AUSDRILL LIMITED

ABN 95 009 211 474

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

BRINGING MORE TO MINING

Ausdrill Limited ABN 95 009 211 474
ASX Half-year information - 31 December 2016

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2016 Annual report

Contents

Results for announcement to the market

				$'000
Revenue from ordinary activities	Up	4.1%	to	374,225
Profit from continuing ordinary activities after tax attributable to members	Up	87.1%	to	13,383
Net profit for the period attributable to members	Up	41.0%	to	13,141

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

Payment date of dividend	31 March 2017
Record date for determining entitlements to the interim dividend	17 March 2017

Dividend reinvestment plan

The Company has a dividend reinvestment plan - Ausdrill Limited Dividend Reinvestment Plan (DRP) which is available for participation by all shareholders (subject to legal restraints applying in countries other than Australia). The Board has determined that the DRP will be suspended until further notice and that all dividends be paid in cash.

Net tangible assets per share

	31 December 2016 Cents	31 December 2015 Cents
Net tangible asset backing per ordinary share	**194.93**	179.02

Ausdrill Limited ABN 95 009 211 474
Interim financial report - for the half-year ended 31 December 2016

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 2016 and any public announcements made by Ausdrill Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Ausdrill Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 6-12 Uppsala Place, Canning Vale, Western Australia 6155. Its shares are listed on the Australian Stock Exchange.

Directors' report

Your directors present their report on the consolidated entity consisting of Ausdrill Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

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

Review of operations

Key points:

- **Strong safety and financial performance across the Group**
- **Profit after tax from continuing operations attributable to Ausdrill shareholders is $13.4m, an increase of 87.1% over the prior corresponding period**
- **Sales revenue from continuing operations is up 3.9% to $373.0m**
- **EBITDA, from continuing operations, is up 9.9% to $65.6m**
- **EBIT, from continuing operations, is up 39.6% to $33.9m**
- **Approximately $970m in new projects won and $210m of renewals in the half**
- **Strong cash flow and balance sheet. Cash reserves of $218.6m and gearing ratio at a 5 year low of 23.9%**
- **Basic earnings per share, from continuing operations, up from 2.29 cents per share to 4.29 cents per share**
- **Interim dividend of 2.0 cents per share, fully franked**

Overview

Ausdrill Limited (ASX: ASL) achieved a productive six months to 31 December 2016, winning new work, strengthening its financial position and improving its safety performance.

The Group was awarded $1.2 billion in new projects and contract renewals, demonstrating Ausdrill's strong reputation, long-standing client relationships and robust business model. This provides a very solid foundation for future revenue certainty and is expected to translate to a significant increase in revenue and profit for FY18.

Challenging market conditions persisted in Australia during the reporting period. Commodity prices, whilst on the improve, continued to place downward pressure on margins as mining service providers respond to meet clients' pricing expectations. Ausdrill is meeting this challenge and continues to seek cost and productivity improvements across all of its activities to remain competitive in the markets in which it operates.

Operationally, the six months to 31 December 2016 was a period of significant change. Ongoing cost-out and rationalisation initiatives saw margins across Ausdrill's businesses improve compared to the prior corresponding period, with the exception of the Drilling Services Australia business.

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

Contract Mining Services Africa ("CMSA") – Winning work and mobilisation of the Esuajah North pits project for Perseus and equipment for the Mako project for Toro Gold were the key areas of focus during the half. CMSA won $970 million in new projects with contract terms between 3 – 6 years, including contracts with Perseus at its Edikan gold mine, Esuajah North deposit, Toro Gold at its Mako gold mine, Hummingbird Resources at its Yanfolila gold mine and SEMAFO at its Natougou gold mine. Operationally, margins improved compared with the prior corresponding period on the back of revenue growth and cost-out initiatives. The Company expects margins to stabilise at current levels as new projects are mobilised and ramped-up in the second half and to improve with the full benefit of increased scale in FY18.

Drilling Services Australia ("DSA") – Key contract renewal was the major focus for the period. Significant contracts were renewed in February 2017 with KCGM at the Super Pit, where Ausdrill has worked continuously for almost 30 years; and with Gold Fields extending the exploration contract to almost 20 years of continuous service. On 2 February 2017 the Company exited the loss making Telfer project in collaboration with its client, which is expected to result in only a modest reduction in revenue going forward. Exploration expenditure remains subdued and consequently, margin pressure remains a key risk for the business. Margins in the second half are expected to remain stable. Further opportunities to rationalise this highly segmented business continue to be pursued and are expected to deliver margin improvement in FY18.

Equipment Services and Supplies ("ESS") – The ESS business focused on profitable revenue conversion and business improvement activities through its LEAN program, which continues to deliver margin gains. BTP's equipment solution division also worked closely with the CMSA business to source equipment for delivery into existing and recently won mining contracts in Africa. This allowed BTP to transfer a portion of its idle fleet into new projects and to assist with procuring additional equipment for the needs of the CMSA business. The equipment rental and parts market is showing signs of recovery, driven by improving commodity prices and ageing fleet. Increased demand for BTP products and services (both internal and external) resulted in the expansion of its component rebuild capacity.

All Other – The focus of the businesses that form this segment was ongoing cost-out, which saw the MinAnalytical and Diamond Communications businesses report modest profits. MinAnalytical expanded its capacity into Kalgoorlie to capture an increased share of the gold exploration market.

The Energy Drilling Australia ("EDA") business completed its transfer of assets into care and maintenance, reporting a reduced loss for the half. The Drilling Tools Australia ("DTA") oil and gas business, which did not form part of the sale of DTA to Robit Plc and which now operates as Well Control Solutions, also reported a modest profit for the half.

Corporate and Finance – Cost-out activities focused on the centralisation of accounting activities and the rollout of the Group's strategic sourcing program.

During the reporting period, Ausdrill continued deleveraging the business, with net debt decreasing by $25.4 million, in spite of a major investment in capital during the period and a currency revaluation which increased debt by $13.3 million. Gearing (net debt to net debt plus equity) decreased from 26.3% at 30 June 2016 to 23.9% at 31 December 2016. With cash reserves in excess of $200 million and undrawn debt facilities in excess of $100 million, the Group remains well positioned to fund newly awarded projects and to respond to additional growth and investment opportunities.

Safety remains a key priority, with the Group's commitment to safety resulting in a continued reduction of total recordable incident numbers during the period. The One Safe All Safe program has resulted in an improvement in safety statistics. Whilst performing better than industry benchmarks, Ausdrill's aim is to continuously improve safety performance across every part of its operations.

The Group is continuing to focus on its longer term health and safety strategies that have been proven to reduce incidents and prevent injury. Ausdrill is constantly engaged with its people, its peers, its clients and suppliers to seek out new initiatives that work towards incrementally improving its performance in this area.

Employee numbers (including AUMS JV) have increased from 3,841 at 30 June 2016 to 4,144 at 31 December 2016. The movement was mainly as a result of an increase in employees for African Mining Services where new growth projects are being mobilised for start-up.

Financial Performance

A$ million	6 months to Dec 2016	6 months to Dec 2015	% change from prior corresponding period
Continuing Operations			
Sales revenue	**373.0**	359.0	3.9%
EBITDA	**65.6**	59.7	9.9%
EBIT	**33.9**	24.3	39.6%
Profit before tax	**19.3**	7.5	158.3%
Profit/(loss) after tax	**13.4**	7.2	87.1%
Discontinued Operations			
Profit/(loss) after tax	**(0.2)**	2.2	
Reported Profit/(loss) after tax	**13.1**	9.3	41.0%

Note: Figures in columns may not add due to rounding

Group sales revenue for the half increased by 3.9% compared to the six-months to December 2015, with all core segments experiencing stable revenue levels. Reported margins for most businesses improved on the prior corresponding period, with the exception of Drilling Services Australia. EBITDA increased from $59.7 million in the prior corresponding period to $65.6 million for the half-year to December 2016. The EBITDA margin (excluding equity accounted profits) increased from 14.6% in the prior corresponding period to 15.7%.

EBIT increased from $24.3 million in the prior corresponding period to $33.9 million for the half-year to December 2016, driven by reduced operating labour costs, lower operational and corporate overheads and lower depreciation and amortisation charges, offset partially by higher repairs and maintenance costs. The EBIT margin (excluding equity accounted profits) increased from 4.7% in the prior corresponding period to 7.2%.

The after tax profit, from continuing operations, attributable to Ausdrill shareholders increased from $7.2 million in the prior corresponding period to $13.4 million for the half-year ended December 2016. This translated to an increase in earnings per share from 2.29 cents to 4.29 cents.

During the half, the Group generated strong cash flows, which saw gearing (net debt to net debt plus equity) reduce from 26.3% reported at 30 June 2016 to 23.9% at 31 December 2016.

Working capital continues to be optimised to suit business activity levels. Since June 2016, working capital decreased by $32.3 million, including final settlement proceeds from the sales of the DTA and Miners Rest businesses. Contract wins in Africa required capital expenditure levels to increase, with $49.3 million being spent in the half, of which $37.3 million relates to Africa. We expect that capital expenditure in the order of $110 million will be required in the second half to service the newly awarded Natougou and Yanfolila gold projects, which will deliver a significant uplift in revenue and earnings in FY18.

The return on capital employed by the Group continues to improve as margins and working capital levels improve and unutilised assets are put into profitable work.

The Group’s debt service capability remains robust with net interest cover (EBITDA/Net Interest) at 4.5 times and the Group’s net secured debt being in a net cash position.

The Company’s net tangible asset position increased marginally from $1.94 per share at 30 June 2016 to $1.95 per share at 31 December 2016.

Contract Mining Services Africa	6 months to Dec 2016	6 months to Dec 2015	% change from prior corresponding period
	$M	$M	
Sales to external customers	**191.2**	162.2	17.9%
EBIT (excluding equity accounted profits from AUMS)	**21.0**	15.0	40.0%

African Mining Services (AMS)

The AMS business was highly focused on winning work and succeeded in securing a good share of new tenders and contract extensions during the period, as outlined below.

- In Ghana, AMS secured a new 42-month contract to provide surface mining services to Perseus at its Edikan gold mine, Esuajah North deposit. Exploration drilling for Resolute at the Bibiani Gold Mine was extended.
- In Mali, AMS secured a new 36-month contract (with a 12-month option to extend) to provide surface mining services to Hummingbird Resources at its Yanfolila gold mine, currently under construction. AMS continued exploration drilling with B2Gold at its Fekola gold project and is currently negotiating a 12-month extension.
- In Burkina Faso, AMS secured a new 60-month contract to provide surface mining services to SEMAFO at its Natougou gold mine, currently under construction. AMS secured a 12-month extension (with a 12-month option to extend) to provide mining equipment to Nordgold for work on its Bissa gold project. Exploration drilling contracts with B2Gold, West African Resources and Vital Metals were extended in the reporting period.
- In Senegal, AMS secured a new 75-month contract to provide surface mining services to Toro Gold Ltd at its Mako gold mine, currently under construction. A new regional office has been opened in Dakar to support this new contract and future work in the area. The project is expected to commence in April 2017.

The AMS business continued its focus on reducing costs and increasing operational efficiencies during this period. Despite experiencing another intense wet season, AMS increased revenue across most operations and by 17.9% to $191.2 million overall, compared to the prior corresponding period. EBIT increased by 40.0% on a comparative basis, to $21.0 million for the half-year to 31 December 2016.

The Edikan mine plan is currently under revision. The impacts of any mining schedule changes are still being assessed and discussed with AMS's client.

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

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

African Underground Mining Services (AUMS)

AUMS (Ausdrill 50% share)	6 months to Dec 2016	6 months to Dec 2015	% change from prior corresponding period
	$M	$M	
Sales to external customers	**41.2**	46.2	(10.9%)
EBIT	**10.0**	10.7	(6.0%)

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, Burkina Faso and Tanzania.

Ausdrill accounts for its investment in AUMS on an equity accounted basis. AUMS delivered $7.2 million in equity accounted profits for the half which was largely in line with its contribution from the prior corresponding period.

During the period, AUMS was advised by AngloGold Ashanti of the expansion of the Star and Comet project in Tanzania to include the CUT3 extension with expansion of scope commencing in the first quarter of the financial year. AUMS also commenced mobilisation activities in the second quarter for the further expansion of the Geita project in Tanzania, including works in the Nyankanga pit, which commenced in early 2017.

In Burkina Faso, AUMS demobilised from Nantou Mining's Perkoa project in December 2016, with some infrastructure being sold to Nantou as well as a portion of spares, parts, stock and mining consumables.

In Ghana, AUMS is currently completing care and maintenance works at the Subika Gold Mine for Newmont.

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

Drilling Services Australia	**6 months to Dec 2016**	**6 months to Dec 2015**	**% change from prior corresponding period**
	$M	$M	
Sales to external customers	**109.8**	114.3	(3.9%)
EBIT	**7.8**	11.4	(31.9%)

Revenue from Drilling Services Australia remained relatively stable for the half. However, margins were negatively impacted primarily by losses from the Telfer project, which was exited in February 2017, and higher repairs and maintenance costs. Further, short-term high margin revenue (equipment hire) and profit on the sale of assets in the prior corresponding period, were not replicated in the half to 31 December 2016, further impacting comparative margins.

Significant contracts were renewed in February 2017:

- Contract renewal with KCGM for 5 years to provide drill and blast and grade control services at the Kalgoorlie Superpit commencing March 2017.
- Contract extension with Gold Fields for 3 years to provide exploration drilling services at St Ives and Granny Smith gold mines, which commenced February 2017.

Having secured a substantial portion of long-term revenue during the half, margin pressure remains a key risk to the business, particularly for exploration, as exploration expenditure is expected to remain subdued in the short-term. This highly segmented business will continue to pursue rationalisation and cost-out initiatives which Ausdrill expects will deliver margin improvement and a more competitive platform for the business in FY18.

Equipment Services & Supplies	6 months to Dec 2016	6 months to Dec 2015	% change from prior corresponding period
	$M	$M	
Sales to external customers	**60.9**	66.5	(8.4%)
EBIT	**5.3**	3.0	79.2%

The ESS business focused on profitable revenue conversion, productivity improvement and generating further cost efficiencies to improve financial sustainability and enhance competitiveness. Revenue including sales to internal customers increased by 14.2%, with equipment and parts sales from Australia into the African business for growth projects generating much of the increase. External revenue decreased, largely due to a reduction in used equipment revenue and lower supply line revenue compared with the prior corresponding period. EBIT and margins continue to improve, driven by cost-out initiatives and productivity improvements, delivered through the LEAN program being undertaken within the BTP Group in particular.

BTP Group

The equipment rental market is showing signs of recovery, particularly in the large mining equipment range where supply is tightening. The exit of a range of equipment rental competitors has facilitated industry consolidation and provided opportunities to acquire equipment at attractive prices. The BTP Group selectively took part in this process to complement rental fleet ownership and for wrecking for spare parts purposes. The rental equipment fleet utilisation has improved over the period due to a combination of additional rental placements and sale of excess rental assets.

The BTP Group is seeing an underlying improvement in demand for both equipment rental and parts, particularly with coal field customers. This has been facilitated by improving commodity prices and driven by aging equipment across this sector. Coal and iron ore prices have recovered and although having retreated, the gold price remains robust. Production output for miners has been high, utilising working equipment which, together with an aging profile, is creating a base level of demand for the BTP Group's products and services. These opportunities have allowed the BTP Group to expand and form new client relationships, diversifying its customer base in Australia. The increasing demand for BTP Group products and services resulted in the expansion of its component rebuild capacity and a modest growth in its workforce.

In Africa, the BTP Group's equipment solution division integrated closely with Ausdrill's African Mining Services business (AMS) to source equipment for delivery into existing and recently won mining contracts. The mining contracts won by AMS allowed the BTP Group to transfer a large portion of its idle rental assets and to assist with procuring additional equipment for its needs. The parts division also successfully integrated with AMS to support a portion of its mining haul truck major component rebuild program which provided overall cost reduction and profit improvement to the Ausdrill Group.

The BTP Group also worked closely with its external African customer base and recently commenced delivery of a new on-site technical advisory service to support a long term customer component supply program. Africa has provided opportunities for profitable growth, and this is expected to continue. Together with Australia, Africa is a core element of the BTP Group's longer term diversification and profitable growth agenda.

The BTP Group business-wide LEAN training program, which focuses on elimination of waste, productivity improvement and safety performance, progressed well during the half.

Supply Direct Group

The African market for flexible supply chain and logistic solutions continued to be challenging during the first half. In spite of these difficult conditions, the Supply Direct Group was able to capitalise on opportunities by providing tailored solutions which delivered improvement in both profit and margin. The business operates with a personalised customer-centric, lean and nimble culture which ensures the best value cost of service delivery to the customer whilst optimising safety and financial outcomes. Pleasingly, the business continued with its TRIFR incident free performance during the half.

All Other	6 months to Dec 2016	6 months to Dec 2015	% change from prior corresponding period
	$M	$M	
Sales to external customers	**11.1**	16.0	(30.8%)
EBIT	**(1.4)**	(3.3)	59.1%

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

The segment loss before interest and tax for the period of $1.4 million was driven primarily by the losses incurred in closing out the EDA business, which is now substantially complete, although it will continue to incur costs going forward. The remainder of the businesses in this segment have reported modest profits.

Diamond Communications

Diamond Communications delivered a small profit for the period.

Revenue was down for the period following the completion of major projects and round 5 of the Western Australian State underground power program. Revenues were also down from the traditional telecommunication work that Diamond Communications performs, although more recently the business has seen a marked increase in the volume of work now being let for the National Broadband Network (NBN) rollout.

In January 2017, the Western Australian Government announced round 6 of the underground power program with a record 17 projects allocated funding over the next four years.

Ausdrill expects some improvement in the financial performance of Diamond Communications over the second half, with a ramp-up in volume in mid 2017.

MinAnalytical Laboratory Services

Increased exploration spend in gold is having a flow on effect for MinAnalytical, which generated a modest profit for the period.

MinAnalytical commenced sample preparation in its Kalgoorlie facility utilising repatriated plant from Africa on property already owned by the Group. This has enabled the business to more effectively target clients in the Goldfields area, and has already provided a step change in revenue levels.

The business also made a technology investment in Chrysos Corporation’s photon assay technology and will be working with Chrysos over the next 12 months to commercialise this CSIRO-developed technology.

Energy Drilling Australia

As previously announced, Ausdrill has placed the oil and gas assets of EDA into care and maintenance with the equipment placed in storage.

A number of one-off costs were expensed in the period closing out prior contracts, mobilising equipment to storage, redundancies, and terminating property leases. The business will continue to incur depreciation, lease costs and minimal labour costs, whilst Ausdrill looks to divest the equipment at the appropriate time and value.

A number of enquiries were received for rigs and equipment during the period and some minor plant has been sold.

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

Corporate and Finance

EBIT for Corporate and Finance, which includes costs such as general overheads and unallocated foreign exchange gains and losses, was $3.1 million lower than the prior corresponding period.

An impairment expense of $1.5 million was booked in the prior corresponding period in relation to the investment in Titan Energy Services Limited.

Cost-out activities for the period focused on the centralisation of accounting activities and the rollout of the Group's strategic sourcing program and are expected to deliver cost benefits in FY18.

Outlook

Over the past 12 months, Ausdrill has focused on aligning its business activities to the delivery of core mining services in markets where the Company has a competitive advantage. This has involved significant rationalisation and cost-cutting initiatives.

This process is expected to continue as the Company pursues additional opportunities to increase productivity and to reduce costs in order to deliver a cost-effective and cost-competitive solution to customers in what remains a highly competitive and dynamic environment.

Recent increases in the price of major commodities and base metals have delivered positive sentiment to the mining services sector. However, the outlook for the broader mining industry remains variable. In the near term, Ausdrill expects margin pressures to persist across all business segments until the demand and price for commodities improves on a more sustained basis. Rationalisation within the sector is likely to continue, which may result in changes to the competitive landscape in which the Company operates and may ease margin pressures.

In response to these market conditions, Ausdrill will:

- Maintain its strong focus on safety
- Continue to deliver efficiency gains to counter market driven margin compression
- Rationalise its businesses to focus on profitable revenue streams
- Maintain a stable financial foundation from which to grow the Company in the future
- Review working capital, particularly inventory levels, to ensure that it is commensurate with current levels of activity
- Invest capital astutely to deliver sustainable returns
- Pursue opportunities for further industry consolidation which deliver value for shareholders

The A$ gold price remains robust and provides a platform for a stable level of activity in Australia in the near term, particularly with the business having secured key contract extensions for the Drilling Services Australia segment. Recent contract wins in Africa are expected to deliver significant revenue and profit growth in FY18 as AMS mobilises and ramps-up projects which are most typically lower cost, long-term projects. Tender activity in Africa is expected to remain robust in the short-term, providing additional avenues for growth or revenue replacement and possible margin relief in the medium term. The increase in the price of coal and iron ore provides opportunities for the ESS business to grow as the demand for parts, equipment and services increases in response to the need to replace and repair an aging industry fleet.

The outlook for the resources industry is expected to improve over the medium term and Ausdrill remains in a strong position as a significant industry participant, well placed to capitalise on future opportunities as they arise.

Dividends

The Company's revenues have stabilised over recent reporting periods and are expected to grow over the next six to 12 months based on contracts already secured. Whilst uncertainty within the mining services sector remains, the Company has delivered improved profitability and strong cash flow in recent reporting periods. Consequently, the Directors have elected to declare an interim dividend of 2.0 cents per share for the half-year ended 31 December 2016.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in this report and the accompanying financial report. Amounts in this report and the accompanying financial report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Ronald George Sayers
Managing Director

Perth
22 February 2017

Auditor's Independence Declaration

As lead auditor for the review of Ausdrill Limited for the half-year ended 31 December 2016, 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
22 February 2017

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	Notes	**31 December 2016 $'000**	31 December 2015 $'000
Revenue from continuing operations	4	**374,225**	359,555
Other income	6(a)	**2,325**	4,943
Materials expense		**(159,014)**	(139,706)
Labour costs		**(119,734)**	(122,601)
Rental and hire expense		**(7,908)**	(7,070)
Depreciation and amortisation expense	6(b)	**(31,725)**	(33,949)
Finance costs	6(b)	**(15,803)**	(17,345)
Realised foreign exchange (losses)/gains		**(1,942)**	(1,720)
Unrealised foreign exchange gains/(losses)		**3,442**	(3,872)
Other expenses from ordinary activities		**(31,684)**	(36,594)
Impairment of available-for-sale financial assets	6(b)	**-**	(1,485)
Share of net profits of joint ventures accounted for using the equity method		**7,158**	7,333
Profit/(loss) before income tax		**19,340**	7,489
Income tax (expense)/benefit	7	**(5,957)**	(336)
Profit/(loss) from continuing operations		**13,383**	7,153
(Loss)/profit from discontinued operations (attributable to equity holders of the Company)	11	**(242)**	2,169
Profit/(loss) for the half year		**13,141**	9,322
Profit/(loss) is attributable to:			
Equity holders of Ausdrill Limited		**13,141**	9,322
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**4.29**	2.29
Diluted earnings per share		**4.17**	2.29
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**4.21**	2.99
Diluted earnings per share		**4.09**	2.99

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

	31 December 2016 $'000	31 December 2015 $'000
Profit/(loss) for the half-year	**13,141**	9,322
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Exchange (losses)/gains on translation of foreign operations	**(10,661)**	(3,866)
Items that will not be reclassified to profit or loss		
Gain/(loss) on revaluation of land and buildings, net of tax	**228**	(529)
(Loss)/gain on revaluation of available-for-sale financial assets, net of tax	**(769)**	649
Other comprehensive (loss)/income for the half-year, net of tax	**(11,202)**	(3,746)
Total comprehensive income/(loss) for the half-year	**1,939**	5,576
Total comprehensive income/(loss) for the half-year is attributable to:		
Equity holders of Ausdrill Limited	**1,939**	5,576
	1,939	5,576
Total comprehensive income/(loss) for the half-year attributable to owners of Ausdrill Limited arises from:		
Continuing operations	**2,181**	3,407
Discontinued operations	**(242)**	2,169
	1,939	5,576

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

	Notes	**31 December 2016 $'000**	30 June 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**218,602**	181,857
Trade and other receivables		**130,158**	169,810
Inventories		**192,203**	191,374
Available-for-sale financial assets		**-**	2,000
Current tax receivables		**5,220**	4,803
Total current assets		**546,183**	549,844
Non-current assets			
Joint ventures accounted for using the equity method		**71,954**	69,764
Available-for-sale financial assets	2	**4,459**	3,641
Property, plant and equipment		**501,409**	489,832
Deferred tax assets		**37,330**	37,300
Total non-current assets		**615,152**	600,537
TOTAL ASSETS		**1,161,335**	1,150,381
LIABILITIES			
Current liabilities			
Trade and other payables		**76,363**	82,839
Borrowings	8	**552**	3,521
Current tax liabilities		**5,019**	3,907
Employee benefit obligations		**33,650**	33,814
Total current liabilities		**115,584**	124,081
Non-current liabilities			
Borrowings	8	**409,309**	395,019
Deferred tax liabilities		**26,496**	23,584
Employee benefit obligations		**1,216**	1,101
Total non-current liabilities		**437,021**	419,704
TOTAL LIABILITIES		**552,605**	543,785
NET ASSETS		**608,730**	606,596
EQUITY			
Contributed equity	10	**526,447**	526,447
Other reserves		**(27,253)**	(16,028)
Retained earnings		**109,536**	96,177
Capital and reserves attributable to the owners of Ausdrill Limited		**608,730**	606,596
TOTAL EQUITY		**608,730**	606,596

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

	Attributable to owners of Ausdrill Limited			
	Contributed equity $'000	**Other reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2015	**526,447**	**(11,181)**	**38,027**	**553,293**
Profit/(loss) for the half-year	-	-	9,322	9,322
Other comprehensive (loss)/income	-	(3,746)	-	(3,746)
Total comprehensive (loss)/income 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**
Balance at 1 July 2016	**526,447**	**(16,028)**	**96,177**	**606,596**
Profit/(loss) for the half-year	-	-	13,141	13,141
Other comprehensive (loss)/income	-	(11,202)	-	(11,202)
Total comprehensive (loss)/income for the half-year	**-**	**(11,202)**	**13,141**	**1,939**
Transactions with owners in their capacity as owners:				
Employee share options - value of employee services	-	195	-	195
Transfer of revaluation surplus to retained profits	-	(218)	218	-
	-	(23)	218	195
Balance at 31 December 2016	**526,447**	**(27,253)**	**109,536**	**608,730**

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

	Notes	31 December 2016 $'000	31 December 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**414,381**	395,319
Payments to suppliers and employees (inclusive of goods and services tax)		**(340,767)**	(331,805)
		73,614	63,514
Receipts from finance customers		**-**	1,376
Interest received		**1,271**	579
Interest and other costs of finance paid		**(14,600)**	(15,796)
Income taxes (paid)/refunded		**(2,192)**	(2,499)
Management fee received from joint ventures		**393**	544
Net cash inflow/(outflow) from operating activities	14	**58,486**	47,718
Cash flows from investing activities			
Payments for property, plant and equipment		**(49,336)**	(6,126)
Proceeds from sale of property, plant and equipment		**1,537**	7,172
Payments for available-for-sale financial assets		**(1,541)**	(2,237)
Proceeds from sale of available-for-sale financial assets		**2,210**	1,872
Distributions received from joint ventures		**4,557**	8,871
Proceeds from sale of business	11	**22,213**	-
Net cash (outflow)/inflow from investing activities		**(20,360)**	9,552
Cash flows from financing activities			
Repayment of secured borrowings		**-**	(37,388)
Repayment of hire purchase and lease liabilities		**(358)**	(5,065)
Repayment of unsecured borrowings		**(2,611)**	(4,007)
Net cash (outflow)/inflow from financing activities		**(2,969)**	(46,460)
Net increase/(decrease) in cash and cash equivalents		**35,157**	10,810
Cash and cash equivalents at the beginning of the financial year		**181,857**	77,865
Effects of exchange rate changes on cash and cash equivalents		**1,588**	1,601
Cash and cash equivalents at end of half-year		**218,602**	90,276

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 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 200*1.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 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 2016.

Recoverable amounts for goodwill and other non-current assets

The recoverable amount of the Kalgoorlie/Synegex CGU was estimated having regard to value in use (VIU). VIU was determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs. Please refer to note 5 for further information.

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

(b) Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the consolidated annual financial statements as at and for the year ended 30 June 2016.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance of position of the Group during the financial half-year ended 31 December 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017.

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

2 Fair value measurements

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2016 and 30 June 2016 on a recurring basis:

At 31 December 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	**2,198**	-	-	**2,198**
Australian unlisted equity securities	-	-	**713**	**713**
GBP listed equity securities	**1,548**	-	-	**1,548**
Total financial assets	**3,746**	-	**713**	**4,459**

At 30 June 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	**1,543**	-	-	**1,543**
Australian unlisted equity securities	-	-	-	-
GBP listed equity securities	**2,098**	-	-	**2,098**
Total financial assets	**3,641**	-	-	**3,641**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

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

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

2 Fair value measurements (continued)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

All remaining valuation techniques (level 3) are explained in (c) (i) below.

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

The following table presents the changes in level 3 items for the periods ended 31 December 2016 for recurring fair value measurements:

	Unlisted equity securities $'000	Total $'000
Opening balance 1 July 2016	-	-
Acquisitions	713	713
Closing balance 31 December 2016	**713**	**713**

(i) Valuation inputs and relationships to fair value

The fair value of the unlisted equity security has been determined as its acquisition cost due to the acquisition proximity to 31 December 2016. This will be reassessed at 30 June 2017.

3 Segment information

(a) Description of segments

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

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

Reportable segments are:

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

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

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

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

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

Intersegment Eliminations
Represents transactions which are eliminated on consolidation.

Discontinued Operations:
This segment includes the discontinued operations of The Miners Rest Motel which was discontinued in the reporting period, Drilling Tools Australia Pty Ltd and DT HiLoad Pty Ltd that were discontinued operations at 30 June 2016 and are therefore included in 31 December 2015 comparative figures. Information about discontinued businesses can be found in note 11.

3 Segment information (continued)

(b) Segment information provided to the Board

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

3 Segment information (continued)

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

Half-year ended 31 December 2015	Contract Mining Services Africa $'000	Drilling Services Australia $'000	Equipment Services & Supplies $'000	All Other Segments $'000	Corporate & Finance $'000	Inter-segment Eliminations $'000	Total Continuing Operations $'000	Discontinued Operations $'000	Eliminations $'000	Consolidated $'000
Segment revenue										
Sales to external customers	162,232	114,253	66,505	15,997	-	-	358,987	16,261	-	375,248
Intersegment sales	144	732	8,461	5	-	(9,342)	-	7,420	(7,420)	-
Total sales revenue	**162,376**	**114,985**	**74,966**	**16,002**	**-**	**(9,342)**	**358,987**	**23,681**	**(7,420)**	**375,248**
Other revenue	108	60	65	13	14,672	(14,350)	568	11	-	579
Total segment revenue	**162,484**	**115,045**	**75,031**	**16,015**	**14,672**	**(23,692)**	**359,555**	**23,692**	**(7,420)**	**375,827**
Segment EBITDA	**39,474**	**21,760**	**7,431**	**(1,462)**	**(7,503)**	**-**	**59,700**	**4,139**	**-**	**63,839**
Depreciation and amortisation expenses	(17,106)	(10,339)	(4,463)	(1,875)	(166)	-	(33,949)	(1,179)	-	(35,128)
Impairment of available-for-sale assets	-	-	-	-	(1,485)	-	(1,485)	-	-	(1,485)
Segment EBIT	**22,368**	**11,421**	**2,968**	**(3,337)**	**(9,154)**	**-**	**24,266**	**2,960**	**-**	**27,226**
Interest income	108	60	65	13	14,672	(14,350)	568	11	-	579
Interest expense	(5,659)	(2,396)	(3,352)	(2,643)	(17,645)	14,350	(17,345)	(3)	-	(17,348)
Segment result	**16,817**	**9,085**	**(319)**	**(5,967)**	**(12,127)**	**-**	**7,489**	**2,968**	**-**	**10,457**
Income tax (expense)/benefit							(336)	(799)		(1,135)
Profit/(loss) for the year							**7,153**	**2,169**		**9,322**
Segment assets	**495,135**	**658,489**	**198,180**	**102,767**	**569,819**	**(962,028)**	**1,062,362**	**51,362**	**(1,452)**	**1,112,272**
Segment liabilities	**229,892**	**80,735**	**102,458**	**6,628**	**840,529**	**(713,709)**	**546,533**	**38,804**	**(32,107)**	**553,230**
Other segment information										
Investments in joint ventures	68,777	-	-	-	-	-	68,777	-	-	68,777
Share of profit from joint ventures	7,333	-	-	-	-	-	7,333	-	-	7,333
Acquisition of property, plant and equipment, intangibles and other non-current assets	3,406	1,456	1,015	119	2,253	-	8,249	114	-	8,363

4 Revenue

	31 December 2016 $'000	31 December 2015 $'000
From continuing operations		
Sales revenue		
Sale of goods	**10,220**	16,545
Services	**362,734**	342,442
	372,954	358,987
Other revenue		
Interest	**1,271**	568
	374,225	359,555

5 Individually significant items

According to AASB 136 Impairment of Assets, impairment testing is required at the end of each reporting period or where there is an indication of possible impairment. For the half-year ended 31 December 2016, the Company assessed whether there were any indicators of impairment. In doing this management considered the profitability of the Cash Generating Units (**CGU's**) against their budgets. Where a business was performing significantly below its budget and forecast and had high under utilisation of property, plant and equipment, management considered that there was an impairment indicator and performed an impairment assessment for those CGU's. This was the case for the Kalgoorlie / Synegex CGU, Ausdrill Northwest/Connector and Energy Drilling Australia CGU. For these CGU's, management has made estimates associated with the recoverable amount of the relevant CGU to determine whether there was any impairment in relation to its carrying value. Determining a CGU's recoverable amount was completed via the following methods:

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

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

The recoverable amount of a CGU determined by a VIU calculation requires the use of assumptions. Cash flow projections are calculated using EBITDA, changes in working capital and capital expenditure to get to a "free cash flow" estimate. These projections are based on actual operating results, a Board approved business plan, and subsequent financial forecasts prepared by management. Future cash flows are extrapolated by applying conservative growth rates for each segment and terminal growth rates not exceeding 3%. This methodology is consistently applied in reporting periods.

For the Kalgoorlie / Synegex CGU, which had impairment triggers at 31 December 2016, a VIU methodology was adopted. Based on the testing of indicators of impairment performed, no impairment expense has been recognized at the CGU level.

For the Ausdrill Northwest/Connector and Energy Drilling Australia CGUs, the Company has relied on the recent independent external valuation undertaken at 30 June 2016 as there has been no change in circumstance that would warrant the Company to not rely on those values.

5 Individually significant items (continued)

Key assumptions used for value in use calculations

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

(a) EBITDA/sales margins
(b) Capital expenditure
(c) Discount rates and growth rates used to extrapolate cash flows beyond the forecast period

EBITDA margin

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

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

Capital expenditure

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

Growth rate estimates and discount rates

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

6 Other income and expense items

(a) Other income

	31 December 2016 $'000	31 December 2015 $'000
Net (loss)/gain on disposal of property, plant and equipment	**(2,596)**	1,791
Net gain/(loss) on sale of available-for-sale financial assets	**585**	(73)
Management fee received from joint ventures	**393**	544
Insurance proceeds	**1,853**	630
Other	**2,090**	2,051
	2,325	4,943

(b) Breakdown of expenses by nature

Depreciation		
Buildings	**800**	746
Plant and equipment	**30,925**	33,203
Total depreciation	**31,725**	33,949
Finance costs		
Hire purchase interest	**38**	239
Interest paid	**14,562**	15,554
Amortised borrowing cost	**1,203**	1,552
Finance costs expensed	**15,803**	17,345
Rental expense relating to operating leases	**3,598**	3,641
Impairment of financial assets		
Trade receivables provisions	**(371)**	1,813
Available-for-sale financial assets	**-**	1,485

7 Income tax

Effective tax rates for the half-year ended 31 December 2016 for Australian and global operations in terms of the Board of Taxation's Voluntary Tax Transparency Code:

(i) Australian operations

The effective tax rate for the half-year ended 31 December 2016 is 0% (30 June 2016: 3%). This effective tax rate is lower than the Australian company tax rate due to the impact of functional currencies, items of income and expenditure which are not assessable or deductible, the inclusion of equity accounted profits in profit before tax and not recognising a portion of deferred tax assets. The effective tax rate excluding the impact of these items is 33.5% (30 June 2016: 33.0%)

(ii) Global operations

The effective tax rate for the half-year ended 31 December 2016 is 31.5% (30 June 2016: 13.6%). This effective tax rate is higher than the Australian company tax rate due to the impact of functional currencies, items of income and expenditure which are not assessable or deductible and not recognising a portion of deferred tax assets. The effective tax rate excluding the impact of these items is 29.3% (30 June 2016: 29.7%)

8 Borrowings

	31 December 2016			30 June 2016		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Hire purchase liabilities	**113**	**-**	**113**	471	-	471
Total secured borrowings	**113**	**-**	**113**	471	-	471
Unsecured						
USD notes	**-**	**415,512**	**415,512**	-	402,253	402,253
Prepaid borrowing costs	**-**	**(6,203)**	**(6,203)**	-	(7,234)	(7,234)
Insurance premium funding	**439**	**-**	**439**	3,050	-	3,050
Total unsecured borrowings	**439**	**409,309**	**409,748**	3,050	395,019	398,069
Total borrowings	**552**	**409,309**	**409,861**	3,521	395,019	398,540

	31 December 2016 $'000	30 June 2016 $'000
Total unutilised facilities - bank loans	**123,667**	123,909

Bank loans

On 15 December 2014, Ausdrill Limited refinanced its senior bank facilities, and secured a dual currency $125 million syndicated debt facility. The debt facility, which matures in March 2018, is financed by a number of leading lending institutions in the Australian banking market. 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 2016, this facility remains largely undrawn.

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

8 Borrowings (continued)

USD notes

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

Hire purchase and lease facilities

Hire purchase facilities are secured by the specific assets financed.

Covenants on financing facilities

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

All banking covenants have been complied with at reporting date.

Refinancing requirements

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

Credit ratings

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

Fair value

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

	31 December 2016			30 June 2016		
	Carrying amount $'000	**Fair value $'000**	**Discount rate %**	Carrying amount $'000	Fair value $'000	Discount rate %
On-balance sheet						
Non-traded financial liabilities						
USD note	**415,512**	**415,816**	**6.87**	402,253	352,535	10.18

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

9 Dividends

(a) Ordinary shares

There were no dividends paid during the half years ended 31 December 2016 and 2015.

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

	31 December 2016 $'000	31 December 2015 $'000
Since half-year end the directors have recommended the payment of an interim dividend of 2.0 cents per fully paid ordinary share (2015 - nil), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 March 2017 out of retained profits at 31 December 2016, but not recognised as a liability at the end of the half-year, is as follows:	**6,246**	-

10 Contributed equity

(a) Share capital

	31 December 2016 Shares	30 June 2016 Shares	**31 December 2016 $'000**	30 June 2016 $'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.

11 Discontinued operations

(a) The Miners Rest Motel

(i) Description

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

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented is for the six months ended 31 December 2016 and 31 December 2015.

	2016 $'000	2015 $'000
Revenue	**329**	552
Expenses	**(507)**	(703)
(Loss) before income tax	**(178)**	(151)
Income tax (expense)/benefit	**-**	-
(Loss) after income tax of discontinued operation	**(178)**	(151)
(Loss) on sale of the subsidiary after income tax	**(64)**	-
(Loss) from discontinued operation	**(242)**	(151)
Other comprehensive income from discontinued operation	**-**	-
Net cash (outflow) from operating activities	**(181)**	(137)
Net cash inflow/(outflow) from investing activities	**2,408**	(6)
Net cash (outflow)/inflow from financing activities	**(2,341)**	126
Net (decrease)/increase in cash generated by the subsidiary	**(114)**	(17)

(iii) Details of the sale of the subsidiary

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

11 Discontinued operations (continued)

(a) The Miners Rest Motel (continued)

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

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

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

(b) Drilling Tools Australia Pty Ltd

(i) Description

On 19 May 2016, the Company announced that it had agreed to sell the Drilling Tools Australia (DTA) business to Finnish manufacturer the Robit Plc Group. Completion of that sale occurred on 30 June 2016 and is reported in the prior period as a discontinued operation. Financial information relating to the discontinued operation for the prior period is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented is for the six months ended 31 December 2016 and 31 December 2015.

	2016	2015
	$'000	$'000
Revenue	-	10,755
Expenses	-	(5,495)
Profit before income tax	-	5,260
Income tax (expense) / benefit	-	(981)
Profit after income tax of discontinued operation	-	4,279
Profit from discontinued operation	-	4,279
Other comprehensive income from discontinued operation	-	-
Net cash inflow from operating activities	-	7,127
Net cash inflow from investing activities	-	15
Net cash (outflow) from financing activities	-	(107)
Net increase/(decrease) in cash generated by the subsidiary	-	7,035

11 Discontinued operations (continued)

(c) DT HiLoad Australia Pty Ltd

(i) Description

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

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented is for the six months ended 31 December 2016 and 31 December 2015.

	2016	2015
	$'000	$'000
Revenue	-	4,965
Expenses	-	(7,106)
(Loss) before income tax	-	(2,141)
Income tax benefit/(expense)	-	182
(Loss) after income tax of discontinued operation	-	(1,959)
(Loss) from discontinued operation	-	(1,959)
Other comprehensive income from discontinued operation	-	-
Net cash (outflow) from operating activities	-	(1,801)
Net cash (outflow) from investing activities	-	(6)
Net (decrease)/increase in cash generated by the subsidiary	-	(1,807)

12 Events occurring after the balance sheet date

On 22 February, the directors declared the payment of an interim dividend of 2.0 cents (fully franked) per fully paid share to be paid on 31 March 2017 out of retained profits at 31 December 2016.

The financial effect of the above transaction has not been brought to account at 31 December 2016.

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

13 Investments in joint ventures

Summarised financial information of joint ventures

	Ownership interest	
	31 December 2016	31 December 2015
	%	%
African Underground Mining Services Ghana Ltd	50	50
African Underground Mining Services Mali Sarl	50	50
African Underground Mining Services Burkina Faso Sarl	50	50
African Underground Mining Services Tanzania Ltd	50	50

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

	31 December 2016 $'000	31 December 2015 $'000
Profit/(loss) for the half-year	**13,141**	9,322
Depreciation and amortisation expense	31,753	35,128
Impairment of available-for-sale assets	-	1,485
Loss/(gain) on sale of non-current assets	2,596	(1,830)
Net loss on sale of businesses	64	-
(Gain)/loss on sale of available-for-sale financial assets	(585)	73
Net exchange differences	(188)	(1,552)
Bad debts and provision for doubtful debts	(371)	1,881
Share of profits of joint ventures	(7,158)	(7,333)
Non-cash employee benefits expense - share-based payments	195	173
Change in operating assets and liabilities:		
Decrease/(increase) in trade debtors	21,575	(2,445)
Decrease in inventories	120	9,026
Decrease/(increase) in deferred tax assets	804	(599)
(Increase)/decrease in other operating assets	(40)	3,361
(Decrease)/increase in trade creditors	(6,157)	2,631
Increase in provision for income taxes payable	743	1,688
Increase/(decrease) in deferred tax liabilities	2,218	(2,453)
(Decrease) in other provisions	(224)	(838)
Net cash inflow from operating activities	**58,486**	47,718

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 15 to 35 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 2016 and of its performance for the half-year ended on that date,

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

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

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

Ronald George Sayers
Managing Director

Perth
22 February 2017

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 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ausdrill Limited (the consolidated entity). 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 2016 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*.

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Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Justin Carroll
Partner

Perth
22 February 2017