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AUSDRILL UPDATE ON OPERATING PERFORMANCE

Ausdrill Limited (**ASX: ASL**) (“Ausdrill” or “the Company”) has reviewed its anticipated operating performance for the financial year ending 30 June 2015 (“FY2015”). In light of the Group’s results for the first quarter to September 2014, prevailing market conditions, and a revision of the FY2015 forecasts, Ausdrill expects to report EBITDA of between A\$150* million and A\$160* million for FY2015 on revenues of approximately A\$840 million. By way of comparison, Ausdrill reported EBITDA of \$173.7* million on revenue of \$826.3 million for the financial year ended 30 June 2014.

The weaker than expected outlook reflects a continuation of the challenging market conditions which are expected to remain subdued during the next 12 months.

The key challenges that have given rise to the expected weaker performance are as follows:

- Mining Services Australia – in recent weeks the price of iron ore and gold, which are the key commodities for our clients, have fallen materially. This has impacted on Ausdrill with Western Desert Resources going into administration (as indicated to the market on 8 September 2014) resulting in a bad debt provision of approximately \$8 million plus the loss of \$16 million in revenue for the balance of the year from the loss of the drill and blast and explosive supply contracts. Ausdrill has also been advised that its contract for drill and blast services at the Edna May Gold Mine will conclude earlier than expected in December 2014. Ausdrill has also reviewed other areas of its business (including waterwell drilling and equipment hire) and expects revenues to be reduced by \$35 million due to an anticipated reduction in spend by clients as a result of lower iron ore prices.
- Energy Drilling Australia – the expectation for the energy drilling business was that a break-even position would be achieved in FY2015 through better utilisation of the rig fleet. Whilst significant achievements have been made in getting the division’s new 500,000lb rig to work, delays are being experienced in achieving continuity of work for the remaining rigs. Accordingly the EBITDA expectation has been revised down by \$5 million for this business.
- Contract Mining Africa – Ausdrill’s contract mining business in West Africa has underperformed in the first quarter as a result of higher than expected rainfall and pit flooding which affected profitability on certain sites. In addition, mining volumes have been adjusted where clients have advised that projects are to be re-optimised as a result of the lower gold price. Ausdrill remains positive on the outlook in Africa and is actively tendering for further work which, if successful, could substantially improve the earnings of the business.

** Figures exclude the effects of any impairment charges*

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Although Guinea, one of the West African countries Ausdrill operates in, has been substantially impacted by the Ebola virus, to date Ausdrill operations have not been impacted in any significant way as a result of the virus, and measures are in place to monitor the situation and safeguard personnel. The AUMS joint venture has underperformed in the first quarter and continues to re-negotiate a long term contract with Randgold which will be necessary in order to improve business performance. Accordingly the EBITDA expectation has been revised down by \$9 million for this segment.

The performance of the manufacturing segment remains at expected levels.

The first half result is expected to be lower than the second half due to the effects of the underperformance in the first quarter and the expected increase in mining volumes in West Africa forecast for the second half. The forecast result excludes the effects, if any, of any potential impairment provisions as well as the impact of any fluctuation in the value of the Australian dollar. Even before any potential impairment, the lower than anticipated EBITDA is expected to result in a lower net profit after tax than had previously been anticipated.

As a result of the expected underperformance in FY2015 Ausdrill will be required to test its business units for impairment. This will be carried out as soon as practicable. A further update will be provided in relation to impairment at the appropriate time and, until this work is completed, no estimate is available on the likely impairment provision.

The business remains and expects to remain in full compliance with its debt covenants.

Ausdrill continues its focus on strengthening its business by:

- 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; and
- working with its clients to improve service, product safety and productivity whilst maintaining quality.

Managing Director, Ron Sayers, said: “The Company remains in a stable financial position. We certainly do not consider that our forecast result is acceptable, even in these challenging times, and every member of our team is working hard to achieve the returns necessary for a Company of our size.

“In addition, the deleveraging plans we are pursuing will ensure that the Group will be well placed to benefit from any upturn and opportunities that arise in the mining industry.”

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.

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Notes

1. Non-IFRS Financial Information

- “EBITDA” is “Earnings before interest, tax, depreciation and amortization, and significant items”. Significant items may include, but are not limited to, provisions for impairment and foreign currency unrealised losses and gains.

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. 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.

Forward-looking statements are based upon management’s good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect Ausdrill’s business and operations in the future. Ausdrill cannot give any assurance that the assumptions upon which management based its forward-looking statements will prove to be correct, or that Ausdrill’s business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond its control. Any forward-looking statements contained in this release speak only as of the date of this release. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, Ausdrill disclaims any obligation or undertaking to publicly update or revise any forward-looking statement contained in this release or to reflect any change in management’s expectations with regard thereto after the date hereof of any change in events, conditions or circumstances on which any such statement is based. No representation or warranty, express or implied, is given as to the accuracy, completeness, likelihood of achievement or reasonableness of any forecasts, projections or prospects referred to in this release.