

26 SEPTEMBER 2013

ESTABLISHMENT OF EXECUTIVE SHARE OPTION PLAN AND PROPOSED ISSUE OF OPTIONS

The Board of Ausdrill Limited (ASX:ASL) ("**Ausdrill**") is pleased to announce that it has established a new employee share option plan ("**Plan**") for the benefit of executives and has today resolved to make offers under the Plan.

Eligible executives will participate in the Plan by way of holding units in an executive share option trust ("**Trust**"). For each unit held in the Trust ("**Unit**") an eligible executive will be entitled to one option ("**Option**") to subscribe for one fully paid ordinary share in Ausdrill.

Ausdrill will, pursuant to the Plan, today offer 12.6 million Options to eligible executives through the Trust. It is expected that Options will be issued to the Trust, and Units will be issued to eligible executives, on or about 4 October 2013.

All Options will be unlisted, will expire 5 years after their issue (and also in certain circumstances where the executive ceases to be employed or where the board determines), will have an exercise price of \$1.7025 per Option and will be issued in three (equal) tranches as follows:

- Tranche 1 (one third of the Options) will become exercisable after the second anniversary of their date of issue;
- Tranche 2 (a further one third of the Options) will become exercisable after the third anniversary of their date of issue; and
- Tranche 3 (the remaining one third of the Options) will become exercisable after the fourth anniversary of their date of issue.

The exercise of the Options will be subject to the achievement by Ausdrill of certain performance hurdles involving Ausdrill's total shareholder return performance relative to certain of its peers.

The attached annexure sets out the material terms of the Plan, including details of the performance hurdles.

**BRINGING MORE
TO MINING**

Options will be issued pursuant to Ausdrill's 15% capacity under ASX Listing Rule 7.1. Shareholder approval will not be sought for the issue of the Options, though Ausdrill may seek ratification of the issue in the future in order to refresh its ASX Listing Rule 7.1 capacity. An Appendix 3B in respect of the Options will be released once they are issued.

Ausdrill has sought and obtained tax rulings from the ATO and relief from ASIC (in relation to certain disclosure, licensing and on-sale provisions of the *Corporations Act 2001* (Cth)) in respect of the Plan.

Domenic Santini
Company Secretary
AUSDRILL LIMITED

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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Annexure – Plan terms

Part A – Terms of Plan

- Eligible executives will participate in the Plan by holding Units in the Trust.
- For each Unit held in the Trust an eligible executive will be beneficially entitled to one Option to subscribe for one fully paid ordinary share in Ausdrill (ranking pari passu with other issued ordinary shares) upon payment of the exercise price.
- Ausdrill has appointed Trinity Management Pty Ltd ("**Trustee**") to administer the Plan and act as trustee of the Trust.
- The Trustee will hold the Options on trust on behalf of participants.
- Units may be offered (at the discretion of the Board) to full or part-time executives (including executive directors, subject to shareholder approval) of Ausdrill or other companies within the Ausdrill Group.
- To enable an eligible executive to subscribe for Units, the Trustee will offer an eligible executive an interest-free and limited-recourse loan for the full amount to purchase the Units on the terms set out in the offer letter and Plan rules. The value of the loan will be equivalent to the value of the Units at the time of issue of the Units. As such loans will be limited recourse, an eligible executive will never become liable to repay more than the value of the Units from time to time (and can satisfy repayment of the loan by having the Units cancelled).
- The number of Options that may be issued under the Plan is capped at the levels set out in ASIC Class Order [CO 03/184].
- Options shall be issued in 3 equal tranches (subject to rounding), the first of which may not be exercised until after the 2nd anniversary of their issue, the second of which may not be exercised until after the 3rd anniversary of their issue, and the final tranche which may not be exercised until after the 4th anniversary of their issue. The ability to exercise an Option (through the Trust) will be subject to additional performance hurdles as described in Part B below.
- Options may be exercised by the executive by paying the exercise price in cash, or by way of "cashless exercise". Cashless exercise means that instead of paying the cash exercise price for each of the Options, Ausdrill will issue a smaller number of shares representing the difference between the value of the shares and the exercise price. This will mean that the executive will not need to outlay cash to exercise Options. Where cashless exercise is selected, Ausdrill will only allot and issue such number of shares as is equivalent to the number of Options being exercised multiplied by the excess of the average share price over the exercise price, divided by the average share price and then rounded down to a whole number of shares.
- Once the Options are exercised, the participants may either retain the shares in the Trust (for as long as they remain employed by Ausdrill) or may elect to withdraw the shares or have them sold, in which case the shares will be transferred to the participant or sold on the participant's behalf. Once the shares are transferred or sold, the corresponding Units will be cancelled and the cancellation will satisfy repayment of the loan from the Trustee.
- The rules of the Plan contain a number of rules dealing with cessation of employment with Ausdrill and the cancellation of Units. For example, where an Option has been exercised into a share and the participant ceases to be an executive of Ausdrill, such shares will be transferred to the participant and the Units relating to such shares will be cancelled.
- The Board may determine that some or all Options are exercisable immediately if: there is a takeover bid (under which the bidder obtains voting power of at least 50% and the bid is declared unconditional other than for certain prescribed conditions); a scheme of arrangement (which is approved by members at the required court ordered meeting(s)); or another event occurs by which an entity becomes (or is entitled to be) registered as the holder of more than 50% of Ausdrill shares.

- Options will lapse on the earlier of: the 5th anniversary of their issue; 30 days (or a longer period determined by the Board) after the executive ceases employment; or immediately upon the Board determining that an executive has acted fraudulently or dishonestly or in breach of their obligations to Ausdrill.
- The Board has a discretion to determine that Options should not lapse where employment ceases due to total and permanent disablement, ill health, death, economic necessity or retirement or other factors not attributable to conduct or performance.
- Options may not be transferred, will not be quoted on ASX and do not carry rights to dividends or rights to vote.
- Options will not carry any participation rights in respect of future issues of shares unless the Option is first exercised (and if required by the ASX Listing Rules, Ausdrill will give Option holders notice of any new issue before the record date for determining entitlements to the issue).
- If there is a bonus issue of shares (other than in lieu or in satisfaction of dividends or by way of dividend reinvestment) then the number of shares to be received on exercise of the Option will be increased as if the Option had been exercised before the record date for that bonus issue.
- If Ausdrill makes a rights issue (other than in lieu or in satisfaction of dividends or by way of dividend reinvestment) for an issue price which is less than the market price, then the exercise price of each Option will be reduced in accordance with the formula in ASX Listing Rule 6.22.2.
- In the event of any reorganisation of capital, the rights of an Option holder will be changed to the extent necessary to comply with the ASX Listing Rules.
- Participants are prohibited from entering into transactions in financial products issued over Ausdrill securities by third parties which operate to limit the economic risk relating to their unvested entitlements under the Plan.
- The Board has the power to terminate, suspend or amend the Plan and is able to exercise certain discretions under the Plan.
- The Plan is governed by the laws of Western Australia.

Part B – Performance Hurdles

1. General Terms of Performance Conditions

A Participant's entitlement to exercise Options (through the Trust) will be subject to a determination by the Board based upon Ausdrill's TSR performance as set out in clause 2 below.

2. TSR Performance

2.1 First Tranche

- If the Stretch Level of Performance is achieved or exceeded by Ausdrill over the Period of Measurement then 100% of the first tranche of one third of the Options (**First Tranche Options**) will vest and be capable of being exercised.
- If the Target Level of Performance is achieved by Ausdrill over the Period of Measurement then 50% of the First Tranche Options will vest and be capable of being exercised.
- If Ausdrill's performance over the Period of Measurement falls between the Target Level of Performance and the Stretch Level of Performance a percentage of the First Tranche Options determined on a pro rata basis between 50% of the First Tranche and 100% of the First Tranche will vest and be capable of being exercised.

- (d) If Ausdrill's performance over the Period of Measurement is less than the Target Level of Performance then none of the First Tranche Options will vest or be capable of being exercised.

2.2 Second Tranche

- (a) If the Stretch Level of Performance is achieved or exceeded by Ausdrill over the Period of Measurement then 100% of the second tranche of one third of the Options (**Second Tranche Options**) will vest and be capable of being exercised.
- (b) If the Target Level of Performance is achieved by Ausdrill over the Period of Measurement then 50% of the Second Tranche Options will vest and be capable of being exercised.
- (c) If Ausdrill's performance over the Period of Measurement falls between the Target Level of Performance and the Stretch Level of Performance a percentage of the Second Tranche Options determined on a pro rata basis between 50% of the Second Tranche and 100% of the Second Tranche will vest and be capable of being exercised.
- (d) If Ausdrill's performance over the Period of Measurement is less than the Target Level of Performance then none of the Second Tranche Options will vest or be capable of being exercised.

2.3 Third Tranche

- (a) If the Stretch Level of Performance is achieved or exceeded by Ausdrill over the Period of Measurement then 100% of the third tranche of one third of the Options (**Third Tranche Options**) will vest and be capable of being exercised.
- (b) If the Target Level of Performance is achieved by Ausdrill over the Period of Measurement then 50% of the Third Tranche Options will vest and be capable of being exercised.
- (c) If Ausdrill's performance over the Period of Measurement falls between the Target Level of Performance and the Stretch Level of Performance a percentage of the Third Tranche Options determined on a pro rata basis between 50% of the Third Tranche and 100% of the Third Tranche will vest and be capable of being exercised.
- (d) If Ausdrill's performance over the Period of Measurement is less than the Target Level of Performance then none of the Third Tranche Options will vest or be capable of being exercised.

3. Definitions

ASX means ASX Limited ABN 98 088 624 691.

Ausdrill means Ausdrill Limited ACN 009 211 474.

Board means all or some of the directors of Ausdrill acting as a board or, where applicable, any relevant committee or subcommittee of directors.

Comparator Group means the group of companies selected by the Board and set out under the heading "Comparator Group" below (while those companies remain listed on ASX), or any successor entities listed on ASX as determined by the Board from time to time.

Grant means the time that an Option is issued to a Participant (through the Trust).

Options means an option (held by the Trustee on behalf of the Participant) to subscribe for one ordinary share in Ausdrill upon payment of the exercise price and subject to the terms of the rules of the Ausdrill Limited Employee Share Option Plan.

Participant means an employee of Ausdrill who is issued an Option (through the Trust) under the Ausdrill Employee Share Option Plan.

Period of Measurement means the period between the date of issue of the Options and:

- (a) in respect of the First Tranche Options, the 2nd anniversary of the date of issue;
- (b) in respect of the Second Tranche Options, the 3rd anniversary of the date of issue; and
- (c) in respect of the Third Tranche Options, the 4th anniversary of the date of issue.

Rules means the rules of the Ausdrill Employee Share Option Plan.

Share means a fully paid ordinary share in the capital of Ausdrill.

Stretch Level of Performance means Ausdrill achieving a TSR which when compared with the TSR of companies in the Comparator Group, has a percentile ranking in the Comparator Group measured against a base established at Grant of 75%.

Target Level of Performance means Ausdrill achieving a TSR which when compared with the TSR of companies in the Comparator Group, has a percentile ranking in the Comparator Group measured against a base established at Grant of 50%.

Trust means the Ausdrill Option Share Trust established pursuant to the Trust Deed.

Trust Deed means the trust deed relating to the Trust, between the Company and the Trustee.

Trustee means Trinity Management Pty Ltd ACN 118 314 515 or any other trustee appointed in accordance with the Trust Deed.

TSR measures the return received by shareholders from holding shares in a company over a particular period. TSR is calculated by taking into account the growth in the company's share price over the period as well as the dividends received during that period and growth may have a positive or negative value. The formula for calculating TSR (expressed as a percentage) is:

$$\text{TSR} = \left(\frac{\left(\begin{array}{c} \text{Share price} \\ \text{at Vesting} \end{array} - \begin{array}{c} \text{Share price} \\ \text{at Grant} \end{array} + \begin{array}{c} \text{Dividends per} \\ \text{Share paid and} \\ \text{received during the} \\ \text{Period of} \\ \text{Measurement} \end{array} \right)}{\begin{array}{c} \text{Share price at Grant} \end{array}} \right) \times 100$$

A 10 day VWAP is used to determine Share price at Grant and Vesting.

Vesting means the time that an Option is capable of being exercised in accordance with the Rules, being the end of the relevant Period of Measurement.

10 Day VWAP means the volume weighted average price of Shares during the 10 trading days prior to the stipulated date.

Comparator Group

Austin Engineering Limited

Brierty Limited

Emeco Holdings Limited

Macmahon Holdings Limited

NRW Holdings Limited

Transfield Services Limited

Boart Longyear Limited

Downer EDI Limited

Imdex Limited

MACA Limited

Monadelphous Group Limited

Sedgman Limited

WDS Limited