AUSDRILL

2008 Annual Report

Corporate Directory

AUSDRILL LIMITED

ABN 95 009 211 474

DIRECTORS

Terence Edward O'Connor AM QC,
Chairman

Ronald George Sayers,
Managing Director

James Edward Askew

Terrence John Strapp

SECRETARIES

Domenic Mark Santini

Mark Joseph Hughes

CHIEF FINANCIAL OFFICER

Mark Joseph Hughes

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

6-12 Uppsala Place
Canning Vale, Western Australia 6155

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000

AUDITOR

PricewaterhouseCoopers
QV1 Building
250 St George's Terrace
Perth, Western Australia 6000

SOLICITORS

Cochrane Lishman
216 St George's Terrace
Perth, Western Australia 6000

Mallesons Stephen Jaques
Level 10, 152 St George's Terrace
Perth, Western Australia 6000

BANKERS

Westpac Banking Corporation Limited
Level 14
109 St George's Terrace
Perth, Western Australia 6000

HSBC Australia Ltd
190 St George's Terrace
Perth, Western Australia 6000

STOCK EXCHANGE LISTINGS

Ausdrill Limited shares are listed on the Australian Stock Exchange.

ASX CODE: ASL

WEBSITE ADDRESS
www.ausdrill.com.au

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Directors' and Managing Director's Report on Operations

Ausdrill is pleased to report another successful year, in which it has achieved some significant operational milestones and delivered another record net profit after tax result of $35.3m.

On a comparative basis the Company has achieved the following increases from the year ending June 2007 to June 2008:

- Revenue increased 6% from $365.6m to $387.1m
- EBITDA increased 24% from $71.1m to $88.5m
- Operating Profit after tax increased 28% from $27.5m to $35.3m
- Dividends for the full year have increased 22% from 9.00 to 11.00 cents per share

With record earnings, increasing margins and the $95.7m capital (net of costs) raised in December 2007, Ausdrill is in its best ever financial and operational shape. The Company is well positioned to continue its strong performance and capitalise on unprecedented growth opportunities in the coming years.

This pleasing result has allowed the Board to increase the final dividend by 22% to 6.0 cents per share, fully franked.

HIGHLIGHTS

Significant highlights during the year have included:

- Improved operating margins with increases in both EBIT (15.2%) & NPAT (9.1%)
- Strong dividend growth
- Successful capital raising of $95.7m net of costs
- Continued upgrade and expansion of our core operating fleet
- Record level of work in hand approaching $1 billion
- Development of the 50/50 Joint Venture with Barminco
- Acquisition of the remaining 50% of Remet Engineering Pty Ltd

FINANCIAL PERFORMANCE

The operating profit after tax of $35.3m, up 28% on the previous year, is a record result for the Company. EBITDA also improved by 24.5% to $88.5m. The strong financial performance was the result of positive contributions from all core operating divisions in both Africa and Australia, combined with buoyant economic conditions within the markets in which Ausdrill operates.

The financial position of the company continues to improve with shareholders equity growing by $129.5m to $280.7m, net tangible assets per share of $1.61, cash of $88.9m and net debt to equity of 16.7%.

AUSTRALIA

Ausdrill's Australian operations continued to provide a solid base for the growth of the Company, with the division experiencing strong revenue growth of 20.5% to $251m including inter-segment sales.

Drill and Blast

The Drill and Blast business has performed extremely well during the 2008 financial year, with revenue being 132% of budget. This result was underpinned by our strong order book for open pit mining work, and was supplemented by civil construction work in the Pilbara. Ausdrill has established an operating base at Karratha, which will continue to play a key role in servicing the major infrastructure projects and expanding the Company's presence in that region.

Ausdrill has continued to expand its drill rig fleet, with orders for 46 blast hole and RC grade control drills placed during the year. This will not only ensure that Ausdrill has one of the most modern and efficient fleets of blast hole and RC grade control drills, but also provides a tremendous strategic advantage in being able to react quickly to the requirements of the numerous resource projects currently being planned and constructed in Australia.

Ausdrill has significantly boosted its training programs to cater for the increased numbers of drillers, fitters, shot firers and other associated personnel in our business. Much of the training is undertaken on current contract sites in close association with our clients who appreciate our efforts in combating the severe skills shortage confronting the mining sector.

Gold continues to be the dominant commodity in the Ausdrill portfolio with 55% of revenue generated from gold related work, whilst iron ore and nickel contribute 33% and civil works 12%. It is anticipated that the contribution from iron ore and nickel related work will increase in the coming financial year to greater than 40% of total revenue.

Exploration Drilling

The Exploration Drilling business continued to perform exceptionally well during the year. Its performance has been supported by the stability of long term contracts with blue chip clients such as St Ives Gold, BHP Nickel West, Barrick and smaller stable clients. During the year Ausdrill bolstered the exploration fleet, with the introduction of five new diamond drills, two new RC drills and 10 new M.A.N. and Mercedes trucks. An ongoing challenge for Ausdrill remains the lack of experienced drillers, which is something the Company is aiming to overcome through its training programs.

The Exploration Drilling division has been successful in securing new and extended contracts, as a result of successful performance on its existing contracts, with highlights including:

- BHP Billiton Iron Ore – contract renewed for a further 4 years.
- Rio Tinto Pilbara Iron – recently renewed contract for a further three years.
- Hancock Prospecting – recently renewed contract for a further 12 months.
- Pilbara Manganese – recently completed variation to contract adding a further 50,000 metres of drilling to the current contract.
- United Minerals – currently contracted for 20,000 metres with further work requested.
- Sundance Resources – commenced two year contract in Cameroon, with two track mounted RC drills and one track mounted Diamond drill.

Directors' and Managing Director's Report on Operations (continued)

Supply Direct

Supply Direct has achieved record revenues from the Australian Operations this year with another 28% increase in sales from the previous year.

Supply Direct, which was started to service our diverse operations and now specialises in the supply of goods and services to major mining operations, continues to expand its customer base and now exports to 27 countries. In order to meet its growth targets, during the year the Company restructured its South African Operation in Johannesburg, including the introduction of a new management team. We have also established an exclusive distribution arrangement for a range of premium rock drilling tools used within large production mines throughout Africa.

To service its growing customer base in West Africa, Supply Direct has plans within the next twelve months to open a new service operation and bonded warehouse in Ghana.

New exclusive product lines and manufacturing are now being put in place which will see our services enhanced and will maintain our position in the global market as a leading procurement, supply chain and logistics provider.

Diamond Communications

For the 2008 financial year, Diamond Communications delivered a "break even" result. This was influenced by the fact that Telstra has rationalised nationally to three prime contractors in the copper cable field. This resulted in the loss of volume to Diamond Communications in one contract and the closure of our country depots. Redundancy costs affected the result for the division. Continuing the rationalisation of this area of the business we have assessed our plant needs and disposed of excess and redundant plant, retaining the core equipment that can be utilised in the ongoing work.

Diamond Communications has continued its strong progress with the Western Power contract Suburban Underground Power Program (SUPP's). The current contract work includes the Perth suburbs of Mount Pleasant and Como with crews in both areas. Contracts for two more suburbs are to be let in 2009 with the work continuing into 2010.

The latter part of this year has been spent re-aligning the business to the power industry, and to capture opportunities with new customers in the fibre cable network industry ahead of the national roll out of fibre networks to the home.

Manufacturing – Drilling Tools Australia (DTA) and Remet

Revenue growth for this business climbed 45% this year, as production ramped up to meet the ever-increasing demand for drilling consumables.

We are reaping the production and output benefits from the introduction of new factory equipment. This includes 2 new multi-tasking machines, both with robot loading/unloading capabilities, and more recently a multi-task long bed lathe with milling functionality.

While the bulk of the division's output services internal demand, the level of external sales continues to grow and this year contributed 14% of revenue. External sales are expected to grow substantially in the coming financial year, following the Company's success in securing a three year contract with Newmont's Boddington Gold mine to supply bit sharpening and drilling consumables.

It became apparent early last year that our continued growth would exceed the capacity of the division's existing premises. Construction has commenced for a new facility at our Canning Vale site, which includes provision for an adjoining workshop for Remet to expand its Kalgoorlie operations to Perth. Construction is expected to be completed in January 2009.

Our new combined DTA and Remet Perth factories will provide room for further growth as well as improved facilities for our hard working teams and considerably more storage space for both finished goods and raw materials.

We have ordered a further two new multi-tasking machines with robot loading/uploading capabilities, plus a large machining centre, for delivery mid financial year. These machines will provide us with a significant increase in production output, enabling us to cover future demand generated by internal growth as well as the potential to grow our external sales even further.

Remet Engineers (previously 50% owned) is now 100% owned by Ausdrill, following the acquisition in March 2008.

Remet Kalgoorlie continues to maintain consistently strong sales within the Ausdrill Group and to a wider client base both in Australia and internationally. The focus remains on retaining revenue and margins, as well as pursuing growth opportunities where they can add value to the business.

AFRICA

Ausdrill's African business continued to grow, and has been a strong contributor to the 2008 result.

African Mining Services (AMS)

AMS provides exploration drilling, grade control, drill and blast, crusher feed and earthmoving services in Ghana and to the African market as a whole. This has been the third full year of Ausdrill's 100% ownership of AMS.

The operations remain predominantly based around Redback Mining's Chirano Gold Mine where we have operated since 2004 and Goldfield's Damang Gold Mine where we have operated since 1996.

In June 2008, AMS received a Letter of Intent from Anglo Gold Ashanti for a surface mining contract award at their Yatela Operation in Mali, West Africa, commencing 1 July 2008. This is an important step for AMS, being the first contract with Anglo Gold Ashanti since Geita Goldmine in Tanzania, and our first mining contract outside of Ghana, since Tanzania.

A number of new opportunities have been identified and are being pursued. We are confident that these opportunities will provide AMS with tangible growth. Since the end of the reporting year, Ausdrill has also secured a number of new or extended contracts for AMS, including a US$150 million contract extension at Goldfield's Damang open pit mine in Ghana. These contracts have extended AMS's working relationship with its long-term and blue chip client base.

African Underground Mining Services (AUMS)

In October 2007 Ausdrill entered into a joint venture through AMS with Barminco Limited, a prominent Australian underground mining contractor, to form African Underground Mining Services Limited (AUMS). AUMS is now fully operational.

Directors' and Managing Director's Report on Operations (continued)

Ausdrill, through AMS and AUMS, can now provide African clients with a complete contract mining service from Exploration Drilling to Mining (surface and underground).

The current AUMS operations are based around two primary contracts, both in Ghana and both awarded in 2008. The first of these contracts is with Redback Mining's Chirano Gold Mine for their Akwaaba Deeps Decline Development. The other is with Central African Gold PLC, at their Bibiani Mine developing the Strauss Decline.

As with AMS, further opportunities have been identified for AUMS and these are being pursued. We are confident that these opportunities will provide AUMS with tangible growth within the expanding African resources market.

PERSONNEL AND SAFETY

Personnel

At the close of the 2008 financial year, the number of personnel employed by the group was as follows:

	2008	2007
Ausdrill – Australia	**692**	572
Supply Direct Group	**83**	74
Diamond Communications	**114**	175
Ausdrill Northwest	**105**	89
Drilling Tools Australia	**39**	32
Remet Engineering	**29**	23
Ausdrill Properties	**29**	–
African Mining Services	**981**	709
	2,072	1,674
Employees in our jointly owned entities:		
Westrans Services	**44**	42
African Underground Mining Services	**73**	–

Our ability to recruit and retain quality personnel is one of our biggest management challenges, with a widely acknowledged shortage of skills in the labour market, particularly in WA. However, Ausdrill is focused on helping meet this challenge through expansion of training programs, the ongoing "up-skilling" of its workforce as well as programs for the recruitment and retention of key staff.

Safety

It is encouraging to report an overall improvement within the Group safety performance for the 2008 financial year.

12 Months to	June 2008	June 2007	June 2006
LTIFR	4.0	6.6	5.6

Improvements with the overall achievement demonstrate that initiatives introduced by the Group during the past couple of years have started to take effect in reducing safety risks. The expectation is to continuously improve our education programmes to ensure our team members have the skills to identify and report hazards within the workplace.

Turnover of personnel within the unskilled sector still remains as our main impact on the statistical incident related data. The introduction of standardised company induction and training packages in 2007 has assisted with the reduction of the Lost Time Injury Frequency Rate (LTIFR) for the 2008 financial year.

The Group is targeting improvements in all our safety KPI's during this year.

OUTLOOK

The successful completion of the placement to institutional investors and the share purchase plan in December 2007 raised a total of $95.7m net of costs and has increased the strength of our balance sheet. The Company has invested heavily in future growth, with $119m in capital expenditure on new equipment with revenue and earnings flowing in FY2009 and beyond.

The Company's expectations are for another positive year ahead with profit growth guidance of 20 to 30% for FY2009. At an operational level, the Group is well positioned for growth. It has expanded its equipment fleet and service offering across a number of its businesses, and has continued to successfully secure new or extended contracts with large and long term clients both in Australia and in Africa. Ausdrill expects the strong demand for its services to continue for some time yet, but our challenge is to continue to manage our growth by managing increasing costs and recruiting and retaining skilled personnel.

Finally, the Board would like to congratulate Managing Director Ron Sayers, the management team and the staff for an outstanding result. On behalf of shareholders we thank them for their loyalty and commitment.

T E O'Connor
Chairman

R G Sayers
Managing Director

Directors' Report

Ausdrill Limited and its controlled entities

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Ausdrill Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

DIRECTORS

The following persons were directors of Ausdrill Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

T E O'Connor
R G Sayers
J E Askew
T J Strapp
G P Connell – Resigned 16 November 2007

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of:

(a) provision of mining services including:
earthmoving;
drilling and blasting;
exploration drilling; and
in-pit grade control;

(b) provision of mining supplies and logistics services;

(c) contract services to the telecommunications and utility sectors; and

(d) manufacture of drilling rods and consumables.

DIVIDENDS – AUSDRILL LIMITED

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

	2008 $'000	2007 $'000
Final ordinary dividend for the year ended 30 June 2007 of 5 cents (2006 – 3 cents) per fully paid share paid on 26 October 2007	**6,610**	3,924
Interim ordinary dividend for the year ended 30 June 2008 of 5 cents (2007 – 4 cents) per fully paid share paid on 4 April 2008	**8,561**	5,263
	15,171	9,187

In addition to the above dividends, since the end of the financial year the directors have approved the payment of a final ordinary dividend of $10,329,028 (6 cents per fully paid share) to be paid on 24 October 2008.

REVIEW OF OPERATIONS

A separate detailed review of group operations during the financial year is included in the Directors' and Managing Director's Report on Operations and details on the segment results are set out in note 4 to the financial statements.

EARNINGS PER SHARE

	2008 Cents	2007 Cents
Basic and diluted earnings per share	**22.72**	20.87

Directors' Report (continued)

Ausdrill Limited and its controlled entities

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

	2008 $'000
(a) A net increase in contributed equity of $95,702,000 (from $95,826,000 to $191,528,000) as a result of:	
Placement of 31,035,834 fully paid ordinary shares @ $2.50 each	**74,809**
Issue of 7,500,000 fully paid ordinary shares @ $2.40 each under a share purchase plan	**18,000**
Issue of 1,405,816 fully paid ordinary shares @ between $1.90 and $2.41 each under the dividend reinvestment plan	**2,893**
Net increase in share capital	**95,702**

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year the directors have declared the payment of a final ordinary dividend of $10,329,028 (6 cents per fully paid share).

Except for the above, no other matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

Directors' Report (continued)

Ausdrill Limited and its controlled entities

INFORMATION ON DIRECTORS

Terence Edward O'Connor AM QC LLB (WA). *Non-executive Chairman.* Age 70.

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

None

Special responsibilities

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

Interests in shares

1,000,000 ordinary shares.

Ronald George Sayers. *Managing Director.* **Age 56.**

Experience and expertise

Mr Ron Sayers was re-appointed as Managing Director in December 2000. Mr Sayers founded Ausdrill in 1987 and was Managing Director until May 1997. He was formerly the branch manager of a large mining supply group and has been involved with the mining industry for over 30 years.

Other current directorships

Non-executive director of Carbine Resources Limited from March 2007.

Former directorships in last 3 years

Non-executive director of Amcom Telecommunications Limited from August 2003 to December 2005.

Special responsibilities

Managing Director.
Member of the Remuneration Committee.

Interests in shares

34,342,497 ordinary shares.

Directors' Report (continued)

Ausdrill Limited and its controlled entities

INFORMATION ON DIRECTORS (continued)

James Edward Askew BE (Min) (Melb), M Eng Sci (Melb), F.AusIMM.,M.A.I.M.E. *Non-Executive Director.* Age 60.

Experience and expertise

Mr Jim Askew is a mining engineer, having some 30 years international experience in the mining industry. He has held numerous positions on boards of mining companies in Australia and North America and has been a non-executive director of Ausdrill since 1987.

Other current directorships

Chairman of OceanGold Corporation since 2006.
Chairman of Sino Gold Limited from 2006.
Chairman of Asian Mining Resources Inc from 2004.
Non-executive director of Golden Star Resources Inc from 1999.

Former directorships in last 3 years

Chairman of Climax Mining Limited from 2002 to 2006.
Chairman of AGD Mining Limited from 2003 to 2005.
Non-executive director of Yamana Gold Inc from 2002 to 2006.

Special responsibilities

Member of the Audit Committee.
Member of the Remuneration Committee.

Interests in shares

600,000 ordinary shares.

Terrence John Strapp CPA, F Fin., MAICD *Non-Executive Director.* Age 64.

Experience and expertise

Mr Terry Strapp was appointed as a non-executive director on 21 July 2005.
Mr Strapp has extensive experience in banking, finance and corporate risk management and has been actively involved in the mining industry for 20 years. He is a Certified Practising Accountant (CPA), a Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

Other current directorships

Director of The Mac Services Group Limited from 2007.

Former directorships in last 3 years

Chairman of Mercator Gold PLC from 2004 to 2008.

Special responsibilities

Chairman of the Audit Committee.

Interests in shares

105,531 ordinary shares.

Directors' Report (continued)

Ausdrill Limited and its controlled entities

COMPANY SECRETARIES

The company secretaries of the company are Mark Joseph Hughes and Domenic Mark Santini.

Mr Hughes is a Chartered Accountant who was appointed as company secretary in September 1994. He is the Chief Financial Officer of the Company having been promoted to this position in June 2000. Prior to joining the Company, Mr Hughes was a senior audit manager at a major chartered accounting practice.

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

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

	Full meetings of directors	Meetings of committees	
		Audit	Remuneration
Number of Meetings held	10	3	1
T E O'Connor	10	3	1
R G Sayers	10	*	1
J E Askew	10	3	1
T J Strapp	10	3	*
G P Connell	6	2	*

* = Not a member of the relevant committee

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr O'Connor is the director retiring by rotation who, being eligible, offers himself for re-election.

Directors' Report (continued)

Ausdrill Limited and its controlled entities

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

The information in this report has been audited, as required by *Section 308(3c) of the Corporations Act (2001)*

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate. The framework aligns executive reward with achievement of strategic objectives and conforms with prevailing market conditions. The Board ensures that executive remuneration satisfies the following key criteria for good governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

The Group has structured an executive remuneration framework that attracts and retains high calibre executives, is market competitive and complementary to the goals of the organisation. The structure recognises and rewards contribution to Company growth, rewards capability and experience and provides a clear salary structure.

Non-executive directors

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

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2005. No additional fees are payable to directors for their membership on board committees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool currently stands at $400,000 per annum. Australian based resident non-executive directors are also entitled to superannuation in accordance with the Superannuation Guarantee Legislation.

Retirement allowances for directors

Other than compulsory superannuation contributions, non-executive directors do not receive any retirement allowances.

Executive pay

The executive pay and reward framework has four components:

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

The combination of these comprises the executive's total remuneration.

Directors' Report (continued)

Ausdrill Limited and its controlled entities

REMUNERATION REPORT (continued)

A Principles used to determine the nature and amount of remuneration (continued)

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive fixed base pay. The remuneration committee obtain relevant comparative information and seek independent advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Benefits

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

Short Term Incentives

The cash bonus is discretionary based on the groups performance and the amount is agreed by the remuneration committee.

The service bonus to all employees is discretionary subject to the groups performance and is based on years of service.

Superannuation

Retirement benefits are delivered under the Superannuation Guarantee Legislation.

Short-term incentives

Ausdrill Employee Option Plan

Information on the Ausdrill Employee Option Plan is set out in Section D.

B Details of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of the Ausdrill Limited Group are set out in the following tables.

The key management personnel of Ausdrill Limited includes the directors as per pages 7 to 8 and the following executive officers, which are also the 5 highest paid executives of the company:

- A G Broad – General Manager Australian Operations (resigned 16 May 2008)
- M C Crocker – Group Engineering Manager
- M J Hughes – Chief Financial Officer
- B D Mann – General and Exploration Manager Kalgoorlie
- A J McCulloch – Drill and Blast Manager Kalgoorlie (appointed General Manager Australian Operations 1 September 2008)

The key management personnel of the Group are the directors of Ausdrill Limited as per pages 7 to 8 and the following executive officers, which are also the highest paid executives of the Group:

- A G Broad – General Manager Australian Operations (resigned 16 May 2008)
- M C Crocker – Group Engineering Manager
- M J Hughes – Chief Financial Officer
- J Kavanagh – General Manager African Operations
- B D Mann – General and Exploration Manager Kalgoorlie
- R C Marrell – General Manager Diamond Communications
- A J McCulloch – Drill and Blast Manager Kalgoorlie (appointed General Manager Australian Operations 1 September 2008)

Directors' Report (continued)

Ausdrill Limited and its controlled entities

REMUNERATION REPORT (continued)

B Details of remuneration (continued)

Key management personnel of Ausdrill Limited and the Group

2008	Short-term employee benefits				Post-employment benefits		Long-term benefits	Share-based payments	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Service bonus	Super-annuation	Retirement benefits	Long service leave	Options	Total
	$	$	$	$	$	$	$	$	$
Non-executive directors									
T E O'Connor	90,000	–	–	–	8,100	–	–	–	98,100
J E Askew	60,000	–	–	–	5,400	–	–	–	65,400
G P Connell	30,000	–	–	–	2,700	–	–	–	32,700
T J Strapp	60,000	–	–	–	5,400	–	–	–	65,400
Sub-total non-executive directors	**240,000**	**–**	**–**	**–**	**21,600**	**–**	**–**	**–**	**261,600**
Executive director									
R G Sayers	228,115	–	20,000	–	106,061	–	7,665	–	361,841
Other key management personnel									
A G Broad	238,421	50,000	20,000	–	20,684	–	5,356	–	334,461
B D Mann	119,668	50,000	20,000	18,885	99,989	–	5,290	–	313,832
J Kavanagh	251,732	–	–	14,833	19,282	–	4,841	–	290,688
M J Hughes	191,080	50,000	–	13,808	17,197	–	5,016	–	277,101
M C Crocker	172,731	50,000	20,000	15,611	15,545	–	4,534	–	278,421
A J McCulloch	172,731	50,000	20,000	4,737	15,545	–	4,534	–	267,547
R C Marrell	82,731	50,000	20,000	8,668	105,546	–	4,534	–	271,479
Total key management personnel compensation	**1,697,209**	**300,000**	**120,000**	**76,542**	**421,449**	**–**	**41,770**	**–**	**2,656,970**

Directors' Report (continued)

Ausdrill Limited and its controlled entities

REMUNERATION REPORT (continued)

B Details of remuneration (continued)

Key management personnel of Ausdrill Limited and the Group

2007	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	
Name	**Cash salary and fees**	**Cash bonus**	**Non monetary benefits**	**Super-annuation**	**Retirement benefits**	**Long service leave**	**Options**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive directors								
T E O'Connor	90,000	–	–	8,100	–	–	–	98,100
J E Askew	60,000	–	–	450	–	–	–	60,450
G P Connell	60,000	–	–	5,400	–	–	–	65,400
T J Strapp	60,000	–	–	5,400	–	–	–	65,400
Sub-total non-executive directors	**270,000**	**–**	**–**	**19,350**	**–**	**–**	**–**	**289,350**
Executive director								
R G Sayers	216,324	–	15,000	105,000	–	7,370	–	343,694
Other key management personnel								
A G Broad	206,000	50,000	15,000	18,540	–	5,150	–	294,690
B D Mann	137,230	50,000	15,000	73,979	–	4,844	–	281,053
M J Hughes	181,088	27,000	–	38,863	–	4,527	–	251,478
M C Crocker	166,088	40,000	15,000	24,948	–	4,152	–	250,188
A J McCulloch	156,725	50,000	15,000	24,311	–	4,152	–	250,188
C M Tuckwell	206,000	27,000	–	42,079	–	3,962	–	279,041
R C Marrell	76,088	50,000	15,000	104,948	–	4,152	–	250,188
Total key management personnel compensation	**1,615,543**	**294,000**	**90,000**	**452,018**	**–**	**38,309**	**–**	**2,489,870**

Directors' Report (continued)

Ausdrill Limited and its controlled entities

REMUNERATION REPORT (continued)

C Service agreements

Remuneration and other terms of employment for the Managing Director, Mr R G Sayers, are formalised in a service agreement. The major provisions of the agreement relating to remuneration are:

- Term of agreement – 4 years commencing 1 July 2005.
- Base salary, inclusive of superannuation, for the year ended 30 June 2008 of $334,176 to be reviewed annually by the Remuneration Committee.
- Payment of a termination benefit upon completion of the agreement of $650,000. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, of $650,000 less $60,000 per year of the contract period not completed.

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

D Share-based compensation

Options

Options are granted under the Ausdrill Employee Option Plan which was last approved by shareholders at the 2005 annual general meeting. All full time staff are eligible to participate in the plan at the discretion of the board.

Options are granted under the plan for no consideration. Options are granted for a five year period and become exercisable as follows:

- 16.67% after the first anniversary
- 33.33% after the second anniversary
- 50.00% after the third anniversary

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

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

Shares provided on exercise of remuneration options

No options were issued or exercised during the year ending 30 June 2008.

Loans to directors and executives

No loans have been made to directors of Ausdrill Limited or the key management personnel of the Group, including their personally-related entities.

Share options granted to directors and the key management personnel

No options over unissued ordinary shares of Ausdrill Limited were granted during the prior or current year or since the end of the financial year to any directors or the key management personnel of the Company or Group as part of their remuneration.

Shares under option

There are no unissued ordinary shares of Ausdrill Limited under option at the date of this report.

INSURANCE OF DIRECTORS AND OFFICERS

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

Directors' Report (continued)
Ausdrill Limited and its controlled entities

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 32.

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

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

AUDITORS' INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

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. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

R G SAYERS
MANAGING DIRECTOR

Perth
30 September 2008

Auditors' Independence Declaration

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Ausdrill Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
30 September 2008

Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance Statement

Ausdrill Limited and its controlled entities

Ausdrill Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. A periodic review of the Company's corporate governance framework is conducted to ensure compatibility with the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council. The Company's framework is largely consistent with the recommendations, with departures from best practice recommendations occurring mainly due to the size of the company and it's Board of Directors. The Company and its controlled entities together are referred to as the Group in this statement.

The relationship between the Board and senior management is critical to the Group's long term success. The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

THE BOARD OF DIRECTORS

The Board of Directors takes ultimate responsibility for corporate governance and operates in accordance with the following broad principles.

Board composition

- The Board should comprise between 3 and 7 directors
- The Board is to be comprised of both executive and non-executive directors with a majority of non-executive directors. Non-executive directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman must be an independent non-executive director, the majority of the Board must be independent of management and all directors are required to bring independent judgement to bear in their Board decision-making
- The Chairman is elected by the full Board and is required to meet regularly with the Managing Director
- The Company is to maintain a mix of directors on the Board from different backgrounds with complementary skills and experience
- The Board undertakes an annual Board performance review and considers the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

Responsibilities

The responsibilities of the Board include:

- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
  - organisational performance and the achievement of the Group's strategic goals and objectives
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors
- appointment, performance assessment and, if necessary, removal of the Managing Director
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the Group Operation Managers and the Chief Financial Officer
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

To assist in fulfilling its responsibilities, the Board has Audit and Remuneration Committees.

Corporate Governance Statement (continued)

Ausdrill Limited and its controlled entities

Board members

Details of the members of the Board, their experience, expertise, qualifications and term of office are set out in the directors' report under the heading "Information on directors". There are three non-executive directors of which Messrs O'Connor, Askew and Strapp are deemed independent at the date of signing the directors' report under the principles set out below. The Board has a majority of independent directors in accordance with the ASX Corporate Governance Council's best practice recommendations.

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective
- the size of the Board is conducive to effective discussion and efficient decision-making.

Directors' independence

The Board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided
- not be a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group
- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

Non-executive directors

The non-executive directors met twice during the year, without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings were shared with the full Board.

Term of office

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting. One third of members of the Board, excluding the Managing Director, retire by rotation at every annual general meeting of the Company.

Chairman and Managing Director

The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives.

The Managing Director is responsible for implementing Group strategies and policies. The roles of Chairman and Managing Director are separate roles to be undertaken by separate people.

Corporate Governance Statement (continued)

Ausdrill Limited and its controlled entities

Commitment

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2008, and the number of meetings attended by each director is disclosed on page 9.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior approval of the Board. No appointments of this nature were accepted during the year ended 30 June 2008.

The Board has determined that the Group is not large enough to justify the establishment of a Nomination Committee. This is not in compliance with the ASX Corporate Governance Council's best practice recommendations but considered appropriate for a Company and Board of this size.

Prior to appointment, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Conflict of interests

Mr R G Sayers and entities connected with Mr R G Sayers had business dealings with the Group during the year, as described in note 31 to the financial statements. The director concerned declared his interest in those dealings to the Company and took no part in decisions relating to them or the preceding discussions.

Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance assessment

The Board undertakes an annual self assessment of its collective performance, the performance of the Chairman and of its committees.

Corporate reporting

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Board committees

The Board has established audit and remuneration committees to assist in the execution of its duties and to allow detailed consideration of complex issues. The Audit Committee is comprised entirely of non-executive directors while the Managing Director is considered a key member of the Remuneration Committee. The committee structure and membership is reviewed on an annual basis.

Each committee has its own role and responsibilities, structure, membership requirements and method of operation. All matters determined by committees are submitted to the full Board as recommendations for Board decision.

Minutes of committee meetings are tabled at the immediately subsequent Board meeting.

Corporate Governance Statement (continued)

Ausdrill Limited and its controlled entities

REMUNERATION COMMITTEE

The Remuneration Committee consists of the following directors:

T E O'Connor (Chairman)
J E Askew
R G Sayers

Details of the qualifications and attendance at Remuneration Committee meetings are set out in the directors' report on pages 7 to 8. Mr O'Connor and Mr Askew are deemed independent directors in accordance with principles detailed on page 18, while the inclusion of Mr Sayers, the Managing Director, on the committee is considered necessary for the Committee to be effective and discharge its responsibilities.

The main responsibilities of the Remuneration Committee are to advise the Board on remuneration and incentive policies and practices generally, and make specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Committee members obtain relevant comparative information and seek independent advice on recent developments on remuneration and related matters. The Committee ensures compliance with the established remuneration framework of the Company. Further details and information on directors' and executives' remuneration is set out in the directors' report under the heading "Remuneration Report".

The Remuneration Committee's responsibilities include the review of any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction is in compliance with the Corporations Act 2001 and are appropriately disclosed. Further information on related party transactions are set out in notes 31 and 35.

AUDIT COMMITTEE

The Audit Committee consists of the following non-executive directors:

T J Strapp (Chairman)
J E Askew
T E O'Connor

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 7 to 8. Messrs Strapp, Askew and O'Connor are deemed independent directors in accordance with the principles detailed on page 18.

The Audit Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The main responsibilities of the committee are to:

- review, assess and approve the annual report, the half-year financial report and all other financial information published by the Company or released to the market
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- review and monitor related party transactions and assess their propriety
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Audit Committee:

- receives regular reports from management and the external auditors
- meets with the external auditors at least twice a year, or more frequently if necessary
- reviews the processes the Managing Director and CFO have in place to support their certifications to the Board
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- meets separately with the external auditors at least twice a year without the presence of management
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Corporate Governance Statement (continued)

Ausdrill Limited and its controlled entities

EXTERNAL AUDITORS

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers was appointed as the external auditor in 1989. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2007.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 32 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

RISK ASSESSMENT AND MANAGEMENT

The Board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the Company website. In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

Detailed control procedures cover financial reporting, management accounting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

A corporate strategy workshop attended by senior management is held annually over several days. The purpose of the workshop is to review the Group's strategic direction in detail and includes specific focus on the identification of the key business and financial risks which could prevent the Company from achieving its objectives.

THE ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT SYSTEM (EHSMS)

The Group recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance and compliance where applicable.

The Group aims to:

- comply with all relevant legislation where required
- continually assess and improve the impact of its operations on the environment
- encourage employees to actively participate in the management of environmental and OH&S issues
- work with trade associations representing the Group's businesses to raise standards
- use energy and other resources efficiently, and
- encourage the adoption of similar standards by the Group's principal suppliers, contractors and distributors.

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

CODE OF CONDUCT

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

The objective of the Code is to ensure that at all times, all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies. A copy of the Code is available on the Company's website.

Corporate Governance Statement (continued)

Ausdrill Limited and its controlled entities

TRADING IN COMPANY SECURITIES

The purchase and sale of Company securities by Directors, the Group Operation Managers, the Chief Financial Officer, the Company Secretary, and other senior executives, are only permitted during the forty two (42) day period following the release of the half-yearly and annual financial results to the market. However, no trading is permitted during this period if the person is aware of any price sensitive information. The details of any transactions must be notified to the Company Secretary.

Other employees are free to trade in Company securities unless they are aware of or in possession of any price sensitive information. Employees are required to obtain confirmation from the Company Secretary if they have any doubt whether they are able to trade in company securities.

The prohibitions extend to the related entities and families of the restricted person.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company occasionally hosts one-on-one briefings for institutional investors and analysts to discuss information previously released to the market and to provide background information to assist analysts and institutions in their understanding of the Company's business. The briefings are generally conducted by the Managing Director and the Chief Financial Officer with the Company Secretary in attendance to consider whether any price sensitive information is inadvertently disclosed.

The Managing Director, the Chief Financial Officer and the Company Secretary will correct factual inaccuracies or historical matters when reviewing analyst's reports. The Company will not provide price sensitive information or earnings guidance unless it has previously been disclosed to the market.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's web site as soon as it is disclosed to the ASX.

All shareholders receive a copy of the Company's annual reports. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all Company announcements, media briefings, details of Company meetings, press releases for the last three years and financial reports for the last 10 years available on the Company's website: **www.ausdrill.com.au.**

Financial Report

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

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This financial report covers both the separate financial statements of Ausdrill Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Ausdrill Limited and its subsidiaries. The financial report is presented in the Australian currency.

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

Ausdrill Limited
6-12 Uppsala Place
CANNING VALE WA 6155

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Directors' and Managing Director's Report on Operations commencing on page 2 and in the Directors' Report on page 5, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 30 September 2008. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.ausdrill.com.au.

For queries in relation to our reporting please call the Company Secretary on (08) 9311 5666 or e-mail **ausdrill@ausdrill.com.au.**

Income Statements

For the year ended 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	$'000	$'000	$'000	$'000
Revenue from continuing operations	5	**390,984**	368,162	**174,944**	138,315
Other income	6	**3,915**	2,833	**379**	234
Materials		**(153,875)**	(168,522)	**(42,033)**	(37,207)
Labour		**(116,039)**	(96,767)	**(67,970)**	(52,115)
Rental and hire	7	**(4,944)**	(4,411)	**(2,940)**	(2,225)
Depreciation expense	7	**(28,890)**	(26,996)	**(10,718)**	(8,121)
Finance costs	7	**(9,148)**	(7,547)	**(3,105)**	(1,995)
Internal management fee		**–**	–	**(1,830)**	(1,655)
Write-down in carrying value of investment in controlled entity	7	**–**	–	**744**	(1,739)
Write-down in carrying value of loan to controlled entity	7	**–**	–	**(761)**	(156)
Other expenses from ordinary activities		**(32,011)**	(30,903)	**(10,281)**	(7,388)
Takeover defence costs		**(379)**	–	**(379)**	–
Share of net profits of associates accounted for using the equity method		**861**	740	**–**	–
Profit before income tax expense		**50,474**	36,589	**36,050**	25,948
Income tax expense	8	**(15,142)**	(9,970)	**(11,129)**	(7,429)
Profit from continuing operations		**35,332**	26,619	**24,921**	18,519
Profit from discontinued operations	43	**–**	925	**–**	–
Profit for the year		**35,332**	27,544	**24,921**	18,519

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic and diluted earnings per share	42	**22.72**	20.17
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic and diluted earnings per share	42	**22.72**	20.87

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets

As at 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**88,956**	48,555	**63,212**	30,992
Trade and other receivables	10	**72,030**	54,501	**29,630**	19,710
Inventories	11	**55,074**	33,966	**14,573**	9,521
Total current assets		**216,060**	137,022	**107,415**	60,223
Non-current assets					
Receivables	12	**4,574**	1,055	**121,719**	55,244
Investments accounted for using the equity method	13	**1,858**	2,340	**–**	–
Available-for-sale financial assets	14	**1,061**	1,636	**940**	1,480
Other financial assets	15	**–**	–	**1,289**	546
Property, plant and equipment	16	**275,599**	164,899	**86,174**	57,894
Deferred tax assets	17	**82**	133	**877**	–
Intangible assets	18	**3,836**	–	**–**	–
Total non-current assets		**287,010**	170,063	**210,999**	115,164
TOTAL ASSETS		**503,070**	307,085	**318,414**	175,387
LIABILITIES					
Current liabilities					
Trade and other payables	19	**59,964**	48,563	**26,834**	17,117
Borrowings	20	**37,131**	28,608	**13,045**	9,622
Current tax liabilities	21	**11,840**	3,921	**11,768**	3,465
Provisions	22	**2,728**	2,527	**1,696**	1,336
		111,663	83,619	**53,343**	31,540
Liabilities of a disposal group held for sale		**56**	63	**–**	–
Total current liabilities		**111,719**	83,682	**53,343**	31,540
Non-current liabilities					
Payables	23	**–**	–	**1,281**	718
Borrowings	24	**98,777**	68,896	**38,615**	23,003
Deferred tax liabilities	25	**10,674**	2,470	**–**	1,362
Provisions	26	**1,168**	806	**689**	576
Total non-current liabilities		**110,619**	72,172	**40,585**	25,659
TOTAL LIABILITIES		**222,338**	155,854	**93,928**	57,199
NET ASSETS		**280,732**	151,231	**224,486**	118,188
EQUITY					
Contributed equity	27	**191,528**	95,826	**191,528**	95,826
Reserves	28(a)	**10,822**	(2,816)	**1,290**	444
Retained profits	28(b)	**78,382**	58,221	**31,668**	21,918
TOTAL EQUITY		**280,732**	151,231	**224,486**	118,188

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Total equity at the beginning of the financial year		**151,231**	135,628	**118,188**	106,184
Gain on revaluation of land and buildings, net of tax	28	**18,886**	–	**1,224**	–
Changes in the fair value of available-for-sale financial assets, net of tax	28	**(417)**	530	**(378)**	444
Exchange differences on translation of foreign operations	28	**(4,831)**	(5,512)	**–**	–
Net income / (expense) recognised directly in equity		**13,638**	(4,982)	**846**	444
Profit for the year		**35,332**	27,544	**24,921**	18,519
Total recognised income and expense for the year		**48,970**	22,562	**25,767**	18,963
Contributions of equity, net of transaction costs	27	**95,702**	2,228	**95,702**	2,228
Dividends provided for or paid	29	**(15,171)**	(9,187)	**(15,171)**	(9,187)
		80,531	(6,959)	**80,531**	(6,959)
Total equity at the end of the financial year		**280,732**	151,231	**224,486**	118,188

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

Cash Flow Statements

For the year ended 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**394,364**	377,303	**169,723**	144,567
Payments to suppliers and employees (inclusive of goods and services tax)		**(341,439)**	(320,928)	**(136,901)**	(116,132)
		52,925	56,375	**32,822**	28,435
Interest received		**3,829**	2,557	**3,147**	2,551
Interest and other costs of finance paid		**(9,056)**	(7,435)	**(3,036)**	(1,898)
Income taxes paid		**(5,297)**	(3,881)	**(3,955)**	(2,071)
Dividend received from associates		**621**	604	**–**	–
Dividend received		**15**	–	**15**	541
Reimbursements received from tax consolidated entities		**–**	–	**4,268**	–
Net cash inflow from operating activities	40	**43,037**	48,220	**33,261**	27,558
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired	36	**(3,609)**	–	**–**	–
Payments for property, plant and equipment		**(83,499)**	(37,977)	**(6,404)**	(8,527)
Proceeds from sale of property, plant and equipment		**4,070**	14,230	**886**	4,254
Loans to related parties		**(3,840)**	(1,055)	**(62,503)**	(8,140)
Payment for purchase of equity instruments		**(1,774)**	(100)	**–**	–
Proceeds from sale of property of discontinued operation		**–**	1,477	**–**	–
Payments for available-for-sale financial assets		**(21)**	(778)	**–**	(750)
Repayment of other loans		**–**	3,312	**–**	3,312
Net cash outflow from investing activities		**(88,673)**	(20,891)	**(68,021)**	(9,851)
Cash flows from financing activities					
Proceeds from issues of shares		**91,617**	–	**91,617**	–
Proceeds from secured borrowings		**40,367**	18,968	**–**	–
Repayment of secured borrowings		**(14,056)**	(18,525)	**–**	–
Repayment of unsecured borrowings		**(20)**	(53)	**–**	–
Repayment of hire purchase and lease liabilities		**(18,656)**	(16,506)	**(12,351)**	(12,075)
Dividends paid to company's shareholders	29(a)	**(12,286)**	(6,959)	**(12,286)**	(6,959)
Net cash inflow (outflow) from financing activities		**86,966**	(23,075)	**66,980**	(19,034)
Net increase (decrease) in cash and cash equivalents		**41,330**	4,254	**32,220**	(1,327)
Cash and cash equivalents at the beginning of the financial year		**48,555**	45,425	**30,992**	32,319
Effects of exchange rate changes on cash and cash equivalents		**(929)**	(1,124)	**–**	–
Cash and cash equivalents at end of year	9	**88,956**	48,555	**63,212**	30,992
Financing arrangements	24				
Non-cash financing and investing activities	41				

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Ausdrill Limited as an individual entity and the consolidated entity consisting of Ausdrill Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Ausdrill Limited complies with International Financial Reporting Standards (IFRS).

Early adoption of standards

The Group has decided not to early adopt the standards stated in note 1(ad).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ausdrill Limited (''company'' or ''parent entity'') as at 30 June 2008 and the results of all subsidiaries for the year then ended. Ausdrill Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(ab)).

Changes in the parent's ownership of a subsidiary without gain or loss of control of the subsidiary are accounted for using the economic method. Under this method, transactions with minority shareholders in the subsidiary are treated as transactions between owners of the Group. Any gains or losses associated with the sale of an interest in a subsidiary, without loss of control, recognised in the parent entity's financial statements are eliminated on consolidation. Any consideration paid for the purchase of a minority interest is eliminated against the carrying value of the minority interest with any excess treated as a distribution from the parent's ownership group to the minority interest ownership group.

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of Ausdrill Limited.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(b) Principles of consolidation (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 38).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in the reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity financial statements and in the consolidated financial statements by reducing the carrying amount of the investment.

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

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

(c) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

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

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Ausdrill Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Ausdrill Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Ausdrill Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(f) Impairment of assets

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

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

(i) Consumables and store items

Consumables and store items are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business.

(h) Cash and cash equivalents

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

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Contract services

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

(ii) Mining supplies and manufactured goods

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

(iii) Interest income

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

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more than 90 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (notes 10 and 12).

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair value of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the loss – measured as the difference between the acquisition cost and the current fair value is recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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 balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate market price for financial liabilities is the current ask price.

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. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(m) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation.

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Change in Accounting Policy

The policy of accounting for land and buildings at fair value less subsequent depreciation was adopted for the first time in the current financial year. In previous reporting periods, land and buildings were stated at historical cost less accumulated depreciation.

This change in accounting policy provides more relevant information regarding the fair value of land and buildings. The new policy has been applied prospectively.

(n) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment (note 4).

(ii) Research and development

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

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

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Intangible assets (continued)

(iii) Designs and Drawings

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

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 to 60 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities, which are not incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

(q) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(r) Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits (continued)

(iii) Share-based payments

The fair value of options granted under the Ausdrill Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(iv) Employee benefits on-costs

Employee benefits on-costs, including payroll tax, are recognised and included in employee benefits liabilities and expense when the employee benefits to which they relate are recognised as liabilities.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(u) Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred. Significant costs incurred in overhauling plant and equipment are capitalised and depreciated over the remaining useful life of the asset or the component in accordance with note 1(m).

(v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(x) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases (note 16). Finance leases are capitalised at the lease's inception at the fair value of the leased property, plant and equipment or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee, are classified as operating leases (note 34). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(z) Financial instrument transaction costs

Transaction costs relating to financial instrument transactions are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss.

(aa) 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) Business combinations

The purchase method of accounting is used to account for business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(n)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(ac) Deferred settlement of cash consideration

Where any part of the cash consideration receivable or payable on the disposal or acquisition of an asset is deferred, the fair value of the consideration is determined by discounting the amount receivable / payable to its present value. The discount rate used is based on the market rate at which borrowings can be made under comparable terms and conditions.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(ad) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial statements. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) *Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(iv) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127

Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The Group has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application. For example, under the new rules:

- all payments (including contingent consideration) to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments subsequently remeasured at fair value through income
- all transaction cost will be expensed
- the Group will need to decide whether to continue calculating goodwill based only on the parent's share of net assets or whether to recognise goodwill also in relation to the non-controlling (minority) interest, and
- when control is lost, any continuing ownership interest in the entity will be remeasured to fair value and a gain or loss recognised in profit or loss.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange and other price risks and aging analysis for credit risk.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets				
Cash and cash equivalents	**88,956**	48,555	**63,212**	30,992
Trade and other receivables	**72,030**	54,501	**29,630**	19,710
Non current receivables	**4,574**	1,055	**121,719**	55,244
Available-for-sale financial assets	**1,061**	1,636	**940**	1,480
Other financial assets	**–**	–	**1,289**	546
	166,621	105,747	**216,790**	107,972
Financial liabilities				
Trade and other payable	**60,020**	48,626	**28,115**	17,835
Borrowings	**135,908**	97,504	**51,660**	32,625
	195,928	146,130	**79,775**	50,460

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices, will affect the Group's income or value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The currencies in which these transactions primarily are denominated are AUD, USD, ZAR, EURO and GBP.

The Group hedges its USD trade receivables that are denominated in a currency that is foreign to its functional currency. The Group uses forward exchange contracts to hedge its foreign currency risk. All of the forward exchange contracts have maturities of less than 6 months.

The Group hedges large capital expenditure items acquired in US dollars that are to be delivered over a long period of time.

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

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

2 **FINANCIAL RISK MANAGEMENT** (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2008 USD $'000	30 June 2007 USD $'000
Cash	**8,439**	1,534
Trade receivables	**1,445**	1,941

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars.

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
AUD				
USD	**0.8972**	0.7703	**0.9588**	0.8503

Sensitivity Analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated	
	Equity A$'000	Profit or Loss A$'000
30 June 2008		
USD	**(937)**	**(937)**
30 June 2007		
USD	(372)	(372)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Price risk

The Group and the Parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale. Neither the Group nor the Parent entity are exposed to commodity price risk.

If the quoted prices had increased / decreased by 10%, with all other variables held constant, the Group's equity would have increased / decreased by $75,804. The Parent entity's equity would have increased / decreased by $65,800.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

2 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risks arise from cash, cash equivalents and long-term borrowings. Cash, cash equivalents and borrowings issued at variable rates expose the Company and the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2008 and 2007, the Group's borrowings at variable rate were denominated in Australian Dollars.

Refer to note 24(d) for the impact of fair value risk on borrowings.

Refer to note 2(c) Liquidity Risk for cash, cash equivalents and variable interest rate exposure.

	Consolidated		Parent	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Cash and Cash Equivalents	**88,956**	48,555	**63,212**	30,992
Variable Rate Borrowings	**1,743**	1,476	**–**	–

Group sensitivity

At 30 June 2008, if interest rates had changed by +/– 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $841,614 higher/lower (2007 – change of 100 bps: $438,713 higher/lower), mainly as a result of higher/lower interest income from these variable interest rate financial assets.

Parent sensitivity

At 30 June 2008, if interest rates had changed by +/– 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $632,120 higher/lower (2007 – change of 100 bps: $309,920 higher/lower), mainly as a result of higher/lower interest income from these variable interest rate financial assets.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note 2(a)(i).

The parent entity's financial assets include intercompany loans and receivables that do not represent a significant credit risk.

Credit risk further arises in relation to financial guarantees given to certain parties. Financial guarantees are generally only provided to wholly-owned subsidiaries or for purposes of entering into equipment lease and hire purchase arrangements, and premise rental agreements. Details of outstanding guarantees are provided in note 33(a).

The Group's credit policy requires each new customer to be individually analysed for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings when available and credit references from previous customers. Purchase limits are established for each customer. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis.

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

	Consolidated		Parent	
	2008	2007	2008	2007
(AUD)	$'000	$'000	$'000	$'000
Australia	**47,015**	31,866	**29,525**	19,663
Africa	**25,206**	19,948	**–**	–
Asia	**616**	273	**–**	–
Europe	**313**	652	**–**	–
	73,150	52,739	**29,525**	19,663

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Consolidated		Parent	
	2008	2007	2008	2007
(AUD)	$'000	$'000	$'000	$'000
Blue Chip (including subsidiaries)*	**33,846**	23,813	**18,442**	9,879
Government	**5,904**	4,883	**264**	–
Other	**33,400**	24,043	**10,819**	9,784
	73,150	52,739	**29,525**	19,663

*Blue Chip meaning international mining companies or Australian companies with significant domestic operations.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

2 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the group aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. The group policy is to maintain a net debt to equity ratio of no greater than 70%.

Financing arrangements

The Group and the parent entity had access to undrawn borrowing facilities at the reporting date. See note 24(c) for details.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount liabilities	Total contractual cash flows	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group – At 30 June 2008							
Non-derivatives							
Non-interest bearing	**60,020**	**60,020**	**60,020**	**–**	**–**	**–**	**–**
Variable rate	**1,743**	**2,305**	**210**	**210**	**419**	**1,257**	**209**
Fixed rate	**134,165**	**155,683**	**23,771**	**21,932**	**42,154**	**67,189**	**637**
Total non-derivatives	**195,928**	**218,008**	**84,001**	**22,142**	**42,573**	**68,446**	**846**
Group – At 30 June 2007							
Non-derivatives							
Non-interest bearing	48,626	48,626	48,626	–	–	–	–
Variable rate	1,476	1,887	73	145	290	871	508
Fixed rate	96,028	111,448	17,583	16,903	28,292	47,655	1,015
Total non-derivatives	146,130	161,961	66,282	17,048	28,582	48,526	1,523
Parent – At 30 June 2008							
Non-derivatives							
Non-interest bearing	**26,834**	**26,834**	**26,834**	**–**	**–**	**–**	**–**
Variable rate	**1,281**	**1,406**	**–**	**–**	**1,406**	**–**	**–**
Fixed rate	**51,660**	**60,445**	**8,626**	**8,055**	**15,708**	**28,056**	**–**
Total non-derivatives	**79,775**	**88,685**	**35,460**	**8,055**	**17,114**	**28,056**	**–**
Parent – At 30 June 2007							
Non-derivatives							
Non-interest bearing	17,117	17,117	17,117	–	–	–	–
Variable rate	718	772	–	–	772	–	–
Fixed rate	32,625	37,560	6,219	5,440	8,738	17,163	–
Total non-derivatives	50,460	55,449	23,336	5,440	9,510	17,163	–

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

2 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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 reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation for its plant and equipment. This estimate is based on historical assessments of the useful life obtained from similar equipment. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down assets where the useful life of the asset is considered to have expired.

Were the actual useful lives of the plant and equipment to differ by 10% from management's estimates, the carrying amount of the plant and equipment would be an estimated $2,889,000 higher or $2,889,000 lower.

(b) Critical judgements in applying the entity's accounting policies

There have been no critical judgements used in preparing the Company's financial statements for the year ended 30 June 2008.

4 SEGMENT INFORMATION

(a) Description of segments

Geographical segments

Although the consolidated entity's divisions are managed on a global basis they operate in four main geographical areas:

Australia
The home country of the parent entity which is also the main operating entity. The areas of operation are principally contract mining services, procurement and logistic services and other contracting services.

Africa
The areas of operation are contract mining services and procurement and logistics services.

The Americas
Comprises the discontinued operations in Chile.

The United Kingdom
The area of operation is procurement and logistics services.

Business segments

The company and consolidated entity operates predominantly in one industry being the supply of services to the mining industry. These services consist of :

Contract Mining
Open pit mining services including load and haul, drill and blast and exploration drilling services.

Procurement and Logistics
Contract services for procurement, packaging, freight forwarding and custom clearance.

Other Contracting Services
Includes contract services to utility infrastructure organisations.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

4 SEGMENT INFORMATION (continued)

(b) Primary reporting – Geographical segments

2008	Australia $'000	Africa $'000	The United Kingdom $'000	Total continuing operations $'000	Discontinued operation The Americas (note 43) $'000	Consolidated $'000
Segment revenue						
Sales to external customers	241,805	139,623	5,713	387,141	–	387,141
Intersegment sales	8,773	12	398	9,183	–	9,183
Total sales revenue	250,578	139,635	6,111	396,324	–	396,324
Other revenue	4,339	207	22	4,568	–	4,568
Total segment revenue	254,917	139,842	6,133	400,892	–	400,892
Intersegment elimination				(9,908)	–	(9,908)
Consolidated revenue				390,984	–	390,984
Segment result	35,222	15,060	34	50,316	–	50,316
Intersegment elimination				158	–	158
Profit before income tax				50,474	–	50,474
Income tax expense				(15,142)	–	(15,142)
Profit for the year				35,332	–	35,332
Segment assets and liabilities						
Segment assets	394,229	150,154	1,443	545,826	800	546,626
Intersegment elimination				(43,638)	–	(43,638)
Unallocated assets				82	–	82
Total assets				502,270	800	503,070
Segment liabilities	124,374	101,178	1,940	227,492	56	227,548
Intersegment elimination				(27,724)	–	(27,724)
Unallocated liabilities				22,514	–	22,514
Total liabilities				222,282	56	222,338
Other segment information						
Investments in associates	1,858	–	–	1,858	–	1,858
Share of net profits of associates	861	–	–	861	–	861
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	71,042	48,173	10	119,225	–	119,225
Depreciation and amortisation expense	17,240	11,644	6	28,890	–	28,890

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

4 SEGMENT INFORMATION (continued)

(b) Primary reporting – Geographical segments (continued)

2007	Australia $'000	Africa $'000	The United Kingdom $'000	Total continuing operations $'000	Discontinued operation The Americas (note 43) $'000	Consolidated $'000
Segment revenue						
Sales to external customers	202,779	156,730	6,096	365,605	–	365,605
Intersegment sales	5,180	96	370	5,646	–	5,646
Total sales revenue	207,959	156,826	6,466	371,251	–	371,251
Other revenue	2,665	238	6	2,909	1,327	4,236
Total segment revenue	210,624	157,064	6,472	374,160	1,327	375,487
Intersegment elimination				(5,998)	–	(5,998)
Consolidated revenue				368,162	1,327	369,489
Segment result	23,390	13,401	87	36,878	925	37,803
Intersegment elimination				(289)	–	(289)
Profit before income tax				36,589	925	37,514
Income tax expense				(9,970)	–	(9,970)
Profit for the year				26,619	925	27,544
Segment assets and liabilities						
Segment assets	219,610	106,520	1,353	327,483	934	328,417
Intersegment elimination				(21,332)	–	(21,332)
Total assets				306,151	934	307,085
Segment liabilities	88,342	64,571	1,838	154,751	63	154,814
Intersegment elimination				(5,352)	–	(5,352)
Unallocated liabilities				6,392	–	6,392
Total liabilities				155,791	63	155,854
Other segment information						
Investments in associates	2,340	–	–	2,340	–	2,340
Share of net profits of associates	740	–	–	740	–	740
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	48,622	25,495	3	74,120	–	74,120
Depreciation and amortisation expense	13,881	13,105	10	26,996	21	27,017

(c) Secondary reporting – Business segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Contract mining services	**313,235**	277,268	**477,422**	278,668	**118,215**	71,473
Procurement and logistics services to the mining industry	**48,841**	57,932	**14,523**	13,572	**307**	1,312
Other contracting services	**25,065**	30,405	**10,243**	13,911	**703**	1,335
Discontinuing operations	**–**	–	**800**	934	**–**	–
Unallocated assets	**–**	–	**82**	–	**–**	–
Total assets	**387,141**	365,605	**503,070**	307,085	**119,225**	74,120

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

4 SEGMENT INFORMATION (continued)

(d) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and *Accounting Standard AASB 114 Segment Reporting.*

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and borrowings. Segment assets and liabilities do not include income taxes.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

(iii) Equity-accounted investments

The Group owns 50% of African Underground Mining Services Ltd, a company that provides underground mining services in Ghana, and Westrans Services WA Pty Ltd, a company that provides services to the transport industry in W.A., which are accounted for using the equity method and allocated to the Australia segment.

5 REVENUE FROM ORDINARY ACTIVITIES

	Consolidated		Parent	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
From continuing operations				
Sales Revenue	**387,141**	365,605	**162,989**	132,253
Other revenue				
Dividends	**15**	–	**15**	541
Interest – Related parties	**82**	63	**9,605**	3,589
Interest – Others	**3,746**	2,494	**2,335**	1,932
	3,843	2,557	**11,955**	6,062
	390,984	368,162	**174,944**	138,315
From discontinued operations (note 43)				
Other revenue	**–**	1,327	**–**	–

6 OTHER INCOME

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Net gain on disposal of property, plant and equipment	**2,003**	1,651	**345**	137
Other	**1,912**	1,182	**34**	97
	3,915	2,833	**379**	234

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
7 EXPENSES				
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	**497**	1,404	**65**	73
Plant and equipment	**28,393**	25,592	**10,653**	8,048
Total depreciation	**28,890**	26,996	**10,718**	8,121
Finance costs				
Hire purchase interest	**4,257**	2,837	**2,994**	1,898
Interest paid/payable- other	**4,891**	4,710	**111**	97
Finance costs expensed	**9,148**	7,547	**3,105**	1,995
Rental expense relating to operating leases				
Minimum lease payments	**4,944**	4,411	**2,940**	2,225
Net foreign exchange losses	**1,606**	541	**–**	–
Impairment losses – financial assets				
Trade receivables	**726**	540	**120**	143
Cost of goods sold	**49,150**	53,623	**–**	–
Write-down of:				
Loan to controlled entity	**–**	–	**761**	156
Investment in controlled entity	**–**	–	**(744)**	1,739

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
8 INCOME TAX EXPENSE				
(a) Income tax expense				
Current tax	**12,996**	6,708	**12,240**	7,256
Deferred tax	**2,068**	3,572	**(1,408)**	387
Adjustments for current tax of prior periods	**78**	(310)	**297**	(214)
	15,142	9,970	**11,129**	7,429
Deferred income tax expense (revenue) included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 17)	**51**	1,448	**(46)**	–
Increase (decrease) in deferred tax liabilities (note 25)	**2,068**	2,124	**(1,362)**	387
	2,119	3,572	**(1,408)**	387
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	**50,474**	36,589	**36,050**	25,948
Tax at the Australian tax rate of 30% (2007 – 30%)	**15,142**	10,977	**10,815**	7,784
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share of net profits of associates	**(258)**	(222)	**–**	–
Difference in tax rates	**216**	175	**–**	–
Other non (assessable) / deductible items	**(36)**	(650)	**17**	(141)
	15,064	10,280	**10,832**	7,643
Under (over) provision in prior years	**78**	(310)	**297**	(214)
Income tax expense	**15,142**	9,970	**11,129**	7,429

(c) Tax consolidation legislation

Ausdrill Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(e).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Ausdrill Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Ausdrill Limited for any current tax payable assumed and are compensated by Ausdrill Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ausdrill Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
9 CURRENT ASSETS – CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	**88,956**	48,555	**63,212**	30,992
	88,956	48,555	**63,212**	30,992

The bank accounts are bearing floating interest rates of between 1.25% and 7.02% (2007 – 1.25% and 6.20%).

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES				
Net trade receivables				
Trade receivables	**62,151**	46,546	**28,540**	18,776
Provision for impairment of receivables	**(1,532)**	(972)	**(240)**	(120)
	60,619	45,574	**28,300**	18,656
Other debtors				
Other debtors	**7,957**	6,110	**1,225**	1,007
Prepayments	**3,454**	2,817	**105**	47
	72,030	54,501	**29,630**	19,710

(a) Impaired trade receivables

As at 30 June 2008, current trade receivables of the Group with a nominal value of $3,941,868 (2007: $1,698,022) were impaired. The amount of the provision was $1,531,861 (2007: $971,694). As at 30 June 2008, current trade receivables of the Parent with a nominal value of $2,857,881 (2007: $208,685) were impaired. The amount of the provision was $240,000 (2007: $120,000).

The ageing of these receivables is as follows:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
3 to 6 months	**459**	846	**–**	209
Over 6 months	**3,483**	852	**2,858**	–
	3,942	1,698	**2,858**	209

(b) Past due but not impaired receivables

As at 30 June 2008, current trade receivables of the Group with nominal value of $13,008,278 (2007: $14,903,353) were past due but not impaired. As at 30 June 2008, current trade receivables of the Parent with a nominal value of $2,401,996 (2007: $4,894,398) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing of these trade receivables is as follows:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Up to 2 months	**11,362**	14,903	**2,402**	3,568
Over 2 months	**1,646**	–	**–**	1,326
	13,008	14,903	**2,402**	4,894
Movements in the provision for impairment of receivables are as follows:				
At 1 July 2007	**972**	763	**120**	–
Provision for impairment recognised during the year	**726**	635	**120**	120
Receivables written off during the year as uncollectable	**–**	(95)	**–**	–
Unused amount reversed	**(166)**	(331)	**–**	–
	1,532	972	**240**	120

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

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

(c) Other Debtors

This amount includes operating expense rebates and an amount recoverable from an insurance claim.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
11 CURRENT ASSETS – INVENTORIES				
Consumables and store items – at cost	**55,074**	33,966	**14,573**	9,521
12 NON-CURRENT ASSETS – RECEIVABLES				
Related party receivables				
Loans to controlled entities (note 35)	**–**	–	**123,035**	55,800
Less: Provision for doubtful receivable	**–**	–	**(1,316)**	(556)
	–	–	**121,719**	55,244
Loans to associated entities	**4,574**	1,055	**–**	–
	4,574	1,055	**121,719**	55,244

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired and equate to their fair value.

These receivables equate to their fair value as they bear interest at current market rates.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
13 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Shares in associates (note 38)	**1,858**	2,340	**–**	–

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
14 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS				
At beginning of year	**1,636**	99	**1,480**	–
Additions	**21**	780	**–**	846
Revaluation adjustment	**(596)**	757	**(540)**	634
At end of year	**1,061**	1,636	**940**	1,480
Listed equity securities	**1,061**	1,636	**940**	1,480
Total equity securities	**1,061**	1,636	**940**	1,480

(a) Non-current assets pledged as security

Refer to note 24(b) for information on non-current assets pledged as security by the parent entity or its controlled entities.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
15 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS				
Other (non-traded) investments				
Shares in controlled entities – at cost (note 37)	**–**	–	**1,289**	546
	–	–	**1,289**	546

These financial assets are carried at cost.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

16 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Land and buildings $'000	Plant and equipment - at cost $'000	Plant and equipment under finance - at cost $'000	Total $'000
At 1 July 2006				
Cost	15,202	132,070	115,277	262,549
Accumulated depreciation	(1,735)	(93,112)	(30,795)	(125,642)
Net book amount	13,467	38,958	84,482	136,907
Year ended 30 June 2007				
Opening net book amount	13,467	38,958	84,482	136,907
Exchange differences	(174)	(1,782)	(4,954)	(6,910)
Additions	1,866	22,120	50,134	74,120
Disposals	(27)	(12,195)	–	(12,222)
Transfers between classes	(263)	15,346	(15,083)	–
Depreciation charge	(1,404)	(9,300)	(16,292)	(26,996)
Closing net book amount	13,465	53,147	98,287	164,899
At 30 June 2007				
Cost	17,548	119,404	140,239	277,191
Accumulated depreciation	(4,083)	(66,257)	(41,952)	(112,292)
Net book amount	13,465	53,147	98,287	164,899
Year ended 30 June 2008				
Opening net book amount	**13,465**	**53,147**	**98,287**	**164,899**
Exchange differences	**(195)**	**(1,078)**	**(4,495)**	**(5,768)**
Revaluation surplus	**26,992**	**–**	**–**	**26,992**
Acquisition of subsidiary	**–**	**602**	**606**	**1,208**
Additions	**2,086**	**37,740**	**79,399**	**119,225**
Disposals	**(114)**	**(1,296)**	**(657)**	**(2,067)**
Transfers between classes	**(671)**	**2,119**	**(1,448)**	**–**
Depreciation charge	**(497)**	**(9,387)**	**(19,006)**	**(28,890)**
Closing net book amount	**41,066**	**81,847**	**152,686**	**275,599**
At 30 June 2008				
Cost or fair value	**41,066**	**167,289**	**204,736**	**413,091**
Accumulated depreciation	**–**	**(85,442)**	**(52,050)**	**(137,492)**
Net book amount	**41,066**	**81,847**	**152,686**	**275,599**

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

16 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Land and buildings $'000	Plant and equipment - at cost $'000	Plant and equipment under finance - at cost $'000	Total $'000
At 1 July 2006				
Cost	2,369	49,852	41,410	93,631
Accumulated depreciation	(769)	(37,713)	(17,540)	(56,022)
Net book amount	1,600	12,139	23,870	37,609
Year ended 30 June 2007				
Opening net book amount	1,600	12,139	23,870	37,609
Additions	51	8,428	23,900	32,379
Disposals	–	(2,708)	–	(2,708)
Transfer between classes	–	6,577	(6,577)	–
Transfer between group members	–	(1,339)	74	(1,265)
Depreciation charge	(73)	(3,000)	(5,048)	(8,121)
Closing net book amount	1,578	20,097	36,219	57,894
Cost	2,420	60,026	54,775	117,221
Accumulated depreciation	(842)	(39,929)	(18,556)	(59,327)
Net book amount	1,578	20,097	36,219	57,894
Year ended 30 June 2008				
Opening net book amount	**1,578**	**20,097**	**36,219**	**57,894**
Revaluation surplus	**1,749**	**–**	**–**	**1,749**
Additions	**74**	**652**	**37,064**	**37,790**
Disposals	**(114)**	**(131)**	**–**	**(245)**
Transfer between group members	**–**	**(344)**	**48**	**(296)**
Transfer between classes	**(77)**	**3,995**	**(3,918)**	**–**
Depreciation charge	**(65)**	**(3,014)**	**(7,639)**	**(10,718)**
Closing net book amount	**3,145**	**21,255**	**61,774**	**86,174**
At 30 June 2008				
Cost or fair value	**3,145**	**68,147**	**82,033**	**153,325**
Accumulated depreciation	**–**	**(46,892)**	**(20,259)**	**(67,151)**
Net book amount	**3,145**	**21,255**	**61,774**	**86,174**

(a) Valuations of land and buildings

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2008 revaluations were made by the directors as at 30 June 2008 and were based on independent assessments by members of the Australian Property Institute. The revaluation surplus net of applicable deferred income taxes was credited to other reserves in shareholders' equity (note 28).

(b) Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the parent entity and its controlled entities.

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

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

	Consolidated		Parent	
Land and Buildings	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Cost	**17,582**	17,548	**2,201**	2,420
Accumulated depreciation	**(3,508)**	(4,083)	**(805)**	(842)
Net book amount	**14,074**	13,465	**1,396**	1,578

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
17 NON-CURRENT ASSETS – DEFERRED TAX ASSETS				
The balance comprises temporary differences attributable to:				
Doubtful debts	**460**	261	**72**	36
Employee benefits	**3,267**	3,050	**1,546**	1,236
Provision for stock obsolescence	**289**	352	**–**	–
Borrowing and business expenses	**1,445**	57	**1,357**	15
Tax payments	**7,765**	9,207	**–**	–
Other provisions	**2,211**	996	**1,009**	571
Depreciation	**–**	–	**1,174**	–
Trading stock	**787**	–	**–**	–
	16,224	13,923	**5,158**	1,858
Set-off of deferred tax liabilities (note 25)	**(16,142)**	(13,790)	**(4,281)**	(1,858)
Net deferred tax assets	**82**	133	**877**	–
Movements:				
Opening balance at 1 July	**133**	1,581	**–**	–
(Charged)/credited to the income statement (note 8)	**(51)**	(1,448)	**46**	–
Credited to equity	**–**	–	**831**	–
Closing balance at 30 June	**82**	133	**877**	–
Deferred tax assets to be recovered within 12 months	**82**	118	**964**	–
Deferred tax assets to be recovered after more than 12 months	**–**	15	**(87)**	–
	82	133	**877**	–

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Goodwill $'000	Designs and drawings $'000	Total $'000
Year ended 30 June 2008			
Opening net book amount	**–**	**–**	**–**
Acquisition of subsidiary	**2,208**	**1,628**	**3,836**
Closing net book amount	**2,208**	**1,628**	**3,836**
Cost	**2,208**	**1,628**	**3,836**
Accumulated amortisation and impairment	**–**	**–**	**–**
Net book amount	**2,208**	**1,628**	**3,836**

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
19 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES				
Trade payables	**34,854**	23,244	**16,881**	9,678
Other creditors and accruals	**23,761**	23,797	**8,764**	5,088
Other payables	**1,349**	1,522	**1,189**	2,351
	59,964	48,563	**26,834**	17,117

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
20 CURRENT LIABILITIES – BORROWINGS				
Secured				
Bank loans	**18,589**	13,778	**–**	–
Hire purchase liabilities (note 34)	**18,542**	14,830	**13,045**	9,622
Total secured current borrowings	**37,131**	28,608	**13,045**	9,622

(a) Risk exposures

Details of the Group's exposure to risks arising from current and non current borrowings are set out in note 2.

(b) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 24(d).

(c) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 24(b).

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
21 CURRENT LIABILITIES – CURRENT TAX LIABILITIES				
Income tax	**11,840**	3,921	**11,768**	3,465
22 CURRENT LIABILITIES – PROVISIONS				
Employee benefits – long service leave	**2,728**	2,527	**1,696**	1,336
23 NON-CURRENT LIABILITIES – PAYABLES				
Loans from controlled entities	**–**	–	**1,281**	718

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
24 NON-CURRENT LIABILITIES – BORROWINGS				
Secured				
Bank loans	**50,561**	33,958	**–**	–
Hire purchase liabilities (note 34)	**48,216**	34,918	**38,615**	23,003
	98,777	68,876	**38,615**	23,003
Unsecured				
Loans from associated entities	**–**	20	**–**	–
Total non-current borrowings	**98,777**	68,896	**38,615**	23,003
(a) Total secured liabilities				
The total secured liabilities (current and non-current) are as follows:				
Bank overdrafts and bank loans	**69,150**	47,736	**–**	–
Hire purchase liabilities	**66,758**	49,748	**51,660**	32,625
Total secured liabilities	**135,908**	97,484	**51,660**	32,625

(b) Assets pledged as security

The bank loans are secured by:

(i) Registered mortgage debenture over all the assets and undertakings of the parent entity;
(ii) First ranking mortgage over land and buildings;
(iii) Assignment of vehicles financed;
(iv) A negative pledge over a controlled entity's existing fixed assets;
(v) A lien over the specific asset financed.

The hire purchase liabilities are secured by the lessor having the right to the asset under hire purchase in the event of default.

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Current				
Floating charge				
Cash and cash equivalents	**63,212**	30,992	**63,212**	30,992
Receivables	**28,334**	19,212	**29,630**	19,702
Inventory	**14,571**	9,521	**14,571**	9,521
Total current assets pledged as security	**106,117**	59,725	**107,413**	60,215
Non-current				
First mortgage				
Freehold land and buildings	**39,090**	11,578	**3,145**	1,578
Finance lease				
Plant and equipment	**84,402**	56,442	**61,774**	36,219
Secured bank loans				
Plant and equipment	**68,284**	46,832	**–**	–
Floating charge				
Receivables	**4,574**	1,055	**121,719**	55,244
Investments accounted for using the equity method	**46**	39	**–**	–
Available-for-sale financial assets	**1,060**	1,636	**940**	1,480
Other financial assets	**–**	–	**1,289**	546
Plant and equipment	**21,255**	20,097	**21,255**	20,097
	26,935	22,827	**145,203**	77,367
Total non-current assets pledged as security	**218,711**	137,679	**210,122**	115,164
Total assets pledged as security	**324,828**	197,404	**317,535**	175,379

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated		Parent	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

24 NON-CURRENT LIABILITIES – BORROWINGS (continued)

(c) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Credit standby arrangements				
Total facilities				
Bank overdrafts	**1,564**	1,764	**–**	–
Secured term loans	**92,630**	75,227	**8,000**	8,000
Revolving leasing/hire purchase limit	**90,496**	59,264	**90,496**	59,264
Bank guarantees	**1,500**	1,500	**1,500**	1,500
	186,190	137,755	**99,996**	68,764
Used at balance date				
Bank overdrafts	**–**	–	**–**	–
Secured term loans	**69,151**	47,774	**–**	–
Revolving leasing/hire purchase limit	**66,758**	49,729	**51,660**	32,625
Bank guarantees	**796**	771	**–**	–
	136,705	98,274	**51,660**	32,625
Unused at balance date				
Bank overdrafts	**1,564**	1,764	**–**	–
Secured term loans	**23,479**	27,453	**8,000**	8,000
Revolving leasing/hire purchase limit	**23,738**	9,535	**38,836**	26,639
Bank guarantees	**704**	729	**1,500**	1,500
	49,485	39,481	**48,336**	36,139

The bank overdraft facilities may be drawn at any time and are subject to an annual review.

The revolving leasing/hire purchase facilities can be drawn down on application for the purchase of equipment for a term up to five years. Interest is set at the time of drawdown and fixed for the term.

The secured term loans can be drawn down for the purchase of property, plant and equipment for periods up to 7 years. Property secured loans are at a fixed or variable rate. Plant and equipment interest is set at the time of drawdown and is fixed for the term.

The facilities for controlled entities are secured by company guarantee from the parent and cross guarantees from other controlled entities within the consolidated entity.

Foreign currency contract facilities

The Company has access to foreign currency contract facilities to allow for programmes to cover the Group's foreign exchange exposures. The foreign currency contract facilities are secured by a registered mortgage debenture over all the assets and undertakings of the parent entity.

(d) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2008		2007	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**69,150**	**69,207**	47,736	44,171
Other loans	**–**	**–**	20	20
Hire purchase liabilities	**66,758**	**76,708**	49,748	49,748
	135,908	**145,915**	97,504	93,939

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
25 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES				
The balance comprises temporary differences attributable to:				
Prepayments	**45**	15	**10**	15
Inventories	**4,878**	3,252	**3,353**	2,627
Receivables – diesel fuel rebate	**1,708**	1,189	**365**	88
Available-for-sale financial assets	**48**	227	**28**	190
Foreign branch distributable profit	**3,829**	3,914	**–**	–
Depreciation	**8,202**	7,663	**–**	300
Revaluation of land & buildings	**8,106**	–	**525**	–
Total deferred tax liabilities	**26,816**	16,260	**4,281**	3,220
Set-off of deferred tax assets (note 17)	**(16,142)**	(13,790)	**(4,281)**	(1,858)
Net deferred tax liabilities	**10,674**	2,470	**–**	1,362
Movements:				
Opening balance at 1 July	**2,470**	119	**1,362**	785
Charged / (credited) to the income statement (note 8)	**2,068**	2,124	**(1,362)**	387
Charged to equity (notes 27 and 28)	**6,136**	227	**–**	190
Closing balance at 30 June	**10,674**	2,470	**–**	1,362
Deferred tax liabilities to be settled within 12 months	**295**	(807)	**–**	1,316
Deferred tax liabilities to be settled after more than 12 months	**10,379**	3,277	**–**	46
	10,674	2,470	**–**	1,362
26 NON-CURRENT LIABILITIES – PROVISIONS				
Employee benefits – long service leave	**1,168**	806	**689**	576

	Parent 2008 Shares	Parent 2007 Shares	Parent 2008 $'000	Parent 2007 $'000
27 CONTRIBUTED EQUITY				
(a) Share capital				
Fully paid ordinary shares	**172,150,470**	132,208,820	**191,528**	95,826

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price $	$'000
1 July 2006	Opening balance	130,803,263		93,598
26 October 2006	Dividend reinvestment plan issue	773,234	$1.34	1,036
5 April 2007	Dividend reinvestment plan issue	632,323	$1.89	1,192
30 June 2007	Balance	132,208,820		95,826
1 July 2007	**Opening balance**	**132,208,820**		**95,826**
26 October 2007	**Dividend reinvestment plan issue**	**473,611**	**$2.41**	**1,143**
12 November 2007	**Shares issued pursuant to Capital Raising**	**19,800,000**	**$2.50**	**49,500**
11 December 2007	**Additional shares issued pursuant to Capital Raising**	**8,770,000**	**$2.50**	**21,925**
21 December 2007	**Shares issued pursuant to Share Purchase Plan**	**7,500,000**	**$2.40**	**18,000**
21 December 2007	**Shares issued to Managing Director**	**2,465,834**	**$2.50**	**6,165**
4 April 2008	**Dividend reinvestment plan issues**	**932,205**	**$1.90**	**1,767**
				194,326
	Less: Transaction costs arising on share issues			**(2,798)**
30 June 2008	**Balance**	**172,150,470**		**191,528**

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

27 CONTRIBUTED EQUITY (continued)

(c) 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 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.

(d) 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. Shares are issued under the plan at no discount to the weighted average market price for the 5 days up to and including the record date.

(e) Options

Options to take up ordinary shares in the capital of Ausdrill Limited outstanding and granted during the year are detailed as follows:

(i) Ausdrill Limited Employee Option Plan

The number of options granted during the year under the Ausdrill Limited Employee Option Plan was nil (2007 – nil). Outstanding unlisted options under the Ausdrill Limited Employee Option Plan to acquire fully paid ordinary shares in the Company as at the date of this report are nil (2007 – nil).

(f) Capital risk management

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

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

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio up to 70%. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

	Consolidated		**Parent**	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Total borrowings (note 24(a))	**135,908**	97,484	**51,660**	32,625
Less: cash and cash equivalents (note 9)	**(88,956)**	(48,555)	**(63,212)**	(30,992)
Net debt (cash)	**46,952**	48,929	**(11,552)**	1,633
Total equity	**280,732**	151,231	**224,486**	118,188
Gearing ratio	**17%**	32%	**–%**	1%

The decrease in the gearing ratio during 2008 resulted primarily from the capital raising during the year.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
28 RESERVES AND RETAINED PROFITS				
(a) Reserves				
Land and buildings revaluation reserve	**18,886**	–	**1,224**	–
Available-for-sale investments revaluation reserve	**113**	530	**66**	444
Foreign currency translation reserve	**(8,177)**	(3,346)	**–**	–
	10,822	(2,816)	**1,290**	444
Movements:				
Land and buildings revaluation reserve				
Balance 1 July	**–**	–	**–**	–
Revaluation – gross (note 16)	**26,992**	–	**1,749**	–
Deferred tax (note 25)	**(8,106)**	–	**(525)**	–
Balance 30 June	**18,886**	–	**1,224**	–
Movements:				
Available-for-sale investments revaluation reserve				
Balance 1 July	**530**	–	**444**	–
Revaluation – gross (note 14)	**(596)**	757	**(540)**	634
Deferred tax (note 25)	**179**	(227)	**162**	(190)
Balance 30 June	**113**	530	**66**	444
Movements:				
Foreign currency translation reserve				
Balance 1 July	**(3,346)**	2,166	**–**	–
Currency translation differences arising during the year	**(4,831)**	(5,512)	**–**	–
Balance 30 June	**(8,177)**	(3,346)	**–**	–
(b) Retained profits				
Movements in retained profits were as follows:				
Opening retained earnings	**58,221**	39,864	**21,918**	12,586
Net profit for the year	**35,332**	27,544	**24,921**	18,519
Dividends	**(15,171)**	(9,187)	**(15,171)**	(9,187)
Balance 30 June	**78,382**	58,221	**31,668**	21,918

(c) Nature and purpose of reserves

(i) Land and buildings revaluation reserve

The land and buildings revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(m). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1(k). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as discussed in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

29 DIVIDENDS

(a) Ordinary shares

	Parent 2008 $'000	Parent 2007 $'000
Final dividend for the year ended 30 June 2007 of 5 cents (2006 – 3 cents) per fully paid share paid on 26 October 2007 (2006 – 26 October 2006)		
Fully franked (2006 – fully franked)	**6,610**	3,924
Interim dividend for the year ended 30 June 2008 of 5 cents (2007 – 4 cents) per fully paid share paid 4 April 2008 (2007 – 5 April 2007)		
Fully franked (2007 – fully franked)	**8,561**	5,263
Total dividends provided for or paid	**15,171**	9,187
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2008 and 2007 were as follows:		
Paid in cash	**12,286**	6,959
Satisfied by issue of shares	**2,885**	2,228
	15,171	9,187

(b) Dividends not recognised at year end

	Parent 2008 $'000	Parent 2007 $'000
In addition to the above dividends, since year end the directors have declared the payment of a final dividend of 6 cents per fully paid ordinary share, (2007 – 5 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 24 October 2008 but not recognised as a liability at year end, is	**10,329**	6,610

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2008.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007 – 30%)	**10,825**	5,799	**10,825**	5,799

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax,

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $4,426,726 (2007: $2,833,046).

30 DERIVATIVE FINANCIAL INSTRUMENTS

(a) Instruments used by the Group

(i) Forward exchange contracts

These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. Any changes in fair values are taken to the income statement immediately. At balance date the net unrealised gain on these contracts amounted to $214,500 (2007 – $11,421).

The procurement and logistics business records some sales in US dollars. The Group had entered forward exchange contracts to sell US dollars based on the expected date of payment of the foreign currency by the client.

Refer to note 2 for foreign exchange risk exposures.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
31 KEY MANAGEMENT PERSONNEL DISCLOSURES				
(a) Key management personnel compensation				
Short-term employee benefits	**2,193,751**	1,999,543	**1,765,787**	1,625,455
Post-employment benefits	**421,449**	452,018	**296,621**	304,991
	2,615,200	2,451,561	**2,062,408**	1,930,446

Detailed remuneration disclosures are provided in sections A-D of the remuneration report on pages 10 to 14.

(i) Share holdings

The numbers of shares in the Company held during the financial year by each director of Ausdrill Limited and each of the other key management personnel of the Group, including their personally-related entities, are set out below:

2008	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Ausdrill Limited				
Ordinary shares				
T E O'Connor	**953,488**	**–**	**–**	**953,488**
R G Sayers	**18,936,449**	**–**	**6,830,426**	**25,766,875**
J E Askew	**600,000**	**–**	**–**	**600,000**
T J Strapp	**103,448**	**–**	**2,083**	**105,531**
2007				
Directors of Ausdrill Limited				
Ordinary shares				
T E O'Connor	953,448	–	–	953,448
R G Sayers	18,936,449	–	–	18,936,449
J E Askew	600,000	–	–	600,000
G P Connell – Resigned 16 November 2007	8,650,000	–	–	8,650,000
TJ Strapp	103,448	–	–	103,448
Other key management personnel of the Group				
Ordinary shares				
A G Broad – Resigned 16 May 2008	–	–	5,000	5,000

(b) Loans to key management personnel

No loans were made to directors of Ausdrill Limited and other key management personnel of the Group, including their personally related parties.

(c) Other transactions with key management personnel

(i) Directors of Ausdrill Limited

Ausdrill Limited has rented an office building from Mr R G Sayers for the past 8 years with a further term of 2 years remaining. The rental agreement is based on normal commercial terms and conditions.

	2008 $	2007 $
Amounts recognised as expense		
Rent of office building	**209,613**	206,375

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
32 REMUNERATION OF AUDITORS				
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:				
(a) Assurance services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**199,234**	168,686	**73,265**	62,000
Related practices of PricewaterhouseCoopers Australian firm	**40,238**	42,993	**–**	–
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	**14,263**	14,244	**–**	–
Total remuneration for audit services	**253,735**	225,923	**73,265**	62,000
(b) Other assurance services				
Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	**93,082**	112,414	**93,082**	65,000
Related practices of PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	**86,745**	122,885	**–**	–
Other auditors of subsidiaries				
Tax compliance services, including review of company income tax returns	**4,846**	2,765	**–**	–
Total remuneration for taxation services	**184,673**	238,064	**93,082**	65,000
Other services				
PricewaterhouseCoopers Australian firm				
Accounting consulting services	**89,240**	–	**89,240**	–
Total remuneration for other services	**89,240**	–	**89,240**	–
Total remuneration for other assurance services	**273,913**	238,064	**182,322**	65,000

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

33 CONTINGENCIES

(a) Contingent liabilities

Guarantees

The controlled entities have provided an unlimited Guarantee and Indemnity for the performance of a mining contract by a controlled entity.

Guarantees provided by the parent entity in respect of leased and hire purchase plant and equipment of controlled entities amount to $15,098,023 (2007 – $17,049,792)

The company has provided a Guarantee and Indemnity to financiers of a controlled entity for funding for acquisition of plant and equipment amounting to $63,623,043 (2007 – $43,269,893)

Guarantees provided by the parent entity in respect of leased and hire purchase plant and equipment of associated entities amounting to $23,014 (2007 – $317,000)

The Group has provided a several Guarantee and Indemnity to the landlord of an associated entity for leasing premises amounting to nil (2007 – $242,000)

No material losses are anticipated in respect of any of the above contingent liabilities.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
34 COMMITMENTS				
(a) Capital commitments				
Property, plant and equipment				
Payable:				
Within one year	**52,269**	18,516	**31,328**	12,125
The capital commitments are to be funded from cash and available finance facilities (refer to note 24(c)).				
(b) Lease commitments				
(i) Hire purchase liabilities:				
Within one year	**23,123**	18,151	**16,681**	11,659
Later than one year but not later than two years	**20,918**	14,174	**15,708**	8,738
Later than two years but no later than five years	**33,350**	24,698	**28,056**	17,163
Total minimum hire purchase commitments	**77,391**	57,023	**60,445**	37,560
Future finance charges	**(10,633)**	(7,275)	**(8,785)**	(4,935)
	66,758	49,748	**51,660**	32,625
Current	**18,542**	14,830	**13,045**	9,622
Non-current	**48,216**	34,918	**38,615**	23,003
	66,758	49,748	**51,660**	32,625
(ii) Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**962**	429	**458**	270
Later than one year but not later than five years	**905**	533	**644**	503
Later than five years	**395**	–	**395**	–
	2,262	962	**1,497**	773

35 RELATED PARTY TRANSACTIONS

(a) Subsidiaries

The wholly-owned group consists of Ausdrill Limited and its wholly-owned controlled entities as detailed in note 37.

Transactions between Ausdrill Limited and related parties in the wholly-owned group during the years ended 30 June 2008 and 2007 consisted of:

(i) Loans made by Ausdrill Limited
(ii) Loans repaid to Ausdrill Limited
(iii) Interest charged by Ausdrill Limited
(iv) Sales and provision of services by Ausdrill Limited
(v) Management fees charged by Ausdrill Limited
(vi) Management fees charged to Ausdrill Limited
(vii) Transfer of tax credits and losses to and by Ausdrill Limited
(viii) Transfer of certain financial assets and liabilities from Ausdrill Limited
(ix) Acquisition of plant and equipment and inventory by Ausdrill Limited
(x) Sale of plant and equipment and inventory by Ausdrill Limited
(xi) Purchase of drill rods and consumables by Ausdrill Limited

The above transactions were made on normal commercial terms and conditions and at market rates, except that tax credits and losses which were transferred for full consideration. The average interest rate charged on the loans during the year was 9.77% (2007 – 7.50%).

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 31.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated		Parent	
	2008	2007	2008	2007
	$	$	$	$
35 RELATED PARTY TRANSACTIONS (continued)				
(c) Transactions with related parties				
The following transactions occurred with related parties:				
Sales of goods and services				
Associates	**1,269,420**	527,384	**–**	–
Proceeds from sale of assets				
Subsidiaries	**–**	–	**296,768**	1,435,644
Interest received / receivable				
Subsidiaries	**–**	–	**9,605,035**	3,589,301
Associates	**82,343**	62,762	**–**	–
Dividend received				
Subsidiaries	**–**	–	**–**	540,786
Associates	**620,172**	603,058	**–**	–
Purchases of goods				
Subsidiaries	**–**	–	**7,187,892**	3,800,328
Associates	**2,160,641**	3,085,105	**1,729,686**	3,067,200
Interest paid / payable				
Subsidiaries	**–**	–	**70,167**	97,437
Associates	**–**	20,172	**–**	–
Management fee paid / payable				
Subsidiaries	**–**	–	**1,830,252**	1,654,928
(d) Outstanding balances arising from sales / purchases of goods and services				
The following balances are outstanding at the reporting date in relation to transactions with related parties:				
Current receivables (sales of goods and services)				
Subsidiaries	**–**	–	**1,190,678**	490,201
Non-current receivables (loans)				
Subsidiaries	**–**	–	**121,719,144**	55,244,014
Associates	**4,574,448**	1,055,063	**–**	–
Current payables (purchases of goods)				
Subsidiaries	**–**	–	**1,178,143**	954,927
Associates	**28,341**	392,299	**10,199**	254,271
Non-current payables (loans)				
Subsidiaries	**–**	–	**1,281,230**	718,189
Associates	**–**	20,172	**–**	–

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
35 RELATED PARTY TRANSACTIONS (continued)				
(e) Loans to / from related parties				
Loans to subsidiaries				
Beginning of the year	**–**	–	**55,244,014**	46,291,177
Loans advanced	**–**	–	**62,490,998**	8,052,971
Interest charged	**–**	–	**9,605,035**	3,554,399
Interest received	**–**	–	**(812,167)**	(583,922)
Tax allocation	**–**	–	**(4,048,140)**	(1,915,058)
Provision for impairment	**–**	–	**(760,596)**	(155,553)
End of year	**–**	–	**121,719,144**	55,244,014
Loans to other related parties				
Beginning of the year	**–**	–	**718,189**	2,781,272
Loan repayments	**–**	–	**–**	(8,432)
Interest charged	**–**	–	**70,167**	97,437
Tax allocation	**–**	–	**492,874**	(28,830)
Loan forgiven	**–**	–	**–**	(2,123,258)
End of year	**–**	–	**1,281,230**	718,189
Loans from associates				
Beginning of the year	**20,172**	53,058	**–**	–
Loans advanced	**600,000**	550,000	**–**	–
Loan repayments	**(620,172)**	(603,058)	**–**	–
Interest charged	**–**	20,172	**–**	–
End of year	**–**	20,172	**–**	–
Loans to associates				
Beginning of Year	**1,055,063**	–	**–**	–
Loans advanced	**9,254,214**	1,108,063	**–**	–
Loans repaid	**(5,734,829)**	(53,000)	**–**	–
Interest charged	**–**	62,762	**–**	–
Interest received	**–**	(62,762)	**–**	–
End of year	**4,574,448**	1,055,063	**–**	–

A provision for impairment of $760,596 has been raised in relation to outstanding balances from subsidiaries, and an expense of the same amount has been recognised in respect of bad or doubtful debts due from related parties.

(f) Guarantees

The following guarantees have been given:

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Guarantees by the parent entity in respect of leased and hire purchased plant and equipment of controlled entities.	**–**	–	**15,098,023**	17,049,792
This company has provided a Guarantee and Indemnity to financiers of a controlled entity for funding for acquisition of plant and equipment.	**–**	–	**63,623,043**	43,269,893
	–	–	**78,721,066**	60,319,685

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

36 BUSINESS COMBINATIONS

(a) Summary of acquisition

On 1 April 2008 the Consolidated Entity acquired the remaining 50% of Remet Engineers Pty Ltd.

Details of fair value of the assets and liabilities acquired and the gain on acquisition are as follows:

	2008 $'000
Purchase consideration (refer to (b) below):	
Cash paid	7,508
Fair value of net identifiable assets acquired (refer to (c) below)	(5,300)
Goodwill (refer to (c) below)	2,208

(b) Purchase consideration

Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	7,508
Less: balances acquired	
Cash	891
Initial 50% consideration paid	2,047
Deferred consideration payable	961
Outflow of cash	3,609

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	891	891
Trade and other receivables	2,237	2,237
Inventories	2,841	2,841
Deferred tax assets	143	143
Property, plant and equipment	1,208	1,208
Intangible assets	–	1,628
Trade and other payables	(2,247)	(2,247)
Finance liabilities	(411)	(411)
Tax liability	(502)	(502)
Deferred tax liability	–	(488)
Net identifiable assets and liabilities	4,160	5,300
Goodwill on acquisition		2,208
Consideration paid, including initial 50% cash consideration ($2.047 million) and deferred consideration ($0.961 million)		7,508
Cash acquired		(891)
Net cash outflow		6,617

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

37 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding ** 2008 %	2007 %
Ausdrill (Ghana) Pty Ltd	Australia	Ordinary	**100**	100
Perforaciones Ausdrill Chile Ltda	Chile	Ordinary	**100**	100
Golden Plains Pty Ltd	Australia	Ordinary	**100**	100
Ausminco Mining & Equipment Suppliers Pty Ltd	Australia	Ordinary	**100**	100
Supply Direct Pty Ltd	Australia	Ordinary	**100**	100
West African Mining Services Ltd	Ghana	Ordinary	**100**	100
Mining Technology and Supplies Ltd	Ghana	Ordinary	**100**	100
Ausdrill International & Management Services Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill International Pty Ltd	Australia	Ordinary	**100**	100
Australian Communications Engineering Pty Ltd	Australia	Ordinary	**100**	100
Logistics Direct Ltd	Ghana	Ordinary	**100**	100
Diamond Communications Pty Ltd	Australia	Ordinary	**100**	100
Supply Direct South Africa Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Northwest Pty Ltd	Australia	Ordinary	**100**	100
Logistics Direct Australia Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Properties Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Utilities Pty Ltd	Australia	Ordinary	**100**	100
Drilling Tools Australia Pty Ltd (formerly Ausdrill Enterprises Pty Ltd)	Australia	Ordinary	**100**	100
African Mining Services (Ghana) Pty Ltd	Australia	Ordinary	**100**	100
Independent Components WA Pty Ltd	Australia	Ordinary	**100**	100
Drill Rigs Australia Pty Ltd	Australia	Ordinary	**100**	–
Ausdrill Mining Services Pty Ltd	Australia	Ordinary	**100**	–
Remet Engineers Pty Ltd	Australia	Ordinary	**100**	50

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

Perforaciones Ausdrill Chile Ltda is 99% owned by Ausdrill Limited and 1% owned by Ausdrill International Pty Ltd.

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

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

Australian Communications Engineering Pty Ltd which is 100% owned by Diamond Communications Pty Ltd.

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

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

Remet Engineers which is 100% owned by Drilling Tools Australia Pty Ltd.

Ausdrill Limited carries on business in Australia. African Mining Services (Ghana) Pty Ltd, Ausdrill (Ghana) Pty Ltd, West African Mining Services Limited, Mining Technology and Supplies Limited and Logistics Direct Limited carry or carried on business in Ghana. Perforaciones Ausdrill Chile Ltda carried on business in Chile, and Supply Direct South Africa Pty Ltd carries on business in South Africa. Supply Direct Pty Ltd has a branch which carries on business in the United Kingdom.

Steps have been taken for the voluntary liquidation of West African Mining Services Limited, Mining Technology and Supplies Ltd and Perforaciones Ausdrill Chile Ltda.

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

38 INVESTMENTS IN ASSOCIATES

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest 2008 %	Ownership interest 2007 %	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Unlisted							
African Underground Mining Services Ltd	Contract Mining	**50**	–	**–**	–	**–**	–
Westrans Services WA Pty Ltd	Transport	**50**	50	**–**	–	**–**	–
Remet Engineers Pty Ltd *	Manufacturing	**100**	50	**–**	–	**–**	–
				1,858	2,340	**–**	–

The above associates are incorporated in Australia and Ghana.
*Refer to note 36 regarding the acquisition of the remaining 50% of Remet Engineers Pty Ltd during the year.

	Consolidated 2008 $'000	Consolidated 2007 $'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**2,340**	2,104
Share of profits after income tax	**861**	740
Acquisition of interests in associates	**1,774**	100
Transfer of carrying value of investment in associate on becoming a controlled entity	**(2,496)**	–
Dividends received	**(621)**	(604)
Carrying amount at the end of the financial year	**1,858**	2,340
(c) Share of associates' profits or losses		
Profit before income tax	**1,266**	1,057
Income tax expense	**(405)**	(317)
Profit after income tax	**861**	740

(d) Summarised financial information of associates

	Group's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2008				
African Underground Mining Services Ltd	**6,241**	**6,093**	**1,842**	**84**
Westrans Services WA Pty Ltd	**931**	**994**	**3,086**	**(39)**
Remet Engineers Pty Ltd	**–**	**–**	**4,659**	**816**
	7,172	**7,087**	**9,587**	**861**
2007				
Remet Engineers Pty Ltd	3,237	549	4,855	800
Westrans Services WA Pty Ltd	886	925	2,562	(60)
	4,123	1,474	7,417	740

	Consolidated 2008 $'000	Consolidated 2007 $'000
(e) Share of associates' expenditure commitments, other than for the supply of inventories		
Lease commitments	**–**	242
	–	242
(f) Contingent liabilities of associates		
The Group has provided a several Guarantee and Indemnity to the landlord of an associated entity for leasing premises.	**–**	242
	–	242

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

39 EVENTS OCCURING AFTER THE BALANCE SHEET DATE

On 22 August 2008, the directors declared the payment of a final ordinary dividend of $10,329,028 (6 cents per fully paid share) to be paid on 24 October 2008. The financial effect of this transaction has not been brought to account at 30 June 2008.

40 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Profit for the year	**35,332**	27,544	**24,921**	18,519
Depreciation and amortisation	**28,890**	27,017	**10,718**	8,121
Net gain on sale of non-current assets	**(2,003)**	(3,042)	**(345)**	(137)
Bad debts and provision for doubtful debts	**726**	635	**120**	276
Net exchange differences	**790**	722	**–**	–
Interest receivable from controlled entities	**–**	–	**(8,723)**	(2,970)
Share of profits of associates not received as dividends	**(241)**	(136)	**–**	–
Write-down of loan to controlled entity	**–**	–	**761**	156
Write-down of investments	**–**	–	**(744)**	1,739
Change in operating assets and liabilities				
(Increase) in trade debtors	**(15,388)**	(11,035)	**(9,982)**	(3,171)
(Increase) in inventories	**(18,263)**	(6,161)	**(5,050)**	(737)
(Increase) in other operating assets	**(636)**	(198)	**(58)**	(28)
Decrease / (Increase) future income tax benefit	**194**	1,448	**(877)**	–
Increase in trade creditors	**3,851**	6,664	**9,543**	3,041
Increase / (Decrease) in other provisions	**389**	(124)	**660**	(103)
Increase in provision for income taxes payable	**6,096**	2,535	**12,843**	2,465
Increase / (decrease) in provision for deferred income tax	**3,300**	2,351	**(526)**	387
Net cash inflow from operating activities	**43,037**	48,220	**33,261**	27,558

41 NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated		Parent	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Acquisition of plant and equipment by means of finance leases or hire purchase	**35,726**	36,143	**31,386**	23,996
Issue of shares under company dividend reinvestment plan	**2,885**	2,228	**2,885**	2,228
	38,611	38,371	**34,271**	26,224

42 EARNINGS PER SHARE

(a) Basic earnings per share

	Consolidated	
	2008	2007
	Cents	Cents
Profit from continuing operations attributable to the ordinary equity holders of the company	**22.72**	20.17
Profit from discontinued operation	**–**	0.70
Profit attributable to the ordinary equity holders of the company	**22.72**	20.87

Notes to the Financial Statements (continued)

Ausdrill Limited and its controlled entities – For the year ended 30 June 2008

42 EARNINGS PER SHARE (continued)

(b) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2008	2007
	$'000	$'000
Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**35,332**	26,619
Profit from discontinued operation	**–**	925
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**35,332**	27,544

(c) Weighted average number of shares used as the denominator

	Consolidated	
	2008	2007
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**155,489,037**	131,996,166

43 DISCONTINUED OPERATIONS

	Consolidated		Parent	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Revenue (note 5)	**–**	1,327	**–**	–
Expenses	**–**	(402)	**–**	–
Profit before income tax	**–**	925	**–**	–
Profit from discontinued operations	**–**	925	**–**	–
Net cash outflow from operating activities	**–**	(443)	**–**	–
Net cash inflow from investing activities (2007 includes an inflow of $1,477,000 from the sale of the property of the discontinuing operation)	**–**	765	**–**	–
Net cash outflow from financing activities	**–**	(132)	**–**	–
Net increase in cash generated by the division	**–**	190	**–**	–

(a) Carrying amounts of assets and liabilities

Trade creditors	**(56)**	(63)	**–**	–
Total liabilities	**(56)**	(63)	**–**	–
Net assets	**(56)**	(63)	**–**	–

(b) Details of the sale of the division

Consideration received or receivable:				
Cash	**–**	1,477	**–**	–
Carrying amount of net assets sold	**–**	(85)	**–**	–
Gain on sale before income tax	**–**	1,392	**–**	–

Directors' Declaration

Ausdrill Limited and its controlled entities

In the directors' opinion:

(a) the financial statements and notes set out on pages 23 to 69 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and

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

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

R G SAYERS
MANAGING DIRECTOR

Perth
30 September 2008

Independent Audit Report to the Members of Ausdrill Limited

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Report on the financial report

We have audited the accompanying financial report of Ausdrill Limited (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Ausdrill Limited and the Ausdrill Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent Audit Report to the Members of Ausdrill Limited (continued)

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Ausdrill Limited is in accordance with the *Corporations Act 2001,* including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Ausdrill Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Justin Carroll
Partner

Perth
30 September 2008

Liability limited by a scheme approved under Professional Standards Legislation

Shareholder Information

Ausdrill Limited and its controlled entities

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding as at 29 August 2008:

	Ordinary shares	
	Number of Holders	Shares
1 – 1000	766	273,820
1,001 – 5,000	1,177	3,301,901
5,001 – 10,000	617	4,759,201
10,001 – 100,000	834	20,705,533
100,001 and over	102	143,110,015
	3,496	**172,150,470**

There were 151 holders of less than a marketable parcel of 209 ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders as at 12 September 2008.

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
1. Cherry Garden Nominees Pty Ltd	33,801,664	19.63
2. J P Morgan Nominees Aust Ltd	20,286,030	11.78
3. National Nominees Pty Ltd	12,216,959	7.10
4. Citicorp Nominees Ltd	7,468,954	4.34
5. Bremerton Pty Ltd	5,610,118	3.26
6. HSBC Custody Nominees (Aust) Ltd	4,480,621	2.60
7. HSBC Custody Nominees (Aust) Ltd – Acc No 2	4,009,918	2.33
8. ANZ Nominees Limited Cash Income	3,634,920	2.11
9. Cogent Nominees Pty Limited	3,463,946	2.01
10. HSBC Custody Nominees (Aust) Ltd (Various GSI & GSCO Accounts)	2,883,057	1.67
11. CTS Funds Pty Ltd	2,847,898	1.65
12. Connell Contractors Super Fund	2,693,650	1.56
13. Gary Patrick Connell	2,500,000	1.45
14. UBS Nominees Pty Ltd	2,108,912	1.23
15. Gary Patrick Connell	2,066,750	1.20
16 Gerald Harvey	1,796,223	1.04
17. AMP Life Limited	1,777,737	1.03
18. Pan Australian Nominees Pty Ltd	1,646,684	0.96
19. Kingarth Pty Ltd	1,425,000	0.83
20. Patricia Gladys Wright	1,312,030	0.76
Total held by the twenty largest shareholders	**118,031,071**	**68.54**

Shareholder Information (continued)

Ausdrill Limited and its controlled entities

C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below as at 12 September 2008:

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
1. Cherry Garden Nominees Pty Ltd / Ronald George Sayers	34,342,497	19.95%
2. Invesco Australia Ltd	10,198,588	5.92%
3. Paradice Investment Management Pty Ltd	9,663,404	5.61%
4. Garry Patrick Connell	8,650,000	5.02%

D. VOTING RIGHTS

Every member present at a meeting of the company in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Financial Table

Ausdrill Limited and its controlled entities

		2004	2005	2006	2007	2008
REVENUE						
Sales	$'000	151,259	202,843	317,134	365,605	**387,141**
Other (including equity accounted profits)	$'000	13,189	12,012	4,382	7,457	**8,619**
Total	$'000	164,448	214,855	321,516	373,062	**395,760**
PROFIT						
Earnings before interest, tax, depreciation, amortisation, foreign exchange & significant items	$'000	21,537	27,966	54,299	71,673	**90,119**
Depreciation & amortisation	$'000	9,594	13,588	21,100	26,996	**28,890**
Earnings before interest, tax, foreign exchange & significant items	$'000	11,943	14,378	33,199	44,677	**61,229**
Borrowing costs	$'000	1,719	2,442	5,307	7,547	**9,148**
Profit before foreign exchange & significant items	$'000	10,224	11,936	27,892	37,130	**52,081**
Foreign exchange gains/(losses)	$'000	(172)	22	602	(541)	**(1,607)**
Profit before significant items	$'000	10,052	11,958	28,494	36,589	**50,474**
Significant items	$'000	(3,058)	9,426	(344)	925	**–**
Profit before tax as per accounts	$'000	6,994	21,384	28,150	37,514	**50,474**
Taxation						
Significant items	$'000	–	(4,215)	–	–	**–**
Normal	$'000	2,984	4,001	9,114	9,970	**15,142**
Total tax	$'000	2,984	(214)	9,114	9,970	**15,142**
Profit after tax	$'000	4,010	21,598	19,036	27,544	**35,332**
STATEMENTS OF FINANCIAL POSITION						
Total Assets	$'000	129,772	169,837	266,263	307,085	**503,070**
Total Liabilities	$'000	61,373	80,474	130,635	155,854	**222,338**
Shareholders' Equity	$'000	68,399	89,363	135,628	151,231	**280,732**
DIVIDENDS PER ORDINARY SHARE						
Dividends paid	cents	2.0	2.00	3.00	4.00	**5.0**
Dividends declared but not paid	cents	2.0	2.25	3.00	5.00	**6.0**
Total Dividends per share	cents	4.0	4.25	6.00	9.00	**11.0**
Total Dividends	$'000	3,858	4,217	5,664	9,187	**15,171**
Number of Ordinary Shares	#	103,890,316	107,488,713	130,803,263	132,208,820	**172,150,470**
DEPRECIATION AND AMORTISATION						
Property, Plant & Equipment	$'000	9,471	13,588	21,100	26,996	**28,890**
NET INTEREST EXPENSE	$'000	522	1,232	3,797	4,991	**5,320**
NET EXTERNAL DEBT	$'000	16,751	33,294	39,934	48,949	**46,952**
NET DEBT/NET TANGIBLE ASSETS (INCLUDING FITB)	%	24.5	37.3	29.4	32.4	**17.0**
EBIT TO SALES REVENUE	%	7.9	7.6	10.4	12.2	**15.8**
EMPLOYEES AT YEAR END	#	698	1,351	1,660	1,651	**2,072**

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