

27 AUGUST 2014

2014 FULL YEAR FINANCIAL RESULTS

Key Points

- Sales Revenue \$826.3 million (down 26.8%)
- EBITDA¹ \$173.7 million* (down 36.3%)
- EBIT¹ \$74.5 million* (down 50.0%)
- Operating Profit¹ before tax \$34.4 million* (down 68.5%)
- Statutory loss² after tax and impairment charges \$43.9 million (down 148.5%)
- Operating Profit after tax \$29.1 million* (down 67.8%)
- Final dividend of 2.0 cents per share, fully franked

Diversified mining services company Ausdrill Limited (**ASX: ASL**) has delivered an operating profit of \$29.1 million on revenue of \$826.3 million. The statutory loss after tax of \$43.9 million is due to impairment charges totalling \$77.9 million as previously announced to the market on 6 August 2014.

Ausdrill Managing Director Ron Sayers said: "There is no hiding from the fact this has been a tough year for the Company, and indeed for the entire industry.

"The slow-down in mining industry activity in both Australia and Africa that we have witnessed for the past two years has continued.

"However, there are some positive signs that trading conditions are improving. We believe the investment we have made in developing our people, acquiring equipment and growing the business places us in the best possible position to benefit from the turnaround when it arrives," Mr Sayers said.

The mining industry has continued to experience a period of uncertainty in relation to future levels of demand for commodities as evidenced by the continued volatility in commodity prices.

Many mining companies have responded by deferring non-essential expenditure including capital works, exploration programs and non-critical maintenance.

*** Figures exclude the effects of any impairment charges**

**BRINGING MORE
TO MINING**

As a consequence, Ausdrill has experienced a reduction in activities across all segments of the business. The Company's reduced profits are also as a result of lower margins achieved over the past 12 months.

Ausdrill continues to focus on the production phase of the mining cycle, with long-term contracts in place with major clients. These factors have assisted in minimising the impact of the slow-down in the sector.

Dividend

The Ausdrill Board has declared a fully franked final dividend of 2.0 cents per share, bringing the total dividend for the financial year to 4.5 cents per share. The record date for the dividend is 3 October 2014, and it will be paid on 17 October 2014.

Financial Performance

\$ million	12 months to June 2013	12 months to June 2014	% change from previous corresponding period
Sales Revenue	1,128.6	826.3	-26.8
EBITDA	272.7	173.7*	-36.3
EBIT	149.0	74.5*	-50.0
Profit before tax	109.5	34.4*	-68.5
Profit after tax	90.4	29.1*	-67.8
Profit/(Loss) after tax and after impairment	90.4	(43.9)	-148.5%
Basic Earnings Per Share (cps)	29.6	(13.6)	
Basic Earnings Per Share –adjusted (cps)	29.6	9.7*	-67.2%
Dividends (paid and declared) (cps)	12.0	4.5	-62.5%

Sales revenue for the Group decreased by 26.8% or \$302.3 million. The reduction in activities was across all segments of the business and generally was due to a reaction by mining companies which were seeking to reduce costs by reducing mining volumes and deferring expenditure as much as possible in response to lower commodity prices.

Sales revenue excludes Ausdrill's 50% share of revenue generated by the AUMS joint ventures being \$136.8 million (2013: \$150.0 million).

EBITDA has decreased from \$272.7 million to \$173.7 million* for the year ended 30 June 2014 and the EBITDA margin (excluding equity accounted profits) decreased from 22.1% to 20.8%. The EBITDA margin has been impacted by the underperformance of Energy Drilling Australia and MinAnalytical. The equity accounted profits from joint ventures decreased from \$22.9 million in 2013 to \$1.4 million. The reasons for this significant decrease in equity accounted profits are detailed in Ausdrill's ASX announcement dated 2 June 2014.

EBIT (excluding the impact of impairment charges) has decreased from \$149.0 million to \$74.5 million for the year ended 30 June 2014 and the EBIT margin (excluding equity accounted profits) has decreased from 11.2% to 8.8%, as a result of the decrease in the EBITDA margin and the under utilisation of plant and equipment.

*** Figures exclude the effects of any impairment charges**

The after tax profit has decreased from \$90.4 million to \$29.1 million for the year ended 30 June 2014 (excluding the impact of impairment charges). The lower profits result from the lower revenues and margins experienced this year. The after tax profits also include the benefit of a lower tax charge due to the profits from the operations in Mali being tax exempt for the first half of the year and a revenue based tax system applying in Tanzania.

Operating cash flow for the year reduced to \$142.1 million from \$187.3 million in 2013. The EBITDA conversion ratio has however improved over the previous year.

The financial position of the Group remains strong with a gearing ratio (net debt to net debt plus equity) of 34.8%, cash of \$62.7 million, and interest cover (EBITDA/Net Interest) of 4.3 times. The Group's net tangible asset position has decreased from \$2.39 per share to \$2.37 per share.

Outlook³

The Group continues to pursue its strategy of providing a complete mining service solution to the mining industry. The industry remains uncertain in relation to future levels of demand for commodities and the level of prices for those commodities.

During these challenging times we continue with an unchanged focus from last year to strengthen the business and cash flows over the coming year by:

- improving our clients' knowledge of the benefits of the package of diversified services offered by the Ausdrill Group;
- working with our clients to improve service, product safety and productivity whilst maintaining quality;
- identifying and pursuing new opportunities to provide mining services capitalising on the infrastructure that the Group already has in place;
- reviewing cost structures within the Group;
- reviewing working capital particularly inventory levels to ensure that it is commensurate with current levels of activity;
- improving the performance of specialist services provided in Australia including MinAnalytical and Energy Drilling Australia;
- restricting capital expenditure to replacement needs or identified growth opportunities;
- extracting and realising the full benefit of cost synergies and revenue opportunities within the Group; and
- continuing to focus on reducing net debt, which was reduced by \$71 million during FY2014.

Ausdrill is expecting an improved result in FY2015 with improvements expected particularly in the Energy Drilling Australia business and in the African Mining Services business. The anticipated improvements in these businesses are based on contracts which are now in place and an expected increase in demand for these services.

Ausdrill continues to pursue work in Australia and has recently secured a new two year contract with Mt Gibson Iron to provide blast hole drilling services at its Koolan Island operations in Western Australia.

Ausdrill is of the view that provided there is not a significant fall in commodity prices from current levels, the mining downturn may have bottomed out or be close to the bottom. However, it anticipates that any recovery will be slow with challenging market and mining industry conditions continuing in FY2015, with subdued activity particularly in the Australian market.

Ausdrill expects the mining industry's strategy of deferring non-essential expenditure including capital works, exploration programmes and non-critical maintenance to taper at some point, possibly towards the end of FY2015, and that the surplus capacity that exists in the mining services industry will then start to diminish.

The outlook for the resources industry is expected to improve over the medium term in both Australia and Africa where Ausdrill has a long established presence and local know-how and, as a consequence, Ausdrill remains very well placed for a recovery.

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 4,500 staff worldwide.

For further information, please contact:

*Ron Sayers
Managing Director
Ausdrill Limited
Tel: +618-9311 5666*

*José Martins
Chief Financial Officer
Ausdrill Limited
Tel: +618-9311 5666*

*David Ikin
Professional Public Relations
Tel: +618-9388 0944*

Notes

1. Non-IFRS Financial Information

- “Operating profit” is profit /(loss) before impairment charges
- “EBITDA” is “Earnings before interest, tax, depreciation and amortization, and significant items”
- “EBIT” is “earnings before interest and tax and significant items”

These terms are non-IFRS financial measures which Ausdrill uses in managing its business. They have been included to provide additional insight and understanding of business performance for users of this information. When reviewing business performance these non-IFRS financial measures should be used in addition to and not as a substitute for IFRS financial information provided. These non-IFRS financial measures do not have a standard definition under IFRS and may be calculated differently by different companies.

2. Statutory profit / (loss) is profit / (loss) after tax.

3. Disclaimer for Forward Looking Statements

This release includes forward looking statements concerning projected earnings, revenue, growth, outlook or other matters for the financial year ending 30 June 2014 or beyond. Forward-looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “continue”, “objectives”, “outlook”, “guidance” or other similar words and include statements regarding certain plans, strategies and objectives of management, trends and outlook. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Ausdrill's actual results, performance and achievements or industry results to differ materially from any future results, performance or achievements, or industry results, expressed or implied by these forward-looking statements.

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