to net debt plus equity) from 26.0% reported at 30 June 2017 to 17.5% at 31 December 2017.

Working capital continues to be optimised to suit business activity levels. Since June 2017, working capital (i.e. trade and other receivables and inventories net of trade and other payables) increased by $14.0 million due to new projects commencing in the period. Capital expenditure totalled $78.1 million for the period, driven primarily by capital expenditure carried over from FY17 for the African growth projects and our standard replacement cycle.

The return on capital employed by the Group continues to improve as margins improve and under-utilised assets are put into profitable work.

The Group's debt service capability remains robust with net interest cover (EBITDA/Net Interest) at 6.3 times and the Group's net secured debt being in a net cash position.

The Company's net tangible asset position increased marginally from $2.02 per share at 30 June 2017 to $2.11 per share at 31 December 2017.

Contract Mining Services Africa (CMSA)

$million	6 mths to Dec 17	6 mths to Dec 16	% change
Sales to external customers	246.1	191.2	**28.7%** ▲
EBIT (excluding equity accounted profits from AUMS)	23.5	21.0	**11.9%** ▲

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 contractor, providing a full suite of contract mining and exploration drilling services to major 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 was highly focused on the mobilisation and ramp-up of new projects. Commodity prices remain strong and AMS is well placed to take advantage of the significant opportunities available in Africa.

- In Ghana, AMS secured a two-year contract extension at AngloGold Ashanti's Iduapriem gold mine where AMS has been providing a full suite of mining services since 2014. The equipment hire division, contracted to Ghana Manganese Corporation (GMC) at the Nsuta manganese mine, continues to perform well.
- In Mali, AMS's existing contract with Resolute Mining at the Syama gold project was extended through until May 2018. In addition, Resolute appointed AMS as Preferred Tenderer for the provision of mining services at the Tabakaroni gold mine, a satellite operation south of Syama – the appointment is subject to finalisation of a formal contract. Mobilisation of the Yanfolila project was completed and works commenced for Hummingbird Resources at this site. AMS continued exploration drilling with B2Gold at its Fekola gold project and is currently negotiating a 12-month extension.
- In Burkina Faso, AMS completed mobilisation and commenced works at the Boungou gold mine for SEMAFO.
- In Senegal, AMS commenced works at the Mako gold mine for Toro Gold Ltd. The on-site power plant was fully commissioned by the Power Solutions Africa team and is now generating revenue for the Group.

AMS increased revenue by 28.7% to $246.1 million, up from $191.2 million in the prior corresponding period. EBIT increased by 11.9% to $23.5 million, up from $21.0 million in the prior corresponding period. Margins were lower primarily due to mobilisation and ramp-up costs associated with the start-up of new projects. Margins are expected to improve as new projects reach contracted volumes.

In West Africa, AMS has increased its major mining equipment fleet to over 500 units including dump trucks, excavators, loaders, blast hole drills and grade control drills, along with 13 exploration drills.

Tender activity remains strong and AMS is seeing a lift in exploration drilling programs, particularly in West Africa. The outlook remains positive with revenue and profit growth expected as AMS's new contracts ramp-up.

African Underground Mining Services (AUMS)

$million (Ausdrill 50% share)	6 mths to Dec 17	6 mths to Dec 16	% change
Sales to external customers	66.5	41.2	**61.5%** ▲
EBIT	13.2	10.0	**32.0%** ▲

Ausdrill has a 50% interest in African Underground Mining Services (AUMS), in joint venture with Barminco Limited. AUMS is a specialised high speed mechanised mining contractor, providing underground mining services to customers in Ghana, Mali, Burkina Faso and Tanzania. AUMS has been operating in Africa since 2007.

Ausdrill accounts for its investment in AUMS on an equity accounted basis. AUMS delivered $9.2 million in equity accounted profits to Ausdrill for the half, which was 50% of AUMS's overall NPAT.

During the period, AUMS continued the ramp-up of operations at the Newmont Subika project in Ghana which commenced in May 2017. Although Subika delivered a material increase in revenue and profit, margins were slightly lower due to the mobilisation and ramp-up of this project.

In Burkina Faso, AUMS continued operations at the Roxgold Yaramoko mine at a steady state. Roxgold announced its decision to develop the adjacent Baggasi South mine in the second half of FY18 which is expected to add further volume to the AUMS operation.

In Tanzania, AUMS expanded its operation at the Geita project mainly due to the expansion of the underground works at the Nyankanga Pit.

Diamond drilling projects were also carried out in Ghana, Burkina Faso and also commenced in Tanzania during the period.

Drilling Services Australia (DSA)

$million	6 mths to Dec 17	6 mths to Dec 16	% change
Sales to external customers	103.8	109.8	**5.5%** ▼
EBIT	12.0	7.8	**53.8%** ▲

The DSA segment comprises Ausdrill, Drill Rigs Australia and Ausdrill Northwest, providing drill and blast, grade control, exploration drilling, hydrological drilling, drill manufacture and geotechnical services to major resource companies in Australia. The business provides a complete service, including experienced drilling crews to the latest drill rigs and techniques. This combination of people, equipment and innovation enables DSA to drill more efficiently and to the highest industry standard.

DSA's revenue remained relatively stable for the half, with an improved EBIT margin mainly due to cost out, business rationalisation and cessation of the loss-making Telfer project. Revenue and profit were adversely impacted by the closure of the Ravensthorpe mine in response to the lower nickel price. Further, we will see the Prominent Hill project come to the end of its mine life in April 2018. This run-off of project revenue will be countered by revenue generated by the Wodgina project for PMI (a subsidiary of Mineral Resources Limited).

Production related drilling remains robust, generating good margins, with exploration drilling activity increasing but remaining competitive. The business continues to secure new work and extend current contracts including:

- 3-year extension for the production drilling works at Evolution Mining's Mungari project in Western Australia.
- Letter of Intent received for a new 3-year drill and blast contract with Mineral Resources' subsidiary, Process Minerals International, at the Wodgina lithium project in Western Australia. This represents an exciting phase for the DSA business in working with this new client in a new commodity.
- Extensions and new exploration contracts with Silver Lake, Mincor, SIMEC and Consolidated Minerals, plus drill for equity initiatives.

Equipment Services & Supplies (ESS)

$million	6 mths to Dec 17	6 mths to Dec 16	% change
Sales to external customers	72.5	60.9	**19.0%** ▲
EBIT	8.9	5.3	**67.9%** ▲

The ESS segment comprises the BTP Group and Supply Direct Group. The ESS business continued its focus on profitable growth, cost management and capital efficiency to improve financial performance, sustainability and competitiveness. EBIT and EBIT margin both improved dramatically on the back of this focus. External revenue increased by 19% to $72.5 million, up from $60.9 million in the prior corresponding period, reflecting improving market conditions. Moving forward it is not anticipated that customer demands and cost pressures will abate any time soon and priorities remain unchanged. ESS will continue to focus on mutually-rewarding customer relationships and allocate resources to the highest yielding profitable growth opportunities with disciplined investment in the business.

BTP Group

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

During the half, the equipment market consolidated on its recovery phase which is fundamentally underpinned by increased mining production and ageing equipment. More enquiries were received relating to rental and equipment needs resulting in improved rental fleet utilisation. BTP’s disciplined focus on capital performance ensures patience in waiting for the right opportunities to deploy idle fleet. Equipment availability over the past six months has reduced, resulting in a modest yet focused investment by BTP in additional core rental equipment to deliver into converted opportunities.

BTP’s commitment to its customers has been demonstrated in the recent workshop expansion in Hazelmere, Western Australia. This expansion is in addition to an engine and component rebuild expansion program which was successfully executed over the past calendar year. BTP has been investing in apprentices and will continue to drive this agenda to contribute to the future success of the mining industry.

Moving forward, the mining industry is facing a number of challenges including skilled labour shortages and longer lead times. BTP Group’s strategy remains focused on extracting and delivering value to key stakeholders by harvesting mining equipment lifecycle opportunities in Australia and Africa. The non-OEM aligned equipment solution offering allows BTP Group to build its core business around the most attractive opportunities that leverages core competencies. BTP Group has delivered on its objective to expand capacity enabling an improved ability to meet growing customer demand. The business has a strong balance sheet and management team to respond to market conditions which are expected to remain price sensitive and competitive.

Supply Direct Group

Supply Direct continues to evolve to meet customers’ needs in a dynamic competitive market environment. The business has undergone some significant changes to enhance stability and profitable growth. Today, its offering expands beyond procurement and logistics to include turn-key engineered mining solutions. Supply Direct values creativity, intelligence and team work and employs highly skilled people who thrive in a fast-paced environment. The team consists of experienced and talented professionals with extensive experience in the African mining industry. Its dedicated sales and technical staff are fully trained in plant and equipment maintenance, project management, warehousing, shipping and logistics to provide solutions for all mining and mining service needs.

Supply Direct is the official distributor for several reputable high quality Original Equipment Manufacturers in Africa. It also offers its own range of custom designed vehicles, specialist pump stations and machine fabrication requirements to meet customer bespoke requirements. Supply Direct Group is increasingly seen by customers as an integral part of their business due to its vast sourcing network and capabilities which facilitate improving their operational efficiency and cost reduction initiatives. By value adding in this way, Supply Direct helps its customers to focus on their core business and deliver on their objectives, on budget and on time.

All Other

$million	6 mths to Dec 17	6 mths to Dec 16	% change
Sales to external customers	17.4	11.1	**56.9%** ▲
EBIT	6.8	(1.4)	**585.7%** ▲

This segment includes Diamond Communications, MinAnalytical, Energy Drilling Australia (EDA), Well Control Solutions (WCS) and Ausdrill Properties.

The segment earnings before interest and tax for the period of $6.8 million was driven in part by the settlement of a claim totalling $5.3 million. Excluding this one-off benefit, this segment has reported improved profit performance.

Diamond Communications

Diamond has had a positive half-year result with growth mainly coming from the communications sector. Strong demand for cable plough projects through the Inter-Exchange Network contract in WA, SA and Victoria and the increase in demand for wideband and National Broadband Network construction has driven the half-year result.

Diamond has now been selected onto the Western Power Underground Power Project and the support services contract and, due to the large volume of work that will be required to be completed, strong growth is expected in the power division.

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 to ISO17025:2005.

The analysis industry continues to be highly competitive. During the period, several key customers ran smaller, more targeted programs than had previously been indicated, impacting profitability.

MinAnalytical has invested considerable time and resources in the Chrysos Photon Assay technique. This potentially game-changing technology has generated a lot of interest in the industry with several major companies supplying samples for the validation process. The first unit has completed its factory acceptance testing and is currently in transit to Australia, with commissioning and validation expected to have been completed by the end of the financial year.

Energy Drilling Australia

This business includes the oil and gas assets of EDA (in care and maintenance) and Well Control Solutions (WCS).

Revenue for WCS increased during the period, delivering a modest improvement in profit compared to the prior corresponding period.

Corporate and Finance

Corporate and Finance costs, which includes costs such as general overheads and unallocated foreign exchange gains and losses, were $3.6 million lower than the prior corresponding period.

Outlook

The Group is benefiting from its focussed strategy of delivering core mining services in markets where it has a competitive advantage. Its strategy is client-focused and harnesses innovation and technology to deliver relevant and low-cost mining solutions to clients. The mining industry continues to experience strong competition in an environment which is showing evidence of improvement in Australia and rapid growth in Africa.

In response to these market conditions, Ausdrill will:

- Maintain its strong focus on safety and safety improvement
- Focus on securing a significant share of attractive projects with high quality clients
- Build awareness of the Group's client-focussed service offering through effective marketing programs
- Rationalise its businesses to focus on profitable revenue streams and core services
- Maintain a stable financial foundation from which to grow the Company in the future
- Restrict capital expenditure to replacement needs or identified growth opportunities
- Support existing clients' growth ambitions into new geographies
- Pursue M&A opportunities which are complementary to its existing business model or to industry rationalisation

Ausdrill is of the view that market conditions are improving. However, competition remains strong and margin pressure will persist.

The gold price (in Australian dollars) currently favours the Australian production-related mining industry and provides a platform for a stable level of activity in the near term, particularly for the equipment hire and drill and blast businesses. Expenditure in gold exploration is growing in response to sustained periods of strong Australian dollar gold prices. However, equipment supply currently exceeds demand, resulting in exploration drilling margins remaining low in Australia.

Growth of the African businesses is expected to continue on the back of exceptionally strong levels of tendering activity. It is anticipated that labour and wage pressures will increase as the demand for good operators increases in response to higher activity levels, both in Australia and Africa.

The outlook for the resources industry is expected to improve over the medium term in both Australia and Africa where Ausdrill has a long-established presence and local know-how. Consequently, Ausdrill remains in a strong position to grow in its key markets in the years ahead.

The Group remains on target to deliver a 40% uplift in profit after tax for the full year.

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 services 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 2017.

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 14.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative (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.

Ronald George Sayers
Managing Director

Perth
23 February 2018

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Auditor's Independence Declaration

As lead auditor for the review of Ausdrill Limited for the half-year ended 31 December 2017, 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
23 February 2018

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	Notes	**31 December 2017 $'000**	31 December 2016 $'000
Revenue from continuing operations	4	**440,928**	374,225
Other income	6(a)	**7,796**	4,921
Materials expense		**(171,201)**	(159,014)
Labour costs		**(149,621)**	(119,734)
Rental and hire expense		**(8,171)**	(7,908)
Depreciation and amortisation expense	6(b)	**(34,322)**	(31,725)
Finance costs	6(b)	**(15,913)**	(15,803)
Realised foreign exchange gains/(losses)		**1,408**	(1,942)
Unrealised foreign exchange gains		**4,920**	3,442
Other expenses from ordinary activities		**(41,815)**	(34,280)
Share of net profits of joint ventures accounted for using the equity method		**9,167**	7,158
Profit before income tax		**43,176**	19,340
Income tax expense	7	**(7,907)**	(5,957)
Profit from continuing operations		**35,269**	13,383
Loss from discontinued operations (attributable to equity holders of the Company)	11	**-**	(242)
Profit for the half year		**35,269**	13,141
Profit is attributable to:			
Equity holders of Ausdrill Limited		**35,269**	13,141
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**10.31**	4.29
Diluted earnings per share		**10.08**	4.17
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**10.31**	4.21
Diluted earnings per share		**10.08**	4.09

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

	31 December 2017 $'000	31 December 2016 $'000
Profit for the half-year	**35,269**	13,141
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Exchange gains/(losses) on translation of foreign operations	**3,760**	(10,250)
Share of other comprehensive income of joint ventures accounted for using the equity method	**676**	(411)
Items that will not be reclassified to profit or loss		
(Loss)/gain on revaluation of land and buildings, net of tax	**(113)**	228
(Loss)/gain on revaluation of available-for-sale financial assets, net of tax	**(642)**	(769)
Other comprehensive income/(loss) for the half-year, net of tax	**3,681**	(11,202)
Total comprehensive income for the half-year	**38,950**	1,939
Total comprehensive income/(loss) for the half-year is attributable to:		
Equity holders of Ausdrill Limited	**38,950**	1,939
	38,950	1,939
Total comprehensive income/(loss) for the half-year attributable to owners of Ausdrill Limited arises from:		
Continuing operations	**38,950**	2,181
Discontinued operations	**-**	(242)
	38,950	1,939

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

	Notes	**31 December 2017 $'000**	30 June 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**218,639**	166,710
Trade and other receivables		**182,995**	167,742
Inventories		**190,964**	188,761
Current tax receivables		**3,008**	3,028
Total current assets		**595,606**	526,241
Non-current assets			
Joint ventures accounted for using the equity method		**68,869**	58,884
Available-for-sale financial assets	2	**7,319**	5,189
Property, plant and equipment		**598,670**	560,464
Deferred tax assets		**37,726**	36,372
Total non-current assets		**712,584**	660,909
TOTAL ASSETS		**1,308,190**	1,187,150
LIABILITIES			
Current liabilities			
Trade and other payables		**103,897**	100,396
Borrowings	8	**1,253**	2,802
Current tax liabilities		**3,965**	4,181
Employee benefit obligations		**36,789**	40,805
Total current liabilities		**145,904**	148,184
Non-current liabilities			
Borrowings	8	**379,088**	385,815
Deferred tax liabilities		**22,309**	22,077
Employee benefit obligations		**741**	960
Total non-current liabilities		**402,138**	408,852
TOTAL LIABILITIES		**548,042**	557,036
NET ASSETS		**760,148**	630,114
EQUITY			
Contributed equity	10	**624,657**	526,447
Other reserves		**(14,034)**	(17,777)
Retained earnings		**149,525**	121,444
Capital and reserves attributable to the owners of Ausdrill Limited		**760,148**	630,114
TOTAL EQUITY		**760,148**	630,114

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

		Attributable to owners of Ausdrill Limited			
		Contributed equity $'000	**Other reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2016		**526,447**	**(16,028)**	**96,177**	**606,596**
Profit for the half-year		-	-	13,141	13,141
Other comprehensive loss		-	(11,202)	-	(11,202)
Total comprehensive income/(loss) for the half-year		**-**	**(11,202)**	**13,141**	**1,939**
Transactions with owners in their capacity as owners:					
Employee share options - value of employee services		-	195	-	195
Transfer of revaluation surplus to retained profits		-	(218)	218	-
		-	(23)	218	195
Balance at 31 December 2016		**526,447**	**(27,253)**	**109,536**	**608,730**
Balance at 1 July 2017		**526,447**	**(17,777)**	**121,444**	**630,114**
Profit for the half-year		-	-	35,269	35,269
Other comprehensive income		-	3,681	-	3,681
Total comprehensive income for the half-year		**-**	**3,681**	**35,269**	**38,950**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	10	97,730	-	-	97,730
Shares issued on conversion of employee share options	10	480	(397)	-	83
Dividends paid	9	-	-	(7,188)	(7,188)
Employee share options - value of employee services		-	459	-	459
		98,210	62	(7,188)	91,084
Balance at 31 December 2017		**624,657**	**(14,034)**	**149,525**	**760,148**

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

	Notes	**31 December 2017 $'000**	31 December 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**455,365**	414,381
Payments to suppliers and employees (inclusive of goods and services tax)		**(393,313)**	(340,767)
		62,052	73,614
Interest received		**1,198**	1,271
Interest and other costs of finance paid		**(14,363)**	(14,600)
Income taxes paid		**(9,123)**	(2,192)
Management fee received from joint ventures		**382**	393
Net cash inflow from operating activities	14	**40,146**	58,486
Cash flows from investing activities			
Payments for property, plant and equipment		**(78,144)**	(49,336)
Proceeds from sale of property, plant and equipment		**4,375**	1,537
Payments for available-for-sale financial assets		**(3,047)**	(1,541)
Proceeds from sale of available-for-sale financial assets		**-**	2,210
Distributions received from joint ventures		**-**	4,557
Proceeds from sale of business	11	**-**	22,213
Net cash outflow from investing activities		**(76,816)**	(20,360)
Cash flows from financing activities			
Proceeds from issues of shares, net of transaction costs		**97,813**	-
Repayment of hire purchase and lease liabilities		**-**	(358)
Dividends paid to Company's shareholders	9	**(7,188)**	-
Repayment of unsecured borrowings		**(1,548)**	(2,611)
Net cash inflow/(outflow) from financing activities		**89,077**	(2,969)
Net increase in cash and cash equivalents		**52,407**	35,157
Cash and cash equivalents at the beginning of the financial year		**166,710**	181,857
Effects of exchange rate changes on cash and cash equivalents		**(478)**	1,588
Cash and cash equivalents at end of half-year		**218,639**	218,602

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 2017 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 2017 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 2017.

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

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 2017.

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 2017 and are not expected to have any significant impact for the full financial year ending 30 June 2018.

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

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

(i) AASB 9 Financial instruments

AASB 9 Financial Instruments addresses 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. The standard does not need to be applied until 1 July 2018 but is available for early adoption. The Group has decided not to adopt AASB 9 until it becomes mandatory on 1 July 2018.

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

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

(i) AASB 9 Financial instruments (continued)

The Group does not expect the new guidance to affect the classification and measurement of its financial assets. However, gains or losses realised on the sale of financial assets at fair value through other comprehensive income (FVOCI) will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. There has been no sale of financial assets during the six months to 31 December 2017.

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

The 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. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. It is effective for the first interim period within annual reporting periods beginning on or after 1 January 2018. The group will adopt the new standard from 1 July 2018.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following from the initial review:

Ausdrill currently has both contracts for services (contract mining, both underground and surface mining, drill and blast, exploration drilling, rental of equipment and mineral assays and analysis) and contracts for sale of goods (predominantly BTP equipment and BTP Parts). In the financial statements, the contracts for services are recognised over time and the sale of goods at a point in time which would be the same under the new standard.

Management have considered whether a contract exists, whether the party to the contract is a customer, what the performance obligations are, what the transactions price payable by the customer is, how the contract price is split across the performance obligations, and whether the contract means performance over time or at a point in time.

At this stage, management has assessed the effect of applying the new standard on the Group's financial statements and does not expect that there will be significant impact on its consolidated financial statements. Management will continue to assess the effect of the new standard over the next six months which will include consideration of the financial statement disclosure requirements.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated. The new standard will only be applied to contracts that remain in force at the transition date.

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

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

(iii) 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.

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 $4,039,888. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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 2017 and 30 June 2017 on a recurring basis:

At 31 December 2017	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	**4,719**	**-**	**-**	**4,719**
Australian unlisted equity securities	**-**	**-**	**1,798**	**1,798**
GBP listed equity securities	**802**	**-**	**-**	**802**
Total financial assets	**5,521**	**-**	**1,798**	**7,319**

At 30 June 2017	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	**2,777**	**-**	**-**	**2,777**
Australian unlisted equity securities	**-**	**-**	**1,038**	**1,038**
GBP listed equity securities	**1,374**	**-**	**-**	**1,374**
Total financial assets	**4,151**	**-**	**1,038**	**5,189**

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.

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

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

2 Fair value measurements (continued)

(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.

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 2017 for recurring fair value measurements:

	Unlisted equity securities $'000	Total $'000
Opening balance 1 July 2017	1,038	1,038
Acquisitions	760	760
Closing balance 31 December 2017	**1,798**	**1,798**

(i) Valuation inputs and relationships to fair value

The fair value of the unlisted equity security has been determined as its acquisition cost due to the acquisition proximity to 31 December 2017. This will be reassessed at 30 June 2018.

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, 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.

Reportable segments are:

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

Drilling Services Australia:
The provision of drilling services and drilling equipment including drilling and blasting, in-pit grade control, exploration drilling and hydrological well drilling in Australia.

Equipment Services and Supplies:
The provision of mining supplies, products and services including equipment hire, equipment parts and sales throughout the world.

All Other Segments:
Australian operating segments which do not meet the aggregation criteria for the current segments. This includes the provision of energy drilling and equipment hire, mineral analysis, property holding services and services to the telecommunications and utility sector.

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

Intersegment Eliminations:
Represents transactions which are eliminated on consolidation.

Discontinued Operations:
This segment includes the discontinued operation of The Miners Rest Motel, that discontinued operations at 30 June 2017 and is therefore included in the 31 December 2016 comparative figure. Information about discontinued businesses can be found in note 11.

3 Segment information (continued)

(b) Segment information provided to the Board

Half-year ended 31 December 2017	Contract Mining Services Africa $'000	Drilling Services Australia $'000	Equipment Services & Supplies $'000	All Other Segments $'000	Corporate & Finance $'000	Inter-segment Eliminations $'000	Total Continuing Operations $'000	Discontinued Operations $'000	Eliminations $'000	Consolidated $'000
Segment revenue										
Sales to external customers	246,073	103,813	72,473	17,371	-	-	439,730	-	-	439,730
Intersegment sales	4	3,643	8,286	-	-	(11,933)	-	-	-	-
Total sales revenue	**246,077**	**107,456**	**80,759**	**17,371**	**-**	**(11,933)**	**439,730**	**-**	**-**	**439,730**
Other revenue	140	27	12	8	14,273	(13,262)	1,198	-	-	1,198
Total segment revenue	**246,217**	**107,483**	**80,771**	**17,379**	**14,273**	**(25,195)**	**440,928**	**-**	**-**	**440,928**
Segment EBITDA	**53,983**	**19,021**	**13,406**	**8,077**	**(2,273)**	**-**	**92,214**	**-**	**-**	**92,214**
Depreciation and amortisation expenses	(21,352)	(7,041)	(4,541)	(1,243)	(145)	-	(34,322)	-	-	(34,322)
Segment EBIT	**32,630**	**11,980**	**8,865**	**6,834**	**(2,417)**	**-**	**57,892**	**-**	**-**	**57,892**
Interest income	140	27	12	8	14,273	(13,262)	1,198	-	-	1,198
Interest expense	(6,209)	(1,705)	(2,084)	(3,271)	(15,906)	13,262	(15,913)	-	-	(15,913)
Segment result	**26,561**	**10,301**	**6,793**	**3,571**	**(4,050)**	**-**	**43,176**	**-**	**-**	**43,176**
Income tax expense							(7,907)	-		(7,907)
Profit/(loss) for the year							**35,269**	**-**		**35,269**
Segment assets	**665,663**	**802,184**	**173,045**	**89,587**	**761,916**	**(1,184,205)**	**1,308,190**	**-**	**-**	**1,308,190**
Segment liabilities	**340,300**	**76,243**	**80,342**	**4,977**	**994,555**	**(948,375)**	**548,042**	**-**	**-**	**548,042**
Other segment information										
Investments in joint ventures	68,869	-	-	-	-	-	68,869	-	-	68,869
Share of profit from joint ventures	9,167	-	-	-	-	-	9,167	-	-	9,167
Acquisition of property, plant and equipment, intangibles and other non-current assets	61,247	10,776	5,402	653	3,113	-	81,191	-	-	81,191

3 Segment information (continued)

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

Half-year ended 31 December 2016	**Contract Mining Services Africa**	**Drilling Services Australia**	**Equipment Services & Supplies**	**All Other Segments**	**Corporate & Finance**	**Inter-segment Eliminations**	**Total Continuing Operations**	**Discontinued Operations**	**Eliminations**	**Consolidated**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue										
Sales to external customers	191,226	109,757	60,901	11,070	-	-	372,954	329	-	373,283
Intersegment sales	43	3,517	24,679	-	-	(28,239)	-	61	(61)	-
Total sales revenue	**191,269**	**113,274**	**85,580**	**11,070**	**-**	**(28,239)**	**372,954**	**390**	**(61)**	**373,283**
Other revenue	172	325	35	7	11,527	(10,795)	1,271	-	-	1,271
Total segment revenue	**191,441**	**113,599**	**85,615**	**11,077**	**11,527**	**(39,034)**	**374,225**	**390**	**(61)**	**374,554**
Segment EBITDA	**44,616**	**17,135**	**9,521**	**268**	**(5,943)**	**-**	**65,597**	**(214)**	**-**	**65,383**
Depreciation and amortisation expenses	(16,411)	(9,358)	(4,203)	(1,633)	(120)	-	(31,725)	(28)	-	(31,753)
Segment EBIT	**28,205**	**7,777**	**5,318**	**(1,365)**	**(6,063)**	**-**	**33,872**	**(242)**	**-**	**33,630**
Interest income	172	325	35	7	11,527	(10,795)	1,271	-	-	1,271
Interest expense	(3,333)	(1,624)	(2,560)	(3,298)	(15,783)	10,795	(15,803)	-	-	(15,803)
Segment result	**25,044**	**6,478**	**2,793**	**(4,656)**	**(10,319)**	**-**	**19,340**	**(242)**	**-**	**19,098**
Income tax expense							(5,957)	-		(5,957)
Profit/(loss) for the year							**13,383**	**(242)**		**13,141**
Segment assets	**455,527**	**699,061**	**173,614**	**87,497**	**630,656**	**(885,020)**	**1,161,335**	**-**	**-**	**1,161,335**
Segment liabilities	**225,512**	**74,520**	**81,169**	**3,147**	**920,073**	**(751,816)**	**552,605**	**-**	**-**	**552,605**
Other segment information										
Investments in joint ventures	71,954	-	-	-	-	-	71,954	-	-	71,954
Share of profit from joint ventures	7,158	-	-	-	-	-	7,158	-	-	7,158
Acquisition of property, plant and equipment, intangibles and other non-current assets	37,347	4,552	7,060	352	1,566	-	50,877	-	-	50,877

4 Revenue

	31 December 2017 $'000	31 December 2016 $'000
From continuing operations		
Sales revenue		
Sale of goods	**15,517**	10,220
Services	**424,213**	362,734
	439,730	372,954
Other revenue		
Interest	**1,198**	1,271
	440,928	374,225

5 Individually significant items

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 2017, 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 in relation to its 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 CGUs the recoverability of its assets is completed via a fair value less costs of disposal calculation (**FVLCD**); and
(c) for certain CGUs the recoverability of its assets is completed via a value in use methodology (**VIU**).

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 2017, 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, the Company has relied on the recent independent external valuation along with its own internal valuation undertaken at 30 June 2017 as there has been no change in circumstance that would warrant the Company to not rely on those values.

5 Individually significant items (continued)

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

	31 December 2017 $'000	31 December 2016 $'000
Net gain on sale of available-for-sale financial assets	**-**	585
Management fee received from joint ventures	**382**	393
Insurance proceeds	**889**	1,853
Other [(i)]	**6,525**	2,090
	7,796	4,921

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

(b) Breakdown of expenses by nature

Depreciation		
Buildings	**797**	800
Plant and equipment	**33,525**	30,925
Total depreciation	**34,322**	31,725
Finance costs		
Hire purchase interest	**29**	38
Interest paid	**14,333**	14,562
Amortised borrowing cost	**1,551**	1,203
Finance costs expensed	**15,913**	15,803
Net loss on disposal of property, plant and equipment	**366**	2,596
Rental expense relating to operating leases	**3,362**	3,598
Impairment of financial assets		
Trade receivables provisions (gains)/losses	**(100)**	(371)

7 Income tax

Effective tax rates for the half-year ended 31 December 2017 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 2017 is 0% (30 June 2017: 0%). This effective tax rate is lower than the Australian company tax rate due to the impact of functional currencies, items of income and expenditure which are not assessable or deductible, previously unrecognised capital losses recognised, the inclusion of equity accounted profits in profit before tax and not recognising a portion of deferred tax assets. The effective tax rate excluding the impact of these items is 30% (30 June 2017: 30.0%)

(ii) Global operations

The accounting effective company tax rate for the half-year ended 31 December 2017 is 18.3% (30 June 2017: 30.8%). 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 and expenditure which are not assessable or deductible, capital gains and not recognising a portion of deferred tax assets. The effective tax rate excluding the impact of these items is 30.9% (30 June 2017: 33.8%)

8 Borrowings

	31 December 2017			30 June 2017		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Unsecured						
USD notes	**-**	**383,937**	**383,937**	-	390,505	390,505
Prepaid borrowing costs	**-**	**(4,849)**	**(4,849)**	-	(4,690)	(4,690)
Insurance premium funding	**1,253**	**-**	**1,253**	2,802	-	2,802
Total unsecured borrowings	**1,253**	**379,088**	**380,341**	2,802	385,815	388,617

	31 December 2017	30 June 2017
	$'000	$'000
Total unutilised facilities - bank loans	**199,533**	124,776

Bank loans

In August 2017, Ausdrill Limited refinanced and up-sized its revolving debt facility from A$125 million to A$200 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 2017, this facility remains largely undrawn.

Bank loans include asset financing arrangements with a range of banks and financiers which are secured by the specific assets financed.

8 Borrowings (continued)

USD notes

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

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 Ba3 (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.

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 2017			30 June 2017		
	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	**383,937**	**394,398**	**5.69**	390,505	402,412	5.86

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 2017 $'000	31 December 2016 $'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half-years ended 31 December 2017 and 2016 were as follows:		
Final ordinary fully franked dividend for the year ended 30 June 2017 (2016: nil) of 2.0 cents per fully paid share	**7,188**	-

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

	31 December 2017 $'000	31 December 2016 $'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 (2016 - 2.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 30 March 2018 out of retained earnings at 31 December 2017 but not recognised as a liability at the end of the half-year, is as follows:	**12,629**	6,246

10 Contributed equity

(a) Share capital

	31 December 2017 Shares	30 June 2017 Shares	**31 December 2017 $'000**	30 June 2017 $'000
Ordinary shares				
Fully paid ordinary shares	**360,827,800**	312,277,224	**624,657**	526,447

(b) Movements in ordinary share capital

Details	**Notes**	**Number of shares**	**$'000**
Opening balance 1 July 2017		312,277,224	526,447
Contributions of equity, net of transaction costs and tax		46,841,000	97,730
Exercise of options issued under the Employee Option Plan		1,709,576	480
Balance 31 December 2017		360,827,800	624,657

(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.

10 Contributed equity (continued)

(c) Ordinary shares (continued)

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.

11 Discontinued operations

(a) The Miners Rest Motel

(i) Description

The Group entered into a sale agreement to sell The Miners Rest Motel business for $2.5 million which was completed on 21 September 2016. The sale includes the land and buildings and all of the operational assets of The Miners Rest Motel business. A fair value reduction of $0.9 million was made to the value of the land and buildings and was brought to account as at 30 June 2016. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented is for the six months ended 31 December 2017 and 31 December 2016.

	2017	2016
	$'000	$'000
Revenue	-	329
Expenses	-	(507)
(Loss) before income tax	-	(178)
Income tax expense	-	-
(Loss) after income tax of discontinued operation	-	(178)
(Loss) on sale of the subsidiary after income tax	-	(64)
(Loss) from discontinued operation	-	(242)
Other comprehensive income from discontinued operation	-	-
Net cash outflow from operating activities	-	(181)
Net cash inflow from investing activities	-	2,408
Net cash outflow from financing activities	-	(2,341)
Net (decrease)/increase in cash generated by the subsidiary	-	(114)

(iii) Details of the sale of the subsidiary

	2016
	$'000
Consideration received or receivable:	
Cash	**2,413**
Carrying amount of net assets sold	**2,477**
(Loss) on sale before income tax and reclassification of foreign currency translation reserve	**(64)**
Income tax expense on gain	-
Capital losses applied	-
Tax losses applied	-
(Loss) on sale after income tax	**(64)**

11 Discontinued operations (continued)

(a) The Miners Rest Motel (continued)

(iii) Details of the sale of the subsidiary (continued)

The carrying amounts of assets and liabilities as at the date of sale, 21 September 2016, were:

	2016 $'000
Property, plant and equipment	**2,477**
Trade receivables	-
Inventories	-
Total assets	**2,477**
Trade creditors	-
Employee benefits obligations	-
Total liabilities	-
Net assets	**2,477**

(b) Drilling Tools Australia Pty Ltd

(i) Description and cash flow information

On 19 May 2016, the Company announced that it had agreed to sell the Drilling Tools Australia (DTA) business to Finnish manufacturer the Robit Plc Group. Completion of that sale occurred on 30 June 2016.

Outstanding proceeds from the sale of DTA totalled $19,800,000 at 30 June 2016. These were received during the during the prior period financial year.

12 Events occurring after the balance sheet date

On 23 February 2018, the directors declared the payment of an interim dividend of 3.5 cents (fully franked) per fully paid share to be paid on 30 March 2018 out of retained earnings at 31 December 2017. See note 9(b) for further information.

The financial effect of the above transaction has not been brought to account at 31 December 2017.

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 Investments in joint ventures

Summarised financial information of joint ventures

	Ownership interest	
	31 December 2017 %	31 December 2016 %
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
African Underground Mining Services Tanzania Ltd	50	50

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

	31 December 2017 $'000	31 December 2016 $'000
Profit for the half-year	**35,269**	13,141
Depreciation and amortisation expense	34,322	31,753
Loss on sale of non-current assets	366	2,596
Net loss on sale of businesses	-	64
Gain on sale of available-for-sale financial assets	-	(585)
Net exchange differences	6,025	(188)
Bad debts and provision for doubtful debts	(100)	(371)
Share of profits of joint ventures	(9,167)	(7,158)
Non-cash employee benefits expense - share-based payments	459	195
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	(9,746)	21,575
(Increase)/decrease in inventories	(1,086)	120
(Increase)/decrease in deferred tax assets	(1,780)	804
(Increase)/decrease in other operating assets	(4,233)	(40)
(Decrease)/Increase in trade creditors	(6,696)	(6,157)
(Decrease)/increase in provision for income taxes payable	(411)	743
(Decrease)/increase in deferred tax liabilities	975	2,218
(Decrease)/increase in other provisions	(4,051)	(224)
Net cash inflow from operating activities	**40,146**	58,486

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 15 to 37 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 2017 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.

Ronald George Sayers
Managing Director

Perth
23 February 2018

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 2017, 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. 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 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 consolidated entity's financial position as at 31 December 2017 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*.

pwc

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 consolidated entity's financial position as at 31 December 2017 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

Justin Carroll
Partner

Perth
23 February 2018