ASX RELEASE

23 NOVEMBER 2012

Company Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir,

Attached is a copy of the Chairman's Address to be delivered to shareholders of Ausdrill Limited at the Annual General Meeting of the Company to be held today.

Yours faithfully

DOMENIC SANTINI
Company Secretary

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CHAIRMAN'S ADDRESS – 2012 AGM

Ladies and Gentlemen

I am pleased to be able to speak to shareholders after what has been another record year for your Company. As I noted in the Annual Report, the after tax profit for the financial year to June 2012 of $112.2 million makes this year the 8th successive year of profit increases. Importantly the final dividend was increased from 6.5c to 8c per share.

In talking about your Company I have repeatedly stressed the benefit your Board sees in its strategy of diversifying the range of services it offers to the mining industry. We seek to offer what could be called a "cradle to the grave" service to the industry. We provide exploration drilling, mineral analysis, drill and blast, grade control, explosive supply, earthmoving, water well drilling, coal seam gas drilling in Queensland, plant hire, underground mining, parts for earthmoving equipment and supply and logistics services. We also manufacture drill rigs, drilling consumables and dump truck bodies. Most of our services are provided to mining companies as opposed to exploration companies, and we work for most of the major mining houses. Despite all this, people tend to lump the Company in with companies which provide only one or two services to the industry, for example, exploration drillers. Our exploration drilling division accounts for 11% of our group activities and the majority of that came from the largest mining companies whose exploration effort continues through all phases of the mining cycle. I will say a little more about this later.

In the Annual Report the Managing Director has reviewed the various businesses which the Company operates. I will not revisit this save to say that we have in the past year continued to follow our strategy of growing our integrated services offering.

What is worth noting is that the manager of each of the Company's business units has a high degree of autonomy in the management and operation of that business. I believe that part of the reason for Ausdrill's success is the 'ownership' that the managers have in their businesses. Many of the businesses provide services to other businesses in the Group, at normal market rates.

Since the year end the Company has settled on the purchase of Best Tractor Parts (**BTP**). BTP is an extremely good fit with Ausdrill. It has an equipment hire business which complements the Ausdrill business, and it also sells reconditioned parts for heavy earthmoving equipment with the opportunity to expand this service into Africa to both the Ausdrill Group and 3rd parties. The parts business has historically performed especially well during downturns in the mining industry.

In the past, the Company has relied heavily on the issue of equity to fund the Company's growth. Recently the Board decided that the Company had reached the point where the nature and structure of our debt funding should be aligned with the high level of plant ownership on our balance sheet as well as the significant working capital needed to run multiple projects.

Shareholders have no doubt seen that pursuant to this decision the Company has put in place a revolving term debt facility of $300m with a consortium of banks, and a US$300m 7-year unsecured loan in the US bond market. Part of the funds raised in the US bond offering were used to pay down some of our existing borrowings. These facilities put the Company in an excellent position to fund our future growth. The raising was driven by our Chief Financial Officer, José Martins, who did an excellent job.

Of course, what many shareholders are most interested in is the outlook for the Company. As I noted above Ausdrill is much more than the 'one trick ponies' with which it is often lumped, and it provides a range of services to the mining industry.

The bulk of our contracting work is done pursuant to long term contracts. Generally, if we are working in an ongoing mining operation, our experience is that upon expiry our contract is extended. For example, the contract at the KCGM Kalgoorlie Super Pit, where Ausdrill has been working for more than 20 years, has recently been extended for 5 years under a Letter of Intent, with expected revenue of $240m. Similarly, the Company has recently received a $180m extension for our drill and blast contract at Prominent Hill, save that the contract is directly with OZ Minerals rather than with the earthmoving contractor.

Since 30 June 2012 we have commenced a new 5 year US$540m contract for Resolute Mining at Syama in Mali. At the moment the mine life is expected to be 10 years. Our expectation is that our contract will be extended upon completion of the current contract.

We believe the outlook for the Company is positive. Whilst the world uncertainty and the high cost of operating in Australia has had a dampening effect on the mining industry, the gold sector, which is our primary area of operation, is still buoyant. Despite the downturn in sentiment we expect there to be a steady stream of new work in Australia. For this reason we do not expect any significant downturn in our Australian revenue.

The situation in Africa, where we have operated for some 20 years, is very exciting. Africa is experiencing a mining boom, and we are operating in a number of countries there. By way of an example of what is happening, there are more than 200 companies with Perth addresses working in Africa.

Because we have been in Africa for so long, we have developed a team of expatriate staff who are highly experienced in working in Africa, and who, along with a significant number of Ausdrill-trained national staff, have established an excellent reputation for quality in their services provided by our subsidiary African Mining Services **(AMS)**. AMS is very established and highly regarded by many of the mining companies in Africa.

In the period ahead we expect tenders to be called for up to $5.5 billion of work in Africa. We expect to win a fair share of that work. In fact, the volume of potential work has been such that we can only bid for some of it, and we have focussed our efforts on gold projects, with almost all our work in Africa being in the gold industry.

We believe that the outlook for the Company may be better than that for some of the other companies in our sector because Ausdrill:

- provides a range of services through the life cycle of a mining project and is largely dependent on the production phase of the cycle;
- receives 60% of its revenue from the gold sector;
- focuses on working under long term contracts;
- has only 11% of its group activities in exploration drilling, and most of that work is with the world's major mining houses which tend to continue their exploration during a downturn; and
- has major operations in the growing African mining sector.

These factors mean that any downturn should not affect Ausdrill to the same extent as others in our sector. Indeed, as shareholders will recall, during the recent global financial crisis Ausdrill continued to post record revenues and profits.

At the release of our results for the year under review we said that we expected to increase our revenues in the current year by 15% and expected to maintain our margins.

In recent months, the Australian mining industry has experienced a period of uncertainty caused principally by a fall in the prices of iron ore and coal. Although Ausdrill has a minor exposure to coal, it has important customers in the iron ore sector, particularly, Fortescue Metals Group (FMG), whose slowdown has affected the Company. Assuming equipment moved from FMG is not redeployed, we expect a decline in revenues of $50 million in the 2013 financial year (or approximately 4% of forecast revenue). In addition, the Company has experienced a slowdown in exploration drilling and equipment hire in Australia.

In Africa, our operations in Burkina Faso have been brought to a halt by an unprecedented period of wet weather. Similarly, the start-up of operations at Syama in Mali has been slowed by the same poor weather.

Because of the accounting rules that require Ausdrill to revalue to market value the parts and equipment held in the BTP business and the slowdown in activity in the iron ore and coal sectors, we anticipate the BTP contribution to reported profits to be minimal in the current year. We expect BTP to deliver a greater impact on the Group's results in the 2014 financial year.

Despite these setbacks, the Company's business continues to grow. We expect revenues for the year to grow by 20% on the 2012 year, including the BTP acquisition which was completed on 31 October 2012. Management has recently undertaken an in depth review of our operations, the result of which was released to the ASX yesterday.

The Ausdrill results for the 2013 year will include a number of one-off costs, amounting to approximately A$15 million before tax most of which will be reported in the first half of the 2013 financial year.

Despite the effect of these costs, we anticipate the reported net profit for the current year to be the same or slightly better than last year's profit. Were it not for the matters outlined above, we believe that Ausdrill would have achieved an increase in net profit growth of close to 15%.

In summary, because of the strength and diversification of the Company's business, your Board believes that the Ausdrill record of growth will continue.

I have said before, and I will say again, Ausdrill is only as good as its people. We have an outstanding group of managers and staff, led by the irrepressible Ron Sayers, who have again done a magnificent job. On behalf of the Board and shareholders I want to thank them for their efforts.

TERENCE O'CONNOR
Chairman
Ausdrill Limited