ASX RELEASE

31 OCTOBER 2014

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 – 2014 AGM

Ladies and Gentlemen

It is with regret that we come to this meeting to report on a second disappointing year, which has followed seven years of progressive after tax profit increases. Regrettably, the malaise in the mining industry is still with us. Shareholders have received the Company's Annual Report and financial statements. As you will have seen, excluding the effects of any impairment charge, the profit before tax from operations was $34.4 million and profit after tax was $29.1 million.

I will provide some further commentary around this result shortly, particularly in relation to the impact of the accounting rules.

However – before I do so, I would like to make the point that while these are undoubtedly challenging times, the sky has not fallen in.

All the fundamentals that have made your company the great business that it is over the past 25 years are still in place:

- We have an outstanding team of people, doing great work for our customers, and guided by a very strong leadership group
- We have a proven strategy of providing services right across the mining lifecycle, which experience has taught is what our customers want
- We have strong, long-standing client relationships. Many of them have been working with Ausdrill for a decade or more
- And we have an enviable track record. In other words – we are here to stay.

Unfortunately, over the past year, the accounting standards required the Company to take an impairment charge against goodwill and plant and equipment to the value of $73 million on an after tax basis. This resulted in the Company reporting a $43.9 million loss. However, it is important to keep in mind that while the impairment charge has had a dramatic effect on reported results, it did not have any impact on Ausdrill's actual cashflows or operations.

For those of you who are not familiar with impairment, the accounting standards require that Ausdrill review the carrying value of its assets on a regular basis to ensure that the values recorded in the accounts are no more than the "recoverable amounts" for those assets. If the recoverable amount for an asset or group of assets exceeds the carrying amount recorded in the accounts, then an impairment charge must be recognised, to bring the carrying amount of the relevant assets down to the current assessment of the recoverable amount.

The determination of recoverable amounts involves (among other things) forecasts of future cashflows. It is therefore complex and subject to many assumptions, judgements and variables. The recoverable amounts determined now may be quite different to the value ultimately derived from those assets based on actual cashflows in the future.

RECENT MARKET UPDATE

Shareholders would have seen the Company's recent announcement that the current profit outlook has deteriorated and is weaker than expected. The problems caused by the continued depressed conditions in the mining industry have been exacerbated by:

- the early conclusion of our contract at the Edna May gold mine;
- the collapse of Western Desert Resources owing Ausdrill $8 million and the further loss of expected revenue from that contract
- unusually high rainfall in West Africa which caused pit flooding and consequent delays in mining activity;
- reduction in mining volumes in Africa as mine owners re-optimise their projects because of the fall in the gold price;
- the failure of Energy Drilling Australia to get to a break-even position through better utilisation of the drilling fleet and despite the very successful mobilisation and start-up of the recently acquired 500,000lb rig; and
- the continued under performance of BTP.

Regrettably, this is not the end of the bad news as the likelihood is that there will be another impairment charge because of the changed outlook. The Company is still working its way through the impairment testing exercise and an update will be provided once there is some certainty on the amount of the impairment charge.

As Ron Sayers indicated when releasing the update, even in these difficult times, we do not consider this result to be acceptable. Our team is working hard to improve the business. The restriction on capital expenditure will continue. In addition, the Company will seek to further reduce costs and identify further efficiencies within the Group. We are also working with our clients to improve service, product safety and productivity, whilst still maintaining quality and safety of our services.

We are also looking to dispose of assets which are not a natural fit within the Group.

OUTLOOK

As we said at the release of our year end results, we believe the market has bottomed out. Unfortunately, in Australia, we are still seeing irrational pricing. We are not prepared to risk the Company on such short term tactics. This tactic of buying work can't go on and we believe that inevitably some of these companies will go to the wall. Whatever happens, Ausdrill will be left standing.

The Company is well positioned to weather the market conditions. It is cash flow positive. Further, at the end of the current financial year we expect to have reduced our secured debt substantially, leaving the Company in a strong financial position. The unsecured debt is not repayable until 2019. In the event that a large new project required it, the Company has capacity to borrow funds if needed.

While activity in Australia remains subdued, Africa is a bright spot. The level of enquiry for our services is the best it has been for more than two years. We are tendering for new work and are hopeful of winning our share of the proposed projects. We also expect an increase in volumes at some of our existing mining contracts.

In addition, we are actively looking at other markets for our services and we do see some very significant potential business in new markets. Of course our future activity will depend upon commodity prices. In the unlikely event of a catastrophic fall in prices the demand for our services would drop. We are hopeful that prices, particularly for gold and iron ore, may have bottomed out and that the industry in Australia will start to pick up.

I want to thank my co-directors and the Ausdrill team for their efforts during what has been a difficult year.

As announced, Wal King has resigned from the Board because of other commitments. I would like to thank Wal for his contribution to the Company while he was on the Board.

Finally, shareholders were no doubt delighted, as we were, to see the DPP drop the charges against Ron Sayers. Personally, I welcomed this decision as I never believed the allegations against him were true. It has been a stressful time for Ron and his family and we are all pleased to see that the matter is now resolved.

TERENCE O'CONNOR
Chairman
Ausdrill Limited