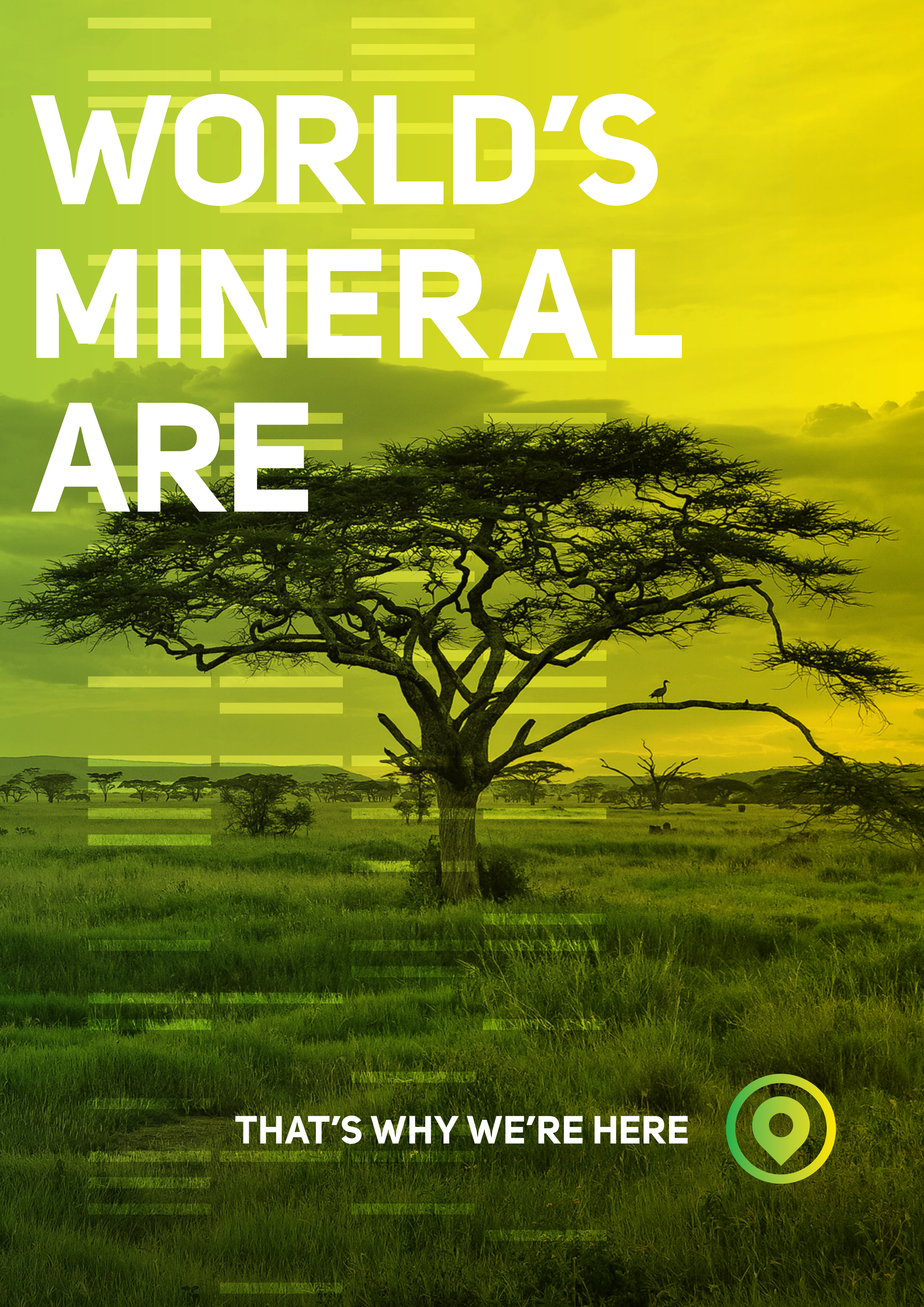
ANNUAL REPORT 2017

AUSDRILL

BRINGING MORE
TO MINING

30% OF THE REMAINING RESOURCES IN AFRICA

Cover image: Abigail Gnamien, Maintenance Clerk, Iduapriem, GHANA


WORLD'S
MINERAL
ARE
THAT'S WHY WE'RE HERE

AFRICA IS THE GROWTH STORY

Our African business above and below ground

$6.5B
IN REVENUE OVER 27 YEARS

52%
OF GROUP REVENUE

97%
NATIONAL WORKFORCE

EXCEPTIONAL PIPELINE OF OPPORTUNITIES

THE MOST MINERAL-RICH CONTINENT IN THE WORLD

Africa is richly endowed with mineral reserves and over 30% of the world's mineral resources. It ranks as first or second in world reserves of bauxite, cobalt, industrial diamonds, phosphate rock, platinum-group metals, vermiculite and zirconium.

Gold mining is Africa's main mining resource and represents 21% of the world's resource, across South Africa, Ghana, Tanzania and Mali. 27% of the world's bauxite reserves are in Guinea. The Group operates in all of these jurisdictions.

WE'VE BUILT A TRULY AFRICAN MINING SERVICES BUSINESS

We are now Africa's largest mining contractor, operating in 8 countries.

With 27 years of operational expertise, we have the enviable record of having trained over 20,000 African employees. We are committed to the development of the communities in which we operate and delivering inter-generational change.

We currently employ over 3,000 people over 15 projects. 97% of our African business employees are nationals.

CONTRACT SURFACE MINING

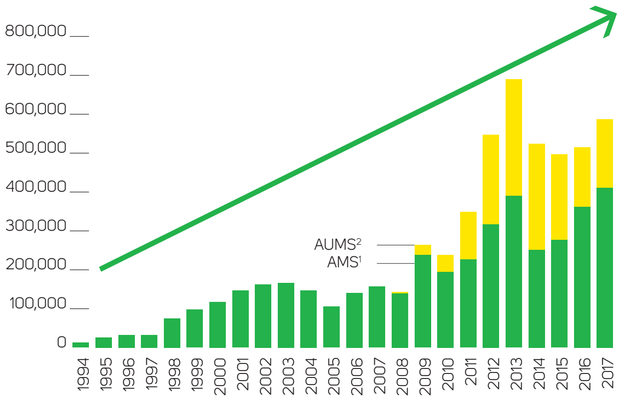
AMS
AFRICAN MINING SERVICES

$405M
REVENUE

$49M
EBIT

15
CONTRACTS

REVENUE A$'000



1 Includes AMSG Joint venture revenue from FY98 to FY05.
2 100% AUMS Joint Venture revenue

CONTRACTOR OF CHOICE FOR AN OUTSTANDING CLIENT BASE

We are the contractor of choice for many blue chip clients.

Our client base includes an exceptionally diverse pool of clients with outstanding mining projects including AngloGold Ashanti, Newmont Ghana Gold, Perseus Mining, Endeavour Mining, Resolute Mining, Hummingbird Resources, Toro Gold, Roxgold, SEMAFO, Nordgold and Ghana Manganese Company.

Through AMS and AUMS we can offer the full suite of underground and surface mining services.

BEST POSITIONED FOR AFRICA'S GROWTH STORY

The pipeline of growth opportunities in Africa is exceptionally strong.

We are best-positioned to deliver projects in Africa. Our track-record in safety, high speed underground development, low-cost and efficient surface mining is outstanding.

Our work winning rate is testament to the value we offer to our clients.

Our mining fleet is extensive and interchangeable across projects which means we are adaptable and can offer maximum flexibility for our clients.

CONTRACT UNDERGROUND MINING

AFRICAN UNDERGROUND MINING SERVICES

$90M[1] REVENUE

$20M[1] EBIT

4 CONTRACTS

1 50% share of Joint Venture revenue and EBIT

AUSTRALIA – FROM HUMBLE BEGINNINGS

It's in our DNA to do more

776M	14	30	4,500+
GROUP REVENUE	INTEGRATED MINING SERVICES BUSINESSES	YEARS IN OPERATION	EMPLOYEES ACROSS 10 COUNTRIES

30 YEARS BRINGING MORE TO MINING

Managing Director, Ron Sayers established Ausdrill in 1987 with a single drill rig operating from Kalgoorlie in Western Australia. By 1990, the company had expanded its drilling operations into Africa, and two years later added contract mining to its service portfolio.

Humble beginnings for a company which now generates almost $800 million of turnover and employs over 4,500 people across 10 countries. With 30 years of service and experience, the Company now delivers services through 14 integrated businesses, across every stage of the mining lifecycle in both surface mining and underground.

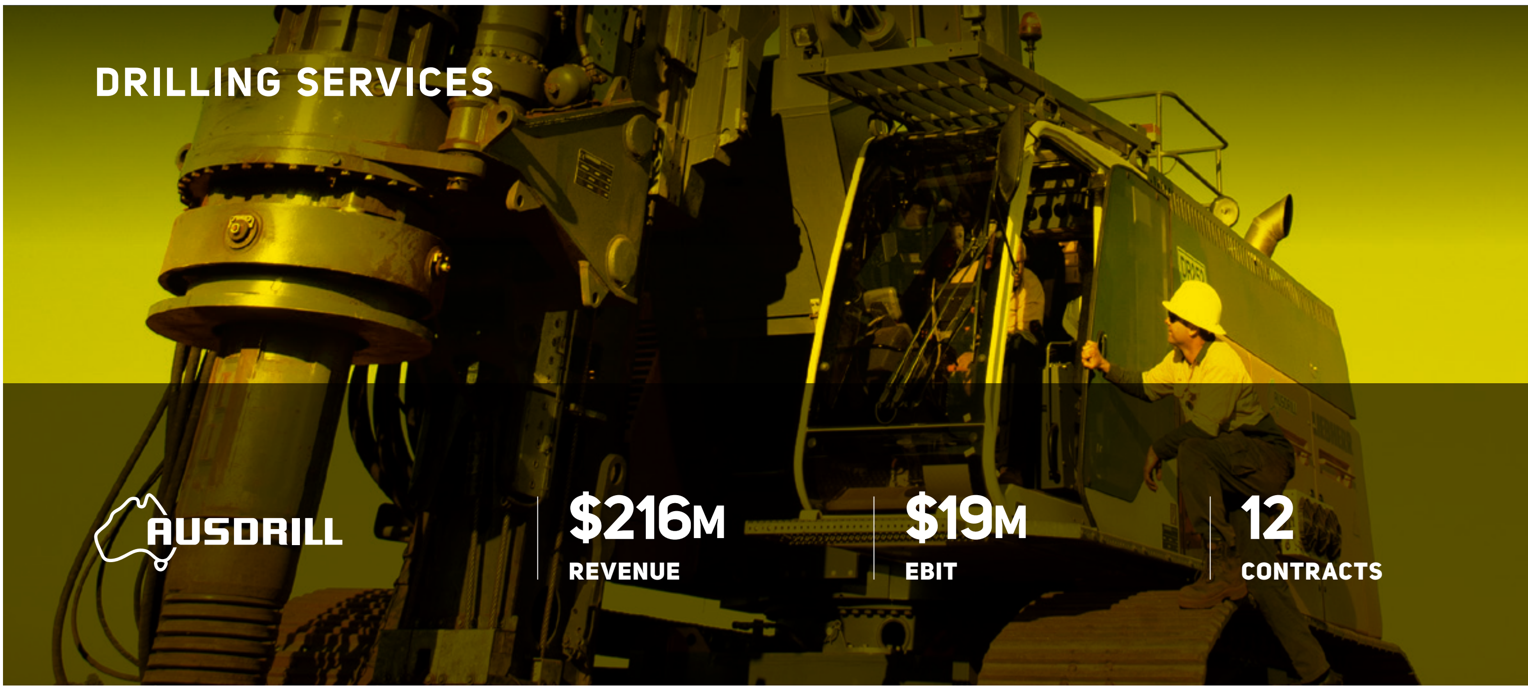
Historically, Australia has been the backbone of our business. Today, more than half of our revenue comes from our African businesses.

As the Group continues to grow, underground mining will become an increasingly important part of our earnings, through our AUMS joint venture. The pipeline of new projects in Africa is exceptional and the group is well positioned to pursue this growth – the outlook for the company is bright.

OUR EXPERT CAPABILITY

Ausdrill is a production focussed mining services group. Our capabilities include:

- Production Drilling and Blasting
- Exploration Drilling
- Grade Control Drilling
- Load and Haul
- Underground Mining
- Equipment Hire
- Supply and Logistics



Our equipment

553
SURFACE MINING

80
UNDERGROUND MINING

275
DRILL RIGS

WE WOULDN'T BE HERE WITHOUT YOU

30 years in business with KCGM, 23 years with Gold Fields.

The Group knows the value of long-standing relationships with its clients. We have partnered with an ever-increasing list of the world's largest and most reputable mining houses over the past 30 years. We have supported our clients, both large and small along the way through our drill for equity program, our local know-how in new geographies and most importantly through our quality service offering.

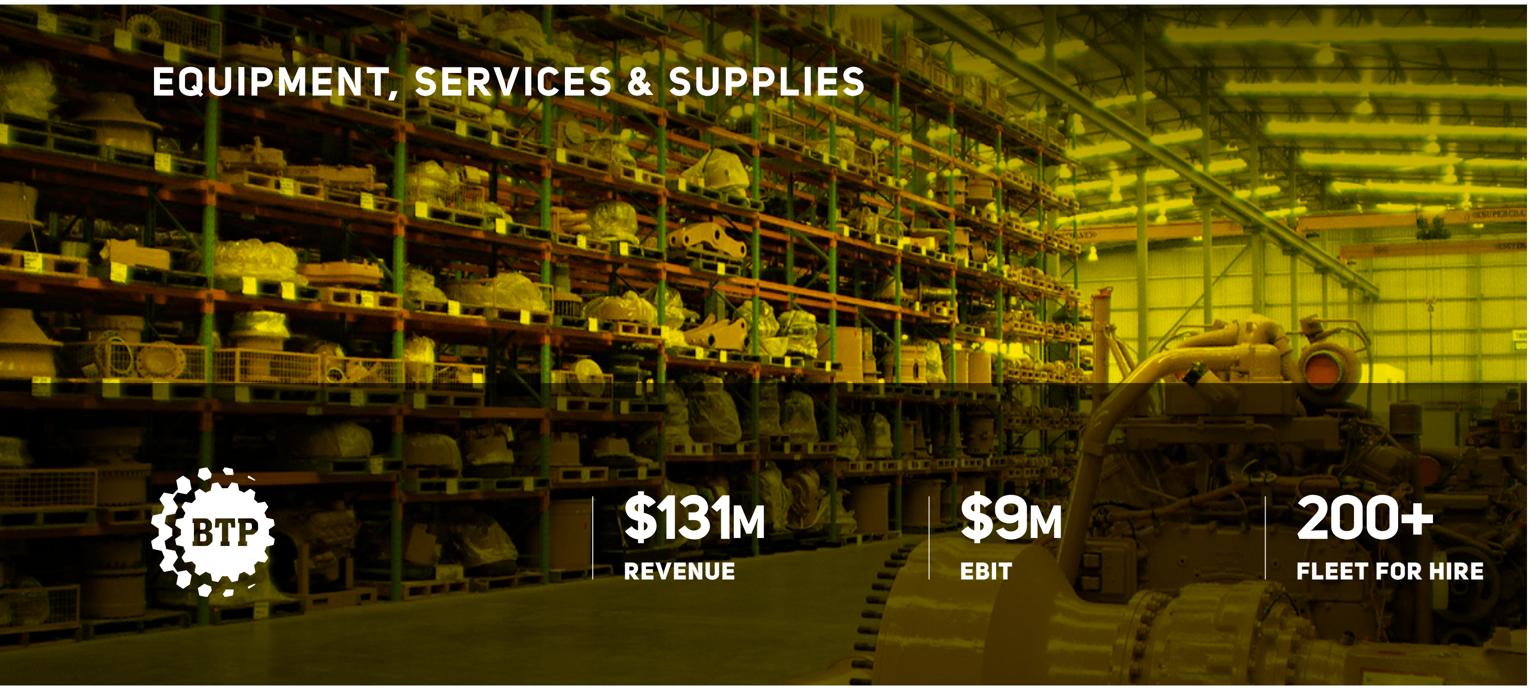
We recognize the importance of collaboration in delivering our clients' growth ambitions and we pride ourselves on working closely with the mining community to achieve great results for our collective stakeholders. We thank our valuable clients and suppliers, past, present and future. Without your investment in our industry – we simply wouldn't be here.

HONOURING THE LIFEBLOOD

Our people are the lifeblood of our business. We celebrate our 30 years in operation by honouring those who have provided the most loyal of service to the development of the integrated mining services Group we see today.

Our 25 years service award recipients are: Ron Sayers, Brian Mann, Bill Jackson, George Grljusich, Kevin Phipps, James Crawford, Clifford Robertshaw, John Geary and Phil Crompton.

We thank all of our Ausdrill family both past and present for making Ausdrill a great business with an exciting future ahead of it.



EQUIPMENT, SERVICES & SUPPLIES

BTP

$131M
REVENUE

$9M
EBIT

200+
FLEET FOR HIRE

OPERATING AND FINANCIAL REVIEW

HIGHLIGHTS

- Continuous improvement in safety performance across the Group.
- Strong financial performance delivering exceptional profit growth of 53.3% from continuing operations.
- Revenue of $776.3 million – up 4.5%.
- Reported profit of $31.2 million and EPS of 10.0 cents per share.
- Commitment to shareholders with interim fully franked dividend of 2.0 cents paid totalling $6.2 million. Final fully franked dividend of 2.0 cents per share declared.
- $1.6 billion in new projects and contract renewals secured.
- Margins continue to improve in a competitive market, through cost-out and scale benefits.
- Major investment in growth capex, funded out of strong operational cashflow generation and cash reserves.
- Operating cash flow of $94.6 million in challenging market.
- Significant financial flexibility – cash reserves of $166.7 million and gearing at 26%.
- Long-standing exposure to low-cost gold sector continues to provide a core source of revenue, with ~80% of revenue linked to gold producers in Australia and Africa. Secured projects expected to contribute to profit growth in FY18.
- Exceptional tender pipeline – Africa will drive earnings growth beyond FY18.

PRINCIPAL ACTIVITIES

Ausdrill (**Company** or **Group**) has invested in people, businesses and equipment over the past 30 years to ensure it can successfully deliver services across every stage of the mining lifecycle, with a particular focus on production. It is a robust business model that has delivered 'through the cycle' returns for shareholders and one which management believes will continue to deliver in the years ahead.

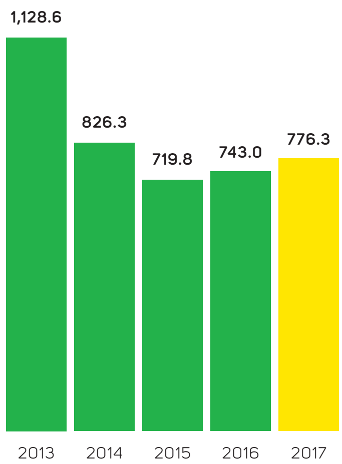
In Australia, the Company's service offering includes drill and blast, grade control, water well drilling, exploration drilling, mineral analytics and equipment sales, hire and parts sales. The Australian operations are primarily based in Western Australia, with a presence in Queensland, South Australia and New South Wales.

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. Ausdrill's African operations are diversified across a portfolio of clients and jurisdictions including Ghana, Mali, Burkina Faso, Guinea, Senegal, Tanzania, South Africa and Zambia.

The Group provides specialist underground mining services, including high speed decline development and production, through its 50-50 joint venture with Barminco Limited, African Underground Mining Services (AUMS).

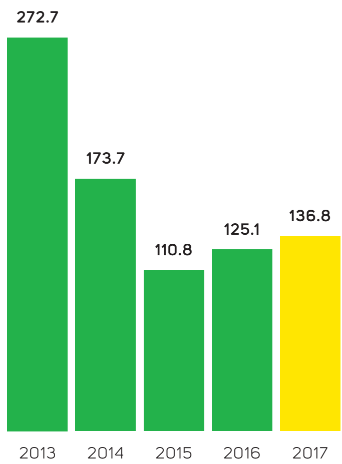
Africa, in particular West Africa, offers exceptional opportunities for business growth in both surface and underground mining.

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.



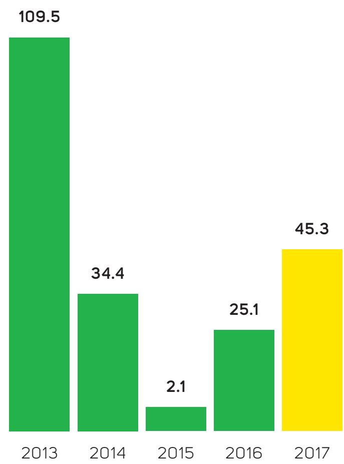
$776.3M

SALES REVENUE[1]



$136.8M

EBITDA[1,2]



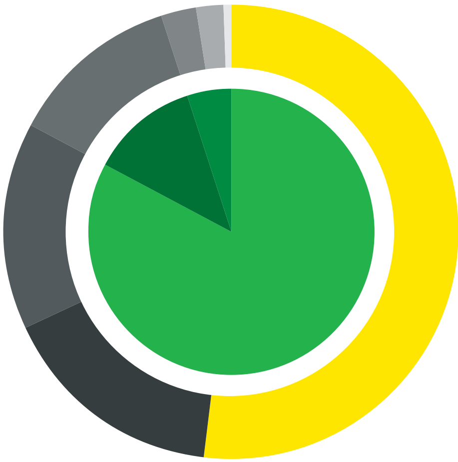
$45.3M

OPERATING PROFIT BEFORE TAX[1]

1 Based on FY17 sales revenue from continuing operations excluding intercompany sales
2 Includes impairment of available-for-sale assets of $1.5 million in FY16

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

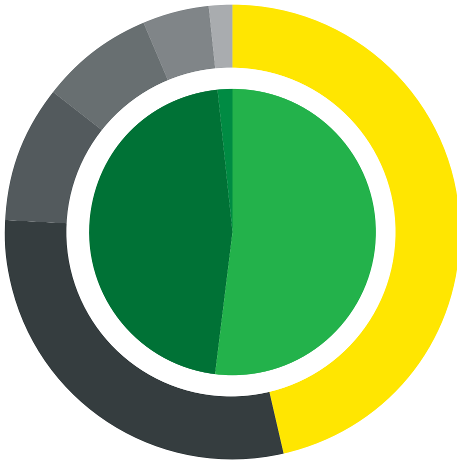
AUSDRILL REVENUE BY BUSINESS ACTIVITY[1]



BUSINESS ACTIVITY	
Contract Mining Africa	52.0%
Drill and Blast	16.2%
Equipment Hire	14.8%
Exploration	12.0%
Other	2.5%
Supply Logistics	2.1%
Manufacturing	0.4%

SECTOR	
Production	83.0%
Exploration	12.0%
Other	5.0%

AUSDRILL REVENUE BY GEOGRAPHY[1]

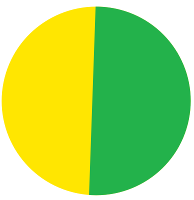


COUNTRY	
Australia	46.4%
Ghana	29.6%
Guinea	9.8%
Mali	8.0%
Burkina	4.6%
Other	1.6%

SECTOR	
Africa	52.0%
Australia	46.4%
Other	1.6%

REVENUES SHOWN IN THE CHARTS BELOW ARE FOR THE YEAR ENDED 30 JUNE 2017 (FY17) FOR CONTINUING OPERATIONS AND AFTER INTER-SEGMENT ELIMINATIONS.

CONTRACT MINING SERVICES AFRICA

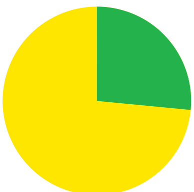


$405M

REVENUE[1]

52%

DRILLING SERVICES AUSTRALIA

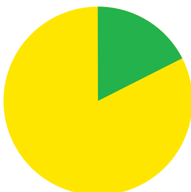


$216M

REVENUE[1]

28%

EQUIPMENT SERVICES & SUPPLIES

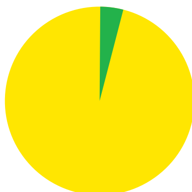


$131M

REVENUE[1]

17%

ALL OTHER



$25M

REVENUE[1]

3%

1 Based on FY17 sales revenue from continuing operations excluding intercompany sales

The Group's strategy is to deliver quality services to the mining industry. Accordingly, Ausdrill has built long-term relationships with many of the world's leading resource companies such as AngloGold Ashanti, BHP Billiton, Barrick, Newmont Ghana Gold and Gold Fields, which, in some instances, extend over more than 25 years. The Company also nurtures new opportunities with less established customers through innovative approaches including drill for equity programs.

For the year ended 30 June 2017, approximately 80% of mining services revenues were generated from the provision of services to gold mining companies and approximately 7% to iron ore mining companies, in each case, primarily for production-related services.

GROUP FINANCIAL PERFORMANCE

$ MILLION	17	16	% CHANGE FROM PRIOR CORRESPONDING PERIOD
Continuing Operations			
Sales revenue	**776.3**	743.0	4.5%
EBITDA	**136.8**	125.1[1]	9.4%
EBIT	**74.4**	57.2	30.3%
Profit before tax	**45.3**	25.1	80.6%
Profit/(loss) after tax	**31.4**	20.5	53.3%
Discontinued Operations			
Profit/(loss) after tax	**(0.2)**	37.6	(100.6%)
Reported Profit/(loss) after tax	**31.2**	58.2	(46.3%)

[1] Includes impairment of available-for-sale assets of $1.5 million

REVENUE

Sales revenue from continuing operations for the Group increased 4.5% to $776.3 million. Revenue growth was driven by the African Mining Services segment, where revenues increased by 11.8% following the start up of the Esuajah North project. The Equipment Services & Supplies segment delivered 18.3% in revenue growth (including $48.2 million from internal sales). Much of this growth was focussed on mobilising newly awarded projects in Africa.

Drill and blast activities in the Drilling Services Australia segment grew through the ramp-up of a number of major contracts. However, this was offset by lower levels of water well activity.

Reported sales revenue excludes Ausdrill's 50% share of revenue generated by the AUMS joint ventures being $89.9 million (2016: $76.6 million). AUMS is equity accounted and only Ausdrill's 50% share of net profits are included in the consolidated income statement.

Four new projects, which were secured during the period have now been mobilised and will deliver significant growth in FY18.

EXPENSES

The Group's three largest expense categories are materials, labour, and depreciation and amortisation which represent 85.3% (2016: 82.2%) of all expenses.

Materials expense increases were driven by major component change outs and higher maintenance costs to bring idle gear back to work for new projects in Ghana and Burkina Faso.

Labour expenses increased by 4.7%, which was in line with the increase in sales revenue. This was predominantly due to a 31% increase in headcount in Africa to 2,791 (from 2,132) following the start of new projects in the second half of FY17. This increase was partially offset by a reduction in the Australian headcount from 1,257 to 1,079 employees.

Depreciation and amortisation expenses decreased by 8.1% or $5.5 million, as a result of lower capital values.

EARNINGS FROM CONTINUING OPERATIONS

EBITDA increased from $125.1 million to $136.8 million for the year ended 30 June 2017. The major drivers of the increase were exceptional operational performance and growth of the African surface mining and underground portfolios. Equity accounted profits delivered through AUMS increased from $9.1 million in 2016 to $13.1 million in 2017.

EBITDA margin (excluding equity accounted profits) increased from 15.6% to 15.9%. Excluding losses from the now exited Telfer project, the EBITDA margin would have increased to 16.3%. The EBITDA margin has been positively impacted by growth in Africa and cost-out and restructuring activities across the Group. All costs associated with the exit of the Telfer contract have been brought to account within the reporting period.

EBIT (from continuing operations) increased from $57.2 million to $74.4 million for the year ended 30 June 2017 and the EBIT margin (excluding equity accounted profits) has increased from 6.5% to 7.9%. Excluding losses from the now exited Telfer project, the EBIT margin would have increased to 8.3%.

The operating profit before tax from continuing operations increased from $25.1 million to $45.3 million for the year ended 30 June 2017 aided by lower debt levels and lower net interest expense.

The reported profit after tax from continuing operations for the year totalled $31.4 million, an increase of 53.3% on the $20.5 million reported in 2016.

The prior period included profits from discontinued operations along with profit on the sale of the DTA business totalling $37.6 million. The Group reported a small loss from discontinued operations in the current period and reported profit after tax of $31.2 million.

CONTRACT MINING SERVICES AFRICA

	SEGMENT PERFORMANCE			
	EXTERNAL SALES REVENUE		EARNINGS BEFORE INTEREST AND TAX[1]	
$ MILLION	2017	2016	2017	2016
CMSA	404.7	361.9	49.3	38.9

[1] EBIT excludes AUMS equity accounted profits

The Contract Mining Services Africa (**CMSA**) business has reported 11.8% increase in revenue, largely driven by increased mining volumes within Ghana at Nzema, Iduapriem and the additional contract at Edikan North, Syama in Mali and the commencement of the Boungou project for SEMAFO in Burkina Faso, along with the return to work of the exploration fleet across West Africa.

Reported EBIT margin improved significantly, driven mainly by revenue scale increases and improved operational performance at a number of sites.

AFRICAN MINING SERVICES (AMS)

The AMS business was highly focused on winning work and succeeded in securing a good share of new tenders and contract extensions during the year, with the commencement of these projects outlined below.

In Ghana, AMS:

- commenced a 42-month contract to provide surface mining services to Perseus at its Edikan gold mine, Esuajah North deposit.
- extended exploration drilling contracts for Resolute at the Bibiani Gold Mine and for Cardinal Resources in the Upper East Region of Ghana.
- continued open pit contract mining at Iduapriem for AngloGold Ashanti and Nzema for Endeavour Resources.

In Mali, AMS:

- secured a new 36-month contract (with a 12-month option to extend) to provide surface mining services to Hummingbird Resources at its Yanfolila gold mine, currently under construction. AMS has commenced civil works on site with open pit mining scheduled to commence in August 2017.
- continued exploration drilling with B2Gold at its Fekola gold project.
- continued open pit contract mining at Syama for Resolute.

In Burkina Faso, AMS:

- secured a new 60-month contract to provide surface mining services to SEMAFO at its Boungou gold mine (formerly Natougou), which commenced in May 2017.
- secured a 12-month extension (with a 12-month option to extend) to provide mining equipment to Nordgold for work on its Bissa gold project.
- extended exploration drilling contracts with B2Gold, West African Resources and Vital Metals.

In Senegal, AMS:

- secured a new 75-month contract to provide surface mining services to Toro Gold Ltd at its Mako gold mine. The project commenced in May 2017 with mining scheduled to commence in August 2017.
- opened a new regional office in Dakar to support this new contract and future work in the area.

In West Africa, AMS has increased its major mining equipment fleet to over 400 units including dump trucks, excavators, loaders, blast hole drills and grade control drills, along with 17 exploration drills.

Tender activity remains strong and AMS is seeing a lift in exploration drilling programs, particularly in West Africa. The outlook remains positive with significant revenue and profit growth expected in FY18 as AMS's new contracts ramp up.

KEY CONTRACTS - CONTRACT MINING SERVICES AFRICA

The key contracts in place at 30 June 2017 for the Contract Mining Services Africa segment are:

CLIENT	PROJECT	LOCATION	SERVICES PROVIDED
B2Gold	Fekola	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	Mensin	Ghana	Exploration drilling
Resolute	Syama	Mali	Open pit mining
Hummingbird Resources	Yanfolila	Mali	Open pit mining
Perseus	Edikan	Ghana	Open pit mining
Endeavour	Nzema	Ghana	Open pit mining
AngloGold Ashanti	Iduapriem	Ghana	Open pit mining
SEMAFO	Boungou (formerly Natougou)	Burkina Faso	Open pit mining
Toro Gold	Mako	Senegal	Open pit mining
Nordgold	Bissa	Burkina Faso	Equipment hire
Endeavour	Karma	Burkina Faso	Equipment hire

AFRICAN UNDERGROUND MINING SERVICES (AUMS)[1]

	SEGMENT PERFORMANCE			
	EXTERNAL SALES REVENUE		EARNINGS BEFORE INTEREST AND TAX	
$ MILLION	**2017**	2016	**2017**	2016
AUMS (Ausdrill 50% share)	**89.9**	76.6	**19.8**	18.2

[1] AUMS is an equity accounted joint venture for reporting purposes

Ausdrill has a 50% interest in the AUMS joint venture, with Barminco Limited 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 increased from $76.6 million to $89.9 million in the year to June 2017, mainly due to the commencement of the Subika project in Ghana for Newmont Ghana Gold, the expansion of the Geita project in Tanzania for AngloGold Ashanti and also the expansion of the Yaramoko project for Roxgold in Burkina Faso. Earnings before interest and tax increased from $18.2 million to $19.8 million (being Ausdrill's 50% share) in the year to June 2017. This is largely as a result of the higher revenue in FY17, offset only partially by start-up costs on the Subika project.

In Ghana, AUMS:

- was awarded a five-year contract to provide underground mining services to Newmont Ghana Gold at its Subika underground mine at the Ahafo complex in Ghana, which commenced in May 2017.

In Tanzania, AUMS:

- commenced mobilisation activities for the further expansion of the Geita project in Tanzania, including works in the Nyankanga pit.

In Burkina Faso, AUMS:

- demobilised from Nantou Mining's Perkoa project in December 2016, with some infrastructure being sold to Nantou including a portion of spares, parts, stock and mining consumables

Diamond drilling projects were also carried out in Ghana and Mali during the year.

Further expansion is expected at all AUMS operations in FY18 being Subika, Geita and Yaramoko, which should provide a significant increase in revenue in FY18.

KEY CONTRACTS - AFRICAN UNDERGROUND MINING SERVICES

The key contracts in place at 30 June 2017 for the AUMS joint venture are:

CLIENT	PROJECT	LOCATION	SERVICES PROVIDED
Roxgold	Yaramoko	Burkina Faso	Underground mining services
AngloGold Ashanti	Geita - Star and Comet	Tanzania	Underground mining services
AngloGold Ashanti	Geita – Nyankanga	Tanzania	Underground mining services
Newmont Ghana Gold	Subika	Ghana	Underground mining services

DRILLING SERVICES AUSTRALIA

	SEGMENT PERFORMANCE			
	EXTERNAL SALES REVENUE		EARNINGS BEFORE INTEREST AND TAX	
$ MILLION	**2017**	2016	**2017**	2016
DSA	**215.5**	222.6	**19.1**	21.1

Drilling Services Australia (**DSA**) has reported a solid result for the year in stabilising market conditions. During the period, the business has continued to focus on rationalisation and operational efficiency improvements, along with extending existing contracts and targeting new opportunities. EBIT margin, excluding the now exited Telfer contract, increased to 10.2%.

Growth in exploration opportunities continued to emerge throughout the period, although margins remain suppressed as excess capacity in the industry is absorbed. In addition, unseasonal weather conditions, particularly in the Goldfields and mid-west regions, impacted earnings in this segment. Drill and blast works remained stable producing the most significant contribution to the segment. Second-half earnings, in particular, improved with the exit of the loss-making Telfer project in February 2017, which reported $2.6 million in losses for the period.

Looking forward, DSA will continue to focus on consolidation initiatives and business development, which are expected to deliver margin improvement and a more competitive platform for the business in FY18.

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 through the provision of grade control services.

During the year, the business was successful in:

- securing a significant contract renewal with KCGM for five years to provide drill and blast and grade control services at the Kalgoorlie Super Pit, which commenced in March 2017.
- securing a new five-year contract with Link Mining Services to provide drill and blast services at the Blair Athol coal project in Queensland.
- extending contract terms at the Tropicana and Mungari projects.
- adding short-term works with growth potential.

The business operates 138 rigs comprising production blast-hole 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, servicing the North West of Western Australia (**Ausdrill Northwest (ANW)**). These exploration businesses operate 50 rigs comprising rotary air blast (RAB), reverse circulation (RC) and diamond drill rigs, as well as 13 water well rigs.

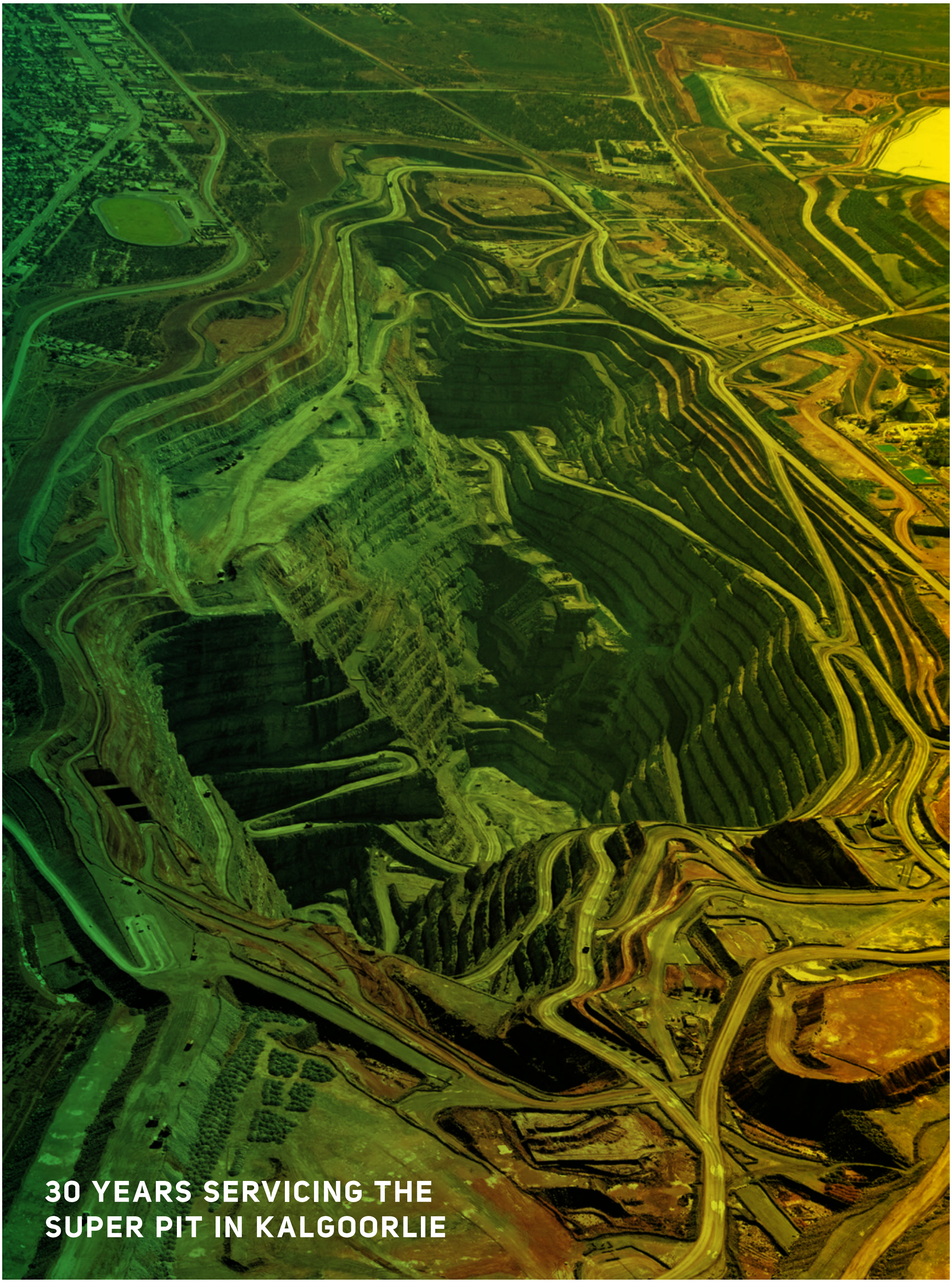
During the year, the business was successful in securing a contract extension with Gold Fields for three years to provide exploration drilling services at the St Ives and Granny Smith gold mines, which commenced in February 2017. Ausdrill has now been delivering services to these projects for over 20 years and will extend this relationship to 23 years with the extension of this contract.

Exploration drilling services were also provided to a range of clients in the Pilbara, Mid-West and Goldfields regions including BHP, Northern Star, Doray Minerals, Dacian Gold, Silverlake Resources and Breaker Resources.

KEY CONTRACTS - DRILLING SERVICES AUSTRALIA

The key contracts in place at 30 June 2017 for the Drilling Services Australia segment are:

CLIENT	PROJECT	LOCATION	SERVICES PROVIDED
Gold Fields	St Ives and Granny Smith	Goldfields, WA	Exploration drilling, grade control
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	Super Pit	Goldfields, WA	Production drilling, grade control
Ensham Resources	Ensham	Emerald, QLD	Production drilling
Link Mining Services	Blair Athol	Clermont, QLD	Drill and blast
OZ Minerals	Prominent Hill	Prominent Hill, SA	Drill and blast
Piacentini & Son	Ravensthorpe	Ravensthorpe, WA	Drill and blast
Piacentini & Son	Huntly and Willowdale	Huntly, WA	Drill and blast
Macmahon	Tropicana	Goldfields, WA	Drill and blast
Thiess	Rocky's Reward	Goldfields, WA	Drill and blast


30 YEARS SERVICING THE
SUPER PIT IN KALGOORLIE

EQUIPMENT, SERVICES & SUPPLIES

	SEGMENT PERFORMANCE			
	EXTERNAL SALES REVENUE		EARNINGS BEFORE INTEREST AND TAX	
$ MILLION	**2017**	2016	**2017**	2016
ESS	**130.7**	131.0	**9.5**	7.5

The Equipment, Services and Supplies (**ESS**) segment comprises the BTP Group and Supply Direct Group. The ESS business continued its focus on profitable revenue conversion, cost and productivity outcomes to improve financial performance, sustainability and competitiveness. External revenue remained flat due to the higher demand for and consumption of internal resources to mobilise fleet to new African projects. Revenue including sales to internal customers increased by 18.3%. Consequently, external EBIT and operating margins improved. Moving forward our priority is to continue allocating resources to the highest yielding profitable growth opportunities and investment in the business that will enhance long term competitiveness and sustainability.

BTP GROUP

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

Past year achievements reflect underlying increases in mining services maintenance activity and demand for large mining equipment. This higher activity level drove improvement in sales, operating earnings, growth in workforce numbers and has vindicated BTP Group's decision to return to investing in trade apprenticeships. In addition to committing to workforce investment and expansion, BTP Group recently committed to expanding its workshop and rebuild capacity by leasing an equipment workshop and yard property adjoining its Hazelmere facility in Western Australia. Parts sales and rebuild activity levels for engines and major components increased resulting in a commitment to increasing capacity. With an ageing mining equipment population plus the backlog of equipment maintenance that has built up in recent years, continued sustainable market growth is anticipated. The market remains competitive and building scale will assist with improving financial returns. BTP Group's commitment to customers, employees and the mining industry is steadfast despite ongoing pricing and margin pressure which is not expected to abate anytime soon.

BTP Group's business-wide Lean training program, which commenced over a year ago, has begun to yield benefits. This commitment to educating and up-skilling the workforce is providing a platform for structured employee engagement, collaboration, continuous improvement in productivity and safety with better cost and quality outcomes. This cultural change journey has been the right decision for the BTP Group at a time where there is a current and foreseeable shortage of qualified skilled trades entering the mining services workforce due to past cut-backs driven by the protracted mining industry downturn.

One highlight in the past year was collaboration with African Mining Services (AMS) where BTP was privileged to support the AMS mining fleet capital expenditure program. This partnership involved redeploying a portion of BTP's excess idle rental fleet and sourcing low cost used equipment for use in the AMS operations. Another highlight related to securing a major rental contract extension with Peabody Australia on the East Coast of Australia. BTP is seeing a tightening in supply and availability of large mining equipment and, consequently, an increase in rental equipment fleet utilisation in Australia. The tightening of supply has resulted in a return by BTP to procuring and rebuilding in-demand mining and rental equipment which will result in a considerable increase in capital expenditure in the future.

Moving forward, BTP Group's strategy remains focussed on extracting and delivering value to key stakeholders by harvesting mining equipment lifecycle opportunities in Australia and Africa. The non-OEM aligned equipment solution offering allows BTP Group to build core business around the most attractive opportunities that leverages core competencies. The near-term objectives are to expand capacity and produce more product to meet growing customer demand. The market is expected to remain price sensitive and competitive.

SUPPLY DIRECT

Supply Direct Group (SDG) provides flexible and effective supply chain and logistics solutions predominantly to clients based in Africa, where supply chain issues are often complex. The business has a track record of delivering customer value which has seen the business continue to improve margins on lower sales levels and therefore deliver flat earnings. Moving forward, SDG will integrate with BTP Group as a designated distribution agent on the African continent. This unique and mutually beneficial relationship will provide SDG with a broader mining offering, whilst providing BTP with greater distribution capability by leveraging SDG African based infrastructure and resources. This relationship will provide a platform for expanded growth for both SDG and BTP Group in Africa in the medium to longer term.

ALL OTHER

	SEGMENT PERFORMANCE			
	EXTERNAL SALES REVENUE		EARNINGS BEFORE INTEREST AND TAX	
$ MILLION	**2017**	2016	**2017**	2016
All other segments	**25.4**	27.5	**0.3**	(5.0)

The All Other segment includes Diamond Communications, MinAnalytical Laboratory Services, Energy Drilling Australia (EDA), Well Control Solutions (WCS) and Ausdrill Properties.

The segment reported a significant improvement, reporting earnings before interest and tax of $0.3 million. Major cost reductions driven by placing the EDA business into care and maintenance, drove most of the improvement, with all other businesses recording modest improvements in reported profits.

DIAMOND COMMUNICATIONS

Diamond has experienced an improvement in revenue over the second half of the year due to an increased workload through the Telstra IEN with the installation of large civil projects in Western Australia and South Australia.

Telstra HDA contracts are now under construction in Western Australia, South Australia, Victoria and Queensland and are progressing well. Diamond has also seen an increase in the Telstra Wideband work, mainly in the rural and remote areas installing end to end fibre.

Strong growth is still predicted through the NBN program of work that Diamond is currently performing throughout the metropolitan area.

The business is well positioned to take on any new proposed Western Power UPP contracts as they arise.

MINANALYTICAL LABORATORY SERVICES (MINANALYTICAL)

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.

Although operating in a highly competitive market, the combination of the resurgence in gold exploration spending and careful management of costs has allowed MinAnalytical to generate a modest profit for the period.

MinAnalytical has invested in Chrysos Corporation's photon assay technology and will be working with Chrysos to commercialise this potentially game changing, CSIRO-developed technology. The first unit is expected to have completed commissioning and validation by Q4 of FY18.

MinAnalytical commenced sample preparation in its Kalgoorlie facility utilising repatriated plant from Africa on property already owned by the Group. This expansion has gained the company several high-profile customers in the Goldfields area, and has produced a step increase in revenue levels.

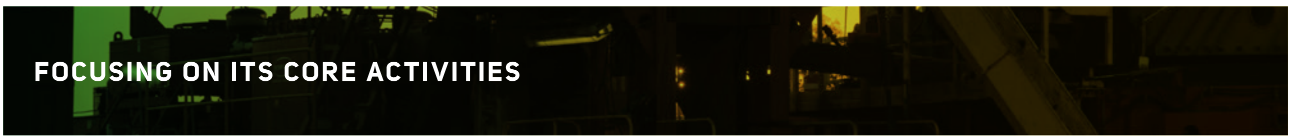
ENERGY DRILLING AUSTRALIA (EDA)

As previously announced, Ausdrill has placed the oil and gas assets of EDA into care and maintenance with the equipment placed in storage, resulting in a reduction in overheads and property costs.

The business will continue to incur depreciation, lease costs and minimal labour costs, whilst Ausdrill looks to divest the equipment at the appropriate time and value.

WELL CONTROL SOLUTIONS

The Company transferred the oil and gas assets from DTA which were not included in the sale of DTA to Robit Plc, into a business which trades as Well Control Solutions. This business provides rental and maintenance of pressure control and pump products for the oil and gas sector. To date, it has operated at a modest profit, and more recently has seen an increase in activity in the coal seam gas sector.



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	17	16
Cash flows from:		
operating activities	**94.6**	91.0
investing activities	**(101.1)**	60.9
financing activities	**(7.0)**	(47.8)
Net cash flow for the year	**(13.5)**	104.1
Opening cash	**181.9**	77.9
Exchange rate effect on cash	**(1.7)**	(0.1)
Closing cash	**166.7**	181.9

Cash flows from operating activities

Operating cash flow for the year was $94.6 million, an increase on last year's $91.0 million. Operating cash flow benefitted from a prior period cash settlement of USD16.2 million received in August 2016. However, this was partially offset by a build-up in working capital for new projects in Africa (including $8.3 million in mobilisation costs which have been capitalised within prepayments) and higher tax payments ($5.3 million higher) for profits being generated in Africa.

Cash flows from investing activities

The Group's business requires significant investment in front-ended capital expenditure for mining equipment to service new projects. This equipment typically has a useful life of between seven and ten years. Consequently, during periods of high or rapid growth, the capital requirements of the Group increase. Historically, capital expenditures have been funded by a combination of operating cash flow, debt and equity.

Capital expenditure totalled $147.4 million for the period, significantly higher than the prior period, driven mainly by growth projects in Africa. As a result, the level of capital expenditure is higher than the level of depreciation. Much of this investment was made towards the end of the financial year and is expected to deliver a significant increase in both revenue and earnings in FY18.

Further, the Group divested non-core businesses during 2016, for which it received residual sales proceeds during the current reporting period totalling $19.8 million from the sale of Drilling Tools Australia (DTA) and $2.4 million from the sale of the Miner's Rest business. Proceeds from the sale of certain items of plant and equipment which were surplus to operational needs totalled $1.8 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	17	16
Drilling Services Australia	**(6.9)**	(3.8)
Contract Mining Services Africa	**(121.1)**	(6.8)
Equipment Services & Supplies	**(17.2)**	(1.7)
Other	**(2.3)**	(0.1)
Proceeds from asset sales	**1.8**	11.4
CAPEX net of asset sales	**(145.6)**	(1.0)

From time to time, the Company 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 $3.9 million into drill for equity work programs and other available-for-sale investments and divested $3.2 million of shares acquired in drill for equity programs and other available-for-sale investments. A profit on the sale of shares acquired through these programs totalled $0.9 million.

Distributions from the AUMS joint venture totalled $22.9 million for the year.

Cash flows from financing activities

Net financing cash outflows were $7.0 million in the year ended 30 June 2017, compared to an outflow of $47.8 million in 2016. The Group's continued focus on debt reduction has resulted in $48.5 million of net debt repayments over the last two years. The Group's residual debt comprises its US$ bonds which mature in November 2019. An interim fully franked dividend of $6.2 million was paid 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	17	16
Current trade and other receivables	**167.7**	169.8
Inventories	**188.8**	191.4
Current trade and other payables	**(100.4)**	(82.8)
Net working capital	**256.1**	278.4
Increase/(decrease) in net working capital	**(22.2)**	(5.7)

The Group's year end working capital balance has reduced materially. Settlement of prior period rate adjustments for the Siguiri project and asset sales proceeds associated with the sale of DTA, were only partially offset by increases in working capital associated with new project mobilisations.

Dividends

The level of dividends is influenced by earnings and cash requirements of the business. Historically, the Company has paid fully franked dividends to its shareholders twice a year, in April and October, at an average payout ratio of 40%. During the year ended 30 June 2017, the Company paid an interim fully franked dividend of 2.0 cents per share.

The Company's revenues have stabilised over recent reporting periods and are expected to grow over the next six to 12 months based on contracts already secured. Whilst uncertainty within the mining services sector remains, the Company has delivered improved profitability and strong cash flow in recent reporting periods. Consequently, the Directors have elected to declare a final fully franked dividend of 2.0 cents per share for the full year ended 30 June 2017.

Debt, gearing and other financing arrangements

At 30 June 2017, the Group had total borrowings of $388.6 million (including prepaid borrowing costs and insurance premium funding). Cash and cash equivalents totalled $166.7 million, resulting in net debt of $221.9 million. The Company's gearing ratio improved from 26.3% to 26.0%. It is worth noting that significant investment in growth capex was made late in the reporting period to service projects expected to deliver significant revenue and earnings growth in FY18.

The Group had available a $125 million revolving cash advance facility, of which $124.8 million was undrawn at 30 June 2017. 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.

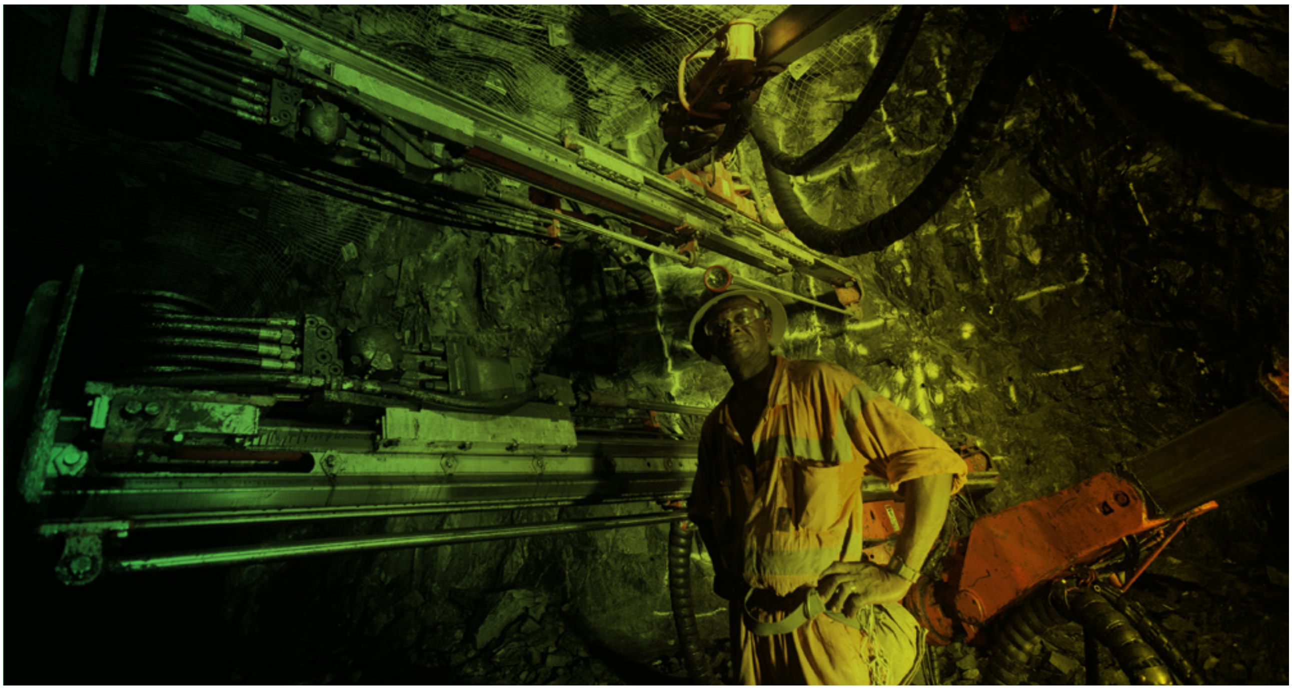
$ MILLION	17	16
Revolving cash advance facility	**-**	-
Asset finance and other loans	**-**	0.5
US$300 million unsecured notes	**390.5**	402.3
Insurance premium funding and prepaid borrowing costs	**(1.9)**	(4.2)
Total borrowings	**388.6**	398.5
Cash and cash equivalents	**(166.7)**	(181.9)
Net debt	**221.9**	216.7
Total equity	**630.1**	606.6
Total capital	**852.0**	823.3
Gearing ratio	**26.0%**	26.3%

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$0.7682 and, as a result of the strengthening A$ over the year, an amount of $11.8 million has been included in the foreign currency translation reserve in relation to borrowings. This gain is 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, including the cash advance facility of $125 million expiring 2018.



Balance Sheet

Cash and cash equivalents decreased by $15.1 million, primarily due to the significant investment made in growth capital expenditure for new projects in Africa, which were cash funded. Proceeds from the sale of DTA and Miner's Rest totalling $22.2 million were received during the reporting period.

Trade and other receivables decreased by $2.1 million or 1.2% to $167.7 million and include prior period cash settlements of Siguiri project back claims of US$16.2 million and DTA business sale of $19.8 million, but were partially offset by working capital increases associated with mobilisation and start-up of new projects in Africa.

Inventories decreased by $2.6 million or 1.4% to $188.8 million mainly driven by reductions across all operational businesses, partially offset by stock-in-transit to new projects in Africa.

The net value of Property, Plant and Equipment increased by $70.6 million due to the investment in capital expenditure for growth projects in Africa. Capital expenditure totalled $147.4 million and included expenditure in Africa of $121.1 million. This was offset by depreciation charges totalling $62.4 million, disposals of $7.9 million and exchange and other movements totalling $6.5 million.

Trade and other payables increased from $82.8 million to $100.4 million, as projects in Africa ramped up.

The net debt of the Group (debt including prepaid borrowing costs and insurance premium funding less cash) increased marginally from $216.7 million at 30 June 2016 to $221.9 million at 30 June 2017. Capital expenditure was funded out of operating cash flow and cash reserves, reducing the cash balance marginally. The gearing ratio has improved from 26.3% to 26.0%.

Total drawn borrowings (excluding prepaid borrowing costs and insurance premium funding) of $390.5 million, decreased by $11.8 million, mainly due to favourable exchange rate movements

Employee obligations of $41.8 million increased by $6.8 million driven mainly by the addition of 741 employees across the Group to deliver expected growth in FY18.

Shareholder equity increased to $630.1 million from $606.6 million. During FY17 the Group achieved a profit of $31.2 million and paid an interim dividend of 2 cents per share totalling $6.2 million.

The return on average capital employed increased to 8.6% for the year to 30 June 2017 compared to 6.5% 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 Group made a major investment in capex, mainly funded out of strong cashflow generation and cash reserves. The balance sheet of the Group remains strong with gearing levels (net debt to net debt plus equity) of 26.0%, cash reserves of $166.7 million and interest cover (EBITDA/Net Cash Interest) of 4.7 times and with all debt covenants containing significant headroom. The net assets of the Group increased by $23.5 million to $630.1 million during the year, resulting in the net tangible asset position increasing from $1.94 per share to $2.02 per share. The Group maintains financial flexibility for growth through its cash reserves, its committed lines of funding and strong access to capital markets.


ONESAFE
ALL
SAFE
YOUR GUIDE TO A SAFE WORKPLACE
AUSDRILL
ONESAFE
ALLSAFE


NOW TARGETING
ISOLATION
AUSDRILL
NOW TARGETING
COMMITMENT AND INTERVENTION
NOW TARGETING
TRAINING AND COMPETENCY
NOW TARGETING
RESTRICTED

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.

The Group continues to improve its health and safety performance, with the focus on the engagement of its people, as they plan and carry out their work with safety success in mind.

This continued engagement has resulted in a 9% reduction in the Total Recordable Injury Frequency Rate (TRIFR) and a 6% reduction in the number of work related incidents despite an increase of 11% in the number of hours worked on the previous year.

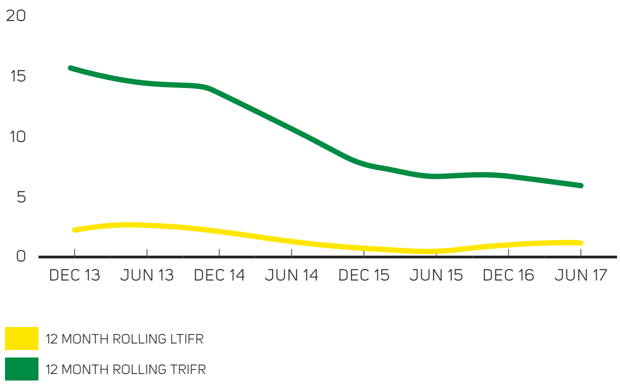
Health and Safety roles and responsibilities training for managers and supervisors has continued and now includes senior members of work crews. This training will continue across the Group during 2018.

Three in-house safety awareness videos have been produced using members of the Ausdrill workforce. These videos allow the Group's people and members of their family to tell their stories, including a message for the audience regarding how prevention of injuries and taking care of your health is vital.

The roll out of the first of these videos has begun and has received positive feedback from work crews, members of the management teams and clients, with several clients requesting a viewing for their own people.

STATISTICS

The year has seen an improvement in safety performance across the group and whilst the Lost Time Injury Frequency Rate has risen slightly, the Total Recordable Injury Frequency rate continues to fall.



PEOPLE

As at 30 June 2017 the number of employees within the Group, including jointly owned entities, stood at 4,582, up from 3,841 in June 2016, an increase of 19.3%.

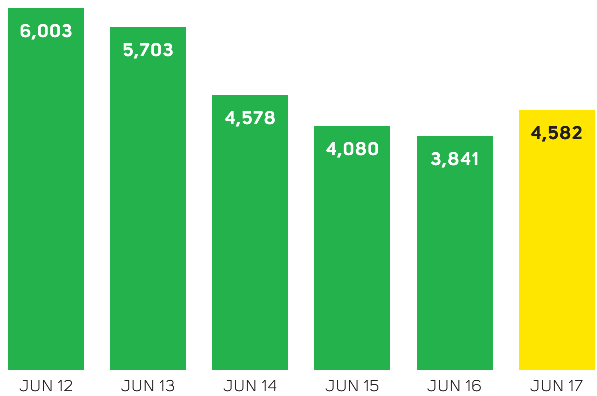
Managing human resources within the mining sector remains a key challenge for the business. The demand for skilled labour is increasing in response to improved commodity prices and an increase in exploration expenditure, particularly within the gold sector. Labour cost challenges are expected to impact the Group as competition for resources increases.

The Group's strategy to divest non-core businesses, a move towards a shared services model for finance and administration services and natural attrition have contributed to a 6% decrease in Australian employee numbers.

Contract wins have contributed to an increase of 30.1% in the workforce for our African operations with 3,503 employees as at 30 June 2017, up from June 2016 numbers of 2,693.

People management will continue to be key to the success of the Ausdrill Group as it aligns human capital with its business goals.

The Group's past and current success, together with future expectations contribute to the strong and unique organisational culture that makes Ausdrill successful. Through continuous improvement, cross-functional collaboration, cultural alignment and the retention of key personnel, Ausdrill will continue to have a distinct competitive advantage in a challenging climate, through its human resources.



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 will 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 continues 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 by utilising 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 and 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 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 high relative to long-term averages. 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 2017, approximately 80% of mining services revenues were generated from the provision of mining services to gold mining companies and approximately 7% 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, Newmont Ghana Gold, Endeavour, Gold Fields, OZ Minerals, Resolute, Perseus, Toro Gold, Roxgold and SEMAFO. 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. In the coal sector, the Group's largest client is Peabody.

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, 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.

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 and Euro 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 will 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.

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 strong competition in an environment which is showing evidence of stabilisation in Australia and rapid growth in Africa.

In response to these market conditions, Ausdrill will:

- Maintain its strong focus on safety
- Focus on securing a significant share of attractive projects with high quality clients
- Continue to deliver efficiency gains to counter market driven margin pressures
- Rationalise its businesses to focus on profitable revenue streams
- Maintain a stable financial foundation from which to grow the Company in the future
- Continue to review working capital, to ensure that it is commensurate with current levels of activity
- Restrict capital expenditure to replacement needs or identified growth opportunities
- Pursue M&A opportunities which are complementary to its existing business model or to industry rationalisation

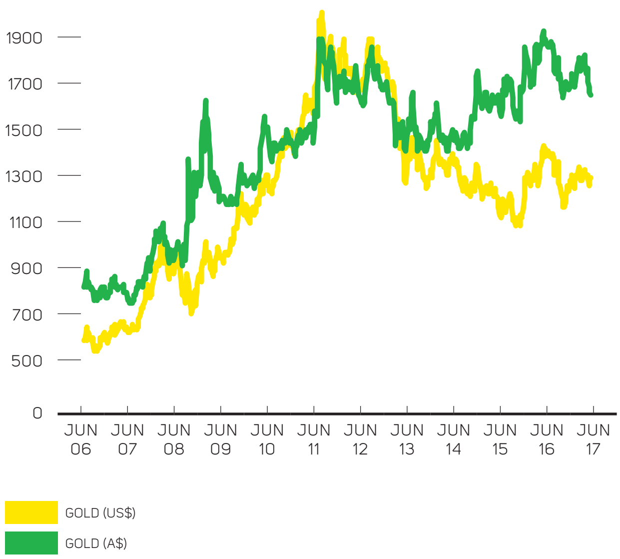
Ausdrill is of the view that competitive market conditions and margin pressure will persist.

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. Expenditure in gold exploration is growing in response to sustained periods of strong Australian Dollar gold prices.

Growth of the African businesses is expected to continue on the back of unprecedented levels 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. Consequently, Ausdrill is in a strong position to grow in its key markets in the years ahead.

GOLD PRICE CHART (US$/A$)



Notes:

1. Non-IFRS Financial Information
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

SECRETARY

Efstratios Vassilios Gregoriadis

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

Johnson Winter & Slattery
Level 4, 167 St George's Terrace
Perth Western Australia 6000

Herbert Smith Freehills
Level 42, 101 Collins Street
Melbourne Victoria 3000

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 2017

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
ABN 95 009 211 474
6 - 12 Uppsala Place
Canning Vale Western Australia 6155

The financial statements were authorised for issue by the directors on 23 August 2017. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available on our website: www.ausdrill.com.au

DIRECTOR'S REPORT

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 2017.

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)
Ian Howard Cochrane (Deputy Chairman)
Ronald George Sayers (Managing Director)
Terrence John Strapp
Donald James Argent
Mark Anthony Connelly
Mark Andrew Hine

The company secretary is Efstratios Gregoriadis.

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 Domenic Santini who was a Company Secretary from the start of the financial year resigned from the Group on 10 March 2017.

DIVIDENDS - AUSDRILL LIMITED

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

	17 $'000	16 $'000
Interim ordinary fully franked dividend for the year ended 30 June 2017 of 2.0 cents (2016: nil) per fully paid share paid on 31 March 2017	6,246	-

The directors have elected to declare a final ordinary fully franked dividend of 2.0 cents per share for the year ended 30 June 2017 (2016: $nil).

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 2 to 24 of this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Mobilisation of African Mining Services Senegal Suarl's Mako project commenced in October 2016 with drilling and mining works commencing in May 2017.

African Mining Services Burkina Faso Sarl's Boungou (formerly Natougou) project commenced in May 2017.

African Mining Services Mali Sarl's Yanfolila project commenced in May 2017.

The Energy Drilling Australia ("EDA") business completed the transfer of assets into care and maintenance in November 2016.

The Group entered into a sale agreement to sell the Miners Rest Motel business for $2.5 million which was completed on 21 September 2016. The Miners Rest Motel is reported as a discontinued operation in note 13 of this annual report.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year ended 30 June 2017.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 23 August 2017, the directors declared the payment of a final ordinary fully franked dividend of $6,245,544 (2.0 cents per fully paid share) to be paid on 18 October 2017 out of retained profits at 30 June 2017. The financial effect of this transaction has not been brought to account at 30 June 2017.

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

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 2 to 24.

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 79.

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 Elkington Bishop Molineaux Insurance Brokers Pty Ltd 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.

Mr Ian Howard Cochrane BCom, LLB. *Non-executive Deputy Chairman.* Age 63.

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 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.

INFORMATION ON DIRECTORS (CONTINUED)

Ronald George Sayers. *Managing Director.* Age 65.

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.

Terrence John Strapp CPA, SF Fin., MAICD. *Non-executive director.* Age 73.

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 54.

Experience and expertise

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

Mark Connelly has more than 30 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. Mark 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

Non-executive director and Chairman of Toro Gold plc since 2014.
Non-executive director of Saracen Mineral Holdings Limited since 2015.
Non-executive director and Chairman of West African Resources Limited since 2015.
Non-executive director of Cardinal Resources Limited since 2015 (resigned as Chairman 2016).
Non-executive director and Chairman of Tiger Resources Limited since 2016.

INFORMATION ON DIRECTORS (CONTINUED)

Former directorships in last 3 years

Managing Director of Papillon Resources Limited from 2012 to 2014.
Non-executive director of Manas Resources Limited from 2013 to 2015.
Non-executive 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.

Donald James Argent BCom, CPA, FAICD. *Non-executive director.* Age 70.

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 until 2015.

Special responsibilities

None.

Interests in shares and options

40,000 ordinary shares.

Mr Mark Andrew Hine MAICD, MAusIMM. *Non-executive director.* Age 59.

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 in 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 at 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.

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 2017 and the numbers of meetings attended by each director were:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES AUDIT & RISK		MEETINGS OF COMMITTEES REMUNERATION	
	A	B	A	B	A	B
Terence Edward O'Connor	7	8	3	4	2	2
Ronald George Sayers	7	8	*	*	*	*
Ian Howard Cochrane	8	8	*	*	*	*
Terrence John Strapp	8	8	4	4	*	*
Donald James Argent	8	8	*	*	*	*
Mark Anthony Connelly	7	8	4	4	2	2
Mark Andrew Hine	7	8	*	*	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 2017 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 27 to 29 for details about each director)

T E O'Connor	D J Argent
I H Cochrane	M A Hine
R G Sayers	M A Connelly
T J Strapp	

Other key management personnel

NAME	POSITION
A G Broad	Chief Operating Officer - Australian Operations
J Kavanagh	Chief Operating Officer - African Operations
T Mlikota	Chief Financial Officer
R J Coates	Executive General Manager - Australian Mining Operations
D James	Executive General Manager - Equipment Services and Supplies

REMUNERATION REPORT (CONTINUED)

(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 described below.

(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 management varies between $50,000 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.

REMUNERATION REPORT (CONTINUED)

(c) Elements of remuneration (continued)

Short-term performance incentives *(continued)*

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 incentive in exceptional circumstances. Any variation and the reasons for it are disclosed.

As a result of improved performance during the year ended 30 June 2017, the Remuneration Committee and Board declared that 25% of the service bonus be paid.

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).

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

REMUNERATION REPORT (CONTINUED)

(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 2017.

	17 $000	16 $000	15 $000	14 $000	13 $000
Revenue	**778,719**	744,635	721,660	827,860	1,131,283
Operating profit before income tax	**45,328**	26,578*	2,064*	34,430*	109,503*
Profit/(loss) after tax from continued operations	**31,443**	20,512	(160,314)	(43,859)	90,399
Profit/(loss) after tax from discontinued operations	**(242)**	37,638	(15,306)	-	-
Net profit/(loss) after tax	**31,201**	58,150	(175,620)	(43,859)	90,399
Share price at start of year ($ per share)	**0.72**	0.39	0.86	0.86	3.42
Share price at end of year ($ per share)	**1.84**	0.72	0.39	0.86	0.86
Basic earnings/(loss) (cents per share) from continuing operations	**10.1**	6.6	(51.3)	(13.6)	29.6
Basic earnings/(loss) (cents per share) from discontinued operations	**(0.1)**	12.1	(4.9)	-	-
Diluted earnings/(loss) (cents per share) from continuing operations	**9.8**	6.4	(51.3)	(13.6)	29.0
Diluted earnings/(loss) (cents per share) from discontinued operations	**(0.1)**	11.8	(4.9)	-	-

* 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 $	SERVICE BONUS * $	OPTIONS $	TOTAL $
Executive directors								
R G Sayers	**2017**	**726,299**	**25,000**	**17,382**	**35,000**	**-**	**-**	**803,681**
	2016	726,299	25,000	5,725	35,000	-	-	792,024
Other key management personnel								
A G Broad [1]	**2017**	**482,804**	**-**	**2,878**	**19,616**	**5,292**	**23,806**	**534,396**
	2016	437,582	-	200	24,999	-	12,392	475,173
J Kavanagh	**2017**	**564,637**	**136,648**	**-**	**-**	**6,250**	**11,903**	**719,438**
	2016	577,164	141,075	-	-	-	6,196	724,435
T Mlikota [2]	**2017**	**472,421**	**-**	**3,884**	**30,000**	**454**	**23,806**	**530,565**
	2016	267,651	-	127	25,427	-	12,392	305,597
R J Coates	**2017**	**335,243**	**-**	**3,375**	**30,000**	**571**	**11,903**	**381,091**
	2016	324,003	-	153	29,998	-	6,196	360,350
D James	**2017**	**335,242**	**-**	**3,030**	**30,000**	**503**	**11,903**	**380,677**
	2016	250,166	-	115	23,766	-	6,196	280,243
A J McCulloch [3]	**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2016	83,101	685	-	908	-	704	85,398
J E Martins [4]	**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2016	168,824	-	-	17,362	-	9,166	195,352
Total executive directors and other KMP	**2017**	**2,916,646**	**161,648**	**30,549**	**144,616**	**13,070**	**83,319**	**3,349,848**
	2016	2,834,790	166,760	6,320	157,460	-	53,241	3,218,572
Total non-executive directors remuneration	**2017**	**504,000**	**-**	**-**	**47,880**	**-**	**-**	**551,880**
	2016	468,231	-	-	44,482	-	-	512,713
Total KMP remuneration expense	**2017**	**3,420,646**	**161,648**	**30,549**	**192,496**	**13,070**	**83,319**	**3,901,728**
	2016	3,303,021	166,760	6,320	201,942	-	53,241	3,731,284

1 A G Broad was appointed as Chief Operating Officer Australian Operations on 3 August 2015.

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

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

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

* There will be no cash bonus payable for the year ended 30 June 2017. 25% of the service bonus has been accrued for the year ended 30 June 2017 and was paid on 7 August 2017. There was no cash and service bonus accrued and paid for the year ended 30 June 2016.

REMUNERATION REPORT (CONTINUED)

(f) Contractual arrangements with executive KMP

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 3 and 12 months of termination by either party as 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	Ongoing	477,420	Contract can be terminated by either party with 3 months' notice or payment in lieu.
J Kavanagh Chief Operating Officer - African Operations	Ongoing	533,328	Contract can be terminated by either party with 3 months' notice or payment in lieu.
T Mlikota Chief Financial Officer	Ongoing	477,420	Contract can be terminated by either party with 3 months' notice or payment in lieu.
R J Coates Executive General Manager - Australian Mining Operations	Ongoing	340,242	Contract can be terminated by either party with 3 months' notice or payment in lieu.
D James Executive General Manager - Equipment Services & Supplies	Ongoing	340,242	Contract can be terminated by either party with 3 months' notice or payment in lieu.

* There are no additional contractual differences.

(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 revised 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. 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	**2017**	**108,000**	**-**	**9,000**	**11,115**	**128,115**
	2016	108,000	-	9,000	11,115	128,115
I H Cochrane	**2017**	**90,000**	**-**	**-**	**8,550**	**98,550**
	2016	54,231	-	-	5,152	59,383
T J Strapp	**2017**	**72,000**	**9,000**	**-**	**7,695**	**88,695**
	2016	72,000	9,000	-	7,695	88,695
D J Argent	**2017**	**72,000**	**-**	**-**	**6,840**	**78,840**
	2016	72,000	-	-	6,840	78,840
M A Connelly	**2017**	**72,000**	**-**	**-**	**6,840**	**78,840**
	2016	72,000	-	-	6,840	78,840
M A Hine	**2017**	**72,000**	**-**	**-**	**6,840**	**78,840**
	2016	72,000	-	-	6,840	78,840
Total non-executive	**2017**	**486,000**	**9,000**	**9,000**	**47,880**	**551,880**
director remuneration	2016	450,231	9,000	9,000	44,482	512,713

(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 34:

Figure 3: Relative proportion of fixed vs variable remuneration expense

NAME	FIXED REMUNERATION 17 %	FIXED REMUNERATION 16 %	AT RISK - STI 17 %	AT RISK - STI 16 %	AT RISK - LTI * 17 %	AT RISK - LTI * 16 %
Executive directors						
R G Sayers	**100**	100	**-**	-	**-**	-
Other key management personnel of the Group						
A G Broad	**95**	97	**1**	-	**4**	3
J Kavanagh	**97**	99	**-**	-	**3**	1
T Mlikota	**96**	96	**-**	-	**4**	4
D James	**97**	98	**-**	-	**3**	2
R J Coates	**97**	98	**-**	-	**3**	2
A J McCulloch	**-**	99	**-**	-	**-**	1
J E Martins	**-**	95	**-**	-	**-**	5

* 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 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 year

2017	LTI OPTIONS VALUE GRANTED $	LTI OPTIONS VALUE EXERCISED $
A G Broad	-	-
J Kavanagh	-	-
T Mlikota	-	-
R J Coates	-	-
D James	-	-

(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	75th percentile	100%
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 2017. All vested options were exercisable.

2017	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

REMUNERATION REPORT (CONTINUED)

(h) Additional statutory information (continued)

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

Figure 6: Shareholdings

2017 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	37,296,782	-	-	-	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 or key management personnel of Ausdrill Limited or related entities during the current year.

(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 arm's length commercial terms and conditions and is reviewed annually.

A director, Mr M A Connelly, was a director of B2Gold Corp and is currently the non-executive chairman of Toro Gold, West African Resources and a non-executive director of 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.

Toro Gold through its subsidiary Petowal Mining Company entered into a mining services contract with an Ausdrill Limited subsidiary, African Mining Services Senegal Suarl.

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 with mineral analysis services by an Ausdrill Limited subsidiary, MinAnalytical Laboratory Services Pty Ltd. These services have been provided on arm's length commercial 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:

	17 $	16 $
(i) Amounts recognised as revenue		
Exploration drilling and mining services	**8,365,112**	1,804,181
Mineral analysis services	**-**	6,921
	8,365,112	1,811,102
(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	**1,954,906**	571,708

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

In 2016, 98.28% 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
7 October 2013	7 October 2018	$1.70	1,966,654
7 October 2013	7 October 2018	$1.70	1,966,692
23 December 2015	23 December 2020	$0.25	3,299,982
23 December 2015	23 December 2020	$0.25	3,299,982
23 December 2015	23 December 2020	$0.25	3,300,036
			13,833,346

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 2017 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, the company secretary 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

INDEMNIFICATION (CONTINUED)

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 42.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Ronald George Sayers
Managing Director

Perth
23 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Ausdrill Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
23 August 2017

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CORPORATE GOVERNANCE STATEMENT

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 2017 corporate governance statement is dated as at 30 June 2017 and reflects the corporate governance practices in place throughout the 2017 financial year. The 2017 corporate governance statement was approved by the Board on 23 August 2017. 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. 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 notes 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; and
- The Group's 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 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, software or automation to help manage tax compliance obligations;
  9. Maintain open and constructive relationships with all relevant tax authorities; and
  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, equipment and funding 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	17 $'000	16 $'000
Revenue from continuing operations	2	778,719	744,635
Other income	4(a)	7,206	11,102
Materials expense		(329,383)	(298,972)
Labour costs		(251,151)	(239,895)
Rental and hire expense		(14,311)	(13,994)
Depreciation and amortisation expense	4(b)	(62,385)	(67,894)
Finance costs	4(b)	(31,512)	(33,696)
Realised foreign exchange gains/(losses)	4(b)	719	(8,427)
Unrealised foreign exchange gains/(losses)	4(b)	4,028	(6,123)
Other expenses from ordinary activities		(69,692)	(69,232)
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)	13,090	9,074
Profit/(loss) before income tax		45,328	25,093
Income tax (expense)/benefit	5	(13,885)	(4,581)
Profit/(loss) from continuing operations		31,443	20,512
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)	13	(242)	37,638
Profit/(loss) for the year		31,201	58,150
Profit/(loss) is attributable to:			
Equity holders of Ausdrill Limited		31,201	58,150
Profit/(loss) for the year		31,201	58,150
		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	10.1	6.6
Diluted earnings/(loss) per share	21	9.8	6.4
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	21	10.0	18.7
Diluted earnings/(loss) per share	21	9.7	18.2

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	17 $'000	16 $'000
Profit/(loss) for the year		31,201	58,150
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange (losses)/gains on translation of foreign operations	8(b)	882	(6,828)
Share of other comprehensive income of joint ventures accounted for using the equity method		(1,024)	1,960
Items that will not be reclassified to profit or loss			
(Loss)/gains on revaluation of land and buildings, net of tax	8(b)	(421)	(1,341)
(Loss)/gain on revaluation of available-for-sale financial assets, net of tax	8(b)	(1,424)	1,178
Other comprehensive (loss)/income for the year, net of tax		(1,987)	(5,031)
Total comprehensive income/(loss) for the year		29,214	53,119
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of Ausdrill Limited		29,214	53,119
Total comprehensive income/(loss) for the year		29,214	53,119
Total comprehensive income/(loss) for the period attributable to owners of Ausdrill Limited arises from:			
Continuing operations		29,456	15,481
Discontinued operations		(242)	37,638
		29,214	53,119

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	17 $'000	16 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	**166,710**	181,857
Trade and other receivables	6(b)	**167,742**	169,810
Inventories	7(a)	**188,761**	191,374
Available-for-sale financial assets	6(c)	**-**	2,000
Current tax receivables		**3,028**	4,803
Total current assets		**526,241**	549,844
Non-current assets			
Joint ventures accounted for using the equity method	14(b)	**58,884**	69,764
Available-for-sale financial assets	6(c)	**5,189**	3,641
Property, plant and equipment	7(b)	**560,464**	489,832
Deferred tax assets	7(c)	**36,372**	37,300
Total non-current assets		**660,909**	600,537
Total assets		**1,187,150**	1,150,381
LIABILITIES			
Current liabilities			
Trade and other payables	6(d)	**100,396**	82,839
Borrowings	6(e)	**2,802**	3,521
Current tax liabilities		**4,181**	3,907
Employee benefit obligations	7(d)	**40,805**	33,814
Total current liabilities		**148,184**	124,081
Non-current liabilities			
Borrowings	6(e)	**385,815**	395,019
Deferred tax liabilities	7(c)	**22,077**	23,584
Employee benefit obligations	7(d)	**960**	1,101
Total non-current liabilities		**408,852**	419,704
Total liabilities		**557,036**	543,785
Net assets		**630,114**	606,596
EQUITY			
Contributed equity	8(a)	**526,447**	526,447
Other reserves	8(b)	**(17,777)**	(16,028)
Retained earnings	8(c)	**121,444**	96,177
Capital and reserves attributable to owners of Ausdrill Limited		**630,114**	606,596
Total equity		**630,114**	606,596

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 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:					
Employee share options - value of employee services	8(b)	-	184	-	184
Balance at 30 June 2016		**526,447**	**(16,028)**	**96,177**	**606,596**
Profit for the year		-	-	31,201	31,201
Other comprehensive (loss)/income		-	(1,987)	312	(1,675)
Total comprehensive (loss)/income for the period		**-**	**(1,987)**	**31,513**	**29,526**
Transactions with owners in their capacity as owners:					
Dividends paid	12(b)	-	-	(6,246)	(6,246)
Employee share options - value of employee services	8(b)	-	238	-	238
		-	238	(6,246)	(6,008)
Balance at 30 June 2017		**526,447**	**(17,777)**	**121,444**	**630,114**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	17 $'000	16 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		802,207	791,503
Payments to suppliers and employees (inclusive of goods and services tax)		(670,096)	(668,345)
		132,111	123,158
Receipts from finance customers		-	2,609
Interest received		2,391	1,655
Interest and other costs of finance paid		(29,113)	(30,870)
Income taxes (paid)/refunded		(11,782)	(6,434)
Management fee received from joint ventures		1,006	888
Net cash inflow/(outflow) from operating activities	9(a)	94,613	91,006
Cash flows from investing activities			
Payments for purchase of equity investments		-	(3)
Payments for property, plant and equipment		(147,418)	(12,416)
Proceeds from sale of property, plant and equipment		1,780	11,418
Payments for available-for-sale financial assets		(3,855)	(3,849)
Proceeds from sale of available-for-sale financial assets		3,207	7,463
Proceeds from sale of business	13	22,213	49,369
Distributions received from associates		22,946	8,871
Net cash (outflow)/inflow from investing activities		(101,127)	60,853
Cash flows from financing activities			
Repayment of secured borrowings		-	(38,091)
Repayment of hire purchase and lease liabilities		(471)	(8,047)
Proceeds from unsecured borrowings		3,721	4,340
Dividends paid to Company's shareholders	12(b)	(6,246)	-
Repayment of unsecured borrowings		(3,969)	(5,974)
Net cash (outflow)/inflow from financing activities		(6,965)	(47,772)
Net (decrease)/increase in cash and cash equivalents		(13,479)	104,087
Cash and cash equivalents at the beginning of the financial year		181,857	77,865
Effects of exchange rate changes on cash and cash equivalents		(1,668)	(95)
Cash and cash equivalents at end of year	6(a)	166,710	181,857
Non-cash investing and financing activities		-	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 including treasury, accounting, human resources and administration.

During the year, the Group embarked on a centralisation of accounts payable, accounts receivable and payroll for its Australian operations. These costs are not distributed amongst the other segments.

Intersegment Eliminations:

Represents transactions which are eliminated on consolidation.

Discontinued operations:

This segment includes the discontinued operations of The Miners Rest Motel (2016: Drilling Tools Australia Pty Ltd and DT HiLoad Pty Ltd). Information about discontinued businesses can be found in note 13.

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 2017 is as follows:

2017	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	215,524	130,684	404,683	25,437	-	-	776,328	329	-	776,657
Intersegment sales	13,122	48,156	43	-	-	(61,321)	-	61	(61)	-
Total sales revenue	**228,646**	**178,840**	**404,726**	**25,437**	**-**	**(61,321)**	**776,328**	**390**	**(61)**	**776,657**
Other revenue	501	81	341	14	23,806	(22,352)	2,391	-	-	2,391
Total segment revenue	229,147	178,921	405,067	25,451	23,806	(83,673)	778,719	390	(61)	779,048
Segment EBITDA	**36,881**	**18,091**	**95,810**	**2,634**	**(16,582)**	**-**	**136,834**	**(214)**	**-**	**136,620**
Depreciation and amortisation expenses	(17,749)	(8,597)	(33,462)	(2,325)	(252)	-	(62,385)	(28)	-	(62,413)
Segment EBIT	**19,132**	**9,494**	**62,348**	**309**	**(16,834)**	**-**	**74,449**	**(242)**	**-**	**74,207**
Interest income	501	81	341	14	23,806	(22,352)	2,391	-	-	2,391
Interest expense	(3,332)	(4,761)	(7,730)	(6,550)	(31,491)	22,352	(31,512)	-	-	(31,512)
Segment result	**16,301**	**4,814**	**54,959**	**(6,227)**	**(24,519)**	**-**	**45,328**	**(242)**	**-**	**45,086**
Income tax (expense)/benefit							(13,885)	-		(13,885)
Profit/(loss) for the year							**31,443**	**(242)**		**31,201**
Segment assets	**709,196**	**174,423**	**591,998**	**89,094**	**683,361**	**(1,060,922)**	**1,187,150**	**-**	**-**	**1,187,150**
Segment liabilities	**86,773**	**83,632**	**288,045**	**4,958**	**908,469**	**(814,841)**	**557,036**	**-**	**-**	**557,036**
Other segment information										
Investments in joint ventures	-	-	58,884	-	-	-	58,884	-	-	58,884
Share of net profits from joint ventures	-	-	13,090	-	-	-	13,090	-	-	13,090
Acquisition of property, plant and equipment, intangibles and other non-current assets	6,870	17,192	121,075	1,909	4,227	-	151,273	-	-	151,273

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 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	27,479	-	-	743,003	26,978	-	769,981
Intersegment sales	1,526	20,135	144	2	-	(21,807)	-	16,902	(16,902)	-
Total sales revenue	**224,145**	**151,160**	**362,024**	**27,481**	**-**	**(21,807)**	**743,003**	**43,880**	**(16,902)**	**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	27,506	27,660	(48,611)	744,635	43,903	(16,902)	771,636
Segment EBITDA	**41,085**	**15,757**	**83,760**	**(1,434)**	**(12,632)**	**-**	**126,536**	**38,862**	**-**	**165,398**
Depreciation and amortisation expenses	(19,948)	(8,274)	(35,763)	(3,605)	(304)	-	(67,894)	(2,616)	-	(70,510)
Reversal of impairment of available-for-sale 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**	**(5,039)**	**(14,421)**	**-**	**57,157**	**42,379**	**-**	**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**	**(11,501)**	**(19,548)**	**-**	**25,093**	**42,399**	**-**	**67,492**
Income tax (expense)/benefit							(4,581)	(4,761)		(9,342)
Profit/(loss) for the year							**20,512**	**37,638**		**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)

(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:

	17 $'000	16 $'000
Total segment revenue	776,328	743,003
Interest revenue	2,391	1,632
Total revenue from continuing operations (note 2)	**778,719**	744,635

2 REVENUE

	17 $'000	16 $'000
From continuing operations		
Sales revenue		
Sale of goods	25,396	32,117
Services	750,932	710,886
	776,328	743,003
Other revenue		
Interest	2,391	1,632
	778,719	744,635

(a) Revenue recognition

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

(i) Contract services

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

(ii) Mining supplies and manufactured goods

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

(iii) Other revenue

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

3 INDIVIDUALLY SIGNIFICANT ITEMS

The 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	17 $'000	16 $'000
Gain/(loss) on sale of discontinued operation	13	(64)	34,709
Reversal of impairment/(impairment) of assets			
Plant and equipment - Drilling Tools Australia	13(b)	-	6,133
Total material items from discontinued operations		-	6,133
Total		-	**6,133**

(a) Impairment of non-current assets

For the year ended 30 June 2017, the Company assessed whether there were any indicators of impairment. In doing this, management considered the profitability of the Cash Generating Units (CGU's) against their budgets. Where a business was performing below its forecast and had high underutilisation 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, Energy Drilling Australia, Kalgoorlie / Synegex and Contract Mining Services Africa 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 methodology (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 along with its own internal valuation where a fair value less costs of disposal has been used. In the instances where this has been adopted, the valuation technique and fair value hierarchy is noted below.

The recoverable amount of a CGU determined by a VIU calculation requires the use of assumptions. Cash flow projections are calculated using EBITDA, changes in working capital and capital expenditure to determine 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 CGU's which had impairment triggers at 30 June 2017, some were assessed by a FVLCD method and some were via the VIU method and resulted in no impairment charge being recorded. For the year ended 30 June 2016 the CGU's were assessed by a FVLCD method and resulted in no impairment charge 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 2017 and 30 June 2016.

3 INDIVIDUALLY SIGNIFICANT ITEMS (CONTINUED)

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

Summary of the impairment assessment

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

CGU	TRIGGER FOR IMPAIRMENT TESTING 17	16	VALUATION METHOD USED 17	16	IMPAIRMENT EXPENSE/(REVERSAL) OF PPE 17	16
Kalgoorlie / Synegex CGU	**Y**	N	**VIU**	-	**-**	-
Ausdrill Northwest (ANW) CGU	**Y**	Y	**FVLCD**	FVLCD	**-**	-
BTP Equipment (BTPE) CGU	**N**	N	**-**	-	**-**	-
Contract Mining Services Africa (CMSA) CGU	**Y**	N	**VIU**	-	**-**	-
MinAnalytical CGU	**N**	N	**-**	-	**-**	-
Energy Drilling Australia (EDA) CGU	**Y**	Y	**FVLCD**	FVLCD	**-**	-
Manufacturing CGU	**-**	-	**-**	-	**-**	(6,133)
Total					**-**	(6,133)

Key assumptions used for value in use calculations

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

(a) EBITDA/sales margins

(b) Capital expenditure

(c) Discount rates and growth rates used to extrapolate cash flows beyond the forecast period

EBITDA margin

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

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

Capital expenditure

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

Growth rate estimates and discount rates

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

3 INDIVIDUALLY SIGNIFICANT ITEMS (CONTINUED)

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

Kalgoorlie / Synegex CGU

This CGU is included in the Drilling Services Australia operating segment. At 30 June 2017, this CGU had triggers for impairment testing, and a VIU methodology was adopted. Based on the impairment testing performed, no impairment expense has been recognised at the CGU level at 30 June 2017. At 30 June 2016, there were no triggers for impairment requiring testing for this CGU.

Contract Mining Services Africa (CMSA) CGU

This CGU is included in the Contract Mining Services Africa operating segment. At 30 June 2017, this CGU had triggers for impairment testing, and a VIU methodology was adopted. Based on the impairment testing performed, no impairment expense has been recognised at the CGU level at 30 June 2017. At 30 June 2016, there were no triggers for impairment requiring testing for this CGU.

Key assumptions used for Fair Value less Costs of Disposal

Energy Drilling Australia (EDA) CGU

This CGU is included in the Other operating segment. At 30 June 2017, this CGU had triggers for impairment testing. To determine the recoverable amount of this CGU, the Company engaged an independent external valuer to undertake a fair market valuation. The valuation approach, a combination of Level 1, Level 2 and predominately Level 3 inputs in the fair value hierarchy, was employed for this fair value valuation. The directors assessed the fair value of each asset, taking into account the independent valuation and determined the assets' fair value within a range of reasonable fair value estimates. As a result, no impairment charge was made as the fair value valuation supported the carrying value. During the prior year, this CGU exhibited triggers for impairment testing and the Company engaged an independent external valuer to undertake a fair market valuation (the same as that described above) resulting in no impairment charge during the period ending 30 June 2016.

ANW CGU (previously ANW and Connector CGU)

This CGU is included in the Drilling Services Australia operating segment. At 30 June 2017, this CGU had triggers for impairment testing. To determine the recoverable amount of this CGU, the Company engaged an independent external valuer to undertake a fair market valuation. The valuation approach, a combination of Level 1, Level 2 and predominately Level 3 inputs in the fair value hierarchy, was employed for this fair value valuation. The directors assessed the fair value of each asset, taking into account the independent valuation and determined the assets' fair value within a range of reasonable fair value estimates. As a result, no impairment charge was made as the fair value valuation supported the carrying value. During the prior year, this CGU exhibited triggers for impairment testing and the Company engaged an independent external valuer to undertake a fair market valuation (the same as that described above) resulting in no impairment charge during the period ending 30 June 2016.

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.

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

	17 $'000	16 $'000
Gain on sale of property, plant and equipment	-	3,666
Insurance proceeds	2,209	1,370
Management fee received	1,006	888
Gain on sale of available-for-sale financial assets	934	2,044
Other	3,057	3,134
	7,206	11,102

(b) Breakdown of expenses by nature

	17 $'000	16 $'000
Depreciation		
Buildings	1,629	1,801
Plant and equipment	60,756	66,093
Total depreciation	62,385	67,894
Finance costs		
Hire purchase interest	68	379
Interest paid	29,045	30,489
Amortised borrowing cost	2,399	2,828
Finance cost expensed	31,512	33,696
Net loss on disposal of property, plant and equipment	3,630	-
Rental expense relating to operating leases	6,987	6,258
Impairment losses - financial assets		
Trade receivables provisions	(192)	919
Impairment of other assets		
Available-for-sale assets	-	1,485
Net foreign exchange (gains)/losses	(4,747)	14,550

5 INCOME TAX EXPENSE/(BENEFIT)

This note provides an analysis of the Group's income tax expense, shows what tax 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	17 $'000	16 $'000
Current tax on profits for the year		13,084	8,083
Deferred tax		(998)	2,170
Adjustments for current tax of prior periods		1,799	(911)
		13,885	9,342
Income tax expense/(benefit) is attributable to:			
Profit/(loss) from continuing operations		13,885	4,581
Profit/(loss) from discontinued operations		-	4,761
Aggregate income tax expense		13,885	9,342
Deferred income tax expense/(revenue) included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	7(c)(i)	4,400	582
Increase/(decrease) in deferred tax liabilities	7(c)(ii)	(5,398)	1,588
		(998)	2,170

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

	NOTES	17 $'000	16 $'000
Profit/(loss) from continuing operations before income tax expense		45,328	25,093
Profit/(loss) from discontinued operations before income tax expense		(242)	42,399
		45,086	67,492
Tax at the Australian tax rate of 30% (2016 - 30%)		13,526	20,248
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Share of net (profit) of joint ventures		(3,927)	(2,722)
Other foreign permanent differences		(734)	(3,737)
Withholding tax		2,488	747
Gain on sale of investments		-	(4,109)
Other non-assessable/(non-deductible) items		1,169	1,081
		12,522	11,508
Difference in overseas tax rates		1,499	(429)
Under/(over) provision in prior years		1,799	(911)
Current year tax losses not recognised		1,882	10,678
Deferred tax assets not recognised / (now recognised)		(5,833)	(11,973)
Effect of currency translation on tax base		2,030	(2,155)
Deferred tax recognised on undistributed profits for foreign subsidiaries and joint ventures		(14)	2,624
		1,363	(2,166)
Income tax expense/(benefit)		13,885	9,342

5 INCOME TAX EXPENSE/(BENEFIT) (CONTINUED)

	17 $'000	16 $'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	(412)	(402)
(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	119,902	106,888
Other temporary differences	41,431	60,875
	161,333	167,763
Unrecognised deferred tax assets relating to the above temporary differences	48,400	50,329
(ii) Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:		
Undistributed earnings	116,070	95,164
Unrecognised deferred tax liabilities relating to the above temporary differences	9,159	7,417

Ausdrill Limited has undistributed earnings of $116,069,507 (2016: $95,164,000) 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) 2017 accounting effective company tax rates for Australian and global operations in terms of the Board of Taxations' Voluntary Tax Transparency Code

(i) Australian operations

The accounting effective company tax rate for the year ended 30 June 2017 is 0% (30 June 2016: 3%). 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 30.0% (30 June 2016: 30.5%).

(ii) Global operations

The accounting effective company tax rate for the year ended 30 June 2017 is 30.8% (30 June 2016: 13.6%). This effective tax rate is different to the Australian company tax rate due to the impact of different company tax rates in other countries, 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 33.8% (30 June 2016: 29.7%).

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				
2017				
Cash and cash equivalents	6(a)	**-**	**166,710**	**166,710**
Trade and other receivables*	6(b)	**-**	**151,969**	**151,969**
Available-for-sale financial assets	6(c)	**5,189**	**-**	**5,189**
		5,189	**318,679**	**323,868**
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	6(c)	5,641	-	5,641
		5,641	344,063	349,704

* Excluding prepayments.
** Fair value through other comprehensive income

	NOTES	LIABILITIES AT AMORTISED COST $'000	TOTAL $'000
Financial liabilities			
2017			
Trade and other payables	6(d)	**100,396**	**100,396**
Borrowings	6(e)	**388,617**	**388,617**
		489,013	**489,013**
2016			
Trade and other payables	6(d)	82,839	82,839
Borrowings	6(e)	398,540	398,540
		481,379	481,379

The Group's exposure to various risks associated with 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

	17 $'000	16 $'000
Current assets		
Cash at bank and in hand	**166,710**	181,857

(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:

	17 $'000	16 $'000
Balance as above	**166,710**	181,857
Balances per consolidated statement of cash flows	**166,710**	181,857

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Trade and other receivables

	17 CURRENT $'000	17 NON-CURRENT $'000	17 TOTAL $'000	16 CURRENT $'000	16 NON-CURRENT $'000	16 TOTAL $'000
Trade receivables	122,746	-	122,746	134,616	-	134,616
Provision for impairment of receivables (see note 11(b))	(14,361)	-	(14,361)	(14,726)	-	(14,726)
	108,385	-	108,385	119,890	-	119,890
Other receivables (ii)	43,584	-	43,584	42,316	-	42,316
Prepayments	15,773	-	15,773	7,604	-	7,604
	167,742	-	167,742	169,810	-	169,810

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 and accrued revenue. The 2016 amount included an amount recoverable from a third party for damages sustained in a fire and the remaining outstanding amount payable by the Robit Plc Group of $19,800,000, in relation to the sale of Drilling Tools Australia. Both of the amounts were received during the current year.

(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:

	17 $'000	16 $'000
Current assets		
Convertible note	-	2,000
	-	2,000
Non-current assets		
Equity securities	5,189	3,641
	5,189	5,641

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 (fair value through profit or loss, 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 (losses)/gains were recognised in other comprehensive income.

	NOTES	17 $'000	16 $'000
(Losses)/gains recognised in other comprehensive income	8(b)	**(2,034)**	1,683

(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 Dollars 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

	17 $'000	16 $'000
Current liabilities		
Trade payables	**62,762**	48,621
Other creditors and accruals	**37,634**	34,218
	100,396	82,839

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

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

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(e) Borrowings

	17 CURRENT $'000	17 NON-CURRENT $'000	17 TOTAL $'000	16 CURRENT $'000	16 NON-CURRENT $'000	16 TOTAL $'000
Secured						
Hire purchase liabilities	-	-	-	471	-	471
Total secured borrowings	-	-	-	471	-	471
Unsecured						
USD notes	-	390,505	390,505	-	402,253	402,253
Prepaid borrowing costs	-	(4,690)	(4,690)	-	(7,234)	(7,234)
Insurance premium funding	2,802	-	2,802	3,050	-	3,050
Total unsecured borrowings	2,802	385,815	388,617	3,050	395,019	398,069
Total borrowings	2,802	385,815	388,617	3,521	395,019	398,540

(i) *Secured liabilities and assets pledged as security*

At 30 June 2017, the Group had the following facilities that were not drawn at balance date:

	17 $'000	16 $'000
Total unutilised facilities - bank loans	124,776	123,909

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 debt facility, which matures in March 2018, is financed by a number of leading lending institutions in the Australian banking market. As at 30 June 2017, 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 Positive) 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

	17 $'000	16 $'000
Within one year	-	481
Future finance charges	-	(10)
	-	471
Hire purchase liabilities:		
Current	-	471

(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:

	17 CARRYING AMOUNT $'000	17 FAIR VALUE $'000	17 DISCOUNT RATE %	16 CARRYING AMOUNT $'000	16 FAIR VALUE $'000	16 DISCOUNT RATE %
On-balance sheet						
Non-traded financial liabilities						
USD notes	390,505	402,412	5.86	402,253	352,535	10.18

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

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

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

(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 2017:

CONSOLIDATED ENTITY	UNLISTED EQUITY SECURITIES $'000	TOTAL $'000
Opening balance 1 July 2016	-	-
Acquisitions	1,038	1,038
Closing balance 30 June 2017	**1,038**	**1,038**

(iv) Valuation inputs and relationships to fair value

The fair value of the unlisted equity security has been determined as its acquisition cost due to the acquisition proximity to 30 June 2017.

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

	17 $'000	16 $'000
Work in progress	**14,903**	11,951
Finished goods	**16,421**	15,808
Consumables and store items	**157,437**	163,615
	188,761	191,374

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Inventories (continued)

(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 $2,003,328 (2016: $2,043,588). These were recognised as an expense during the year ended 30 June 2017 and included in materials expense in the consolidated statement of profit or loss.

(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 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 subsidiaries	-	(14,094)	-	(14,094)
Additions	121	11,375	920	12,416
Impairment reversal on disposal of subsidiary	-	4,645	1,488	6,133
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	-	78,537	(78,537)	-
Closing net book amount	57,420	430,155	2,257	489,832
At 30 June 2016				
Cost or fair value	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
Year ended 30 June 2017				
Opening net book amount	**57,420**	**430,155**	**2,257**	**489,832**
Exchange differences	**(503)**	**(3,856)**	**(7)**	**(4,366)**
Additions	**970**	**146,447**	**-**	**147,417**
Transfers to inventory	**-**	**(2,119)**	**-**	**(2,119)**
Depreciation charge	**(1,629)**	**(60,603)**	**(181)**	**(62,413)**
Disposals	**(2,374)**	**(5,513)**	**-**	**(7,887)**
Transfers between classes	**-**	**2,069**	**(2,069)**	**-**
Closing net book amount	**53,884**	**506,580**	**-**	**560,464**
At 30 June 2017				
Cost or fair value	**56,717**	**1,229,684**	**-**	**1,286,401**
Accumulated depreciation	**(2,833)**	**(723,104)**	**-**	**(725,937)**
Net book amount	**53,884**	**506,580**	**-**	**560,464**

(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:

	17 $'000	16 $'000
Buildings		
Cost	41,234	43,755
Accumulated depreciation	(13,220)	(12,464)
Net book amount	28,014	31,291

(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.

In 2016, the Group entered into a sale agreement to sell its Miners Rest Motel business for $2.5 million which completed in September 2016. The sale included the land and buildings and all of the operational assets of the Miners Rest Motel business. A fair value reduction of $0.9 million was made to the value of the land and buildings and was brought to account as at 30 June 2016.

(vi) Change in accounting estimates

In May 2017, an independent expert was commissioned to review the condition of Energy Drilling Australia's ("EDA") assets and the longer term processes around asset management in relation to EDA's equipment following being placed in care and maintenance.

Due to the assets' extended life, management decided to extend the useful life of straight line depreciated assets by three years from July 2016. This resulted in a reduction in depreciation charge for the year ended 30 June 2017 of $342,000.

(c) Deferred tax balances

(i) Deferred tax assets

	17 $'000	16 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	12,677	10,988
Foreign tax credits	110	110
Accruals	825	811
Provision for obsolete stock	2,593	2,327
Doubtful debts	4,591	4,696
Depreciation	7,194	10,995
	27,990	29,927

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax balances (continued)

(i) Deferred tax assets (continued)

	NOTES	17 $'000	16 $'000
Other			
Borrowing and business expenses		108	337
Unrealised foreign exchange		(212)	2,203
Current year tax losses recognised		407	1,088
Available-for-sale financial assets		1,059	449
		1,362	4,077
Total deferred tax assets		29,352	34,004
Adjustment of deferred tax liabilities pursuant to set-off provisions	7(c)(ii)	7,020	3,296
Net deferred tax assets		36,372	37,300
Deferred tax assets expected to be recovered within 12 months		22,163	24,159
Deferred tax assets expected to be recovered after more than 12 months		7,189	9,845
		29,352	34,004

	EMPLOYEE BENEFITS $'000	DEPRECIATION $'000	ACCRUALS $'000	DOUBTFUL DEBTS $'000	OTHER $'000	TOTAL $'000
At 1 July 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
(Charged)/credited to profit or loss	1,689	(3,801)	14	(105)	(2,198)	(4,401)
(Charged)/credited directly to equity	-	-	-	-	(251)	(251)
At 30 June 2017	12,677	7,194	825	4,591	4,065	29,352

(ii) Deferred tax liabilities offsetting within tax consolidated group

	NOTES	17 $'000	16 $'000
The balance comprises temporary differences attributable to:			
Foreign entities distributable profits		9,735	9,743
Inventories		(2,461)	2,117
Revaluation of land and buildings		7,469	7,884
		14,743	19,744
Other			
Receivables		223	426
Prepayments		91	118
		314	544
Total deferred tax liabilities		15,057	20,288
Adjustment of deferred tax liabilities pursuant to set-off provisions	7(c)(i)	7,020	3,296
Net deferred tax liabilities		22,077	23,584
Deferred tax liabilities expected to be settled within 12 months		(2,147)	2,661
Deferred tax liabilities expected to be settled after more than 12 months		17,204	17,627
		15,057	20,288

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax balances (continued)

(ii) Deferred tax liabilities offsetting within tax consolidated group (continued)

	FOREIGN ENTITIES DISTRIBUTABLE PROFITS $'000	INVENTORIES $'000	REVALUATION OF LAND & BUILDINGS $'000	OTHER $'000	TOTAL $'000
At 1 July 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
Charged/(credited) - profit or loss	**(8)**	**(4,578)**	**(576)**	**(230)**	**(5,392)**
Charged/(credited) - directly to equity	**-**	**-**	**161**	**-**	**161**
At 30 June 2017	**9,735**	**(2,461)**	**7,469**	**314**	**15,057**

(d) Employee benefit obligations

	2017			2016		
	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Leave obligations	**40,805**	**960**	**41,765**	33,814	1,101	34,915

The leave obligations include 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 $40,805,000 (2016: $33,814,000) 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 2017	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Assets				
Land and buildings				
Office buildings	**-**	**-**	**7,055**	**7,055**
Industrial sites	**-**	**-**	**46,829**	**46,829**
Total non-financial assets	**-**	**-**	**53,884**	**53,884**
AT 30 JUNE 2016				
Assets				
Land and buildings				
Office buildings	-	-	8,048	8,048
Industrial sites	-	-	49,372	49,372
Total non-financial assets	-	-	57,420	57,420

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 2017 for recurring fair value measurements:

	OFFICE BUILDINGS $'000	INDUSTRIAL SITES $'000	TOTAL $'000
Opening balance 1 July 2015	9,383	50,093	59,476
Acquisitions	93	28	121
Depreciation and impairment	(912)	(890)	(1,802)
Revaluation	-	(930)	(930)
Gains recognised in other comprehensive income	555	-	555
Closing balance 30 June 2016	9,119	48,301	57,420
Acquisitions	**328**	**643**	**971**
Disposals	**-**	**(2,374)**	**(2,374)**
Depreciation and impairment	**(817)**	**(812)**	**(1,629)**
Losses recognised in other comprehensive income	**(504)**	**-**	**(504)**
Closing balance 30 June 2017	**8,126**	**45,758**	**53,884**

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 2017 $'000	FAIR VALUE AT 30 JUNE 2016 $'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS*	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE) 2017	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE) 2016	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Industrial Sites -Australia	**37,080**	39,624	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	**8,438**	8,603	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	**8,366**	9,194	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

In 2016, 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

	17 SHARES	16 SHARES	17 $'000	16 $'000
Fully paid ordinary shares	**312,277,224**	312,277,224	**526,447**	526,447

(i) 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.

(ii) 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.

(iii) 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.

CONSOLIDATED ENTITY	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 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		-	-	-	-	(6,828)	(6,828)
Currency translation joint ventures		-	-	-	-	1,960	1,960
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)**
Balance at 1 July 2016		19,939	(7)	5,969	(2,664)	(39,265)	(16,028)
Revaluation - gross	7(b), 6(c)	(515)	(2,034)	-	-	-	(2,549)
Deferred tax	7(c)	94	610	-	-	(292)	412
Currency translation differences		-	-	-	-	1,174	1,174
Currency translation joint ventures		-	-	-	-	(1,024)	(1,024)
Other comprehensive income		**(421)**	**(1,424)**	**-**	**-**	**(142)**	**(1,987)**
Transactions with owners in their capacity as owners							
Share-based payment expense	19	-	-	238	-	-	238
At 30 June 2017		**19,518**	**(1,431)**	**6,207**	**(2,664)**	**(39,407)**	**(17,777)**

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:

	NOTE	17 $'000	16 $'000
Balance 1 July		**96,177**	38,027
Net profit/(loss) for the year		**31,201**	58,150
Dividends paid	12(b)	**(6,246)**	-
Transfer from reserves		**312**	-
Balance 30 June		**121,444**	96,177

9 CASH FLOW INFORMATION

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

	17 $'000	16 $'000
Profit/(loss) for the year	31,201	58,150
Depreciation and amortisation expense	62,413	70,510
Impairment (reversal)/charge of property, plant and equipment	-	(6,133)
Impairment of available-for-sale assets	-	1,485
Loss/(gain) on sale of non-current assets	3,630	(3,740)
Net loss/(gain) on sale of businesses	64	(35,344)
(Gain)/loss on sale of available-for-sale financial assets	(934)	(2,044)
Net exchange differences	2,634	(5,015)
Bad debts and provision for doubtful debts	(184)	919
Share of profits of joint ventures	(13,090)	(9,074)
Non-cash employee benefits expense - share-based payments	238	184
Change in operating assets and liabilities:		
(Increase) in trade debtors	(10,025)	(21,373)
Decrease in inventories	878	13,509
Decrease in deferred tax assets	31	3,645
(Increase)/decrease in other operating assets	(8,111)	4,414
Increase in trade creditors	16,393	20,500
Increase in provision for income taxes payable	2,027	3,545
Increase/(decrease) in deferred tax liabilities	45	(4,281)
Increase in other provisions	7,403	1,149
Net cash inflow from operating activities	94,613	91,006

(b) Non-cash investing and financing activities

	17 $'000	16 $'000
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. They 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 2017.

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 credit
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 2017	USD $'000	GHS $'000	GBP $'000	EUR $'000	TZS $'000	ZMW $'000	ZAR $'000	XOF $'000
Cash	5,898	2,854	-	1,559	10	-	-	-
Trade receivables	10,958	-	-	48,488	-	-	1,061	-
Available-for-sale financial assets	-	-	137	-	-	-	-	-
Trade payables	(12,931)	(8,963)	(76)	(3,788)	-	-	(65)	(221)
Borrowings	-	-	-	(71,836)	-	-	-	-

30 JUNE 2016	USD $'000	GHS $'000	GBP $'000	EUR $'000	TZS $'000	ZMW $'000	ZAR $'000	XOF $'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)	-	-	-	-

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:

	17 $'000	16 $'000
Amounts recognised in profit or loss		
Net foreign exchange (loss)/gain included in other income/other expenses	4,747	(14,550)
Total net foreign exchange (losses)/gains recognised in profit or loss before income tax for the period	4,747	(14,550)
Net gain/(loss) recognised in other comprehensive income (note 8(b))		
Translation of foreign currency denominated operations	(142)	(4,868)

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) 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 2016.

	PROFIT OR (LOSS) A$'000
30 June 2017	
USD	**(432)**
GHS	**552**
GBP	**(6)**
EUR	**2,325**
TZS	**(2)**
ZAR	**(116)**
XOF	**20**
	2,341
30 June 2016	
USD	1,912
GHS	323
GBP	(189)
EUR	(131)
TZS	(72)
ZMW	(1)
ZAR	(113)
XOF	323
	2,052

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 2017 and 2016, 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 and the London Stock Exchange.

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	
	17	16
CONSOLIDATED ENTITY	**$'000**	$'000
Available-for-sale assets - increase 10%	**363**	395
Available-for-sale assets - decrease 10%	**(223)**	(255)

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 respective share price of the shares held.

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:

	17 $'000	16 $'000
(AUD)		
Australia	79,248	81,244
Africa	72,489	80,340
Asia	229	583
Europe	3	39
	151,969	162,206
Trade receivables		
Counterparties with external credit rating (Moody's)		
A2	2,729	4
A3	7,499	6,794
Ba1	6,807	3,332
Baa1	-	71
Ba3	-	968
Baa2	3,868	3,702
Baa3	17,797	8,954
B1	6	-
	38,706	23,825
*Counterparties without external credit rating **		
Group 1	537	598
Group 2	112,726	137,783
Group 3	-	-
	113,263	138,381
Total trade receivables	151,969	162,206
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	124	88
AA-	120,107	150,156
A+	904	327
A	945	42
BBB+	2,314	2,407
B	42,235	28,828
Other	81	9
	166,710	181,857

* 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 2017, current trade receivables of the Group with a nominal value of $14,474,644 (2016: $15,083,005) were impaired. The amount of the provision for impaired receivables was $14,361,469 (2016: $14,725,982). The Group expects that a portion of the receivables is to be recovered.

The aging of these receivables is as follows:

	17 $'000	16 $'000
3 to 6 months	61	34
Over 6 months	14,414	15,049
	14,475	15,083
Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:		
At 1 July	14,726	14,364
Provision for impairment recognised during the year	(295)	919
Receivables written off during the year as uncollectible	2	(521)
Unused amounts reversed (including currency impact)	(72)	(36)
At 30 June	14,361	14,726

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 2017, trade receivables of $29,039,368 (2016: $26,133,183) 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:

	17 $'000	16 $'000
Up to 2 months	28,143	25,266
Over 2 months	896	867
	29,039	26,133

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:

	17 $'000	16 $'000
Floating rate		
- Bank loans	124,776	123,909
	124,776	123,909

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 2017	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	100,390	-	-	-	-	100,390	100,390
Fixed rate	13,942	13,827	27,655	416,080	-	471,504	388,617
Total	114,332	13,827	27,655	416,080	-	571,894	489,007
GROUP - AT 30 JUNE 2016							
Trade payables	82,839	-	-	-	-	82,839	82,839
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

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 is 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 2017 and 30 June 2016 were as follows:

	17 $'000	16 $'000
Total borrowings	388,617	398,540
Less: cash and cash equivalents	(166,710)	(181,857)
Net debt	221,907	216,683
Total equity	630,114	606,596
Total capital	852,021	823,279
Gearing ratio	26%	26%

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

(b) Dividends

(i) Ordinary shares

	17 $'000	16 $'000
No final ordinary dividend for the year ended 30 June 2016 (2015: nil) per fully paid share	-	-
Interim ordinary fully franked dividend for the year ended 30 June 2017 of 2.0 cents (2016: nil) per fully paid share	6,246	-
Total dividends provided for or paid	6,246	-
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2017 and 2016 were as follows:		
Paid in cash	6,246	-
Satisfied by issue of shares	-	-
	6,246	-

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

	17 $'000	16 $'000
In addition to the above dividends, since year end the directors have recommended the payment of a final fully franked dividend of 2.0 cents per fully paid ordinary share (2016 - nil). The aggregate amount of the proposed dividend expected to be paid on 18 October 2017 out of retained earnings at 30 June 2017, but not recognised as a liability at year end, is	6,246	-
(iii) Franked dividends		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2016 - 30%)	34,985	39,290

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) The Miners Rest Motel

(i) Description

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

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the twelve months ended 30 June 2017 and 30 June 2016.

	17 $'000	16 $'000
Revenue	329	896
Expenses	(507)	(1,169)
(Loss) before income tax	(178)	(273)
Income tax (expense)/benefit	-	-
(Loss) after income tax of discontinued operation	(178)	(273)
(Loss) on sale of the subsidiary after income tax	(64)	-
(Loss) from discontinued operation	(242)	(273)
Other comprehensive income/(loss) from discontinued operation	(242)	(273)
Net cash (outflow)/inflow from operating activities	(181)	106
Net cash inflow/(outflow) from investing activities	2,408	(145)
Net cash (outflow)/inflow from financing activities	(2,341)	(67)
Net (decrease)/increase in cash generated by the subsidiary	(114)	(106)

(iii) Details of the sale of the subsidiary

	17 $'000
Consideration received or receivable:	
Cash	2,413
Carrying amount of net assets sold	2,477
(Loss) on sale before income tax and reclassification of foreign currency translation reserve	(64)
Income tax expense on gain	-
Capital losses applied	-
Tax losses applied	-
(Loss) on sale after income tax	(64)

13 DISCONTINUED OPERATIONS (CONTINUED)

(a) The Miners Rest Motel (continued)

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

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

	17 $'000
Property, plant and equipment	2,477
Trade receivables	-
Inventories	-
Total assets	**2,477**
Trade creditors	-
Employee benefits obligations	-
Total liabilities	**-**
Net assets	**2,477**

(b) Drilling Tools Australia Pty Ltd

(i) Description

On 19 May 2016, the Company announced that it had agreed to sell the Drilling Tools Australia (DTA) business to Finnish manufacturer, Robit Plc Group. Completion of that sale occurred on 30 June 2016 and is reported in the prior 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 2017 and 30 June 2016.

	17 $'000	16 $'000
Revenue	-	20,342
Expenses	-	(11,883)
Profit before income tax	-	8,459
Income tax (expense) / benefit	-	(3,668)
Profit after income tax of discontinued operation	-	4,791
Reversal of impairment / (impairment) of PPE	-	6,133
Income tax (expense on reversal of impairment) / benefit on impairment	-	(1,840)
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
Other comprehensive income from discontinued operation	**-**	-
Net cash inflow from operating activities	-	14,376
Net cash inflow from investing activities	-	109
Net cash (outflow) from financing activities	-	(150)
Net increase/(decrease) in cash generated by the subsidiary	**-**	14,335

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

13 DISCONTINUED OPERATIONS (CONTINUED)

(c) 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 continue to 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 2017 and 30 June 2016.

	17 $'000	16 $'000
Revenue	-	5,763
Expenses	-	(9,769)
(Loss) before income tax	-	(4,006)
Income tax benefit/(expense)	-	1,382
(Loss) after income tax of discontinued operation	-	(2,624)
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)
Other comprehensive income from discontinued operation	-	-
Net cash (outflow) from operating activities	-	(2,117)
Net cash (outflow) from investing activities	-	(6)
Net (decrease)/increase in cash generated by the subsidiary	-	(2,123)

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 ** 17 %	16 %
ACN 103534087 Pty Ltd	Australia	Ordinary	100	100
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 Guinee Sarl	Guinee	Ordinary	100	100
African Mining Services Senegal Suarl	Senegal	Ordinary	100	-
AMCG Ltd	Ghana	Ordinary	100	100
Ausdrill Finance Pty Ltd	Australia	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 Australia Pty Ltd	Australia	Ordinary	100	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
Energy Drilling Australia Pty Ltd	Australia	Ordinary	100	100
Golden Plains Pty Ltd	Australia	Ordinary	100	100
Logistics Direct Australia Pty Ltd [1]	Australia	Ordinary	-	100
Logistics Direct Ltd	Ghana	Ordinary	100	100
MinAnalytical Holdings Pty Ltd	Australia	Ordinary	100	100
MinAnalytical Laboratory Services Australia Pty Ltd	Australia	Ordinary	100	100
Mining Technology and Supplies Ltd	Ghana	Ordinary	100	100
Power Solutions Africa Suarl	Senegal	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

(1) Deregistered by ASIC on 17 May 2017.

** 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, Ausdrill Tanzania Limited, Energy Drilling Australia Pty Ltd, Synegex Holdings Pty Ltd and AMCG Ltd are 100% owned by Ausdrill International Pty Ltd.

African Mining Services Burkina Faso Sarl, African Mining Services Guinee Sarl, African Mining Services Senegal Suarl and Power Solutions Africa Suarl 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.

14 INTERESTS IN OTHER ENTITIES (CONTINUED)

(a) Material subsidiaries (continued)

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.

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

BTP Equipment Pty Ltd is 75% owned by Ausdrill Finance Pty Ltd and 25% owned by Ausdrill International Pty Ltd.

BTP Parts Pty Ltd is 100% owned by BTP Equipment 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 Guinee 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.

African Mining Services Senegal Suarl and Power Solutions Africa Suarl carry on business in Senegal.

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 2017 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 17 %	16 %	NATURE OF RELATIONSHIP	MEASUREMENT METHOD	CARRYING AMOUNT 17 $'000	16 $'000
African Underground Mining Services	Ghana, Mali, Burkina Faso and Tanzania	**50**	50	Joint ventures	Equity method	**58,884**	69,764

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	
	17	16
SUMMARISED BALANCE SHEET	$'000	$'000
Current assets		
Cash and other cash equivalents	25,058	11,656
Other current assets	73,062	94,680
Total current assets	98,120	106,336
Non-current assets	57,266	61,604
Current liabilities		
Financial liabilities (excluding trade payables)	5,318	112
Other current liabilities	29,314	26,994
Total current liabilities	34,632	27,106
Non-current liabilities	2,986	1,306
Net assets	117,768	139,528
Reconciliation to carrying amounts:		
Opening net assets 1 July	139,528	135,198
Profit for the year	26,180	18,148
Other comprehensive (loss)/income	(2,048)	3,920
Investment in joint venture	-	6
Dividends paid	(45,892)	(17,744)
Closing net assets at 30 June	117,768	139,528
Group share in %	50.0%	50.0%
Group share in $	58,884	69,764
Carrying amount	58,884	69,764

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME	17	16
Revenue	179,724	153,264
Interest income	2,374	2,150
Depreciation and amortisation expense	(21,940)	(16,184)
Interest expense	(3,874)	(2,122)
Income tax expense	(11,892)	(9,286)
Profit from continuing operations	26,180	18,148
Profit for the year	26,180	18,148
Other comprehensive (loss)/income	(2,048)	3,920
Total comprehensive income	24,132	22,068

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 2017 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:

	17 $'000	16 $'000
Property, plant and equipment		
Payable:		
Within one year	**16,111**	172

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.

	17 $'000	16 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**2,638**	5,671
Later than one year but not later than five years	**799**	2,067
Later than five years	**-**	20
	3,437	7,758

17 EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 23 August 2017, the directors declared the payment of a final ordinary fully franked dividend of $6,245,544 (2.0 cents per fully paid share) to be paid on 18 October 2017 out of retained profits at 30 June 2017. The financial effect of this transaction has not been brought to account at 30 June 2017.

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

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

	17 $	16 $
Short-term employee benefits	3,595,364	3,469,781
Post-employment benefits	192,496	201,942
Long-term benefits	30,549	6,320
Share-based payments	83,319	53,241
	3,901,728	3,731,284

Detailed remuneration disclosures are provided in the remuneration report on pages 30 to 40.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	17 $	16 $
Sales of goods and services		
Joint ventures	11,507,028	12,263,943
Entities related to key management personnel	8,365,112	1,811,102
Management fee received / receivable		
Joint ventures	669,932	887,791
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
- mining services

For detailed disclosures please refer to the remuneration report on pages 30 to 40.

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:

	17 $	16 $
Current receivables (sales of goods and services)		
Joint ventures	**18,491,227**	1,592,531
Entities related to key management personnel	**1,954,906**	571,708

(f) Loans to/from related parties

	17 $	16 $
Loans to key management personnel		
Beginning of the year	-	150,000
Loans advanced	-	-
Loan repayments made	-	(150,000)
Interest charged	-	3,955
Interest received	-	(3,955)
End of period	-	-

(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 (2016: nil).

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 conditions 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 shareholders return (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 and will be settled by the issue of shares.

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

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

	17		16	
	AVERAGE EXERCISE PRICE PER SHARE OPTION	**NUMBER OF OPTIONS**	AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS
As at 1 July	**$0.85**	**16,100,015**	$1.80	11,000,000
Granted during the year	**-**	**-**	$0.25	11,600,000
Exercised during the year	**-**	**-**	-	-
Forfeited during the year	**$1.11**	**(2,266,669)**	$1.70	(6,499,985)
As at 30 June	**$0.66**	**13,833,346**	$0.85	16,100,015
Vested and exercisable at 30 June	**$1.70**	**1,966,654**	$3.68	200,000

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 2017	SHARE OPTIONS 30 JUNE 2016
21/07/2011	21/07/2016	$3.55	**-**	66,666
21/07/2011	21/07/2016	$3.65	**-**	66,667
21/07/2011	21/07/2016	$3.85	**-**	66,667
07/10/2013	07/10/2018	$1.70	**1,966,654**	2,399,985
07/10/2013	07/10/2018	$1.70	**1,966,692**	2,400,030
23/12/2015	23/12/2020	$0.25	**3,299,982**	3,699,979
23/12/2015	23/12/2020	$0.25	**3,299,982**	3,699,979
23/12/2015	23/12/2020	$0.25	**3,300,036**	3,700,042
			13,833,346	16,100,015
Weighted average remaining contractual life of options outstanding at end of period			**2.86 years**	3.77 years

19 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Option Plan (continued)

(i) Fair value of options granted

There were no options granted during the year ended 30 June 2017 (2016: 11,600,000).

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:

	17 $'000	16 $'000
Options issued under employee option plan	238	184

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

	17 $	16 $
(i) Audit and other assurance services		
Audit and review of financial statements	471,412	561,748
Total remuneration for audit and other assurance services	471,412	561,748
(ii) Taxation services		
Tax compliance services	111,569	227,071
(iii) Other services		
Advisory and accounting consulting services	10,000	86,967
Total remuneration of PricewaterhouseCoopers Australia	592,981	875,786
(b) Network firms of PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and other assurance services	312,542	291,230
(ii) Taxation services		
Tax compliance services	140,461	176,102
(iii) Other services		
Advisory and accounting consulting services	32,373	21,410
Total remuneration of network firms of PricewaterhouseCoopers Australia	485,376	488,742
(c) Non PricewaterhouseCoopers audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	45,403	21,029
Total remuneration for audit and other assurance services	45,403	21,029
Total auditors' remuneration	1,123,760	1,385,557

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

	17 CENTS	16 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	10.1	6.6
From discontinued operations	(0.1)	12.1
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	10.0	18.7

(b) Diluted earnings/(loss) per share

	CENTS	CENTS
From continuing operations attributable to the ordinary equity holders of the Company	9.8	6.4
From discontinued operations	(0.1)	11.8
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	9.7	18.2

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

	17 $'000	16 $'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	31,443	20,512
From discontinued operations	(242)	37,638
	31,201	58,150

(d) Weighted average number of shares used as denominator

	17 NUMBER	16 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	7,978,121	7,117,396
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	320,255,345	319,394,620

(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:

	17 $'000	16 $'000
Current		
Floating charge		
Cash and cash equivalents	165,321	155,693
Receivables	158,889	78,461
Inventory	183,179	111,660
Total current assets pledged as security	507,389	345,814
Non-current		
Hire purchase / finance lease		
Plant and equipment	-	2,257
Floating charge		
Plant and equipment	468,128	273,216
Freehold land and buildings	53,884	39,624
Investment	64,073	75,405
	586,085	388,245
Total non-current assets pledged as security	586,085	390,502
Total assets pledged as security	1,093,474	736,316

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 Australian Securities and Investments Commission Instrument 2016/785 (as amended).

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

ACN 103534087 Pty Ltd;
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;
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 instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Ausdrill Limited, they also represent the 'extended closed group'.

Set out over page is a consolidated statement of profit or loss, 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)

	17 $'000	16 $'000
Consolidated statement of profit or loss		
Revenue from continuing operations	606,368	553,365
Other income	13,922	78,342
Materials	(289,465)	(246,157)
Labour	(172,679)	(172,691)
Rental and hire	(12,278)	(13,122)
Depreciation and amortisation expense	(52,239)	(52,589)
Management fees	(3,173)	(2,819)
Finance costs	(31,555)	(33,534)
Other expenses from ordinary activities	(44,038)	(55,012)
Share of net profits of joint ventures accounted for using the equity method	13,090	9,074
Impairment of available-for-sale assets	-	(1,485)
Profit/(loss) before income tax	27,953	63,372
Income tax (expense)/benefit	(10,206)	(2,833)
Profit/(loss) for the year	17,747	60,539
Consolidated statement of comprehensive income		
Other comprehensive income		
Profit/(loss) for the year	17,747	60,539
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	528	132,367
Items that will not be reclassified to profit or loss		
(Loss)/gain on revaluation of land and buildings	(421)	(1,341)
(Loss)/gain on revaluation of available-for-sale assets	(1,424)	1,178
Other comprehensive income/(loss) for the year, net of tax	(1,317)	132,204
Total comprehensive income/(loss) for the year	16,430	192,743
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	18,880	15,412
Profit/(loss) for the year	17,747	60,539
Retained earnings transfer	312	-
Dividends paid	(6,246)	-
Retained earnings at the end of the financial year	30,693	75,951

23 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated statement of financial position

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

	17 $'000	16 $'000
Current assets		
Cash and cash equivalents	143,145	155,313
Trade and other receivables	122,295	139,460
Inventories	142,575	144,155
Available-for-sale financial assets	-	2,000
Current tax assets	3,155	6,918
Total current assets	411,170	447,846
Non-current assets		
Receivables	98,250	126,499
Investments accounted for using the equity method	112,624	102,067
Available-for-sale financial assets	5,189	3,641
Property, plant and equipment	407,308	401,006
Deferred tax assets	42,085	76,541
Total non-current assets	665,456	709,754
Total assets	1,076,626	1,157,600
Current liabilities		
Trade and other payables	83,825	77,548
Borrowings	-	470
Current tax liabilities	2,194	5,725
Employee benefit obligations	25,509	22,614
Total current liabilities	111,528	106,357
Non-current liabilities		
Borrowings	391,022	395,018
Deferred tax liabilities	31,813	66,582
Employee benefit obligations	742	808
Total non-current liabilities	423,577	462,408
Total liabilities	535,105	568,765
Net assets	541,521	588,835
Equity		
Contributed equity	526,447	403,910
Reserves	(15,619)	108,974
Retained earnings	30,693	75,951
Total equity	541,521	588,835

24 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	17 $'000	16 $'000
Balance sheet		
Current assets	57,726	78,882
Non-current assets	485,340	532,366
Total assets	543,066	611,248
Current liabilities	23,474	24,821
Non-current liabilities	6,957	7,060
Total liabilities	30,431	31,881
Shareholders' equity		
Issued capital	526,447	526,447
Reserves		
Asset revaluation reserve	704	704
Share-based payments reserve	6,206	5,969
Pre-2015 reserve	104,904	104,904
Accumulated losses - 2015 reserve	(183,177)	(183,177)
Retained earnings	57,551	124,520
Total equity	512,635	579,367
Profit/(loss) for the period	(60,723)	124,520
Total comprehensive (loss)/income	(60,723)	124,520

The financial information for the parent entity has been prepared in accordance with note 25 (aa)

(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 $nil (2016: $65,632)

In addition, there are cross guarantees given by Ausdrill Limited as described in note 23. Deficiencies exist in some of these companies.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016. For information about guarantees given by the parent entity, please see above.

(d) Pre-2015 reserve

Each reserve of the parent entity has the same nature and purpose as described for the consolidated Group (in note 8 (b)). In addition, the parent entity on June 30 2016 and June 30 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 applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2016:

- AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations
- AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012 - 2014 cycle, and
- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 101.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(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 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

- *AASB 9 Financial Instruments*

  AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

  The Group's equity instruments that are currently classified as available-for-sale will satisfy the conditions for classification as, at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

  Accordingly, the Group does not expect the new guidance to affect the classification and measurement of its financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, A$933,674 of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

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

  The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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

  The Group does not intend to adopt AASB 9 before its mandatory date of 1 July 2018.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) New standards and interpretations not yet adopted *(continued)*

- *AASB 15 Revenue from Contracts with Customers*

  The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

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

  Ausdrill currently has both contracts for services (contract mining, both underground and surface mining, drill and blast, exploration drilling, rental of equipment and mineral assays and analysis) and contracts for sale of goods (predominantly BTP Equipment and BTP Parts). In the 30 June 2017 financial statements, the contracts for services are recognised over time and the sale of goods at a point in time which would be the same under the new standard.

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

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

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

- *AASB 16 Leases*

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

  The accounting for lessors will not significantly change.

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $3,436,838 see note 16. The Group estimates that approximately 77% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. However, the Group has not yet assessed what other adjustments, if any, are necessary because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

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

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

(iv) Historical cost convention

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

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

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 transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Subsidiaries *(continued)*

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 carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in 25(i).

(iv) Changes in ownership interests

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.

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

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

(c) Segment reporting

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

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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), and
- all resulting exchange differences are recognised in other comprehensive income.

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

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

(e) Revenue recognition

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

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

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

(i) Interest income

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

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 25(m).

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 profit or loss 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, and
- fair value of any pre-existing equity interest in the subsidiary.

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

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

Classification

The Group classifies its investments in the following categories:

- loans and receivables, and
- 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 profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

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. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(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 Monte Carlo simulation valuation 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 is calculated by dividing:

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

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

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 44 to 116 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 2017 and of its performance for the financial year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23.

Note 25(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Ronald George Sayers
Director

Perth
23 August 2017

Independent auditor's report

To the shareholders 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 controlled entities (together the Group or Ausdrill) 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 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2017
- 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
- 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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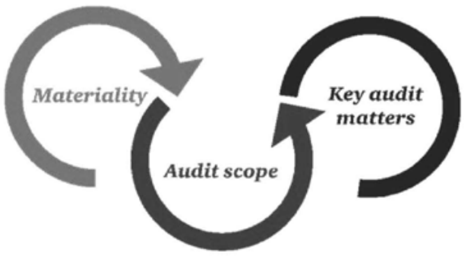
Our audit approach

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.

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, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall materiality of $2,254,000 which represents approximately 5% of the Group profit before tax from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- 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. We also adjusted for discontinued operations as they are unusual or infrequently occurring items impacting profit and loss.
- Due to reduced fluctuations in profit and loss from year to year, the benchmark has changed to a straight one year profit basis as opposed to the three year average previously employed.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by the group engagement team and by component auditors in Africa operating under instruction. We structured our audit as follows:
  - The group engagement team performed audit procedures on the financial information of the Ausdrill Limited, Energy Drilling Australia, Ausdrill Northwest, BTP Parts and BTP Equipment businesses because these were financially significant
  - Component auditors performed audit procedures on the financial information of AMS Ghana, AMS Mali, AMS Senegal, AMS Guinee and the joint venture with Barminco Limited for AUMS Burkina Faso, AUMS Ghana and AUMS Tanzania.

The Group engagement team and component auditors had active dialogue throughout the year through discussions and written instructions and reporting.

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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. 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) [$Nil]* At 30 June 2017 the Group recognised $560.5 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 by the Group in the Ausdrill Kalgoorlie and Synegex, Contract Mining Services Africa, Ausdrill Northwest and Energy Drilling Australia CGUs. Following the identification of possible impairment of assets, the Group used either a Value in use (VIU) or a Fair value less cost of disposal (FVLCoD) methodology to assess the recoverable amount. VIU models were prepared by the Group and where a FVLCoD methodology was undertaken, the Group engaged an independent valuer to assist in assessing the recoverable amount of these assets. The Group concluded no impairment charge was required in these four CGUs.	We assessed the Group's identification of impairment indicators based on cash flow forecasts and estimated utilisation rates for 2017 with the actual results achieved in 2017 for all CGUs. We found that actual 2017 performance was consistent with the forecast cash flow performance and utilisation rates except for the Ausdrill Kalgoorlie and Synegex, Contract Mining Services Africa, Ausdrill Northwest and Energy Drilling Australia CGUs. For Ausdrill Kalgoorlie and Synegex and Contract Mining Services Africa CGUs a VIU methodology was adopted and we therefore: • Considered if the discounted cashflow models used to estimate the recoverable amount of these CGUs on a VIU basis (the impairment models) were consistent with Australian Accounting Standards • Compared the forecast cash flows used in the impairment models to the most recent budgets and business plans approved by the Board. • Considered whether the forecast cash flows in the impairment models were reasonable and based upon supportable assumptions, by: o Comparing future revenue growth and contract growth to independent expectations and known contract wins and losses. o Comparing the forecast cash flows to actual cash flows for previous years to assess the accuracy of the Group's forecasting.

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Key audit matter	*How our audit addressed the key audit matter*
The Group also assessed whether any reversal of prior period impairment charges was necessary for 2017 and concluded it was not. This was a key audit matter because of the significant judgement involved in considering the existence of impairment indicators and estimating the recoverable amount of the assets and the potentially material impact on the financial report.	○ Comparing inflation rate assumptions in the impairment models to independent economic forecasts. ○ Assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital. • Performed sensitivity analysis on the key assumptions used in the impairment models. • Performed tests of the mathematical accuracy of the impairment model's calculations. • Considered whether the impairment models indicated a reversal of a previously booked impairment charge. • Considered the adequacy of the disclosures made in note 3 of the financial statements, including key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards. For Ausdrill Northwest and Energy Drilling Australia CGUs, a FVLCoD methodology was adopted and we therefore: • Examined the external valuation reports obtained by the Group to determine if the valuations supported asset carrying values. • Assessed the competency of the valuers 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 consider the methodologies and key assumptions adopted in the valuations obtained.

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Key audit matter	*How our audit addressed the key audit matter*
	• Tested a selection of asset sales which were made from these two CGUs during the period to identify if any assets were sold for amounts materially below their book values and whether this indicated potential impairment in other assets.
Recoverability of deferred tax assets in Australia *(Refer to note 7) [$36.4m]* The Group recognised $36.4 million of deferred tax assets at 30 June 2017. 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. This was a key audit matter, as it was for the prior year, because of the size of the balances and because significant judgement was required by the Group to assess whether there will be sufficient future taxable profits to utilise the recognised deferred tax assets, in the context of the increased profit from continuing operations for the year.	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. • Challenging the Group's key assumptions in the cashflow budget and taxable income forecasts. • Evaluating whether the cashflows in the taxable income forecasts had been appropriately adjusted for the differences between accounting profits, as presented in the approved Board budget and forecast, to taxable profits. • 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 2017 based on the extent to which they can be recovered by forecast taxable profits.

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Key audit matter	*How our audit addressed the key audit matter*
Inventory existence *(Refer to note 7) [$188.8m]* The Group recognised inventory of $188.7 million at 30 June 2017. Inventory is held by 22 entities across the Group in various countries including Australia, Ghana, Mali, Tanzania, Burkina Faso, Guinee, Senegal, South Africa and the United Kingdom. Within each country, inventory is stored in warehouses, sheds, containers and yards, attached to drill rigs and at mine sites, often situated in very remote locations due to the nature of the mining services industry. This was a key audit matter, as it was for the prior year, because of the: • Significance of the inventory balance to the statement of financial position. • Complexity involved in determining inventory quantities on hand due to the number, location and diversity of inventory storage locations. The Group has a similar number of inventory locations and the mix of inventory held has not substantially changed from the prior year. In addition, the Group has a new subsidiary in Senegal while the sale of Drilling Tools Australia in the prior year has removed the inventory associated with that business.	We attended inventory counts at locations, which we selected based on financial significance and risk. Where locations were not attended we tested a selection of controls over inventory existence across the Group. For locations attended in Australia, Ghana, Mali, Burkina Faso, Tanzania 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. • Observed a sample of management's inventory count procedures to assess compliance with Group policy. • Made enquiries regarding obsolete inventory items and inspected the condition of items counted.

Other information

The directors are responsible for the other information. The other information comprises the Our business at a glance, Operating and financial review, Director's report, Corporate governance statement and the Financials table included in the Group's annual report for the year ended 30 June 2017 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 have 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 30 to 40 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Ausdrill Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

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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

Justin Carroll
Partner

Perth
23 August 2017

SHAREHOLDER INFORMATION

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding as at 31 July 2017:

	ORDINARY SHARES	
HOLDING	NUMBER OF HOLDERS	SHARES
1 - 1,000	2,421	839,665
1,001 - 5,000	2,254	5,923,176
5,001 - 10,000	948	7,306,561
10,001 - 100,000	1,242	33,864,447
100,001 and over	127	264,343,375
	6,992	312,277,224

There were 1,231 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 2017 are listed below:

	ORDINARY SHARES	
NAME	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
1. HSBC Custody Nominees (Australia) Limited	69,278,049	22.18%
2. Cherry Garden Nominees Pty Ltd	36,301,664	11.62%
3. Citicorp Nominees Pty Ltd	29,473,164	9.44%
4. JP Morgan Nominees Australia Limited	23,694,611	7.59%
5. National Nominees Limited	19,500,613	6.24%
6. Bremerton Pty Ltd <The Bartlett Family Fund A/C>	18,372,661	5.88%
7. BNP Paribas Noms Pty Ltd <DRP>	4,052,743	1.30%
8. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,927,289	1.26%
9. RBC Investor Services Australia Nominees Pty Ltd	3,575,581	1.15%
10. CTS Funds Pty Ltd <Civic Super Fund A/C>	3,139,665	1.01%
11. Brispot Nominees Pty Ltd <House Head Nominee A/C>	2,702,568	0.87%
12. Mr Brian Gregory Wright & Mrs Wendy Joy Wright <BG Wright Super Fund A/C>>	2,584,380	0.83%
13. Mrs Patricia Gladys Wright	2,466,233	0.79%
14. Royale Blue Pty Ltd	2,267,000	0.73%
15. Mr Frederick Graham Moir & Mr Kevin Vincent Benson <Moir Super Fund No 4 A/C>	2,000,018	0.64%
16. CS Third Nominees Pty Ltd <HSBC Cust Nom AU Ltd 13 A/C>	1,751,501	0.56%
17. Bremerton Super Fund Pty Ltd <Bremerton P/L S/Fun A/C>	1,552,793	0.50%
18. BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	1,453,561	0.47%
19. Yolena Pty Ltd <B & N Murphy Family A/C>	1,345,961	0.43%
20. Brazil Farming Pty Ltd	1,227,435	0.39%
Total held by the twenty largest shareholders	**230,667,490**	**73.88%**

C. SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below as at 31 July 2017:

	ORDINARY SHARES	
NAME	NUMBER HELD	PERCENTAGE
1. Cherry Garden Nominees Pty Ltd / Ronald George Sayers	37,296,782	11.94%
2. FMR LLC	26,034,395	8.34%
3. Bremerton Group / PM & JL Bartlett	20,929,740	6.70%

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.

FINANCIALS TABLE

		13	14	15	16	17
REVENUE						
Sales revenue (from continuing operations)	$'000	1,128,559	826,305	719,832	743,003	**776,328**
Interest received	$'000	2,724	1,555	1,828	1,632	**2,391**
Total	$'000	1,131,283	827,860	721,660	744,635	**778,719**
PROFIT/(LOSS)						
EBITDA*	$'000	272,746	173,656	110,793	126,536	**136,834**
Depreciation and amortisation expense	$'000	(123,695)	(99,177)	(73,598)	(67,894)	**(62,385)**
EBIT*	$'000	149,051	74,479	37,195	58,642	**74,449**
Net interest expense	$'000	(39,548)	(40,049)	(35,131)	(32,064)	**(29,121)**
Operating profit before income tax*	$'000	109,503	34,430	2,064	26,578	**45,328**
Impairment expense	$'000	(47)	(77,893)	(184,244)	(1,485)	**-**
Profit / (loss) before income tax	$'000	109,456	(43,463)	(182,180)	25,093	**45,328**
Income tax (expense) / benefit	$'000	(19,057)	(396)	21,866	(4,581)	**(13,885)**
Profit / (loss) from discontinued operations	$'000	-	-	(15,306)	37,638	**(242)**
Profit / (loss) for the year	$'000	90,399	(43,859)	(175,620)	58,150	**31,201**
Number of ordinary shares at year end	000's	312,277	312,277	312,277	312,277	**312,277**
Weighted number of ordinary shares	000's	308,173	312,277	312,277	312,277	**322,177**
Basic earnings / (loss) per share	CENTS	29.6	(13.6)	(56.2)	18.7	**10.0**
Diluted earnings / (loss) per share	CENTS	29.0	(13.6)	(56.2)	18.2	**9.7**
STATEMENT OF FINANCIAL POSITION						
Total assets	$'000	1,539,396	1,367,736	1,130,034	1,150,381	**1,187,150**
Total liabilities	$'000	722,010	615,568	576,741	543,785	**557,036**
Shareholders' equity	$'000	817,386	752,168	553,293	606,596	**630,114**
Net tangible assets per share	$	2.39	2.37	1.77	1.94	**2.02**
CASH FLOWS						
Gross cash flows from operating activities	$'000	263,966	192,371	138,486	123,158	**132,190**
Net cash flows from operating activities	$'000	187,290	142,117	117,936	91,006	**94,692**
Net cash flows from investing activities	$'000	(330,281)	(56,223)	(738)	60,853	**(101,206)**
Net cash flows from financing activities	$'000	93,328	(101,209)	(104,693)	(47,772)	**(6,965)**
Closing cash balance	$'000	78,826	62,695	77,865	181,857	**166,710**
Gross debt	$'000	537,456	453,311	433,789	398,540	**388,617**
Net debt	$'000	458,630	390,616	355,924	216,683	**221,907**
DIVIDENDS						
Total dividends per share (interim and final declared)	CENTS	12.00	4.50	1.00	-	**4.00**
Total dividends paid	$'000	44,498	24,981	9,369	-	**6,246**
NET DEBT / TOTAL CAPITAL	%	36	34	39	26	**26**
EBIT* TO SALES REVENUE	%	13.20	9.01	5.17	7.89	**9.59**
EBITDA* TO SALES REVENUE	%	24.17	21.02	15.39	17.03	**17.63**
EMPLOYEES AT YEAR END	#	5,703	4,578	4,080	3,841	**4,582**

* EBITDA, EBIT and operating profit before income tax excludes impairment expense and discontinued operations.

OUR BUSINESS AT A GLANCE

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.

DRILLING SERVICES

EXPLORATION
DRILL & BLAST
PRODUCTION
GRADE CONTROL
WATER WELLS
MINERAL ANALYSIS

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.

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.

ALL OTHER

DIAMOND COMMUNICATIONS
MINANALYTICAL SERVICES
WELL CONTROL SOLUTIONS

OUR MARKET

Australian based service providers including the provision of pressure control and pump product equipment hire and maintenance, mineral analysis and services to the telecommunications and utility sectors.

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