



**AUSDRILL LIMITED**  
**Half Year to 31 December 2010**  
**Results Presentation**  
**25 February 2011**



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# Half Year Highlights



## Financial Performance

- EBITDA up 47.7% to \$95.9m
- EBIT up 49.9% from \$37.8m to \$56.6m
- Attributable net profit after tax is up 71.5% to \$36.3m
- Basic earnings per share up 16.5% to 13.87 cents per share on an enlarged capital base
- Increased Interim Dividend of 5.5 cents per share
- Return (after tax EBIT) on Average Capital invested up from 10.0% to 12.6%

## Operational Performance

- Revenue from operations up 60.4% to \$416.0m
- Brandrill integration completed
- Good equipment utilisation
- Award of new contracts in Africa by Perseus and Adamus

## Strategic Performance

- Vertical integration strategy to now include minerals assaying laboratory and waterwell drilling
- Increased investment in plant and equipment
- Net debt to equity at 24%
- Ausdrill now included in ASX 200 index

# Results Overview

## Contract Mining Services - Australia



\$'000	Segment revenues		Segment results (profit before tax)	
	2010	2009	2010	2009
Contract Mining Services -Australia	244,018	133,579	28,257	22,493

- ❑ Revenues increased due to Brandrill acquisition and growth in business
- ❑ Brandrill integration completed
- ❑ Margins reduced following Brandrill acquisition however some contracts have been renegotiated with east coast contracts under review
- ❑ Energy Drilling Australia set to benefit from activity in coal seam gas market
- ❑ Further services to be offered under this segment include minerals assay and waterwell drilling

# Results Overview

## Contract Mining Services - Africa



\$'000	Segment revenues		Segment results (profit before tax)	
	2010	2009	2010	2009
Contract Mining Services -Africa	112,753	94,872	19,839	10,759

- ❑ Revenues higher from increased level of activity and from improved performance from operations in Mali
- ❑ Exploration fleet at full capacity now, expanded into Burkina Faso
- ❑ Tanzania now providing base for expansion in East Africa – e.g. BHPB contract in Zambia
- ❑ African Underground Mining Services (50% owned) has grown from 1 contract in 2009 to 4 in 2010

# Results Overview

## Manufacturing



\$'000	Segment revenues		Segment results (profit before tax)	
	2010	2009	2010	2009
<b>Manufacturing</b>	<b>46,264</b>	20,477	<b>5,374</b>	1,275

❑ All businesses comprising:

- Drilling Tools Australia;
- Drill Rigs Australia;
- Remet Engineers; and
- DT HiLoad

have recorded improved sales and profits

❑ External sales now make up more than half of sales

# Results Overview

## Supply & Logistics



\$'000	Segment revenues		Segment results (profit before tax)	
	2010	2009	2010	2009
Supply & Logistics	35,559	19,229	817	(787)

- ❑ Continuing improvement from increased level of activity



# Results Overview

## Other



\$'000	Segment revenues		Segment results (profit before tax)	
	2010	2009	2010	2009
All Other Segments	12,939	10,931	(4,272)	(3,239)

- ❑ Comprises Diamond Communications, Properties, Corporate overheads and FX gains/(losses)
- ❑ Diamond Communications reported improved result from operations in western half of Australia. NBN seen as additional opportunity

# Financial Performance

## 6 months to 31 December 2010

# Financial Performance



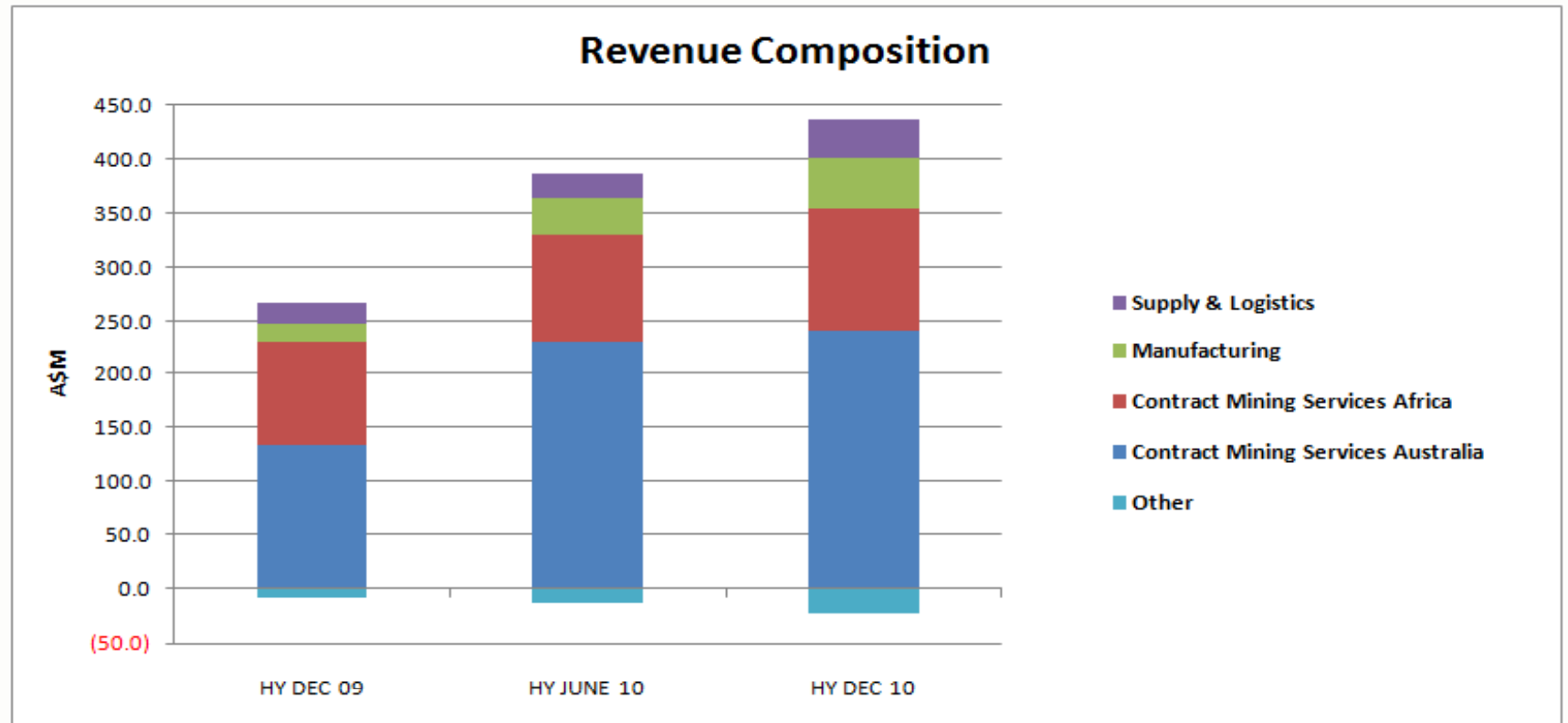
A\$ million	6 months to December 2009	6 months to June 2010	6 months to December 2010	% change from previous corresponding period
<b>Revenue</b>	259.3	373.5	<b>416.0</b>	60.4
<b>EBITDA</b>	64.9	85.5	<b>95.9</b>	47.7
<i>EBITDA Margin</i>	25.0%	22.9%	23.0%	
<b>EBIT</b>	37.8	42.8	<b>56.6</b>	49.9
<i>EBIT Margin</i>	14.6%	11.4%	13.6%	
<b>Profit attributable to Ausdrill</b>	21.2	27.1	<b>36.3</b>	71.5
<i>Net Profit Margin</i>	8.2%	7.3%	8.7%	
Return on Average Capital	10.0%	10.4%	12.6%	

- ❑ Revenue and reported profits are at record levels
- ❑ Margins were impacted by the Brandrill acquisition however margins now improving
- ❑ Profits include unrealised FX losses on intergroup transactions of \$4.9 million before tax

Return on average capital excludes Associates and calculated as after tax EBIT divided by the average of the sum receivables, inventories, plant & equipment, intangibles less payables

# Financial Performance

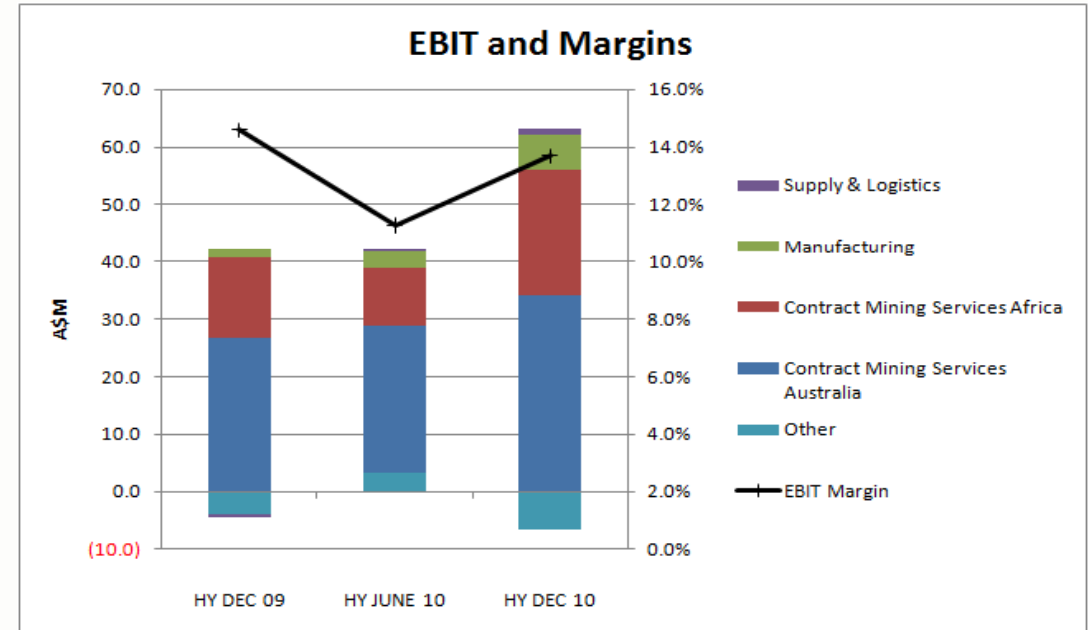
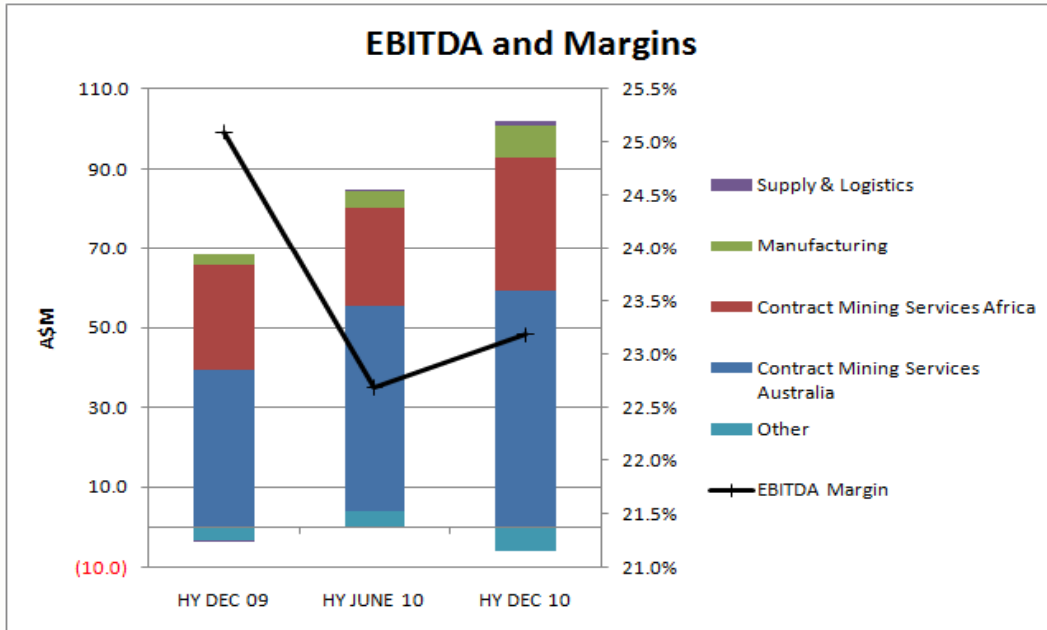
## - Earnings and Margins



- ❑ Revenue at record levels and increased in all segments

# Financial Performance

## - Earnings and Margins



❑ Margins were impacted by the Brandrill acquisition however now improving



# Financial Performance

## Contract Mining Services

### - African Underground Mining Services



Ausdrill share of African Underground Mining Services on a pro-forma basis

A\$000's	6 months to December 2009	6 months to June 2010	6 months to December 2010
<b>Revenue</b>	7,531	13,994	<b>27,939</b>
<b>EBITDA</b>	1,868	2,131	<b>6,125</b>
<i>EBITDA Margin</i>	24.8%	15.2%	21.9%
<b>EBIT</b>	641	503	<b>3,531</b>
<i>EBIT Margin</i>	8.5%	3.6%	12.6%
<b>Profit before tax</b>	328	(141)	<b>2,880</b>
<b>Net profit after tax</b>	328	(151)	<b>2,538</b>

- ❑ The reported results for Contract Mining Services - Africa only includes the equity accounted share of profits of African Underground Mining Services (50% owned)

# Financial Performance

## - Balance Sheet



A\$ millions	HY DEC 10
Cash and cash equivalents	67.6
Receivables	142.8
Inventories	108.1
Property, plant and equipment	466.3
Intangibles	34.1
Other Assets	23.5
<b>Total Assets</b>	<b>842.4</b>
Payables	116.9
Borrowings	191.5
Provisions	6.8
Other Liabilities	21.8
<b>Total Liabilities</b>	<b>336.9</b>
<b>Shareholder Equity</b>	<b>505.5</b>

- ❑ At 31 December 2010 the Group had gross debt of \$191.5 million, net debt of \$123.8 million
- ❑ Net Debt to Equity is 24%
- ❑ Majority of debt is secured against property, plant and equipment
- ❑ No off balance sheet debt – all associate funding has been internally funded, and no material operating leases are used for P&E
- ❑ Interest Cover 6.2 times

# Financial Performance

## - Cashflow



A\$ million	6 months to December 2010
Operating cash flows after interest and tax	69.4
Debt repayments	(55.5)
Capital expenditure	(69.6)
Proceeds from asset disposals	2.3
Share issue proceeds	0.5
Equity investments	(6.7)
Cash flow before shareholder return	(59.6)
Dividends	(14.3)
<b>Net Cash Flow</b>	<b>(73.9)</b>

- ❑ Operating cash generated during period impacted by increase in receivables as revenue grows
- ❑ Higher level of capex to cater for actual and expected increase in activity



# Financial Performance

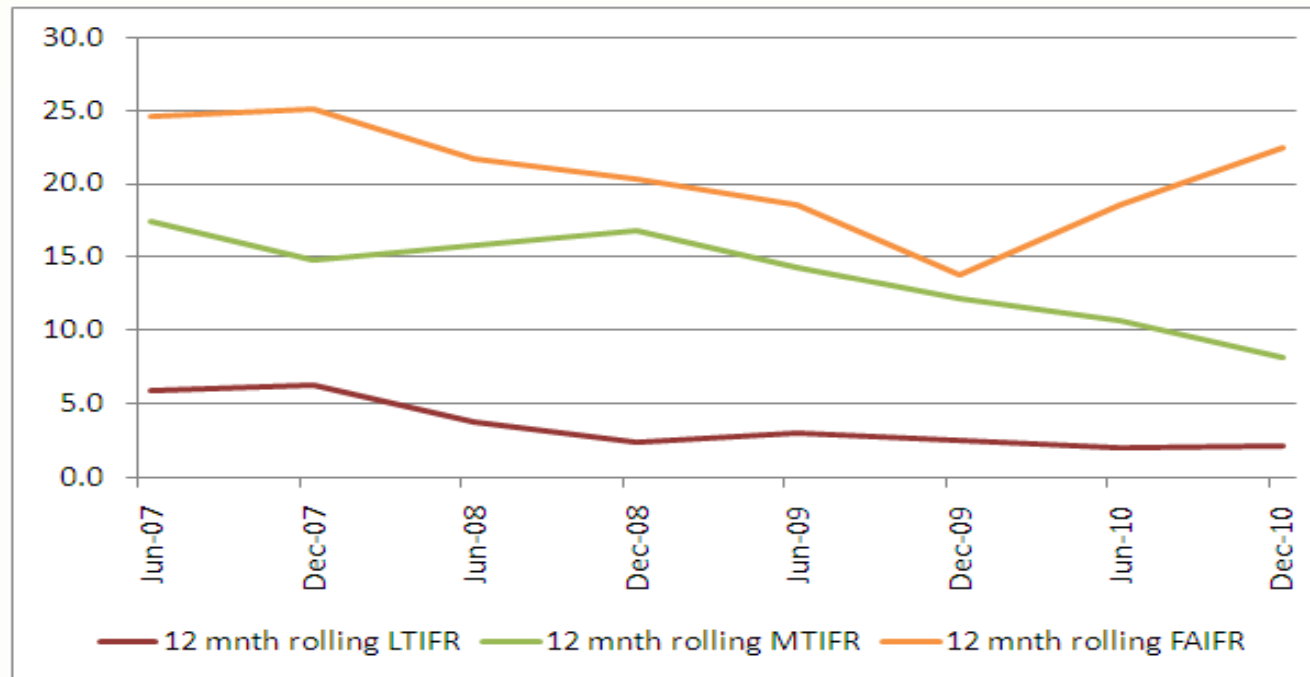
## - Capital Expenditure



A\$ million		6 months to December 2010
<b>Australia</b>	▪ Drill & Blast, Exploration	17.7
	▪ Mining Services (Equipment Hire)	19.8
		<b>37.6</b>
<b>Africa</b>	▪ Ghana	20.2
	▪ Mali	9.7
	▪ Tanzania	0.9
	▪ Burkina Faso	2.2
		<b>33.1</b>
<b>Manufacturing</b>		4.0
<b>Supply &amp; Logistics</b>		0.1
<b>Other</b>		1.1
<b>TOTAL</b>		<b>75.8</b>

# Safety

# Safety



- ❑ Current Projects
  - Complete Safety Management System review and alignment to ISO4801
  - Rollout of online Event (incident) and Training Management Systems
  - Risk Based Compliance project continuing
  - Development of a Maintenance Management and Procedure System
- ❑ Fatality at Cloudbreak within the maintenance part of the Equipment Hire business



# Outlook

# Outlook



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## Positives

- Establish new minerals assaying business and capitalise on acquisition of Connector Drilling
- Increase operations footprint in East Africa from base in Tanzania
- Mining sector activity remains strong

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## Negatives

- Sourcing of skilled personnel remains an issue particularly in Australia
- Environment remains competitive and new equipment supply facing delays
- Unusually wet weather in Australia

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## Outside of our Control

- Commodity prices remain strong, world economies still mixed and subject to political uncertainty in Middle East and North Africa
- Effect and impact of further movements in exchange rates from the regions in which we operate

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## Opportunities

- Tender activity remains high with opportunities both in Africa and Australia
- AUMS is presenting good growth opportunities in the West African region
- Good opportunity for further M&A activity as the industry looks for further consolidation
- Opportunity to increase participation in coal seam gas drilling through Energy Drilling Australia JV

# Outlook



- Target for FY2011 is for a full year net profit after tax of \$70 million
- The Company remains conscious of its cost base due to tight labour markets and lengthening lead times for new equipment
- Current tendering activity remains high and the Company expects to convert a significant part of these tenders to contracts in the next year
- The second half to June 2011 includes the cessation of the contract at Damang and the start up at Ayanfuri, in Ghana. There will be closing down costs at Damang and there is a transition risk
- Unusually wet weather in Australia may have an adverse impact if the situation persists
- We are subject to foreign exchange fluctuations that impact on our reported results from our African businesses
- World economic and political positions remain unclear, however current commodities pricing remains positive for the industry

# Appendices

# Profit & Loss

A\$ millions	HY DEC 09	HY JUNE 10	HY DEC 10
<b>Revenue from continuing operations</b>	<b>259.3</b>	<b>373.5</b>	<b>416.0</b>
EBITDA	64.9	85.5	95.9
<i>EBITDA margin</i>	25.0%	22.9%	23.0%
Depreciation and amortisation	27.1	42.7	39.3
EBIT	37.8	42.8	56.6
<i>EBIT margin</i>	14.6%	11.4%	13.6%
Finance costs	7.9	9.8	9.1
Profit before income tax expense	30.5	34.2	50.0
Income tax expense	9.3	6.8	13.6
<b>Net Profit attributable to Ausdrill</b>	<b>21.2</b>	<b>27.1</b>	<b>36.3</b>

*EBIT and EBITDA include takeover defence and merger costs and Unrealised FX gains/losses*





# Segment Results

A\$ millions	Contract Mining Services Australia	Contract Mining Services Africa	Manu- facturing	Supply & Logistics	Other	Unallocated/El iminations	Consolidated
Segment Revenue							
Sales to external customers	242.0	112.5	23.5	25.8	9.7	0.0	413.4
Intersegment sales	0.0	0.0	22.7	9.5	0.0	(32.2)	0.0
Total sales revenue	242.0	112.5	46.2	35.2	9.7	(32.2)	413.4
Other revenue	2.0	0.3	0.0	0.3	3.2	(3.3)	2.5
Total segment revenue	244.0	112.8	46.3	35.6	12.9	(35.5)	416.0
Segment result	28.3	19.8	5.4	0.8	(4.3)	0.0	50.0
Income tax expense							(13.6)
Profit for the year							36.4



# Balance Sheet

A\$ millions	HY DEC 09	HY JUNE 10	HY DEC 10
Cash and cash equivalents	42.5	144.4	67.6
Receivables	112.1	132.6	142.8
Inventories	96.2	104.8	108.1
Property, plant and equipment	424.3	449.8	466.3
Intangibles	42.3	35.9	34.1
Other Assets	27.7	18.1	23.5
<b>Total Assets</b>	<b>745.2</b>	<b>885.5</b>	<b>842.4</b>
Payables	91.0	115.8	116.9
Borrowings	248.5	242.9	191.5
Provisions	5.8	7.5	6.8
Other Liabilities	23.1	17.8	21.8
<b>Total Liabilities</b>	<b>368.3</b>	<b>384.0</b>	<b>336.9</b>
<b>Shareholder Equity</b>	<b>376.8</b>	<b>501.5</b>	<b>505.5</b>
Net Debt	205.9	98.5	123.8



# Cashflow

A\$ millions	HY DEC 09	HY JUNE 10	HY DEC 10
Receipts from customers (inclusive of GST)	268.0	376.4	420.8
Payments to suppliers and employees (inclusive of GST)	(192.7)	(294.6)	(341.0)
	75.3	81.7	79.8
Interest received	0.7	1.2	2.5
Interest and other costs of finance paid	(7.6)	(9.4)	(8.8)
Income taxes paid	(12.9)	(8.2)	(7.0)
Other	0.9	1.2	2.8
<b>Net cash inflow from operating activities</b>	<b>56.4</b>	<b>66.6</b>	<b>69.4</b>
Payment for purchase of subsidiary, net of cash acquired	0.1	0.0	0.0
Payments for property, plant and equipment	(13.6)	(29.8)	(69.6)
Proceeds from sale of property, plant and equipment	0.6	2.0	2.3
Proceeds from sale of business	0.0	15.2	0.0
Payment for purchase of equity instruments	(0.5)	(5.9)	(6.7)
Other	0.3	(0.6)	0.0
<b>Net cash (outflow) from investing activities</b>	<b>(15.4)</b>	<b>(16.7)</b>	<b>(74.0)</b>
Proceeds from issues of shares	(0.0)	99.1	0.5
Proceeds from secured borrowings	0.8	2.7	0.0
Repayment of secured borrowings	(19.9)	(21.8)	(18.5)
Repayment of hire purchase and lease liabilities	(14.6)	(20.3)	(36.9)
Dividends paid to company's shareholders	(8.9)	(8.0)	(14.3)
<b>Net cash (outflow) inflow from financing activities</b>	<b>(42.6)</b>	<b>51.7</b>	<b>(69.3)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1.7)</b>	<b>101.6</b>	<b>(73.9)</b>
Cash and cash equivalents at the beginning of the period	44.7	42.5	144.4
Effects of exchange rate changes on cash and cash equivalents	(0.5)	0.3	(2.9)
<b>Cash and cash equivalents at end of period</b>	<b>42.5</b>	<b>144.4</b>	<b>67.6</b>



# Operating Divisions

## Contract Mining Services - Australia



### DRILL & BLAST

Production drilling and blasting services in open cut mines, plus production grade control services and civil construction.

#### Equipment

85 x Small diameter top hammer drills

86 x Large diameter rotary and DTH blasthole drills

6 x Purpose built probe drills

15 x RC grade control drills



### EXPLORATION - KALGOORLIE

Reverse Circulation and Diamond Drilling on greenfield and brownfield sites throughout the Goldfields region. Includes a specialist lake fleet.

#### Equipment

15 x Diamond Drill Rigs

8 x RC Drill Rigs

3 x RAB Drill Rigs



### AUSDRILL NORTHWEST

Ausdrill Northwest is an exploration drilling company specialising in RC and Diamond drilling within the northwest region of Western Australia's vast resource sector.

#### Equipment

10 x RC Drill Rigs

6 x Diamond Drill Rigs



### AUSDRILL MINING SERVICES

Contract load and haul, plant hire, and plant maintenance services.

#### Equipment

17x 240t Dump trucks

40 x 100t dump trucks

3 x hydraulic excavators

4 x 992 FEL

Significant quantity of ancillary equipment



# Operating Divisions

## Contract Mining Services - Africa



### AFRICAN MINING SERVICES

Full mining service from exploration drilling to crusher feed and civil works.

#### Equipment

- 94 x 100t dump trucks
- 30 x hydraulic excavators
- 27 x blast hole drills
- 7 x grade control drills
- 17 x exploration drills



### AFRICAN UNDERGROUND MINING SERVICES

50/50 Joint Venture with Barminto servicing underground development in West Africa.

#### Equipment

- 11 x Trucks
- 6 x Loaders
- 6 x Development Drills
- 3 x Production Drills
- 4 x U/G Explorations Drills



### AUSDRILL TANZANIA

US\$150 million contract to perform drilling and blasting services at AngloGold Ashanti's Geita Gold Mine over 5 years.

Exploration work for various clients.

#### Equipment

- 14 x blast hole rigs
- 2 x RC Drill rigs
- 2 x Diamond drill rigs



# Operating Divisions

## Manufacturing



### DRILLING TOOLS AUSTRALIA

Manufacturing business based in Canning Vale, WA producing product predominantly for internal consumption.

Product lines include drilling consumables and spare parts.

New \$20 Million Facility opened in June 2009.



### REMET ENGINEERS

Drill Pipe and consumable manufacturer based in Kalgoorlie and Canning Vale, WA.

Specializing in Reverse Circulation, Conventional, and Drill and Blast Drill Pipe with an extensive range of associated subs and stabilizers.

High quality materials used in complete product range.



### DRILL RIGS AUSTRALIA

Drill Rig manufacturing business, to date has produced 15 RC rigs, 3 GC rigs, 6 Diamond Drills, 2 multi-purpose drills and 1 probe drill, mostly for internal consumption.

Cutting edge technology is utilised in drill rig manufacturing processes to produce the most precise, cost effective and maintenance-friendly drill rigs in the industry.



### DT HI LOAD

DT HI-Load Australia is an Australian company designing and manufacturing heavy duty, lightweight trays for the international market that increases mine productivity and bottom line profitability.





# Operating Divisions

## Supply & Logistics and Other



### SUPPLY DIRECT

Procurement and logistic services worldwide with offices in Perth, Australia, Surrey, UK, Johannesburg, South Africa and in Accra, Ghana.

Servicing our major clients into countries such as South Africa, Ghana, Mali, Mauritania, Eritrea, Tanzania, Asia, Bulgaria & Turkey.



### MINANALYTICAL LABORATORY SERVICES

A Joint Venture formed in late 2010, MinAnalytical is a quality-focused, independent analytical service company providing a range of geochemical and precious metals analyses to the mineral exploration and mining industry

New laboratory based in Canning Vale, WA.



### CONNECTOR DRILLING

Connector Drilling is a multifaceted drilling company with significant experience in waterwell and exploration drilling.

- Water Monitoring Bores
- Water Production Bores
- Dewatering Bores,
- Artesian Bores



### OTHER BUSINESSES



Specialist bulk explosives manufacturer.



Construction services for the utility sector, majority of services to the telecommunications and power industries.



Energy Drilling Australia operates a high speed and high capacity drill rig to source Coal Seam Gas (CSG) or Coal Bed Methane (CBM).

# A “Blue Chip” Client List



The Group’s revenue is dominated by the major blue chip companies.





# Major Contract Awards



- ❑ Major contract awards during the period include:
  - 3 year extension from Fortescue for RC grade control at Christmas and Cloudbreak mines
  - 63 month contract from Perseus for mining (grade control, drill & blast, load & haul and crusher feed) at the Ayanfuri mine in Ghana
  - 36 month contract from Adamus for mining (grade control, drill & blast, load & haul, pit dewatering and crusher feed) at the Nzema mine in Ghana

# Major Contracts - Australia



## **Gold Fields – Kambalda & Agnew**

- 3 year contract from July 2009 for the provision of exploration drilling services - association since 1996

## **Gold Fields – St Ives**

- 2 year contract from June 2009 for drill and blast services in Kambalda – association since 1996

## **KCGM - Superpit**

- 6 year contract for both production drilling and grade control commencing March 2006 – association since 1989

## **Ensham Resources - Ensham**

- Long term production drilling contract in Queensland's Bowen Basin expiring December 2011

## **Oz Minerals– Prominent Hill**

- 50 Month subcontract to Thiess expiring March 2012

## **BHPBIO - Mining Area C**

- Subcontract to HWE, negotiating 3 year extension from June 2010

## **FMG - Cloudbreak/Christmas Creek**

- 1 year extension to original 3 year contract from July 2007 for the provision of drill and blast services at Cloudbreak
- 3 year grade control contract from August 2010 at both Cloudbreak and Christmas Creek
- Equipment hire for over 100 items of equipment

## **AngloGold Ashanti – Sunrise Dam**

- Life of mine Subcontract to Downer, currently scheduled for completion in June 2012 but may extend past this date

## **BHPBIO**

- 5 year contract from July 2008 for the provision of exploration drilling services in the Pilbara

## **Rio Tinto (Pilbara Iron)**

- 3 year contract from May 2008 for the provision of Pilbara exploration drilling services
- Master services agreement for drill and blast on a rolling 12 month basis

## **Navigator Resources - Bronzewing**

- 5 year contract from March 2010 for the provision of drill and blast services at the Bronzewing gold mine

## **Thiess - Gorgon**

- 12 month sub-contract to carry out civil work from July 2010

## **Abigroup - Cape Lambert**

- 5 month sub-contract (with potential extension to 12 months) to carry out civil work from September 2010

# Major Contracts - Africa



## AFRICAN MINING SERVICES

### **Newmont Gold – Ahafo**

- African Mining Services 12 month contract extension for exploration drilling services commencing April 2011

### **Perseus Mining - Ayanfuri**

- African Mining Services 63 month contract for open pit mining services commencing April 2011

### **Adamus Resources – Nzema Gold Project**

- African Mining Services 36 month contract for open pit mining services commencing November 2010

### **Red Back Mining - Chirano**

- African Mining Services 54 month extension to 2014, associated since the commencement of the mine in 2004

### **Gold Fields - Damang**

- African Mining Services 6 Year Contract to March 2011 , associated since the commencement of the mine in 1997

### **AngloGold Ashanti – Yatela, Mali**

- African Mining Services 3 year contract for open pit mining services commencing May 2010

## AUSDRILL TANZANIA

### **AngloGold Ashanti – Geita Gold Mine**

- African Mining Services 5 year contract for drilling and blasting services commencing July 2009

## AFRICAN UNDERGROUND MINING SERVICES (AUMS)

### **Randgold Resources - Gara, Loulo Operation**

#### **- AUMS (50% JV)**

- 3 year contract for underground mining services commencing March 2010

### **Newmont Gold – Subika decline, Ahafo Operation**

#### **- AUMS (50% JV)**

- 17 month contract for underground mining services commencing January 2010

### **Red Back Mining - Akwaaba Deeps and Paboase South, Chirano - AUMS (50% JV)**

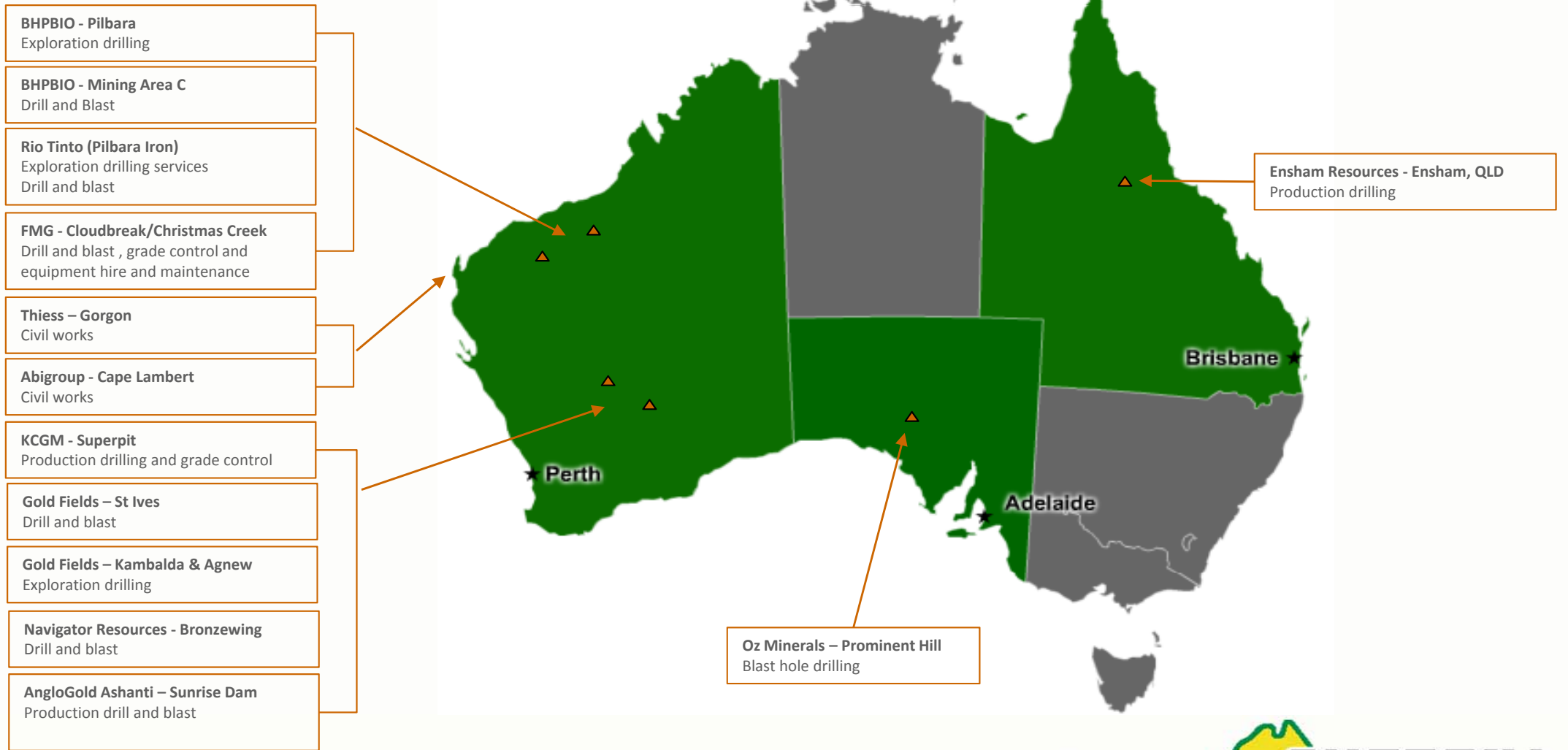
- **Akwaaba Deeps** - 3 year contract for underground mining services commencing April 2008
- **Paboase South** - 3 year contract for underground mining services commencing April 2010

## AUSDRILL ZAMBIA

### **BHP Billiton - Western Zambia**

- Ausdrill Zambia 12 month contract for exploration drilling commencing April 2011 (with option for 12 month extension)

# Current Major Contracts - Australia



# Current Major Contracts - Africa

