Ausdrill Limited

ABN 95 009 211 474

Interim financial report for the half-year ended 31 December 2015

Ausdrill Limited ABN 95 009 211 474
ASX Half-year information - 31 December 2015

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2015 Annual report

Contents

Results for announcement to the market

				$'000
Revenue from ordinary activities	Down	9.4%	to	375,827
Profit from continuing ordinary activities after tax attributable to members	Up	105.3%	to	9,322
Net profit for the period attributable to members	Up	105.3%	to	9,322

Dividends		Amount per security	Franked amount per security
Interim dividend	(cents)	-	-
Previous corresponding period	(cents)	1.0	1.0

Net tangible assets per share

	31 December 2015 Cents	31 December 2014 Cents
Net tangible asset backing per ordinary share	**179.02**	180.42

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Interim financial report - 31 December 2015

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 2015 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.

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 2015.

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)
Terrence John Strapp
Donald James Argent
Mark Anthony Connelly
Mark Andrew Hine

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

Review of operations

Key points:

- **Proactive response being taken by the business to defend traditional markets**
- **Profit after tax attributable to Ausdrill shareholders of $9.3m, up from a loss of $177.4m**
- **Sales Revenue is 6.5% up on previous half, down 9.3% compared with previous corresponding period from $413.6m to $375.2m**
- **Margin improvement in key segments driven by impact of business improvement initiatives and business rationalisation**
- **EBITDA[(1)] is up 5.4% from $59.1m to $62.4m**
- **EBIT[(1)] is up 82.0% from $15.0m to $27.2m**
- **Deleveraging strategy continues, $46.5m in debt repayment**
- **Basic earnings per share up from a loss of 56.81 cents per share to a profit of 2.99 cents per share**
- **Cautious approach to dividend policy in light of market uncertainty**

(1) Figures exclude the effects of any significant items in previous corresponding period

Overview

As a diversified mining services company, Ausdrill Limited (ASX: ASL) continued to experience challenging market conditions during the six months to 31 December 2015. Lower commodity prices have seen further mine closures and a reduction in exploration activity and have placed increased pressure on miners to reduce costs and increase productivity. Consequently, clients' expectations with respect to engagement, safety, innovation, and margins have increased significantly, with the providers of mining services responding accordingly.

The Company has responded well to these challenges by focusing on its core competencies and ensuring it remains cost competitive in its traditional markets. The Company has taken proactive steps to divest or exit non-performing assets and to reduce its overhead in line with a lower revenue base. Further, the Group is well advanced on a range of cost-cutting initiatives, which will enable it to deliver lower cost solutions to its clients and improved margins for shareholders.

Whilst revenue has remained relatively stable over the past 12 months, margins have continued to improve, with the Group reporting a net profit after tax of $9.3 million for the half-year ending 31 December 2015. The result represents a turning point for the Company with further opportunity for improvement.

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

Drilling Services Australia – Reduction in demand for drilling services, in particular exploration and hydrogeological services, led to a significant reduction in revenue compared to the prior corresponding period. In spite of this, margins improved as activities were focused on rationalising this business, reducing the overhead and implementing other cost saving initiatives. Importantly, in the last 12 months, revenue has stabilised, with increased opportunity in the gold sector. Further, subsequent to half-year end, all Northwest transport services were outsourced, which we expect will improve second half performance.

Contract Mining Services Africa – Winning work and rapid mobilisation of new projects were a key focus during the half, with operations commencing at the Perseus Edikan gold mine eastern pits operations in Ghana and Roxgold's Yaramoko project in Burkina Faso (AUMS). Further, AMS was appointed as preferred contractor at the KEFI Mineral Tulu Kapi gold project in Ethiopia and AUMS was appointed preferred contractor at the AngloGold Ashanti Geita gold mine in Tanzania.

Equipment Services and Supplies – The BTP business commenced trading profitably late in the half, following an internal restructure and increased investment of resources in business development and client engagement activities. Subsequent to the period end, the Group announced its plan to exit the DT HiLoad business. In spite of considerable efforts to restructure the business, including consideration of alternate operating models, insufficient demand for its products continued to impede the financial viability of the DT HiLoad business. The discontinuation of this business is expected to improve profitability of this segment going forward.

All Other – A cost-out program within the EDA business delivered short-term profit improvements during the half. However, further reduction in the oil price resulted in the cancellation of wells which were expected to underpin the future operational strategy of this business. In early 2016, the Company elected to place the assets of the EDA business into care and maintenance and to further reduce overhead costs. We will continue to explore the current offshore opportunities to sell or engage idle rig capacity in longer term contracts at higher rates.

Corporate and Finance – Cost-out activities focused on the centralisation of purchasing and accounting activities and the rollout of the Group's strategic sourcing strategy and purchasing system software and process.

Divestment of surplus plant and equipment resulted in proceeds on sale of $7.2 million and net gains of $1.8 million reported in profit.

The Company's commitment to safety remains a key principle. The One Safe All Safe program rollout was completed and has been positively received by both employees and clients. Key changes to the leadership team have resulted in a renewed focus and the One Safe All Safe initiatives have led to an approximate 40% reduction in the reported total recordable injury frequency rate within the period.

Employee numbers have continued to reduce in line with the Group's business activities, down from 4,080 at 30 June 2015 to 3,669 at December 2015.

During the six month period, Ausdrill continued its strategy of deleveraging the business, having fully repaid its drawn Australian Dollar syndicated debt facility. Ausdrill remains well positioned to respond to growth and investment opportunities with a suitable level of undrawn liquidity.

Financial Performance

A$ million	6 months to Dec 2014		6 months to Jun 2015		6 months to Dec 2015		% change from previous corresponding period
	Statutory	Non-IFRS	Statutory	Non-IFRS	Statutory	Non-IFRS	
Sales Revenue	413.6	413.6	352.2	352.2	375.2	375.2	(9.3%)
EBITDA (1)		59.1		55.6		62.4	5.4%
EBIT (1)		15.0		22.3		27.2	82.0%
Operating Profit before tax (1)		(3.1)		5.2		10.5	437.0%
Operating Profit /(Loss) after tax	(177.4)		1.8		9.3		105.3%

(1) Figures exclude the effects of any significant items in previous corresponding period

Group sales revenue for the half increased by 6.5% compared to the six months to June 2015, with all core segments experiencing stable revenue levels. However, compared with the previous corresponding period, sales revenue decreased by 9.3% with all segments reporting lower revenue with the exception of Contract Mining Services Africa. In spite of lower revenue, margins have improved. EBITDA increased from $59.1 million in the previous corresponding period to $62.4 million for the half-year to December 2015. The EBITDA margin (excluding equity accounted profits) increased from 13.8% in the previous corresponding period to 14.7%.

EBIT increased from $15.0 million in the previous corresponding period to $27.2 million for the half-year to December 2015. The depreciation and amortisation charge for the period was $35.1 million ($44.2 million for the previous corresponding period). The EBIT margin (excluding equity accounted profits) increased from 3.1% in the previous corresponding period to 5.3%.

The after tax profit attributable to Ausdrill shareholders increased from a loss of $177.4 million in the previous corresponding period to a profit of $9.3 million for the half-year ended December 2015 and reflects improved operational performance, a focus on business improvement and cost-cutting initiatives and the impact of no impairment expense for goodwill and plant and equipment which was made in the previous corresponding period.

During the half-year to 31 December 2015, the Group maintained its strategy of deleveraging and made debt repayments of $46.5 million whilst restricting capital expenditure to $6.1 million. Over the last 18 months debt repayments have totalled $141.9 million. Gearing (net debt to net debt plus equity) reduced from 39.1% reported at 30 June 2015 to 36.3% at 31 December 2015.

The level of working capital in the business has decreased by $6.5 million since June 2015 and continues to be optimised to suit business activity levels.

Return on capital employed by the business of 6.4% improved and is expected to continue to improve as the business continues to deliver improvement initiatives and reduces its working capital and capital expenditure levels.

The Group’s debt service capability remains robust with net interest cover (EBITDA/Net Interest) at 3.7 times and the Group’s net secured debt being in a net cash position.

The Company’s net tangible asset position has increased from $1.77 per share at 30 June 2015 to $1.79 per share at 31 December 2015.

Drilling Services Australia	6 months to Dec 2014	6 months to Jun 2015	6 months to Dec 2015	% change from previous corresponding period
	$'000	$'000	**$'000**	
Sales Revenue	147,608	99,212	**114,985**	(22%)
EBIT	6,646 [(1)]	5,436	**11,421**	72%

[(1)] Figures exclude the effects of any significant items

Drilling Services Australia revenues stabilised but remain under pressure on the back of lower demand, driven by lower commodity prices. However, margins improved with segment EBIT increasing 72% on the previous corresponding period (excluding impairment expense). EBIT margins (excluding impairment expense in the previous corresponding period) also improved, increasing from 4.5% in December 2014 to 5.5% for the half-year to 30 June 2015 and up to 9.9% for the 31 December 2015 half-year reporting period. The segment has and continues to focus on rationalising to match tough market conditions, through further consolidation of common activities and cost reduction initiatives which are all translating to improved financial performance.

The core drill and blast operations remain solid with many term contracts in progress, including the retention of several existing projects in the period and the addition of new works at Rocky's Reward for Thiess. A letter of intent for works at the Telfer mine for Macmahon was also received late in December 2015 and will deliver revenue in the second half of the financial year. The business is flexible and is well positioned to undertake campaign style works and to capitalise on further opportunities from such engagements.

Works at the OM Manganese Bootu Creek mine ceased during December 2015, with the client being placed into administration in January 2016. A provision for outstanding trade debts totalling $0.7 million has been taken up in the reported profit for the period.

Australian exploration and hydrogeological drilling services continue to operate in a challenging environment. Underpinned by several long term contracts, the exploration business is delivering a stable earnings profile and remains focused on seeking new client opportunities to grow the revenue base, where opportunities provide mutual value to the Company and the client.

Hydrogeological services, which have traditionally been provided to the iron ore sector, have been adversely impacted due to a contraction in demand. Business development activities are now being focused on a diversification strategy to broaden the customer base to a larger pool of commodities.

Contract Mining Services Africa	6 months to Dec 2014	6 months to Jun 2015	6 months to Dec 2015	% change from previous corresponding period
	$'000	$'000	**$'000**	
Sales Revenue	130,231	151,304	**162,376**	25%
EBIT	12,120 (1)	29,188	**22,368**	85%

(1) Figures exclude the effects of any significant items

Despite facing many challenges in the reporting period, the African Contract Mining Services business delivered a 25% increase in reported revenue and $10.3 million increase in EBIT (excluding impairment expense in the previous corresponding period). Revenues have remained stable in US dollar terms over the last 18 months. However, margins for the reporting period were lower than the half to June 2015 due to the timing of major component change outs on the trucking fleet. Operations during the period were also impeded by a longer wet season and travel restrictions imposed in certain areas in response to the Ebola virus and weather events. In spite of these challenges, the business remained focused on a dedicated cost reduction and increased efficiencies program.

The business demonstrated flexibility in meeting operational challenges, in particular, responding to changing client demands through continued re-optimisation of pit profiles and other efficiency measures to match a declining gold price.

Winning new work remained a focus and in October 2015, Kefi Minerals announced AMS as its preferred contractor for its Tula Kapi Project in Western Ethiopia, which is expected to commence in 2017. During the period, AMS fully mobilised and is well into mining the eastern pits at the Perseus Edikan gold mine in Ghana. Further, AMS mobilised to three Nordgold sites in Burkina Faso (Taparko, Bissa and Bouroum) to provide equipment hire services.

Africa continues to enjoy high levels of contract mining tender activity, which will potentially translate into future revenue stability and growth. Exploration drilling activities continue to remain at low levels, although we experienced an increase in tender activity during the half. Exploration work for the business is currently limited to Ghana and Mali.

AUMS

Ausdrill has a 50% interest in African Underground Mining Services (AUMS), in joint venture with Barminco Limited. This business provides underground mining services to customers in Ghana, Mali and Burkina Faso. Net profit after tax increased from $4.4 million in the previous corresponding period to $14.7million in the half-year to 31 December 2015, with Ausdrill’s share being 50%.

During the period, work commenced at Roxgold’s Yaramoko project in Burkina Faso. Further, AUMS was advised by AngloGold Ashanti of the successful award of an underground mining contract at the Geita gold mine in Tanzania. AUMS commenced mobilisation activities to the Geita project during the period with first revenue due in early calendar 2016. In Mali, AUMS demobilised from Randgold’s Gara project with the majority of equipment being sold to Randgold as well as a portion of spares, parts, stock and mining consumables.

Equipment Services & Supplies	6 months to Dec 2014	6 months to Jun 2015	6 months to Dec 2015	% change from previous corresponding period
	$'000	$'000	**$'000**	
Sales Revenue	117,116	96,594	**99,843**	(15%)
EBIT	4,978 (1)	(9,745) (1)	**5,041**	1%

(1) Figures exclude the effects of any significant items

Notwithstanding the 15% reduction in revenue on the previous corresponding period, it is pleasing to report an improvement in the core underlying segment operating margin and the delivery of a modest segment profit. The core continuing businesses in this segment are showing signs of stabilisation having undergone significant restructure, consolidation and cost reduction effort in recent months. In January 2016, Ausdrill announced to the market its decision to exit the DT HiLoad dump truck body business. Due to the dramatic decline in mining capital expenditure that is being experienced in the market, which we anticipate will continue in the short to medium term, this business has lacked meaningful sale volumes and has been a loss contributor to the first half segment financial performance. Looking forward, the discontinuance of the DT HiLoad operation will contribute to a further improvement in the core underlying segment result.

In respect of the continuing businesses, we are seeing increasing levels of enquiries, engagement with customers and incremental opportunity to increase market share. As clients have become more focused on cost efficiency, converting opportunity has entailed lower pricing and margin expectation. In response, segment businesses have focused on productivity improvement and supplier cost reduction to provide cost efficiencies that enhance their competitive positioning. Benefits from these programs are delivering improvement in the core underlying operating and financial performance.

Whilst equipment trading remains challenging, the key rental and supply contracts are performing as expected. The segment businesses are partnering closely with their clients to ensure they are receiving the technical and operational support they need in this tough market. We expect challenging conditions to prevail and are confident that our focus will position us to be genuine long-term participants in a rationalised and consolidated industry. With the recent rapid weakening of the AUD against the USD, we are seeing an improving ability to provide competitive equipment solutions and supplies to customers globally. Our business development focus has been expanded to capture more of these international opportunities, whilst improving the price and value offering to domestic customers.

All Other	6 months to Dec 2014	6 months to Jun 2015	6 months to Dec 2015	% change from previous corresponding period
	$'000	$'000	**$'000**	
Sales Revenue	39,324	22,673	**14,380**	(63%)
EBIT	(412) [1]	93 [1]	**(2,876)**	(598%)

[1] Figures exclude the effects of any significant items

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

The segment loss before interest and tax for the period of $2.9 million was driven primarily by the reduction in oil and gas revenues. The reduction in oil prices during the last six months has resulted in cancellation of drilling programs which EDA was expecting to participate in. Revenue for the EDA business decreased from $27.9 million in the previous corresponding period to $3.6 million. For the half-year to December 2015, EBIT for the EDA business, excluding an impairment expense of $13.8 million, deteriorated from a loss of $0.1 million in the previous corresponding period to a loss of $3.1 million. The key challenge remains lower oil prices and the lack of work being generating from a depressed oil and gas sector. In early 2016, the Company elected to place the assets of the EDA business into care and maintenance and to further reduce overheads. In the near term, we will continue to explore the current offshore opportunities to sell or engage idle rig capacity in longer term contracts at higher rates.

Corporate and Finance

EBIT for Corporate and Finance, which includes costs such as general overheads and unallocated foreign exchange gains and losses, was $0.4 million higher than the previous corresponding period.

An impairment expense of $1.5 million was booked in relation to the investment in Titan Resources, which is currently in administration.

Outlook

The Company will continue to respond to the challenges of a depressed mining sector by focusing on its core competencies and ensuring it remains cost competitive in its traditional markets.

Demand for mining services is expected to remain tight in the near term with margin pressure stemming from tougher price competition. However, the Company's focus on exiting non-core and non-performing assets, rationalising the business overhead and delivering upon its business improvement initiatives, will enable it to more ably assist its clients to reduce their costs and increase the productivity of their operations.

At present, lower input costs and a lower Australian dollar provide a cushion for Australian based miners, who continue to respond to market pressures to reduce costs and to be low cost producers. This is expected to provide a base level of demand for mining services in the medium term. However, we do expect to see ongoing rationalisation within the mining services sector.

Tender activity, particularly in Africa, is robust, driven mainly by gold mining opportunities, which are being actively pursued and will potentially be a future source of earnings growth in the near to medium term.

Taking into consideration these market conditions, and subject to any change in circumstances, the Company expects earnings in the second half of the 2016 financial year to be similar to the first half, excluding any further impact of any exchange rate fluctuations, significant items or impairment expense.

Ausdrill has a long established presence and local know-how in both Australia and Africa, where the resources sector is expected to recover over the medium to long term. As a consequence, Ausdrill remains very well placed to remain a long-term profitable service provider in what we expect will be a more consolidated industry.

Dividends – Ausdrill Limited

In light of continuing market uncertainty, the Directors have elected to take a cautious approach with respect to shareholder returns and capital management. Consequently, no interim ordinary dividend has been declared for the half-year ended 31 December 2015. The Company's policy with respect to returns to shareholders will continue to be evaluated and moulded appropriately to changing market conditions.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Rounding of amounts

The Company is of a kind referred to in 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
25 February 2016

Auditor's Independence Declaration

As lead auditor for the review of Ausdrill Limited for the half-year ended 31 December 2015, 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
25 February 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

	Notes	**31 December 2015 $'000**	31 December 2014 $'000
Revenue from continuing operations	3	**375,827**	414,665
Other income			
Other income	5(a)	**5,251**	4,014
Expenses			
Materials expense		**(147,584)**	(167,766)
Labour costs		**(128,940)**	(140,167)
Rental and hire expense		**(7,448)**	(6,452)
Depreciation and amortisation expense	5(b)	**(35,128)**	(44,175)
Finance costs	5(b)	**(17,348)**	(19,171)
Realised foreign exchange (losses)/gains		**(1,606)**	2,568
Unrealised foreign exchange (losses)/gains		**(3,869)**	(6,244)
Other expenses from ordinary activities		**(34,546)**	(42,594)
Impairment of goodwill and other intangible assets	4	**-**	(10,314)
Impairment of property, plant and equipment	4	**-**	(186,968)
Impairment of available-for-sale financial assets		**(1,485)**	-
Share of net profits/(losses) of joint ventures accounted for using the equity method		**7,333**	2,219
Profit/(loss) before income tax		**10,457**	(200,385)
Income tax (expense)/benefit	6	**(1,135)**	22,995
Profit/(loss) from continuing operations		**9,322**	(177,390)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange gains/(losses) on translation of foreign operations		**(3,866)**	(6,372)
Items that will not be reclassified to profit or loss			
(Loss)/gain on revaluation of land and buildings, net of tax		**(529)**	310
Gain/(loss) on revaluation of available-for-sale financial assets, net of tax		**649**	668
Other comprehensive (loss)/income for the half-year, net of tax		**(3,746)**	(5,394)
Total comprehensive income/(loss) for the half-year		**5,576**	(182,784)
Profit/(loss) is attributable to:			
Equity holders of Ausdrill Limited		**9,322**	(177,390)
Total comprehensive income/(loss) for the half-year is attributable to:			
Equity holders of Ausdrill Limited		**5,576**	(182,784)
		Cents	Cents
Earnings per share:			
Basic earnings/(loss) per share		**2.99**	(56.81)
Diluted earnings/(loss) per share		**2.99**	(56.81)

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

	Notes	**31 December 2015 $'000**	30 June 2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**90,276**	77,865
Trade and other receivables		**141,810**	141,784
Inventories		**220,518**	226,869
Current tax receivables		**4,185**	5,544
Total current assets		**456,789**	452,062
Non-current assets			
Receivables		**1,233**	2,609
Joint ventures accounted for using the equity method		**68,777**	67,599
Available-for-sale financial assets		**6,748**	7,013
Property, plant and equipment		**535,707**	559,719
Deferred tax assets		**43,018**	41,032
Total non-current assets		**655,483**	677,972
TOTAL ASSETS		**1,112,272**	1,130,034
LIABILITIES			
Current liabilities			
Trade and other payables		**106,155**	106,307
Borrowings	7	**6,156**	26,422
Current tax liabilities		**2,285**	1,892
Provisions		**9,078**	8,820
Total current liabilities		**123,674**	143,441
Non-current liabilities			
Borrowings	7	**403,249**	407,367
Deferred tax liabilities		**25,181**	24,744
Provisions		**1,126**	1,189
Total non-current liabilities		**429,556**	433,300
TOTAL LIABILITIES		**553,230**	576,741
NET ASSETS		**559,042**	553,293
EQUITY			
Contributed equity	9	**526,447**	526,447
Other reserves		**(14,754)**	(11,181)
Retained earnings		**47,349**	38,027
Capital and reserves attributable to the owners of Ausdrill Limited		**559,042**	553,293
TOTAL EQUITY		**559,042**	553,293

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

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
		Attributable to owners of Ausdrill Limited			
Balance at 1 July 2014		**526,447**	**2,705**	**223,016**	**752,168**
Loss for the half-year		-	-	(177,390)	(177,390)
Other comprehensive loss		-	(5,394)	-	(5,394)
Total comprehensive loss for the half-year		**-**	**(5,394)**	**(177,390)**	**(182,784)**
Transactions with owners in their capacity as owners:					
Dividends paid	8	-	-	(6,245)	(6,245)
Employee share options - value of employee services		-	261	-	261
		-	261	(6,245)	(5,984)
Balance at 31 December 2014		**526,447**	**(2,428)**	**39,381**	**563,400**
Balance at 1 July 2015		**526,447**	**(11,181)**	**38,027**	**553,293**
Profit for the half-year		-	-	9,322	9,322
Other comprehensive loss		-	(3,746)	-	(3,746)
Total comprehensive profit/(loss) for the half-year		**-**	**(3,746)**	**9,322**	**5,576**
Transactions with owners in their capacity as owners:					
Employee share options - value of employee services		-	173	-	173
Balance at 31 December 2015		**526,447**	**(14,754)**	**47,349**	**559,042**

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

	Notes	**31 December 2015 $'000**	31 December 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**395,319**	462,028
Payments to suppliers and employees (inclusive of goods and services tax)		**(331,805)**	(368,956)
		63,514	93,072
Receipts from finance customers		**1,376**	1,333
Interest received		**579**	1,029
Interest and other costs of finance paid		**(15,796)**	(16,822)
Income taxes (paid)		**(2,499)**	(2,153)
Management fee received from joint ventures		**544**	475
Net cash inflow/(outflow) from operating activities	12	**47,718**	76,934
Cash flows from investing activities			
Payments for property, plant and equipment		**(6,126)**	(12,590)
Proceeds from sale of property, plant and equipment		**7,172**	2,683
Payments for available-for-sale financial assets		**(2,237)**	-
Payment of development costs		**-**	(113)
Repayment of loans from joint ventures		**-**	6,683
Proceeds from sale of available-for-sale financial assets		**1,872**	217
Distributions received from joint ventures		**8,871**	-
Net cash inflow/(outflow) from investing activities		**9,552**	(3,120)
Cash flows from financing activities			
Proceeds from secured borrowings		**-**	7,500
Repayment of secured borrowings		**(37,388)**	(54,260)
Repayment of hire purchase and lease liabilities		**(5,065)**	(10,086)
Dividends paid to company's shareholders	8	**-**	(6,245)
Repayment of unsecured borrowings		**(4,007)**	-
Net cash inflow/(outflow) from financing activities		**(46,460)**	(63,091)
Net increase in cash and cash equivalents		**10,810**	10,723
Cash and cash equivalents at the beginning of the financial year		**77,865**	62,695
Effects of exchange rate changes on cash and cash equivalents		**1,601**	3,777
Cash and cash equivalents at end of half-year		**90,276**	77,195

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 2015 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 2015 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.

(a) Estimates

The preparation of this condensed consolidated interim financial report also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2015.

Recoverable amounts for goodwill and other non-current assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill or other intangible assets have suffered any impairment.

During the period to 31 December 2014, the Directors recognised an impairment of goodwill and other intangible assets of $10.3 million which resulted in a carrying value of nil. This was based on a value-in-use (VIU) calculation which requires the entity to estimate: the future cash flows expected to arise from the cash-generating unit (CGU), to which goodwill has been allocated; and a suitable discount rate in order to calculate present value. These calculations required the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Details of the recoverable value assessment and relevant assumptions can be found at Note 4(b).

Other non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of: fair value less costs of disposal (FVLCD); and VIU. For the purpose of assessing impairment, assets are grouped by CGU.

During the period to 31 December 2014 and 30 June 2015 the directors determined that an impairment expense for certain property plant and equipment was required to bring carrying values in line with assessments of recoverable amounts. As at 31 December 2015, management have performed a trigger assessment, by CGU, the details of which can be found in Note 4(a). VIU was determined by discounting the future cash flows expected to be generated from the continued use of CGU assets, whilst the determination of the recoverable value on FVLCD method was based on a combination of values observable in the market for the type of property, plant and equipment held by the Company, other unobservable inputs and the company's historic experience in the disposal of such assets. The Company also engaged an independent external valuer to undertake a fair value market valuation.

In the event that management's future earnings and growth assumptions are not achieved, impairment of non-current assets allocated to CGU's may occur in future periods.

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

(b) Significant Accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied in the consolidated annual financial statements as at and for the year ended 30 June 2015.

New, revised or amending Accounting Standards and Interpretations adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2015 interim reporting period and have not been applied in these financials statements. New, amending and revised standards that are mandatory for the interim period ended 31 December 2015 have been applied in these financial statements and did not have a significant impact on the reported results. The applicable standard that has been adopted for the half-year ended 31 December 2015 is:

- AASB 2015-3: Withdrawal of AASB 1031 Materiality

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 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 waterwell drilling in Australia.

Equipment Services and Supplies:
The provision of mining supplies, products and services including the manufacture of drilling rods, drilling consumables and dump truck tray bodies, 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, mineral analysis, property holding services and services to the telecommunications and utility sector.

Corporate and Finance:
This segment includes Group central functions like treasury, financing and administration.

Intersegment Eliminations
Represents transactions which are eliminated on consolidation.

Restatement of prior half year comparable

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

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

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

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

The new definition has been applied to the half-year ended 31 December 2014 as if the changes in structure had been effective from 1 July 2014. This has been done to facilitate comparability over multiple reporting periods.

2 Segment information (continued)

(b) Segment information provided to the Board

Half-year ended 31 December 2015	Drilling Services Australia $'000	Equipment Services & Supplies $'000	Contract Mining Services Africa $'000	All Other Segments $'000	Corporate & Finance $'000	Inter-segment Eliminations $'000	Consolidated $'000
Segment revenue							
Sales to external customers	114,253	84,526	162,232	14,237	-	-	375,248
Intersegment sales	732	15,317	144	143	-	(16,336)	-
Total sales revenue	**114,985**	**99,843**	**162,376**	**14,380**	**-**	**(16,336)**	**375,248**
Other revenue	60	76	108	13	14,672	(14,350)	579
Total segment revenue	**115,045**	**99,919**	**162,484**	**14,393**	**14,672**	**(30,686)**	**375,827**
Segment EBITDA	**21,760**	**10,797**	**39,474**	**(1,115)**	**(8,562)**	**-**	**62,354**
Depreciation expense	(10,339)	(5,756)	(17,106)	(1,761)	(166)	-	(35,128)
Segment EBIT	**11,421**	**5,041**	**22,368**	**(2,876)**	**(8,728)**	**-**	**27,226**
Interest income	60	76	108	13	14,672	(14,350)	579
Interest expense	(2,396)	(4,497)	(5,659)	(2,492)	(16,654)	14,350	(17,348)
Segment result	**9,085**	**620**	**16,817**	**(5,355)**	**(10,710)**	**-**	**10,457**
Income tax (expense)/benefit							(1,135)
Profit/(loss) for the half-year							**9,322**
Segment assets	**658,489**	**255,939**	**495,135**	**96,205**	**569,818**	**(963,314)**	**1,112,272**
Segment liabilities	**80,735**	**141,489**	**229,892**	**6,401**	**840,529**	**(745,816)**	**553,230**
Other segment information							
Investments in joint ventures	**-**	**-**	**68,777**	**-**	**-**	**-**	**68,777**
Share of profit from joint ventures	**-**	**-**	**7,333**	**-**	**-**	**-**	**7,333**
Acquisition of property, plant and equipment, intangibles and other non-current assets	**1,456**	**1,123**	**3,406**	**125**	**2,253**	**-**	**8,363**

2 Segment information (continued)

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

Half-year ended 31 December 2014	Drilling Services Australia $'000	Equipment Services & Supplies $'000	Contract Mining Services Africa $'000	All Other Segments $'000	Corporate & Finance $'000	Inter-segment Eliminations $'000	Consolidated $'000
Segment revenue							
Sales to external customers	140,618	103,502	130,227	39,209	-	-	413,556
Intersegment sales	6,990	13,614	4	115	-	(20,723)	-
Total sales revenue	**147,608**	**117,116**	**130,231**	**39,324**	**-**	**(20,723)**	**413,556**
Other revenue	183	67	163	63	15,262	(14,629)	1,109
Total segment revenue	**147,791**	**117,183**	**130,394**	**39,387**	**15,262**	**(35,352)**	**414,665**
Segment EBITDA	**21,561**	**14,080**	**28,871**	**2,829**	**(8,207)**	**-**	**59,134**
Depreciation expense	(14,915)	(8,696)	(16,751)	(3,241)	(166)	-	(43,769)
Amortisation expense	-	(406)	-	-	-	-	(406)
Impairment of intangible assets	-	(10,314)	-	-	-	-	(10,314)
Impairment of assets	(65,475)	(40,697)	(67,000)	(13,796)	-	-	(186,968)
Segment EBIT	**(58,829)**	**(46,033)**	**(54,880)**	**(14,208)**	**(8,373)**	**-**	**(182,323)**
Interest income	183	67	163	63	15,262	(14,629)	1,109
Interest expense	(3,333)	(5,480)	(5,263)	(2,804)	(16,920)	14,629	(19,171)
Segment result	**(61,979)**	**(51,446)**	**(59,980)**	**(16,949)**	**(10,031)**	**-**	**(200,385)**
Income tax (expense)/benefit							22,995
Profit/(loss) for the half-year							**(177,390)**
Segment assets	**691,824**	**271,234**	**488,791**	**106,654**	**658,370**	**(1,038,367)**	**1,178,506**
Segment liabilities	**95,749**	**133,689**	**251,817**	**118,457**	**836,531**	**(821,137)**	**615,106**
Other segment information							
Investments in joint ventures	**-**	**-**	**74,984**	**-**	**-**	**-**	**74,984**
Share of profit from joint ventures	**-**	**-**	**2,219**	**-**	**-**	**-**	**2,219**
Acquisition of property, plant and equipment, intangibles and other non-current assets	**218**	**2,057**	**10,001**	**3**	**424**	**-**	**12,703**

3 Revenue

	31 December 2015 $'000	31 December 2014 $'000
From continuing operations		
Sales revenue		
Sale of goods	**32,265**	47,192
Services	**342,983**	366,364
	375,248	413,556
Other revenue		
Interest - Others	**579**	949
Interest - Related Parties	**-**	160
	579	1,109
	375,827	414,665

4 Individually significant items

The following items are significant to the financial performance of the group, and so are listed separately here.

	Note	**31 December 2015 $'000**	31 December 2014 $'000
Impairment of non-current assets			
Plant and equipment	4(a)	**-**	186,968
Impairment of intangible assets			
Impairment of goodwill and other intangible assets	4(b)	**-**	10,314

(a) Impairment of non-current assets

The Company experienced challenging market conditions during the twelve month period to 30 June 2015 and as a result of a number of factors, including falling commodity prices, adverse weather conditions in key operating regions and the continuation of a challenging environment for the resources industry, tested for impairment. In preparing the half-year financial report for the six months to 31 December 2015 the Company again assessed whether or not any further indicators of impairment arose and if there were any material changes to the assumptions made as part of the 30 June 2015 impairment review which could result in further impairment for any cash generating unit (CGU).

The Company has made estimates associated with the recoverable amount of its CGU's to determine whether there was any impairment in relation to their carrying value. Determining a CGU's recoverable amount was completed via the following methods:

(a) Assets are firstly considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe;
(b) For certain CGU's the recoverability of its assets is completed via a fair value less costs of disposal calculation (FVLCD); and
(c) For certain CGU's the recoverability of its assets is completed via a value in use methodology (VIU).

4 Individually significant items (continued)

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

The recoverable amount of a CGU is calculated as the higher of its FVLCD or its VIU. The Company has sourced an external valuation where a fair value less costs of disposal has been adopted. In the instances where this has been adopted, the valuation technique and fair value hierarchy is noted below.

The recoverable amount of a CGU determined by a VIU calculation requires the use of assumptions. Cash flow projections are calculated using EBITDA, changes in working capital and capital expenditure to get to a “free cash flow” estimate. These projections are based on actual operating results, a Board approved FY16 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%. The methodology is consistent with that used at 30 June 2015.

Key assumptions used for value in use calculations

The calculation of value in use for the CGUs is most sensitive to the following assumptions:
a) EBITDA/sales margins
b) Discount rates
c) 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, 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

For impairment testing undertaken at 31 December 2015

There was no impairment testing undertaken at 31 December 2015.

4 Individually significant items (continued)

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

For impairment testing undertaken at 31 December 2014

	Growth Rate						
CGU	**FY15**	**FY16**	**FY17**	**FY18-FY19**	**Terminal Year**	**Post Tax Discount Rate**	**Pre Tax Discount Rate**
Kalgoorlie & Synegex CGU	(35.3%)	(10.3-11.3%)	2.0-3.0%	2.0-3.0%	2.0-3.0%	11.1-11.7%	15.7-16.1%
Ausdrill Northwest (ANW) & Connector CGU	(22.7%)	1.1%	24.8-25.1%	2.0-3.0%	2.0-3.0%	11.1-11.7%	15.4-16.1%
BTP Equipment (BTPE) CGU	(32.0%)	0.0%	0.0%	2.0-3.0%	2.0-3.0%	11.1-11.7%	16.6-17.3%
Contract Mining Services Africa (CMSA) CGU	19.4%	8.7%	26.2%	2.0%	2.0%	11.7-12.3%	15.9-16.7%

Kalgoorlie & Synegex CGU

This CGU is included in the Drilling Services Australia (DSA) operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was $132,500,000. As a result, a plant and equipment impairment charge of $20,000,000 was made. At 30 June 2015 there were no further indicators of impairment and no impairment testing was performed. At 31 December 2015, there are no further indicators of impairment and no impairment testing was performed.

ANW & Connector CGU

This CGU is included in the DSA operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was $61,500,000. As a result, a plant and equipment impairment charge of $43,000,000 was made. At 30 June 2015 there were further indicators of impairment for this CGU. Impairment testing was performed and resulted in no further impairment.

BTPE CGU

This CGU is included in the Equipment Services and Supplies (ESS) operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was $46,500,000. As a result, a plant and equipment impairment charge of $20,000,000 was made. At 30 June 2015, there were further indicators of impairment for this CGU. Impairment testing was performed and resulted in no further impairment. At 31 December 2015, there are no further indicators of impairment and no impairment testing was performed.

Further a review was undertaken of the value of the idle hire equipment of BTP Equipment by testing the carrying values against the net present value of expected rental streams over the remaining useful lives of the individual assets. Consideration was given to the analysis of the limited observed orderly sales transactions for equipment in the market. In the absence of an orderly market, a review was also undertaken of the value of idle equipment with a comparison to market values, where available, historical sales, or if new, to current quotes for the same equipment. This review resulted in an impairment charge of $12,457,000 at 31 December 2014. A further review of idle equipment was undertaken at 30 June 2015 and resulted in a further impairment of $3,932,000. At 31 December 2015, there are no further indicators of impairment and no impairment testing was performed.

CMSA CGU

This CGU is a reportable operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was $321,500,000. As a result, a plant and equipment impairment charge of $67,000,000 was made. At 30 June 2015, there were no further indicators of impairment therefore no impairment testing was performed. At 31 December 2015, there are no indicators of impairment and no impairment testing has been performed.

4 Individually significant items (continued)

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

Manufacturing CGU

This CGU is a part of the ESS operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. (See note 4 (b) below). At 30 June 2015, there were further indicators of impairment for this CGU. Impairment testing was performed and resulted in no further impairment. At 31 December 2015, there are no further indicators of impairment and no impairment testing was performed.

MinAnalytical CGU

This CGU is included in the All Other operating segment. As at 30 June 2015, the remaining carrying amount of this CGU's assets were impaired. As a result, a plant and equipment impairment charge of $1,584,000 was made. As at 31 December 2015, no impairment testing has been undertaken as the carrying amount of this CGU's assets is nil.

Impact of reasonably possible changes in key assumptions

As all of these CGU's are written down to their recoverable amounts at 30 June 2015, any future adverse change in the key assumptions will result in further impairment.

Fair Value less Costs of Disposal

Energy Drilling Australia (EDA) CGU

This CGU is included in the All Other operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was $42,500,000. To determine the recoverable amount of this CGU the company engaged an independent external valuer to undertake a fair market valuation. The market approach, a Level 2 input in the fair value hierarchy, was employed for this valuation as credible comparisons were on hand to support this approach. As a result, a plant and equipment impairment charge of $13,796,000 was made. At 30 June 2015 there were no further indicators of impairment therefore no impairment testing was performed.

At 31 December 2015, the Company engaged an independent external valuer to undertake a market valuation based on the same approach as at 31 December 2014. As a result, no impairment charge was made.

Ausdrill Underground Mining Services Australia (AUMSA) CGU

This CGU is included in the ESS operating segment. Impairment testing at 31 December 2014 resulted in this CGU being impaired. Its estimated recoverable amount was $12,613,000. To determine the recoverable amount of this CGU the company engaged an independent external valuer to undertake a fair market valuation. The cost approach, a Level 2 input in the fair value hierarchy, was employed for this valuation. This approach begins with the replacement cost and deducts all forms of depreciation to determine an estimate of value. It considers the maximum value of a property, to a knowledgeable buyer, would be the amount currently required to construct a new one of equal utility, adjusting for the differences in age, condition and any other forms of depreciation and obsolescence factors. As a result, a plant and equipment impairment charge of $868,000 was made. At 30 June 2015, there were no further indicators of impairment therefore no impairment testing was performed. At 31 December 2015, there are no further indicators of impairment for this CGU.

ANW & Connector CGU

This CGU is included in the DSA operating segment. At 31 December 2015, to determine the recoverable amount of this CGU, the Company engaged an independent external valuer to undertake a market valuation. The market approach, a Level 2 input in the fair value hierarchy, was employed for this valuation as credible comparisons were on hand to support this approach. As a result, no impairment charge was made.

4 Individually significant items (continued)

(b) Impairment of goodwill and other intangible assets

Manufacturing CGU

As at 31 December 2014, as a result of the continued downturn, trading conditions which were subdued due to lower demand from the mining industry for capital goods and demand for drilling consumables were impacted by the lower level of activity in the drill and blast segment, the Company reassessed the recoverable amount of this CGU's goodwill and other intangibles. This resulted in an impairment charge of $20,000,000 of which was allocated as follows: $4,700,000 against customer contracts and other intangibles, $5,600,000 against goodwill and $9,700,000 against plant and equipment. The recoverable amount was $65,500,000.

The recoverable amount of a CGU is determined based on a VIU calculation which requires the use of assumptions. Cash flow projections are calculated using EBITDA, changes in working capital and capital expenditure to get to a "free cash flow" estimate. These projections are based on actual operating results, a Board approved FY16 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%.

Key assumptions used for value in use calculations

The calculation of value in use for the CGUs is most sensitive to the following assumptions:
a) EBITDA/sales margins
b) Discount rates
c) Growth rates used to extrapolate cash flows beyond the forecast period

For impairment testing undertaken at 31 December 2014

	Growth Rate						
CGU	**FY15**	**FY16**	**FY17**	**FY18-FY19**	**Terminal Year**	**Post Tax Discount Rate**	**Pre Tax Discount Rate**
Manufacturing CGU	4.4%	1.0%	2.0-5.1%	2.0-3.0%	2.0-3.0%	11.1-11.7%	14.9-15.5%

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.

Impact of reasonably possible changes in key assumptions

During the period to 31 December 2014 the carrying value of goodwill and other intangible assets relating to the Manufacturing CGU was fully impaired.

5 Other income and expense items

(a) Other income

	31 December 2015 $'000	31 December 2014 $'000
Net gain on disposal of property, plant and equipment	**1,830**	374
Net (loss)/gain on sale of available-for-sale financial assets	**(73)**	142
Management fee received from joint ventures	**544**	475
Insurance proceeds	**630**	1,068
Other	**2,320**	1,955
	5,251	4,014

(b) Breakdown of expenses by nature

Depreciation		
Buildings	**746**	735
Plant and equipment	**34,382**	43,034
Total depreciation	**35,128**	43,769
Amortisation		
Customer contracts	**-**	264
Other intangible assets	**-**	142
Total amortisation	**-**	406
Finance costs		
Hire purchase interest	**242**	833
Interest paid	**15,554**	15,989
Debt restructuring cost	**-**	638
Amortised borrowing cost	**1,552**	1,711
Finance costs expensed	**17,348**	19,171
Rental expense relating to operating leases	**4,133**	4,033
Impairment of financial assets		
Trade receivables provisions	**1,881**	7,739
Available-for-sale financial assets	**1,485**	-

6 Income tax

The Company's effective tax rate for the half-year ended 31 December 2015 is 10.8% (31 December 2014: 11.6%). This effective tax rate is lower than the Australian company tax rate due to not recognising in full deferred tax assets arising from the impact of functional currencies and other foreign non temporary differences as well as including the equity accounted profit of associates in profit before tax. The effective tax rate excluding the impact of functional currencies, other foreign non temporary differences and equity accounted profit of associates is 29.4% (2014: 30.4%).

7 Borrowings

	31 December 2015			30 June 2015		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	**2,299**	**-**	**2,299**	14,255	25,141	39,396
Prepaid borrowing costs	**-**	**(1,221)**	**(1,221)**	-	(1,500)	(1,500)
Hire purchase liabilities	**3,181**	**272**	**3,453**	7,484	1,034	8,518
Total secured borrowings	**5,480**	**(949)**	**4,531**	21,739	24,675	46,414
Unsecured						
Senior unsecured notes	**-**	**411,636**	**411,636**	-	390,676	390,676
Prepaid borrowing costs	**-**	**(7,438)**	**(7,438)**	-	(7,984)	(7,984)
Insurance premium funding	**676**	**-**	**676**	4,683	-	4,683
Total unsecured borrowings	**676**	**404,198**	**404,874**	4,683	382,692	387,375
Total borrowings	**6,156**	**403,249**	**409,405**	26,422	407,367	433,789

Bank loans

On 15 December 2014 Ausdrill Limited refinanced its senior bank facilities, and secured a new dual currency $125,000,000 syndicated debt facility. The new debt facility, which matures in March 2018, is financed by a number of leading lending institutions in the Australian banking market. During the six month period to 31 December 2015, a total of $25 million which was drawn under the syndicated facility was repaid. As at 31 December 2015, this facility is undrawn.

In addition, bank loans include asset financing arrangements with a range of banks and financiers which are 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.

7 Borrowings (continued)

Covenants on financing facilities

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

All banking covenants have been complied with at reporting date.

Refinancing requirements

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

Credit ratings

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

8 Dividends

(a) Ordinary shares

	31 December 2015 $'000	31 December 2014 $'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half-years ended 31 December 2015 and 2014 were as follows:		
Paid in cash	**-**	6,245

The directors have determined that no interim dividend will be declared.

9 Contributed equity

(a) Share capital

	31 December 2015 Shares	30 June 2015 Shares	31 December 2015 $'000	30 June 2015 $'000
Ordinary shares				
Fully paid ordinary shares	**312,277,224**	312,277,224	**526,447**	526,447

(b) 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.

(c) Dividend reinvestment plan

The Company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. The Board has determined that the dividend reinvestment plan will be suspended until further notice and that all dividends be paid in cash.

10 Events occurring after the balance sheet date

On 8 January 2016, the Company announced that it was exiting its DT HiLoad truck tray manufacturing business with effect from 31 March 2016 and that it was in negotiations with a number of parties who expressed an interest in purchasing the assets of the DT HiLoad business. The Company has not separately disclosed the assets and liabilities of DT HiLoad as “Held for Sale” at 31 December 2015, as at this point in time, management had not committed to a plan to locate a buyer and any expressions of interest received being determined not to be sufficiently progressed. Management have committed to completing all current outstanding works associated with the DT HiLoad business. The decision to exit this business aligns with the Company’s strategy to exit or divest non-core and non-performing assets.

11 Investments in joint ventures

Summarised financial information of joint ventures

	Ownership interest 31 December 2015 %	31 December 2014 %
African Underground Mining Services Ghana Ltd	50	50
African Underground Mining Services Mali Sarl	50	50
African Underground Mining Services Burkina Faso Sarl	50	50
African Underground Mining Services Tanzania Ltd	50	-

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

	31 December 2015 $'000	31 December 2014 $'000
Profit/(loss) for the half-year	**9,322**	(177,390)
Depreciation and amortisation	35,128	44,175
Impairment of goodwill and other intangibles	-	10,314
Impairment of available-for-sale assets	1,485	-
Impairment of property, plant and equipment	-	186,968
(Gain) on sale of non-current assets	(1,830)	(374)
Loss/(gains) on sale of available-for-sale financial assets	73	(142)
Interest receivable	-	(79)
Net foreign exchange differences	(1,552)	(1,983)
Bad debts and provision for doubtful debts	1,881	7,739
Share of (profits) of joint ventures	(7,333)	(2,219)
Non-cash employee benefits expense - shared based payments	173	261
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	(2,445)	23,596
Decrease in inventories	9,026	3,904
(Increase) in deferred tax assets	(599)	(9,642)
Decrease/(increase) in other operating assets	3,361	(2,625)
Increase in trade creditors	2,631	9,815
Increase in provision for income taxes payable	1,688	1,292
(Decrease) in deferred tax liabilities	(2,453)	(16,797)
(Decrease)/increase in other provisions	(838)	121
Net cash inflow from operating activities	**47,718**	76,934

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 14 to 32 are in accordance with the Corporations Act 2001, including:
 (i) complying with Australian Accounting Standard AASB 134 Interim Financial reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-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 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
25 February 2016

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ausdrill Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ausdrill Limited 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 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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*.

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

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 consolidated entity's financial position as at 31 December 2015 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

Justin Carroll
Partner

Perth
25 February 2016