ANNUAL REPORT

2016

AUSDRILL

ADJUSTING OUR FOCUS

THIS YEAR WE'VE CONTINUED TO PUT OUR ENERGIES INTO GETTING BACK TO WHAT WE DO BEST - PROVIDING DRILLING, CONTRACT MINING AND EQUIPMENT SERVICES TO RESOURCES COMPANIES OF ALL SIZES.

OUR BUSINESS CONTINUES TO ADAPT IN AN EVER-CHANGING ENVIRONMENT. WE HAVE RATIONALISED OUR BUSINESS AND TRANSFORMED OURSELVES FROM A MULTI-SEGMENTED GROUP INTO A CLIENT FOCUSED MINING SERVICES COMPANY.

AUSDRILL IS BRINGING MORE TO MINING.

WE ARE USING OUR EXPERTISE TO WORK WITH OUR CLIENTS IN MORE INNOVATIVE WAYS TO EXTRACT MINERALS MORE COST EFFICIENTLY. WE ARE CAPITALISING ON OUR LEADERSHIP WITHIN THE MINING INDUSTRY TO CONTINUE TO REMAIN RELEVANT TO THE NEEDS OF OUR MAJOR STAKEHOLDERS.

OUR GLOBAL REACH UNIQUELY POSITIONS US TO SERVICE RESOURCE COMPANIES OF ALL SIZES - ANYWHERE ANYTIME.

OUR BUSINESS AT A GLANCE

DRILLING SERVICES

- EXPLORATION
- DRILL & BLAST
- PRODUCTION
- GRADE CONTROL
- WATER WELLS

OUR MARKET

Australian based provider of mining services to the world's leading resource companies.

Key services include drill and blast, grade control, waterwell drilling, explosive supply, exploration drilling, drill rig manufacture and mineral analysis.

WHAT CHANGED IN 2016

Synegex explosives manufacture merged operationally into the drill and blast business.

ANW transport business outsourced.

Consolidation of workshop, warehousing and support services across drilling businesses.

FUTURE FOCUS

Continued rationalisation of the business to extract synergies.

Business improvement to generate productivity and cost efficiencies.

Build long-term relationships through unique and relevant offerings such as drill for equity.

CONTRACT MINING SERVICES

- SURFACE MINING
- UNDERGROUND MINING
- EXPLORATION DRILLING

OUR MARKET

African based provider of mining services to the world's leading resource companies.

Key services include drill and blast, load and haul, exploration drilling and equipment hire for surface mining operations. Complete underground mining service.

WHAT CHANGED IN 2016

Exploration drilling activity in Zambia and Tanzania ceased.

Equipment hire activities commenced in Burkina Faso.

Underground mining services completed at the Gara project for Randgold.

FUTURE FOCUS

Establishment of operations in new African jurisdictions.

EQUIPMENT SERVICES & SUPPLIES

- EARTHMOVING FLEET HIRE AND SALES
- EARTHMOVING EQUIPMENT PARTS
- SUPPLY AND LOGISTICS

OUR MARKET

Australian based provider of mining equipment and parts to the world's leading resource companies.

Key services include parts and service exchange, equipment and parts sales, equipment hire and equipment rebuild and maintenance.

WHAT CHANGED IN 2016

DT HiLoad truck tray manufacturing business was sold to facilitate industry rationalisation in this sector.

The DTA drill bit manufacturing business was sold.

FUTURE FOCUS

Expansion of business into Africa.

Focus on implementation of lean processes and safe productivity to reduce costs, increase capacity and improve safety outcomes.

Greater integration with customers to reduce equipment maintenance cost and increase capital efficiencies.

Focus on divestment of excess to requirement rental fleet and improving competitive position.

OPERATING AND FINANCIAL REVIEW

HIGHLIGHTS

- Significant business turnaround delivering a reported profit of $58.2 million.
- All major operational divisions achieved improved performance.
- Group successfully re-focused on core activities through the sale and closure of non-core businesses.
- $35.7 million profit after tax generated from the sale of Drilling Tools Australia (DTA) and DT HiLoad businesses.
- Strong cash flow generation of $104.1 million in challenging market.
- Financial position of the Group remains strong with lower gearing levels and increased cash reserves of $181.9 million.
- Long-standing exposure to gold sector has provided a foundation for our revenue base with ~84% of mining services revenues generated from the provision of services to gold companies.
- Improved safety performance across the Group.
- Board strengthened with appointment of highly experienced director Ian Cochrane as a non-executive director and Deputy Chairman.

PRINCIPAL ACTIVITIES

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

In Australia, the services offered include drill and blast, grade control, water well drilling, exploration drilling, mineral analytics and equipment sales, hire and parts. In Africa, the Group offers load and haul and crusher feed services in addition to all the production-related services that the Group provides in Australia.

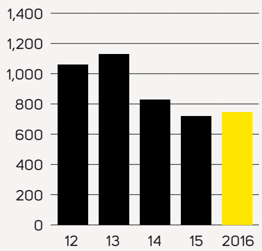
These service offerings are complemented by significant in-house capabilities in the design and manufacture of drill rigs, as well as supply and logistics services which are used in the delivery of Ausdrill's core services, and sold to external clients.

Through its 50-50 joint venture with Barminco Limited, African Underground Mining Services, the Group provides specialist underground mining services, including high speed decline development and production.

The Australian operations are primarily based in Western Australia, with a presence in Queensland, South Australia and New South Wales. Ausdrill's African operations are primarily located in Ghana, with a presence in Mali, Burkina Faso, Guinea and Tanzania. During 2016, the Company sold its DT HiLoad dump truck tray manufacturing business and its DTA drilling tools manufacturing business as part of a strategic re-focus on core activities. Furthermore, the Group placed its Energy Drilling Australia (EDA) oil and gas exploration and production drilling service business into care and maintenance, with a view to selling this business when market conditions improve.

SALES REVENUE
($M)

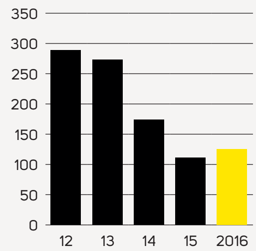
743.9



2016	**743.9**
2015	719.8
2014	826.3
2013	1,128.6
2012	1,059.1

EBITDA[*1]
($M)

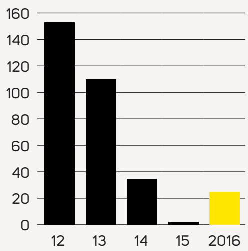
124.9



2016	**124.9**
2015	110.8
2014	173.7
2013	272.7
2012	288.4

OPERATING PROFIT BEFORE TAX [*1]
($M)

24.8

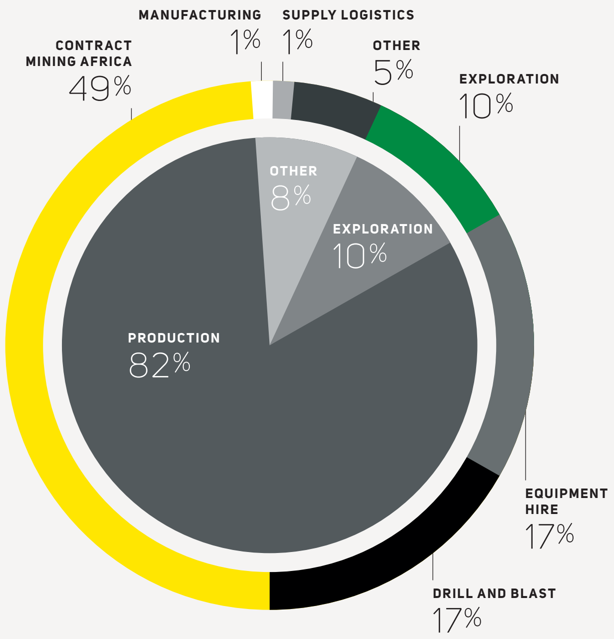


2016	**24.8**
2015	2.1
2014	34.4
2013	109.5
2012	152.5

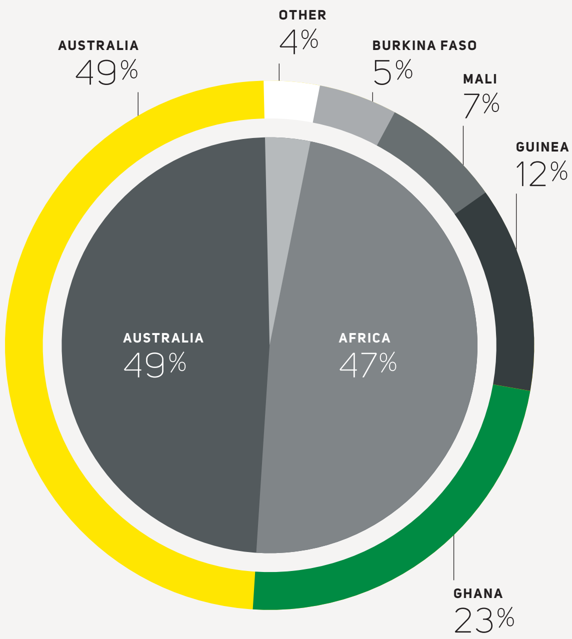
[*1] Figures exclude the effects of any significant items in prior corresponding period
Refer notes on page 19

THE FOLLOWING CHARTS SHOW THE PERCENTAGES OF SALES REVENUE BY BUSINESS ACTIVITY AND BY GEOGRAPHY.

AUSDRILL REVENUE BY BUSINESS ACTIVITY [1]



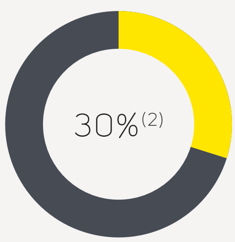
AUSDRILL REVENUE BY GEOGRAPHY [1]



[1] Based on FY16 sales revenue excluding intercompany sales

AUSDRILL'S OPERATING BUSINESSES ARE GROUPED INTO THE FOLLOWING PRINCIPAL OPERATING SEGMENTS: DRILLING SERVICES AUSTRALIA; CONTRACT MINING SERVICES AFRICA; EQUIPMENT SERVICES & SUPPLIES; AND ALL OTHER. REVENUE SHOWN IN THE CHART BELOW IS FOR THE YEAR ENDED 30 JUNE 2016 (FY16) AFTER INTER-SEGMENT ELIMINATIONS.

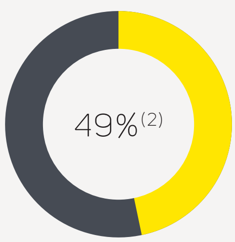
DRILLING SERVICES AUSTRALIA



REVENUE[1]

$223M

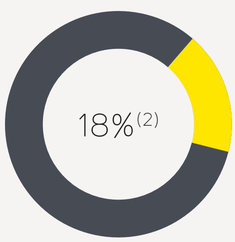
CONTRACT MINING SERVICES AFRICA



REVENUE[1]

$362M

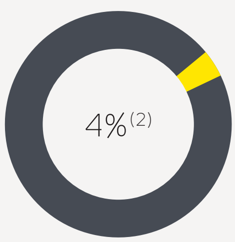
EQUIPMENT SERVICES & SUPPLIES



REVENUE[1]

$131M

ALL OTHER



REVENUE[1]

$28M

[1] Based on FY16 sales revenue excluding intercompany sales
[2] Figures may not add due to rounding

The Group's strategy continues to be focused on delivering quality mining services to key industry participants. Consequently, Ausdrill has built long-term relationships with established gold and iron ore mining companies and nurtures new opportunities with less established customers through innovative approaches including our drill for equity programme.

Ausdrill's clients include many of the world's leading resources companies such as AngloGold, BHP Billiton, Barrick, Gold Fields and Newmont. Ausdrill's growth in its chosen markets has been influenced by its long-standing relationships with these and other valued clients (in some instances, extending over more than 20 years) and continued engagement with them as they pursue their strategies to develop and extract resources from deposits in Australia and Africa.

For the year ended 30 June 2016, approximately 84% of mining services revenues were generated from the provision of services to gold mining companies and approximately 9% to iron ore mining companies, in each case, primarily for work on producing mines. The mining services that the Group provides are essential to continued production and therefore the mine owners' ability to generate revenue.

GROUP FINANCIAL PERFORMANCE

$ MILLION	2016	2015	% CHANGE FROM PRIOR CORRESPONDING PERIOD
Continuing Operations			
Sales revenue	**743.9**	719.8	3.3%
EBITDA*	**124.9**	110.8	12.7%
EBIT*	**56.9**	37.2	52.9%
Profit before tax*	**24.8**	2.1	1,103.8%
Profit/(loss) after tax	**20.2**	(160.3)	112.6%
Discontinued Operations			
Profit/(loss) after tax	**37.9**	(15.3)	347.7%
Reported Profit/(loss) after tax	**58.2**	(175.6)	133.1%

* Figures exclude the effects of any significant items in prior corresponding period

REVENUE

Sales revenue from continuing operations for the Group increased marginally to $743.9 million. Increased revenues from the African Mining Services segment were partially offset by the reduction in oil and gas drilling and Drilling Services Australia segment revenue. The Equipment Services & Supplies segment revenue was stable.

Increased mining service revenues in Africa were driven by short-term equipment hire opportunities in Burkina Faso, prior period rate adjustments and by favourable exchange rate impacts. A reduction in activities was principally evident in the Drilling Services Australia segment where lower levels of waterwell and exploration activity were only partially offset by the increase in drill and blast revenues which grew through the ramp-up of a number of major contracts.

Sales revenue excludes Ausdrill's 50% share of revenue generated by the AUMS joint ventures being $76.6 million (2015: $110.1 million). The completion of the Randgold Gara contract saw revenue for AUMS decrease during the year. This was partially offset by the commencement of the Geita project for AngloGold Ashanti in Tanzania. AUMS is equity accounted and only Ausdrill's 50% share of net profits are included in the consolidated income statement.

EXPENSES

The Group's three largest expense categories are Materials, Labour, and Depreciation and amortisation which represent 83.3% (2015: 83.6%) of all expenses (excluding impairment).

Materials expenses remained largely in line with revenue growth. However, higher maintenance costs were incurred as a result of timing on major component change outs in Ghana and necessary maintenance to bring idle gear back to work for new hire and exploration projects in Burkina Faso.

Labour expenses decreased significantly, in spite of the increase in revenue. Labour expenses reduced by $12.5 million, reducing from 35.2% of revenue to 32.4% of revenue. Lower wages negotiated under new enterprise agreements, coupled with lower overhead salary costs following the restructure and rationalisation of a number of the Group's businesses, were the major drivers of this improvement.

Depreciation and amortisation expenses decreased by 7.6% or $5.6 million, as a result of the lower capital values following prior period impairments.

EARNINGS FROM CONTINUING OPERATIONS

EBITDA (excluding significant items in prior corresponding period) increased from $110.8 million to $124.9 million for the year ended 30 June 2016 and the EBITDA margin (excluding significant items and equity accounted profits) increased from 13.6% to 15.6%. The EBITDA margin has been positively impacted by cost-out and restructuring activities across the Group, increased activity in Africa and profit on the sale of drill for equity investments which totalled $2.0 million. These were partially offset by a decline in waterwell activity and the net foreign exchange losses which totalled $14.6 million, an increase of $6.4 million on the prior period. The equity accounted profits from joint ventures decreased from $13.0 million in 2015 to $9.1 million in 2016.

EBIT (excluding significant items in prior corresponding period) increased from $37.2 million to $56.9 million for the year ended 30 June 2016 and the EBIT margin (excluding equity accounted profits and impairment) has increased from 3.4% to 6.4%.

The operating profit before tax (excluding significant items in prior corresponding period) increased from $2.1 million to $24.8 million for the year ended 30 June 2016 aided by lower debt levels and lower net interest expense.

The reported profit after tax from continuing operations for the year totalled $20.2 million. During the year, the Group exited and sold its DT HiLoad truck tray manufacturing business and its DTA drilling bit manufacturing business, which together yielded a discontinued profit after tax of $37.9 million, including profit on the sale of these assets. Together, these resulted in a reported profit after tax for the Group of $58.2 million.

SEGMENT PERFORMANCE

The Group's operations are delivered through four business segments: Drilling Services Australia; Contract Mining Services Africa; Equipment Services & Supplies; and All Other. Within each of these business segments, the Group operates under a number of brands to provide services and products to clients.

DRILLING SERVICES AUSTRALIA

	SEGMENT PERFORMANCE			
	EXTERNAL SALES REVENUE		EARNINGS BEFORE INTEREST AND TAX	
$ MILLION	**2016**	2015	**2016**	2015
Drilling Services Australia	**222.6**	238.4	**21.1**	12.1*

*Figures exclude the effects of any significant items in prior corresponding period

Drilling Services Australia has reported an increase in profit on the prior year in spite of continued subdued market conditions. During the period, the business has focussed on operational efficiency improvements, cost management strategies and consolidation of internal services to further optimise and enhance performance. This resulted in EBIT margins increasing from 5.1% to 9.5% during the year. New contracts in both exploration and production drilling have been secured in the year as well as maintaining existing works. Works at the Telfer gold-copper mine in the Pilbara region of Western Australia commenced during the period but were impacted by dewatering issues which are currently being addressed. Looking forward, we will continue to focus on operational efficiencies, and expect to see opportunities for drilling services emerge with more recent improvements in the gold price.

DRILL AND BLAST

The provision of drill and blast services to the production phase of the mining cycle represents the foundation on which Ausdrill was built, and this continues to be an integral part of our service offering. In more recent years this business has been augmented by the provision of grade control services.

During the past year, the business was successful in securing and commencing the following works in Australia:

- award of a new six year contract direct to Macmahon to provide drilling services at the Newcrest owned Telfer gold-copper mine in the Pilbara, Western Australia, which commenced in February 2016;
- drilling and blasting services to Thiess at the Rocky's Reward nickel project in August 2015; and
- award of a three year production drilling contract extension at Ensham coal mine in Queensland.

The business operates 138 rigs comprising production blasthole drills, purpose-built probe drills and reverse circulation (RC) grade control drills.

EXPLORATION

The Australian exploration drilling business is conducted through two businesses, one based in Kalgoorlie which primarily focuses on gold and base metals in the Goldfields region of Western Australia (Ausdrill), and the other based in Perth and servicing the North West of Western Australia (ANW). These exploration businesses operate 48 rigs comprising rotary air blast (RAB), reverse circulation (RC) and diamond drill rigs, as well as 13 water well rigs.

In addition to term works performed for Gold Fields and BHP Billiton Iron Ore, the business was successful in the award of a new two year contract at Kundana and a two year contract extension at Kanowna Belle to carry out exploration services for Northern Star in the Kalgoorlie region. Exploration drilling services were also provided to a range of clients in the Pilbara, Mid-West and Goldfields regions including Doray Minerals, Dacian Gold, Silverlake Resources and Breaker Resources.

OUR EDGE

WE ARE AUSTRALIA'S LARGEST EXPLORATION AND PRODUCTION DRILLING COMPANY

KEY CONTRACTS - DRILLING SERVICES AUSTRALIA

The key contracts in place at 30 June 2016 for the Drilling Services Australia segment are:

CLIENT	PROJECT	LOCATION	SERVICES PROVIDED
Gold Fields	Kambalda and Granny Smith	Goldfields, WA	Exploration drilling
Northern Star Resources	Kanowna Belle and Kundana	Goldfields, WA	Exploration drilling
BHP Billiton	Several Pilbara mine sites	Pilbara, WA	Exploration drilling, drill and blast, equipment hire
Evolution Mining	Mungari	Goldfields, WA	Exploration drilling, drill and blast, grade control
KCGM	Superpit	Goldfields, WA	Production drilling, grade control
Ensham Resources	Ensham Coal	Ensham, QLD	Production drilling
OZ Minerals	Prominent Hill Copper Gold	Prominent Hill, SA	Drill and blast
Piacentini & Son	Ravensthorpe Nickel	Ravensthorpe, WA	Drill and blast
Piacentini & Son	Huntly and Willowdale Aluminium	Huntly, WA	Drill and blast
Macmahon	Tropicana Gold	Goldfields, WA	Drill and blast
Macmahon	Telfer Gold-Copper	Pilbara, WA	Drill and blast
Thiess	Rocky's Reward Nickel	Goldfields, WA	Drill and blast

CONTRACT MINING SERVICES AFRICA

	SEGMENT PERFORMANCE			
	EXTERNAL SALES REVENUE		EARNINGS BEFORE INTEREST AND TAX[1]	
$ MILLION	**2016**	2015	**2016**	2015
Contract Mining Services Africa	**361.9**	281.4	**38.9**	28.3*

* Figures exclude the effects of any significant items in prior corresponding period
[1] EBIT excludes AUMS equity accounted profits

The contract mining services Africa business has reported an increase in revenue, largely driven by contract renewals, prior period rate adjustments and the impact of the lower AUD/USD exchange rate. EBIT margin improved in the second half of the year, following settlement of prior period rate adjustments on the Siguiri contract in Guinea. Underlying margins for the year were stable, in spite of timing of major component change-outs on trucking fleet and operational delays caused by wet weather and travel restrictions.

AFRICAN MINING SERVICES (AMS)

In Ghana, AMS:

- secured a two year contract extension for mining works at the Iduapriem mine, owned and operated by AngloGold Ashanti; and
- secured a new 42 month contract to provide surface mining services to Perseus at its Edikan gold mine, Esuajah North deposit.

In Mali, AMS:

- continued exploration drilling with B2Gold at its Fekola gold project; and
- continued mining the satellite pits at the Syama gold mine, owned and operated by Resolute Mining Limited.

In Burkina Faso, AMS:

- secured a six month extension until December 2016 to provide mining equipment to Nordgold for work on its Bissa Gold project; and
- secured exploration drilling contracts with B2Gold, West African Resources and Vital Metals. Whilst solely dependent on assay results, AMS expects steady drilling until December 2016.

In Guinea, AMS:

- successfully completed its second year of contract mining works at the Siguiri mine, owned and operated by AngloGold Ashanti.

While exploration drilling remains subdued, AMS continues to pursue a number of contract mining opportunities, with tender activity remaining strong, particularly in West Africa.

AMS operates over 300 major equipment units including dump trucks, excavators, loaders, blast hole drills and grade control drills and 22 exploration drills in West Africa.

KEY CONTRACTS - CONTRACT MINING SERVICES AFRICA

The key contracts in place at 30 June 2016 for the Contract Mining Services Africa segment are:

CLIENT	PROJECT	LOCATION	SERVICES PROVIDED
B2Gold	Fekola Gold	Mali	Exploration drilling
B2Gold	Kiaka	Burkina Faso	Exploration drilling
West African Resources	Tanlouka	Burkina Faso	Exploration drilling
Vital Metals	Zeko	Burkina Faso	Exploration drilling
Cardinal Resources	Bolgatanga	Ghana	Exploration drilling
Resolute	Syama Gold	Mali	Open pit mining
Perseus	Edikan Gold	Ghana	Open pit mining
Endeavour	Nzema Gold	Ghana	Open pit mining
AngloGold Ashanti	Iduapriem Gold	Ghana	Open pit mining
AngloGold Ashanti	Siguiri Gold	Guinea	Open pit mining
Nordgold	Bissa Gold	Burkina Faso	Equipment hire
Nordgold	Taparko Gold	Burkina Faso	Equipment hire

AFRICAN UNDERGROUND MINING SERVICES (AUMS)

	EXTERNAL SALES REVENUE		EARNINGS BEFORE INTEREST AND TAX	
$ MILLION	**2016**	2015	**2016**	2015
AUMS (Ausdrill 50% share)	**76.6**	110.1	**18.2**	16.3

Ausdrill has a 50% interest in the AUMS joint venture, with Barminco holding the other 50%. This business provides underground mining services for clients in Ghana, Mali, Burkina Faso and Tanzania.

The Company's share of revenue from AUMS has decreased from $110.1 million to $76.6 million in the year to June 2016. This is as a result of the completion of the Gara contract in October 2015, however, this has been partially offset by the commencement of other projects during 2016, including the Geita project in Tanzania for AngloGold Ashanti and the Yaramoko project for Roxgold in Burkina Faso. Earnings before interest and tax has increased from $16.3 million to $18.2 million (being Ausdrill's 50% share) in the year to June 2016. This is largely as a result of a tighter control on costs and the increase in the value of AUMS's investment in Roxgold during 2016.

In Ghana, AUMS:

- is currently completing minor works at the Subika Gold Mine for Newmont

In Mali, AUMS:

- completed the Gara contract at the Loulo operations, for Randgold in October 2015.

In Burkina Faso, AUMS:

- commenced a 4 year contract with Roxgold at the Yaramoko Gold project in July 2015.
- commenced the final year of the 3 year contract with Nantou (Glencore) at the Perkoa Zinc mine.

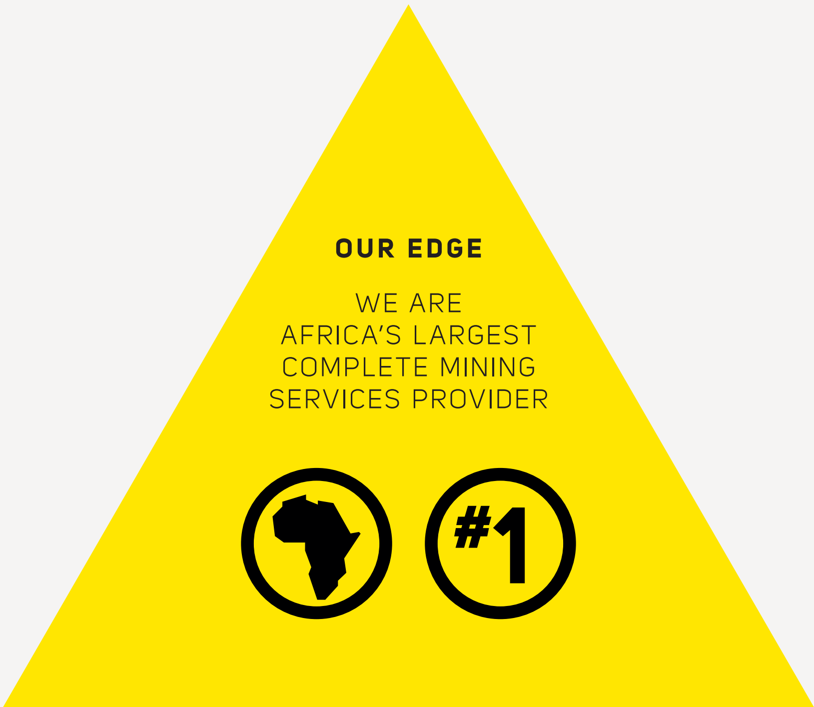
In Tanzania, AUMS:

- commenced a 31 month contract with AngloGold Ashanti at the Geita gold mine Star and Comet pit in Tanzania.

KEY CONTRACTS - AUMS JOINT VENTURE

The key clients and contracts in place at 30 June 2016 for the AUMS joint venture are:

CLIENT	PROJECT	LOCATION	SERVICES PROVIDED
Nantou	Perkoa Zinc	Burkina Faso	Underground mining services
Roxgold	Yaramoko	Burkina Faso	Underground mining services
AngloGold Ashanti	Star and Comet	Tanzania	Underground mining services



EQUIPMENT, SERVICES & SUPPLIES

	SEGMENT PERFORMANCE			
	EXTERNAL SALES REVENUE		EARNINGS BEFORE INTEREST AND TAX	
$ MILLION	**2016**	2015	**2016**	2015
Equipment, Services & Supplies	**131.0**	130.1	**7.5**	(4.3)*

* Figures exclude the effects of any significant items in prior corresponding period

Following the sale of the Drilling Tools Australia and DT HiLoad businesses, the continuing businesses of the Equipment, Services and Supplies segment comprise the BTP Group and Supply Direct. All figures in the table above reflect only continuing operations.

OUR EDGE

WE ARE ONE OF AUSTRALIA'S LEADING SUPPLIERS OF MINING EQUIPMENT PARTS, SALES & RENTALS.

CONTINUING BUSINESSES

BTP GROUP

BTP Group is one of Australia's largest non-OEM suppliers of heavy earthmoving equipment solutions to the mining and construction industries. Its offering includes service, parts, reconditioned and service exchange for major 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.

Market conditions remained challenging over the past year, particularly in the capital sales sector. There are emerging signs that the mining production cycle is beginning to present increasing maintenance opportunities. Over the past year, many of the Group's clients aggressively pursued safe production and cost reduction strategies. Likewise, BTP Group focussed on improving safety performance, implemented critical restructuring activities, including downsizing its workforce by 15%, reducing its cost base, improving operational efficiencies and refining its operating model. In the past year, the most important achievement has been that TRIFR safety performance improved significantly, reducing 67% to 10 per million hours worked. This achievement represents progress on BTP Group's objective to deliver high quality safety outcomes throughout its operations for the benefit of employees and all stakeholders.

BTP Group's strategy to consolidate on its Australian opportunities and diversify into Africa has been critical to its near and long-term profitable growth objectives. Its non-OEM aligned equipment solution offering provides a platform for expanded growth. Despite ongoing difficult trading conditions over the past year, BTP Group has been able to grow underlying product support revenue by 11%. It has been disciplined in the higher capital intensive equipment sales market choosing to respond to opportunities with a higher conversion rate. In spite of flat total sales, BTP Group has been able to deliver a significant turnaround in underlying operating earnings performance.

In recent months, BTP Group has commenced a business-wide lean training program to better skill its workforce in minimising waste in its processes to further improve safety, quality and cost outcomes. Market conditions are expected to remain challenging and BTP Group will continue to focus on sustainable safe improvement, delivering on customer demands and pursuing ongoing collaboration and integration through the value chain. Over the past year, BTP Group has invested in implementing strategies that will sustainably benefit all stakeholders and is a conscientious nimble partner driven to help its customers succeed.

SUPPLY DIRECT

Supply Direct provides flexible and effective supply chain and logistic solutions predominantly to clients based in Africa, where supply chain issues are often complex. The business strategy to operate a bonded warehouse in South Africa has provided a competitive advantage to its value offering. It achieved improved financial results in FY16 in its African and UK sectors. Whilst overall sales were flat year on year, a particular focus on enhancing customer relationships and service delivery to drive pricing and margin realisation was coupled with cost reduction strategies to underpin earnings performance improvement on the prior year. Most pleasing was a turnaround in TRFIR safety performance having reduced to zero from a comparative of 16 per million hours worked.

DISCONTINUED BUSINESSES

DRILLING TOOLS AUSTRALIA (DTA)

DTA manufactures and sells a full range of drilling consumables and drill rig spares. Over the past year, the business has been successful in marketing and selling both manufactured and sourced products to a broadening range of clients. Cost reduction activities combined with business development that focussed on increasing demand for manufactured products formed the basis for significant profit improvement on the prior year. In May 2016, Ausdrill announced that it had signed a Sale and Purchase Agreement to sell the DTA business to Robit Plc, for $66 million. This transaction was completed on 30 June 2016, with $46.2 million in proceeds being received, with the balance payable by 31 December 2016. This transaction is in line with Ausdrill's strategy to refocus on its core competencies whilst, at the same time, provided value realisation for cash. Refer to note 13 of this report for further transaction details.

DT HILOAD

DT HiLoad manufactures heavy duty light weight mining truck trays sold under the Hercules brand. The market demand for mining truck trays remained depressed during the year with minimal prospect of near to mid-term turnaround. Consequently in January 2016, after completion of a strategic review, Ausdrill announced to market that it would exit its DT HiLoad truck tray manufacturing business in order to facilitate industry consolidation. The business assets were subsequently sold during March 2016 and the business has been wound down to closure. Refer to note 13 of this report for further transaction details.

ALL OTHER

	SEGMENT PERFORMANCE			
	EXTERNAL SALES REVENUE		EARNINGS BEFORE INTEREST AND TAX	
$ MILLION	**2016**	2015	**2016**	2015
All Other Segments	**28.4**	70.0	**(5.3)**	1.1*

* Figures exclude the effects of any significant items in prior corresponding period

The All Other segment comprises Diamond Communications, MinAnalytical, Energy Drilling Australia and Ausdrill Properties.

DIAMOND COMMUNICATIONS

Diamond Communications delivered a small profit before interest and tax for the year ending 30 June 2016.

Key contract revenue was sourced from the Western Power State Underground Power Program and the Telstra Inter-Exchange Network project.

The business also completed a major project for OTOC installing an optical fibre ring around the Perth Airport airside, a relationship we trust will continue.

Diamond Communications has been successful in winning the Wideband contract with Telstra for another three years in Western Australia and South Australia. Further, the business has also been awarded the HDA contract with Telstra for work in Western Australia, South Australia, Victoria and Queensland for the installation of long haul NBN fibre.

MINANALYTICAL LABORATORY SERVICES

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

Despite the highly competitive environment in which it operates, MinAnalytical continues to see growth and demand for services, particularly in the gold exploration and resource sector. Consequently, MinAnalytical will expand its operation with the opening of a sample preparation facility in Kalgoorlie, Western Australia in October 2016. MinAnalytical delivered a close to breakeven EBIT position for the period.

MinAnalytical has maintained and grown a steady portfolio of loyal clients from junior explorers, emerging producers and miners.

ENERGY DRILLING AUSTRALIA (EDA)

The reduction in oil prices over the past year has resulted in the cancellation of drilling programs which EDA expected to participate in. Consequently, the business reported a loss before interest and tax of $6.8 million for the year. The key challenge for this business remains lower oil prices and the lack of work being experienced by a depressed oil and gas sector. Accordingly, the Company elected to place the assets of the EDA business into care and maintenance and to reduce overheads. In the near term, it will continue to explore the current offshore opportunities to sell or engage idle rig capacity in longer term contracts at higher rates.

GROUP FINANCIAL POSITION

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

CASH FLOWS

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

$ MILLION	2016	2015
Cash flows from:		
operating activities	91.0	117.9
investing activities	60.9	(0.7)
financing activities	(47.8)	(104.7)
Net cash flow for the year	104.1	12.5
Opening cash	77.9	62.7
Exchange rate effect on cash	(0.1)	2.7
Closing cash	181.9	77.9

CASH FLOWS FROM OPERATING ACTIVITIES

Operating cash flow for the year was $91.0 million, a reduction on last year's $117.9 million. Cash settlement of prior period rate adjustments on the Siguiri contract in Guinea totalling USD16.2 million was received subsequent to year end, in August 2016. Operating cash flow was further impacted by taxes paid in Africa in 2016, following Australian tax refunds being received in the prior year. Further, cash outlays associated with employee terminations/ redundancies totalled $3.0 million in 2016.

CASH FLOWS FROM INVESTING ACTIVITIES

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

As a result of the slow-down in the mining industry Ausdrill's strategy has been to keep capital expenditure to a minimum. Capital expenditure totalled $12.4 million for the period, well down on FY15 of $28.5 million, having been minimised through improving availability rates and the utilisation of idle capacity. As a result, the level of capital expenditure is lower than the level of depreciation. Further, the Group divested certain items of plant and equipment which were surplus to its operational needs. Proceeds from the sale of this plant and equipment totalled $11.4 million and resulted in a profit on sale of $3.7 million.

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

$ MILLION	2016	2015
Drilling Services Australia	(3.8)	(6.3)
Contract Mining Services Africa	(6.8)	(14.1)
Equipment Services & Supplies	(1.7)	(7.8)
Other	(0.1)	(0.3)
Proceeds from asset sales	11.4	5.9
CAPEX net of asset sales	(1.0)	(22.6)

The Company routinely engages in drill for equity arrangements whereby it undertakes drilling works for clients in exchange for shares or debt instruments convertible into shares. During the period, the Company invested $3.8 million into drill for equity work programmes and divested $7.5 million of shares acquired in drill for equity programmes. A profit on the sale of shares acquired through these programmes totalled $0.6 million, net of losses/impairment.

In May 2016, Ausdrill announced that it had signed a Sale and Purchase Agreement to sell the Drilling Tools Australia ("DTA") business to Robit Plc, for $66 million. This transaction completed on 30 June 2016, with $46.2 million in proceeds being received, with the balance payable by 31 December 2016. Refer to note 13 of this report for further transaction details.

In January 2016, Ausdrill announced it would exit its DT HiLoad truck tray manufacturing business in order to facilitate industry consolidation. The business assets were subsequently sold during March 2016 and the business has been wound down to closure. To date, $3.2 million in asset sale proceeds have been received in relation to the sale of this business. Additional proceeds are expected to be received through the sale of consignment steel stocks in future reporting periods, as a condition of the sale. Refer to note 13 of this report for further transaction details.

Distributions from the AUMS joint venture totalled $8.9 million for the year.

CASH FLOWS FROM FINANCING ACTIVITIES

Net financing cash outflows were $47.8 million in the year ended 30 June 2016, compared to an outflow of $104.7 million in 2015. The Group's continued focus on debt reduction has resulted in $143.1 million of net debt repayments over the last two years. No dividend payments were made during the year.

WORKING CAPITAL

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

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

$ MILLION	2016	2015
Current trade and other receivables	169.8	141.8
Inventories	191.4	226.9
Current trade and other payables	(82.8)	(84.6)
Net working capital	278.4	284.1
Increase/(decrease) in net working capital	(5.7)	(16.3)

The Group's year end working capital balance has remained relatively flat. Inventory levels decreased substantially as a consequence of business sales and the continuing businesses focus on stock level reduction. Trade receivables have increased mainly due to the increase in receivable pertaining to the sale of DTA totalling $19.8 million, to be settled in December 2016 and the increase in trade receivables associated with the settlement of prior period rate adjustments for the Siguiri project in Guinea, totalling USD16.2 million, which was subsequently settled in August 2016.

DIVIDENDS

The level of dividends is primarily based on the earnings, cash flows and business requirements of the Group. Historically, the Company has paid dividends to its shareholders twice a year, in April and October. During the year ended 30 June 2016 the Company did not pay any dividends.

Having given due consideration to the current operating conditions, the Board has not declared a final dividend for the financial year ended 30 June 2016. Subject to continued improvement in financial performance, the Company expects to be in a position to resume the payment of dividends in the next financial year.

DEBT, GEARING AND OTHER FINANCING ARRANGEMENTS

At 30 June 2016, the Group had total borrowings of $398.5 million (including prepaid borrowing costs and insurance premium funding). Cash and cash equivalents totalled $181.9 million, resulting in net debt of $216.7 million. The Company's gearing ratio improved from 39.1% to 26.3%.

The Group has available a $125 million revolving cash advance facility, of which $123.9 million was undrawn at 30 June 2016. The facility matures in March 2018 and bears interest at a margin over the Australian bank bill swap rate for borrowings in Australian dollars and LIBOR for borrowings in US dollars.

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

The following table shows net debt and gearing ratios.

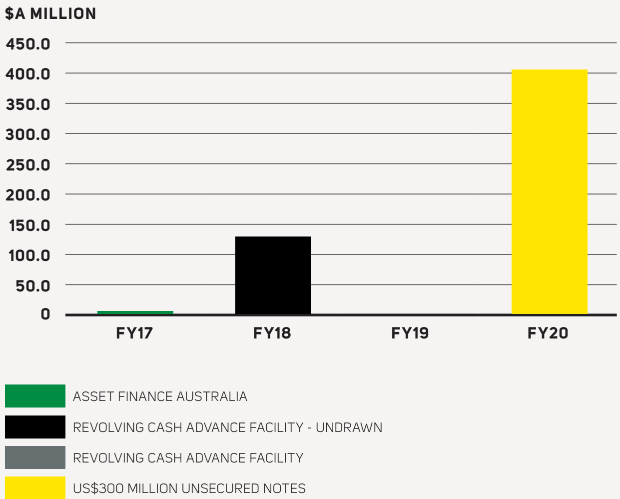
$ MILLION	2016	2015
Revolving cash advance facility	-	25.0
Asset finance and other loans	0.5	22.9
US$300 million unsecured notes	402.3	390.7
Insurance premium funding and prepaid borrowing costs	(4.2)	(4.8)
Total borrowings	398.5	433.8
Cash and cash equivalents	(181.9)	(77.9)
Net debt	216.7	355.9
Total equity	606.6	553.3
Total capital	823.3	909.2
Gearing ratio	26.3%	39.1%

Note: Columns may not add due to rounding

The US$ denominated borrowings of the Group include the US$300 million unsecured notes. These borrowings are translated at the year end exchange rate of A$1.00: US$0.7458 and, as a result of the strengthening A$ over the year, an amount of $11.6 million has been included in the foreign currency translation reserve in relation to borrowings. This loss is partially offset by the translation differences arising from the translation of foreign currency denominated assets in Africa.

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

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



BALANCE SHEET

The net assets of the Group increased by $53.3 million to $606.6 million during the year. This increase was substantially impacted by the profit on sale of DTA which was sold on 30 June 2016.

Cash and cash equivalents increased by $104.1 million and included $46.2 million of proceeds from the sale of the DTA business. A further $19.8 million in DTA sale proceeds is expected to be received by 31 December 2016.

Trade and other receivables increased by $28.0 million or 19.8% to $169.8 million and includes a once-off back claim relating to the Siguiri project in Guinea of US$16.2 million, which was received in August 2016 and also includes $19.8 million relating to balance of proceeds on sale of the DTA business to Robit plc.

Inventories decreased by $35.5 million or 15.6% to $191.4 million, partially as a consequence of the sale of the DTA business and additionally as a direct consequence of a considered effort by the continuing businesses to reduce stock levels in line with lower activity levels.

The net value of Property, Plant and Equipment decreased by $69.9 million due to depreciation exceeding capital expenditure and further due to the sale of discontinued businesses and surplus plant and equipment

Trade and other payables remained relatively flat decreasing slightly from $84.6 million to $82.8 million.

As a consequence of the strategy to deleverage the business, the net debt of the Group (debt including prepaid borrowing costs and insurance premium funding less cash) decreased from $355.9 million at 30 June 2015 to $216.7 million at 30 June 2016. The gearing ratio has decreased from 39.1% to 26.3%.

Total drawn borrowings (excluding prepaid borrowing costs and insurance premium funding) of $402.7 million represent 74% of liabilities, decreasing by $35.9 million. Current borrowings decreased by $21.3 million as the Group continued to amortise existing hire purchase and finance lease liabilities.

Employee obligations of $34.9 million increased by $3.2 million and represent 6.4% of liabilities.

Shareholder equity increased to $606.6 million. The translation of USD denominated debt net of translation of foreign operations (principally Ausdrill's African business) had a $4.9 million adverse effect over the year.

The return on average capital employed has increased to 6.6% for the year to 30 June 2016 compared to 3.6% in the previous year and reflects the increased profitability of the continuing operations. (This is calculated as follows: EBIT from continuing operations divided by the sum of average receivables, inventory, plant and equipment, investment in associates, intangibles less payables).

The financial condition of the Group remains strong with a gearing ratio (net debt to net debt plus equity) of 26.3%, cash of $181.9 million, and interest cover (EBITDA/Net Cash Interest) of 3.9 times and the net secured debt to EBITDA ratio is negative as cash exceeded secured debt. The Group's net tangible asset position has increased from $1.77 per share to $1.94 per share.

PEOPLE

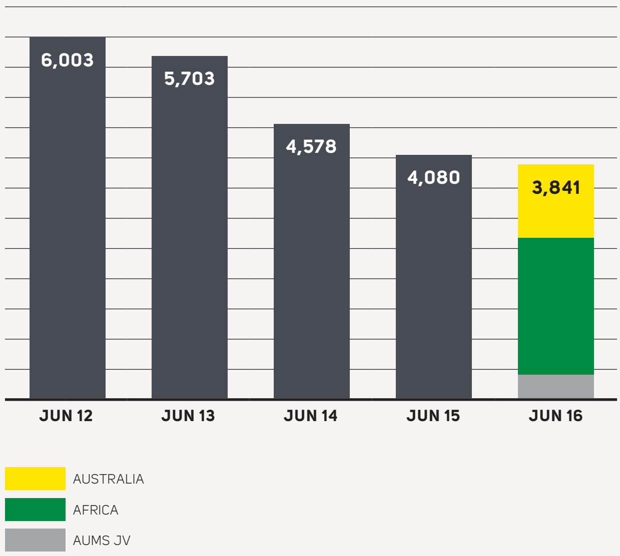
The Ausdrill Group is fortunate to have a loyal, hard-working and highly experienced workforce which allows us to consistently deliver outstanding service to our clients.

The Group's Australian operations continue to be affected by the downturn in the resources sector, and this is again reflected in the reduction in the number of people employed in the Group.

At 30 June 2016, the number of employees within the Group worldwide, including jointly owned entities, stood at 3,841 – a decrease of 5.9% from 4,080 at 30 June 2015. In percentage terms, the impact on Australian operations was greater than the Group reduction with Australian employee numbers reducing from 1,388 in July 2015 to 1,148 at 30 June 2016 – a decrease of 17.3%, due to redundancies and natural attrition, following business rationalisation.

The Group has been able to retain a core of highly experienced, long serving employees to form the backbone of the Company and on which it relies to concentrate on remaining efficient and competitive within a market which continues to experience challenging conditions.

Our efforts are focussed on obtaining greater efficiency by reducing duplication and adopting shared services solutions, where possible. Most employees understand the difficulties faced by various parts of the Group and have shown support for the efforts to retain the Group's competitive advantage and maintain its capability to take full advantage of new opportunities as they arise. Consequently, wage negotiations resulted in a reduction in labour costs which have assisted in delivering a more acceptable level of earnings for the Group.



HEALTH, SAFETY, ENVIRONMENT, QUALITY AND TRAINING

Ausdrill's commitment to the safety and wellbeing of its employees, contractors and visitors is a core value of the business.

As the Group continues to improve its health and safety performance, the focus remains on the engagement of people at all levels to maintain Ausdrill as a safe place to work.

Efforts this year have resulted in a 25% reduction in the number of incidents over the previous year with an 8% reduction in the number of hours worked. During this period the Total Recordable Injury Frequency Rate (TRIFR) has reduced by ~ 45%.

The initial rollout of the One Safe All Safe program was completed with buy-in from all levels of the workforce and management team. The program has been enhanced by conducting Health and Safety Roles and Responsibilities training for managers and supervisors. This training will continue across the Group during 2016.

The next stage of One Safe All Safe will begin in late 2016 with a simplification of the material and driving accountability to everyone under the slogan of "If You See something, Say something, Do something, Make It Safe".

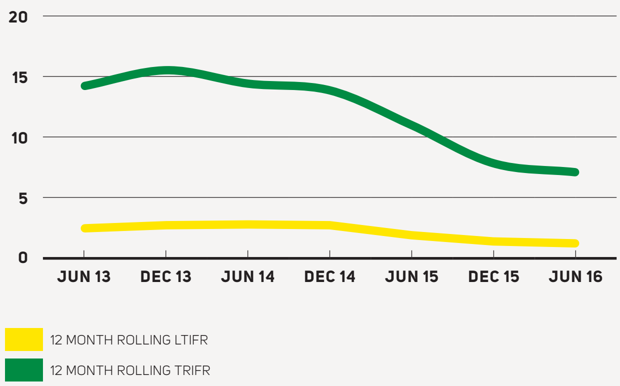
A key component of the Group's improvement strategy is to "Find people doing things right" and provide them with positive feedback to encourage future good performance. This process translates into sharing good practices both within business units and across the Group by communicating "What Good Looks Like Here". This encourages everyone to be proud of what they do well and provides an opportunity to learn from what others are doing.

As a result of a review of on-line training modules, the induction and many other modules have been simplified to enhance the learning opportunity for users.

A program to simplify HSEQT related management plans and risk assessments has been implemented to ensure these documents are easier to understand at all levels of the management teams and workforce whilst maintaining high quality documents.

STATISTICS

The year has seen an improvement in safety performance across the Group with reductions in Lost Time Injury Frequency Rates and Total Recordable Injury Frequency rates.



GROUP BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE YEARS

STRATEGIES

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

Focusing on its core services — Ausdrill plans to continue to rationalise its businesses so that it can concentrate its efforts on profitable revenue streams delivering core services in markets where it has a competitive advantage. Ausdrill's focus on innovation, automation and adherence to stringent standards will help deliver increased client productivity and cost efficiency, assisting the Group to become the mining services provider of choice for clients.

Effective marketing of Ausdrill's client-focused service offering — Ausdrill plans to refine the marketing of its production-related service offering to increase the relevance and value of the services the Group brings to clients and further embed Ausdrill within client operations. The Group believes that its broad service offering will contribute to a resilient business, characterised by strong, defensible market positions in higher margin specialist services.

Maintaining and improving strong safety standards across Ausdrill's operations — To ensure the success of the business and welfare of employees, Ausdrill places priority on safety. Major mining clients generally require service providers to qualify to their safety standards before service providers are eligible to tender for projects. These requirements act as a 'licence to operate' when tendering for major projects. The Group has a long-standing dedication to implementing and adhering to clients' safety standards that is recognised by key clients and Ausdrill will continue to seek ways to maintain and improve the safety of its service delivery. All staff members are required to undergo compulsory training so that they can develop the skills and attitude to ensure workplace health and safety. The Group will continue to work in partnership with employees and sub-contractors to improve safety standards.

Supporting existing clients' growth ambitions into new geographies where the opportunity meets our internal requirements — Ausdrill plans to strengthen ties with existing mining company clients by following them into new geographies where such opportunities meet internal requirements regarding financial, safety and reputation considerations. Considerations will include the geological features of the site, the geopolitical stability of the area where the mine will be located as well as infrastructure and environmental concerns. The Group will seek long-term contracts at mines with production phases that are anticipated to be long-lived and that will increase earnings visibility and reduce costs by delaying the need for redeployment of capital and personnel. Clients will continue to be mining companies that have a robust business and outlook. The Group has a successful track record of this strategy in Africa and believes that this strategy is an effective way to strengthen client relationships and provide growth opportunities.

Pursue a conservative financial policy — Ausdrill intends to maintain a prudent and sustainable capital structure that allows financial and operational flexibility across a range of economic environments and cycles. The Group believes that prudent risk management policies are represented by the enhanced gearing and interest cover ratios. The Group will leverage long-standing relationships with clients to ensure that working capital and capital expenditure is deployed in a way that maximises return on capital while maintaining prudent reserves as necessary.

PROSPECTS

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

RISKS

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

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

LEVEL OF NEW MINING SERVICES CONTRACTS AND CONTRACT RENEWALS

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

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

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

Contracts are at risk of termination or non-renewal due to the client having no further need for the service such as when the mine has reached the end of its planned life or the operator ceases production because changes in the underlying commodity price or mining costs have rendered continued production from the mine uneconomic. Contracts are also at risk of termination or non-renewal as a result of competition if the client seeks to use an alternative mining services provider to provide the service or if the client decides to bring the contracted services in-house. The Group has historically had a strong record of securing contract extensions.

PRODUCTION LEVELS AT CLIENTS' MINES

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

The price of gold in U.S. dollar terms has fallen since the peak in 2012 which has put production at risk at higher cost mines. In Australian dollar terms, the gold price is at historical highs. As the amount of gold produced globally in any single year constitutes a very small portion of the total potential supply of gold, variations in current production do not necessarily have a significant impact on the global supply of gold or on its price.

In the year ended 30 June 2016, approximately 84% of mining services revenues were generated from the provision of mining services to gold mining companies and approximately 9% to iron ore mining companies, in each case, for work on producing mines. Consequently, the Group's activity levels and results of operations are dependent on production levels at clients' mines and mining remaining economic to continue production at current gold and iron ore mines. Growth is dependent on mine operators seeking to expand production at existing mines or bring new mines into production.

The Group's clients in the gold and iron ore sector are predominantly large lower cost producers. In the gold sector, clients include AngloGold Ashanti, Barrick, Endeavour Mining, Gold Fields, Oz Minerals, Randgold, and Resolute Mining. In the iron ore sector, the Group's largest client is BHP Billiton. Iron ore produced from BHP mines is amongst the most cost competitive seaborne iron ore fines in the world on a delivered to China basis.

SCALE OF OPERATIONS AND MIX OF ACTIVITIES

The scale of operations and the mix of activities that the Group undertakes during a period also impacts results of operations. The mix of activities the Group undertakes for clients during a period also impacts results of operations due to the differing margins on business segments. The activity mix depends in part on client demand for the Group's existing services as well as the ability to offer new services that the Group develops or acquires.

OUR EDGE

OUR FOCUS ON INNOVATION AND AUTOMATION DELIVERS A FLEXIBLE AND ADAPTABLE SERVICE OFFERING TO OUR CLIENTS

CURRENCY FLUCTUATIONS

The Group denominates its consolidated financial statements in Australian dollars. Broadly speaking, the Australian operations are Australian dollar denominated and the African operations are U.S. dollar denominated. The Group is exposed to fluctuations in the value of the Australian dollar versus other currencies, because the Group's consolidated financial results are reported in Australian dollars. If the Group generates sales or earnings or has assets and liabilities in other currencies, the translation into Australian dollars for financial reporting purposes can result in a significant increase or decrease in the amount of those sales or earnings and net assets. The Group does not generally hedge translated foreign currency exchange rate exposure. Fluctuations in foreign currency exchange rates may also make period to period comparisons of results of operations difficult. As the operations in Africa grow, foreign exchange translation risk may change.

The African operations often bid on contracts in U.S. dollars but a portion may be paid in local currency and is therefore exposed to transaction risk. If the U.S. dollar strengthens against the local currency during the term of the contract, the revenue the Group earns may be affected where rise and fall mechanisms in the contracts are not perfectly correlated. Where the Group earns revenue in a local currency it is exposed to exchange rate risk from time of invoice to the time of converting the local currency back to U.S. dollars. In addition, the Group purchases capital equipment in various currencies.

The Group does not generally hedge its normal operating foreign exchange exposures. However, the Group does sometimes hedge trade receivables that are generated where products are exported from Australia and those receivables are denominated in a currency that is foreign to functional currency. The Group may also hedge large capital expenditure items acquired in a foreign currency. In respect of other monetary assets and liabilities held in currencies other than Australian dollars, the Group ensures that the net exposure is kept to an acceptable level by matching foreign denominated financial assets with financial liabilities and vice versa. The Group does not engage in any speculative trading activities.

LABOUR COSTS AND AVAILABILITY

Labour represents a significant portion of operating expenses. In order to compete for work and to service clients, the Group needs to be able to continue to attract and retain skilled employees. Consequently, the Group is exposed to increased labour costs in markets where the demand for labour is strong. Within more stable labour markets, the Group's labour costs are typically protected by rise and fall mechanisms within client contracts, which neutralise the impact of rising labour costs. In Australia, wage labour costs are typically governed by agreed enterprise agreements, which set out agreed wage increases within defined periods of the time (typically 2 – 3 years).

INCREASED RISK OF DOING BUSINESS IN AFRICA

Ausdrill's African operations are subject to business risks, including health risks such as the Ebola outbreak (2014), political instability, war or civil disturbance, terrorism, abduction, expropriation, import and export restrictions, exchange controls, inflationary economies, currency risks, legal and taxation risks, risks related to the restrictions on repatriation of earnings or proceeds from liquidated assets of foreign subsidiaries, workforce instability, harsh environmental conditions and remote locations. New mining projects by Ausdrill's clients are increasingly occurring in countries where these risks are significant, which means an increasing portion of Ausdrill's business may be subject to these risks. Ultimately, these risks may cause Ausdrill to cease doing business in certain high growth markets.

UNINSURED RISKS

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

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

OUTLOOK[5]

The Group has successfully refocussed its strategy on the delivery of 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 our clients. The mining industry continues to experience a period of uncertainty in relation to future levels of demand and prices received for commodities. Furthermore, competition for work remains extremely high in all of the markets in which we operate.

In response to these market conditions, Ausdrill will:

- Maintain its strong focus on safety
- Continue to deliver efficiency gains to counter market driven margin compression
- Rationalise its businesses to focus on profitable revenue streams
- Maintain a stable financial foundation from which to grow the Company in the future
- Review working capital, particularly inventory levels, to ensure that it is commensurate with current levels of activity
- Restrict capital expenditure to replacement needs or identified growth opportunities

Ausdrill is of the view that competitive market conditions 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. However, near-term growth opportunities are anticipated to emanate from Africa in particular, where there is a higher rate of tendering activity.

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

NOTES

1. Non-IFRS Financial Information - EBITDA, EBIT and Operating profit are non-IFRS measures which Ausdrill uses in managing its business.
2. "EBITDA" is "Earnings before interest, tax, depreciation and amortisation, and significant items"; and "EBIT" is "Earnings before interest and tax and significant items".
3. "Operating profit" is profit /(loss) before significant items.
4. Statutory profit / (loss) is profit / (loss) after tax.
5. Disclaimer:
   These materials include forward looking statements concerning projected earnings, revenue, growth, outlook or other matters for the financial year ending 30 June 2017 or beyond. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words and include statements regarding certain plans, strategies and objectives of management, trends and outlook. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Ausdrill's actual results, performance and achievements or industry results to differ materially from any future results, performance or achievements, or industry results, expressed or implied by these forward-looking statements.
   Forward-looking statements are based upon management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect Ausdrill's business and operations in the future. Ausdrill cannot give any assurance that the assumptions upon which management based its forward-looking statements will prove to be correct, or that Ausdrill's business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond its control. Any forward-looking statements contained in these materials speak only as of the date of these materials. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, Ausdrill disclaims any obligation or undertaking to publicly update or revise any forward-looking statement contained in these materials or to reflect any change in management's expectations with regard thereto after the date hereof of any change in events, conditions or circumstances on which any such statement is based. No representation or warranty, express or implied, is given as to the accuracy, completeness, likelihood of achievement or reasonableness of any forecasts, projections or prospects referred to in these materials.

DIRECTORS

Terence Edward O'Connor AM QC
Chairman

Ronald George Sayers
Managing Director

Ian Howard Cochrane
Deputy Chairman

Terrence John Strapp

Donald James Argent

Mark Anthony Connelly

Mark Andrew Hine

SECRETARIES

Efstratios Vassilios Gregoriadis

Domenic Mark Santini

CHIEF FINANCIAL OFFICER

Theresa Mlikota

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

6 - 12 Uppsala Place
Canning Vale Western Australia 6155

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
Perth Western Australia 6000

AUDITOR

PwC
Level 15, 125 St George's Terrace
Perth Western Australia 6000

SOLICITORS

Clifford Chance
Level 7, 190 St George's Terrace
Perth Western Australia 6000

Herbert Smith Freehills
Level 36, 250 St George's Terrace
Perth Western Australia 6000

BANKERS

Commonwealth Bank of Australia
Level 3, 150 St George's Terrace
Perth Western Australia 6000

STOCK EXCHANGE LISTINGS

Ausdrill Limited shares are listed on the Australian Stock Exchange.
ASX CODE: ASL

WEBSITE

www.ausdrill.com.au

FINANCIAL REPORT

30 JUNE 2016

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

Ausdrill Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ausdrill Limited
6 - 12 Uppsala Place
Canning Vale Western Australia 6155

The financial statements were authorised for issue by the directors on 24 August 2016. The directors have the power to amend and reissue the financial statements.

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

Your directors present their report on the consolidated entity (the "Group") consisting of Ausdrill Limited (the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2016.

DIRECTORS AND COMPANY SECRETARY

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

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

Ian Howard Cochrane was appointed as a director and Deputy Chairman on 23 November 2015 and continues in office at the date of this report.

The company secretaries of the Company are Efstratios Gregoriadis and Domenic Santini.

Mr Gregoriadis B.A., L.L.B., M.B.A joined the Company in February 2011 in the position of Group General Counsel / Company Secretary. Prior to joining the Company Mr Gregoriadis held the role of Group General Counsel / Company Secretary at Macmahon Holdings Limited, and has held various other positions as a lawyer in private legal practice.

Mr Santini is a Certified Practising Accountant who was appointed as Company Secretary in August 2007. He is also the Group Financial Controller of the Group. During the ten years prior to joining the Group, Mr Santini held various commercial roles with public and private companies.

DIVIDENDS - AUSDRILL LIMITED

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

	16 $'000	15 $'000
No final ordinary dividend for the year ended 30 June 2015 (2014: 2.0 cents) per fully paid share paid.	-	6,246
No interim ordinary dividend for the year ended 30 June 2016 (2015: 1.0 cent) per fully paid share paid.	-	3,123
	-	9,369

No dividends have been paid by the Company during the period, nor have the directors recommended that any dividends be paid for the year ended 30 June 2016.

REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the operating and financial review on pages 3 to 19 of this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 30 June 2016, the Company completed the sale of its Drilling Tools Australia Pty Ltd business to the Robit Plc Group. Drilling Tools Australia Pty Ltd is reported as a discontinued operation in note 13 of this report.

On 17 March 2016, the Company announced it had completed the sale of DT HiLoad (DTHL) to Schlam Engineering (Schlam) which included the sale of all brands, patents and material fixed assets. Certain steel inventories will be sold to Schlam under a consignment arrangement. Residual inventories and non-critical business assets were disposed of by way of auction or sale to third parties prior to 30 June 2016. DTHL is reported as a discontinued operation in note 13 of this report.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

Since 30 June 2016, the Group entered into a sale agreement to sell its Miners Rest Motel business for $2.5 million which is expected to be completed in September 2016 and remains subject to due diligence. 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 has been brought to account as at 30 June 2016. See note 7(b). The Group entered into a one year accommodation arrangement as a condition of the sale.

On 1 August 2016, the Company agreed with Azumah Resources Limited to the redemption and settlement of its $2.0 million converting note through the payment by Azumah of $1.0 million cash and the issue of 22,727,273 shares at a price of $0.044 each.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Additional comments on expected results of certain operations of the Group are included in this annual report in the operating and financial review on pages 3 to 19.

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

Terence Edward O'Connor AM QC LLB (WA). *Non-executive Chairman.* Age 78.

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

None.

Special responsibilities

Chairman of the Board.
Chairman of the Remuneration Committee.
Member of the Audit and Risk Committee.

Interests in shares and options

1,004,285 ordinary shares.

Ronald George Sayers *Managing Director.* Age 64.

Experience and expertise

Mr Ron Sayers was re-appointed as Managing Director in December 2000. Mr Sayers founded Ausdrill in 1987 and was Managing Director until May 1997. He was formerly the branch manager of a large mining supply group and has been involved with the mining industry for over 40 years.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Managing Director.

Interests in shares and options

37,296,782 ordinary shares.

INFORMATION ON DIRECTORS (CONTINUED)

Terrence John Strapp CPA, SF Fin., MAICD. *Non-executive director.* Age 72.

Experience and expertise

Mr Terry Strapp was appointed as a non-executive director on 21 July 2005.

Mr Strapp has extensive experience in banking, finance and corporate risk management and has been actively involved in the mining industry for over 30 years. He is a Certified Practising Accountant (CPA), a Senior Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

Other current directorships

Non-executive director of GR Engineering Limited from 2011.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of the Audit and Risk Committee.

Interests in shares and options

400,000 ordinary shares.

Mr Mark Anthony Connelly BBus, MAICD. *Non-executive director.* Age 53.

Experience and expertise

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

Mr Connelly has more than 29 years' of experience in the mining industry, and has held senior executive positions with Newmont Mining Corporation and Inmet Mining Corporation. He is the former Managing Director and Chief Executive Officer of Papillon Resources Limited, a Mali-based gold developer which merged with B2Gold Corp in 2014.

He was Chief Operating Officer of Endeavour Mining Corporation following its merger with Adamus Resources, where he was Managing Director and CEO. He has extensive experience in financing, development, construction and operation of mining projects in a variety of commodities including gold, base metals and other resources in West Africa, Australia, North America and Europe.

Other current directorships

Director and Chairman of Toro Gold Limited since 2014.
Director of Saracen Mineral Holdings Limited since 2015.
Director and Chairman of West African Resources Limited since 2015.
Director and Chairman of Cardinal Resources Limited since 2015.
Director and Chairman of Tiger Resources Limited since 2016.

Former directorships in last 3 years

Managing Director of Papillon Resources Limited from 2012 to 2014.
Director of Manas Resources Limited from 2013 to 2015.
Director of B2Gold Corp from 2014 to 2016.

Special responsibilities

Member of the Audit and Risk Committee.
Member of the Remuneration Committee.

Interests in shares and options

None.

INFORMATION ON DIRECTORS (CONTINUED)

Donald James Argent BCom, CPA, FAICD. *Non-executive director.* Age 69.

Experience and expertise

Mr Donald Argent was appointed as a non-executive director on 25 July 2012.

Mr Argent was the Director Finance and Administration for the Thiess Group, one of the largest integrated engineering and service providers in Australia and South East Asia. He joined Thiess Pty Ltd in 1985 following six years' service with Thiess Holdings Ltd in the late 1970's, and, until he retired in July 2011, played an instrumental part in the growth of Thiess from a family-run business to a leading Australian construction, mining and services company.

Mr Argent holds a Bachelor of Commerce degree, is a Certified Practising Accountant and a Fellow of the Australian Institute of Company Directors.

Other current directorships

None.

Former directorships in last 3 years

Non-executive director of Sedgman Limited from 2006 to 2015.

Special responsibilities

None.

Interests in shares and options

40,000 ordinary shares.

Mr Mark Andrew Hine MAICD, MAusIMM. *Non-executive director.* Age 58.

Experience and expertise

Mr Mark Hine was appointed as a non-executive director on 24 February 2015.

Mr Hine is a mining engineer. He graduated from the Western Australia School of Mines and is a member of the Australian Institute of Company Directors and the Australian Institute of Mining and Metallurgy. He has extensive mining experience with over 25 years' of senior management roles in both surface and underground mining operations.

He has held a number of senior positions in the mining industry including Chief Operating Officer at Griffin Mining Ltd, Chief Operating Officer at Focus Minerals Ltd, Chief Operating Officer at Golden West Resources Ltd, Executive General Manager Mining at Macmahon Contractors Pty Ltd, Chief Executive officer at Queensland Industrial Minerals Ltd, General Manager at Consolidated Rutile Ltd and General Manager Pasminco, Broken Hill / Elura Mines.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of the Remuneration Committee.

Interests in shares and options

75,000 ordinary shares.

INFORMATION ON DIRECTORS (CONTINUED)

Mr Ian Howard Cochrane BCom, LLB. *Non-executive Deputy Chairman.* Age 62.

Experience and expertise

Mr Ian Howard Cochrane was appointed as a non-executive director and Deputy Chairman on 23 November 2015.

Mr Cochrane holds degrees in Commerce and Law. He was educated in South Africa and immigrated to Australia in 1986. He practised law, specialising in mergers and acquisitions, in national law firms Corrs Chambers Westgarth and Mallesons Stephen Jaques until 2006 when he established (with Mr Michael Lishman) the boutique law firm, Cochrane Lishman, which was eventually acquired by the global law firm Clifford Chance in early 2011.

Mr Cochrane has had a long association with Ausdrill having provided the legal services when Ausdrill first floated in 1994. He was regularly voted by his peers as being one of the leading M&A lawyers in Australia and retired from the practise of law in December 2013. He has not provided legal services to Ausdrill or any other entities since then.

Other current directorships

Non-executive director of Wright Prospecting Pty Ltd from 2015.
Non-executive director of Ardross Estates Pty Ltd from 2014.
Non-executive director and Chairman of VOC Group Limited from 2013.
Non-executive director of Dacian Gold Limited from 2016.

Former directorships in last 3 years

None.

Special responsibilities

Deputy Chairman of the Board.

Interests in shares and options

701,695 ordinary shares.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2016 and the numbers of meetings attended by each director were:

			MEETINGS OF COMMITTEES			
	FULL MEETINGS OF DIRECTORS		AUDIT		REMUNERATION	
	A	B	A	B	A	B
Terence Edward O'Connor	7	7	2	4	1	2
Ronald George Sayers	7	7	*	*	*	*
Ian Howard Cochrane	4	4	*	*	*	*
Terrence John Strapp	7	7	4	4	*	*
Donald James Argent	6	7	*	*	*	*
Mark Anthony Connelly	7	7	4	4	2	2
Mark Andrew Hine	7	7	*	*	2	2

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee

REMUNERATION REPORT

The directors present the Ausdrill Limited 2016 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

(a) Key management personnel (KMP) covered in this report
(b) Remuneration policy and governance
(c) Elements of remuneration
(d) Link between remuneration and performance
(e) Remuneration expenses for executive KMP
(f) Contractual arrangements with executive KMP
(g) Non-executive director arrangements
(h) Additional statutory information

(a) Key management personnel covered in this report

Non-executive and executive directors (see pages 23 to 26 for details about each director)

T E O'Connor	D J Argent
R G Sayers	M A Connelly
I H Cochrane (from 23 November 2015)	M A Hine
T J Strapp	

Other key management personnel

NAME	POSITION
A G Broad	Chief Operating Officer - Australian Operations (from 1 August 2015)
J Kavanagh	Chief Operating Officer - African Operations
T Mlikota	Chief Financial Officer (from 1 December 2015)
R J Coates	Executive General Manager - Australian Mining Operations (from 6 July 2015)
D James	Executive General Manager - Equipment Services and Supplies (from 1 October 2015)
M C Crocker	Group Engineering Manager
A J McCulloch	Chief Operating Officer - Australian Operations (until 10 July 2015)
J E Martins	Chief Financial Officer (until 4 December 2015)

(b) Remuneration policy and governance

Our Remuneration Committee is made up of independent non-executive directors. The Committee reviews and determines our remuneration policy and structure annually to ensure it remains aligned to business needs and meets our remuneration principles. From time to time, the Committee also engages external remuneration consultants to assist with this review. In particular, the Committee aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent,
- aligned to the Company's strategic and business objectives and the creation of shareholder value,
- transparent and easily understood, and
- acceptable to shareholders.

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

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

The remuneration framework, its elements and link to performance are covered over the page.

REMUNERATION REPORT (CONTINUED)

(c) Elements of remuneration

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation,
- short-term performance incentives, and
- long-term incentives through participation in the Ausdrill Employee Option Plan.

Base pay and benefits

Executives receive their base pay and benefits structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive fixed base pay. The Remuneration Committee obtain relevant comparative information and seek independent advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually and on promotion to ensure that it is competitive with the market.

There are no guaranteed base pay increases included in any executive's contract.

Executives may elect to receive a fully maintained motor vehicle as a component of their base pay.

Superannuation

Retirement benefits are delivered under the Superannuation Guarantee Legislation.

Short-term performance incentives

Cash bonus

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

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

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

Service bonus

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

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

As a result of the unpredictable and continued challenging market conditions during the year ended 30 June 2016, coupled with the Company's focus on reducing overhead costs in line with a lower revenue base, the Remuneration Committee and Board declared that although EPS was accretive for the year ended 30 June 2016 that no bonuses be paid.

REMUNERATION REPORT (CONTINUED)

(c) Elements of remuneration (continued)

Long-term incentives

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

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

Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

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

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

Options are granted under the plan for nil consideration. Options are granted for a five year period. Vesting will occur based on the Company's ranking within the peer group, as follows:

TSR RANK	PROPORTION OF OPTIONS THAT VEST
Less than 50% percentile	0%
50th percentile	50%
Between 50th and 75th percentile	Pro-rata (sliding scale) percentage
At or above 75th percentile	100%

The peer group includes the following companies:

- Austin Engineering Limited
- Brierty Limited
- Emeco Holdings Limited
- MACA Limited
- Monadelphous Group Limited
- Boart Longyear Limited
- Downer EDI Limited
- Imdex Limited
- Macmahon Holdings Limited
- NRW Holdings Limited

(d) Link between remuneration and performance

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2016.

	16 $000	15 $000	14 $000	13 $000	12 $000
Revenue	**745,531**	721,660	827,860	1,131,283	1,062,241
Operating profit before income tax	**26,305***	2,064*	34,430*	109,503*	152,487
Net profit/(loss) after tax	**58,150**	(175,620)	(43,859)	90,399	112,207
Share price at start of year ($ per share)	**0.39**	0.86	0.86	3.42	3.31
Share price at end of year ($ per share)	**0.72**	0.39	0.86	0.86	3.42
Basic earnings/(loss) (cents per share)	**18.6**	(56.2)	(13.6)	29.6	37.3
Diluted earnings/(loss) (cents per share)	**18.2**	(56.2)	(13.6)	29.0	37.0

* Does not include impairment expense

REMUNERATION REPORT (CONTINUED)

(e) Remuneration expenses for executive KMP

The following table shows details of the remuneration expense recognised for the Group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Amounts of remuneration

Figure 1: Executive remuneration

		FIXED REMUNERATION				VARIABLE REMUNERATION		
NAME	YEAR	CASH SALARY $	NON-MONETARY BENEFITS $	LONG SERVICE LEAVE $	POST-EMPLOYMENT BENEFITS $	*CASH BONUS $	OPTIONS $	TOTAL $
Executive directors								
R G Sayers	**2016**	**726,299**	**25,000**	**5,725**	**35,000**	**-**	**-**	**792,024**
	2015	810,888	25,000	12,123	35,000	-	-	883,011
Other key management personnel								
A G Broad [1]	**2016**	**437,582**	**-**	**200**	**24,999**	**-**	**12,392**	**475,173**
	2015	-	-	-	-	-	-	-
J Kavanagh [2]	**2016**	**577,164**	**141,075**	**-**	**-**	**-**	**6,196**	**724,435**
	2015	621,052	127,116	-	-	-	-	748,168
T Mlikota [3]	**2016**	**267,651**	**-**	**127**	**25,427**	**-**	**12,392**	**305,597**
	2015	-	-	-	-	-	-	-
R J Coates [4]	**2016**	**324,003**	**-**	**153**	**29,998**	**-**	**6,196**	**360,350**
	2015	-	-	-	-	-	-	-
D James [5]	**2016**	**250,166**	**-**	**115**	**23,766**	**-**	**6,196**	**280,243**
	2015	-	-	-	-	-	-	-
M C Crocker	**2016**	**248,578**	**25,000**	**6,232**	**23,615**	**-**	**16,349**	**319,774**
	2015	248,578	25,000	2,980	23,615	-	17,124	317,297
A J McCulloch [6]	**2016**	**83,101**	**685**	**-**	**908**	**-**	**704**	**85,398**
	2015	301,359	25,000	7,232	38,882	-	25,687	398,160
J E Martins [7]	**2016**	**168,824**	**-**	**-**	**17,362**	**-**	**9,166**	**195,352**
	2015	418,021	-	10,754	37,802	-	35,443	502,020
Total executive directors	**2016**	**3,083,368**	**191,760**	**12,552**	**181,075**	**-**	**69,591**	**3,538,346**
and other KMP	2015	2,399,898	202,116	33,089	135,299	-	78,254	2,848,656
Total non-executive directors	**2016**	**468,231**	**-**	**-**	**44,482**	**-**	**-**	**512,713**
remuneration	2015	423,562	-	-	58,854	-	-	482,416
Total KMP	**2016**	**3,551,599**	**191,760**	**12,552**	**225,557**	**-**	**69,591**	**4,051,059**
remuneration expense	2015	2,823,460	202,116	33,089	194,153	-	78,254	3,331,072

1 Mr A G Broad was appointed as Chief Operating Officer - Australian Operations on 1 August 2015.

2 Mr J Kavanagh was paid $43,836 of accrued leave entitlements for the year ended 30 June 2016 and $87,719 of accrued leave entitlements for the year ended 30 June 2015.

3 Ms T Mlikota was appointed as Chief Financial Officer on 1 December 2015.

4 Mr R J Coates was appointed as Executive General Manager - Australian Mining Operations on 6 July 2015.

5 Mr D James was appointed as Executive General Manager - Equipment Services and Supplies on 1 October 2015.

6 Mr A J McCulloch resigned as Chief Operating Officer - Australian Operations on 10 July 2015.

7 Mr J E Martins resigned as Chief Financial Officer on 4 December 2015.

* There will be no cash and service bonus payable for the year ended 30 June 2016. There was no cash and service bonus paid for the year ended 30 June 2015.

REMUNERATION REPORT (CONTINUED)

(f) Contractual arrangements with executive KMPs

Remuneration and other terms of employment for key management personnel are also formalised in service agreements. Each of these agreements provide for other benefits including car allowances and participation, when eligible, in the Ausdrill Limited Employee Option Plan.

All key management personnel are employed on standard letters of appointment that provide for annual reviews of base salary and between 4 and 12 weeks of termination by either party unless noted below:

NAME	TERM OF AGREEMENT	BASE SALARY INCLUDING SUPERANNUATION	TERMINATION BENEFIT
R G Sayers Managing Director	Ongoing	761,299	Contract can be terminated by either party with 12 months' notice or payment in lieu.
A G Broad Chief Operating Officer Australian Operations (from 1 August 2015)	Ongoing	477,420	n/a
J Kavanagh Chief Operating Officer African Operations	Ongoing	533,333	n/a
T Mlikota Chief Financial Officer (from 1 December 2015)	Ongoing	477,420	n/a
R J Coates Executive General Manager - Australian Mining Operations (from 6 July 2015)	Ongoing	340,242	n/a
D James Executive General Manager - Equipment Services & Supplies (from 1 October 2015)	Ongoing	340,242	n/a
M C Crocker Group Engineering Manager	Ongoing	271,571	n/a

(g) Non-executive director arrangements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the officer or director.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board ensures non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

The current base fees were last reviewed with effect from 1 July 2015. The Chairman and other non-executive directors who chair a committee receive additional yearly fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. Directors agreed to a 10% reduction in fees effective 1 July 2015, in line with austerity measures being taken across the Group. The maximum pool currently stands at $800,000 per annum and was approved by shareholders at the annual general meeting on 27 November 2009.

THE FOLLOWING FEES HAVE APPLIED:	FROM 1 JULY 2015
Base fees	
Chairman	$108,000
Deputy Chairman	$90,000
Other non-executive directors	$72,000
Additional fees	
Audit and Risk Committee - Chairman	$9,000
Remuneration Committee - Chairman	$9,000

REMUNERATION REPORT (CONTINUED)

(g) Non-executive director arrangements (continued)

Figure 2: Non-executive director remuneration

NAME	YEAR	BASE FEE $	AUDIT COMMITTEE $	REMUNERATION COMMITTEE $	SUPER-ANNUATION $	TOTAL $
T E O'Connor	**2016**	**108,000**	**-**	**9,000**	**11,115**	**128,115**
	2015	120,000	-	10,000	12,350	142,350
I H Cochrane (from 23 November 2015)	**2016**	**54,231**	**-**	**-**	**5,152**	**59,383**
	2015	-	-	-	-	-
W M King (until 28 October 2014)	**2016**	**-**	**-**	**-**	**-**	**-**
	2015	32,671	-	-	3,104	35,775
T J Strapp	**2016**	**72,000**	**9,000**	**-**	**7,695**	**88,695**
	2015	80,000	10,000	-	8,550	98,550
D J Argent	**2016**	**72,000**	**-**	**-**	**6,840**	**78,840**
	2015	63,000	-	-	24,600	87,600
M A Connelly	**2016**	**72,000**	**-**	**-**	**6,840**	**78,840**
	2015	80,000	-	-	7,600	87,600
M A Hine (from 24 February 2015)	**2016**	**72,000**	**-**	**-**	**6,840**	**78,840**
	2015	27,891	-	-	2,650	30,541
Total non-executive director remuneration	**2016**	**450,231**	**9,000**	**9,000**	**44,482**	**512,713**
	2015	403,562	10,000	10,000	58,854	482,416

(h) Additional statutory information

(1) Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in figure 1 on page 30:

Figure 3: Relative proportion of fixed vs variable remuneration expense

NAME	FIXED REMUNERATION 16 %	FIXED REMUNERATION 15 %	AT RISK - STI 16 %	AT RISK - STI 15 %	AT RISK - LTI * 16 %	AT RISK - LTI * 15 %
Executive directors						
R G Sayers	**100**	100	**-**	-	**-**	-
Other key management personnel of the Group						
A G Broad	**97**	-	**-**	-	**3**	-
J Kavanagh	**99**	100	**-**	-	**1**	-
T Mlikota	**96**	-	**-**	-	**4**	-
R J Coates	**98**	-	**-**	-	**2**	-
D James	**98**	-	**-**	-	**2**	-
M C Crocker	**95**	95	**-**	-	**5**	5
A J McCulloch	**99**	94	**-**	-	**1**	6
J E Martins	**95**	93	**-**	-	**5**	7

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

REMUNERATION REPORT (CONTINUED)

(h) Additional statutory information (continued)

(2) Performance based remuneration granted and forfeited during the year

Figure 4 shows the value of options that were granted and exercised during the current reporting period..

Figure 4: Performance based remuneration granted and forfeited during the current reporting period.

2016	LTI OPTIONS VALUE GRANTED $	LTI OPTIONS VALUE EXERCISED $
A G Broad	67,333	-
J Kavanagh	33,667	-
T Milkota	67,333	-
R J Coates	33,667	-
D James	33,667	-
M C Crocker	26,933	-

(3) Terms and conditions of the share-based payment arrangements

Options

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

GRANT DATE	VESTING AND EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	TSR PERFORMANCE ACHIEVED	% VESTED
21 July 2011	21 July 2013	21 July 2016	$3.55	$0.77	n/a	100%
21 July 2011	21 July 2014	21 July 2016	$3.65	$0.79	n/a	100%
21 July 2011	21 July 2015	21 July 2016	$3.85	$0.79	n/a	100%
7 October 2013	7 October 2015	7 October 2018	$1.70	$0.12	< 50th percentile	0%
7 October 2013	7 October 2016	7 October 2018	$1.70	$0.12	to be determined	n/a
7 October 2013	7 October 2017	7 October 2018	$1.70	$0.12	to be determined	n/a
23 December 2015	23 December 2017	23 December 2020	$0.25	$0.06	to be determined	n/a
23 December 2015	23 December 2018	23 December 2020	$0.25	$0.07	to be determined	n/a
23 December 2015	23 December 2019	23 December 2020	$0.25	$0.07	to be determined	n/a

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

When exercisable, each option is convertible into one ordinary share. Options may not be exercised during the period of four weeks prior to the release of the half-yearly and annual financial results of the Group to the market.

Details of options over ordinary shares in the Company provided as remuneration to each director of Ausdrill Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Ausdrill Limited. Further information on the options is set out in note 19 to the financial statements.

REMUNERATION REPORT (CONTINUED)

(h) Additional statutory information (continued)

(4) Reconciliation of options and ordinary shares held by KMP

Figure 5: Options

The table below shows a reconciliation of options held by each KMP from the beginning to the end of 30 June 2016. All vested options were exercisable.

2016	BALANCE AT THE START OF THE YEAR			VESTED			FORFEITED			BALANCE AT THE END OF THE YEAR	
NAME & GRANT DATES	VESTED AND EXERCISABLE	UNVESTED	GRANTED AS COMPENSATION	NUMBER	%	EXERCISED	NUMBER	%	OTHER CHANGES	VESTED AND EXERCISABLE	UNVESTED
A G Broad											
23 December 2015	-	-	333,333	-	-	-	-	-	-	-	333,333
23 December 2015	-	-	333,333	-	-	-	-	-	-	-	333,333
23 December 2015	-	-	333,334	-	-	-	-	-	-	-	333,334
J Kavanagh											
23 December 2015	-	-	166,666	-	-	-	-	-	-	-	166,666
23 December 2015	-	-	166,666	-	-	-	-	-	-	-	166,666
23 December 2015	-	-	166,668	-	-	-	-	-	-	-	166,668
T Mlikota											
23 December 2015	-	-	333,333	-	-	-	-	-	-	-	333,333
23 December 2015	-	-	333,333	-	-	-	-	-	-	-	333,333
23 December 2015	-	-	333,334	-	-	-	-	-	-	-	333,334
R J Coates											
23 December 2015	-	-	166,666	-	-	-	-	-	-	-	166,666
23 December 2015	-	-	166,666	-	-	-	-	-	-	-	166,666
23 December 2015	-	-	166,668	-	-	-	-		-	-	166,668
D James											
23 December 2015	-	-	166,666	-	-	-	-	-	-	-	166,666
23 December 2015	-	-	166,666	-	-	-	-	-	-	-	166,666
23 December 2015	-	-	166,668	-	-	-	-	-	-	-	166,668
M C Crocker											
7 October 2013	-	133,333	-	-	-	-	133,333	100	-	-	-
7 October 2013	-	133,333	-	-	-	-	-	-	-	-	133,333
7 October 2013	-	133,334	-	-	-	-	-	-	-		133,334
23 December 2015	-	-	133,333	-	-	-	-	-	-	-	133,333
23 December 2015	-	-	133,333	-	-	-	-	-	-	-	133,333
23 December 2015	-	-	133,334	-	-	-	-	-	-	-	133,334
A J McCulloch											
7 October 2013	-	200,000	-	-	-	-	200,000	100	-	-	-
7 October 2013	-	200,000	-	-	-	-	200,000	100	-	-	-
7 October 2013	-	200,000	-	-	-	-	200,000	100	-	-	-
J E Martins											
29 November 2010	100,000	-	-	-	-	-	100,000	100	-	-	-
29 November 2010	100,000	-	-	-	-	-	100,000	100	-	-	-
29 November 2010	133,334	-	-	-	-	-	133,334	100	-	-	-
7 October 2013	-	200,000	-	200,000	100	-	200,000	100	-	-	-
7 October 2013	-	200,000	-	-	-	-	200,000	100	-	-	-
7 October 2013	-	200,000	-	-	-	-	200,000	100	-	-	-

REMUNERATION REPORT (CONTINUED)

(h) Additional statutory information (continued)

(4) Reconciliation of options and ordinary shares held by KMP *(continued)*

Figure 6: Shareholdings

2016

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	RECEIVED ON VESTING OF RIGHTS DEFERRED SHARES	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Ordinary shares					
T E O'Connor	1,004,285	-	-	-	1,004,285
R G Sayers	36,846,782	-	-	450,000	37,296,782
T J Strapp	400,000	-	-	-	400,000
D J Argent	40,000	-	-	-	40,000
M A Hine	75,000	-	-	-	75,000
I H Cochrane	-	-	-	701,695	701,695
A G Broad	-	-	-	41,202	41,202
T Mlikota	-	-	-	3,465	3,465
D James	-	-	-	400,000	400,000

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

(5) Loans to key management personnel

No loans have been made to directors of Ausdrill Limited or related entities. Details of loans made to key management personnel of the Group are set out below.

NAME	BALANCE AT THE START OF THE PERIOD $	INTEREST PAID AND PAYABLE FOR THE PERIOD $	INTEREST NOT CHARGED $	BALANCE AT THE END OF THE PERIOD $	HIGHEST INDEBTEDNESS DURING THE PERIOD $
J Kavanagh	150,000	3,955	-	-	150,000

There are no loans outstanding at the end of the current year. In June 2015, an unsecured loan to a key management personnel of $150,000 was made and was repaid in full in 6 months. Interest is payable on this loan at the rate of 8% per annum.

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

(6) Other transactions with key management personnel

Ausdrill Limited has rented an office building from Mr R G Sayers for the past year. The rental agreement is based on normal commercial terms and conditions and is reviewed annually.

A director, Mr M A Connelly, was a director of B2Gold Corp and is currently the chairman of West African Resources and Cardinal Resources.

B2Gold Corp., through its subsidiary Songhoi Resources Sarl entered into an exploration drilling contract with an Ausdrill Limited subsidiary, African Mining Services Mali Sarl. Further B2Gold Corp., through its subsidiary Kiaka Gold Sarl entered into an exploration drilling contract with an Ausdrill Limited subsidiary, African Mining Services Burkina Faso Sarl.

Cardinal Resources entered into an exploration drilling contract with an Ausdrill Limited subsidiary, African Mining Services Ghana.

West African Resources entered into an exploration drilling contract with an Ausdrill Limited subsidiary, African Mining Services Burkina Faso Sarl.

All contracts are based on normal commercial terms and conditions and Mr Connelly is not party to any contract negotiations for either party.

A director, Mr I H Cochrane, is a non-executive director of Dacian Gold Limited. Dacian Gold Limited has been provided mineral analysis services by an Ausdrill Limited subsidiary, MinAnalytical Laboratory Services Pty Ltd. These services have been provided on normal terms and conditions.

REMUNERATION REPORT (CONTINUED)

(h) Additional statutory information (continued)

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

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

	16 $	15 $
(i) Amounts recognised as revenue		
Exploration drilling services	**1,804,181**	2,338,041
Mineral analysis services	**6,921**	-
	1,811,102	2,338,041
(ii) Amounts recognised as expense		
Rental office buildings	**358,032**	358,032
(iii) Amounts recognised as assets and liabilities At the end of the reporting period, the following aggregate amounts were recognised in relation to the above transactions:		
Current assets	**571,708**	416,500

(7) Voting of shareholders at last year's annual general meeting

In 2015, 98.07% of the votes on the remuneration report were in favour of the report. The Company did not receive any specific feedback at the AGM on its remuneration practices.

SHARES UNDER OPTION

Unissued ordinary shares of Ausdrill Limited under option at the date of this report are as follows:

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
21 July 2011	21 July 2016	$3.55	66,666
21 July 2011	21 July 2016	$3.65	66,667
21 July 2011	21 July 2016	$3.85	66,667
7 October 2013	7 October 2018	$1.70	2,399,985
7 October 2013	7 October 2018	$1.70	2,400,030
23 December 2015	23 December 2020	$0.25	3,699,979
23 December 2015	23 December 2020	$0.25	3,699,979
23 December 2015	23 December 2020	$0.25	3,700,042
			16,100,015

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares issued on the exercise of options

No ordinary shares of Ausdrill Limited were issued during the year ended 30 June 2016 on the exercise of options granted under the Ausdrill Limited Employee Option Plan. No further shares have been issued since that date.

INDEMNIFICATION

Under the Company's constitution and subject to section 199A of the *Corporations Act 2001*, the Company indemnifies each of the directors, each of the company secretaries and every other person who is an officer of the Company and its wholly-owned subsidiaries against:

- any liability incurred as an officer of the Company (as the case may be) by that person to any person other than the Company or a related body corporate of the Company, unless that liability arises out of conduct involving a lack of good faith or is a liability for a pecuniary penalty order under certain provisions of the *Corporations Act 2001*; and
- costs and expenses incurred in defending civil or criminal proceedings subject to certain conditions.

The above indemnity is a continuing indemnity and applies in respect of all acts done by a person while an officer of the Company or its wholly-owned subsidiaries even though the person is not an officer at the time the claim is made.

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

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

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

INSURANCE OF OFFICERS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

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

The Board of directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 38.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in 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.

Ronald George Sayers
Managing Director

Perth
24 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Ausdrill Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
24 August 2016

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Ausdrill Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Ausdrill Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2016 corporate governance statement is dated as at 30 June 2016 and reflects the corporate governance practices in place throughout the 2016 financial year. The 2016 corporate governance statement was approved by the Board on 24 August 2016. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at www.ausdrill.com.au.

VOLUNTARY TAX TRANSPARENCY CODE

Ausdrill has chosen to provide additional disclosure of tax information as recommended by the Board of Taxation's Voluntary Tax Transparency Code ("TTC"). Ausdrill is currently classified as a 'medium business' for the purposes of the TTC (i.e. The Company's aggregated Australian turnover is between A$100 million and A$500 million) and has chosen to disclose the following tax information in this annual report:

- A reconciliation of accounting profit to tax expense and to income tax paid or income tax payable
  This information is disclosed in note 5(b) to the Consolidated Financial Statements in this annual report.
- Identification of material temporary and non-temporary differences
  This information is disclosed in note 5(b), 5(c), 5(d) and 7(c) to the Consolidated Financial Statements in this annual report.
- Accounting effective company tax rates for Australian and global operations
  This information is disclosed in note 5(e) to the Consolidated Financial Statements in this annual report.
- Approach to tax risk management and governance

  Ausdrill formally documented a Tax Risk Management and Governance Framework in 2015 (the "TRMGF"), in accordance with its corporate governance framework (as set out in the FY2016 Corporate Governance Statement -> http://www.ausdrill.com.au/investors/corporate-governance.html) setting out its approach to tax risk management and governance. In summary, Ausdrill's approach to tax risk management and governance is as follows:

  1. Take a conservative or low risk approach to tax planning and the assessment and management of tax risk.
  2. Ensure that tax risks are considered as a part of the overall commercial assessment of transactions.
  3. Comply with all tax compliance obligations in accordance with tax law and in a timely manner.
  4. A systematic approach to the identification, documentation, communication and reporting of tax risks must be in place at all times.
  5. Ensure that all key tax controls, policies and procedures are documented and adhered to via regular monitoring, testing and maintenance.
  6. Ensure that Ausdrill's tax affairs are managed by employees with the appropriate tax qualifications, skills and experience.
  7. Reputable external tax advisors are to be used by Ausdrill to help manage its tax affairs.
  8. Utilise tax technology or software to help manage tax compliance obligations.
  9. Maintain open and constructive relationships with all relevant tax authorities.
  10. All international related party dealings are to be conducted in accordance with the arm's length principle in a manner consistent with Australian taxation law and international taxation norms.

- Additional information regarding international related party dealings

Ausdrill provides support including goods, services and equipment to its overseas operations on an arm's-length commercial basis. Refer to note 18 for additional information regarding transactions with related parties.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	16 $'000	15 $'000
Revenue from continuing operations	2	745,531	721,660
Other income	4(a)	11,114	9,349
Materials expense		(299,120)	(285,507)
Labour costs		(240,761)	(253,217)
Rental and hire expense		(13,994)	(10,696)
Depreciation and amortisation expense	4(b)	(68,009)	(73,598)
Finance costs	4(b)	(33,696)	(36,959)
Realised foreign exchange (losses)/gains	4(b)	(8,427)	3,065
Unrealised foreign exchange (losses)/gains	4(b)	(6,123)	(11,172)
Other expenses from ordinary activities		(69,284)	(73,873)
Impairment of property, plant and equipment	4(b)	-	(184,244)
Impairment of available-for-sale financial assets	4(b)	(1,485)	-
Share of net profit of joint ventures accounted for using the equity method	14(b)	9,074	13,012
Profit/(loss) before income tax		24,820	(182,180)
Income tax (expense)/benefit	5	(4,581)	21,866
Profit/(loss) from continuing operations		20,239	(160,314)
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)	13	37,911	(15,306)
Profit/(loss) for the year		58,150	(175,620)
Profit/(loss) is attributable to:			
Equity holders of Ausdrill Limited		58,150	(175,620)
Profit/(loss) for the year		58,150	(175,620)
		CENTS	CENTS
Earnings/(loss) per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	21	6.5	(51.3)
Diluted earnings/(loss) per share	21	6.3	(51.3)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	21	18.6	(56.2)
Diluted earnings/(loss) per share	21	18.2	(56.2)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	16 $'000	15 $'000
Profit/(loss) for the year		58,150	(175,620)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange (losses)/gains on translation of foreign operations	8(b)	(4,868)	(19,176)
Items that will not be reclassified to profit or loss			
(Loss)/gain on revaluation of land and buildings, net of tax	8(b)	(1,341)	5,982
Gain/(loss) on revaluation of available-for-sale financial assets, net of tax	8(b)	1,178	(1,147)
Other comprehensive (loss)/income for the year, net of tax		(5,031)	(14,341)
Total comprehensive income/(loss) for the year		53,119	(189,961)
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of Ausdrill Limited		53,119	(189,961)
Total comprehensive income/(loss) for the year		53,119	(189,961)
Total comprehensive income/(loss) for the period attributable to owners of Ausdrill Limited arises from:			
Continuing operations		15,208	(174,655)
Discontinued operations		37,911	(15,306)
		53,119	(189,961)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	16 $'000	15 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	181,857	77,865
Trade and other receivables	6(b)	169,810	141,784
Inventories	7(a)	191,374	226,869
Available-for-sale financial assets	6(c)	2,000	-
Current tax receivables		4,803	5,544
Total current assets		549,844	452,062
Non-current assets			
Receivables	6(b)	-	2,609
Joint ventures accounted for using the equity method	14(b)	69,764	67,599
Available-for-sale financial assets	6(c)	3,641	7,013
Property, plant and equipment	7(b)	489,832	559,719
Deferred tax assets	7(c)	37,300	41,032
Total non-current assets		600,537	677,972
Total assets		1,150,381	1,130,034
LIABILITIES			
Current liabilities			
Trade and other payables	6(d)	82,839	84,625
Borrowings	6(e)	3,521	26,422
Current tax liabilities		3,907	1,892
Employee benefit obligations	7(d)	33,814	30,502
Total current liabilities		124,081	143,441
Non-current liabilities			
Borrowings	6(e)	395,019	407,367
Deferred tax liabilities	7(c)	23,584	24,744
Employee benefit obligations	7(d)	1,101	1,189
Total non-current liabilities		419,704	433,300
Total liabilities		543,785	576,741
Net assets		606,596	553,293
EQUITY			
Contributed equity	8(a)	526,447	526,447
Other reserves	8(b)	(16,028)	(11,181)
Retained earnings	8(c)	96,177	38,027
Capital and reserves attributable to owners of Ausdrill Limited		606,596	553,293
Total equity		606,596	553,293

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		ATTRIBUTABLE TO OWNERS OF AUSDRILL LIMITED			
	NOTES	CONTRIBUTED EQUITY $'000	OTHER RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
Balance at 1 July 2014		**526,447**	**2,705**	**223,016**	**752,168**
(Loss) for the year		-	-	(175,620)	(175,620)
Other comprehensive (loss)/income		-	(14,341)	-	(14,341)
Total comprehensive (loss)/income for the period		**-**	**(14,341)**	**(175,620)**	**(189,961)**
Transactions with owners in their capacity as owners:					
Dividends paid	12(b)	-	-	(9,369)	(9,369)
Employee share options - value of employee services	8(b)	-	455	-	455
		-	455	(9,369)	(8,914)
Balance at 30 June 2015		**526,447**	**(11,181)**	**38,027**	**553,293**
Profit for the year		-	-	58,150	58,150
Other comprehensive (loss)/income		-	(5,031)	-	(5,031)
Total comprehensive (loss)/income for the period		**-**	**(5,031)**	**58,150**	**53,119**
Transactions with owners in their capacity as owners:					
Dividends paid	12(b)	-	-	-	-
Employee share options - value of employee services	8(b)	-	184	-	184
		-	184	-	184
Balance at 30 June 2016		**526,447**	**(16,028)**	**96,177**	**606,596**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	16 $'000	15 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		791,503	830,232
Payments to suppliers and employees (inclusive of goods and services tax)		(668,345)	(691,746)
		123,158	138,486
Receipts from finance customers		2,609	2,649
Interest received		1,655	1,707
Interest and other costs of finance paid		(30,870)	(33,063)
Income taxes (paid)/refunded		(6,434)	7,141
Management fee received from joint ventures		888	1,016
Net cash inflow/(outflow) from operating activities	9(a)	91,006	117,936
Cash flows from investing activities			
Payments for purchase of equity investments		(3)	-
Payments for property, plant and equipment		(12,416)	(28,494)
Proceeds from sale of property, plant and equipment		11,418	5,921
Payments for available-for-sale financial assets		(3,849)	(6,398)
Proceeds from sale of available-for-sale financial assets		7,463	3,819
Proceeds from sale of business	13	49,369	-
Repayment of loans from joint ventures		-	6,683
Payment of development costs		-	(113)
Distributions received from associates		8,871	17,844
Net cash inflow/(outflow) from investing activities		60,853	(738)
Cash flows from financing activities			
Proceeds from secured borrowings		-	12,500
Repayment of secured borrowings		(38,091)	(94,100)
Repayment of hire purchase and lease liabilities		(8,047)	(18,459)
Proceeds from unsecured borrowings		4,340	6,757
Dividends paid to Company's shareholders	12(b)	-	(9,369)
Repayment of unsecured borrowings		(5,974)	(2,074)
Return of bank guarantee		-	52
Net cash inflow/(outflow) from financing activities		(47,772)	(104,693)
Net increase/(decrease) in cash and cash equivalents		104,087	12,505
Cash and cash equivalents at the beginning of the financial year		77,865	62,695
Effects of exchange rate changes on cash and cash equivalents		(95)	2,665
Cash and cash equivalents at end of year	6(a)	181,857	77,865
Non-cash investing and financing activities	9(b)	-	-

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

HOW NUMBERS ARE CALCULATED

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

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction

(b) analysis and sub-totals, including segment information

(c) information about estimates and judgements made in relation to particular items.

1 SEGMENT INFORMATION

(a) Description of segments

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

The operating segments are identified by the Board based on the nature of the services provided. The Board considers the business from a geographic perspective, similarity of the services provided and the nature of risks and returns associated with each business.

Reportable segments are:

Drilling Services Australia:

The provision of drilling services and drilling equipment including drilling and blasting, in-pit grade control, exploration drilling and water 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.

Contract Mining Services Africa:

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

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 like treasury, financing and administration.

Intersegment Eliminations:

Represents transactions which are eliminated on consolidation.

Discontinued operations:

This segment includes the discontinued operations of Drilling Tools Australia Pty Ltd and DT HiLoad Pty Ltd. Information about discontinued businesses can be found in note 13.

Restatement of prior year comparable

The Company undertook an internal reorganisation of its Australian businesses with effect from 1 July 2015.

With effect from that date, part of the previous Mining Services Australia segment has been included under the new segment, Drilling Services Australia, with the balance being included under Equipment Services & Supplies and All Other segments.

A new Equipment Services and Supplies segment has been established and comprises of the previous Supply and Logistics and part of the Mining Services Australia segments.

A new Corporate and Finance segment has been established, the components of which were previously included in the All Other segment.

The new definition has been applied to the full year ended 30 June 2015 as if the changes in structure had been effective from 1 July 2014. This has been done to facilitate comparability over multiple reporting periods.

1 SEGMENT INFORMATION (CONTINUED)

(b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the year ended 30 June 2016 is as follows:

2016	DRILLING SERVICES AUSTRALIA $'000	EQUIPMENT SERVICES & SUPPLIES $'000	CONTRACT MINING SERVICES AFRICA $'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	222,619	131,025	361,880	28,375	-	-	743,899	26,082	-	769,981
Intersegment sales	1,526	20,135	144	231	-	(22,036)	-	16,673	(16,673)	-
Total sales revenue	**224,145**	**151,160**	**362,024**	**28,606**	**-**	**(22,036)**	**743,899**	**42,755**	**(16,673)**	**769,981**
Other revenue	326	197	228	25	27,660	(26,804)	1,632	23	-	1,655
Total segment revenue	224,471	151,357	362,252	28,631	27,660	(48,840)	745,531	42,778	(16,673)	771,636
Segment EBITDA	**41,085**	**15,757**	**83,760**	**(1,592)**	**(12,632)**	**-**	**126,378**	**39,020**	**-**	**165,398**
Depreciation expense	(19,948)	(8,274)	(35,763)	(3,720)	(304)	-	(68,009)	(2,501)	-	(70,510)
Amortisation expense	-	-	-	-	-	-	-	-	-	-
Impairment of intangible assets	-	-	-	-	-	-	-	-	-	-
Impairment reversal of assets	-	-	-	-	-	-	-	6,133	-	6,133
Impairment of available-for-sale assets	-	-	-	-	(1,485)	-	(1,485)	-	-	(1,485)
Segment EBIT	**21,137**	**7,483**	**47,997**	**(5,312)**	**(14,421)**	**-**	**56,884**	**42,652**	**-**	**99,536**
Interest income	326	197	228	25	27,660	(26,804)	1,632	23	-	1,655
Interest expense	(4,383)	(6,460)	(10,383)	(6,487)	(32,787)	26,804	(33,696)	(3)	-	(33,699)
Segment result	**17,080**	**1,220**	**37,842**	**(11,774)**	**(19,548)**	**-**	**24,820**	**42,672**	**-**	**67,492**
Income tax (expense)/benefit							(4,581)	(4,761)	-	(9,342)
Profit/(loss) for the year							**20,239**	**37,911**	**-**	**58,150**
Segment assets	**692,760**	**187,665**	**492,617**	**90,976**	**630,698**	**(944,335)**	**1,150,381**	**-**	**-**	**1,150,381**
Segment liabilities	**68,936**	**93,864**	**219,958**	**3,294**	**875,256**	**(717,523)**	**543,785**	**-**	**-**	**543,785**
Other segment information										
Investments in joint ventures	-	-	69,764	-	-	-	69,764	-	-	69,764
Share of net profits from joint ventures	-	-	9,074	-	-	-	9,074	-	-	9,074
Acquisition of property, plant and equipment, intangibles and other non-current assets	3,801	1,535	6,817	133	3,868	-	16,154	111	-	16,265

1 SEGMENT INFORMATION (CONTINUED)

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

The segment information provided to the Board for the reportable segments for the year ended 30 June 2015 is as follows:

2015	DRILLING SERVICES AUSTRALIA $'000	EQUIPMENT SERVICES & SUPPLIES $'000	CONTRACT MINING SERVICES AFRICA $'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	238,421	130,054	281,366	69,991	-	-	719,832	45,941	-	765,773
Intersegment sales	8,398	19,470	169	380	-	(28,417)	-	10,328	(10,328)	-
Total sales revenue	**246,819**	**149,524**	**281,535**	**70,371**	**-**	**(28,417)**	**719,832**	**56,269**	**(10,328)**	**765,773**
Other revenue	341	104	275	84	27,286	(26,262)	1,828	39	-	1,867
Total segment revenue	247,160	149,628	281,810	70,455	27,286	(54,679)	721,660	56,308	(10,328)	767,640
Segment EBITDA	**36,549**	**6,213**	**73,503**	**7,223**	**(12,695)**	**-**	**110,793**	**3,901**	**-**	**114,694**
Depreciation expense	(24,465)	(10,367)	(32,195)	(6,156)	(314)	-	(73,497)	(3,560)	-	(77,057)
Amortisation expense	-	(101)	-	-	-	-	(101)	(305)	-	(406)
Impairment of intangible assets	-	-	-	-	-	-	-	(10,314)	-	(10,314)
Impairment of assets	(65,475)	(36,389)	(67,000)	(15,380)	-	-	(184,244)	(8,240)	-	(192,484)
Impairment of available-for-sale assets	-	-	-	-	-	-	-	-	-	-
Segment EBIT	**(53,391)**	**(40,644)**	**(25,692)**	**(14,313)**	**(13,009)**	**-**	**(147,049)**	**(18,518)**	**-**	**(165,567)**
Interest income	341	104	275	84	27,286	(26,262)	1,828	39	-	1,867
Interest expense	(6,189)	(7,592)	(10,811)	(5,480)	(33,149)	26,262	(36,959)	(26)	-	(36,985)
Segment result	**(59,239)**	**(48,132)**	**(36,228)**	**(19,709)**	**(18,872)**	**-**	**(182,180)**	**(18,505)**	**-**	**(200,685)**
Income tax (expense)/benefit							21,866	3,199		25,065
(Loss)/profit for the year							**(160,314)**	**(15,306)**		**(175,620)**
Segment assets	**637,390**	**204,546**	**491,299**	**99,094**	**568,644**	**(930,578)**	**1,070,395**	**60,786**	**(1,147)**	**1,130,034**
Segment liabilities	**81,973**	**99,490**	**234,538**	**112,630**	**838,821**	**(800,552)**	**566,900**	**40,815**	**(30,974)**	**576,741**
Other segment information										
Investments in joint ventures	-	-	67,599	-	-	-	67,599	-	-	67,599
Share of net profits from joint ventures	-	-	13,012	-	-	-	13,012	-	-	13,012
Acquisition of property, plant and equipment, intangibles and other non-current assets	5,781	7,567	14,120	293	6,904	-	34,665	340	-	35,005

1 SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

Segment revenue reconciles to total revenue from continuing operations as follows:

	16 $'000	15 $'000
Total segment revenue	**743,899**	719,832
Interest revenue	**1,632**	1,828
Total revenue from continuing operations (note 2)	**745,531**	721,660

2 REVENUE

	16 $'000	15 $'000
From continuing operations		
Sales revenue		
Sale of goods	**32,117**	33,509
Services	**711,782**	686,323
	743,899	719,832
Other revenue		
Interest - related parties	**-**	160
Interest - others	**1,632**	1,668
	1,632	1,828
	745,531	721,660

(a) Revenue recognition

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

(i) Contract services

Sales are recognised monthly on the basis of units of production at agreed contract rates.

(ii) Mining supplies and manufactured goods

Sales are recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer.

Other revenue

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

3 INDIVIDUALLY SIGNIFICANT 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.

	NOTES	16 $'000	15 $'000
(Gain) on sale of discontinued operation	13	**(34,709)**	-
Impairment of non-current assets Plant and equipment	3(a)	**-**	184,244
Total material items from continuing operations		**-**	184,244
Impairment of goodwill	3(a)	**-**	10,314
(Reversal) of Impairment / impairment of assets Plant and equipment - Drilling Tools Australia	13(a)	**(6,133)**	8,240
Total material items from discontinuing operations		**(6,133)**	8,240
Total		**(6,133)**	202,798

(a) Impairment of non-current assets

For the year ended 30 June 2016, 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 below its 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 CGU's. This was the case for the Ausdrill Northwest / Connector and Energy Drilling Australia CGU's. For these CGU's, 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 CGU's the recoverability of its assets is completed via a fair value less costs of disposal calculation (FVLCD); and

(c) for certain CGU's 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 where a fair value less costs of disposal has been adopted. In the instances where this has been adopted, the valuation technique and fair value hierarchy is noted below.

The recoverable amount of a CGU determined by a 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 two CGU's which had impairment triggers at 30 June 2016, a FVLCD methodology was adopted. For the year ended 30 June 2015 some CGU's were assessed by a FVLCD method and some were via the VIU method and this assessment resulted in impairment charges being booked in the prior period. Please see the table below for the information on which method was applied to each CGU and a comparison between 30 June 2016 and 30 June 2015.

3 INDIVIDUALLY SIGNIFICANT ITEMS (CONTINUED)

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

Summary of the impairment taken, and method used to assess the impairment

A summary of the Company's assessment of any indication of impairment, the valuation method used and impairment expense/(reversal) follows.

CGU	TRIGGER OF IMPAIRMENT 16	TRIGGER OF IMPAIRMENT 15	VALUATION METHOD USED 16	VALUATION METHOD USED 15	IMPAIRMENT EXPENSE/(REVERSAL) OF PPE 16	IMPAIRMENT EXPENSE/(REVERSAL) OF PPE 15	IMPAIRMENT OF GOODWILL / OTHER INTANGIBLE ASSETS 16	IMPAIRMENT OF GOODWILL / OTHER INTANGIBLE ASSETS 15
Kalgoorlie & Synegex CGU	**N**	Y	**-**	VIU	**-**	20,160	**-**	-
Ausdrill Northwest (ANW) CGU	**Y**	Y	**FVLCD**	VIU	**-**	43,000	**-**	-
BTP Equipment (BTPE) CGU	**N**	Y	**-**	VIU	**-**	36,389	**-**	-
Contract Mining Services Africa (CMSA) CGU	**N**	Y	**-**	VIU	**-**	67,000	**-**	-
MinAnalytical CGU	**N**	Y	**-**	FVLCD	**-**	1,584	**-**	-
Energy Drilling Australia (EDA) CGU	**Y**	Y	**FVLCD**	FVLCD	**-**	13,796	**-**	-
Ausdrill Underground Mining Services Australia (AUMSA) CGU	**-**	Y	**-**	FVLCD	**-**	869	**-**	-
Manufacturing CGU	**-**	Y	**-**	VIU	**(6,133)**	9,686	**-**	10,314
Total					**(6,133)**	192,484	**-**	10,314

Fair Value less Costs of Disposal for FY16

Energy Drilling Australia (EDA) CGU

This CGU is included in the Other operating segment. At 30 June 2016, this CGU had triggers of impairment. To determine the recoverable amount of this CGU the Company engaged an independent external valuer to undertake a fair market valuation. The market approach, a Level 2 input in the fair value hierarchy, was employed for this valuation as credible comparisons were on hand to support this approach. As a result, no impairment charge was made as the valuation supported the carrying value. During the prior year, this CGU exhibited triggers of impairment and the Company engaged an independent external valuer to undertake a market valuation (the same as that described above) resulting in this CGU being impaired. During the period 30 June 2015, an impairment charge to plant and equipment of $13,796,000 was made.

ANW CGU (previously ANW and Connector CGU)

This CGU is included in the DSA operating segment. At 30 June 2016, this CGU had triggers of impairment. To determine the recoverable amount of this CGU the Company engaged an independent external valuer to undertake a fair market valuation. The market approach, a Level 2 input in the fair value hierarchy, was employed for this valuation as credible comparisons were on hand to support this approach. As a result, no impairment charge was made as the valuation supported the carrying value. During the prior year, this CGU exhibited triggers of impairment and the Company engaged an independent external valuer to undertake a market valuation (the same as that described above) resulting in this CGU being impaired. During the period 30 June 2015, an impairment charge to plant and equipment of $43,000,000 was made.

3 INDIVIDUALLY SIGNIFICANT ITEMS (CONTINUED)

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

Discontinued operations

Manufacturing CGU

As at 30 June 2016, the operations comprising the Manufacturing CGU were discontinued. Please refer to note 13 for further information on the discontinued operations.

As a result of the sale of the Drilling Tools Australia Pty Ltd (DTA) business, the Company has reversed $6,133,000 of the previously taken impairment of property, plant and equipment. The total value realised for the business was $66,000,000 and as this was greater than the carrying value of DTA, the Company reversed a portion of the $8,200,000 previously taken impairment on DTA's property, plant and equipment.

For the year ended 30 June 2015, trading conditions were subdued due to lower demand from the mining industry for capital goods and demand for drilling consumables were impacted by the lower level of activity in the drill and blast segment. The Company reassessed the recoverable amount of this CGU's goodwill and other intangibles. This resulted in an impairment charge of $20,000,000 which was allocated as follows: $4,711,000 against customer contracts and other intangibles, $5,603,000 against goodwill and $9,686,000 against plant and equipment. The recoverable amount was $65,500,000.

Key assumptions used for value in use calculations in FY15

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.

4 OTHER INCOME AND EXPENSE ITEMS

This note provides a breakdown of the items included in "other income" and an analysis of expenses by nature.

(a) Other income

	16 $'000	15 $'000
Gain on sale of property, plant and equipment	**3,666**	394
Insurance proceeds	**1,370**	2,059
Management fee received from joint ventures	**888**	1,016
Gain on sale of available-for-sale financial assets	**2,044**	2,094
Other	**3,146**	3,786
	11,114	9,349

(b) Breakdown of expenses by nature

	16 $'000	15 $'000
Depreciation		
Buildings	**1,801**	1,523
Plant and equipment	**66,208**	71,974
Total depreciation	**68,009**	73,497
Amortisation		
Customer contracts	**-**	101
Finance costs		
Hire purchase interest	**379**	1,362
Interest paid	**30,489**	31,674
Debt restructuring cost	**-**	638
Amortised borrowing cost	**2,828**	3,285
Finance cost expensed	**33,696**	36,959
Rental expense relating to operating leases	**6,258**	5,807
Impairment losses - financial assets		
Trade receivables provisions	**919**	4,139
Impairment of other assets		
Plant and equipment	**-**	184,244
Available-for-sale assets	**1,485**	-
	1,485	184,244
Net foreign exchange losses	**14,550**	8,107

5 INCOME TAX EXPENSE/(BENEFIT)

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

(a) Income tax expense/(benefit)

	NOTES	16 $'000	15 $'000
Current tax		**8,083**	4,950
Deferred tax		**2,170**	(29,282)
Adjustments for current tax of prior periods		**(911)**	(733)
		9,342	(25,065)
Income tax expense/(benefit) is attributable to:			
Profit/(loss) from continuing operations		**4,581**	(21,866)
Profit/(loss) from discontinued operations		**4,761**	(3,199)
Aggregate income tax expense		**9,342**	(25,065)
Deferred income tax expense/(revenue) included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	7(c)(i)	**582**	(9,502)
Increase/(decrease) in deferred tax liabilities	7(c)(ii)	**1,588**	(19,780)
		2,170	(29,282)

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

	NOTES	16 $'000	15 $'000
Profit/(loss) from continuing operations before income tax expense		**24,820**	(182,180)
Profit/(loss) from discontinuing operations before income tax expense		**42,672**	(18,505)
		67,492	(200,685)
Tax at the Australian tax rate of 30% (2015 - 30%)		**20,248**	(60,206)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Goodwill impairment		**-**	2,356
Share of net (profit) of joint ventures		**(2,722)**	(3,903)
Share-based payments		**-**	136
Amortisation of intangibles		**-**	49
Other foreign permanent differences		**(3,737)**	(1,315)
Other non-deductible items		**(2,281)**	(470)
		11,508	(63,353)
Difference in overseas tax rates		**(429)**	8,195
(Over) provision in prior years		**(911)**	(733)
Current year tax losses not recognised		**10,678**	21,771
Deferred tax assets not recognised / now recognised		**(11,973)**	30,235
Effect of currency translation on tax base		**(2,155)**	(14,196)
Deferred tax recognised on undistributed profits for foreign subsidiaries and joint ventures		**2,624**	(6,984)
		(2,166)	38,288
Income tax expense/(benefit)		**9,342**	(25,065)

5 INCOME TAX EXPENSE/(BENEFIT) (CONTINUED)

	NOTES	16 $'000	15 $'000
(c) Amounts recognised directly in equity			
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
Deferred tax - credited directly to equity		**(402)**	(926)
(d) Unrecognised temporary differences			
(i) Temporary differences for which deferred tax assets have not been recognised:			
Unused tax losses for which no deferred tax asset has been recognised		**106,888**	78,334
Other temporary differences		**60,875**	100,784
		167,763	179,118
Unrecognised deferred tax assets relating to the above temporary differences		**50,329**	53,735
(ii) Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:			
Undistributed earnings		**95,164**	89,413
Unrecognised deferred tax liabilities relating to the above temporary differences		**7,417**	6,966

Ausdrill Limited has undistributed earnings of $95,164,000 (2015: $89,413,000) which, if paid out as dividends, would be unfranked and therefore subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from the subsidiary and is not expected to distribute these profits in the foreseeable future.

(e) 2016 effective tax rates for Australian and global operations in terms of the Board of Taxation's Voluntary Tax Transparency Code

(i) Australian operations

The effective tax rate for the year ended 30 June 2016 is 3% (30 June 2015: 6%). 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 in the current period, 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 30.5% (30 June 2015: 30.5%).

(ii) Global operations

The effective tax rate for the year ended 30 June 2016 is 13.6% (30 June 2015: 12.5%). This effective tax rate is lower than the Australian company tax rate due to the impact of functional currencies, items of income which are not assessable, capital gains and not recognising a portion of deferred tax assets. The effective tax rate excluding the impact of these items is 29.7% (30 June 2015: 31.1%).

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The Group holds the following financial instruments:

	NOTES	ASSETS AT FVTOCI $'000	FINANCIAL ASSETS AT AMORTISED COST $'000	TOTAL $'000
Financial assets				
2016				
Cash and cash equivalents	6(a)	**-**	**181,857**	**181,857**
Trade and other receivables*	6(b)	**-**	**162,206**	**162,206**
Available-for-sale financial assets				
* Excluding prepayments	6(c)	**5,641**	**-**	**5,641**
		5,641	**344,063**	**349,704**
2015				
Cash and cash equivalents	6(a)	-	77,865	77,865
Trade and other receivables*	6(b)	-	135,319	135,319
Available-for-sale financial assets				
* Excluding prepayments	6(c)	7,013	-	7,013
		7,013	213,184	220,197

	NOTES	LIABILITIES AT AMORTISED COST $'000	TOTAL $'000
Financial liabilities			
2016			
Trade and other payables	6(d)	**82,839**	**82,839**
Borrowings	6(e)	**398,540**	**398,540**
		481,379	**481,379**
2015			
Trade and other payables	6(d)	84,625	84,625
Borrowings	6(e)	433,789	433,789
		518,414	518,414

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

(a) Cash and cash equivalents

	16 $'000	15 $'000
Current assets		
Cash at bank and in hand	**181,857**	77,865

(i) Reconciliation to cash at the end of the year

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	16 $'000	15 $'000
Balance as above	**181,857**	77,865
Balances per consolidated statement of cash flows	**181,857**	77,865

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Trade and other receivables

	2016			2015		
	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Trade receivables	134,616	-	134,616	108,882	-	108,882
Provision for impairment of receivables (see note 11(b))	(14,726)	-	(14,726)	(14,364)	-	(14,364)
	119,890	-	119,890	94,518	-	94,518
Loans to key management personnel	-	-	-	150	-	150
Other receivables (ii)	42,316	-	42,316	38,042	2,609	40,651
Prepayments	7,604	-	7,604	9,074	-	9,074
	169,810	-	169,810	141,784	2,609	144,393

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

(i) *Classification as trade and other receivables*

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

(ii) *Other receivables*

This amount includes operating expense rebates, accrued revenue and an amount recoverable from a third party for damages sustained in a fire. This amount also includes the remaining outstanding amount payable by the Robit Plc Group of $19,800,000, in relation to the sale of Drilling Tools Australia which is due for settlement by no later than 31 December 2016.

(iii) *Foreign exchange and interest rate risk*

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 11.

(iv) *Fair value and credit risk*

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

(v) *Impairment and risk exposure*

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

(c) Available-for-sale financial assets

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

	16 $'000	15 $'000
Current assets		
Unlisted securities		
Convertible note	2,000	-
	2,000	-
Non-current assets		
Listed securities		
Equity securities	3,641	5,013
Unlisted securities		
Convertible note	-	2,000
	5,641	7,013

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

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

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

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

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

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

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

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

	16 $'000	15 $'000
Gains/(losses) recognised in other comprehensive income	**1,683**	(1,639)

(iv) Non-current assets pledged as security

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

(v) Fair value, impairment and risk exposure

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

On 1 August 2016, the Company agreed with Azumah Resources Limited to the redemption and settlement of its $2.0 million converting note through the payment by Azumah of $1.0 million cash and the issue of 22,727,273 shares at a price of $0.044 each.

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

(d) Trade and other payables

	16 $'000	15 $'000
Current liabilities		
Trade payables	**48,621**	46,412
Other creditors and accruals	**34,218**	38,213
	82,839	84,625

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

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

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(e) Borrowings

	2016			2015		
	CURRENT $'000	**NON-CURRENT $'000**	**TOTAL $'000**	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Secured						
Bank loans	-	-	-	14,255	25,141	39,396
Prepaid borrowing costs	-	-	-	-	(1,500)	(1,500)
Hire purchase liabilities	471	-	471	7,484	1,034	8,518
Total secured borrowings	471	-	471	21,739	24,675	46,414
Unsecured						
USD notes	-	402,253	402,253	-	390,676	390,676
Prepaid borrowing costs	-	(7,234)	(7,234)	-	(7,984)	(7,984)
Insurance premium funding	3,050	-	3,050	4,683	-	4,683
Total unsecured borrowings	3,050	395,019	398,069	4,683	382,692	387,375
Total borrowings	3,521	395,019	398,540	26,422	407,367	433,789

(i) Secured liabilities and assets pledged as security

At 30 June 2016, the Group had the following facilities that were not drawn at balance date:

	16 $'000	15 $'000
Total unutilised facilities - bank loans	123,909	99,581

Bank loans

On 15 December 2014, Ausdrill Limited refinanced its senior bank facilities, and secured a new dual currency $125,000,000 syndicated debt facility. The new debt facility, which matures in March 2018, is financed by a number of leading lending institutions in the Australian banking market. During the reporting period, a total of $25 million which was drawn under the syndicated facility was repaid. As at 30 June 2016, this facility remains largely undrawn.

In addition, bank loans include asset financing arrangements with a range of banks and financiers which were secured by the specific assets financed.

USD notes

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

Hire purchase and lease facilities

Hire purchase facilities are secured by the specific assets financed.

Covenants on financing facilities

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

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 B1 (Outlook Negative) from Moody's and a credit rating of B+ (Outlook Stable) from Standard & Poor's. Where a credit rating is reduced or placed on negative watch, customers and suppliers may be less willing to contract with the Group. Banks and other lending institutions may demand more stringent terms (including increased pricing) on debt facilities to reflect the higher credit risk profile.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(e) Borrowings (continued)

(ii) Hire purchase liabilities

	16 $'000	15 $'000
Within one year	481	7,752
Later than one year but not later than two years	-	1,060
Total minimum hire purchase commitments	481	8,812
Future finance charges	(10)	(294)
	471	8,518
Hire purchase liabilities:		
Current	471	7,484
Non-current	-	1,034
Total lease liabilities	471	8,518

(iii) Fair value

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

	2016			2015		
	CARRYING AMOUNT $'000	FAIR VALUE $'000	DISCOUNT RATE %	CARRYING AMOUNT $'000	FAIR VALUE $'000	DISCOUNT RATE %
On-balance sheet						
Non-traded financial liabilities						
USD notes	402,253	352,535	10.18	390,676	325,176	11.43

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

(iv) Risk exposures

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

(f) Recognised fair value measurements

(i) Fair value hierarchy

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

AT 30 JUNE 2016	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	1,543	-	-	1,543
GBP listed equity securities	2,098	-	-	2,098
Total financial assets	3,641	-	-	3,641
AT 30 JUNE 2015				
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	3,834	-	-	3,834
GBP listed equity securities	1,179	-	-	1,179
Total financial assets	5,013	-	-	5,013

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(f) Recognised fair value measurements (continued)

(i) Fair value hierarchy (continued)

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.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

7 NON-FINANCIAL ASSETS AND LIABILITIES

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

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

(a) Inventories

	16 $'000	15 $'000
Work in progress	**11,951**	16,380
Finished goods	**15,808**	28,883
Consumables and store items	**163,615**	181,606
	191,374	226,869

(i) Assigning costs to inventories

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

(ii) Amounts recognised in profit or loss

Write-downs of inventories to net realisable value amounted to $2,043,588 (2015: nil). These were recognised as an expense during the year ended 30 June 2016 and included in material expense in the consolidated statement of profit or loss.

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Property, plant and equipment

	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	PLANT AND EQUIPMENT UNDER FINANCE $'000	TOTAL $'000
Non-current				
At 1 July 2014				
Cost or fair value	53,279	1,015,883	230,588	1,299,750
Accumulated depreciation	(2,593)	(455,258)	(64,737)	(522,588)
Net book amount	50,686	560,625	165,851	777,162
Year ended 30 June 2015				
Opening net book amount	50,686	560,625	165,851	777,162
Exchange differences	2,172	14,606	19,347	36,125
Revaluation of land and buildings	6,911	-	-	6,911
Additions	196	23,778	4,520	28,494
Transfers to inventory	-	(14,060)	-	(14,060)
Depreciation charge	(1,523)	(60,734)	(14,800)	(77,057)
Impairment loss	-	(167,747)	(24,737)	(192,484)
Disposals	-	(3,692)	(1,680)	(5,372)
Transfers between classes and group members	1,034	57,162	(58,196)	-
Closing net book amount	59,476	409,938	90,305	559,719
At 30 June 2015				
Cost or fair value	59,476	1,064,073	201,667	1,325,216
Accumulated depreciation	-	(654,135)	(111,362)	(765,497)
Net book amount	59,476	409,938	90,305	559,719
Year ended 30 June 2016				
Opening net book amount	**59,476**	**409,938**	**90,305**	**559,719**
Exchange differences	**554**	**6,671**	**19**	**7,244**
Revaluation of land and buildings	**(930)**	**-**	**-**	**(930)**
Disposal of subsidiary	**-**	**(14,094)**	**-**	**(14,094)**
Impairment reversal on disposal of subsidiary	**-**	**4,645**	**1,488**	**6,133**
Additions	**121**	**11,375**	**920**	**12,416**
Transfers to inventory	**-**	**(2,468)**	**-**	**(2,468)**
Depreciation charge	**(1,801)**	**(57,275)**	**(11,434)**	**(70,510)**
Disposals	**-**	**(7,174)**	**(504)**	**(7,678)**
Transfers between classes and group members	**-**	**78,537**	**(78,537)**	**-**
Closing net book amount	**57,420**	**430,155**	**2,257**	**489,832**
At 30 June 2016				
Cost	**59,221**	**1,145,675**	**4,725**	**1,209,621**
Accumulated depreciation	**(1,801)**	**(715,520)**	**(2,468)**	**(719,789)**
Net book amount	**57,420**	**430,155**	**2,257**	**489,832**

(i) Non-current assets pledged as security

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

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Property, plant and equipment (continued)

(ii) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	16 $'000	15 $'000
Buildings		
Cost	**43,755**	43,639
Accumulated depreciation	**(12,464)**	(10,286)
Net book amount	**31,291**	33,353

(iii) Revaluation, depreciation methods and useful lives

Land is not depreciated. Depreciation on major plant and equipment and components is calculated on machine hours worked over their estimated useful life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 5 - 25 years
- Plant and equipment 2 - 10 years

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

(iv) Impairment loss

Refer to note 3 for details.

(v) Significant estimates - valuations of land and buildings

Information about the valuation of land and buildings is provided in note 7(e) below.

Since 30 June 2016, the Group entered into a sale agreement to sell its Miners Rest Motel business for $2.5 million which is expected to be completed in September 2016 and remains subject to due diligence. 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 has been brought to account as at 30 June 2016.

(c) Deferred tax balances

(i) Deferred tax assets

	16 $'000	15 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	**10,988**	11,072
Foreign tax credits	**110**	110
Accruals	**811**	1,312
Provision for obsolete stock	**2,327**	-
Doubtful debts	**4,696**	4,524
Depreciation	**10,995**	14,911
	29,927	31,929
Other		
Borrowing and business expenses	**337**	627
Unrealised foreign exchange	**2,203**	1,235
Current year tax losses recognised	**1,088**	-
Available-for-sale financial assets	**449**	508
	4,077	2,370
Total deferred tax assets	**34,004**	34,299

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax balances (continued)

(i) Deferred tax assets (continued)

	NOTES	16 $'000	15 $'000
Adjustment of deferred tax liabilities pursuant to set-off provisions	7(c)(ii)	**3,296**	6,733
Net deferred tax assets		**37,300**	41,032
Deferred tax assets expected to be recovered within 12 months		**24,159**	20,982
Deferred tax assets expected to be recovered after more than 12 months		**9,845**	13,317
		34,004	34,299

	EMPLOYEE BENEFITS $'000	DEPRECIATION $'000	ACCRUALS $'000	DOUBTFUL DEBTS $'000	OTHER $'000	TOTAL $'000
At 1 July 2014	9,358	-	3,408	4,437	7,278	**24,481**
(Charged)/credited to profit or loss	1,714	14,911	(2,096)	87	(5,114)	**9,502**
(Charged)/credited directly to equity	-	-	-	-	316	**316**
At 30 June 2015	11,072	14,911	1,312	4,524	2,480	**34,299**
(Charged)/credited to profit or loss	**(84)**	**(3,916)**	**(501)**	**172**	**3,747**	**(582)**
(Charged)/credited directly to equity	**-**	**-**	**-**	**-**	**287**	**287**
At 30 June 2016	**10,988**	**10,995**	**811**	**4,696**	**6,514**	**34,004**

Significant estimates

The deferred tax assets include an amount of $1,088,000 which relates to carried forward tax losses of African Mining Services Mali SARL. The subsidiary, which is not part of the Australian tax consolidated group, has incurred the losses over the last two financial years. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2017 onwards. The losses can be carried forward indefinitely and have no expiry date.

(ii) Deferred tax liabilities

	NOTES	16 $'000	15 $'000
The balance comprises temporary differences attributable to:			
Foreign entities distributable profits		**9,743**	7,119
Inventories		**2,117**	3,248
Revaluation of land and buildings		**7,884**	7,195
		19,744	17,562
Other			
Receivables		**426**	325
Prepayments		**118**	124
		544	449
Total deferred tax liabilities		**20,288**	18,011
Adjustment of deferred tax liabilities pursuant to set-off provisions	7(c)(i)	**3,296**	6,733
Net deferred tax liabilities		**23,584**	24,744
Deferred tax liabilities expected to be settled within 12 months		**2,661**	3,697
Deferred tax liabilities expected to be settled after more than 12 months		**17,627**	14,314
		20,288	18,011

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax balances (continued)

(ii) Deferred tax liabilities (continued)

	FOREIGN ENTITIES DISTRIBUTABLE PROFITS $'000	INVENTORIES $'000	REVALUATION OF LAND & BUILDINGS $'000	DEPRECIATION $'000	OTHER $'000	TOTAL $'000
At 1 July 2014	13,646	2,168	5,779	9,078	5,878	**36,549**
Charged/(credited) - profit or loss	(6,527)	1,080	174	(9,078)	(5,429)	**(19,780)**
Charged/(credited) - directly to equity	-	-	1,242	-	-	**1,242**
At 30 June 2015	7,119	3,248	7,195	-	449	**18,011**
Charged/(credited) - profit or loss	**2,624**	**(1,131)**	**-**	**-**	**95**	**1,588**
Charged/(credited) - directly to equity	**-**	**-**	**689**	**-**	**-**	**689**
At 30 June 2016	**9,743**	**2,117**	**7,884**	**-**	**544**	**20,288**

(d) Employee benefit obligations

	2016 CURRENT $'000	NON-CURRENT $'000	TOTAL $'000	2015 CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Leave obligations	**33,814**	**1,101**	**34,915**	30,502	1,189	31,691

The leave obligations cover the Group's liability for long service leave and annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the current provision of $33,814,000 (2015: $30,502,000) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

(e) Recognised fair value measurements

(i) Fair value hierarchy

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

AT 30 JUNE 2016	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Assets				
Land and buildings				
Office buildings	**-**	**-**	**8,048**	**8,048**
Industrial sites	**-**	**-**	**49,372**	**49,372**
Total non-financial assets	**-**	**-**	**57,420**	**57,420**
AT 30 JUNE 2015				
Assets				
Land and buildings				
Office buildings	-	-	9,383	9,383
Industrial sites	-	-	50,093	50,093
Total non-financial assets	-	-	59,476	59,476

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

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Recognised fair value measurements (continued)

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

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

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

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

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

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

The following table presents the changes in level 3 items for the periods ended 30 June 2016 and 30 June 2015 for recurring fair value measurements:

	OFFICE BUILDINGS $'000	INDUSTRIAL SITES $'000	TOTAL $'000
Opening balance 1 July 2014	5,130	45,556	50,686
Acquisitions	20	176	196
Depreciation and impairment	(400)	(1,123)	(1,523)
Revaluation	3,495	3,416	6,911
Transfer in	-	1,034	1,034
Gains recognised in other comprehensive income	1,138	1,034	2,172
Closing balance 30 June 2015	9,383	50,093	59,476
Acquisitions	**93**	**28**	**121**
Depreciation and impairment	**(892)**	**(909)**	**(1,801)**
Revaluation	**-**	**(930)**	**(930)**
Gains recognised in other comprehensive income	**(536)**	**1,090**	**554**
Closing balance 30 June 2016	**8,048**	**49,372**	**57,420**

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Recognised fair value measurements (continued)

(iv) Valuation inputs and relationships to fair value

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

DESCRIPTION	FAIR VALUE AT 30 JUNE 2016 $'000	FAIR VALUE AT 30 JUNE 2015 $'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS*	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE) 2016	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE) 2015	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Industrial Sites -Australia	**39,624**	41,415	Income capitalisation	Capitalisation rate	**7.75-17.5% (8.99%)**	7.75-17.5% (8.99%)	The higher the capitalisation rate, the lower the fair value
				Market rental value per (m^2)	**$35-81 per m^2 ($53)**	$33-81 per m^2 ($53)	The higher the market rate, the higher the fair value
Industrial Sites -Ghana	**8,603**	8,678	Direct comparison m^2	Selection of industrial sites with similar approximate utility	**$37-1,158 per m^2 ($339)**	$37-1,158 per m^2 ($339)	The higher the rate per square metre, the higher the fair value
Office Sites -Ghana	**9,194**	9,383	Direct comparison m^2	Selection of industrial sites with similar approximate utility	**$2,256 per m^2 ($2,256)**	$2,256 per m^2 ($2,256)	The higher the rate per square metre , the higher the fair value

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

(v) Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings every three years. As at 30 June 2015, the fair values of the industrial sites properties have been determined by members of the Australian Property Institute, and the Ghana Institute of Surveyors.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Industrial sites - discount rates, terminal yields, expected vacancy rates and values per square metre are estimated by members of the Australian Property Institute, and the Ghana Institute of Surveyors based on comparable transactions and industry data.
- Historical cost for recently completed buildings

A fair value reduction of $0.9 million was made to the carrying value of the land and building following the entering into of a sale agreement for the sale of the Miners Rest Motel business.

8 EQUITY

(a) Contributed equity

	16 SHARES	15 SHARES	16 $'000	15 $'000
Fully paid ordinary shares	**312,277,224**	312,277,224	**526,447**	526,447

(ii) 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.

(iii) 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, if any, be paid in cash.

(iv) Options

Information relating to the Ausdrill Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 19.

(b) Other reserves

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

	NOTES	REVALUATION SURPLUS $'000	AVAILABLE-FOR-SALE FINANCIAL ASSETS $'000	SHARE-BASED PAYMENTS $'000	TRANSACTIONS WITH NCI $'000	FOREIGN CURRENCY TRANSLATION $'000	TOTAL $'000
Balance at 1 July 2014		15,298	(38)	5,330	(2,664)	(15,221)	2,705
Revaluation - gross	7(b), 6(c)	6,911	(1,639)	-	-	-	5,272
Deferred tax	7(c)	(1,395)	492	-	-	-	(903)
Currency translation differences		466	-	-	-	(19,176)	(18,710)
Other comprehensive income		**5,982**	**(1,147)**	**-**	**-**	**(19,176)**	**(14,341)**
Transactions with owners in their capacity as owners							
Share-based payment expense	19	-	-	455	-	-	455
At 30 June 2015		**21,280**	**(1,185)**	**5,785**	**(2,664)**	**(34,397)**	**(11,181)**
Balance at 1 July 2015		21,280	(1,185)	5,785	(2,664)	(34,397)	(11,181)
Revaluation - gross	7(b), 6(c)	(923)	1,683	-	-	-	760
Deferred tax	7(c)	(418)	(505)	-	-	-	(923)
Currency translation differences		-	-	-	-	(4,868)	(4,868)
Other comprehensive income		**(1,341)**	**1,178**	**-**	**-**	**(4,868)**	**(5,031)**
Transactions with owners in their capacity as owners							
Share-based payment expense	19	-	-	184	-	-	184
At 30 June 2016		**19,939**	**(7)**	**5,969**	**(2,664)**	**(39,265)**	**(16,028)**

8 EQUITY (CONTINUED)

(b) Other reserves (continued)

(i) Nature and purpose of other reserves

Revaluation surplus - property, plant and equipment

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

Available-for-sale financial assets

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

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees that are expensed in the statement of comprehensive income each year.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

The Group's share of exchange differences arising on translation of foreign joint ventures are recognised in other comprehensive income and are accumulated in this reserve.

Transactions with non-controlling interests (NCI)

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

(c) Retained earnings

Movements in retained profits were as follows:

	NOTES	16 $'000	15 $'000
Balance 1 July		**38,027**	223,016
Net profit/(loss) for the year		**58,150**	(175,620)
Dividends	12(b)	**-**	(9,369)
Balance 30 June		**96,177**	38,027

9 CASH FLOW INFORMATION

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

	16 $'000	15 $'000
Profit/(loss) for the year	58,150	(175,620)
Depreciation and amortisation expense	70,510	77,463
Impairment of goodwill and other intangibles	-	10,314
Impairment (reversal)/charge of property, plant and equipment	(6,133)	192,484
Impairment of available-for-sale assets	1,485	-
(Gain) on sale of non-current assets	(3,740)	(550)
Net (gain) on sale of businesses	(35,344)	-
(Gain) on sale of available-for-sale financial assets	(2,044)	(2,094)
Net exchange differences	(5,015)	(2,102)
Bad debts and provision for doubtful debts	919	4,139
Share of (profits) of joint ventures	(9,074)	(13,012)
Non-cash employee benefits expense - shared based payments	184	455
Interest receivable	-	(160)
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	(21,373)	18,603
Decrease in inventories	13,509	15,832
Decrease/(increase) in deferred tax assets	3,645	(14,325)
Decrease in other operating assets	4,414	2,111
Increase in trade creditors	20,500	7,356
Increase in provision for income taxes payable	3,545	16,086
(Decrease) in deferred tax liabilities	(4,281)	(19,685)
Increase in other provisions	1,149	641
Net cash inflow from operating activities	91,006	117,936

(b) Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance leases or hire purchases	-	-
Issue of shares under company dividend reinvestment plan	-	-
	-	-

RISK

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

10 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Significant estimates and judgements

- Recognition of revenue - note 2
- Impairment of available-for-sale financial assets - note 6(c)
- Estimated fair value of certain available-for-sale financial assets - note 6(c)
- Estimation of fair values of land and buildings - note 7(b)
- Estimation of useful life of property, plant and equipment - note 7(b)
- Recognition of deferred tax asset for carried forward tax losses - note 7(c)
- Consolidation decisions and classification of joint arrangements - note 14

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(b) Critical judgements in applying accounting policies

There have been no critical judgements used in preparing the Group's financial statements for the year ended 30 June 2016.

11 FINANCIAL RISK MANAGEMENT

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

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

The Group's key management personnel report to the Audit and Risk Committee and Board regularly on the progress and objectives of the risks and the associated corporate governance policy objectives.

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

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

The Group hedges large capital expenditure items acquired in foreign currency. There are no hedges currently in place.

In respect of other monetary assets and liabilities held in currencies other than the AUD, the Group ensures that the net exposure is kept to an acceptable level by matching foreign denominated financial assets with matching financial liabilities and vice versa.

(i) Foreign exchange risk

Exposure

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

	30 JUNE 2016									
	USD $'000	**GHS $'000**	**GBP $'000**	**EUR $'000**	**TZS $'000**	**ZMW $'000**	**ZAR $'000**	**CAD $'000**	**CFA $'000**	**PGK $'000**
Cash	**2,611**	**982**	**-**	**13,242**	**396**	**5**	**-**	**-**	**-**	**-**
Trade receivables	**30,081**	**-**	**-**	**21,408**	**-**	**-**	**1,232**	**-**	**-**	**-**
Available-for-sale financial assets	**-**	**-**	**2,103**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Trade payables	**(34,144)**	**(4,580)**	**(25)**	**(2,926)**	**-**	**-**	**-**	**-**	**(3,553)**	**-**
Borrowings	**(21,453)**	**-**	**-**	**(19,696)**	**-**	**-**	**-**	**-**	**-**	**-**

	30 JUNE 2015									
	USD $'000	GHS $'000	GBP $'000	EUR $'000	TZS $'000	ZMW $'000	ZAR $'000	CAD $'000	CFA $'000	PGK $'000
Cash	2,597	517	1	11,952	2	13	-	-	-	-
Trade receivables	27,202	-	-	35,996	-	24	1,699	65	-	-
Available-for-sale financial assets	-	-	1,523	-	-	-	-	-	-	-
Trade payables	(57,269)	(3,327)	-	(1,425)	(4)	-	(43)	(1)	(1,408)	(33)
Borrowings	(49,442)	-	-	(35,125)	-	-	-	-	(33)	-

Amounts recognised in profit or loss and other comprehensive income

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

	16 **$'000**	15 $'000
Amounts recognised in profit or loss		
Net foreign exchange (loss)/gain included in other income/other expenses	**(14,550)**	(8,107)
Total net foreign exchange (losses)/gains recognised in profit or loss before income tax for the period	**(14,550)**	(8,107)
Net gain/(loss) recognised in other comprehensive income (note 8(b))		
Translation of foreign currency denominated operations	**(4,868)**	(19,176)

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Foreign exchange risk (continued)*

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

	PROFIT OR (LOSS) A$'000
30 June 2016	
USD	**1,912**
GHS	**323**
GBP	**(189)**
EUR	**(131)**
TZS	**(72)**
ZMW	**(1)**
ZAR	**(113)**
CAD	**-**
CFA	**323**
PGK	**-**
	2,052
30 June 2015	
USD	3,139
GHS	255
GBP	(139)
EUR	(2,696)
TZS	-
ZMW	1,320
ZAR	(168)
CAD	(6)
CFA	131
PGK	3
	1,839

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. The Group's exposure to other foreign exchange movements is not material.

(ii) *Cash flow and fair value interest rate risk*

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

The Group's main interest rate risks arise from cash, cash equivalents and long-term borrowings. Cash, cash equivalents and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2016 and 2015, the Group's borrowings subject to variable interest rates were denominated in Australian Dollars.

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

As at the end of the reporting period, the Group had no variable interest rate borrowings.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Price risk

Exposure

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

The majority of the Group's equity securities are publicly traded on the Australian Securities Exchange Index and the London Stock Exchange Index.

Sensitivity analysis

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

	IMPACT ON OTHER COMPONENTS OF EQUITY	
	16	15
	$'000	$'000
Available-for-sale assets - increase 10%	395	491
Available-for-sale assets - decrease 10%	(255)	(351)

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

Amounts recognised in profit or loss and other comprehensive income

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

(b) Credit risk

(i) Risk management

Credit risk is managed on a Group basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. Credit risk also arises from cash and cash equivalents. The Group limits its exposure to credit risk from cash and cash equivalents by only investing in counterparties that have an acceptable credit rating.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Credit quality

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

	16 $'000	15 $'000
(AUD)		
Australia	**81,244**	56,468
Africa	**80,340**	78,230
Asia	**583**	528
Europe	**39**	93
	162,206	135,319
Trade receivables		
Counterparties with external credit rating (Moody's)		
A1	**-**	7,029
A2	**4**	992
A3	**6,794**	777
Ba1	**3,332**	1,543
Ba2	**-**	1,067
Ba3	**968**	-
Baa1	**71**	-
Baa2	**3,702**	4,638
Baa3	**8,954**	15,422
Caa1	**-**	2
	23,825	31,470
*Counterparties without external credit rating **		
Group 1	**598**	16,051
Group 2	**137,783**	87,798
Group 3	**-**	-
	138,381	103,849
Total trade receivables	**162,206**	135,319
The Group's maximum exposure to credit risk for cash at bank and short term deposits was:		
Cash at bank and short-term bank deposits		
(AUD)		
AA	**88**	104
AA-	**150,156**	52,846
A+	**327**	-
A	**42**	481
BBB+	**2,407**	-
BBB	**-**	1,024
B	**28,828**	23,410
Other	**9**	-
	181,857	77,865

* Group 1 - new customers (less than 6 months)
Group 2 - existing customers (more than 6 months) with no defaults in the past
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Impaired trade receivables

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

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

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

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

As at 30 June 2016, current trade receivables of the Group with a nominal value of $15,083,005 (2015: $15,371,597) were impaired. The amount of the provision for impaired receivables was $14,725,982 (2015: $14,364,212). The Group expects that a portion of the receivables is to be recovered.

The aging of these receivables is as follows:

	16 $'000	15 $'000
3 to 6 months	**34**	692
Over 6 months	**15,049**	14,680
	15,083	15,372
Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:		
At 1 July	**14,364**	15,434
Provision for impairment recognised during the year	**919**	4,139
Receivables written off during the year as uncollectable	**(521)**	(5,609)
Unused amounts reversed (including currency impact)	**(36)**	400
At 30 June	**14,726**	14,364

The creation and release of the provision for impaired receivables has been included in other expenses in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(iv) Past due but not impaired

As at 30 June 2016, trade receivables of $26,133,183 (2015: $26,768,084) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	16 $'000	15 $'000
Up to 2 months	**25,266**	22,106
Over 2 months	**867**	4,662
	26,133	26,768

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

(i) Financing arrangements

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

	16 $'000	15 $'000
Floating rate		
- Bank loans	**123,909**	99,581
	123,909	99,581

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES GROUP - AT 30 JUNE 2016	LESS THAN 6 MONTHS $'000	6 - 12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT LIABILITIES $'000
Trade payables	**82,839**	-	-	-	-	**82,839**	**82,839**
Variable rate	-	-	-	-	-	-	-
Fixed rate	**16,835**	**14,382**	**27,655**	**443,735**	-	**502,607**	**398,540**
Total	**99,674**	**14,382**	**27,655**	**443,735**	-	**585,446**	**481,379**
GROUP - AT 30 JUNE 2015							
Trade payables	84,625	-	-	-	-	84,625	84,625
Variable rate	628	621	1,245	25,935	-	28,429	25,000
Fixed rate	35,030	18,770	28,051	457,823	-	539,674	408,789
Total	120,283	19,391	29,296	483,758	-	652,728	518,414

Details about the financial guarantee contracts are provided in note 24. The amounts disclosed in the table are the maximum amounts allocated to the earliest period in which the guarantee could be called. The parent entity does not expect these payments to eventuate.

12 CAPITAL MANAGEMENT

(a) Risk management

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

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

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

The gearing ratios at 30 June 2016 and 30 June 2015 were as follows:

	16 $'000	15 $'000
Total borrowings	**398,540**	433,789
Less: cash and cash equivalents	**(181,857)**	(77,865)
Net debt	**216,683**	355,924
Total equity	**606,596**	553,293
Total capital	**823,279**	909,217
Gearing ratio	**26%**	39%

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

(b) Dividends

(i) Ordinary shares

	16 $'000	15 $'000
No final ordinary dividend for the year ended 30 June 2015 (2014: 2.0 cents) per fully paid share	**-**	6,246
No interim ordinary dividend for the year ended 30 June 2016 (2015: 1.0 cent) per fully paid share	**-**	3,123
Total dividends provided for or paid	**-**	9,369
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2016 and 2015 were as follows:		
Paid in cash	**-**	9,369
Satisfied by issue of shares	**-**	-
	-	9,369

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

The directors have recommended not to pay a final dividend.

(iii) Franked dividends

	16 $'000	15 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2015 - 30%)	**39,290**	41,967

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

GROUP STRUCTURE

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

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

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

13 DISCONTINUED OPERATIONS

(a) Drilling Tools Australia Pty Ltd

(i) Description

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 and is reported in the current period as a discontinued operation. The Group entered into a two and half year preferred supply arrangement as a condition of the sale. 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 are for the twelve months ended 30 June 2016 and 30 June 2015.

	16 $'000	15 $'000
Revenue	20,342	23,928
Expenses	(11,883)	(21,450)
Profit before income tax	8,459	2,478
Income tax (expense) / benefit	(3,668)	(102)
Profit after income tax of discontinued operation	4,791	2,376
Reversal of impairment / (impairment) of PPE	6,133	(8,240)
Income tax (expense on reversal of impairment) / benefit on impairment	(1,840)	2,471
Impairment loss on write down to fair value	(1,179)	-
Gain / (loss) on sale of the subsidiary after income tax	33,227	-
Profit from discontinued operation	41,132	(3,393)
Other comprehensive income from discontinued operation	-	-
Net cash inflow from operating activities	14,376	7,965
Net cash inflow from investing activities	109	641
Net cash (outflow) from financing activities	(150)	(461)
Net increase/(decrease) in cash generated by the subsidiary	14,335	8,145

(iii) Details of the sale of the subsidiary

	16 $'000
Consideration received or receivable:	
Cash*	66,000
Carrying amount of net assets sold	(32,773)
Gain on sale before income tax and reclassification of foreign currency translation reserve	33,227
Income tax expense on gain	(9,968)
Capital losses applied	4,402
Tax losses applied	5,566
Gain on sale after income tax	33,227

* An amount of $19,800,000 remains outstanding and is due for settlement no later than 31 December 2016.

13 DISCONTINUED OPERATIONS (CONTINUED)

(a) Drilling Tools Australia Pty Ltd (continued)

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

The carrying amounts of assets and liabilities as at the date of sale, 30 June 2016, were:

	16 $'000
Property, plant and equipment	13,042
Trade receivables	2,512
Inventories	20,611
Total assets	36,165
Trade creditors	(2,571)
Employee benefits obligations	(821)
Total liabilities	(3,392)
Net assets	32,773

(b) DT HiLoad Australia Pty Ltd

(i) Description

On 8 January 2016, the Company announced that it was exiting its DT HiLoad (DTHL) truck tray manufacturing business with effect from 31 March 2016, and that it was in negotiations with a number of parties. On 17 March 2016, the Company announced it had completed the sale of the business to Schlam Engineering (Schlam) which included the sale of all brands, patents and material fixed assets. Certain steel inventories will be sold to Schlam under a consignment arrangement. Residual inventories and non-critical business assets were disposed of by way of auction or sale to third parties prior to 30 June 2016. DTHL is reported in the current period as a discontinued operation. 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 are for the twelve months ended 30 June 2016 and 30 June 2015.

	16 $'000	15 $'000
Revenue	5,763	22,052
Expenses	(9,769)	(24,481)
(Loss) before income tax	(4,006)	(2,429)
Income tax benefit/(expense)	1,382	830
(Loss) after income tax of discontinued operation	(2,624)	(1,599)
Impairment of goodwill	-	(10,314)
Impairment loss on write down to fair value	(2,079)	-
Gains on sale of the subsidiary after income tax	1,482	-
(Loss) from discontinued operation	(3,221)	(11,913)
Other comprehensive income from discontinued operation	-	-
Net cash (outflow) from operating activities	(2,117)	620
Net cash (outflow) from investing activities	(6)	(314)
Net (decrease)/increase in cash generated by the subsidiary	(2,123)	306

13 DISCONTINUED OPERATIONS (CONTINUED)

(b) DT HiLoad Australia Pty Ltd (continued)

(iii) Details of the sale of the subsidiary

	16 $'000
Consideration received or receivable:	
Cash	3,169
Carrying amount of net assets sold	(1,052)
Gain on sale before income tax and reclassification of foreign currency translation reserve	2,117
Income tax expense on gain	(635)
Gain on sale after income tax	1,482

The carrying amounts of assets and liabilities as at the date of sale, 30 June 2016, were:

	16 $'000
Property, plant and equipment	1,052
Total assets	1,052

14 INTERESTS IN OTHER ENTITIES

(a) Material subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 25(b):

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING ** 16 %	15 %
African Mining Services Burkina Faso Sarl	Burkina Faso	Ordinary	**100**	100
African Mining Services (Ghana) Pty Ltd	Australia	Ordinary	**100**	100
African Mining Services Mali Sarl	Mali	Ordinary	**100**	100
African Mining Services Guinea Sarl	Guinea	Ordinary	**100**	100
Ausdrill (Ghana) Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill International & Management Services Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill International Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Northwest Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Properties Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Tanzania Limited	Tanzania	Ordinary	**100**	100
Ausdrill Utilities Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Underground Mining Services Pty Ltd*	Australia	Ordinary	**100**	100
Brandrill Limited (1)	Australia	Ordinary	**-**	100
BTP Equipment Pty Ltd	Australia	Ordinary	**100**	100
BTP Parts Pty Ltd	Australia	Ordinary	**100**	100
Connector Drilling Pty Ltd	Australia	Ordinary	**100**	100
Diamond Communications Pty Ltd	Australia	Ordinary	**100**	100
Drill Rigs Australia Pty Ltd	Australia	Ordinary	**100**	100
Drilling Tools Australia Pty Ltd	Australia	Ordinary	**-**	100
ACN 103534087 Pty Ltd	Australia	Ordinary	**100**	100
Energy Drilling Australia Pty Ltd	Australia	Ordinary	**100**	100
Golden Plains Pty Ltd	Australia	Ordinary	**100**	100
Logistics Direct Australia Pty Ltd	Australia	Ordinary	**100**	100
Logistics Direct Pty Ltd	Ghana	Ordinary	**100**	100
MinAnalytical Holdings Pty Ltd	Australia	Ordinary	**100**	100
MinAnalytical Laboratory Services Pty Ltd	Australia	Ordinary	**100**	100
Mining Technology and Supplies Ltd	Ghana	Ordinary	**100**	100
Remet Engineers Pty Ltd (1)	Australia	Ordinary	**-**	100
Supply Direct Pty Ltd	Australia	Ordinary	**100**	100
Supply Direct South Africa Pty Ltd	Australia	Ordinary	**100**	100
Synegex Holdings Pty Ltd	Australia	Ordinary	**100**	100
West African Mining Services Ltd	Ghana	Ordinary	**100**	100
AMCG	Ghana	Ordinary	**100**	100

(1) Deregistered by ASIC 1 February 2016.

* Ausdrill Underground Mining Services Pty Ltd was formerly Ausminco Mining & Equipment Supplies Pty Ltd.

** All controlled entities are directly controlled by Ausdrill Limited with the exception of:

African Mining Services Mali Sarl, African Mining Services (Ghana) Pty Ltd, West African Mining Services Limited and Ausdrill Tanzania Limited which are 100% owned by Ausdrill International Pty Ltd.

African Mining Services Burkina Faso Sarl and African Mining Services Guinea Sarl are 100% owned by African Mining Services (Ghana) Pty Ltd.

Mining Technology and Supplies Limited which is 100% owned by West African Mining Services Limited.

Supply Direct Pty Ltd which is 100% owned by Golden Plains Pty Ltd.

Supply Direct South Africa Pty Ltd, Logistics Direct Australia Pty Ltd and Logistics Direct Limited are 100% owned by Supply Direct Pty Ltd.

ACN 103534087 Pty Ltd (formerly known as DT HiLoad Australia Pty Ltd) is 100% owned by Ausdrill Limited.

14 INTERESTS IN OTHER ENTITIES (CONTINUED)

(a) Material subsidiaries (continued)

MinAnalytical Laboratory Services Pty Ltd is 100% owned by MinAnalytical Holdings Pty Ltd.

Ausdrill Limited carries on business in Australia.

African Mining Services (Ghana) Pty Ltd, Ausdrill (Ghana) Pty Ltd, West African Mining Services Limited, Mining Technology and Supplies Limited and Logistics Direct Limited carry or carried on business in Ghana.

Ausdrill Tanzania Limited carries on business in Tanzania. Ausdrill Utilities Pty Ltd has a branch which carries on business in Zambia.

African Mining Services Mali Sarl carries on business in Mali.

African Mining Services Burkina Faso Sarl carries on business in Burkina Faso.

African Mining Services Guinea Sarl carries on business in Guinea.

Supply Direct South Africa Pty Ltd carries on business in South Africa. Supply Direct Pty Ltd has a branch which carries on business in the United Kingdom.

Steps have been taken for the voluntary liquidation of West African Mining Services Limited and Mining Technology and Supplies Ltd.

(b) Interests in joint ventures

Set out below are the joint ventures of the Group as at 30 June 2016 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

NAME OF ENTITY	PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	% OF OWNERSHIP INTEREST		NATURE OF RELATIONSHIP	MEASUREMENT METHOD	CARRYING AMOUNT	
		16	15			16	15
		%	%			$'000	$'000
African Underground Mining Services	Ghana, Mali, Burkina Faso and Tanzania	**50**	50	Joint ventures	Equity method	**69,764**	67,599

African Underground Mining Services is not a consolidated entity of Ausdrill Limited because Ausdrill Limited is not able to govern the activities of this entity so as to obtain benefits from it.

14 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Interests in joint ventures (continued)

(i) Summarised financial information for joint ventures

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

	AFRICAN UNDERGROUND MINING SERVICES	
	16	15
SUMMARISED BALANCE SHEET	$'000	$'000
Current assets		
Cash and other cash equivalents	11,656	41,050
Other current assets	94,680	106,474
Total current assets	106,336	147,524
Non-current assets	61,604	39,226
Current liabilities		
Financial liabilities (excluding trade payables)	112	462
Other current liabilities	26,994	54,716
Total current liabilities	27,106	55,178
Non-current liabilities	1,306	(3,626)
Net assets	139,528	135,198
Reconciliation to carrying amounts:		
Opening net assets 1 July	135,198	135,184
Profit for the year	18,148	26,024
Other comprehensive income	3,920	13,168
Investment in joint venture	6	-
Dividends paid	(17,744)	(39,178)
Closing net assets at 30 June	139,528	135,198
Group share in %	50.0%	50.0%
Group share in $	69,764	67,599
Carrying amount	69,764	67,599

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME	16	15
Revenue	153,264	220,200
Interest income	2,150	1,892
Depreciation and amortisation expense	(16,184)	(25,914)
Interest expense	(2,122)	(1,816)
Income tax expense	(18,324)	(6,674)
Profit from continuing operations	18,148	26,024
Profit for the year	18,148	26,024
Other comprehensive income	3,920	13,168
Total comprehensive income	22,068	39,192

UNRECOGNISED ITEMS

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

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

(a) Unrecognised tax amounts – see note 5

(b) Non-cash investing and financing transactions – see note 9(b).

15 CONTINGENCIES

(a) Contingent liabilities

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

For information about guarantees given by entities within the Group, including the parent entity, please refer to note 24.

(b) Contingent assets

The Group has lodged claims in relation to two matters which at the date of this report are unresolved with one being subject to litigation and the other to mediation. The directors are confident that favourable outcomes will be achieved. However, the contingent assets have not been recognised as receivables at 30 June 2016 as receipt of these amounts are dependent on the outcome of the arbitration process and the litigation.

16 COMMITMENTS

(a) Capital commitments

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

	16 $'000	15 $'000
Property, plant and equipment		
Payable:		
Within one year	**172**	743

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

(b) Non-cancellable operating leases

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

	16 $'000	15 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**5,671**	7,920
Later than one year but not later than five years	**2,067**	6,617
Later than five years	**20**	36
	7,758	14,573

17 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Since 30 June 2016, the Group entered into a sale agreement to sell its Miners Rest Motel business for $2.5 million which is expected to be completed in September 2016 and remains subject to due diligence. 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 has been brought to account as at 30 June 2016. See note 7(b). The Group entered into a one year accommodation arrangement as a condition of the sale.

On 1 August 2016, the Company agreed with Azumah Resources Limited to the redemption and settlement of its $2.0 million converting note through the payment by Azumah of $1.0 million cash and the issue of 22,727,273 shares at a price of $0.044 each.

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.

OTHER INFORMATION

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

18 RELATED PARTY TRANSACTIONS

(a) Parent entities

The ultimate parent entity of the Group is Ausdrill Limited.

(b) Subsidiaries

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

(c) Key management personnel compensation

	16 $	15 $
Short-term employee benefits	**3,743,359**	3,025,576
Post-employment benefits	**225,557**	194,152
Long-term benefits	**12,552**	33,089
Share-based payments	**69,591**	78,254
	4,051,059	3,331,071

Detailed remuneration disclosures are provided in the remuneration report on pages 27 to 36

(d) Transactions with other related parties

The following transactions occurred with related parties:

	16 $	15 $
Sales of goods and services		
Associates	**12,263,943**	10,190,149
Entities controlled by key management personnel	**1,811,102**	2,338,041
Interest received / receivable		
Associates	**-**	159,517
Management fee received / receivable		
Associates	**887,791**	1,015,743
Purchase of goods		
Rental office buildings	**358,032**	358,032

(i) Purchases from entities controlled by key management personnel

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

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

18 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Outstanding balances arising from sales / purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	16 $'000	15 $'000
Current receivables (sales of goods and services)		
Joint ventures	**1,592,531**	4,758,825
Entities controlled by key management personnel	**571,708**	416,500

(f) Loans to/from related parties

	16 $'000	15 $'000
Loans to joint ventures		
Balance at 1 July	**-**	6,682,932
Loans repaid	**-**	(6,682,932)
Interest charged	**-**	159,517
Interest received	**-**	(159,517)
Balance at 30 June	**-**	-
Loans to key management personnel		
Beginning of the year	**150,000**	-
Loans advanced	**-**	150,000
Loans repayments made	**(150,000)**	-
Interest charged	**3,955**	-
Interest received	**(3,955)**	-
End of period	**-**	150,000

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. The average interest rate on loans to joint ventures during the year was nil (2015: 5.29%).

The loans to key management personnel are repayable in full within 6 months and are unsecured. Interest is payable at the rate of 8% per annum.

19 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The Employee Option Plan is designed to provide long-term incentives for senior managers (excluding executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on Ausdrill Limited's total return to shareholders (TSR), including share price growth, dividends and capital returns, ranking with a peer group of selected companies that are listed on the ASX over a period of time. Once vested, the options remain exercisable for a period of 5 years from their issue date. Options are granted under the plan for nil consideration.

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

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

	16		15	
	AVERAGE EXERCISE PRICE PER SHARE OPTION	**NUMBER OF OPTIONS**	AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS
As at 1 July	**$1.80**	**11,000,000**	$1.99	12,600,000
Granted during the year	**$0.25**	**11,600,000**	-	-
Exercised during the year	**-**	**-**	-	-
Forfeited during the year	**$1.70**	**(6,499,985)**	$3.27	(1,600,000)
As at 30 June	**$0.85**	**16,100,015**	$1.80	11,000,000
Vested and exercisable at closing balance	**$3.68**	**200,000**	$3.01	733,333

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

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	SHARE OPTIONS 30 JUNE 2016	SHARE OPTIONS 30 JUNE 2015
29/11/2010	29/11/2015	$2.20	**-**	100,000
29/11/2010	29/11/2015	$2.30	**-**	100,000
29/11/2010	29/11/2015	$2.40	**-**	100,000
03/02/2011	03/02/2016	$3.20	**-**	66,666
03/02/2011	03/02/2016	$3.35	**-**	66,667
03/02/2011	03/02/2016	$3.50	**-**	66,667
09/03/2011	09/03/2016	$3.55	**-**	33,333
09/03/2011	09/03/2016	$3.70	**-**	33,333
09/03/2011	09/03/2016	$3.85	**-**	33,334
21/07/2011	21/07/2016	$3.55	**66,666**	66,666
21/07/2011	21/07/2016	$3.65	**66,667**	66,667
21/07/2011	21/07/2016	$3.85	**66,667**	66,667
07/10/2013	07/10/2018	$1.70	**-**	3,399,980
07/10/2013	07/10/2018	$1.70	**2,399,985**	3,399,980
07/10/2013	07/10/2018	$1.70	**2,400,030**	3,400,040
23/12/2015	23/12/2020	$0.25	**3,699,979**	-
23/12/2015	23/12/2020	$0.25	**3,699,979**	-
23/12/2015	23/12/2020	$0.25	**3,700,042**	-
			16,100,015	11,000,000
Weighted average remaining contractual life of options outstanding at end of period			**3.77 years**	3.08 years

19 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Option Plan (continued)

(i) Fair value of options granted

There were 11,600,000 options granted during the year ended 30 June 2016 (2015: nil).

The assessed fair value at grant date of options granted during the year ended 30 June 2016 was 6.73 cents per option. The fair value at grant date is independently determined using a Monte Carlo simulation valuation model that incorporates the probability of the relative TSR vesting condition.

(a) Options are granted for a five year period for no consideration and vest based on Ausdrill's TSR rating with a peer group of selected companies as follows:

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

(b) exercise price: $0.25

(c) grant date: 23 December 2015

(d) expiry date: 23 December 2020

(e) share price at grant date: $0.23

(f) expected price volatility of the Company's shares: 60%

(g) expected dividend yield: 4.3%

(h) risk-free interest rate: 2.0%

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

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

(b) Expenses arising from share-based payment transactions

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

	16 $'000	15 $'000
Options issued under employee option plan	184	455

20 REMUNERATION OF AUDITORS

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

(a) PricewaterhouseCoopers Australia

	16 $	15 $
(i) Audit and other assurance services		
Audit and review of financial statements	**561,748**	771,802
Total remuneration for audit and other assurance services	**561,748**	771,802
(ii) Taxation services		
Tax compliance services	**227,071**	260,307
(iii) Other services		
Advisory and accounting consulting services	**86,967**	-
Total remuneration of PricewaterhouseCoopers Australia	**875,786**	1,032,109
(b) Network firms of PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and other assurance services	**291,230**	181,254
(ii) Taxation services		
Tax compliance services	**176,102**	164,317
(iii) Other services		
Advisory and accounting consulting services	**21,410**	38,877
Total remuneration of network firms of PricewaterhouseCoopers Australia	**488,742**	384,448
(c) Non PricewaterhouseCoopers audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	**21,029**	67,748
Total remuneration for audit and other assurance services	**21,029**	67,748
Total auditors' remuneration	**1,385,557**	1,484,305

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

21 EARNINGS PER SHARE

(a) Basic earnings/(loss) per share

	16 CENTS	15 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	6.5	(51.3)
From discontinued operations	12.1	(4.9)
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	18.6	(56.2)

(b) Diluted earnings/(loss) per share

	CENTS	CENTS
From continuing operations attributable to the ordinary equity holders of the Company	6.3	(51.3)
From discontinued operations	11.9	(4.9)
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	18.2	(56.2)

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

	$'000	$'000
Basic and diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	20,239	(160,314)
From discontinued operations	37,911	(15,306)
	58,150	(175,620)

(d) Weighted average number of shares used as denominator

	NUMBER	NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	312,277,224	312,277,224
Adjustments for calculation of diluted earnings per share:		
Effect of share options on issue	7,117,396	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	319,394,620	312,277,224

(e) Information on the classification of securities

(i) Options

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

22 ASSETS PLEDGED AS SECURITY

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

	16 $'000	15 $'000
Current		
Floating charge		
Cash and cash equivalents	155,693	56,566
Receivables	78,461	70,359
Inventory	111,660	149,260
Total current assets pledged as security	345,814	276,185
Non-current		
Hire purchase / finance lease		
Plant and equipment	2,257	35,612
Secured bank loans		
Plant and equipment	-	54,692
Floating charge		
Plant and equipment	273,216	285,194
Freehold land and buildings	39,624	41,415
Investment	75,405	74,612
	388,245	401,221
Total non-current assets pledged as security	390,502	491,525
Total assets pledged as security	736,316	767,710

The consolidated entity's hire purchase/finance lease liabilities are secured by the hire purchase/leased assets and in the event of default, these revert to the lessor.

23 DEED OF CROSS GUARANTEE

Ausdrill Limited and the entities noted below are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and a directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The closed group consists of Ausdrill Limited and the following entities:

African Mining Services (Ghana) Pty Ltd;

Ausdrill International Pty Ltd;

Ausdrill Finance Pty Ltd;

Ausdrill Limited;

Ausdrill Northwest Pty Ltd;

Ausdrill Properties Pty Ltd;

Ausdrill Utilities Pty Ltd;

Ausdrill Underground Mining Services Pty Ltd;

BTP Parts Pty Ltd;

BTP Equipment Pty Ltd;

Connector Drilling Pty Ltd;

Diamond Communications Pty Ltd;

Drill Rigs Australia Pty Ltd;

ACN 103534087 Pty Ltd;

Energy Drilling Australia Pty Ltd;

Golden Plains Pty Ltd;

Supply Direct Pty Ltd; and

Synegex Holdings Pty Ltd.

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

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

On 30 June 2016, Ausdrill Limited sold all of the issued capital in Drilling Tools Australia Pty Ltd to Robit Australia Holdings Pty Ltd. Drilling Tools Australia Pty Ltd was the subject of a notice of disposal contemplated by the deed of cross guarantee. The notice of disposal was lodged with the Australian Securities and Investment Commission on 30 June 2016.

Set out over page is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the closed group.

23 DEED OF CROSS GUARANTEE (CONTINUED)

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

	16 $'000	15 $'000
Consolidated income statement		
Revenue from continuing operations	553,365	624,365
Other income	78,342	5,906
Materials	(246,157)	(272,173)
Labour	(172,691)	(206,842)
Rental and hire	(13,122)	(10,331)
Depreciation and amortisation expense	(52,589)	(61,354)
Management fees	(2,819)	(5,793)
Finance costs	(33,534)	(36,148)
Other expenses from ordinary activities	(55,012)	(42,997)
Share of net profits of joint ventures accounted for using the equity method	9,074	13,012
Impairment of goodwill and other intangible assets	-	(10,314)
Impairment of property, plant and equipment	-	(153,268)
Impairment of available-for-sale assets	(1,485)	-
Profit/(loss) before income tax	63,372	(155,937)
Income tax (expense)/benefit	(2,833)	14,858
Profit/(loss) for the year	60,539	(141,079)
Consolidated statement of comprehensive income		
Other comprehensive income		
Profit/(loss) for the year	60,539	(141,079)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	132,367	(18,573)
Items that will not be reclassified to profit or loss		
(Loss)/gain on revaluation of land and buildings	(1,341)	5,982
Gain/(loss) on revaluation of available-for-sale assets	1,178	(1,147)
Other comprehensive income/(loss) for the year, net of tax	132,204	(13,738)
Total comprehensive income/(loss) for the year	192,743	(154,817)
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	15,412	183,351
Profit/(loss) for the year	60,539	(141,079)
Dividends provided for or paid	-	(9,369)
Retained earnings at the end of the financial year	75,951	32,903

23 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2016 of the closed group.

	16 $'000	15 $'000
Current assets		
Cash and cash equivalents	**155,313**	58,866
Trade and other receivables	**139,460**	99,175
Inventories	**144,155**	182,066
Available-for-sale financial assets	**2,000**	-
Current tax assets	**6,918**	232
Total current assets	**447,846**	340,339
Non-current assets		
Receivables	**126,499**	140,517
Investments accounted for using the equity method	**102,067**	102,110
Available-for-sale financial assets	**3,641**	7,013
Property, plant and equipment	**401,006**	464,146
Deferred tax assets	**76,541**	33,327
Total non-current assets	**709,754**	747,113
Total assets	**1,157,600**	1,087,452
Current liabilities		
Trade and other payables	**77,548**	63,901
Borrowings	**470**	18,277
Current tax liabilities	**5,725**	66
Employee benefit obligations	**22,614**	25,159
Total current liabilities	**106,357**	107,403
Non-current liabilities		
Borrowings	**395,018**	407,762
Deferred tax liabilities	**66,582**	21,176
Employee benefit obligations	**808**	1,064
Total non-current liabilities	**462,408**	430,002
Total liabilities	**568,765**	537,405
Net assets	**588,835**	550,047
Equity		
Contributed equity	**403,910**	526,447
Reserves	**108,974**	(9,303)
Retained earnings	**75,951**	32,903
Total equity	**588,835**	550,047

24 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	16 $'000	15 $'000
Balance sheet		
Current assets	**78,882**	52,032
Non-current assets	**532,366**	453,133
Total assets	**611,248**	505,165
Current liabilities	**24,821**	26,831
Non-current liabilities	**7,060**	23,671
Total liabilities	**31,881**	50,502
Shareholders' equity		
Issued capital	**526,447**	526,447
Reserves		
Asset revaluation reserve	**704**	704
Share-based payments reserve	**5,969**	5,785
Pre-2015 reserve	**104,904**	104,904
Accumulated losses - 2015 reserve	**(183,177)**	-
Retained earnings	**124,520**	(183,177)
Total equity	**579,367**	454,663
Profit/(loss) for the period	**124,520**	(183,177)
Total comprehensive income	**124,520**	(183,037)

(b) Guarantees entered into by the parent entity

The parent entity has given unsecured guarantees in respect of:

(i) leased and hire purchased equipment of subsidiaries amounting to $65,632 (2015: $3,983,809)

(ii) funding of subsidiaries for acquisition of plant and equipment amounting to $nil (2015: $14,395,328)

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

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015. For information about guarantees given by the parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2016, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling $nil (30 June 2015: $237,785). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

(e) Pre-2015 Reserve

Each reserve of the parent entity has the same nature and purpose as described fro the consolidated Group (in note 8(b)).
In addition the parent entity on 30 June 2016 and 30 June 2015 established separate reserves for the purpose of paying future dividends. The reserves are referred to as the “Pre-2015 reserve” and the “Accumulated losses – 2015 reserve. On the date of establishment the “Pre-2015 reserve” had an amount of $114,273,000 transferred to it from retained earnings and the “Accumulated losses – 2015 reserve” had an amount of ($183,177,000) transferred to it from retained earnings.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

The Group has adopted all new and amended Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2015, including:

- AASB 2014-1 *Amendments to Australian Accounting Standards* (including Part A: *Annual Improvements 2010-2012 and 2011-2013 Cycles*)
- AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*.

The adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Group.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not been early adopted by the Group.

- AASB 9 '*Financial Instruments*' introduces changes in three areas:
  - Financial assets will be categorised according to a cash flow and business model test. The outcome of these tests will drive the measurement of financial assets at either amortised cost, fair value through profit or loss or fair value through other comprehensive income;
  - Impairment of financial assets will be based on an expected loss rather than incurred loss model; and
  - Simplifications to hedge accounting.

  AASB 9 is not mandatory until 1 July 2018 for the Group.
- AASB 15 '*Revenue from Contracts with Customers*' introduces a single model for the recognition of revenue based on when control of goods and services transfers to a customer. It does not apply to financial instruments. AASB 15 is not mandatory until 1 July 2018 for the Group.
- AASB 16 '*Leases*' amends the accounting for leases. Lessees will be required to bring all leases on balance sheet as the distinction between operating and finance leases has been eliminated. Lessor accounting remains largely unchanged. AASB 16 is not mandatory until 1 July 2019 for the Group.

The potential financial impacts of the above to the Group have not yet been determined. The Group does not intend to early adopt these standards.

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

(iv) Historical cost convention

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

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

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

(i) Subsidiaries

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

The acquisition method of accounting is used to account for all business combinations by the Group (refer to note 25(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Joint arrangements

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

Joint ventures

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

(iii) Equity method

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

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Ausdrill Limited.

(iv) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group has directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at end of the reporting period
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- all resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amount in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Ausdrill Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set-off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances and similar tax incentives

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

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 7(b)). Finance leases are capitalised at lease inception at the fair value of the leased property, plant and equipment or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other current and non-current payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 6(e)). Payments made under operating leases (net of any incentives received from the lessor) are charged to income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

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

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.
The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting period.

(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. See note 6(b) for further information about the Group's accounting for trade receivables and note 11(b) for a description of the Group's impairment policies.

(l) Inventories

(i) Consumables and store items, work in progress and finished goods

Consumables and store items, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

The Group classifies its investments in the following categories:

- loans and receivables
- available-for-sale financial assets

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 6 for details about each type of financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after statement of financial position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 6(b)).

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Financial assets - recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 6(f).

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investments and other financial assets (continued)

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 11(b).

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

(n) Property, plant and equipment

The Group's accounting policy for land and buildings is explained in note 7(b). All other plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to income statement.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 25(i)).

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

(o) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 25(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Intangible assets (continued)

(i) Goodwill (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 1).

(ii) Research and development

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

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

(iii) Designs and drawings

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

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income and other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(s) Provisions

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

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

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

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

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

The fair value of options granted under the Ausdrill Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity.

The fair value at grant date is independently determined using a Black-Scholes or Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(v) Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred. Significant costs incurred in overhauling plant and equipment are capitalised and depreciated over the remaining useful life of the asset or the component in accordance with note 25(n).

(w) Dividends

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

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(z) Rounding of amounts

The Company is of a kind referred to in 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.

(aa) Parent entity financial information

The financial information for the parent entity, Ausdrill Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Ausdrill Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation legislation

Ausdrill Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Ausdrill Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Ausdrill Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Ausdrill Limited for any current tax payable assumed and are compensated by Ausdrill Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ausdrill Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of those guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 40 to 111 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial 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 identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23.

Note 25(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Ronald George Sayers
Managing Director

Perth
24 August 2016

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Independent auditor's report

To the members of Ausdrill Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Ausdrill Limited (the Company) and its subsidiaries (together the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's financial report comprises:

- the consolidated statement of financial position as at 30 June 2016;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

Overview

Materiality

- For the purpose of our audit we used overall group materiality of $960,000, which represents 5% of the three year average of Group profit before tax from continuing operations, adjusted for impairment

Audit scope

- We (PwC Australia), PwC Cote d'Ivoire and PwC Ghana conducted audit work over the most significant operations in the eight countries in which the Group operates

Key audit matters

- Assessment of impairment for non-current assets
- Assessment of recoverability of deferred tax assets in Australia
- Inventory existence
- Sale of non-core assets

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the financial report as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial report as a whole.

Overall group materiality	We determined overall group materiality to be $960,000. We applied this threshold in: • planning and performing the audit • evaluating the effect of: – identified misstatements on the audit, and – uncorrected misstatements, if any, on the financial report • forming our opinion in the auditor's report
How we determined it	This represents 5% of average Group profit before tax from continuing operations over the last three years, adjusted for impairment
Rationale for the materiality benchmark applied	We chose the benchmark because, in our view, profit before tax from continuing operations is the metric against which the performance of the Group is most commonly measured. Due to fluctuations in profit and loss from year to year, we chose a three year average. We also adjusted for impairment and discontinued operations as they are unusual or infrequently occurring items impacting profit and loss. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial report. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, the Group's accounting processes and controls, and the industry in which the Group operates.

The Group has three main operating segments being Drilling Services Australia, Contract Mining Services Africa and Equipment Services and Supplies and has an All Other and Corporate Finance Segment based in Perth.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the group engagement team, and by component auditors from other PwC network firms in Africa operating under our instruction. We structured our audit as follows:

- We performed audit procedures on the financial information of the Ausdrill Limited, Energy Drilling Australia, Drilling Tools Australia, Ausdrill Northwest, BTP Parts and BTP Equipment businesses because these were financially significant
- PwC Cote d'Ivoire performed audits over AMS Mali, AMS Burkina Faso, AMS Guinee and the joint ventures with Barminco Limited for AUMS Burkina Faso and AUMS Mali
- PwC Ghana performed an audit over AMS Ghana
- We performed further audit procedures at a Group level, including auditing the consolidation of the Group's reporting units and the preparation of the financial report.

For the work performed by PwC Cote d'Ivoire and PwC Ghana, we determined the level of involvement we needed to have in the audit work at those locations to be satisfied that sufficient audit evidence had been obtained as a basis for our opinion on the Group financial report as a whole. This included active dialogue throughout the year through discussions and written instructions and reporting.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. We have communicated the key audit matters to the Audit & Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the committee. In the table below we have described the key audit matters we identified and have included a summary of the principal audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment for non-current assets	
Refer to note 3 of the financial report. At 30 June 2016 the Group held $489.8 million of property, plant and equipment. Due to varying levels of profitability during the year, the Group considered whether there were any indicators of impairment for each of its seven cash generating units (CGUs). Where a CGU was performing below its forecast cash flows and had high underutilisation of property, plant and equipment, the Group considered that there was an impairment indicator and performed an impairment assessment. Indicators of possible impairment were identified in the Ausdrill Northwest and Energy Drilling Australia CGUs. Following the identification of possible impairment of assets, the Group engaged an independent valuer to undertake a valuation in relation to these assets. The valuations supported the carrying values of the assets. The Group concluded no impairment charge was required in these two CGUs. As the other five CGUs had incurred a significant impairment charge in the previous financial year, the Group assessed whether any reversal of the prior period impairment charge was necessary for 2016 and concluded it was not. We focused on this matter because of the significant judgement involved in considering if there was an impairment indicator and estimating the value of assets and the potentially material impact on the financial report.	We compared the previous year's cash flow forecasts and estimated utilisation rates for 2016 with the actual results achieved in 2016 for all CGUs. We found that actual 2016 performance was consistent with the forecast cash flow performance and utilisation rates except for the Ausdrill Northwest and Energy Drilling Australia CGUs meaning: • the Ausdrill Northwest and Energy Drilling Australia CGUs had indicators of impairment and further audit testing was required • there were no CGUs which significantly exceeded forecasts so no further audit testing was required in respect of potential reversals of impairment For Ausdrill Northwest and Energy Drilling Australia, we: • examined the independent valuation reports obtained by the Group to determine if the valuations supported asset carrying values • assessed the competency of the valuer which included considering their experience and qualifications in assessing similar types of assets • agreed the listings of all assets included in the valuations to the underlying assets included in the CGUs to test completeness of the valuations • utilised PwC valuation experts to review the methodologies adopted in the valuations obtained. No inconsistencies with Australian Accounting standard requirements were identified

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets in Australia *Refer to note 5 of the financial report.* The Group had $37.3 million of deferred tax assets recognised at 30 June 2016. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. We focussed on this matter because of the impact on the financial report and because significant judgement is required to assess whether there will be sufficient future taxable profits to utilise the recognised deferred tax assets.	We assessed the Group's ability to utilise the deferred tax assets by: • obtaining calculations of forecast taxable income for the next five years and agreeing these to the latest Board approved budget and forecast • comparing the latest Board approved budget to historical performance to assess the consistency and accuracy of the Group's approach to budgeting as compared to prior periods • challenging management's key assumptions in the cashflow budget and forecasts • evaluating whether the cashflows had been appropriately adjusted for the differences between accounting profits, as presented in the approved Board budget and forecast, to taxable profits. PwC Tax experts assisted in undertaking this evaluation • recalculating deferred tax asset balances which comprise a combination of timing differences between tax and accounting values and tax losses • assessing whether deferred tax assets had been appropriately recognised in the financial report as at 30 June 2016 based on the extent to which they can be recovered by future taxable profits No adjustments to deferred tax assets were identified from these procedures.
Inventory existence *Refer to note 7(a) of the financial report.* The Group recognised inventory of $191.4 million at 30 June 2016. Inventory is held by 28 entities across the Group in various countries including Australia, Ghana, Mali, Tanzania, Burkina Faso, Guinea, South Africa and the United Kingdom. Within each country, inventory is stored in warehouses, sheds, containers, yards, attached to drill rigs and at mine sites, often situated in very remote locations due to the nature of the mining services industry.	We and the PwC network component auditors attended inventory counts at locations, selected based on financial significance and risk. Where locations were not attended we tested certain controls over inventory existence across the Group. For locations attended in Australia, Ghana, Mali, Burkino Faso and Guinee we performed the following procedures at each site: • selected a sample of inventory items and compared the quantities we counted to the quantities recorded

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Key audit matter	How our audit addressed the key audit matter
We focussed on this matter because of the: • significance of the inventory balance to the profit and statement of financial position • complexity involved in determining inventory quantities on hand due to the number, location and diversity of inventory storage locations	• observed a sample of management's inventory count procedures to assess compliance with Group policy • made enquiries regarding obsolete inventory items and looked at the condition of items counted There were no significant exceptions noted from these procedures. We tested a sample of inventory items to assess whether they were recorded at a value higher than that for which they could be sold. We did not identify any exceptions.
Sale of non-core assets *Refer to note 13 of the financial report.* During the year the Group sold two businesses, Drilling Tools Australia and DT Hi Load, for total proceeds of $66 million and $3.2 million, respectively. The Group was required to calculate the gain on disposal, which was complex due to the detailed terms in the sales agreements. The disclosure of these transactions in the financial report was also complex as the Group needed to separate its assets, liabilities and operations into continuing and discontinued business operations which has a significant and pervasive impact on the financial results and report of the Group. We focussed on this matter because of the importance to readers of the financial report of the allocation between continued and discontinued operations and the material impact of the gain on disposal on the financial report.	To assess whether the sale transactions for both businesses had been appropriately accounted for we: • read the sale agreements for Drilling Tools Australia and DT Hi-Load and found that the sale transactions had been recorded and disclosed in accordance with the terms of the respective sale agreements • recalculated the carrying value of the assets and liabilities as identified in the sales agreements to test that these were accurately separated from the continuing business • reperformed the calculations of the gain on disposal by comparing the consideration received to the carrying value of the identified assets and liabilities, noting no significant differences • agreed the consideration received from the sales to the respective contracts and, where already received, to bank records • tested that the carrying values of previously impaired property, plant and equipment had been appropriately reversed prior to calculating the gain on disposal as in accordance with Australian Accounting Standards • examined the discontinued operations disclosures included in the financial report and found them to be compliant with the requirements of the Australian Accounting Standards

Other information

The directors are responsible for the other information. The other information comprises the Operating and financial review Report and Director's Report and other information included in the Group's annual report for the year ended 30 June 2016 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the Remuneration Report included in pages 27 to 36 of the directors' report for the year ended 30 June 2016.

In our opinion, the Remuneration Report of Ausdrill Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Justin Carroll
Partner

Perth
24 August 2016

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding as at 31 July 2016:

HOLDING	ORDINARY SHARES NUMBER OF HOLDERS	ORDINARY SHARES SHARES
1 - 1,000	2,564	936,644
1,001 - 5,000	2,677	7,172,513
5,001 - 10,000	1,226	9,541,462
10,001 - 100,000	1,690	47,725,761
100,001 and over	191	246,900,844
	8,348	312,277,224

There were 1,638 holders of less than a marketable parcel of 500 ordinary shares.

B. EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities as at 31 July 2016 are listed below:

NAME	ORDINARY SHARES NUMBER HELD	ORDINARY SHARES PERCENTAGE OF ISSUED SHARES
1. HSBC Custody Nominees (Australia) Limited	39,420,351	12.62%
2. Cherry Garden Nominees Pty Ltd	36,301,664	11.62%
3. Citicorp Nominees Pty Ltd	33,757,577	10.81%
4. JP Morgan Nominees Australia Limited	18,878,825	6.05%
5. Bremerton Pty Ltd <The Bartlett Family Fund A/C>	18,372,661	5.88%
6. National Nominees Limited	14,122,193	4.52%
7. ABN AMRO Clearing Sydney Nominees Pty Ltd	3,943,720	1.26%
8. HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	3,506,646	1.12%
9. Brazil Farming Pty Ltd	3,500,000	1.12%
10. CTS Funds Pty Ltd <Civic Super Fund>	3,139,665	1.01%
11. BNP Paribas Noms Pty Ltd	3,050,685	0.98%
12. Mr Frederick G Moir & Mr Kevin V Benson <Moir Super Fund No 4>	3,000,018	0.96%
13. Mr Brian Gregory & Mrs Wendy Joy Wright <BG Wright Super Fund>	2,584,380	0.83%
14. Mrs Patricia Gladys Wright	2,466,233	0.79%
15. Royale Blue Pty Ltd	2,267,000	0.73%
16. HSBC Custody Nominees (Australia) Limited A/C 3	2,260,906	0.72%
17. Mr Peter M Bartlett & Mrs Julie L Bartlett <Bremerton P/L S/Fund>	1,552,793	0.50%
18. Yolena Pty Ltd <B & N Murphy Family A/C>	1,354,800	0.43%
19. Mrs PG Wright & Mr MG Wright & Mr JG Wright <PG Wright Super Fund A/C>	1,221,500	0.39%
20. Fulton Securities Pty Ltd <Stephen Fulton Super A/C>	1,200,000	0.38%
Total held by the twenty largest shareholders	**195,901,617**	**62.72%**

C. SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below as at 31 July 2016:

NAME	ORDINARY SHARES NUMBER HELD	ORDINARY SHARES PERCENTAGE
1. Cherry Garden Nominees Pty Ltd / Ronald George Sayers	37,296,782	11.94%
2. FMR LLC	26,144,340	8.37%
3. Bremerton Group / PM & JL Bartlett	20,552,855	6.58%

D. VOTING RIGHTS

Every member present at a meeting of the Company in person or by proxy shall have one vote and upon a poll each share shall have one vote.

FINANCIAL TABLE

		12	13	14	15	16
REVENUE						
Sales revenue (from continuing operations)	$'000	1,059,107	1,128,559	826,305	719,832	**743,899**
Interest received	$'000	3,134	2,724	1,555	1,828	**1,632**
Total	$'000	1,062,241	1,131,283	827,860	721,660	**745,531**
PROFIT/(LOSS)						
EBITDA*	$'000	288,436	272,746	173,656	110,793	**126,378**
Depreciation and amortisation expense	$'000	116,144	123,695	99,177	73,598	**68,009**
EBIT*	$'000	172,292	149,051	74,479	37,195	**58,369**
Net interest expense	$'000	19,805	39,548	40,049	35,131	**32,064**
Operating profit before income tax*	$'000	152,487	109,503	34,430	2,064	**26,305**
Impairment expense	$'000	-	(47)	(77,893)	(184,244)	**(1,485)**
Profit / (loss) before income tax	$'000	152,487	109,456	(43,463)	(182,180)	**24,820**
Income tax expense / (benefit)	$'000	40,280	19,057	396	(21,866)	**4,581**
Profit / (loss) from discontinued operations	$'000	-	-	-	(15,306)	**37,911**
Profit / (loss) for the year	$'000	112,207	90,399	(43,859)	(175,620)	**58,150**
Number of ordinary shares at year end	000's	304,397	312,277	312,277	312,277	**312,277**
Weighted number of ordinary shares	000's	302,935	308,173	312,277	312,277	**312,277**
Basic earnings / (loss) per share	CENTS	37.3	29.6	(13.6)	(56.2)	**18.6**
Diluted earnings / (loss) per share	CENTS	37.0	29.0	(13.6)	(56.2)	**18.2**
STATEMENT OF FINANCIAL POSITION						
Total assets	$'000	1,342,615	1,539,396	1,367,736	1,130,034	**1,150,381**
Total liabilities	$'000	601,854	722,010	615,568	576,741	**543,785**
Shareholders' equity	$'000	740,761	817,386	752,168	553,293	**606,596**
Net tangible assets per share	DOLLAR	2.33	2.39	2.37	1.77	**1.94**
CASH FLOWS						
Gross cash flows from operating activities	$'000	205,407	263,966	192,371	138,486	**123,158**
Net cash flows from operating activities	$'000	156,784	187,290	142,117	117,936	**91,006**
Net cash flows from investing activities	$'000	(195,640)	(330,281)	(56,223)	(738)	**60,853**
Net cash flows from financing activities	$'000	23,551	93,328	(101,209)	(104,693)	**(47,772)**
Closing cash balance	$'000	124,188	78,826	62,695	77,865	**181,857**
Gross debt	$'000	363,941	537,456	453,311	433,789	**398,540**
Net debt	$'000	239,753	458,630	390,616	355,924	**216,683**
DIVIDENDS						
Total dividends per share (interim and final declared)	CENTS	14.50	12.00	4.50	1.00	**-**
Total dividends paid	$'000	39,357	44,498	24,981	9,369	**-**
NET DEBT / TOTAL CAPITAL	%	24	36	34	39	**26**
EBIT TO SALES REVENUE	%	16.27	13.20	9.01	5.17	**7.85**
EMPLOYEES AT YEAR END	#	6,003	5,703	4,578	4,080	**3,841**

* EBITDA, EBIT and operating profit before income tax excludes impairment expense and discontinued operations.

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