Ausdrill Limited
6-12 Uppsala Place
Canning Vale WA 6155
PO Box 1540
Canning Vale WA 6970

T: 08 9311 5666
F: 08 9311 5667
www.ausdrill.com.au
ABN: 95 009 211 474

AUSDRILL LIMITED

HALF-YEAR FINANCIAL REPORT

As previously reported, Ausdrill Limited (ASX: ASL) is pleased to announce a strong net **profit after tax of $21.2 million** for the half year to 31 December, 2009. The Board has elected to maintain the interim dividend at the same level as the previous corresponding period, and has declared an interim dividend of 5.0 cents per share, fully franked, payable on the 30th April, 2010.

Excluding unrealised foreign exchange adjustments and costs associated with the acquisition of Brandrill, the normalised result after tax for the current period is **$23.1 million**, our strongest operational result ever.

The results for the half year period to 31 December 2008 included takeover defence costs and unrealised foreign exchange gains. Excluding these items gives the following normalised comparisons against the previous corresponding period:

- **Revenue is down 5.0% from $273.0m to $259.3m**
- **EBITDA is up 3.5% from $66.1m to $68.4m**
- **Profit after tax is up 5% from $22.0m to $23.1m**
- **Interim Dividend has been retained at 5.0 cents per share, fully franked**

Also important to note is that the previous period to 31 December 2008 included $9.7 million of pre tax realised foreign exchange gains.

The decline in revenue resulted mainly from the completion of a major contract in Africa in December 2008, and as a consequence of the stronger Australian dollar in the current period. Revenue is actually up 9.9% on that achieved in the second half of last year to June 2009.

Importantly our balance sheet consolidated with Brandrill following the merger remains strong with a net debt to equity ratio of 55%, cash of $42.5 million, and interest cover (adjusted EBIT/Interest) of 5.4 times. The Company's net tangible asset position has increased 13% to $341 million, or **$1.63 per share**.

Following the completion of the merger with Brandrill on the 16th December 2009, the integration of Brandrill is proceeding well. It will, however, take some time before the full synergies available from the merger are realised. Already we are seeing a number of new opportunities arising for the merged group in our production drilling and blasting business in Western Australia and in Queensland.

In addition Ausdrill has approved capital expenditure to allow DT Hi Load to manufacturer their specialist dump truck trays locally. The resulting reductions in manufacturing cost will both improve the gross margins and improve its competitiveness.

Operationally, the Company is very well placed. Our businesses have recovered well following the global financial crisis with a number of contract extensions and awards achieved throughout the Company.

Our production drilling and blasting business secured an extension for two years at St Ives Gold Mine with Gold Fields, a twelve month extension to the blast hole drilling contract with Newmont at Boddington Gold Mines, and a small but important contract at Barrow Island for WAPET as, we hope, a precursor to further involvement in the Gorgon project.

Our African Mining Services business was successful in securing a small extension to a low grade stockpile rehandle contract at Tarkwa Mine for Gold Fields Ghana, as well as a significant 54 month, US$120 million extension at the Chirano Gold Mine for Red Back Mining Inc.

AMS has also been able to get its complete exploration drilling fleet back into operation. It has secured a US$7 million work order for Newmont's operations in Ghana and we are in the process of mobilising additional drilling equipment to the region.

We also successfully took over the drilling and blasting operations for Anglo Gold Ashanti (AGA) at the Geita Gold Mine in Tanzania. The transition has worked exceptionally well for both AGA and for Ausdrill, and is now a significant base from which we can target further opportunities in Eastern Africa.

The Australian Exploration Drilling services market has been marked by volatility following the global financial crisis but is now exhibiting positive signs of recovery. Our Kalgoorlie drilling business secured a three year contract extension (with two one year option periods) to provide exploration drilling services to Gold Fields at St Ives and on regional projects. The contract is worth $55 million, we have also been awarded an exploration and resource definition drilling program by KCGM worth $5 million over two years.

Ausdrill Northwest secured an extension to the BHP Nickel West drilling contract for two years which is estimated to be worth $24 million. Ausdrill Northwest has also provided additional rigs to our major customers in the Pilbara.

The recovery of the exploration drilling services sector has also resulted in the first external sale of a drill rig manufactured by Drill Rigs Australia (DRA).

Following the merger with Brandrill a number of parties expressed an interest in acquiring Strange Drilling. This particular business, whilst engaged in similar activities as Ausdrill, utilises a very different fleet of equipment which was not compatible with our existing operations. We have agreed to sell the Strange Drilling business to an entity associated with Jeff Branson (a former Director and founder of Brandrill). The sale also includes restraint provisions on the purchaser in relation to drill and blast services.

Our Manufacturing businesses are performing well. We now sell 38% of the product produced by Drilling Tools Australia, Remet, and DRA externally (DT Hi Load was only consolidated from the 16th December). The drilling products divisions were impacted by the downturn in exploration drilling services but have increased in their sales volume on recent months. Remet is currently installing a new automated diamond rod manufacturing cell and has a friction welder on order for installation late this year. This will add new product lines to our business as well as improving production cost and quality on existing products. It will also allow us to service parts of the oil and gas market.

Supply Direct has endured a difficult period, and has been slower to recover from the recent downturn. It has however been able to secure a five year supply contract with Kumba Iron Ore (An Anglo Coal entity) at the Sishen mine site in South Africa for the supply of rotary tricone drill bits. The contract is valued at approximately 105 million Rand ($15 million).

Diamond Communications continues to be marginal and reported a loss for the period. Delays and uncertainty over the construction and ownership of the National Broadband Network have resulted in reduced expenditure by telecommunication companies and subsequently reduced revenue for Diamond. The business has restructured its cost base, and has reduced its workforce by 43 people during the period. Recently though, Diamond has secured the construction component for AMCOM's $20 million Northern Territory Extension Project for which we are currently mobilising.

Following the decision by Ausdrill to enter the Australian coal seam gas market during 2009, the operations have moved one step closer to production with the arrival of the first drill rig which has been built in Canada. The drill rig is in Toowoomba, Queensland undergoing final modifications so as to meet the transport, regulatory, and safety standards required by Ausdrill and the industry. The support equipment for the drill is due into Brisbane late March 2010, and it is envisaged completion of all the required work will be ready for commissioning by late April 2010.

All of the above augers well for the immediate outlook.

Current tendering activity is markedly higher and the company expects to win significant additional work in the short term.

Excluding the integration costs of Brandrill and any further appreciation in the Australian dollar, the Company is on track to deliver an improved full year result for the year ended 30 June 2010 and is very well placed for growth leading into the next financial year.

For further information, please contact:

Mr Ron Sayers
Managing Director
Ausdrill Limited
Tel: +61 8 9311 5666

Mr Andrew Broad
Chief Operating Officer
Ausdrill Limited
Tel: +61 8 9311 5666

Ausdrill Limited
ABN 95 009 211 474
ASX Half-year information - 31 December 2009

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2009 Annual Report

Contents

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$'000
Revenue from ordinary activities	down	5.0%	to	259,336
Profit from continuing ordinary activities after tax attributable to members	down	15.5%	to	21,183
Net profit for the period attributable to members	down	15.5%	to	21,183

Dividends	Amount per security	Franked amount per security
Interim dividend	5.0	5.0
Previous corresponding period	5.0	5.0

Payment date of dividend	30 April 2010
Record date for determining entitlements to the interim dividend	21 April 2010
Date for receipt of dividend reinvestment plan notices	21 April 2010

Dividend reinvestment plans

The company has a dividend reinvestment plan - Ausdrill Ltd Dividend Reinvestment Plan which is available for participation by all shareholders.

There will be a 5% discount to the five day weighted average market price for this dividend.

The last date for the receipt of an election notice for participation in the dividend reinvestment plan is 21 April 2010.

Net tangible assets per share

	31 December 2009 Cents	31 December 2008 Cents
Net tangible asset backing per ordinary share	**160.2**	181.3

Ausdrill Limited ABN 95 009 211 474
Interim financial report
31 December 2009

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Ausdrill Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

Your directors present their report on the consolidated entity consisting of Ausdrill Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

Directors

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

Terrance Edward O'Connor (Chairman)
Ronald George Sayers (Managing Director)
James Edward Askew
Terrence John Strapp
Mason Gordon Hills – appointed 19th February 2010

Review of operations

A summary of consolidated revenues and results for the half-year by operating segments is set out below:

	Segment revenues		Segment results	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Supply & Logistics	**19,229**	33,822	**(787)**	1,917
Manufacturing	**20,477**	18,671	**1,275**	5,552
Contract Mining Services Australia	**133,579**	111,134	**22,493**	12,124
Contract Mining Services Africa	**94,872**	119,265	**10,778**	11,631
Other	**9,141**	11,817	**(1,452)**	(315)
Group and Unallocated Items / Eliminations	**(17,962)**	(21,724)	**(1,806)**	5,937
Consolidated	**259,336**	272,985	**30,501**	36,846
Income tax expense			**(9,318)**	(11,791)
Profit attributable to members of Ausdrill Limited			**21,183**	25,055

As previously reported, Ausdrill Limited (ASX: ASL) is pleased to announce a strong net **profit after tax of $21.2 million** for the half year to 31 December, 2009. The Board has elected to maintain the interim dividend at the same level as the previous corresponding period, and has declared an interim dividend of 5.0 cents per share, fully franked, payable on the 30th April, 2010.

Excluding unrealised foreign exchange adjustments and costs associated with the acquisition of Brandrill, the normalised result after tax for the current period is **$23.1 million**, our strongest operational result ever.

The results for the half year period to 31 December 2008 included takeover defence costs and unrealised foreign exchange gains. Excluding these items gives the following normalised comparisons against the previous corresponding period:

- **Revenue is down 5.0% from $273.0m to $259.3m**
- **EBITDA is up 3.5% from $66.1m to $68.4m**
- **Profit after tax is up 5% from $22.0m to $23.1m**
- **Interim Dividend has been retained at 5.0 cents per share, fully franked**

Also important to note is that the previous period to 31 December 2008 included $9.7 million of pre tax realised foreign exchange gains.

Review of operations (Continued)

The decline in revenue resulted mainly from the completion of a major contract in Africa in December 2008, and as a consequence of the stronger Australian dollar in the current period. Revenue is actually up 9.9% on that achieved in the second half of last year to June 2009.

Importantly our balance sheet consolidated with Brandrill following the merger remains strong with a net debt to equity ratio of 55%, cash of $42.5 million, and interest cover (adjusted EBIT/Interest) of 5.4 times. The Company's net tangible asset position has increased 13% to $341 million, or **$1.63 per share**.

Following the completion of the merger with Brandrill on the 16th December 2009, the integration of Brandrill is proceeding well. It will, however, take some time before the full synergies available from the merger are realised. Already we are seeing a number of new opportunities arising for the merged group in our production drilling and blasting business in Western Australia and in Queensland.

In addition Ausdrill has approved capital expenditure to allow DT Hi Load to manufacturer their specialist dump truck trays locally. The resulting reductions in manufacturing cost will both improve the gross margins and improve its competitiveness.

Operationally, the Company is very well placed. Our businesses have recovered well following the global financial crisis with a number of contract extensions and awards achieved throughout the Company.

Our production drilling and blasting business secured an extension for two years at St Ives Gold Mine with Gold Fields, a twelve month extension to the blast hole drilling contract with Newmont at Boddington Gold Mines, and a small but important contract at Barrow Island for WAPET as, we hope, a precursor to further involvement in the Gorgon project.

Our African Mining Services business was successful in securing a small extension to a low grade stockpile rehandle contract at Tarkwa Mine for Gold Fields Ghana, as well as a significant 54 month, US$120 million extension at the Chirano Gold Mine for Red Back Mining Inc.

AMS has also been able to get its complete exploration drilling fleet back into operation. It has secured a US$7 million work order for Newmont's operations in Ghana and we are in the process of mobilising additional drilling equipment to the region.

We also successfully took over the drilling and blasting operations for Anglo Gold Ashanti (AGA) at the Geita Gold Mine in Tanzania. The transition has worked exceptionally well for both AGA and for Ausdrill, and is now a significant base from which we can target further opportunities in Eastern Africa.

The Australian Exploration Drilling services market has been marked by volatility following the global financial crisis but is now exhibiting positive signs of recovery. Our Kalgoorlie drilling business secured a three year contract extension (with two one year option periods) to provide exploration drilling services to Gold Fields at St Ives and on regional projects. The contract is worth $55 million, we have also been awarded an exploration and resource definition drilling program by KCGM worth $5 million over two years.

Ausdrill Northwest secured an extension to the BHP Nickel West drilling contract for two years which is estimated to be worth $24 million. Ausdrill Northwest has also provided additional rigs to our major customers in the Pilbara.

The recovery of the exploration drilling services sector has also resulted in the first external sale of a drill rig manufactured by Drill Rigs Australia (DRA).

Following the merger with Brandrill a number of parties expressed an interest in acquiring Strange Drilling. This particular business, whilst engaged in similar activities as Ausdrill, utilises a very different fleet of equipment which was not compatible with our existing operations. We have agreed to sell the Strange Drilling business to an entity associated with Jeff Branson (a former Director and founder of Brandrill). The sale also includes restraint provisions on the purchaser in relation to drill and blast services.

Our Manufacturing businesses are performing well. We now sell 38% of the product produced by Drilling Tools Australia, Remet, and DRA externally (DT Hi Load was only consolidated from the 16th December). The drilling products divisions were impacted by the downturn in exploration drilling services but have increased in their sales volume on recent months. Remet is currently installing a new automated diamond rod manufacturing cell and has a friction welder on order for installation late this year. This will add new product lines to our business as well as improving production cost and quality on existing products. It will also allow us to service parts of the oil and gas market.

Supply Direct has endured a difficult period, and has been slower to recover from the recent downturn. It has however been able to secure a five year supply contract with Kumba Iron Ore (An Anglo Coal entity) at the Sishen mine site in South Africa for the supply of rotary tricone drill bits. The contract is valued at approximately 105 million Rand ($15 million).

Review of operations (Continued)

Diamond Communications continues to be marginal and reported a loss for the period. Delays and uncertainty over the construction and ownership of the National Broadband Network have resulted in reduced expenditure by telecommunication companies and subsequently reduced revenue for Diamond. The business has restructured its cost base, and has reduced its workforce by 43 people during the period. Recently though, Diamond has secured the construction component for AMCOM's $20 million Northern Territory Extension Project for which we are currently mobilising.

Following the decision by Ausdrill to enter the Australian coal seam gas market during 2009, the operations have moved one step closer to production with the arrival of the first drill rig which has been built in Canada. The drill rig is in Toowoomba, Queensland undergoing final modifications so as to meet the transport, regulatory, and safety standards required by Ausdrill and the industry. The support equipment for the drill is due into Brisbane late March 2010, and it is envisaged completion of all the required work will be ready for commissioning by late April 2010.

All of the above augers well for the immediate outlook.

Current tendering activity is markedly higher and the company expects to win significant additional work in the short term.

Excluding the integration costs of Brandrill and any further appreciation in the Australian dollar, the Company is on track to deliver an improved full year result for the year ended 30 June 2010 and is very well placed for growth leading into the next financial year.

Dividends - Ausdrill Limited

The Directors have decided to pay an interim ordinary dividend based on the December 2009 half year result of 5.0c per share, 100% franked, payable on 30 April 2010.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts

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

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

Ronald George Sayers
Managing Director
Perth
26th day of February 2010

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

Auditor's Independence Declaration

As lead auditor for the review of Ausdrill Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

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

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

N Henry

Nick Henry
Partner
PricewaterhouseCoopers

Perth
26 February 2010

Ausdrill Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2009

	Half-year ended 2009 $'000	2008 $'000
Revenue from continuing operations	**259,336**	272,985
Other income		
Realised foreign exchange (losses) / gains	**(495)**	9,737
Unrealised foreign exchange (losses) / gains	**(2,242)**	6,351
Other	**1,824**	5,541
Materials	**(86,043)**	(111,399)
Labour	**(85,419)**	(84,733)
Rental and hire	**(5,728)**	(3,037)
Depreciation and amortisation expense	**(27,144)**	(26,431)
Finance costs	**(7,937)**	(7,115)
Other expenses from ordinary activities	**(15,082)**	(23,211)
Takeover defence costs	**-**	(2,040)
Merger costs	**(550)**	-
Share of net profits of associates accounted for using the equity method	**(19)**	198
Profit before income tax	**30,501**	36,846
Income tax expense	**(9,318)**	(11,791)
Profit from continuing operations	**21,183**	25,055
Other comprehensive income		
(Loss) on revaluation of freehold land and buildings, net of tax	**-**	(84)
Changes in the fair value of available-for-sale financial assets	**13**	(341)
Exchange differences on translation of foreign operations	**(12,650)**	21,195
Other comprehensive income for the year, net of tax	**(12,637)**	20,770
Total comprehensive income for the half-year	**8,546**	45,825
Total comprehensive income attributable to:		
Owners of Ausdrill	**8,546**	45,825
	8,546	45,825
Earnings per share		
Basic earnings per share (cents)	**11.91**	14.52
Diluted earnings per share (cents)	**11.84**	14.52

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

Ausdrill Limited
Consolidated statement of financial position
As at 31 December 2009

	31 December 2009	30 June 2009
	$'000	$'000
ASSETS		
Current assets		
Cash and cash equivalents	**42,506**	44,686
Trade and other receivables	**112,069**	84,314
Inventories	**96,184**	86,097
	250,759	215,097
Current and non current assets classified as held for sale	**15,000**	-
Total current assets	**265,759**	215,097
Non-current assets		
Receivables	**10,079**	9,667
Investments accounted for using the equity method	**2,450**	1,902
Available-for-sale financial assets	**-**	128
Property, plant and equipment	**424,338**	371,112
Deferred tax assets	**209**	209
Intangible assets	**42,345**	3,510
Total non-current assets	**479,421**	386,528
TOTAL ASSETS	**745,180**	601,625
LIABILITIES		
Current liabilities		
Trade and other payables	**91,004**	55,954
Borrowings	**72,835**	70,418
Current tax liabilities	**9,511**	11,658
Provisions	**3,792**	2,911
	177,142	140,941
Liabilities of a disposal group held for sale	**50**	64
Total current liabilities	**177,192**	141,005
Non-current liabilities		
Borrowings	**175,615**	140,662
Deferred tax liabilities	**13,551**	12,689
Provisions	**1,988**	1,139
Total non-current liabilities	**191,154**	154,490
TOTAL LIABILITIES	**368,346**	295,495
NET ASSETS	**376,834**	306,130
EQUITY		
Contributed equity	**266,206**	194,152
Reserves	**(123)**	12,342
Retained profits	**110,333**	99,636
Capital and reserves attributable to the owners of Ausdrill Limited	**376,416**	306,130
Non controlling interest	**418**	-
TOTAL EQUITY	**376,834**	306,130

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

Consolidated	Attributable to members of Ausdrill Limited					
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Minority interest $'000	Total $'000
Balance at 1 July 2008	191,528	10,822	78,382	280,732	-	280,732
Total comprehensive income for the half-year	-	20,770	25,055	45,825	-	45,825
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	1,506	-	-	1,506	-	1,506
Dividends paid	-	-	(10,329)	(10,329)	-	(10,329)
Balance at 31 December 2008	**193,034**	**31,592**	**93,108**	**317,734**	**-**	**317,734**

Consolidated	Attributable to members of Ausdrill Limited					
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Minority interest $'000	Total $'000
Balance at 1 July 2009	194,152	12,342	99,636	306,130	-	306,130
Total comprehensive income for the half-year	-	(12,637)	21,183	8,546	-	8,546
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	1,564	-	-	1,564	-	1,564
Shares issued in consideration of acquisition of subsidiary	70,490	-	-	70,490	-	70,490
Non-controlling interest on acquisition of subsidiary	-	-	-	-	418	418
Dividends paid	-	-	(10,486)	(10,486)	-	(10,486)
Employee share options - value of employee services	-	172	-	172	-	172
Balance at 31 December 2009	**266,206**	**(123)**	**110,333**	**376,416**	**418**	**376,834**

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

	Half-year ended	
	2009	2008
	$'000	$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**268,027**	283,842
Payments to suppliers and employees (inclusive of goods and services tax)	**(192,743)**	(250,467)
	75,284	33,375
Dividend received	**-**	45
Interest received	**672**	1,813
Interest and other costs of finance paid	**(7,581)**	(7,088)
Income taxes paid	**(12,891)**	(10,135)
Management Fee received	**899**	-
Net cash inflow from operating activities	**56,383**	18,010
Cash flows from investing activities		
Payments for purchase of subsidiary, net of cash acquired	**111**	(86)
Payment of contingent consideration	**-**	(500)
Payment for purchase of equity investments	**(500)**	-
Payments for property, plant and equipment	**(13,596)**	(91,689)
Proceeds from sale of property, plant and equipment	**647**	21,958
Proceeds from sale of available-for-sale financial assets	**333**	454
Loans to associates	**(2,429)**	(5,039)
Net cash outflow from investing activities	**(15,434)**	(74,902)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**(5)**	(9)
Proceeds from borrowings	**828**	51,804
Repayment of borrowings	**(19,921)**	(11,387)
Repayment of hire purchase and lease liabilities	**(14,626)**	(10,811)
Dividends paid to company's shareholders	**(8,917)**	(8,814)
Net cash (outflow) inflow from financing activities	**(42,641)**	20,783
Net (decrease) increase in cash and cash equivalents	**(1,692)**	(36,109)
Cash and cash equivalents at the beginning of the half-year	**44,686**	88,956
Effects of exchange rate changes on cash and cash equivalents	**(488)**	1,078
Cash and cash equivalents at end of the half-year	**42,506**	53,925

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

1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Ausdrill Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Changes in accounting policy
Ausdrill has amended the following accounting policies as the result of new or revised Accounting Standards which became operative for the annual reporting period commencing on 1 July 2009.

AASB 3 – Business Combinations
The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Change in accounting policy
A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax

The changes were implemented prospectively from 1 July 2009 and no adjustments were necessary to any of the amounts previously recognised in the financial statements.

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

AASB 8 – Operating Segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

Change in accounting policy
The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting.* The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. Goodwill is allocated by management to groups of cash generating units on a segment level. The change in reportable segments has not impacted on the allocation of goodwill between segments. There has been no further impact on the measurement of the Company's assets and liabilities. Comparatives for 2008 have been restated.

2 Segment information

(a) Description of segments

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

The operating segments are identified by the chief operating decision maker based on the nature of the services provided. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and the nature of risks and returns associated with each business segment.

Business segments
The entity is organised into the following divisions by service type:

▪ **Supply and Logistics:**	the provision of mining supplies and logistics services.
▪ **Manufacturing:**	the manufacture of drilling rods and consumables, drill rigs and tray bodies.
▪ **Contract Mining Services Australia:**	the provision of mining services including drilling and blasting, in-pit grade control, exploration drilling and earthmoving in Australia.
▪ **Contract Mining Services Africa:**	the provision of mining services including drilling and blasting, in-pit grade control, exploration drilling and earthmoving in Africa.
▪ **Other:**	entities which do not meet the aggregation criteria for the current segments.
▪ **Group and unallocated items/ eliminations:**	represent Group central functions like treasury and corporate overhead costs.

Financial Reporting by Segments

Half Year Ended 31 December 2009:

Primary Reporting - Geographical Segments	Supply & Logistics $'000	Manufac-turing $'000	Contract Mining Services Australia $'000	Contract Mining Services Africa $'000	Other $'000	Group & Unallocated Items / Eliminations $'000	Consolidated $'000
Segment Revenue							
Sales to External Customers	14,172	7,707	133,075	94,670	9,040	-	258,664
Intersegment Sales	4,934	12,747	-	-	83	(17,764)	-
Total Sales Revenue	**19,106**	**20,454**	**133,075**	**94,670**	**9,123**	**(17,764)**	**258,664**
Other Revenue	123	23	504	202	18	(198)	672
Total Segment Revenue	**19,229**	**20,477**	**133,579**	**94,872**	**9,141**	**(17,962)**	**259,336**
Segment Result	**(787)**	**1,275**	**22,493**	**10,778**	**(1,452)**	**(1,806)**	**30,501**
Income Tax Expense							(9,318)
Profit for the half year							**21,183**

Half Year Ended 31 December 2008:

Primary Reporting - Geographical Segments	Supply & Logistics $'000	Manufac-turing $'000	Contract Mining Services Australia $'000	Contract Mining Services Africa $'000	Other $'000	Group & Unallocated Items / Eliminations $'000	Consolidated $'000
Segment Revenue							
Sales to External Customers	23,249	7,559	109,419	119,167	11,761	-	271,155
Intersegment Sales	10,582	11,094	-	-	10	(21,686)	-
Total Sales Revenue	**33,831**	**18,653**	**109,419**	**119,167**	**11,771**	**(21,686)**	**271,155**
Other Revenue	(9)	18	1,715	98	46	(38)	1,830
Total Segment Revenue	**33,822**	**18,671**	**111,134**	**119,265**	**11,817**	**(21,724)**	**272,985**
Segment Result	**1,917**	**5,552**	**12,124**	**11,631**	**(315)**	**5,937**	**36,846**
Income Tax Expense							(11,791)
Profit for the half year							**25,055**

3 Dividends

	Half-year ended 2009 $'000	Half-year ended 2008 $'000
(a) Ordinary shares		
Dividends provided for or paid during the half-year	**10,486**	10,329
(b) Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 5.0 cents per fully paid ordinary share (2008– 5.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 30 April 2010 out of retained profits at 31 December 2009, but not recognised as a liability at the end of the half-year, is:	**10,438**	8,662

4 Equity securities issued

	2009 Shares	2008 Shares	2009 $'000	2008 $'000
Issues of ordinary shares during the half-year				
Dividend reinvestment plan issues	**897,420**	1,085,524	**1,569**	1,515
Shares issued pursuant to the Scheme of Arrangement with Brandrill Ltd	**33,037,595**	-	**70,370**	-
Shares issued pursuant to option cancellation deeds entered into with Brandrill option holders	**56,599**	-	**120**	-
Less shares issue costs net of tax credit	**-**	-	**(5)**	(9)
	33,991,614	1,085,524	**72,054**	1,506

5 Discontinued operation

(a) Description

The group's Chilean operations ceased a number of years ago. The group is in the process of winding up the Chilean legal entity.

(b) Carrying amounts of liabilities

	Half-year ended	
	2009	2008
	$'000	$'000
Trade creditors	**(50)**	(62)
Total liabilities	**(50)**	(62)

6 Investments in associates

Details of associates.

Name	**Ownership interest Half-year ended**	
	2009	2008
	%	%
African Underground Mining Services Pty Ltd	**50**	50
Energy Drilling Australia Pty Ltd	**50**	-

On 12 November 2009 Ausdrill Limited acquired a 50% interest in Energy Drilling Australia Pty Ltd. Energy Drilling Australia Pty Ltd is based on the east coast of Australia and will undertake drilling services in the coal seam gas industry.

6 Business Combinations

Current period

(a) Summary of acquisition

On 16 December 2009 the parent entity acquired 100% of the issued share capital of Brandrill Limited, a mining services company specialising in drilling and blasting with contracts across Australia in both mining and civil projects. The acquisition has significantly increased the Company's market share in this industry which compliments the Group's existing businesses and will reduce costs through economies of scale.

Details of the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Fair value of shares issued	70,370
Total purchase consideration	70,370

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

	Fair Value $'000
Cash and cash equivalents	111
Property, plant and equipment	70,017
Identifiable intangibles	12,479
Inventories	14,141
Receivables	20,907
Other current assets	4,090
Other non-current assets	47
Payables	(19,161)
Employee benefit liabilities, including superannuation	(4,533)
Borrowings	(50,058)
Current tax liability	(1,375)
Deferred tax liability	(2,042)
Net identifiable assets acquired	44,623
Less: non-controlling interests	(418)
Add: goodwill	26,165
Net assets acquired	70,370

The goodwill is attributable to the workforce and profitability of the acquired business along with the synergies that are expected to arise. None of the goodwill recognised is expected to be deductible for tax purposes.

The acquisition of Brandrill Limited occurred on 16 December 2009. In accordance with AASB 3R *Business Combinations*, the initial accounting determined above is provisional. The provisional accounting for this acquisition may be adjusted in the next reporting period in the event that the finalisation of fair value procedures produces fair values which are different to those provisionally determined.

6 Business Combinations (cont)

Equity instruments issued

The Group issued 33,037,595 ordinary shares in Ausdrill Limited in consideration for the acquisition of Brandrill. The fair value of ordinary shares issued has been determined with reference to the price quoted on the Australian Stock Exchange at the date of acquisition.

Acquired receivables

The fair value of acquired trade receivables is $20,907,000. The gross contractual amount for trade receivables due is $21,632,000, of which $725,000 is expected to be uncollectible.

Acquisition related costs

Acquisition related costs of $550,000 are included in the statement of comprehensive income.

Non-controlling interests

In accordance with the accounting policy set out in note 1, the Group elected to recognise the non-controlling interests in DT Hi Load Australia Pty Ltd at its proportionate share of the acquired net identifiable assets.

Revenue and profit contribution

The acquired business has had no significant impact on revenues or net profit of the Group for the period from 16 December 2009 to 31 December 2009.

If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated profit for the half-year ended 31 December 2009 would have been $337,211,000 and $30,773,000 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2009, together with the consequential tax effects. The subsidiary's costs of the merger have also been excluded.

7 Events occurring after the balance sheet date

On 19 February 2010, the directors declared the payment of an interim ordinary dividend of 5.0 cents (fully franked) per fully paid share to be paid on 30 April 2010 out of retained profits at 31 December 2009.

The financial effects of the above transaction have not been brought to account at 31 December 2010.

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 17 are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

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

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

Ronald George Sayers
Managing Director

Perth
26th day of February 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Ausdrill Limited, which comprise the balance sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Ausdrill Limited Group (the consolidated entity). The consolidated entity comprises both Ausdrill Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ausdrill Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

PRICEWATERHOUSECOOPERS

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
26 February 2010