

21 NOVEMBER 2013

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

**BRINGING MORE
TO MINING**

CHAIRMAN'S ADDRESS – 2013 AGM

Ladies and Gentlemen

Before I get on to the business of the meeting I want to say something about the position of Ron Sayers and Wal King.

As shareholders would be aware, Ron's trial was completed last week without a decision as the jury was deadlocked. The DPP must decide whether to retry the matter.

The charge against Ron relates to his personal affairs and had nothing to do with Ausdrill. When Ron was first charged he explained to the Board the circumstances of the charge and offered to stand down. As we told shareholders at the time, the Board decided that there was no need to stand him down, rather the Board wanted him to continue as Managing Director. Nothing that occurred during the trial has caused us to change our mind. The Board has full confidence in Ron and wishes him to continue in his role as Managing Director of Ausdrill.

Wal King has recently been the focus of attacks in the Fairfax press, which have caused Wal to bring an action for defamation against Fairfax in the Supreme Court of New South Wales. It is alleged by Fairfax that Wal approved a bribe said to have been paid to secure a contract in Iraq. The contract was secured in the last days of Wal's tenure as CEO of Leighton. The Board has discussed the matter with Wal and has received information from his solicitors.

We have been informed that when the allegation first arose that a bribe had been paid in connection with the Iraqi contract, it was investigated, on behalf of Leighton, by a group independent of the Company. Similarly, the other company involved in the contract caused an investigation to be undertaken. We have been informed that both investigations found that all payments made were made in accordance with the contract and that there were no untoward payments.

Further the matter was referred to the AFP some two years ago. Wal told the Board that he has never been spoken to by the AFP and, indeed had not heard of the allegation before it was raised in the press. Nor has anyone at ASIC ever contacted Wal about the issue.

Wal strenuously denies having approved the payment of a bribe in connection with this contract or, for that matter, the payment of any bribe while he was CEO of Leighton. Wal also strenuously denies the other allegations of wrongdoing which the Fairfax press has made against him.

For these reasons the Board saw no reason to change its recommendation for the re-election of Wal King as a director merely because of unsubstantiated reports in the press, which are now the subject of the defamation claim which Wal is pursuing against Fairfax.

The year under review at this meeting has been most disappointing. It broke seven years of net profit improvement for the Company. While the Company's performance was affected by a reduction in margins, it also suffered the effect of unusual items, which included the first ever significant bad debts totalling \$6.6 million.

The Annual Report contains an analysis of the performance of our individual businesses. As shareholders are aware, we seek to provide a "cradle to the grave" service to the mining industry.

I don't intend to deal with the individual businesses, save to say that a couple of our new businesses have incurred start-up losses. We accept that if we purchase an existing business then we will have to pay goodwill. The alternative is to start a new business from scratch and incur the inevitable losses which are incurred until the business matures.

The oil and gas sector in Queensland has a strong growth outlook. While Energy Drilling Australia has experienced start-up pain, we believe the outlook is very bright. There will be a demand for the drilling of, literally, thousands of holes to meet the requirements for the LNG plants being built in Queensland. We expect in the New Year to start seeing this business making a reasonable contribution to Company profits.

Although the BTP Group has been adversely impacted by the downturn in the mining sector, we believe that this will be a very good business and will, over time, make a significant contribution to the Group.

Importantly, shareholders should be aware that the significant debt funding Ausdrill secured last year has put the Company in a solid financial position. The debt funding package includes a revolving debt facility of \$300 million with a syndicate of banks. The facility was drawn to \$75 million at year end. This, of course, means that the Company will not be constrained by cash shortages from seizing any opportunities that arise.

The Current Year

Shareholders will be only too well aware of the profit announcement recently released by the Company.

Unfortunately, the market for our services has continued to deteriorate beyond what we anticipated at the beginning of the year. In a sense, Ausdrill has been hit by the perfect storm – a downturn in demand for our services, a focus by mine owners on cutting costs and deferring non-essential expenditure, including capital works, exploration programs and non-critical maintenance and finally, in the case of Ausdrill, the completion of four significant contracts, three in Africa and one in Australia.

In other cases, mine owners have reduced the volume of waste removal with a consequent impact on our contract mining and drill and blast operations.

As noted above, exploration activity is subdued and showing little sign of recovery. We hope in the next calendar year that the major mining houses will increase their exploration activities, although margins will continue to be under pressure. The outlook for junior miners is bleak.

The reduction in capital spending has meant there has been significant fall in the DT HiLoad business, which manufactures light weight dump truck bodies.

Obviously the Company has taken steps to reduce costs and overheads. Since January this year, our employee head count has reduced by more than 1,400 people to 5,043. We continue to focus on containing costs.

Having said all that, the Company is expecting the second half of the current year to be better than the first half. Tendering activity is continuing both in Australia and Africa and the Board is optimistic of winning significant contracts in the New Year.

Ausdrill continues its focus on strengthening its business in the Australian and African markets by:

- improving the performance of our recently established specialist service businesses;
- restricting capital expenditure to replacement needs or identified growth opportunities;
- reviewing cost structures within the Group;
- reviewing working capital, particularly inventory levels, to ensure that it is commensurate with current levels of activity;
- improving its clients' knowledge of the benefits of the package of diversified services offered by the Ausdrill Group;
- working with its clients to improve service, product safety and productivity whilst maintaining quality;
- identifying and pursuing new opportunities to provide mining services in existing and new markets and capitalising on the infrastructure that the Group already has in place; and
- extracting and realising the full benefit of cost synergies and revenue opportunities within the Group.

Ausdrill remains in a sound financial and operational position. It considers that the current forecasts for the year to be not acceptable, even in these challenging times. It is continuing to develop and implement plans and strategies which should allow the Company to achieve satisfactory financial returns over the medium term. We are working hard to provide competitive and high quality services to our clients.

Staff

It is a truism that it is easy to be a good manager when business is booming. It is much more difficult when hard times prevail. It is in such times that one can sort out the good managers from the bad. In these difficult times the quality of the Ausdrill managers has been on display. Ron Sayers is an inspirational leader who continues to lead the Company in a difficult environment.

I would also like to acknowledge our CFO, José Martins, who is a quality operator. His efforts in organising the funding we have in place has meant that we have been able to confront this downturn, secure in the knowledge that we have a financial resources in place to seize any opportunity which presents, knowing that finance is not a problem.

To our COO's, Alex McCulloch (Australia) and Chris Tuckwell (Africa), the corporate managers and the managers of all our businesses, I extend the heartfelt thanks of the Board and all shareholders for the work you have done and continue to do in these difficult times.

Finally let me reiterate the Board and management are committed to improving the Company's performance.



TERENCE O'CONNOR
Chairman
Ausdrill Limited