



# Macquarie Australia Conference Investor Presentation

May 2011

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# Introduction



## Overview

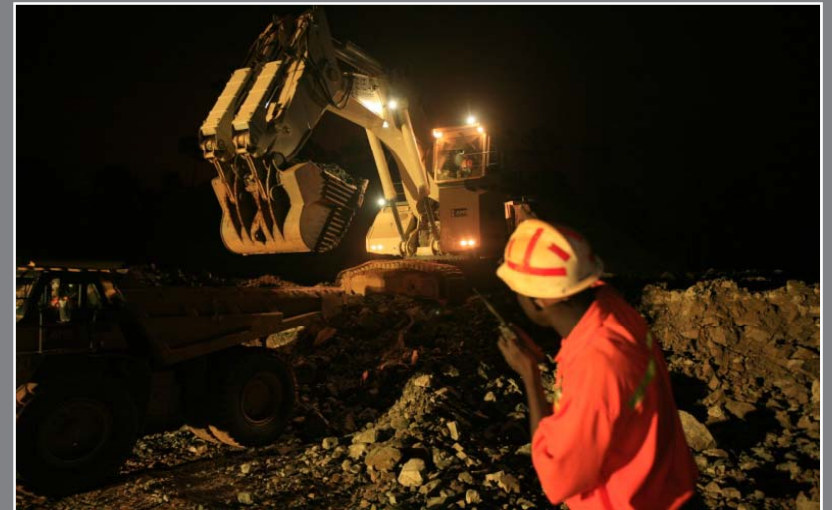
- ❑ Ausdrill was established in 1987 as a Drill and Blast company that has grown to be a provider of contract mining services to the resources industry in Australia and Africa with in-house capabilities in manufacturing, supply and logistics. The Company employs 4,009\* people
- ❑ Ausdrill is a S&P/ASX200 company with a market capitalisation of approximately A\$1 billion
- ❑ Ausdrill has invested a large amount of capital in recent years and now has a fleet of over 500 drill rigs, trucks, loaders and excavators, together with a significant amount of ancillary equipment
- ❑ Mr Wallace (“Wal”) King AO was recently appointed as a non-executive director and Deputy Chairman of the Company
- ❑ Ausdrill recently raised \$129.5 million via a Placement

## Trading update

- ❑ Ausdrill reported a strong half year result and has excellent continued growth prospects going forward
- ❑ On track to achieve full year guidance of \$70 million in NPAT
- ❑ Current work-in-hand underpins full year guidance
- ❑ High level of tendering activity continues with Ausdrill well placed for continued growth in FY2012 and beyond

\* Includes AUMS JV employee numbers as at February 2011



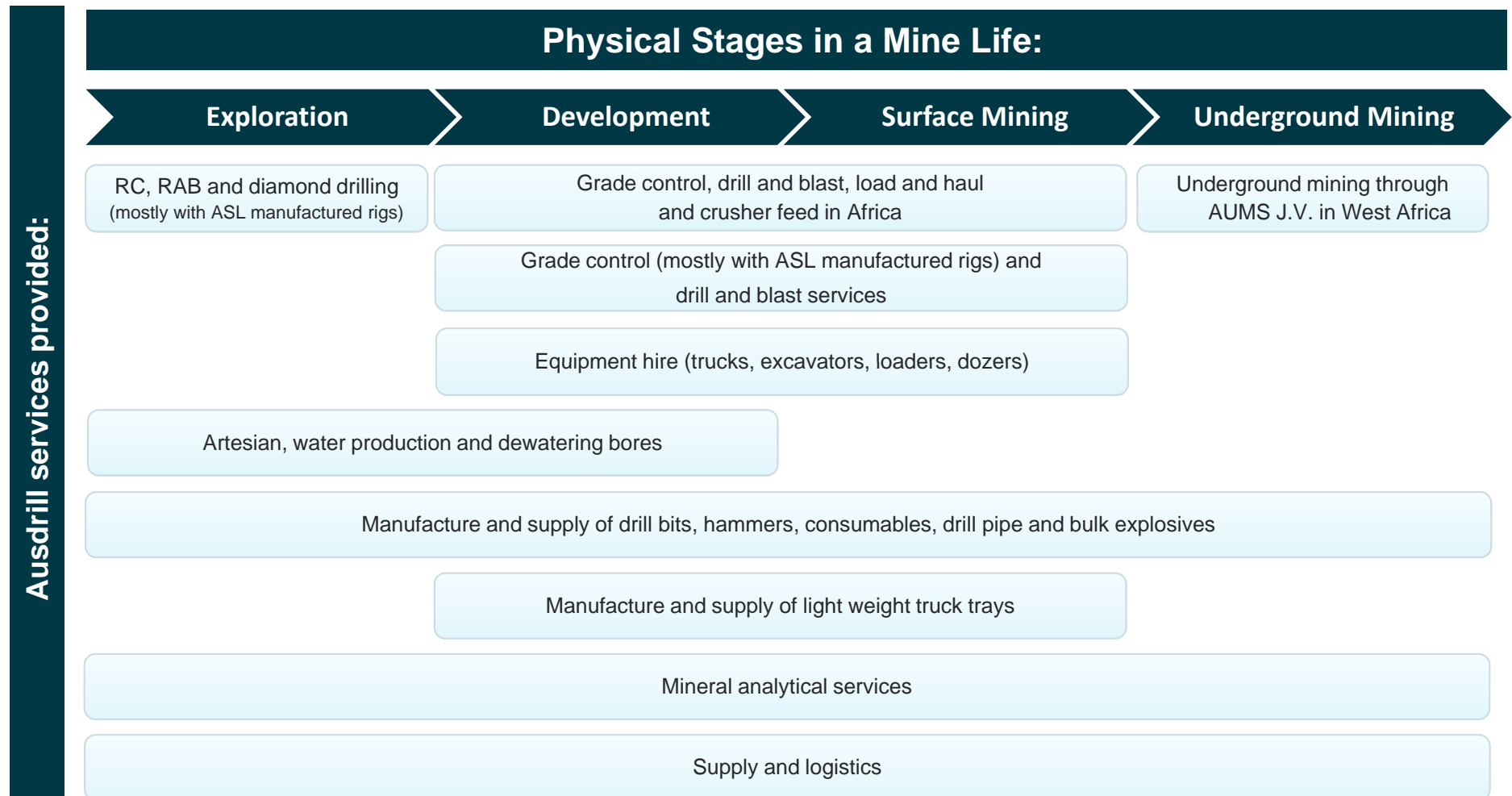


# Business Overview

# Business Overview

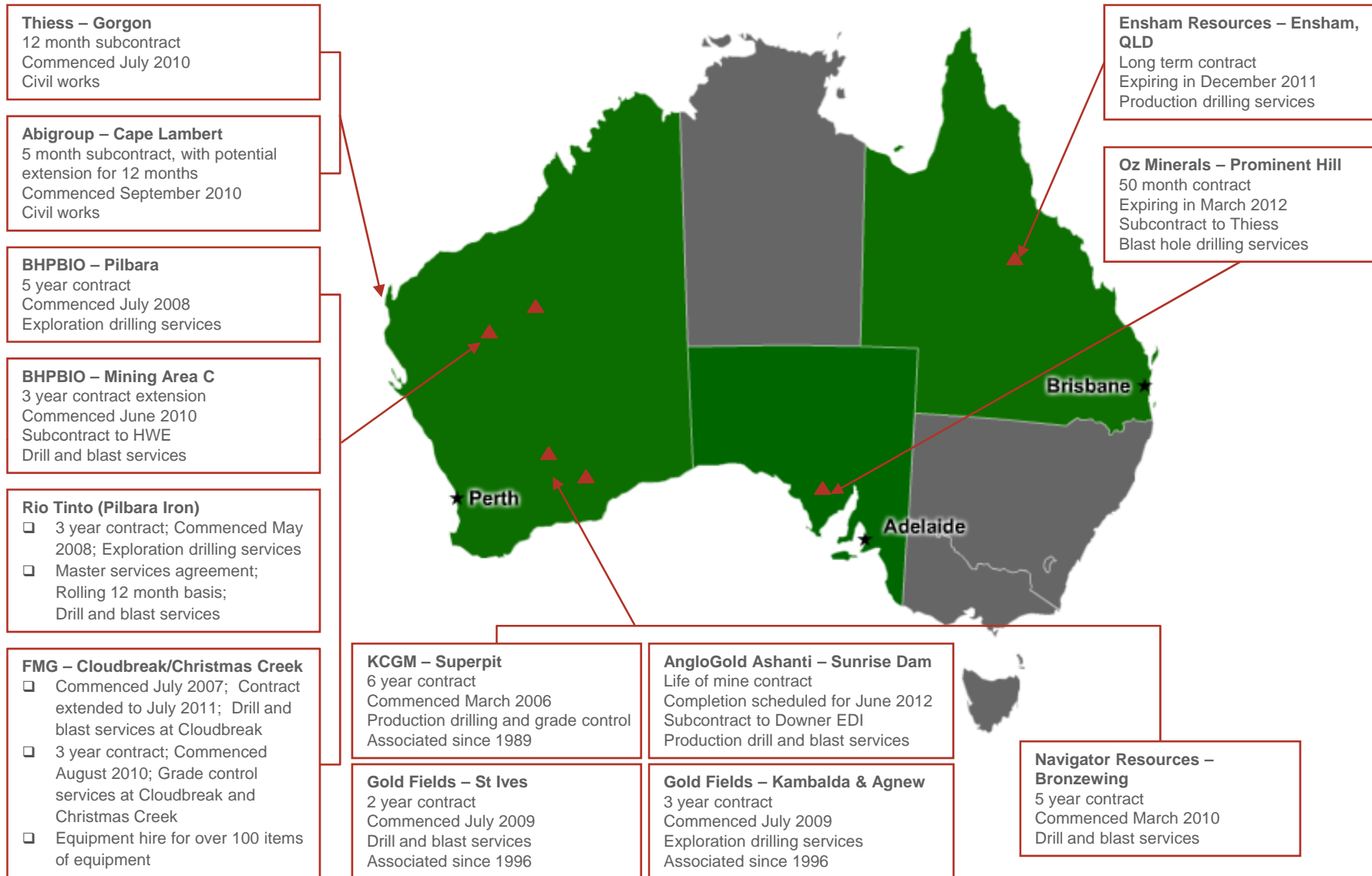


- ❑ Ausdrill is a Contract Mining Services provider in Australia and Africa supported by in-house manufacturing and ancillary services



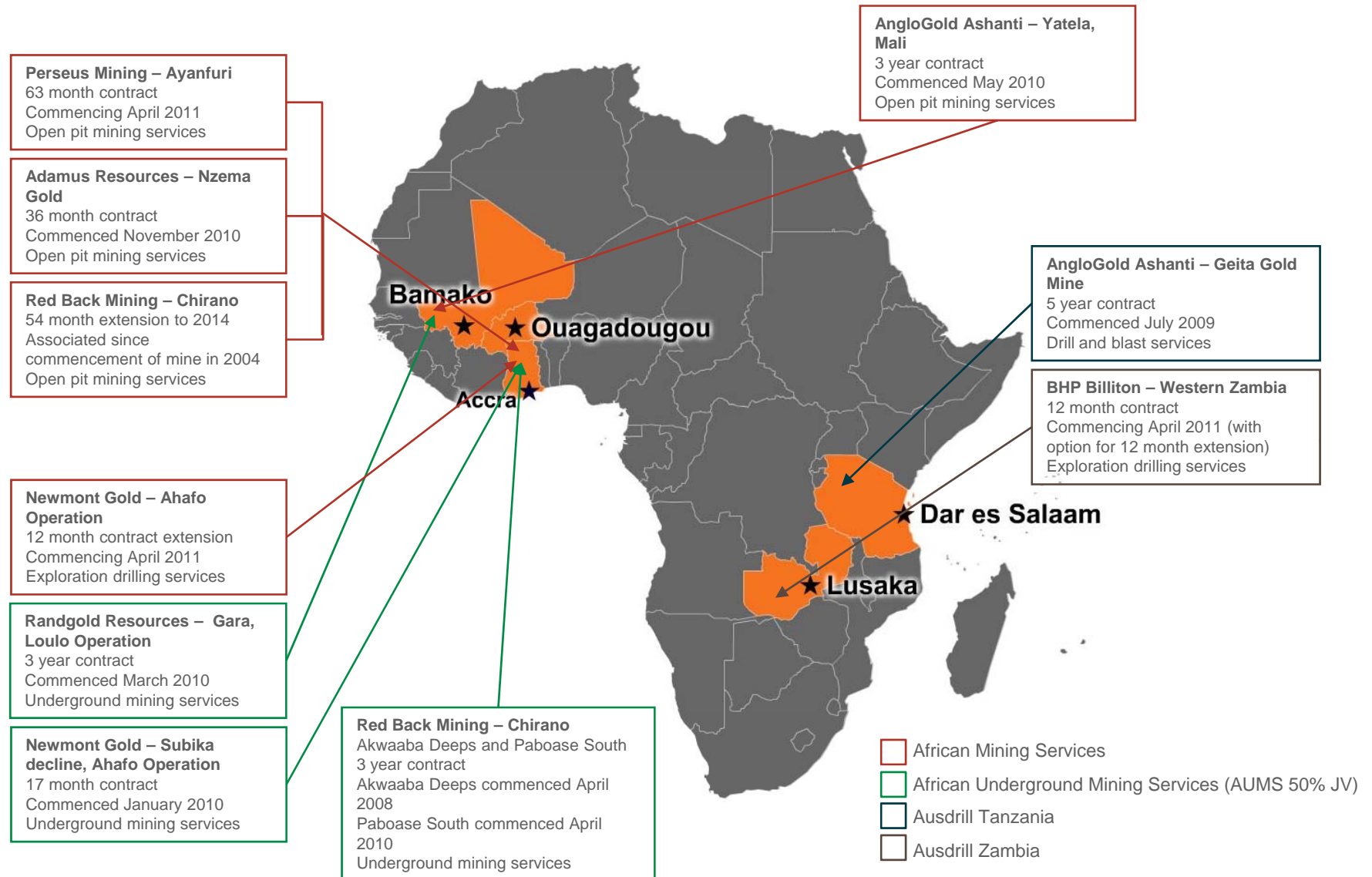
# Current Major Projects

## Contract mining services - Australia



# Current Major Projects

## Contract mining services - Africa

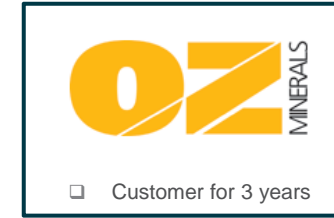




# A "Blue Chip" Client List

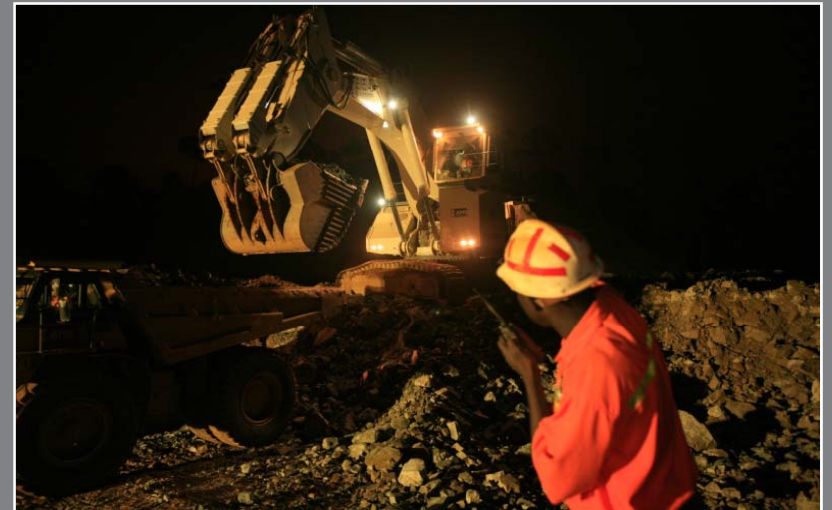


The following customers currently represent two thirds of the Group's revenue



Note: Includes indirect customer relationships through subcontract arrangements

¹ KCGM = Kalgoorlie Consolidated Gold Mines which is owned (50/50) by Newmont Australia and Barrick Gold Corporation



# Financial Performance

# 1<sup>st</sup> Half 2011 Performance Highlights



## Financial performance

- ❑ Revenue from operations up 60.4% to \$416.0 million
- ❑ EBITDA up 47.7% to \$95.9 million
- ❑ EBIT up 49.9% to \$56.6 million
- ❑ Attributable NPAT up 71.5% to \$36.3 million
- ❑ Basic EPS up 16.5% to 13.87 cents per share (on an enlarged capital base)
- ❑ Interim DPS up 10% to 5.5 cents per share (on an enlarged capital base)
- ❑ Return on average capital<sup>1</sup> increased from 10.0% to 12.6%

## Operational performance

- ❑ Brandrill integration completed
- ❑ High 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 & equipment
- ❑ Net debt to equity at 24% as at 31 December 2010
- ❑ Ausdrill is included in S&P/ASX 200 index

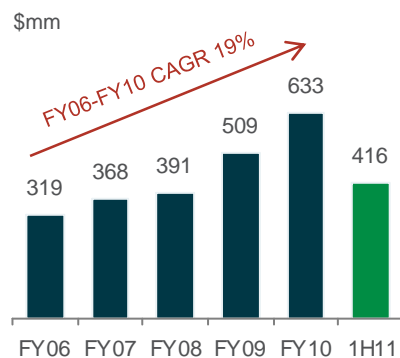
<sup>1</sup> Return on average capital = After tax EBIT (excluding associates) divided by the average sum of receivables, inventories, plant & equipment and intangibles less payables

# Financial Performance

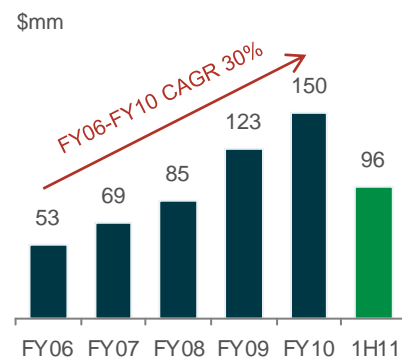


Ausdrill has achieved solid growth over consecutive years and reported profits are currently at record levels

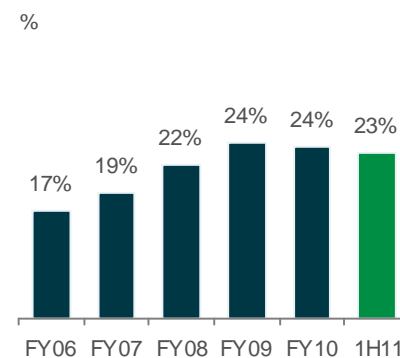
## Total revenue



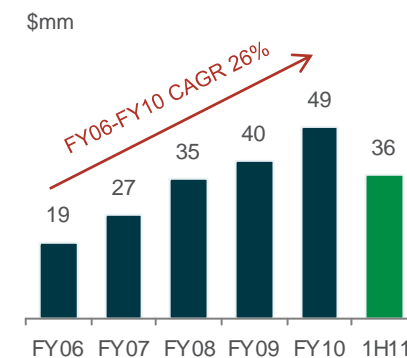
## EBITDA



## EBITDA margin

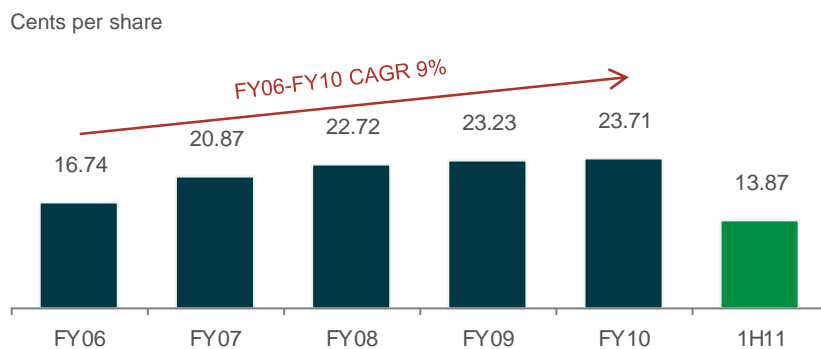


## NPAT<sup>1</sup>

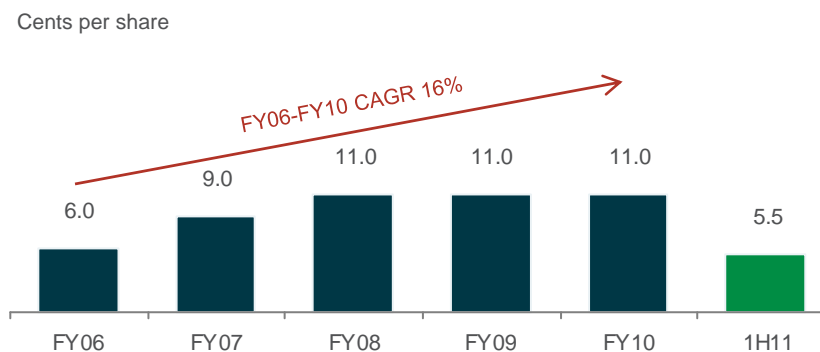


Ausdrill has demonstrated consistency of earnings and returns to shareholders over a number of years

## Earnings per share (EPS)<sup>2</sup>



## Dividend per share (DPS)<sup>2</sup>



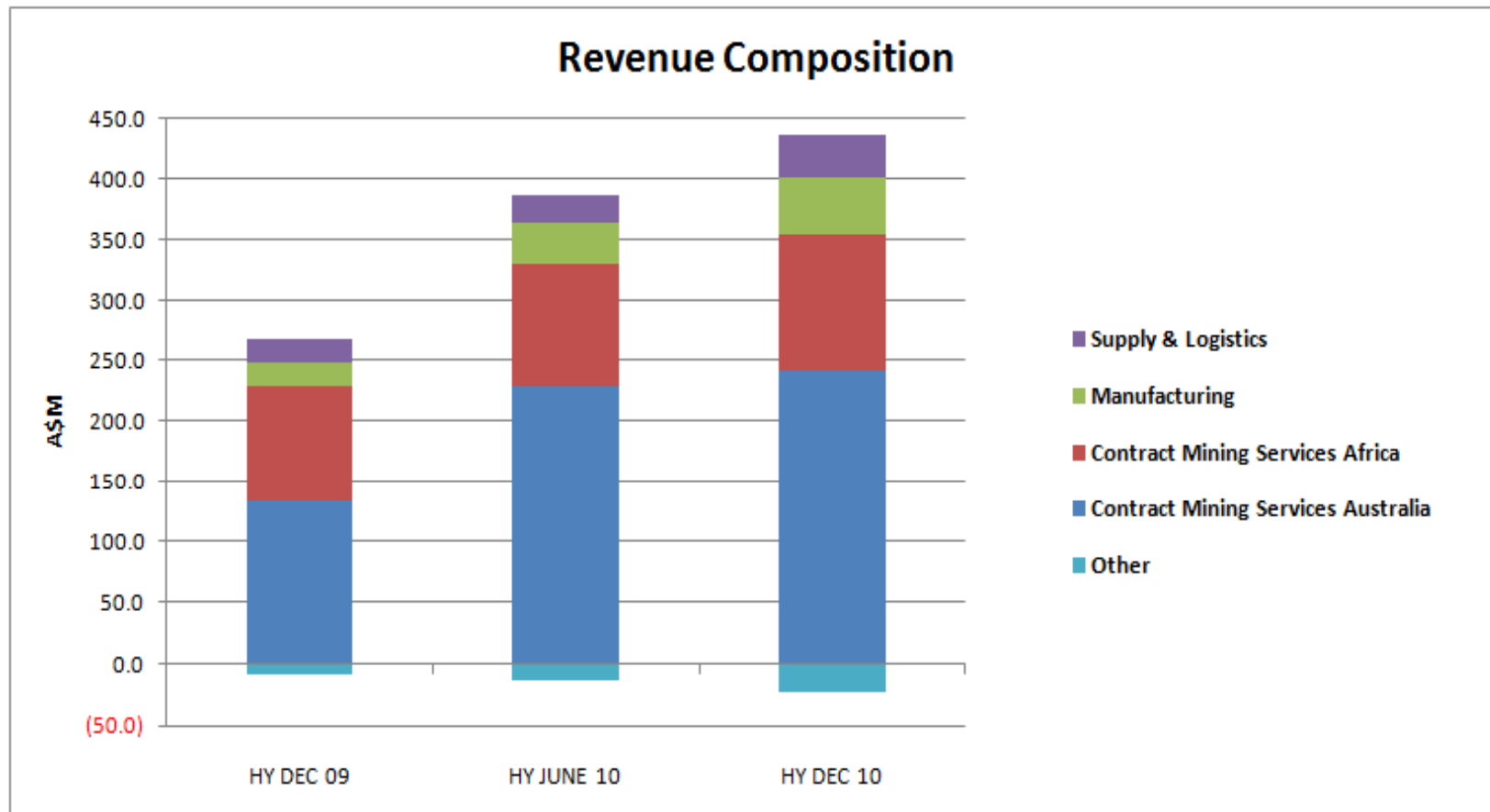
Note: CAGR = Compound Annual Growth Rate

<sup>1</sup> From continuing operations

<sup>2</sup> Basic EPS as reported; Total DPS as announced

# Financial Performance

## – Revenue

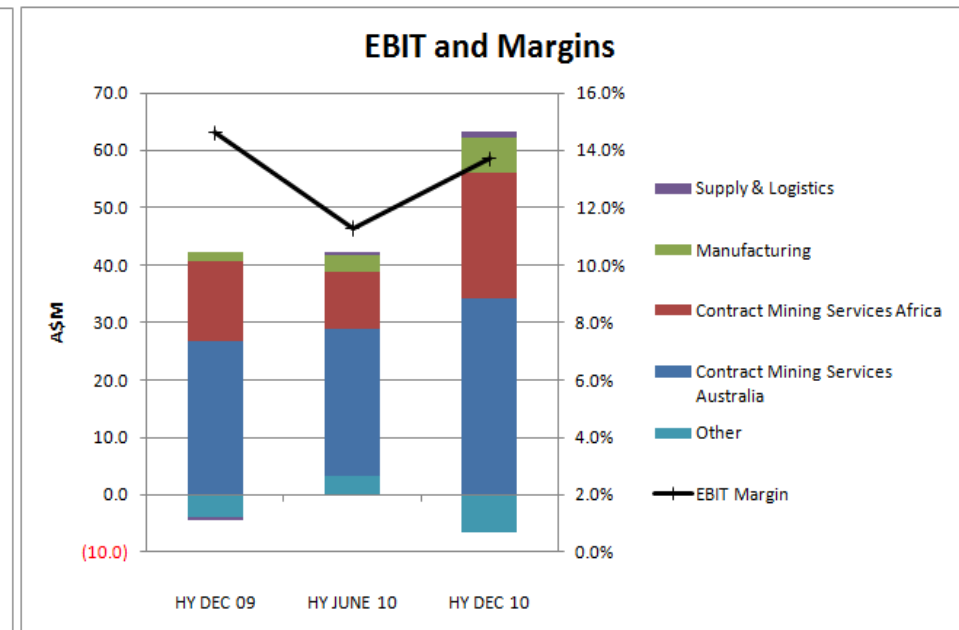
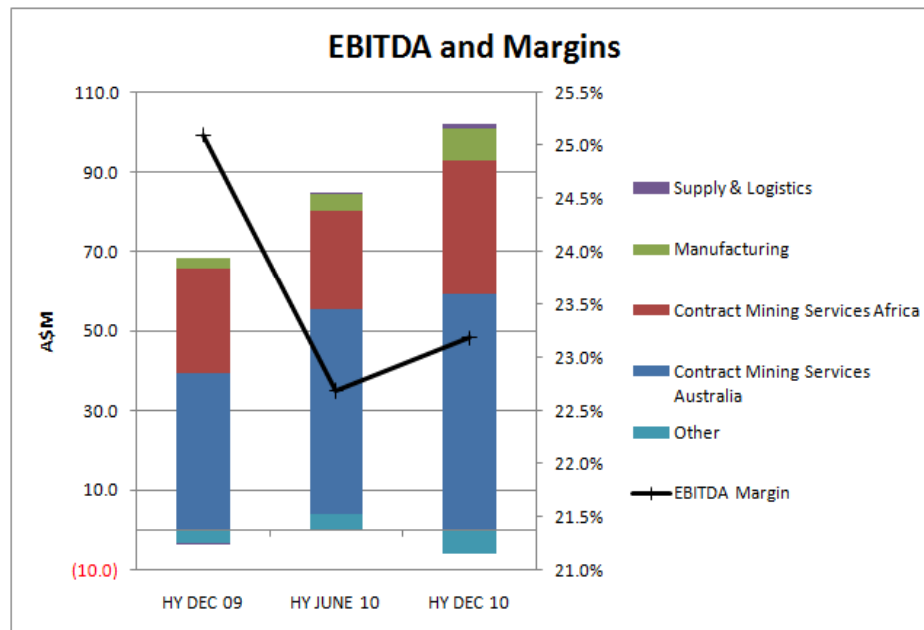


- ❑ Revenue at record levels and increased in all segments



# Financial Performance

## – Earnings and Margins



- ❑ Margins were impacted by the Brandrill acquisition however now improving

# Equity Raising

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## Equity raising

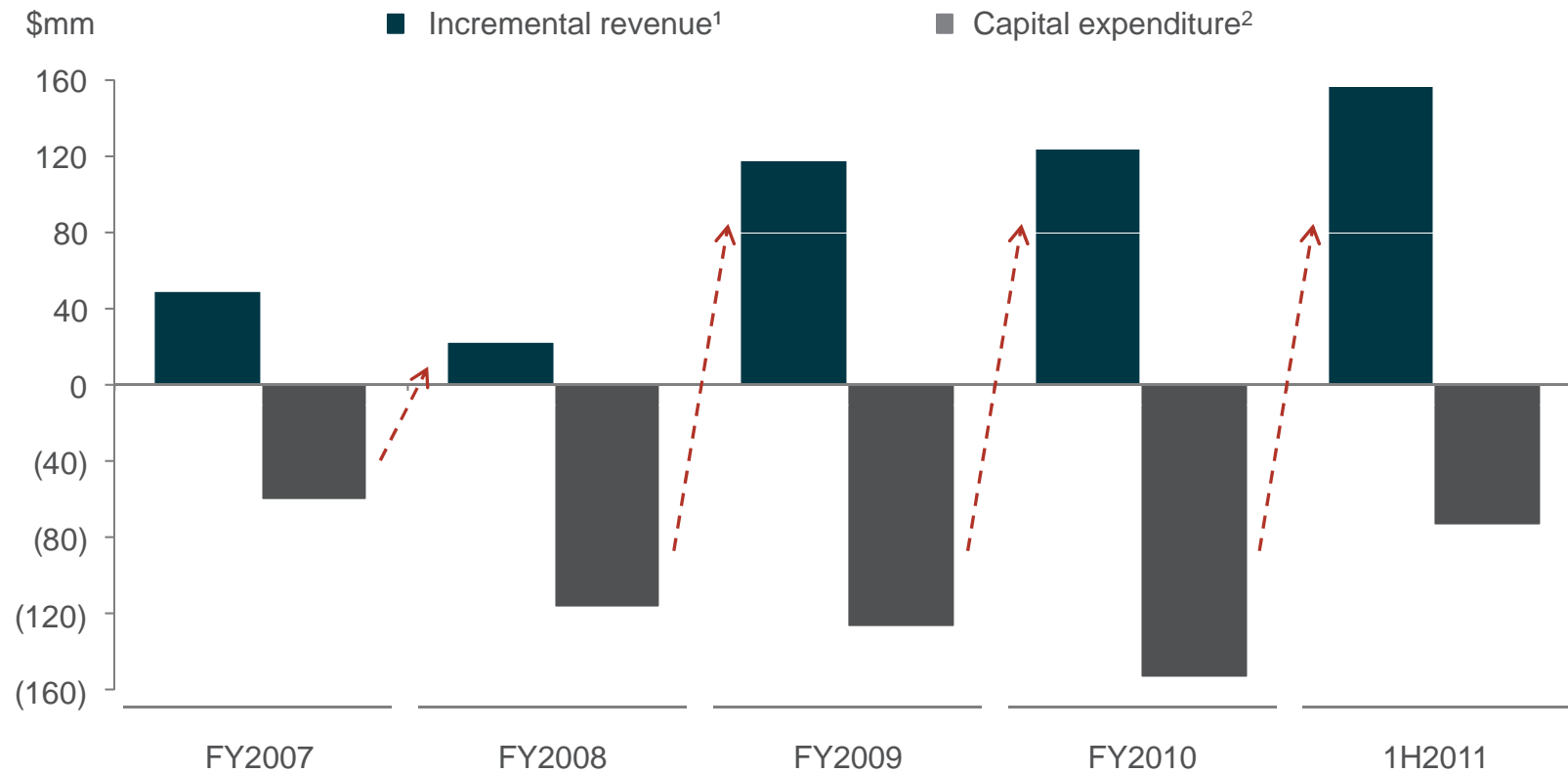
- ☐ Ausdrill has recently raised \$129.5 million through an Institutional Placement
- ☐ Ausdrill offered up to \$20.0 million via a Share Purchase Plan to eligible shareholders

## Use of proceeds

- ☐ Growth capital required for the purchase of plant & equipment and acquisitions
  - Numerous identified opportunities both in Australia and in Africa
  - Increased tender activity
- ☐ Further support the growth of Ausdrill's joint ventures

# Demonstrated Growth From New Capital

The Company has a track record of achieving strong revenue growth from disciplined capital expenditure



Raised \$95 million  
via an equity raising  
in November 2007

Raised \$104 million  
via an equity raising  
in March 2010

Note: Includes the impact of the Brandrill acquisition

<sup>1</sup> Incremental revenue over the prior comparable period

<sup>2</sup> Capital expenditure = Plant & equipment additions + business acquisitions – disposals

# Update on Recent Acquisitions



(February 2011)

- ❑ Consideration of c.\$30 million, plus an earn-out of 50% of EBITDA between completion and 30 June 2011
- ❑ Good visibility on FY2011 contribution
- ❑ Fleet in excellent condition
- ❑ Part of the Company's "one stop shop" strategy



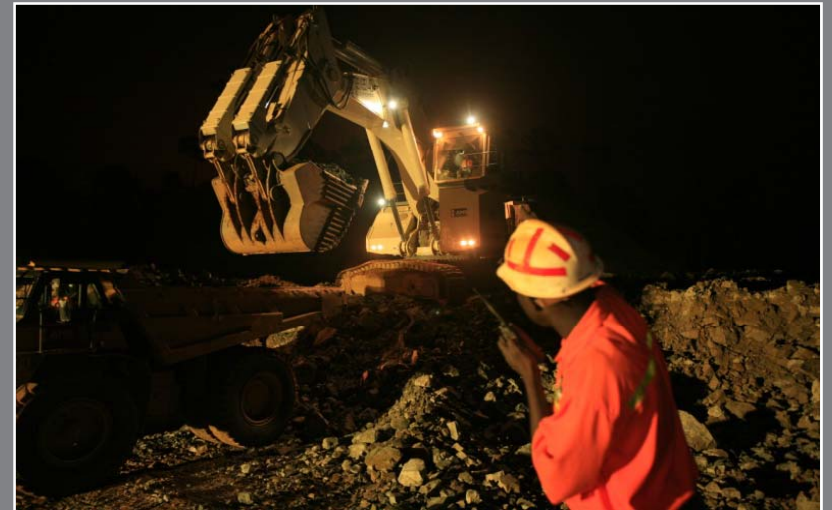
(Late 2010)

- ❑ New state of the art facility being established in Perth to provide mineral assay services to customers in Australia and Africa
- ❑ Perth facility to provide base for establishment of on-site laboratories at mine sites and mobile sample preparation laboratories at exploration sites
- ❑ Led by 2 executives with significant industry experience



(December 2009)

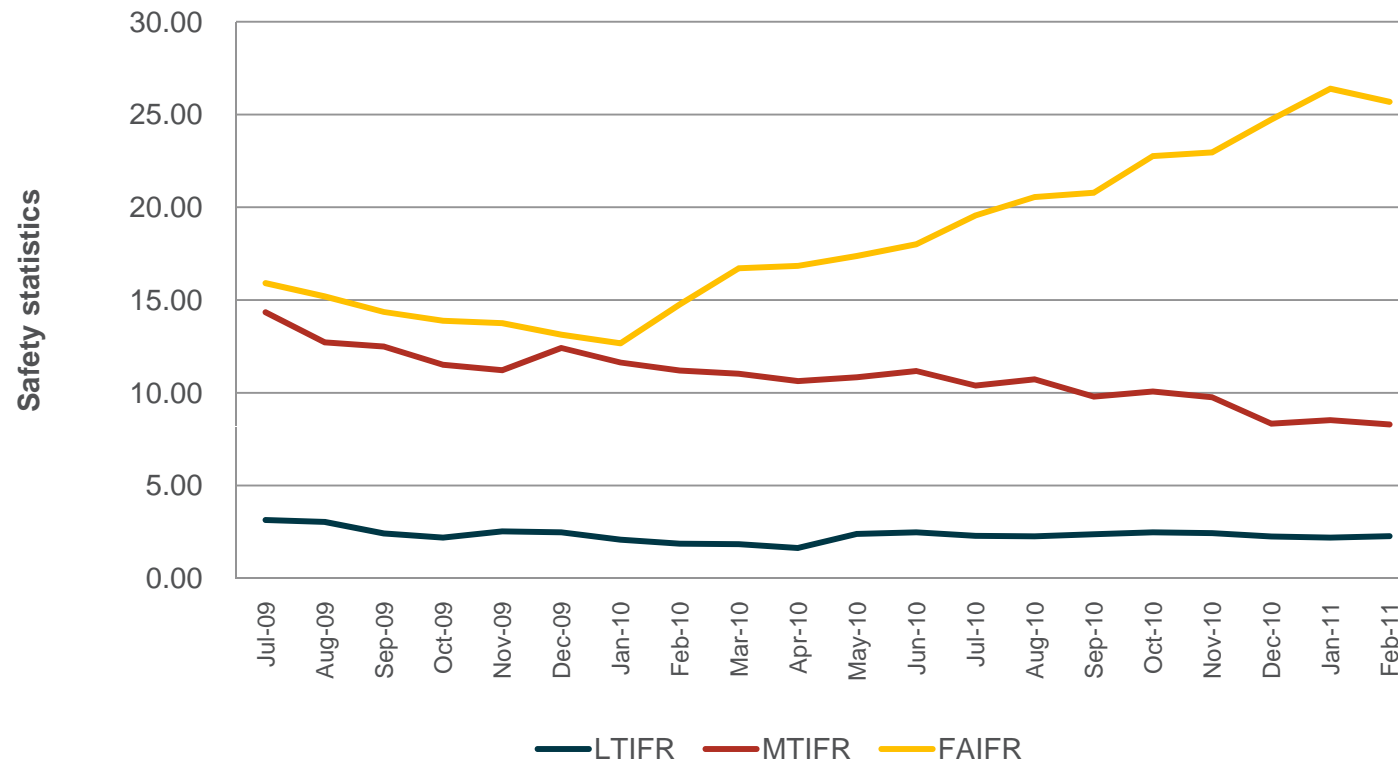
- ❑ Brandrill integration completed
- ❑ Renegotiated underperforming contracts
- ❑ Close to achieving margins traditionally achieved by Ausdrill



# Safety



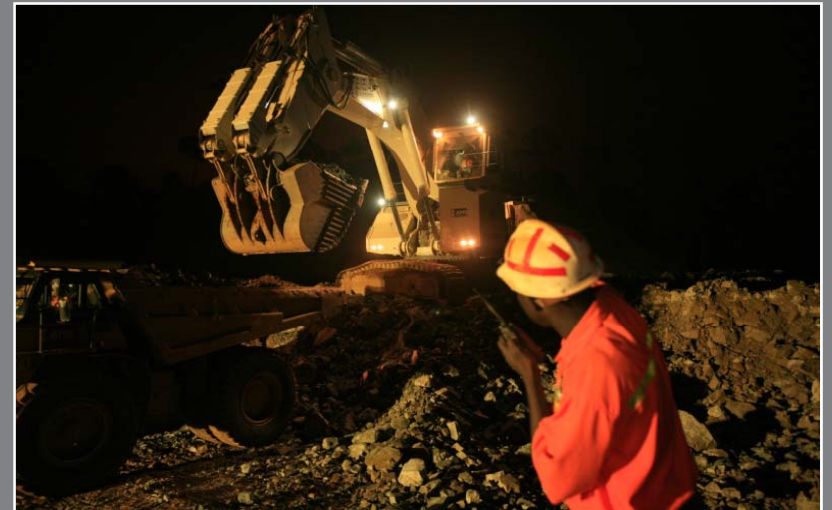
# Safety



## □ 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



## 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

## 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
- High Australian dollar impacts on African earnings

## 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

## 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

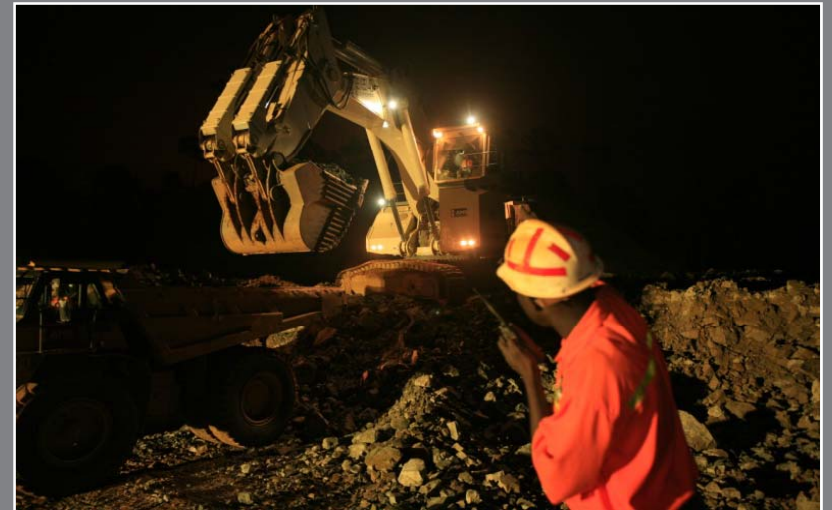


## TARGET FY2011

- ❑ Target for FY2011 is for a full year net profit after tax of \$70 million and takes into account the following:
  - The second half to June 2011 includes the cessation of the contract at Damang and the start up at Ayanfuri, in Ghana. The transition has proceeded to plan.
  - Unusually wet weather in Australia has had an impact on February 2011 results
  - The continued strength of the Australian dollar will impact on our reported results from our African businesses

## MEDIUM TERM

- ❑ In the medium term, the Company is planning on continued growth in the resources sector and notes the following:
  - 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 tenders to contracts in the next year
  - World economic and political positions remain unclear, however current commodities pricing remains positive for the industry



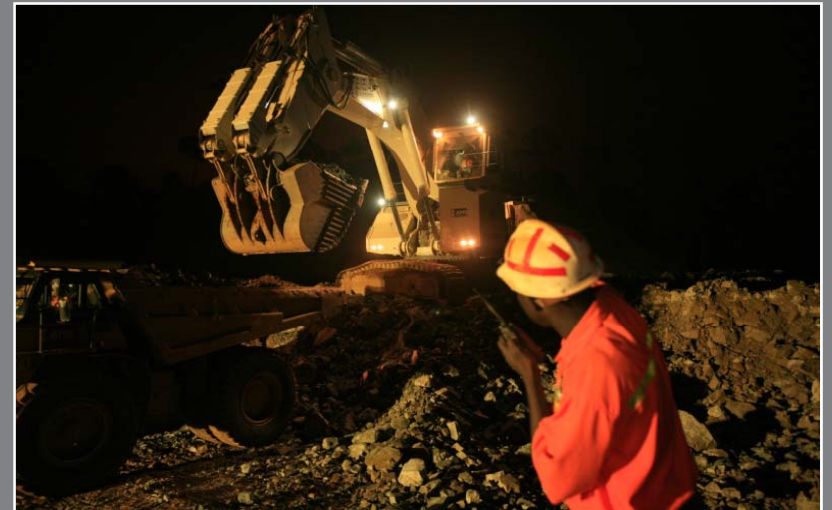
# Summary



# Summary



✓	Vertically integrated mining services group
✓	Exposure to high growth end markets such as gold and iron ore
✓	Strong track record of delivering profit and dividend growth
✓	Flexible balance sheet
✓	Long term relationships with blue chip client list
✓	Typical contract length of 3 to 5 years
✓	Ongoing growth anticipated from new contracts, contract extensions and increased scope of services
✓	High level of tender activity in both Australia and Africa



# Appendix

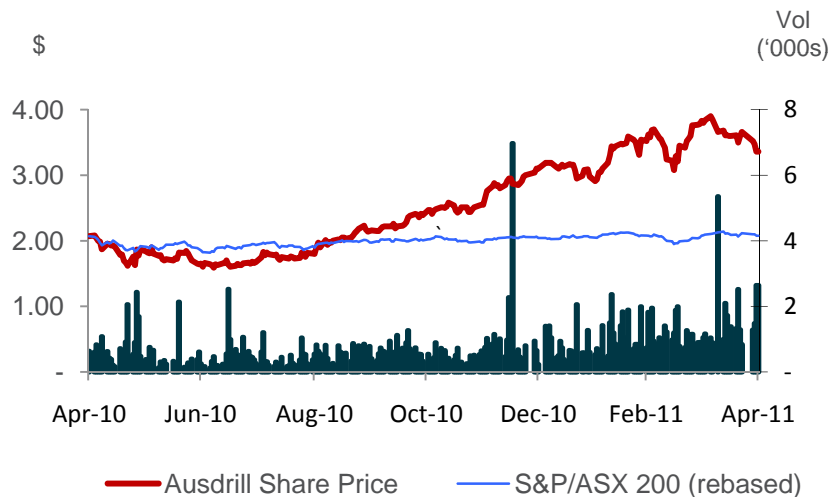
# Corporate Snapshot



## Capital structure

Share price (close as at 30 Apr 2011)	\$3.36
Fully paid ordinary shares	301 million
Market capitalisation (undiluted)	\$1,010 million
Cash (as at 31 Dec 2010) <sup>1</sup>	\$197 million
Debt (as at 31 Dec 2010) <sup>1</sup>	\$191 million
Enterprise value <sup>1</sup>	\$1,004 million
Net debt/Book equity <sup>1</sup>	(1%)

## Share price performance



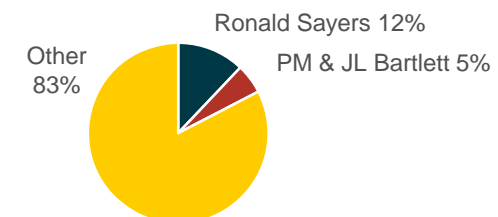
<sup>1</sup> Excludes the impact from the acquisition of Connector Drilling in February 2011, but includes Placement

## Directors and senior management

Terence O'Connor	Chairman, Non-executive Director
Wallace King	Deputy Chairman, Non-executive Director
Ronald Sayers	Managing Director
James Askew	Non-executive Director
Terrence Strapp	Non-executive Director
Mason Hills	Non-executive Director
Mark Hughes	Chief Financial Officer
Alex McCulloch	Chief Operating Officer, GM Australia
John Kavanagh	General Manager, West Africa
José Martins	GM, Corporate Finance & Investor Relations
Domenic Santini	Company Secretary
Strati Gregoriadis	General Counsel

## Substantial shareholders

Name	Shareholding
Ronald Sayers / Cherry Garden Nominees	12.07%
PM & JL Bartlett / Bremerton Group	5.33%



# Operating divisions

## Contract mining services – Australia



### 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 – Australia



### Contract Mining Services - Australia



#### CONNECTOR DRILLING

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

**Services include:**

Water Monitoring Bores  
Water Production Bores  
Dewatering Bores  
Artesian Bores

**Equipment:**

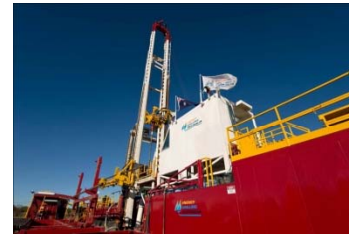
9 x Drilling rigs with significant support equipment



#### MINANALYTICAL LABORATORY SERVICES

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 to be based in Canning Vale, WA.



#### ENERGY DRILLING AUSTRALIA

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



#### SYNEGEX

Specialist bulk explosives provider.





# Operating divisions

## Contract mining services – Africa



### 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 Barmenco 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



#### AUSDRILL ZAMBIA

Exploration drilling services contract with BHPB for an initial 12 month period commencing April 2011

##### Equipment

3 x Diamond drill rigs



# Operating divisions

## Manufacturing



### 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, producing RC rigs, grade control rigs, diamond drills, multi-purpose drills and probe drills, 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 increase mine productivity and bottom line profitability.



# Operating divisions

Supply, logistics and other



## 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.



### DIAMOND

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



# Results Overview

## – First Half 2011 by Segment



A\$ million	Segment revenues		Segment results (profit before tax)	
	2010	2009	2010	2009
Contract Mining Services - Australia	244.0	133.6	28.3	22.5
Contract Mining Services - Africa	112.8	94.9	19.8	10.8
Manufacturing	46.3	20.5	5.4	1.3
Supply & Logistics	35.6	19.2	0.8	(0.8)
All Other Segments	12.9	10.9	(4.3)	(3.2)
Eliminations / Rounding	(35.6)	(19.8)	-	(0.1)
	416.0	259.3	50.0	30.5

# Results Overview

– First Half 2011



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

# Results Overview

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>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)



# 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>