

28 FEBRUARY 2012

AUSDRILL AWARDED EXOMA ENERGY COAL SEAM GAS CONTRACT

Highlights

- 12 month contract to provide drilling services to Exoma Energy Limited
- Option to extend by further 12 months
- Latest contract win in growing coal seam gas industry

Ausdrill (ASX: ASL) is pleased to announce that its subsidiary Energy Drilling Australia (EDA) has been awarded a contract with Exoma Energy Limited to provide a drill rig and drilling services for the Galilee Joint Venture 2012 exploration program in Queensland.

The contract, scheduled to commence in April 2012, is for 12 months with an option to extend another 12 months. The contract value over the initial 12 months is approximately \$13m.

This win is a significant contract award for EDA within the coal seam gas sector. The Company has invested in new drill rigs and associated equipment specifically to pursue opportunities within the industry.

In June 2011, EDA entered into a contract with Santos for the provision of coal seam gas production and exploration drilling services, with the works predominantly being undertaken in Central Western Queensland.

About Ausdrill

Ausdrill (ASX: ASL) is a diversified mining services company. Since its formation in Kalgoorlie in 1987, Ausdrill has grown significantly and now has operations across Australia, Africa and the United Kingdom. Ausdrill is a leader in providing services in contract mining, grade control, drill & blast, exploration, mineral analysis, procurement & logistics and manufacturing. The Ausdrill Group employs over 5,000 staff worldwide.

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ENERGY DRILLING AUSTRALIA PURSUES COAL SEAM GAS OPPORTUNITIES

Energy Drilling Australia (EDA) is investing to pursue opportunities within the burgeoning coal seam gas industry.

In late 2011 EDA, a subsidiary of Ausdrill, took delivery of its second drilling rig and has placed an order for a third, which is expected to be ready for service by mid 2012.

With each rig costing approximately \$10 million – including the purchase price and the cost of modifications to prepare them for use in local conditions – it represents a significant outlay by EDA.

Over recent months the company has won two significant contracts to provide services to the coal seam gas sector. These include:

- In February 2012, EDA was awarded a contract with Exoma Energy Limited to provide a drill rig and drilling services for the Galilee Joint Venture 2012 exploration program. The contract, scheduled to commence in April 2012, is for 12 months with an option to extend another 12 months.
- In June 2011, EDA entered into a contract with Santos for the provision of coal seam gas production and exploration drilling services, with the works predominantly being undertaken in Central Western Queensland. EDA has been utilising its new Foremost Explorer III-65 Drilling Rig to service this contract, which is expected to run for 15 months.

The company's second rig, a larger-capacity Schramm TXD200, landed in Australia in late 2011 and will be utilised to service the Exoma contract. The third rig, also a US-built Schramm, should be up and running by July 2012.

Energy Drilling Australia's General Manager Peter Wright said there was strong demand from the industry for the new drill rigs.

"These rigs will be put to use immediately they are available. By mid 2012 I would hope we may need to order another one, and our goal is that by the end of 2013 we will have six rigs operating – all servicing the coal seam gas industry."

There are a number of energy companies, ranging from major international players to juniors, which are pursuing opportunities with the coal seam gas sector in Queensland and New South Wales.



And as Mr Wright explains, coal seam gas requires a lot of drilling.

"The three largest companies in the sector have estimated they need to drill 20,000 wells by 2016. The best case scenario is that one rig can complete three wells per month, so that gives you some idea of the magnitude of the opportunity.

"We know of one company alone that has a requirement for as many as 50 rigs, and currently these rigs are simply not available in Australia," Mr Wright said.

EDA was formed by Ausdrill in 2009 specifically to pursue opportunities within the coal seam gas industry.

"At the outset we were an unknown quantity," Mr Wright said. "People were familiar with Ausdrill as a company that provides mineral drilling services, but did not associate us with the energy space. Now our name has got out there, and we are particularly proud of the fact we are seen in the industry as a 'can do' company."

The move into the sector has led to increased employment opportunities, with an average of 25 people working to operate and support each rig. The rigs run 24 hours a day, seven days a week.

With the wells having an estimated 15 year life, EDA believes there are further opportunities in servicing and maintenance.

"Santos was the first coal seam gas contract awarded to EDA, and was a significant milestone in what we see as a high growth market. As we bring our new equipment on stream we will be well placed to continue to grow the business," Mr Wright said.

About EDA

Energy Drilling Australia (EDA) is a wholly owned subsidiary of Ausdrill, offering cost effective and reliable gas exploration drilling for its Australian based customers.

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