INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013
ISSUED 28 FEBRUARY 2014

BRINGING MORE
TO MINING

Ausdrill Limited ABN 95 009 211 474
ASX Half-year information - 31 December 2013

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2013 Annual report

Contents

Results for announcement to the market

				$'000
Revenue for ordinary activities	Down	26.9%	to	424,181
Profit from continuing ordinary activities after tax attributable to members	Down	69.9%	to	14,460
Net profit for the period attributable to members	Down	69.9%	to	14,460

Dividends		Amount per security	Franked amount per security
Interim dividend	(cents)	2.5	2.5
Previous corresponding period	(cents)	6.5	6.5

Payment date of dividend	31 March 2014
Record date for determining entitlements to the interim dividend	21 March 2014

Dividend reinvestment plans

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

Net tangible assets per share

	31 December 2013 Cents	31 December 2012 Cents
Net tangible asset backing per ordinary share	**241.43**	227.54

Ausdrill Limited ABN 95 009 211 474
Interim financial report - 31 December 2013

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Ausdrill Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2011.

Directors' report

Your directors present their report on the consolidated entity consisting of Ausdrill Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

Directors

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

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

Review of operations

Key points:

- **Revenue down 26.9% from $580.2m to $424.2m**
- **EBITDA down 34.4% from $143.5m to $94.1m**
- **EBIT down 50.0% from $81.1m to $40.5m**
- **Impairment expense of $5.8m (pre-tax)**
- **Profit attributable to Ausdrill down 69.9% from $48.1m to $14.5m**
- **Basic earnings per share down 70.5% from 15.72 cents per share to 4.63 cents per share**
- **Interim dividend of 2.5 cents per share, fully franked**
- **First half affected by mining sector slowdown – however business is expected to improve with opportunities for Ausdrill in Australia and Africa**

Overview

Ausdrill Limited (ASX: ASL) reported a **net profit attributable to Ausdrill of $14.5 million** for the half year to 31 December 2013. The Board has declared an interim dividend of 2.5 cents per share, fully franked, payable on 31 March 2014.

The results for the half, whilst in line with the revised guidance (excluding impairment expense), are disappointing and reflect the challenging market conditions which are expected to continue in the short term with improvements in selected markets expected over the next 12 months.

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

- mining production – a number of mining operators have reduced the waste volumes for FY2014 as a means of improving cash flows and operating costs. This has impacted on Ausdrill's contract mining and drill and blast services; however an increase in mining volumes is expected in FY2015. The business has also been impacted by the cessation of contract mining services in West Africa at Pampe (May 2013), Chirano (May 2013) and Yatela (October 2013) as well as drill and blast services at Cloudbreak (April 2013) and at Geita (December 2013). Ausdrill has been actively tendering for work in both Africa and Australia which, if successful, would replace a substantial portion of the work that has ceased. To date, Ausdrill has secured two new mining contracts in West Africa which are expected to commence during the second half of FY2014;

- exploration – activity levels remain subdued and are not showing signs of a recovery in the near term, with margin pressure evident. An increase in spending is expected to occur in 2014 but limited to the major mining houses with the junior miners still expected to be constrained by low cash availability. This continues to affect exploration drilling, mineral assaying and some manufacturing activities;

- equipment hire – the significant surplus of mining equipment in this sector continues, impacting on trading conditions in the equipment rental market with further margin pressure now evident. We expect these trading conditions to persist in the near term;

- capital spending – the mining industry has reduced capital expenditure and this has had a flow-on effect on the DT HiLoad business which manufactures light weight dump truck trays;

- weakness in prices of certain commodities and precious metals – leading to a lower than expected demand for maintenance and related services provided by the BTP business in Australia which has performed substantially below expectations; and

- a delay in the commissioning of energy drilling rigs to meet the anticipated increase in demand for production well drilling in the coal seam gas and onshore oil sectors in eastern Australia.

During the period Ausdrill continued its strategy of deleveraging the business and managed to restrict capital expenditure to $32.0 million whilst paying down debt of $48.5 million. Net cash flow from operations was sound at $65.7 million which was 24% higher than the previous corresponding period.

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

Financial Performance

A$ million	6 months to Dec 2012	6 months to Jun 2013	6 months to Dec 2013	% change from previous corresponding period
Revenue	580.2	551.1	424.2	(26.9)%
EBITDA (1)	143.5	129.2	94.1	(34.4)%
EBIT (2)	81.1	67.9	40.5	(50.0)%
Profit attributable to Ausdrill	48.1	43.2	14.5	(69.9)%

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

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

Group revenue has decreased across all key segments of the Group. EBITDA has decreased from $143.5 million in the previous corresponding period to $94.1 million for the half year to December 2013. The EBITDA margin of 22.3% has decreased from the previous corresponding period of 24.8% as a result of the effects of lower volumes of activity coupled with competitive pressures and margin pressure from clients.

EBIT has decreased from $81.1 million in the previous corresponding period to $40.5 million for the half year to December 2013. The depreciation and amortisation charge for the period was $53.6 million ($62.4 million for the previous corresponding period). The EBIT margin has declined from 14.0% in the previous corresponding period to 9.6%.

The after tax profit attributable to Ausdrill shareholders has decreased from $48.1 million in the previous corresponding period to $14.5 million for the half year ended December 2013 and reflects the impact of lower EBITDA that flows through to the bottom line. The profits were also adversely affected by the impairment expense in relation to the mineral assaying and equipment hire assets.

During the half year to December 2013 the Group maintained its strategy of deleveraging and made debt repayments of $48.4 million whilst restricting capital expenditure to $32.0 million.

The level of working capital in the business remains at a high level and remains under review with a plan to optimise it to the current levels of activity.

The return on average capital employed (3) was 4.6% for the half year to December 2013 compared to 10.6% in the previous corresponding period. These returns are far lower than targeted levels of around 10.5% and have been impacted by the challenging market conditions. The returns for the Group are expected to improve from FY2015 onwards and form the basis for the longer range business forecasts that are used for the testing of recoverable amounts as required under accounting standards. The testing that has been carried out at 31 December 2013 shows that the discounted cash flows are higher than the book values of assets for each of the key segments. If any of the forecast assumptions are not achieved, or a higher discount rate is used, then the Group may be required to book an impairment expense at that time.

Bearing in mind that Ausdrill operates a business model where nearly all of the assets required to perform its services are owned by the Group and are on the balance sheet, the financial position of the Group remains within acceptable levels with net debt to EBITDA of 2.4 times, a gearing ratio (net debt to net debt plus equity) of 35%, cash of $57 million, and net interest cover (EBITDA/ Net Interest) of 4.5 times.

The Company's net tangible asset position has increased from $2.28 per share at 31 December 2012 to $2.41 per share at 31 December 2013.

The decrease in business levels has unfortunately led to a reduction in staff from 6,441 at 31 December 2012 to 4,536 at 31 December 2013 (this includes the AUMS joint venture where staff numbers have increased from 1,104 to 1,239).

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

Mining Services – Australia	Segment revenues		Segment EBIT	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
	241,485	318,774	**11,377**	33,307

The Australian mining services business has reported decreased revenue and a fall in reported earnings.

The core drill and blast operations have reported lower earnings and revenues mainly due to the reduction in activity levels at FMG from September 2012 onwards. This resulted in a reduction in the equipment fleet deployed (grade control and drill and blast rigs) and a reduction in employees at FMG sites. During the period, drill and blast services commenced with Western Desert Resources at the Roper Bar Iron Ore Project (Northern Territory).

The Australian exploration drilling services market has seen a significant slowdown during the last year resulting in lower utilisation of the rig fleet which is generally expected to continue into 2014 before a gradual recovery is expected, with the exception that an improvement is currently evident in the iron ore sector.

The equipment hire business has also experienced a significant slowdown from September 2012 resulting in lower utilisation of the hire fleet. A recovery is now not anticipated until the latter half of 2014. This business is, however, subject to challenges due to the high levels of idle equipment in the industry. An impairment expense of $1.7m was booked in relation to items of equipment on which the recoverable amount was determined as being below book value.

MinAnalytical Laboratory Services continues to be affected by the general slowdown in the exploration sector. The reported results include a loss (before tax and impairment) from this business of $1.5 million. A further review is under way to ascertain whether costs can be further reduced on current activity levels. An impairment expense of $4.1m was booked against the book value of assets to reflect the fair value of those assets.

Connector Drilling, a hydrogeological drilling business, has faced increased competition, a smaller spot market and increasing compliance costs that have resulted in tighter margins.

Energy Drilling Australia (EDA), which provides exploration and production drilling services to the onshore oil and coal seam gas industry in Australia, is being expanded from three rigs to four rigs that are all expected to be deployed by the third quarter of 2014. These services are now augmented by the provision of three specialised well servicing units that have now been commissioned and ready for operations. The fourth rig, a Schramm T500XD 500,000 lb drill rig, has been sourced to execute a multi-well drilling program for Senex Energy in the Cooper Basin in Queensland. During this period of building up the business and delays encountered in the commissioning of the new rigs, losses have been incurred with a loss before tax of $6.4 million being reported for the 6 month period to December 2013.

The BTP Parts business continues to experience a flat level of activity in the mining industry and an improvement in this sector is not expected until the latter part of 2014 when mining companies are expected to resume spending on maintenance of equipment as waste volumes rise and equipment ages.

Contract Mining Services – Africa	Segment revenues		Segment EBIT	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
	134, 858	190,173	**26,842**	46,427

The African contract mining services business has reported a decline in revenues and earnings as a result of the cessation of mining contracts at Yatela, Pampe and Chirano as well as lower mining volumes at the Edikan and Syama projects. The group anticipates that the assets from the completed projects will be redeployed to new projects. To that end, two new contracts have been secured with AngolGold Ashanti. The first being a 3 year contract for open pit mining services at the Siguiri gold project in Guinea and the second a 12 month contract for open pit mining services at Iduapriem in Ghana, which has an option to be extended for a further 4 year term. The contract at the Nzema mine with Endeavour Mining was also renewed for a further 5 year term. The lower mining volumes at Syama will continue until mid-2014 and then increase to similar levels to that previously experienced.

Exploration activities declined as a result of the focus by mining companies on cash conservation.

Activities in East Africa were centered on the drilling and blasting operations for AngloGold Ashanti (AGA) at the Geita Gold Mine in Tanzania which were completed in December 2013. The base has been retained to target opportunities in Eastern Africa.

Ausdrill has a 50% interest in African Underground Mining Services (AUMS) with Barminco holding the other 50%. This business provides underground mining services to customers in Ghana, Mali and Burkina Faso. Net profit after tax decreased from A$26.2 million in the previous corresponding period to A$10.5 million with Ausdrill's share being 50%. The business has also been affected by reduced activity levels. The contract for underground services at the Chirano Mine in Ghana is expected to be completed in March 2014. The Perkoa project in Burkina Faso is the subject of a review on future production options with a revised business plan expected to be provided in March 2014.

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

Manufacturing	Segment revenues		Segment EBIT	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
	46,275	72,923	**(530)**	5,961

Profitability declined due to lower demand from the mining industry for capital goods whilst demand for drilling consumables was supported by the award of a contract by BHP in July 2013.

Supply & Logistics	Segment revenues		Segment EBIT	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
	21,764	38,070	**390**	1,527

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

All Other	Segment revenues		Segment EBIT	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
	24,825	17,570	**(3,387)**	(6,132)

Diamond Communications provides services in the western half of Australia for the IT and power sectors and has experienced flat levels of activity with uncertainty surrounding the NBN rollout.

Outlook

Ausdrill expects that the slowdown in the mining industry that has been characterised by the deferral of a significant amount of non-essential expenditure including capital works, exploration programs and non-critical maintenance will begin to taper in the next 12 months. This recovery will be assisted by the forecast increase in volumes of production of iron ore from the Pilbara, the continuing high level of coal exports from Mackay and Newcastle and a return to a stable gold price above US$1,200 per ounce that will provide confidence to the sector that has been absent for almost 12 months.

Ausdrill also expects that volumes from existing operations will improve in FY2015 and anticipates winning additional work that is currently the subject of tenders. This work can be undertaken with only a minimal amount of new capital expenditure being required.

Taking into consideration these matters, and subject to any change in circumstances, the Company expects to report a net profit after tax for the year ended 30 June 2014 of approximately $35 million, excluding any significant items or impairment expense.

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

Dividends – Ausdrill Limited

The Directors have decided to pay an interim ordinary dividend based on the December 2013 half year result of 2.5 cents per share, 100% franked, payable on 31 March 2014. The record date for the dividend will be 21 March 2014.

Auditor’s independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Rounding of amounts

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

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

Ronald George Sayers
Managing Director

Perth
28 February 2014

Auditor's Independence Declaration

As lead auditor for the review of Ausdrill Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
28 February 2014

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	Notes	2013 $'000	2012 $'000
Revenue from continuing operations	3	**424,181**	580,160
Other income			
Realised foreign exchange gains		**1,685**	522
Unrealised foreign exchange gains/(losses)		**4,911**	(1,707)
Other income		**1,919**	3,245
Materials		**(144,839)**	(187,260)
Labour		**(158,098)**	(194,388)
Rental and hire		**(6,908)**	(10,584)
Depreciation and amortisation expense	4	**(53,553)**	(62,433)
Finance costs	4	**(21,475)**	(21,025)
Other expenses from ordinary activities	4	**(33,266)**	(55,858)
Business combination/merger costs		**-**	(2,366)
Impairment of goodwill	4	**-**	(47)
Impairment of property, plant and equipment	4	**(5,844)**	-
Share of net profits of joint ventures accounted for using the equity method		**5,253**	13,129
Profit before income tax		**13,966**	61,388
Income tax expense		**(624)**	(13,804)
Profit from continuing operations		**13,342**	47,584
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**11,726**	(1,121)
Items that will not be reclassified to profit or loss			
(Loss)/gain on revaluation of land and buildings, net of tax		**84**	(36)
Other comprehensive income for the half-year, net of tax		**11,810**	(1,157)
Total comprehensive income for the half-year		**25,152**	46,427
Profit is attributable to:			
Equity holders of Ausdrill Limited		**14,460**	48,139
Non-controlling interests		**(1,118)**	(555)
		13,342	47,584
Total comprehensive income for the half-year is attributable to:			
Equity holders of Ausdrill Limited		**26,270**	46,982
Non-controlling interests		**(1,118)**	(555)
		25,152	46,427
		Cents	Cents
Earnings per share:			
Basic earnings per share		**4.63**	15.72
Diluted earnings per share		**4.63**	15.67

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

	Notes	**31 December 2013 $'000**	30 June 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**56,758**	78,826
Trade and other receivables		**170,727**	186,931
Inventories		**254,247**	257,347
Current tax receivables		**11,511**	-
Total current assets		**493,243**	523,104
Non-current assets			
Receivables		**7,956**	10,365
Joint ventures accounted for using the equity method		**75,996**	65,462
Available-for-sale financial assets		**675**	-
Property, plant and equipment		**825,031**	840,768
Deferred tax assets		**33,719**	27,805
Intangible assets	6	**72,243**	71,892
Total non-current assets		**1,015,620**	1,016,292
TOTAL ASSETS		**1,508,863**	1,539,396
LIABILITIES			
Current liabilities			
Trade and other payables		**122,267**	131,656
Borrowings	7	**71,350**	73,323
Current tax liabilities		**-**	335
Provisions		**7,659**	7,508
Total current liabilities		**201,276**	212,822
Non-current liabilities			
Borrowings	7	**433,626**	464,133
Deferred tax liabilities		**43,417**	40,539
Provisions		**4,366**	4,516
Total non-current liabilities		**481,409**	509,188
TOTAL LIABILITIES		**682,685**	722,010
NET ASSETS		**826,178**	817,386
EQUITY			
Contributed equity		**526,447**	526,447
Other reserves		**14,954**	2,329
Retained earnings		**287,874**	290,589
Capital and reserves attributable to the owners of Ausdrill Limited		**829,275**	819,365
Non-controlling interests		**(3,097)**	(1,979)
TOTAL EQUITY		**826,178**	817,386

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

	Notes	Attributable to owners of Ausdrill Limited					
		Contributed equity $'000	**Other reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 July 2012		**508,513**	**(10,461)**	**243,773**	**741,825**	**(1,064)**	**740,761**
Profit for the half year		-	-	48,139	48,139	(555)	47,584
Other comprehensive income		-	(1,157)	-	(1,157)	-	(1,157)
Total comprehensive income for the half-year		**508,513**	**(11,618)**	**291,912**	**788,807**	**(1,619)**	**787,188**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		12,685	-	-	12,685	-	12,685
Dividends paid	8	-	-	(24,376)	(24,376)	-	(24,376)
Employee share options - value of employee services		-	854	-	854	-	854
Shares issued on conversion of employee share options, net of transaction costs		811	-	-	811	-	811
		13,496	854	(24,376)	(10,026)	-	(10,026)
Balance at 31 December 2012		**522,009**	**(10,764)**	**267,536**	**778,781**	**(1,619)**	**777,162**
Balance at 1 July 2013		**526,447**	**2,329**	**290,589**	**819,365**	**(1,979)**	**817,386**
Profit for the half year		-	-	14,460	14,460	(1,118)	13,342
Other comprehensive income		-	11,810	-	11,810	-	11,810
Total comprehensive income for the half-year		**526,447**	**14,139**	**305,049**	**845,635**	**(3,097)**	**842,538**
Transactions with owners in their capacity as owners:							
Dividends paid	8	-	-	(17,175)	(17,175)	-	(17,175)
Employee share options - value of employee services		-	815	-	815	-	815
		-	815	(17,175)	(16,360)	-	(16,360)
Balance at 31 December 2013		**526,447**	**14,954**	**287,874**	**829,275**	**(3,097)**	**826,178**

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

	Notes	**2013 $'000**	2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**473,053**	630,935
Payments to suppliers and employees (inclusive of goods and services tax)		**(372,825)**	(530,765)
		100,228	100,170
Interest received		**749**	1,323
Interest and other costs of finance paid		**(18,070)**	(16,794)
Income taxes paid		**(18,061)**	(34,517)
Management fee received from joint ventures		**863**	2,697
Net cash inflow from operating activities	13	**65,709**	52,879
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		**-**	(161,271)
Payments for property, plant and equipment		**(31,950)**	(110,898)
Proceeds from sale of property, plant and equipment		**6,814**	1,861
Payment of development costs	6	**(748)**	(172)
Loans from (to) joint ventures		**2,420**	(528)
Payments for available-for-sale financial assets		**(750)**	-
Net cash (outflow) from investing activities		**(24,214)**	(271,008)
Cash flows from financing activities			
Proceeds from issues of shares, net of transaction costs		**-**	8,166
Proceeds from secured borrowings		**25,000**	431,704
Proceeds from unsecured borrowings		**-**	286,972
(Payment) return of bank guarantee		**(10)**	587
Repayment of secured borrowings		**(52,140)**	(457,292)
Repayment of unsecured borrowings		**-**	(7,741)
Repayment of hire purchase and lease liabilities		**(21,302)**	(66,936)
Dividends paid to company's shareholders	8	**(17,175)**	(19,046)
Net cash (outflow) inflow from financing activities		**(65,627)**	176,414
Net (decrease) in cash and cash equivalents		**(24,132)**	(41,715)
Cash and cash equivalents at the beginning of the financial year		**78,826**	124,188
Effects of exchange rate changes on cash and cash equivalents		**2,064**	(300)
Cash and cash equivalents at end of half-year	5	**56,758**	82,173

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

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Ausdrill Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

2 Segment information

(a) Description of segments

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

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

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

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

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

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

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

Intersegment eliminations
Represents transactions which are eliminated on consolidation.

2 Segment information (continued)

(b) Segment information provided to the Board

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

This segment operates in the Australian region.

* This segment predominantly operates in the African region.

2 Segment information (continued)

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

Half-year ended 31 December 2012	Mining Services Australia $'000	Contract Mining Services Africa $'000	#Manu-facturing $'000	*Supply & Logistics $'000	All other segments $'000	Inter-segment Eliminations $'000	Consolidated $'000
Segment revenue							
Sales to external customers	317,893	190,063	40,592	22,540	7,749	-	578,837
Intersegment sales	239	-	32,252	15,505	34	(48,030)	-
Total sales revenue	**318,132**	**190,063**	**72,844**	**38,045**	**7,783**	**(48,030)**	**578,837**
Other revenue	642	110	79	25	9,787	(9,320)	1,323
Total segment revenue	**318,774**	**190,173**	**72,923**	**38,070**	**17,570**	**(57,350)**	**580,160**
Segment EBITDA	**69,613**	**68,433**	**9,088**	**1,606**	**(5,217)**	**-**	**143,523**
Depreciation expense	(33,773)	(22,006)	(2,660)	(79)	(915)	-	(59,433)
Amortisation expense	(2,533)	-	(467)	-	-	-	(3,000)
Impairment of assets	-	-	-	-	-	-	-
Segment EBIT	**33,307**	**46,427**	**5,961**	**1,527**	**(6,132)**	**-**	**81,090**
Interest income	642	110	79	25	9,787	(9,320)	1,323
Interest expense	(8,715)	(7,904)	(947)	(795)	(11,984)	9,320	(21,025)
Segment result	**25,234**	**38,633**	**5,093**	**757**	**(8,329)**	**-**	**61,388**
Income tax expense							(13,804)
Profit for the half-year							**47,584**
Segment assets	**1,166,329**	**545,172**	**134,986**	**34,302**	**709,882**	**(1,036,020)**	**1,554,651**
Segment liabilities	**504,978**	**346,033**	**93,868**	**30,216**	**764,581**	**(962,187)**	**777,489**
Other segment information							
Investments in joint ventures	**-**	**49,365**	**-**	**-**	**-**	**-**	**49,365**
Share of profit from joint ventures	**-**	**13,129**	**-**	**-**	**-**	**-**	**13,129**
Acquisition of property, plant and equipment, intangibles and other non-current assets	**97,820**	**67,842**	**4,086**	**36**	**1,201**	**-**	**170,985**

This segment operates in the Australian region.

* This segment predominantly operates in the African region.

3 Revenue

	31 December 2013 $'000	31 December 2012 $'000
From continuing operations		
Sales revenue		
Sale of goods	**35,360**	57,125
Services	**388,072**	521,712
	423,432	578,837
Other revenue		
Interest - Others	**569**	1,145
Interest - Related Parties	**180**	178
	749	1,323
	424,181	580,160

4 Expenses

	31 December 2013 $'000	31 December 2012 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**639**	605
Plant and equipment	**52,517**	58,828
Total depreciation	**53,156**	59,433
Amortisation		
Customer contracts	**93**	2,695
Other intangible assets	**304**	305
Total amortisation	**397**	3,000
Finance costs		
Hire purchase interest	**2,278**	5,348
Prepaid costs expensed following refinancing of facilities	**3,405**	2,929
Interest paid	**15,792**	12,748
Finance costs expensed	**21,475**	21,025
Net loss on revaluation of financial assets at fair value through profit or loss	**75**	-
Net loss on disposal of property, plant and equipment	**887**	1,061

4 Expenses (continued)

	31 December 2013 $'000	31 December 2012 $'000
Total rental expense relating to operating leases	**4,288**	3,080
Impairment losses - financial assets		
Trade receivables	**(2,097)**	4,952
Impairment of acquisition		
Impairment of goodwill	**-**	47
Impairment of other assets		
Plant and equipment	**5,844**	-

5 Current assets - Cash and cash equivalents

	31 December 2013 $'000	30 June 2013 $'000
Cash at bank and in hand	**56,758**	78,826

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

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

Cash and cash equivalents	**56,758**	78,826
Balances per consolidated statement of cash flows	**56,758**	78,826

(b) Risk exposure

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

6 Non-current assets - Intangible assets

	Goodwill $'000	Other intangible assets $'000	Customer contracts $'000	Total $'000
At 1 July 2012				
Cost	25,719	3,677	15,604	45,000
Accumulation amortisation and impairment	(583)	(1,505)	(10,536)	(12,624)
Net book amount	25,136	2,172	5,068	32,376
Half-year ended 31 December 2012				
Opening net book amount	25,136	2,172	5,068	32,376
Additions internal development	-	172	-	172
Acquisition of business	41,943	-	1,606	43,549
Amortisation charge	-	(305)	(2,695)	(3,000)
Impairment charge	(47)	-	-	(47)
Closing net book amount	67,032	2,039	3,979	73,050
At 31 December 2012				
Cost	67,662	3,849	17,210	88,721
Accumulation amortisation and impairment	(630)	(1,810)	(13,231)	(15,671)
Net book amount	67,032	2,039	3,979	73,050
At 1 July 2013				
Cost	**67,662**	**3,991**	**17,210**	**88,863**
Accumulation amortisation and impairment	**(630)**	**(2,114)**	**(14,227)**	**(16,971)**
Net book amount	**67,032**	**1,877**	**2,983**	**71,892**
Half-year ended 31 December 2013				
Opening net book amount	**67,032**	**1,877**	**2,983**	**71,892**
Additions internal development	**-**	**748**	**-**	**748**
Amortisation charge	**-**	**(304)**	**(93)**	**(397)**
Closing net book amount	**67,032**	**2,321**	**2,890**	**72,243**
At 31 December 2013				
Cost	**67,662**	**4,739**	**17,210**	**89,611**
Accumulated amortisation and impairment	**(630)**	**(2,418)**	**(14,320)**	**(17,368)**
Net book amount	**67,032**	**2,321**	**2,890**	**72,243**

** Amortisation of $397,488 (2012: $3,000,540) is included in depreciation and amortisation expense in profit or loss.

6 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

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

2013	MSA Segment $'000	Manufacturing Segment $'000	Total $'000
Carrying amount of goodwill	61,442	5,590	67,032

2012			
Carrying amount of goodwill	61,442	5,590	67,032

(b) Recoverable amount testing

The carrying amount of goodwill is tested for impairment annually at 30 June and whenever there is an indicator that the asset may be impaired. Where an asset is deemed impaired, it is written down to its recoverable amount.

Impairment testing is typically undertaken in one of two ways:

- A comparison of asset book values against fair value less costs to sell; or
- A comparison of the asset book values to the "value in use" of the assets.

In its impairment assessment, the Group determines the recoverable amount based on a value in use calculation using cash flow projections.

Outlook

Due to the protracted downturn in the mining services sector the Company considers it is at a low point in its activity levels and is projecting a recovery to more normal levels in the medium term and has therefore carried out rigorous testing to ensure that the assumptions used are reasonable given the circumstances. Further, it is assumed that contracts expiring in the next five years are renewed or replaced and that the mining industry will recover.

Projected cash flows

Cash flow projections are calculated using EBITDA adjusted for tax, changes in working capital and capital expenditure to get to a "free cash flow" estimate. These projections are based on actual operating results, Board approved FY14 business plan and subsequent financial forecasts. Future cash flows were extrapolated by applying conservative growth rates for each segment and terminal growth rates not exceeding 3%.

The following key assumptions were used to determine the recoverable amounts:

CGU	Growth Rate		
	FY15-FY18	Terminal Year	Post Tax Discount Rate
MSA	2.5% - 11.4%	2.5% - 3.0%	10.4% - 11.7%
Manufacturing	2.5% - 20.8%	2.5% - 3.0%	10.4% - 11.7%
CMSA	2.5% - 44.8%	2.5% - 3.0%	11.2% - 12.4%

6 Non-current assets - Intangible assets (continued)

(b) Recoverable amount testing (continued)

Growth rate estimates

Revenue growth in the first two years of the business reflects the best estimate, taking into account recently announced contract wins and renewals in conjunction with macroeconomic, strategic and market factors. Growth rates for subsequent years are based on the Company's outlook taking into account available information at this time.

Discount rates

Nominal post tax discount rates were derived using the weighted average cost of capital that has been calculated using the CAPM model referencing 5 year and 10 year beta's of comparable mining services companies. The discount rate used for the CMSA CGU has been adjusted for perceived risk due to geographic location and takes into account the historic cost of insuring sovereign risk events in West Africa. A post-tax discount rate is applied to post tax cash flows that includes an allowance for tax based on the respective jurisdictions' tax rate. Allowances have been made for existing timing differences.

Gross margin

Gross 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 end efficiency improvements.

Working capital

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 has been kept to a minimum in the first two years as idle fleet returns to work. Thereafter, capital expenditure will return to normal levels with an emphasis on replacement capital to sustain the levels of activity.

Replacement capital expenditure is assumed in the terminal year as equipment is retired from service. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

Outcomes

Based on the range of assumptions set out above, impairment testing at 31 December 2013 resulted in the estimated recoverable amount of a CGU exceeding its carrying amount as follows:

CGU	Amount by which CGU recoverable amount exceeds it carrying amount (in $ millions)
MSA	41-105
Manufacturing	11-22
CMSA*	73-119

*Impairment testing is intended to assess the recoverable amount of both tangible and intangible assets. As such, although the Contract Mining Services Africa CGU has nil goodwill, impairment testing has been performed for this CGU.

6 Non-current assets - Intangible assets (continued)

(b) Recoverable amount testing (continued)

Sensitivities

The CGU valuations are sensitive to changes in the post tax discount rate and underlying assumptions for cash flow forecasts and terminal value. The following table shows the amount by which the post tax discount rate would need to change in order for the estimated recoverable amount of the CGU to be equal to the carrying amount:

CGU	Increase required in the post tax discount rate for the carrying amount to equal the recoverable amount (in percent)	Decrease required in the terminal growth rate assumption for the carrying amount to equal the recoverable amount (in percent)
MSA	1.6 - 0.7	2.2 - 0.9
Manufacturing	2.3 - 1.3	3.1 - 1.7
CMSA	3.5 - 2.6	5.2 - 3.8

(c) Impairment charge

Within the MSA segment there are underperforming units. Therefore, a further review was undertaken to determine whether there was any impairment related to specific assets.

A review of the carrying amount of MinAnalytical's assets was undertaken and resulted in an impairment expense of $4,132,869.

A review was undertaken of the net realisable value of inventory items in the BTP Parts business by looking at gross profit margins achieved in recent market conditions to assess whether there are any indicators of impairment. The review was done on a sample basis and found no evidence that there is any material indicator of impairment.

A review was undertaken of the value of the idle hire equipment of BTP Equipment with a comparison to market values (where available), historical sales, or if new, to current quotes for the same equipment. Consideration has been given in this analysis to the limited observed orderly sales transactions for equipment in the market. This review indicated an impairment expense of $1,711,000 was required.

7 Borrowings

	31 December 2013 Current $'000	31 December 2013 Non-current $'000	31 December 2013 Total $'000	30 June 2013 Current $'000	30 June 2013 Non-current $'000	30 June 2013 Total $'000
Secured						
Bank loans	**36,220**	**92,550**	**128,770**	36,411	118,048	154,459
Prepaid borrowing costs	**-**	**(3,144)**	**(3,144)**	-	(2,832)	(2,832)
Hire purchase liabilities	**35,130**	**16,967**	**52,097**	36,912	36,434	73,346
Total secured borrowings	**71,350**	**106,373**	**177,723**	73,323	151,650	224,973
Unsecured						
Senior unsecured notes	**-**	**336,587**	**336,587**	-	323,450	323,450
Prepaid borrowing costs	**-**	**(9,334)**	**(9,334)**	-	(10,967)	(10,967)
Total unsecured borrowings	**-**	**327,253**	**327,253**	-	312,483	312,483
Total borrowings	**71,350**	**433,626**	**504,976**	73,323	464,133	537,456

At 31 December 2013 the Company had an immaterial breach of one of its debt covenants relating to a hire purchase facility. The Company is in discussion with the provider regarding the matter and has reclassified $6,259,253 to current liabilities for the period ending 31 December 2013. This breach is immaterial to the business and does not create a cross default under its senior debt facilities or its high yield notes.

All other banking covenants have been complied with at reporting date.

8 Dividends

(a) Ordinary shares

	Half-year ended 2013 $'000	Half-year ended 2012 $'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half years ended 31 December 2013 and 2012 were as follows:		
Paid in cash	**17,175**	19,046
Satisfied by issue of shares	**-**	5,330
	17,175	24,376

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

	2013 $'000	2012 $'000
In addition to the above dividends, since half-year end the directors have recommended the payment of an interim dividend of 2.5 cents per fully paid ordinary share (2012 - 6.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 March 2014 out of retained profits at 31 December 2013, but not recognised as a liability at the end of the half-year, is	**7,807**	20,114

9 Equity securities issued

	2013 Shares	2012 Shares	**2013 $'000**	2012 $'000
Issue of ordinary shares during the half-year				
Dividend reinvestment plan issues	-	1,893,999	**-**	5,330
Shares issued pursuant to Shortfall Placement Facility for the 2012 dividend	-	2,560,674	**-**	7,404
Shares issued pursuant to the exercise of options	-	600,001	**-**	823
Less shares issue costs net of tax credit	-	-	**-**	(61)
	-	5,054,674	**-**	13,496

10 Business combination

(a) Prior period

On 31 October 2012 Ausdrill Limited acquired 100% interest of Best Tractor Parts Group, a company that provides refurbished earthmoving parts, plant hire and rental, specialised mining support vehicles, and sales of earthmoving equipment. Details of the business combination were disclosed in note 29 of the group's annual financial statements for the year ended 30 June 2013.

11 Events occurring after the balance sheet date

On 28 February 2014, the directors declared the payment of an interim ordinary dividend of 2.5 cents (fully franked) per fully paid share to be paid on 31 March 2014 out of retained profits at 31 December 2013.

The financial effect of the above transaction has not been brought to account at 31 December 2013.

12 Investments in joint ventures

(a) Summarised financial information of joint ventures

	Ownership interest Half-year ended	
	2013	2012
	%	%
African Underground Mining Services Ghana Ltd	50	50
African Underground Mining Services Mali Sarl	50	50
African Underground Mining Services Burkina Faso Sarl	50	50

13 Reconciliation of profit after income tax to net cash inflow from operating activities

	$'000	$'000
Profit for the half-year	**13,342**	47,584
Depreciation and amortisation	**53,553**	62,433
Impairment of goodwill	**-**	47
Impairment of property, plant and equipment	**5,844**	-
Loss on sale of non-current assets	**887**	1,061
Fair value losses on available-for-sale financial assets at fair value through profit or loss	**75**	-
Net exchange differences	**149**	(1,011)
Bad debts and provision for doubtful debts	**(2,097)**	4,952
Share of (profits) of joint ventures	**(5,253)**	(13,129)
Non-cash employee benefits expense - shared based payments	**815**	854
Change in operating assets and liabilities:		
Decrease in trade debtors	**22,256**	17,016
Decrease/(increase) in inventories	**8,099**	(10,691)
(Increase) in deferred tax assets	**(5,760)**	(5,936)
Decrease in other operating assets	**3,076**	2,774
(Decrease) in trade creditors	**(17,614)**	(39,314)
(Decrease) in provision for income taxes payable	**(13,212)**	(19,939)
Increase in deferred tax liabilities	**1,534**	5,162
Increase in other provisions	**15**	1,016
Net cash inflow from operating activities	**65,709**	52,879

14 Non-cash investing and financing activities

	Half-year ended	
	$'000	$'000
Acquisition of plant and equipment by means of finance leases or hire purchases	**-**	14,734
Issue of shares under company dividend reinvestment plan	**-**	5,330
	-	20,064

In the directors' opinion:

(a) the financial statements and notes set out on pages 12 to 27 are in accordance with the Corporations Act 2001, including:
  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date, and

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

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

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

Ronald George Sayers
Managing Director
Perth
28 February 2014

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ausdrill Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ausdrill Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ausdrill Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Justin Carroll
Partner

Perth
28 February 2014