ASX RELEASE

3 SEPTEMBER 2018

AUSDRILL NOTICE OF MEETING AND INDEPENDENT EXPERT'S REPORT

Ausdrill Limited (ASX:ASL) ("**Ausdrill**") today releases its Notice of Meeting for its Annual General Meeting to be held on 25 October 2018. In addition to customary AGM resolutions, three resolutions in the Notice of Meeting specifically relate to the transaction to acquire leading underground hard-rock mining contractor Barminco, as announced on 15 August 2018. The Notice also annexes an Independent Expert's Report on that acquisition prepared by Ernst & Young Transaction Advisory Services Limited.

Ausdrill's Board of Directors unanimously recommends that shareholders vote in favour of ordinary resolutions 5 to 7 at the AGM to approve the Barminco acquisition.

The Board notes that the Independent Expert has concluded that in the absence of a superior alternative, and based on the matters outlined in its report, the Barminco transaction and the acquisition of Barminco sale interests from the Sayers Family Trust are fair and reasonable to Ausdrill's shareholders whose votes are not to be disregarded on the relevant resolutions. The Independent Expert's Report is included as Annexure A to the Notice of Meeting. It is an important document and Ausdrill shareholders are encouraged to read it in full.

The shareholder resolutions in respect of the Barminco acquisition are required due to the following factors:

- The consideration for the transaction is largely equity based, with approximately 150.7 million new Ausdrill shares being issued (in addition to up to $25.4 million in cash) to Barminco vendors – the ASX Listing Rules require that shareholders approve a share issue of this size. Collectively the Barminco vendors are expected to hold 22.1% of Ausdrill post completion and escrow terms have been agreed in respect of these holdings.
- Mr Ron Sayers is (indirectly) a minority shareholder in Barminco and is still considered a related party of Ausdrill given that he has been a director of Ausdrill in the previous 6 months – the ASX Listing Rules require that shareholders approve an acquisition of a substantial asset from, and any issue of shares to, a related party. Mr Sayers is expected to hold an indirect beneficial stake of approximately 3.6% in Ausdrill following completion of the acquisition.

Ausdrill confirms Mr Sayers has not been involved in Ausdrill Board deliberations in respect of the Barminco acquisition and will receive consideration for his holding on the same terms as all other Barminco vendors.

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Barminco is one of Australia's leading underground hard-rock mining contractors and is Ausdrill's existing joint venture partner in the African Underground Mining Services joint venture. The acquisition will transform Ausdrill by creating Australia's second largest mining services company (by revenue). The acquisition is expected to be materially earnings per share accretive for Ausdrill, with underlying pro forma FY18 earnings indicating EPS(A) accretion of over 28% (excluding synergies), enhanced operating margins and improved return on average invested capital, while maintaining consistent gearing metrics. Please refer to the Investor Presentation set out at Annexure B of the Notice of Meeting for further detail.

Further information regarding the transaction, and a copy of the Independent Expert's Report, are in the attached Notice of Meeting.

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. The Ausdrill Group employs over 5,000 staff worldwide.

For further information, please contact:

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Executive Chairman
Ausdrill Limited
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Acting Chief Executive Officer
Ausdrill Limited
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AUSDRILL LIMITED ABN 95 009 211 474

NOTICE OF 2018 ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

DATE: THURSDAY 25 OCTOBER 2018

TIME: 11.00 AM (WST)

PLACE: INDIGO ROOM, RAC ARENA, 700 WELLINGTON STREET, PERTH, WESTERN AUSTRALIA

RESOLUTIONS 5 TO 7 IN THE ACCOMPANYING NOTICE RELATE TO THE BARMINCO TRANSACTION

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE BARMINCO TRANSACTION (BY VOTING IN FAVOUR OF RESOLUTIONS 5 TO 7)

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under ASX Listing Rule 10.1 in connection with the Transaction (refer to Resolution 6). The Independent Expert's Report comments on the fairness and reasonableness of the Transaction to non-associated Shareholders. The Independent Expert has concluded that, in the absence of a superior alternative and based on the matters outlined in its report, the Transaction and the acquisition of Sale Interests are **fair and reasonable** to non-associated Shareholders.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE PLEASE CONSULT YOUR LAWYER, STOCKBROKER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

To be effective, a completed proxy form and the power of attorney (if any) under which the proxy form is signed (or a certified copy of the power of attorney) must be received by 11.00 am (WST) on Tuesday 23 October 2018 (being 48 hours before the AGM).

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Key Dates

Date of this Notice	**Monday 3 September 2018**
Due date for lodgement of proxy forms	**11.00 am (WST) on Tuesday 23 October 2018**
Record Date for voting at AGM	**4.00 pm (WST) on Tuesday 23 October 2018**
2018 Annual General Meeting	**11.00 am (WST) on Thursday 25 October 2018**

Important Information

This Notice is not a disclosure document and should not be considered as investment advice. It does not take into account the individual investment objectives, financial situation or particular needs of any person and Shareholders should seek their own professional advice before deciding whether or not to approve the Resolutions. The information in this Notice is provided to assist Shareholders to consider and vote upon the Resolutions, and should not be read or understood as an offer, invitation, solicitation, inducement or recommendation to buy or sell Ausdrill securities, or be treated or relied upon as advice by Ausdrill. The release, publication or distribution of this Notice outside Australia may be restricted by law. If you come into possession of this Notice, you should observe such restrictions and seek your own advice.

This Notice includes certain forward-looking statements, including statements regarding the Completion of the Transaction, the impact of the Transaction and the future strategies and results of the combined Ausdrill and Barminco groups and the opportunities available to it, the integration process and the timing and amount of synergies, as well as statements regarding projected earnings, revenue, growth, commodity prices, outlook, plans and strategies. 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. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. 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 Notice speak only as of the date of this Notice. 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 Notice 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 Notice.

Certain information in this Notice has been sourced from the Barminco Vendors and their representatives or associates. Ausdrill undertook a due diligence process in respect of Barminco, which relied in part on the review of financial and other information provided by the Barminco Vendors. Despite making reasonable efforts, Ausdrill has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. While steps have been taken to review that information, no representation or warranty, expressed or implied, is made by Ausdrill or the Barminco Vendors as to its fairness, accuracy, correctness, completeness or adequacy.

Similarly, Ausdrill has prepared (and made assumptions in the preparation of) the financial information relating to Barminco (on a stand-alone basis and also to New Ausdrill) included in this Notice from financial and other information provided by the Barminco Vendors. Ausdrill is unable to verify the accuracy or completeness of all of this information.

See Glossary for defined terms used in this Notice.

Corporate Directory

Directors
Ian Cochrane – Executive Chairman
Terrence Strapp – Non-executive Director
Mark Hine – Non-executive Director
Alexandra Atkins – Non-executive Director
Robert Cole – Non-executive Director

Company Secretary
Strati Gregoriadis

Registered Office
6-12 Uppsala Place
Canning Vale, Western Australia 6155

Share Registry
Computershare Registry Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000

Financial Advisor
Deutsche Bank AG
Level 16, Deutsche Bank Place
Corner of Hunter and Phillip Streets
Sydney, New South Wales 2000

Auditors
PricewaterhouseCoopers
Level 15, Brookfield Place
125 St Georges Terrace
Perth, Western Australia 6000

Lawyers
Johnson Winter & Slattery
Level 4, 167 St Georges Terrace
Perth, Western Australia 6000

Independent Expert
Ernst & Young Transaction Advisory Services Limited
11 Mounts Bay Road
Perth, Western Australia 6000

NOTICE OF 2018 ANNUAL GENERAL MEETING

Notice is hereby given that the 2018 Annual General Meeting of Shareholders of Ausdrill Limited (**Ausdrill** or **Company**) will be held at the Indigo Room, RAC Arena, 700 Wellington Street, Perth, Western Australia at 11.00 am (WST) on Thursday 25 October 2018. Attached to, and forming part of, this Notice is an Explanatory Memorandum and an Independent Expert's Report (which report relates to Resolution 6) that together provide Shareholders with background information and further details on the Resolutions to assist Shareholders to determine how they wish to vote on the Resolutions. This Notice, including the Explanatory Memorandum and Independent Expert's Report, should be read in its entirety.

Agenda

Ordinary Business

Reports and Accounts
To receive and consider the financial report for the year ended 30 June 2018 and the related Directors' Report, Directors' Declaration and Auditors' Report.

Resolution 1 – Adopt Remuneration Report
To consider and, if thought fit, to pass the following as an ordinary resolution:

"That the Remuneration Report of the Company for the financial year ended 30 June 2018 be adopted."
Note: Under the Corporations Act, this Resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion statement
To the extent required by section 250R of the Corporations Act, a vote must not be cast (in any capacity) on Resolution 1 by or on behalf of a member of the Company's or the group's key management personnel (whose remuneration is disclosed in the Remuneration Report) or by a closely related party of such a member. However, a person (the "**voter**") may cast a vote as a proxy where the vote is not cast on behalf of such a member or a closely related party of such a member and the voter is either:

(a) appointed as a proxy by writing that specifies how the proxy is to vote on Resolution 1; or

(b) the chair of the meeting and the appointment of the chair as proxy does not specify how the proxy is to vote on Resolution 1 and expressly authorises the chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the key management personnel.

Resolution 2 – Re-election of Mr Ian Cochrane
To consider and, if thought fit, to pass the following as an ordinary resolution:

"That Mr Ian Cochrane, who retires in accordance with Article 60 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a director."

Resolution 3 – Re-election of Ms Alexandra Atkins
To consider and, if thought fit, to pass the following as an ordinary resolution:

"That Ms Alexandra Atkins, who retires in accordance with Article 59.2 of the Company's Constitution and, being eligible, offers herself for re-election, be re-elected as a director."

Resolution 4 – Re-election of Mr Robert Cole
To consider and, if thought fit, to pass the following as an ordinary resolution:

"That Mr Robert Cole, who retires in accordance with Article 59.2 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a director."

Special Business – The Transaction

Resolution 5 – Issue of Consideration Shares pursuant to the Transaction
To consider and, if thought fit, to pass the following as an ordinary resolution:

"That, subject to and conditional on the passing of Resolutions 6 and 7, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 150,666,463 Consideration Shares to the Barminco Vendors on the terms set out in the Explanatory Memorandum."

Voting exclusion statement
The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of:
(a) any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (that is, the Barminco Vendors), except a benefit solely by reason of being a holder of ordinary securities in the Company; or
(b) any associates of those persons.

However, the Company need not disregard a vote if:
(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 – Acquisition of Sale Interests from a Related Party pursuant to the Transaction
To consider and, if thought fit, to pass the following as an ordinary resolution:

"That, subject to and conditional on the passing of Resolutions 5 and 7, for the purposes of ASX Listing Rule 10.1 and for all other purposes, Shareholders approve the acquisition of Sale Interests in Barminco from the Sayers Family Trust (which family trust is associated with Mr Ronald G Sayers) pursuant to the Transaction, on the terms set out in the Explanatory Memorandum."

Voting exclusion statement
The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of:
(a) a party to the Transaction (that is, the Barminco Vendors); or
(b) any associates of those persons.

However, the Company need not disregard a vote if:
(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 – Approval of issue of Shares to a Related Party pursuant to the Transaction
To consider and, if thought fit, to pass the following as an ordinary resolution:

"That, subject to and conditional on the passing of Resolutions 5 and 6, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 24,687,087 Shares to the Sayers Family Trust (which family trust is associated with Mr Ronald G Sayers) pursuant to the Transaction and otherwise on the terms set out in the Explanatory Memorandum."

Voting exclusion statement
The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of:
(a) a person who is to receive securities in relation to the Company (that is, the Barminco Vendors); or
(b) any associates of those persons.

However, the Company will not disregard a vote if:
(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Other Business

To transact any other business that may be properly brought before the AGM in accordance with the Company's Constitution or the law.

By order of the Board

Strati Gregoriadis
General Counsel / Company Secretary
3 September 2018

Explanatory Memorandum

This Explanatory Memorandum has been prepared for Shareholders to outline information concerning the Resolutions, (including the proposed acquisition of Barminco pursuant to the Transaction, which acquisition is the subject of Resolutions 5 to 7), and to assist Shareholders to assess the merits of approving the Resolutions contained in the Notice. It contains important information.

The Directors recommend that Shareholders read this Explanatory Memorandum (including the Independent Expert's Report attached at Annexure A) in full before making any decision in relation to the Resolutions.

Resolution 1 – Adopt Remuneration Report

The Remuneration Report is included in the Directors' Report from pages 31-42 of the Company's 2018 Annual Report.

The Remuneration Report:
- describes the policies behind, and the structure of, the remuneration arrangements of the Company and the link between the remuneration of key management personnel and the Company's performance; and
- sets out the remuneration arrangements in place for the directors and other key management personnel.

Section 250R(2) of the Corporations Act requires a resolution that the Remuneration Report be adopted be put to the vote at the Company's AGM.

In accordance with the Corporations Act, the vote is advisory only and does not bind the Directors or the Company. The Board will consider the outcome of the vote and comments made by Shareholders on this Resolution at the AGM when reviewing the Company's remuneration policies.

In accordance with Division 9 of Part 2G.2 of the Corporations Act, if 25% or more of the votes cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution (**spill resolution**) that another meeting be held within 90 days at which all of the Company's Directors (not including the Managing Director) must be up for re-election.

At the Company's last AGM the votes cast against the Remuneration Report represented less than 25% of the total votes cast. A spill resolution will therefore not be required at this AGM.

Key management personnel details of whose remuneration are included in the Remuneration Report and their closely related parties are prohibited from voting on Resolution 1, except in the circumstances described in the voting exclusion statement set out in this Notice.

The Company encourages all eligible Shareholders to vote in favour of adopting the Remuneration Report.

Resolution 2 – Re-election of Mr Ian Cochrane

Mr Ian Cochrane retires under the director rotation provisions of Article 60 of the Company's Constitution. Mr Cochrane was appointed as a non-executive director and Deputy Chairman on 23 November 2015. Subsequently, on 5 December 2017, Mr Cochrane was appointed as Chairman of the Board. From 3 July 2018, following the retirement of the Company's former Managing Director, Mr Ronald G Sayers, Mr Cochrane was appointed as interim Executive Chairman of the Company. Mr Cochrane will remain in this position until 17 September 2018, when the Company's new Managing Director and Chief Executive Officer, Mr Mark Norwell, commences his role with the Company. Mr Cochrane is a member of the Audit & Risk Committee and a member of the Remuneration Committee.

Mr Cochrane holds degrees in Commerce and Law. Mr Cochrane was educated in South Africa and immigrated to Australia in 1986.

Mr Cochrane practised law, specialising in Mergers and Acquisitions, in national law firms Corrs Chambers Westgarth and Mallesons Stephen Jaques until 2006 when he established (with Mr Michael Lishman) the boutique law firm, Cochrane Lishman, which was eventually acquired by the global law firm Clifford Chance in early 2011. He has been a non-executive director of ASX listed Dacian Gold Limited since 2016.

Mr Cochrane has had a long association with Ausdrill having provided the legal services when Ausdrill first floated in 1994. Mr Cochrane was regularly voted by his peers as being one of the leading M&A lawyers in Australia and retired from the practise of law in December 2013. He has not provided legal services to Ausdrill or any other entities since then.

The Board considers that Mr Cochrane qualifies as an independent director, notwithstanding his interim role as Executive Chairman between 3 July 2018 and 17 September 2018.

Mr Cochrane, being eligible, offers himself for re-election as a director.

The Board (other than Mr Cochrane, who abstains) unanimously recommends that Shareholders vote in favour of Resolution 2.

Resolution 3 – Re-election of Ms Alexandra Atkins

Article 59.2 of the Company's Constitution provides that any person appointed as a director by the directors to fill a casual vacancy or as an additional director holds office only until the conclusion of the next general meeting of the Company and is eligible for re-election at that meeting.

Ms Alexandra Atkins was appointed as a non-executive director on 14 July 2018 and holds office only until the conclusion of the 2018 Annual General Meeting (unless re-elected).

Ms Atkins is a mining engineer, geologist and geotechnical engineer with 28 years' experience in the mining industry, and is a director of The Australasian Institute of Mining & Metallurgy (**The AusIMM**). She has an MBA (Finance) from the Australian Institute of Business, is a Chartered Professional Fellow of The AusIMM, and a graduate of the AICD and she holds Bachelor of Engineering Degrees from the University of Queensland and WA School of Mines.

In her early career, Ms Atkins worked in various roles in the mining industry, including as a Mining Engineer for Mt Isa Mines Ltd, Underground Miner for Plutonic Resources, Underground Miner, Mine Engineer/ Deputy Mine Manager and Geotechnical Engineer for Placer Dome, Construction Project Engineer for Cairns Regional Council and Senior Mining Engineer for AMC Consultants. She has also worked as a District Inspector of Mines for the WA Department of Mines & Petroleum, a Principal Mining Consultant for Optiro, and was the Chief Operating Officer of PETRA Data Science Pty Ltd, an artificial intelligence and machine learning software company servicing the mining industry.

The Board considers that Ms Atkins qualifies as an independent director.

The Board (other than Ms Atkins, who abstains) unanimously recommends that Shareholders vote in favour of this Resolution 3.

Resolution 4 – Re-election of Mr Robert Cole

Article 59.2 of the Company's Constitution provides that any person appointed as a director by the directors to fill a casual vacancy or as an additional director holds office only until the conclusion of the next general meeting of the Company and is eligible for re-election at that meeting.

Mr Robert Cole was appointed as a non-executive director on 14 July 2018 and holds office only until the conclusion of the 2018 Annual General Meeting (unless re-elected).

Mr Cole holds Bachelor of Science and Bachelor of Laws degrees from the Australian National University in Canberra and is also a graduate of the Harvard Business School Advanced Management Program.

Mr Cole has over 30 years' experience in the energy and resources industries. He is a former executive director and board member of Woodside Petroleum Ltd, a top 10 ASX listed company and Australia's largest independent oil and gas producer. Mr Cole is also a former Managing Director of Beach Energy Limited, an ASX listed company and major domestic oil and gas producer. Prior to joining the oil and gas industry, he was a partner in the law firm now known as King & Wood Mallesons.

Mr Cole is currently chairman of Synergy, Western Australia's largest electricity generator and retailer of electricity; Southern Ports Authority, which owns/operates the major ports in the South West of the State; and GLX Holdings Ltd, a developer and operator of a global online LNG trading platform. He is also a non-executive director of Iluka Resources Ltd (ASX:ILU), a major producer of mineral sands.

The Board considers that Mr Cole qualifies as an independent director.

The Board (other than Mr Cole, who abstains) unanimously recommends that Shareholders vote in favour of Resolution 4.

Resolutions 5 to 7

1 The Transaction (proposed acquisition of Barminco)

1.1 Overview of the Transaction

On 15 August 2018, Ausdrill announced that it had entered into a binding share sale agreement (**Share Sale Agreement**) to acquire 100% of the Sale Interests in Barminco Holdings Pty Limited (**Barminco**) (being the fully paid ordinary shares in the capital of Barminco, redeemable preference shares in the capital of Barminco and Barminco shareholder loan notes) for a consideration of 150,666,463 Shares (**Consideration Shares**) plus up to $25.4 million in cash (**Transaction**). Barminco is one of Australia's leading underground hard-rock mining contractors and Ausdrill's joint venture partner in AUMS. The acquisition will create Australia's second largest mining services company (by revenue), transforming the Ausdrill Group.

The Transaction is subject to the satisfaction or waiver of certain conditions precedent. These include the approval of Resolutions 5 to 7 by Shareholders at the AGM. Further details regarding the Share Sale Agreement and the conditions precedent to the Transaction are set out below at section 1.3(a) of this Explanatory Memorandum. Assuming all conditions precedent are satisfied, it is proposed that Completion of the Transaction will occur on 31 October 2018 (although this date could change).

In connection with the Transaction, Ausdrill has commissioned an Independent Expert's Report. The Independent Expert has concluded that, in the absence of a superior alternative and based on the matters outlined in its report, the Transaction and the acquisition of Sale Interests from the Sayers Family Trust are fair and reasonable to non-associated Shareholders. A copy of the Independent Expert's Report is attached at Annexure A, and is discussed in further detail at section 1.6 below. The Independent Expert's Report is an important document and Shareholders are encouraged to read it in full.

As agreed with the Barminco Vendors in the Share Sale Agreement, the "locked box date" for the Transaction is 30 June 2018, meaning that (subject to Completion of the Transaction) Ausdrill will have economic exposure to the Barminco business with effect from 1 July 2018.

The consideration payable pursuant to the Transaction is equivalent to an equity acquisition price of $271.5 million[1] and an enterprise value of $697.0 million[2] which equates to acquisition multiples of:

- 4.2x FY18 reported underlying Barminco proportionately consolidated EBITDA, versus an equivalent Ausdrill multiple of 4.7x; and
- 7.6x FY18 reported underlying Barminco proportionately consolidated EBIT(A), versus an equivalent Ausdrill multiple of 9.3x.[3]

Given the proportion of the consideration which is made up of Consideration Shares, at Completion of the Transaction, the Barminco Vendors will own approximately 22.1% of the enlarged Ausdrill, held by a range of entities. All of the Consideration Shares issued to the Barminco Vendors will be escrowed until the release of Ausdrill's FY19 results in late August 2019. However, if after the release of Ausdrill's 1H19 results (in late February 2019), the Ausdrill share price trades on the ASX for any five consecutive days at a volume weighted average price of at least $2.04 (representing a 25% premium

[1] Assuming Ausdrill equity is valued at the Theoretical Ex-Rights Price (**TERP**[4]) of $1.63. See footnote 4 below.
[2] Assuming Barminco proportionately consolidated net debt, inclusive of derivative financial instruments and net of capitalised borrowing costs, of $425.5 million as at 30 June 2018.
[3] Refer to slides 8, 38 and 39 of the Investor Presentation at Annexure B of this Notice.

to TERP[4]), this escrow will cease to apply with respect to one third of the Consideration Shares issued.

It has been agreed that experienced company director Mr Keith Gordon, currently the non-executive chairman of Barminco, will join the Ausdrill Board following Completion. Further details about Mr Gordon are set out in section 3.1 of this Explanatory Memorandum.

Further information regarding Barminco and the Transaction is set out below. Additional background information was contained in Ausdrill's Transaction Announcement (entitled "Ausdrill delivers 96% earnings growth, announces strategic acquisition of Barminco"), and Ausdrill's Investor Presentation (entitled "Acquisition of Barminco and Equity Raising") both released to ASX on 15 August 2018. The Investor Presentation is annexed at Annexure B.

1.2 Rationale for and benefits of the Transaction

The Board believes that the Transaction is compelling for Ausdrill strategically, financially and operationally. The acquisition of Barminco pursuant to the Transaction:

- creates Australia's clear number 2, and leading listed pure-play, mining services company (by revenue);
- results in pro forma FY18 underlying EPS(A) accretion of over 28% (excluding synergies);[5]
- strengthens a market leading position in international underground hard-rock contract mining;
- balances geographic exposure between Australia and Africa;
- consolidates AUMS, streamlining governance and providing clear operational control;
- delivers a lower capital intensity, higher return business;
- enhances future global growth opportunities;
- by the use of equity consideration creates alignment between Ausdrill and the Barminco Vendors; and
- strengthens Ausdrill's position in the S&P/ASX200 index.

Further details of each of the above items are set out in the Investor Presentation.

1.3 Transaction documentation

On 15 August 2018, Ausdrill entered into the Share Sale Agreement between (amongst others) Barminco and the Barminco Vendors. A summary of the key terms of the Share Sale Agreement is set out below.

(a) Conditions precedent

Completion under the Share Sale Agreement is subject to customary conditions precedent for a transaction of this nature, including:

(i) the continuation of material contracts (including change of control consents where required);

(ii) no Ausdrill or Barminco prescribed occurrences (covering customary matters such as alterations to share capital, material transactions and insolvency);

(iii) no material adverse change occurring in relation to Ausdrill or Barminco. In relation to Ausdrill, a material adverse change refers to any event or circumstance (individually or in combination) that would:

(A) prevent a party from discharging its obligations under the Share Sale Agreement;

(B) materially adversely affect assets, liabilities, financial position or performance, profits, losses or prospects of the Ausdrill Group;

(C) have a material effect on certain financial or qualitative measures which may affect the underlying earnings or reputation of Ausdrill;

(iv) Shareholders approving Resolutions 5, 6 and 7;

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[4] TERP is the theoretical price at which Ausdrill shares should have traded after the ex-date for the Entitlement Offer of $1.63, as announced on 15 August 2018, ignoring the effect of the announcement of the Transaction. TERP is a theoretical calculation only and the actual price at which Ausdrill Shares traded immediately after the ex-date for the Entitlement Offer was not equal to TERP. TERP was calculated by adjusting for the bonus-element of the Entitlement Offer based on the closing price of Ausdrill Shares on Tuesday 14 August 2018 of $1.71.

[5] EPS(A) is calculated excluding Transaction costs, synergies and amortisation of intangibles. It includes discontinued operations, the impact of the Transaction, issue of Shares to the Barminco Vendors, the Entitlement Offer and associated TERP adjustment, pro forma repayment of the Ausdrill Notes, utilisation of deferred tax assets and other adjustments.

(v) the Independent Expert concluding (as it has) that the Transaction is fair and reasonable to Shareholders whose votes are not to be disregarded;

(vi) the Barminco Vendors entering into voluntary escrow arrangements in respect of their Consideration Shares; and

(vii) receipt of change of control consents from Barminco's noteholders (or confirmation of no decline in note ratings as a result of the Transaction).

Ausdrill is not aware of any condition that will not be fulfilled and, subject to approval of Resolutions 5, 6 and 7, anticipates that all conditions will be fulfilled in the ordinary course.

(b) Escrowed Funds

A portion of the cash consideration ($15 million) will be held in escrow for 6 months following Completion of the Transaction pending resolution of any claims relating to the "locked box" accounts mechanism. If no claims are forthcoming by that time, this sum will be released to the Barminco Vendors.

(c) W&I Insurance

Ausdrill has taken out warranty and indemnity insurance in relation to the Transaction (and Ausdrill has limited recourse to the Barminco Vendors under the Share Sale Agreement except in limited circumstances).

(d) Termination

The Share Sale Agreement can be terminated by mutual agreement, or by either party for material breach of the agreement (including failure to support the Transaction). Either party must pay a $5 million break fee if a condition precedent is not satisfied due to an action (or failure to act) by that party or if that party ceases to support the Transaction.

(e) Restraints

Certain of the Barminco Vendors (including certain Gresham entities) and both Mr Ronald G Sayers and Mr Peter Bartlett will be subject to customary restraints following Completion of the Transaction.

(f) Completion

Completion is expected to occur on 31 October 2018, following the satisfaction or waiver of all conditions precedent. This date can be altered by agreement.

1.4 Summary of Resolutions

Ausdrill Shareholders are being asked to vote on three different Resolutions in respect of the Transaction. The Resolutions to be considered relate to:

(a) the issue of Ausdrill Shares as consideration under the Transaction (under ASX Listing Rule 7.1). This is the subject of Resolution 5;

(b) the acquisition of Sale Interests from the Sayers Family Trust, which family trust is an entity associated with Mr Ronald G Sayers, the former Managing Director of the Company (under ASX Listing Rule 10.1). This is the subject of Resolution 6; and

(c) the issue of Ausdrill Shares to the Sayers Family Trust, which family trust is an entity associated with Mr Ronald G Sayers, the former Managing Director of the Company, as consideration for the acquisition of Sale Interests pursuant to the Transaction (under ASX Listing Rule 10.11). This is the subject of Resolution 7.

Further details of the Resolutions to be passed at the AGM can be found at section 5 of this Explanatory Memorandum.

1.5 Recommendation of Directors

The Board unanimously recommends that Shareholders vote in favour of the Transaction (and therefore in favour of Resolutions 5 to 7). Each Director presently intends to vote all Shares that they own or control in favour of Resolutions 5 to 7.

1.6 Conclusion of Independent Expert

As noted at section 1.1 above, and as required by ASX Listing Rule 10.10.2, Ausdrill commissioned Ernst & Young Transaction Advisory Services Limited (the **Independent Expert**) to prepare a report in relation to the Transaction and, particularly, Resolution 6 (such report being the **Independent Expert's Report**). That report has examined whether the acquisition of Sale Interests from the Sayers Family Trust is fair and reasonable to the Shareholders in Ausdrill whose votes are not to be disregarded on this Resolution 6 (that is, Shareholders who are not Barminco Vendors). The Independent Expert has concluded that, in the absence of a superior alternative and based on the matters outlined in its report, the Transaction and the acquisition of Sale Interests from the Sayers Family Trust are fair and reasonable to non-associated Shareholders. A copy of the Independent Expert's Report is attached at Annexure A. The Independent Expert's Report is an important document and Shareholders are encouraged to read it in full.

1.7 Overview of Equity Raising

As announced to ASX on 15 August 2018, Ausdrill has also undertaken a fully underwritten 1 for 2.13 pro rata accelerated non-renounceable entitlement offer to raise approximately $250 million before costs (**Entitlement Offer**).

The net proceeds of the Entitlement Offer are intended to be used to partially fund the repayment of the Ausdrill Notes due in November 2019 (with the balance of the notes to be repaid from existing cash and revolving credit facility drawdown)[6].

For further details regarding the Entitlement Offer, please refer to the Transaction Announcement, the Investor Presentation and the retail offer booklet which was despatched to Shareholders on Tuesday 21 August 2018.

2 Profile of Barminco

Barminco is one of the world's leading underground hard-rock contract miners. Founded in 1989, Barminco provides underground hard-rock contract mining services under its own brand in Australia, Egypt and India. Barminco is headquartered in Perth with 1,800 employees (AUMS employs an additional 1,000 people). The Barminco Vendors are a range of institutional and individual shareholders including Gresham Private Equity. Barminco also operates in other parts of Africa through AUMS (Ausdrill's 50% joint venture partner).

Further details about Barminco are set out on slides 12 to 16 of the Investor Presentation at Annexure B and in section 5 ("Overview of Barminco") of the Independent Expert's Report.

3 New Ausdrill

On Completion of the Transaction (and post the Entitlement Offer), the Barminco Vendors will own approximately 22.1% of the combined Ausdrill and Barminco groups (**New Ausdrill**).

3.1 Board and senior management of New Ausdrill

As announced to the ASX on 18 June 2018, the Board has appointed highly experienced mining services executive, Mark Norwell, as the Company's new Managing Director and Chief Executive Officer. New Ausdrill will be led by Mr Norwell, who commences on 17 September 2018. Mr Norwell was, until recently, the Executive General Manager – Strategy & Growth at Thiess Pty Ltd, and a member of Thiess' executive leadership team. Over a 20-year career in the mining services sector, he has held senior roles with Leighton Contractors, HWE Mining and Macmahon Holdings. Mr Norwell's qualifications include a Bachelor of Civil Engineering (Hons) from the University of Western Australia and an MBA from the University of

[6] This represents a statement of current intentions. Ausdrill will make final decisions on which debt instruments are repaid and when after consultation with lenders. If the Transaction does not complete, then net proceeds will be used to pay down Ausdrill debt or may be returned to Shareholders (subject to any approvals required), or a combination of both.

New South Wales.

In addition, experienced company director Mr Keith Gordon, currently non-executive chairman of Barminco, will join the Ausdrill Board following Completion of the Transaction. Mr Gordon is an experienced company director and public company CEO with a broad business perspective built through extensive experience across sectors including mining services, mining, retail, manufacturing, chemicals, energy and agriculture. He holds a Bachelor of Sc (Agric) Hons and MBA from the University of Western Australia. Mr Gordon has over 25 years' of professional experience having worked in large global organisations. He is currently the chairman of Barminco, the chairman of GMA Garnet Group, a director of Wright Prospecting Pty Ltd and a director of Red Emu Advisory. Prior to this, he was the Managing Director and CEO of Emeco Holdings and a senior executive at Wesfarmers. As part of his role at Wesfarmers, Mr Gordon led the post-merger integration of Coles into Wesfarmers. Mr Gordon has a proven focus on driving financial performance through the engagement of teams and alignment around strategy, with experience in M&A activities, post-merger integration and equity markets both within Australia and internationally.

3.2 Strategic rationale for, and financial effect of, the Transaction

An explanation of the strategic rationale for the Transaction is set out on slides 7 and 17 to 25 of the Investor Presentation at Annexure B to this Notice. The financial effect of the Transaction is explained on slides 26 to 32 and 37 to 40 of the Investor Presentation.

4 Risks associated with the Transaction

While the Board considers the strategic, financial and operational rationale for the Transaction to be very strong, the Transaction is not without risk and Shareholders will need to take these risks into account when determining how to vote on the Transaction.

The Directors note that Ausdrill and Barminco operate in the same industry, and are joint venture partners in AUMS, so many of the key risks that apply to Ausdrill's existing business apply equally to Barminco and will apply to New Ausdrill. However, Shareholders should be aware that by acquiring Barminco, the Company (and therefore Shareholders) will be exposed to those of the risks that apply to both entities to a greater degree than is currently the case. This is a natural consequence of the Transaction.

These risks applying to Ausdrill, Barminco and New Ausdrill are described in detail on slides 41 to 46 of the Investor Presentation at Annexure B to this Notice. General risks are set out on slides 48 to 50 of the Investor Presentation.

Set out below are some of the key risks referred to above that are particularly relevant to Shareholders given increased exposure through the Transaction, plus additional key risks which are associated with Barminco's business (but do not currently apply to Ausdrill) or are associated with the acquisition of Barminco on Completion of the Transaction. Shareholders are encouraged to consider the following risks in detail (in addition to those set out in the Investor Presentation) in determining how to vote.

(a) Contract termination / reduction in scope

Ausdrill's and Barminco's revenues are subject to underlying contracts with varying terms. If obligations are not performed in accordance with the terms of the contract or the client's expectations, then there is a risk that the contract will be terminated. Any such performance issue may result in contract guarantees being relied upon by clients and could also adversely affect Ausdrill's or Barminco's reputation in the marketplace which could adversely impact their ability to secure new contracts.

There is a risk that contracts may be cancelled or may not be renewed if clients decide to reduce their levels of spending, potentially reducing Ausdrill's or Barminco's revenue. In the event of a contract termination, assets and resources used on that project may not be able to be redeployed to other projects on the same terms or at all and there may be downtime between demobilisation and redeployment. Any of these factors could materially adversely affect margins and results of operations.

Contract operations are vulnerable to the risk of interruption as a result of a variety of factors, which may be beyond Ausdrill's or Barminco's control, including the following: (i) accidents or unsafe conditions; (ii) equipment breakdowns; (iii) industrial relations issues; (iv) geological instability, including strong seismic activity, landslides, mudslides, rock falls, cave-ins, or conditions that threaten to result in such an event; (v) prolonged heavy rainfall or cyclone; (vi) scarcity of materials and equipment; and (vi) variations to reduce scope of works. Interruptions to existing operations or delays in commencing operations experienced by clients may result in lost revenue and, in some circumstances, result in Ausdrill or Barminco incurring additional costs, which may have a material adverse effect on their business, results of operations and financial condition.

(b) Competition and pricing

The mining services industry is highly competitive and is subject to increasing competition which is fast-paced and fast-changing. Ausdrill and Barminco have a competitive advantage through experience and expertise gained through long-standing and successful relationships with clients in their business sectors. However, due to intense competition faced, there is a risk that Ausdrill and Barminco may not compete as successfully in the future as they have in the past. Mining companies have recently been focused on cost reductions. This has resulted in an even more competitive environment which impacts pricing and revenue. Mining services contracts are generally awarded following a competitive tender process where price is one of the most important factors that a client will consider in evaluating tenders. Even for those projects that are not put out to tender, Ausdrill and Barminco still must negotiate the pricing of the contract with the client. In determining the price and other terms on which a tender or proposal will be submitted to a potential client, Ausdrill and Barminco undertake modelling of the contract pricing based on a series of assumptions made about a range of factors such as the type and amount of equipment to be deployed, length of contract, life of mine, location of mine, mine cost curve position, the utilisation rates, reliability and maintenance costs of equipment, mining consumables expenditure, the amount of labour required to support the project and labour productivity levels.

If any of the assumptions made during this modelling subsequently turn out to be materially incorrect, then Ausdrill or Barminco could be locked into a long-term contract with unfavourable economics that could adversely affect its margins and results of operations. There may be no right to renegotiate the contract with the client should the economics become unfavourable. In some cases clients will appoint Ausdrill or Barminco as "preferred contractor" pending award of a contract. However, being appointed as "preferred contractor" does not provide any assurance that a contract will ultimately be awarded, nor does it give any indication of the final scope of work to be undertaken if a contract is awarded.

(c) Labour costs and availability

Ausdrill's and Barminco's ability to remain productive, profitable and competitive and to effect their planned growth initiatives depend on their ability to attract and retain skilled labour. Mining services projects are often in remote locations and sometimes require employees to endure harsh conditions or to "fly-in, fly-out" from a city to a remote location. As a result, there can be shortages of labour that make it challenging to recruit employees with relevant industry and technical experience who are willing to relocate or endure such conditions. Tightening of the labour market in key regions due to a shortage of skilled labour, combined with a high industry turnover rate and growing number of competing employers for skilled labour, may inhibit the ability to hire and retain employees and may lead to exposure to increased labour costs in markets where the demand for labour is strong. A shortage of skilled labour could limit growth prospects or lead to a decline in productivity and an increase in training costs and could adversely affect safety records. Changes to labour laws, regulations and enforcement policies (including, for example, in relation to maximum hours of service rules such as the Ghanaian Minerals Commission employment regulations (8 hour rule)) may limit productivity and increase costs of labour. Each of these factors could materially adversely impact revenues and, if costs increase or productivity declines, operating margins.

(d) Dependence upon key personnel

Ausdrill and Barminco depend substantially on their directors, senior management and key personnel to oversee day-to-day operations and the strategic management of their businesses. Loss of key personnel could have a detrimental impact on Ausdrill and Barminco if directors or employees cease their employment.

(e) Business risks in Africa

Ausdrill's and Barminco's African operations are subject to business risks, including health risks such as the Ebola outbreak (2014), political instability, war or civil disturbance such as the Mali coup and the subsequent French military intervention (2012/2013), terrorism, abduction, expropriation, import and export restrictions, exchange controls, inflationary economies, currency risks, legal and taxation risks, risks related to the restrictions on repatriation of earnings or proceeds from liquidated assets of foreign subsidiaries, increasing requirements for local content and local participation, workforce instability, harsh environmental conditions and remote locations. New mining projects in Africa are increasingly occurring in countries where these risks are significant, which means an increasing portion of Ausdrill's and Barminco's business may be subject to these risks. Ultimately, these risks may cause Ausdrill and Barminco to cease doing business in certain high growth markets.

(f) Level of indebtedness

New Ausdrill will have material indebtedness (with an estimated $643 million of gross debt, and an estimated $502.6 million of net debt, in aggregate on a pro forma basis as at 30 June 2018 (following repayment of the Ausdrill Notes))[7]. After the repayment of the Ausdrill Notes, which are currently intended to be repaid shortly after completion of the Transaction (using the proceeds of the Entitlement Offer), it is anticipated that New Ausdrill's net leverage will be in line with Ausdrill's existing leverage as at the date of this Notice. Ausdrill also notes, as announced to ASX on 17 August 2018, that Moody's has placed Ausdrill's credit rating on a review for upgrade, and Standard & Poors has placed Ausdrill's credit rating on credit watch positive, in both cases based on the proposed Transaction. New Ausdrill is also likely to have capacity to take on further debt if required (subject to limitations under Ausdrill's and Barminco's existing financing facilities and notes). Therefore, Ausdrill considers that the level of debt is appropriate given the nature and size of New Ausdrill's operations. However, a high level of debt could result in a significant portion of New Ausdrill's cash flows being dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes. High debt levels could also increase Ausdrill's vulnerability to general adverse economic and industry conditions and expose Ausdrill to the risk of increased interest rates as certain of Ausdrill's borrowings are at variable rates of interest. Also, some of the cash that appears on New Ausdrill's balance sheet may need to be retained within certain group members and may not be available for use in all of New Ausdrill's business or to meet its debt obligations.

(g) Taxation risks

Ausdrill and Barminco provide services in a number of countries. Therefore, they are subject to tax regimes of many different countries and are subject to risks of changes in taxes, or interpretation or enforcement. Certain of these countries have tax regimes in which the rules may not be clear, may not be consistently applied and may be subject to sudden change.

This is especially true with regard to international transfer pricing. Ausdrill's and Barminco's earnings could be reduced by the uncertain and changing nature of tax in these foreign locations. In addition, given the number of jurisdictions in which they operate, the tax positions Ausdrill and Barminco have taken or tax attributes of their contracts could be challenged and this could have a material adverse impact on their business, financial condition and results of operations.

Changes to the rate of taxes imposed on Ausdrill (including in overseas jurisdictions in which Ausdrill operates now or in the future) or tax legislation generally may affect Ausdrill and its Shareholders. In addition, an interpretation of tax laws by the Australian Taxation Office or a foreign taxing entity that differs to Ausdrill's interpretation may lead to an increase in Ausdrill's tax liabilities and a reduction in Shareholder returns. Personal tax liabilities are the responsibility of each individual investor. Ausdrill is not responsible for tax or tax penalties incurred by investors.

[7] Refer to slide 32 of the Investor Presentation.

(h) Operations in Egypt and India

Barminco currently has operations in Egypt and India (in addition to AUMS' operations in Ghana, Mali, Burkina Faso and Tanzania). Countries in Africa in particular have experienced political instability and humanitarian crises in the past. Disruptions may occur in the future, and losses caused by these disruptions may occur that will not be covered by insurance. For example, in Egypt (in 2011) Barminco demobilised expatriate staff at the Sukari gold project for 14 days as a precautionary measure due to the civil unrest, although Barminco's operations in Egypt were not otherwise affected. Barminco takes out political risk insurance when operating overseas whenever it is available. Barminco has political risk insurance in Egypt. These insurance policies typically cover the expropriation, deprivation or forced abandonment of the plant and equipment, and loss due to riot, terrorism or war.

Even in countries where Barminco has political risk insurance, there can be no assurance that such insurance will cover all relevant contingencies or will adequately compensate Barminco for losses Barminco may suffer as a result of operating in these foreign countries, nor can there be any assurance that such insurance will continue to be available in the future on a cost-effective basis or at all. Risk assessments may also categorise threats as serious enough to require resort to public security forces, such as national police or military units on a near-permanent basis. In the event that the continued operation in some countries compromises Barminco's security or business principles, Barminco may withdraw from these countries on a temporary or permanent basis. This could have a material adverse impact on Barminco's business, financial condition and results of operations.

(i) Exchange rate risks

Barminco is exposed to exchange rate risks in Egypt and India. At Barminco's Egyptian operations, its revenue and certain of its costs are Australian dollar denominated, however costs related to its local workforce in Egypt and other locally incurred costs are denominated in Egyptian pounds, U.S. dollars and Euros. At Barminco's Indian operations, a percentage of its revenue and certain costs are Australian dollar denominated, however costs related to its local workforce in India and other locally incurred costs are denominated in Indian Rupees. In addition, Egypt and India have regulations that may restrict Barminco's ability to send cash out of the country. As a result, cash in Egypt and India may not be available to meet obligations incurred in other countries.

(j) Hedging risks

Barminco hedges some of its foreign exchange and interest rate risks. While such activities may provide downside risk protection for Barminco, it is also possible that such activities may limit its upside benefit potential or give rise to potential losses. No assurances can be given as to the effectiveness of Barminco's hedging arrangements and policies. These hedging arrangements may give rise to additional risk, including additional market risk and risk of default by counterparties to derivative transactions. Barminco does not engage in any speculative trading activities.

(k) Due diligence and reliance on information

Ausdrill undertook a due diligence process in respect of Barminco, which relied in part on the review of financial and other information provided by Barminco or the Barminco Vendors. Despite making reasonable efforts, Ausdrill has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, Ausdrill has prepared (and made assumptions in the preparation of) the financial information relating to Barminco (on a stand-alone basis and also to Ausdrill post-acquisition of Barminco) included in this Notice from financial and other information provided by the Barminco Vendors. Ausdrill is unable to verify the accuracy or completeness of all of this information. If any of the data or information provided to and relied upon by Ausdrill in its due diligence process and its preparation of this Notice proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of Barminco and New Ausdrill may be materially different to the financial position and performance expected by Ausdrill and reflected in this Notice. Shareholders should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the acquisition of Barminco have been identified and avoided or managed appropriately. Therefore, there is a risk that unforeseen issues and risks may arise, which may also have a material impact on Ausdrill. This could materially adversely affect the operations or financial performance or position of Ausdrill. The information reviewed by Ausdrill includes forward-looking information. While Ausdrill has been able to review some of the underlying source data and assumptions for the forward-looking information relating to Barminco, forward-looking information is inherently unreliable and based on assumptions that may change in the future.

(l) Conditions precedent

Completion of the Transaction is conditional on a number of conditions being met, some details of which are set out in section 1.3(a) of this Notice. If any of these conditions are not obtained, there is a risk that the Transaction will not complete. In some circumstances, failure to complete could trigger a break fee of $5 million payable by Ausdrill.

(m) Financial capacity and recourse to Barminco Vendors and warranty and indemnity insurance

Ausdrill has purchased warranty and indemnity insurance for the Transaction. If the Transaction completes and if a warranty or other claim is made under the Share Sale Agreement, to the extent that warranty and indemnity insurance does not cover the particular claim, Ausdrill will (in most cases) not be able to bring a claim against the Barminco Vendors for breach of that warranty. An inability to recover amounts claimed could materially adversely affect Ausdrill's financial position.

(n) Integration risk

Whilst Ausdrill does not foresee any issues in integrating Barminco into New Ausdrill (given the similarities in approach and culture and in light of the good working relationships developed through the AUMS joint venture), the integration of a business of the size of Barminco carries risk, including potential delays or additional costs in implementing necessary changes, difficulties or unexpected costs in integrating systems or operations and costs relating to alignment of pay rates or retention of key staff. While synergies were not a key driver of the Transaction, there is a risk that any actual synergies able to be realised as part of the Transaction may be less than expected or delayed.

(o) Historical liabilities

Following the acquisition of Barminco, New Ausdrill will become directly or indirectly liable for any liabilities that Barminco has incurred in the past, including liabilities which were not identified during Ausdrill's due diligence or which are greater than expected, for which insurance may not be adequate or available, and for which Ausdrill may not have post-Completion recourse under the Share Sale Agreement. These could include liabilities relating to contractual claims, environmental claims, breaches or contamination, current or future litigation, tax liabilities or audits, regulatory actions, occupational health and safety claims and other liabilities. Such liabilities may adversely affect the financial performance or position of New Ausdrill post Completion of the Transaction.

(p) Acquisition accounting

Ausdrill is required to undertake an assessment of the fair value of the tangible and intangible assets acquired as well as the actual and contingent liabilities of Barminco at the date of acquisition. Accounting standards provide twelve months from Completion of the Transaction for this assessment to be finalised. The outcome of this assessment could give rise to different values being applied than those used in the pro-forma financial information contained in this Notice. Such an outcome will impact the values of assets and liabilities reported in the consolidated balance sheet by New Ausdrill. There will also be differences in the depreciation and amortisation charges recognised in the consolidated profit or loss account which may impact reported profit before tax and net profit after tax.

5 Detailed Discussion of the Resolutions

5.1 Resolution 5 – Issue of Consideration Shares pursuant to the Transaction

(a) Purpose of Resolution

Under Resolution 5, Ausdrill seeks Shareholder approval (including for the purposes of ASX Listing Rule 7.1) for the issue of 150,666,463 Ausdrill Shares (the **Consideration Shares**). These Consideration Shares are to be issued to the Barminco Vendors, at Completion, in exchange for the acquisition by Ausdrill of all Sale Interests held by those Barminco Vendors pursuant to the Transaction.

(b) The regulatory requirements

ASX Listing Rule 7.1 provides that a company may not (without Shareholder approval) issue equity securities representing more than 15% of its issued share capital in any 12 month period. The Consideration Shares represent, in aggregate, more than 15% of Ausdrill's issued capital. Accordingly, Ausdrill seeks Shareholder approval under ASX Listing Rule 7.1 to enable it to issue these Consideration Shares pursuant to the Transaction.

The Transaction is subject to a number of conditions which are set out in the Share Sale Agreement (details of which are summarised at section 1.3(a) of this Explanatory Memorandum) and in the Transaction Announcement. The Transaction will not proceed (and no Consideration Shares will be issued) unless the relevant conditions are satisfied or waived and Completion otherwise occurs.

(c) ASX Listing Rule requirements

For the purposes of ASX Listing Rule 7.3, the following information is provided to Shareholders:

(i) The maximum number of Consideration Shares to be issued to the Barminco Vendors is 150,666,463.

(ii) The Consideration Shares will be issued at Completion of the Transaction under the Share Sale Agreement, which is scheduled to occur on Wednesday 31 October 2018 (but could, in certain circumstances be delayed). The Consideration Shares will be issued upon, and in return for, the acquisition of the Sale Interests and will all be issued on one date. In any event, in accordance with ASX Listing Rule 7.3.2, it is proposed that the Consideration Shares be issued within 3 months of the date of any Shareholder approval under ASX Listing Rule 7.1, or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules.

(iii) The Consideration Shares are being issued in consideration for the acquisition of the Sale Interests (on terms described earlier in this Explanatory Memorandum) and not for a cash subscription issue price.

(iv) The Consideration Shares will be issued to the Barminco Vendors, being certain present and former members of management of Barminco and the following entities:

No.	Barminco Vendor
1.	Perpetual Corporate Trust Limited (ABN 99 000 341 533) as custodian for Gresham Funds Management Limited (ACN 109 020 153) in its capacity as responsible entity of the Gresham Private Equity Co-Investment Fund
2.	Gresham Nominees 1 Pty Limited (ACN 095 975 965) in its capacity as trustee of the Gresham Private Fund No. 2a
3.	Gresham Nominees 2 Pty Limited (ACN 107 377 060) in its capacity as trustee of the Gresham Private Fund No. 2b
4.	Gresham Partners Capital Limited (ACN 003 004 279) in its capacity as custodian of its wholesale investors

No.	Barminco Vendor
5.	Gresham Private Equity Limited (ACN 084 509 946) in its capacity as custodian for the Plan Members in the Gresham Private Fund No. 2 Co-Investment Plan
6.	Bremerton Pty Ltd (ACN 009 141 682) in its capacity as trustee of the PM Bartlett Family Trust
7.	Bremerton Pty Ltd (ACN 009 141 682) in its capacity as bare trustee for Nebraska Pty Ltd as trustee of the R.G. Sayers Family Trust

(v) Any Consideration Shares issued will rank pari passu with all other Shares on issue and an application will be made for their quotation on ASX.

(vi) The Consideration Shares are being issued in consideration for the acquisition of the Sale Interests, and no funds will be raised in respect of the Consideration Shares.

(vii) A voting exclusion statement is set out in the Notice.

It is a condition of the Transaction that Shareholders approve this Resolution 5.

(d) Director's recommendation

The Board unanimously recommends that Shareholders vote in favour of this Resolution 5. Each Director presently intends to vote all Shares they hold or control in favour of this Resolution 5.

5.2 Resolution 6 – Acquisition of Sale Interests from a Related Party pursuant to the Transaction

(a) Purpose of Resolution

Under Resolution 6, Ausdrill seeks Shareholder approval (including for the purposes of ASX Listing Rule 10.1) to enable Ausdrill to acquire Sale Interests from the Sayers Family Trust, which family trust is an entity associated with Mr Ronald G Sayers, the former Managing Director of the Company.

(b) The regulatory requirements

ASX Listing Rule 10.1 provides that a company must not (without shareholder approval) acquire a "substantial asset" from, or dispose of a "substantial asset" to, certain specified persons, which includes Related Parties and their associates.

Mr Ronald G Sayers is the former Managing Director of Ausdrill, having retired from this position with effect from 3 July 2018. In accordance with the relevant Corporations Act provisions, anyone who has been a director within the last 6 months is considered to be a Related Party of the Company. Mr Sayers is therefore a Related Party of Ausdrill for these purposes.

In accordance with ASX Listing Rule 10.2, an asset will be "substantial" if its value (or the consideration paid for it) is 5% or more of the equity interests as set out in the company's latest accounts. Based on Ausdrill's accounts at 30 June 2018, this "substantial asset" threshold is approximately $38.7 million[8].

Mr Sayers' indirect interest in Barminco comprises:

(i) 749,750 fully paid ordinary shares in Barminco held by the Sayers Family Trust;
(ii) 17,927,417 redeemable preference shares in Barminco held by the Sayers Family Trust; and
(iii) Barminco shareholder loan notes with a face value of $3,007,500, also held by the Sayers Family Trust,

[8] Ausdrill's FY18 Accounts note shareholders equity is $774.8 million (before Entitlement Offer and Transaction).

in return for which the Sayers Family Trust will receive (in aggregate) 24,687,087 Shares plus up to $3.8 million in cash[9] (**Contingent Cash Consideration**).

Ausdrill has been advised that Mr Sayers' indirect interest in Barminco is held by Bremerton Pty Ltd in its capacity as bare trustee for Nebraska Pty Ltd as trustee of the R.G. Sayers Family Trust and that Bremerton Pty Ltd will not have any relevant interest in the Consideration Shares to be received by the Sayers Family Trust.

As at the last practicable date before finalisation of the Notice (29 August 2018), the closing price of Ausdrill Shares on ASX was $1.71, which values the consideration to be received by the Sayers Family Trust at up to approximately $46 million (including the Contingent Cash Consideration). Accordingly, Mr Sayers' indirect interest in Barminco (as described above) is, as at the date of finalisation of this Notice, valued at more than the $38.7 million "substantial asset" threshold. Any acquisition by Ausdrill of the Sale Interests held by the Sayers Family Trust pursuant to the Transaction will therefore trigger ASX Listing Rule 10.1 and will require Shareholder approval.

Ausdrill seeks Shareholder approval under Resolution 6 to allow the proposed acquisition of Sale Interests from the Sayers Family Trust pursuant to the Transaction to take place.

Ausdrill is not seeking separate approval from Shareholders under Chapter 2E of the Corporations Act to allow it to give a financial benefit (being the issue of the Scrip Consideration plus any Contingent Cash Consideration) to a Related Party (Mr Sayers, through the Sayers Family Trust). One exception to the requirement for an approval under Chapter 2E is contained in section 210 of the Corporations Act and applies where the applicable terms would be reasonable in the circumstances if the company and the related party were dealing at arm's length. Ausdrill has negotiated the terms of the Transaction with Gresham Private Equity (which, together with its associated funds and entities, controls the majority of Barminco). Those negotiations were very much conducted on an arm's length basis and represent arm's length terms. The terms that apply to the acquisition of the minority interest from the Sayers Family Trust are the same as the terms that apply to the acquisition of the interests from all other Barminco Vendors - and are therefore also considered to be arm's length terms. Accordingly, the Board considers that the terms of the acquisition of the Sale Interests from the Sayers Family Trust are reasonable arm's length terms and there is therefore no need to obtain separate Chapter 2E approvals in addition to those being obtained under Resolutions 5, 6 and 7.

(c) ASX Listing Rule requirements

In accordance with ASX Listing Rule 10.10.2, the Independent Expert's Report on the Transaction has been commissioned from the Independent Expert. That report has examined whether the acquisition of Sale Interests from the Sayers Family Trust is fair and reasonable to the Shareholders in Ausdrill whose votes are not to be disregarded on this Resolution 6 (that is, Shareholders who are not Barminco Vendors). The Independent Expert has concluded that, in the absence of a superior alternative and based on the matters outlined in the report, the Transaction and the acquisition of Sale Interests from the Sayers Family Trust are fair and reasonable to these non-associated Shareholders. The Independent Expert's Report (setting out the Independent Expert's reasons and conclusions) is set out in Annexure A to this Notice. Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the assessment, the sources of information and the assumptions made.

It is a condition of the Transaction that Shareholders approve this Resolution.

(d) Director's recommendation

The Board unanimously recommends that Shareholders vote in favour of this Resolution 6. Each Director presently intends to vote any Shares they hold or control in favour of this Resolution 6.

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[9] This amount will include the Sayers Family Trust's proportionate entitlement to any amount of the Escrowed Funds held in escrow for 6 months following Completion (referred to in section 1.3(b) of this Explanatory Memorandum), plus the Sayers Family Trust's proportionate entitlement to any residual cash proceeds remaining after payment of certain contingent payments by Barminco. These cash amounts will be distributed proportionately between all Barminco Vendors.

5.3 Resolution 7 – Approval of issue of Shares to a Related Party pursuant to the Transaction

(a) Purpose of Resolution

Under Resolution 7, Ausdrill seeks Shareholder approval (including for the purposes of ASX Listing Rule 10.11) for the issue of 24,687,087 Shares to the Sayers Family Trust, which family trust is associated with Mr Ronald G Sayers, a Related Party of Ausdrill.

(b) The regulatory requirements

ASX Listing Rule 10.11 provides that, unless one of the exceptions in ASX Listing Rule 10.12 applies, a company must not (without prior shareholder approval) issue or agree to issue equity securities (including shares) to a Related Party.

As noted above, Mr Ronald G Sayers is a Related Party of Ausdrill for these purposes. Accordingly, any issue of Consideration Shares to the Sayers Family Trust pursuant to the Transaction will trigger ASX Listing Rule 10.11 and will require Shareholder approval.

(c) ASX Listing Rule requirements

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders:

(i) The Sayers Family Trust will be issued 24,687,087 Consideration Shares on Completion of the Transaction.

(ii) The Consideration Shares will be issued at Completion of the Transaction (following satisfaction or waiver of all conditions precedent) under the Share Sale Agreement. Completion is scheduled to occur on Wednesday 31 October 2018. In any event, and in accordance with ASX Listing Rule 10.13.3, it is proposed that the Consideration Shares be issued to the Sayers Family Trust within 1 month of the date of the AGM, or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules.

(iii) An issue of Consideration Shares to the Sayers Family Trust requires approval under ASX Listing Rule 10.11 on the following basis:

- (A) Nebraska Pty Ltd (ACN 009 141 922) as trustee of the R.G. Sayers Family Trust is controlled by Mr Sayers; and
- (B) Mr Sayers is a Related Party of Ausdrill by virtue of having held the position of Managing Director of Ausdrill within the previous 6 months.

(iv) Consideration Shares are being issued by Ausdrill in exchange for the acquisition of the Sale Interests held by the Sayers Family Trust. The Consideration Shares issued will rank pari passu with all other Shares on issue and an application will be made for their quotation on ASX.

(v) No funds will be raised in respect of the issue of the Consideration Shares to the Sayers Family Trust.

(vi) A voting exclusion statement is set out in the Notice.

It is a condition of the Transaction that Shareholders approve this Resolution 7.

(d) Director's recommendation

The Board unanimously recommends that Shareholders vote in favour of this Resolution 7. Each Director presently intends to vote any Shares they hold or control in favour of this Resolution 7.

Glossary

The following terms and abbreviations used in this Explanatory Memorandum, the accompanying Schedules and the Notice have the following meanings:

"**AGM**"	means an annual general meeting (including the meeting to be held on 25 October 2018 or as postponed or adjourned).
"**ASX**"	means ASX Limited (ACN 008 624 691) or, where the context permits, the market operated by it.
"**ASX Listing Rules**"	means the Official Listing Rules of ASX as amended from time to time.
"**AUMS**"	means the African Underground Mining Services joint venture (a 50/50 joint venture with Barminco) and the companies comprising that joint venture.
"**Ausdrill**" or "**Company**"	means Ausdrill Limited (ACN 009 211 474).
"**Ausdrill Group**"	means Ausdrill and its subsidiaries.
"**Ausdrill Notes**"	means Ausdrill's Senior Unsecured Notes due November 2019.
"**Barminco**"	means Barminco Holdings Pty Limited (ACN 126 398 276).
"**Barminco Notes**"	means Barminco's Senior Secured Notes due May 2022.
"**Barminco Vendors**"	means the holders of the Sale Interests, being the entities referred to in, or listed in the table set out in, section 5.1(c)(iv) of the Explanatory Memorandum.
"**Completion**"	means completion of the Transaction pursuant to the Share Sale Agreement, at which Ausdrill will acquire the Sale Interests in Barminco and issue the Consideration Shares to the Barminco Vendors.
"**Consideration Shares**"	means 150,666,463 Shares proposed to be issued to the Barminco Vendors pursuant to the Transaction at Completion.
"**Contingent Cash Consideration**"	means up to $3.8 million in cash which will include the Sayers Family Trust's proportionate entitlement to any amount of the Escrowed Funds held in escrow for 6 months following Completion (referred to in section 1.3(b) of this Explanatory Memorandum), plus the Sayers Family Trust's proportionate entitlement to any residual cash proceeds remaining after payment of certain contingent payments by Barminco. These cash amounts will be distributed proportionately between all Barminco Vendors.
"**Corporations Act**"	means the Corporations Act 2001 (Cth).
"**Directors" or "Board"**	means the directors of the Company in office at the date of the Notice.
"**Entitlement Offer**"	means the fully underwritten 1 for 2.13 pro rata accelerated non-renounceable entitlement offer to raise approximately $250 million before costs, which was announced by Ausdrill to ASX on 15 August 2018, which included an institutional entitlement component which closed on 16 August 2018 and a retail entitlement component which closed on 5 September 2018.
"**Explanatory Memorandum**"	means the explanatory memorandum accompanying this Notice.
"**Independent Expert**"	means Ernst & Young Transaction Advisory Services Limited.

"**Independent Expert's Report**"	means the report on the Transaction prepared by the Independent Expert and which is annexed at Annexure A.
"**Investor Presentation**"	means the presentation titled "Barminco Acquisition & Equity Raising Investor Presentation" which was released by the Company to ASX on 15 August 2018 and which is annexed at Annexure B.
"**New Ausdrill**"	means the combined Ausdrill and Barminco groups following Completion of the Transaction.
"**Notice**"	means this notice of AGM.
"**Record Date**"	4.00pm WST on Tuesday 23 October 2018.
"**Related Party**"	has the meaning given in section 228 of the Corporations Act.
"**Resolution**"	means a resolution referred to in this Notice.
"**Sale Interests**"	means the fully paid ordinary shares in the capital of Barminco, the redeemable preference shares in the capital of Barminco and the Barminco shareholder loan notes on issue, all of which are to be sold to the Company pursuant to the Transaction.
"**Sayers Family Trust**"	means Bremerton Pty Ltd (ACN 009 141 682) in its capacity as bare trustee for Nebraska Pty Ltd (ACN 009 141 922) as trustee of the R.G. Sayers Family Trust.
"**Share Sale Agreement**"	means the binding share sale agreement dated 15 August 2018 entered into by (amongst others) Ausdrill and the Barminco Vendors.
"**Shares**"	means fully paid ordinary shares in the capital of the Company.
"**Shareholders**"	means persons registered as holders of Shares in the share register of the Company.
"**TERP**"	means the theoretical ex-rights price of $1.63[10].
"**Transaction**"	means the acquisition by Ausdrill of 100% of all Sale Interests in Barminco from the Barminco Vendors in exchange for the Consideration Shares plus up to $25.4 million in cash consideration.
"**Transaction Announcement**"	means the announcement released by the Company to ASX (entitled "Ausdrill delivers 96% earnings growth, announces strategic acquisition of Barminco") on 15 August 2018.
"**WST**"	means Australian Western Standard Time.

[10] Refer to footnote 4.

Notes

Point at which voting rights are determined

In accordance with the Company's Constitution and the Corporations Regulations 2001 (Cth), the Board has determined that the members entitled to attend and vote at the AGM shall be those persons who are recorded in the register of members at 4.00pm WST on Tuesday 23 October 2018 (**Record Date**).

Voting by Proxy

If you are unable to attend and vote at the meeting and wish to appoint a person who is attending as your proxy, please complete the attached form of proxy.

Information for voting by proxy:

- Each member entitled to attend and vote at the meeting may appoint not more than two proxies to attend and vote instead of such member.
- Where more than one proxy is appointed each proxy must be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion of the member's voting rights each proxy may exercise half of the member's voting rights.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if such appointor is a corporation as required by its constitution or the hand of its attorney.
- A proxy need not be a member of the Company.
- In the case of joint holders each holder should sign the proxy form.
- Should you wish to direct your proxy how to vote please indicate your direction in the appropriate box(es) on the proxy form otherwise your proxy will have a discretion to vote as he/she thinks fit.
- Where the chairman is appointed proxy he will vote in accordance with the member's directions as specified on the proxy form or, in the absence of direction, in favour of the Resolutions contained in this Notice.
- For Resolution 1, if the chairman is your proxy or is appointed as your proxy by default, you may direct the chairman how to vote by ticking the relevant box on the proxy form. If you do direct the chairman how to vote by ticking the relevant box on the proxy form, the chairman will cast your votes on Resolution 1 in accordance with your directions. If you do not direct the chairman how to vote, you will be directing the chairman to vote in accordance with the chairman's voting intentions in respect of Resolution 1 (that is, in favour of Resolution 1) and expressly authorising the chairman to exercise your proxy in respect of Resolution 1 even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel.
- Proxies should be returned as follows:

Online:	By Mobile:	By Mail to:
At www.investorvote.com.au	Scan the QR Code on your Proxy form and follow the prompts	Computershare Investor Services Pty Ltd GPO Box 242 Melbourne, Victoria 3001 Australia
By Facsimile Transmission to:	**By Hand to:**	
1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)	Computershare Investor Services Pty Ltd Level 11 172 St Georges Terrace Perth, Western Australia 6000	

- To be effective a completed proxy form and the power of attorney (if any) under which the proxy form is signed (or a certified copy of the power of attorney) must be received by 11.00 am WST on Tuesday 23 October 2018 (being 48 hours before the meeting).

Annexure A – Independent Expert’s Report

Independent Expert's Report and Financial Services Guide

In relation to the proposed acquisition of Barminco Holdings Pty Limited by Ausdrill Limited

3 September 2018

Building a better working world

Ernst & Young Transaction Advisory Services Limited
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Part 1 - Independent Expert's Report

The Directors
Ausdrill Limited
6-12 Uppsala Place
Canning Vale WA 6005

3 September 2018

Dear Directors

Proposed acquisition of Barminco Holdings Pty Limited

Background

On 15 August 2018, Ausdrill Limited ("Ausdrill") announced it had entered into a binding agreement to acquire 100% of the ordinary shares, redeemable preference shares and shareholder loan notes ("Sale Interests") of Barminco Holdings Pty Limited ("Barminco") (the "Transaction") for consideration of up to 150,666,463 fully paid ordinary shares in Ausdrill ("Share Consideration") plus up to $25.4 million in cash ("Cash Consideration"), collectively, the "Consideration".

Subject to completion of the Transaction, Ausdrill will have economic exposure to the Barminco business with effect from 1 July 2018. Completion is anticipated to occur on 31 October 2018, although this date is subject to change. There is a "locked box" mechanism in place that effectively acts to adjust the Consideration for unauthorised leakages to the holders of the Sale Interests in Barminco ("Barminco Vendors") after 30 June 2018.

Concurrent with the Transaction announcement, Ausdrill announced a fully underwritten 1 for 2.13 Accelerated non-renounceable entitlement offer ("Entitlement Offer") to raise $250 million before costs at $1.47 a share. The Entitlement Offer is not the subject of this report and we express no opinion in relation to the Entitlement Offer.

Requirement for an independent expert's report

Under the Australian Securities Exchange ("ASX") Listing Rule 10.1, a company must not (without shareholder approval) acquire a "substantial asset" from, or dispose of a "substantial asset" to, certain specified persons, which includes related parties and their associates.

Mr Ronald George Sayers ("Mr Sayers") is the former Managing Director of Ausdrill, having retired from this position with effect from 3 July 2018. In accordance with the relevant Corporations Act provisions, anyone who has been a director within the last six months is considered to be a related party of the relevant company. Mr Sayers is therefore a related party of Ausdrill for these purposes and in addition he indirectly holds interests in Barminco as outlined below.

In accordance with ASX Listing Rule 10.2, an asset will be "substantial" if its value (or the consideration paid for it) is 5% or more of the equity interests as set out in the company's latest accounts. Based on Ausdrill's accounts at 30 June 2018, the "substantial asset" threshold is approximately $38.7 million[1]. Mr Sayers currently holds an indirect interest in Barminco comprised of ordinary shares, redeemable preferences shares and shareholder loan notes as described in Section 2.1 of this report. As a result of the Transaction, in return for the equity interests held via Bremerton Pty Ltd in its capacity as bare trustee for Nebraska Pty Ltd as trustee of the R.G. Sayers Family Trust ("Sayers Family Trust"), the Sayers Family Trust will receive (in aggregate) 24,687,087 shares in Ausdrill plus its share of the Cash Consideration of up to $3.8 million.

Mr Sayers' indirect interest in Barminco (as described above) is, as at the date of this report, valued at more than the $38.7 million "substantial asset" threshold. As such, any acquisition by Ausdrill of the Sale Interests

[1] Ausdrill's FY18 Accounts note shareholders equity is $774.8 million (before Entitlement Offer or Transaction).

held by the Sayers Family Trust pursuant to the Transaction therefore triggers ASX Listing Rule 10.1 and requires shareholder approval.

On the basis of the above, one of the conditions precedent to the Transaction is approval by the shareholders of Ausdrill not associated with Barminco ("Non-Associated Shareholders") to allow the proposed acquisition of Sale Interests from the Sayers Family Trust pursuant to the Transaction to take place. A second condition precedent is that an independent expert concludes that the proposed acquisition of Sale Interests from the Sayers Family Trust is fair and reasonable to the Non-Associated Shareholders whose votes are not to be disregarded.

In accordance with ASX Listing Rule 10.10.2, a report on the proposed Transaction from an independent expert ("IER") is required where ASX listing Rule 10.1 applies, as is the case here. The IER is required to state the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded i.e., the Non-Associated Shareholders.

Ausdrill has engaged Ernst & Young Transaction Advisory Services Limited ("EY Transaction Advisory Services") to prepare this IER, a copy of which is to be provided to Ausdrill shareholders.

Approach

Neither the Corporations Act 2001 nor the ASX Listing Rules define the term "fair and reasonable". Australian Securities & Investments Commission Regulatory Guide 111: *Content of expert reports* ("RG 111") provides some guidance as to how the term "fair and reasonable" should be interpreted in a range of circumstances. With respect to a related party transaction RG 111 provides:

- A proposed related party transaction is "fair" if the value of the "financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity assuming a knowledgeable and willing, but not anxious buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length".

- A proposed related party transaction is "reasonable" if it is fair. It might also be "reasonable" if, despite being "not fair", the expert believes that there are sufficient reasons for security holders to vote for the proposal.

Accordingly, the key component of the assessment as to whether or not the Transaction is fair and reasonable is the comparison of the fair value of Barminco with the fair value of the Consideration being offered. On the basis that the terms which apply to the acquisition of the Sale Interests from the Sayers Family Trust are the same as the terms that apply to all other Barminco shareholders, in forming our opinion we have considered the Sale Interests as part of the overall assessment of the Transaction.

Summary of opinion

Fairness of the Transaction

We have determined whether the acquisition of Sale Interests from the Sayers Family Trust is fair to the Non-Associated Shareholders by considering whether the Transaction as a whole is fair. This has been done by comparing the assessed fair value of Barminco on a controlling basis, to the assessed fair value of the Consideration in the form of Ausdrill shares on a minority basis offered to Barminco shareholders in the event that the Transaction is approved and implemented.

We adopted the capitalised earnings method to value Barminco and our assessed range of values are set out in detail in Section 8 of this IER. All amounts are in Australian dollars ("$" or "A$") unless otherwise stated.

The table below presents a summary of the value of Barminco and of the Consideration.

Evaluation of the fairness of the Transaction			
A$ millions	*Ref*	Low	High
Fair Value of Barminco on 100% controlling basis	*Section 8*	342.7	394.7
Fair Value of the Consideration on a minority interest basis	*Section 9*	272.8	286.3

The fair value of the Consideration is based on an assessed value of Ausdrill shares of between $1.64 and $1.73 per share (ex-dividend) post the Transaction but before allowing for any potential re-rating of Ausdrill shares which may occur as a result of the Transaction. This compares to the TERP adjusted closing price per share of $1.63 the day prior to the announcement of the Transaction and a TERP adjusted VWAP over the 30 days leading up to the day prior to the announcement of the Transaction $1.67 per share. Since the announcement of the Transaction Ausdrill shares have traded between $1.68 and $2.01 with the last trading price on 27 August 2018 being $1.76. We believe these trading prices are supportive of our valuation assessments made.

We note the significant difference between our assessment of the value of the Consideration and the value of the 100% interest in Barminco being proposed to be acquired. Prima facie such a large gap may appear counter intuitive as it implies that the vendors of Barminco would agree to sell their interests for less than its fair value on a control basis notwithstanding that control will pass to Ausdrill as a result of the Transaction.

There are however a number of key factors which assist to explain this position. These include:

- ► We have valued Barminco on a controlling basis because it is proposed that Ausdrill acquires 100% of Barminco. In contrast, we have valued the Share Consideration, being Ausdrill shares (including its proposed 100% interest in Barminco) on a minority basis as it represents minority interest parcels of shares to be issued to the vendors of Barminco shares. Collectively, the shares to be issued represent approximately 22.1% of Ausdrill's expanded share capital after the Transaction.

- ► There are a number of shareholders in Barminco none of which individually exert full control. Therefore from an individual Barminco shareholder perspective in the absence of a sale of 100% of Barminco they may not otherwise be able to realise a controlling interest value for their shares.

- ► As set out in Section 10, the characteristics of Ausdrill subsequent to the acquisition of Barminco, and its likely greater representation in key Australian Securities Exchange indices, are such that it is possible that a re-rating of Ausdrill shares could occur. This is in part evidenced by the increase in the value of Ausdrill shares that has occurred since the announcement of the Transaction on 15 August 2018 whereby Ausdrill shares have traded between $1.68 and $2.01 per share compared to the pre-announcement prices of $1.63 to $1.67 set out above. Such a re-rating may have been anticipated by Barminco shareholders.

- The majority of the Consideration is made up of Ausdrill shares. The vendors of Barminco shares therefore have the opportunity, should there be a control transaction involving Ausdrill in the future, to realise a control premium for the combined Ausdrill / Barminco business.

As the value range assessed for the Consideration is below the assessed value range for 100% of the equity in Barminco, we consider the Transaction to be fair.

Reasonableness of the Transaction

A transaction is "reasonable" if it is "fair" or, despite being "not fair", there are sufficient reasons for shareholders to vote for the proposal.

Consistent with the guidance provided by RG 111, as the Transaction is fair, it is also reasonable to the Non-Associated Shareholders of Ausdrill. Notwithstanding, we have also considered other factors that the Non-Associated Shareholders should consider in forming their view on whether to vote in favour of the Transaction. Individual Non-Associated Shareholders may interpret these factors differently depending on their own circumstances.

A summary of these other factors are listed below, with further explanation included in Section 10. In identifying factors to be considered, we have had reference to the factors noted in RG 111.62, as well as having regard to the specific circumstances of the Transaction. The other factors considered include:

- *The Transaction will create a larger, more diversified business, which may result in a re-rating above that reflected in our fair value* - If approved and completed, the Transaction will result in the creation of a larger, more diversified business becoming the number two Australian mining services provider by revenue and the largest listed pure-play mining services company. The new enlarged group will have a broader service offering, greater mix of commodities within its portfolio and extended geographical footprint. This increased scale and diversification may improve the ability of Ausdrill to access capital at more attractive pricing, withstand volatility in the future and pursue further growth opportunities. These benefits may, over time, be reflected in an earnings multiple above that applied in our current fair value.

- *Ausdrill shareholders will continue to participate in possible future increases in the value of Ausdrill including Barminco and 100% of African Underground Mining Services ("AUMS")* - Our valuation of the Consideration reflects assumptions regarding the future growth of the enlarged business including the potential cost synergies to be realised. To the extent that the enlarged group exceeds expectations and/or achieves synergies greater than the level assumed in our valuation, shareholders will benefit from future increases in the value of Ausdrill. Also, there may be opportunities for additional earnings growth, such as the ability to expand further in the global underground mining market. Any such synergies cannot be reliably forecast and have not explicitly been included in our value assessment. To the extent that such synergies are achieved, this could positively impact on the Ausdrill share price in future.

- *Greater liquidity of Ausdrill shares* - Ausdrill shares are relatively well traded and liquid. While Ausdrill is already included in the ASX 200, ASX 300, ASX 200 Metals and Mining and All Ordinaries amongst others, the increased market capitalisation of the enlarged group would raise Ausdrill's positioning within these indices, which may increase demand for its shares, especially from index-linked investment or tracker funds.

- *Potential for higher dividends per Ausdrill share* - As set out in the investor presentation appended to the Notice of Annual General Meeting which this IER accompanies ("Notice of Meeting"), while the dividend payout ratio is expected to remain at 40% of net profit after tax (before amortisation), the Transaction may result in higher dividends being paid per share as the estimated pro-forma figures in the investor presentation show that the combined entity will be more profitable. This reflects the fact that Barminco generates higher margins than Ausdrill. Additionally, the enlarged group's profitability will be greater as a result of recurring estimated net synergies of circa $5 million per annum, including reduced overheads for AUMS[2]. Greater earnings per share combined with a constant dividend payout ratio would result in higher dividends per share for Ausdrill shareholders.

- *Familiarity with Barminco* - Barminco and Ausdrill have been joint venture partners in AUMS since 2007. Given this historical partnership and that AUMS in which Ausdrill is already invested represents a significant portion of Barminco's business as well as Barminco's business activities complementing Ausdrill's, the Transaction presents a relatively lower risk acquisition than one which is not known and unrelated.

- *Greater exposure to AUMS, a high growth, higher margin business* - The Transaction will result in Ausdrill increasing its stake from 50% to 100% of AUMS and therefore gaining full operational control of the business. This will allow Ausdrill to streamline the current governance structure and increase its exposure to AUMS which is a higher margin business with significant growth opportunities.

- *Transaction expenses* - We understand that Ausdrill expects to incur approximately $26 million of costs and expenses in respect of the Transaction (including costs and expenses relating to the Entitlement Offer). However the majority of these have already been incurred or will be incurred irrespective of whether or not the Transaction is approved and proceeds to completion. As set out in the Share Sale Agreement ("SSA") dated 15 August 2018, Ausdrill and Barminco have agreed that under certain circumstances one may recover transaction expenses of approximately $5 million from the other pulling out of the transaction.

- *Board representation* - It is proposed that Keith Gordon, the current Chairman of Barminco, will join Ausdrill's board following completion of the Transaction. Mr Gordon has over 25 years of professional experience and is also Chairman of GMA Garnet Group, a director of Wright Prospecting and a director of Red Emu Advisory. As a member of the Ausdrill board, he would participate in making significant management decisions post Transaction.

- *If the Transaction is not approved, the Ausdrill share price may fall below current trading levels* - in the absence of an equivalent or superior alternative transaction, Ausdrill will continue to operate in its current form, albeit with reduced net debt levels as a result of the Entitlement Offer. If not approved, the Ausdrill share price would likely decline below current levels. We note that the Ausdrill share price rose by 14% on 17 August 2018 following the simultaneous announcement of the Transaction and Entitlement Offer. As indicated, the price of Ausdrill shares reduced from a high of $3.04 per share in February 2018 to a low of $1.63 per share in July 2018. Since announcement, the share price of Ausdrill increased, reaching a high of $2.01 per share on 17 August 2018 but closed at $1.76 on 27 August 2018. Ausdrill's 5 day VWAP as at 27 August 2018 was $1.80 per share. To the extent that this is related to the Transaction, it is likely that the premium would cease to be priced in the Ausdrill shares, causing the price to decline.

- *Equivalent or superior alternatives to the Transaction* – Ausdrill management have confirmed that they have previously considered and evaluated the strategic options available to Ausdrill. Ausdrill management concluded that the acquisition of Barminco represented the greatest value to shareholders. We note that even if a new opportunity emerged that was of equivalent value to the Transaction, it would take time for Ausdrill management to reach the binding offer stage on an alternative acquisition. We therefore consider there to be no equivalent or superior alternative to the Transaction available to shareholders at the current date.

Conclusion

In the absence of a superior alternative, based on the matters outlined above, in our opinion, the Transaction and the acquisition of Sale Interests from the Sayers Family Trust are fair and reasonable to Non-Associated Shareholders.

[2] Equity Raising Investor Presentation dated 15 August 2018

Other matters

This IER has been prepared specifically for Non-Associated Shareholders of Ausdrill. Neither EY Transaction Advisory Services, Ernst & Young nor any employee thereof undertakes responsibility to any person, other than the Non-Associated Shareholders in respect of this report, including any errors or omissions howsoever caused.

This IER constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Non-Associated Shareholders. The decision as to whether to approve or not approve the Transaction is a matter for individual Non-Associated Shareholders. Non-Associated Shareholders should have regard to the Notice of Meeting and accompanying documents prepared by Ausdrill. Non-Associated Shareholders who are in doubt as to the action they should take in relation to the Transaction should consult their own professional adviser.

Our opinion is made as at the date of this report and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full IER as attached.

EY Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Corporations Act 2001. The Financial Services Guide is included as Part 2 of this report.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Evgeny Khrustalev
Director and Representative

Stuart Bright
Director and Representative

Contents

1. Introduction

1.1 Background to the decision to acquire Barminco

Ausdrill and Barminco are two of the key participants in the Australian contract mining services market. The two companies have an existing business relationship history, having formed AUMS as a 50:50 joint venture together in 2007.

Ausdrill describes the benefits of the acquisition as follows[3]:

- Increased scale through the creation of a combined entity that would be the second largest in the Australian contract mining services market by revenue
- Strengthening of Ausdrill's position within the ASX 200, ASX 300 and other indices
- Increased profitability, earnings per share and other improved financial metrics
- Complementary business to Ausdrill's current capabilities
- Greater diversification through expansion into underground mining, a broader customer base and greater balance between developed market (Australia) and emerging market (Africa) exposure
- Reduced combined overheads and increased strategic focus for AUMS through 100% ownership
- Improved access to capital markets and cheaper sources of debt
- Reduced capital intensity, higher return on capital
- Platform for entry into other underground mining markets
- Alignment between existing Ausdrill shareholders and former Barminco shareholders due to a primarily share-based consideration and
- Ability to manage gearing through the fully underwritten $250 million Entitlement Offer to partially fund the full repayment of Ausdrill's Senior Unsecured Notes due in November 2019 ("Ausdrill Notes").

1.2 Overview of the Transaction

On 15 August 2018, Ausdrill announced it had entered into a binding share sale agreement to acquire 100% of the ordinary shares, redeemable preference shares and shareholder loan notes of Barminco. One of the conditions precedent to the Transaction is approval by the Non-Associated Shareholders for the proposed acquisition of Sale Interests from the Sayers Family Trust pursuant to the Transaction.

The additional conditions precedent are discussed in Section 1.4.

1.3 Key terms of the Transaction

The Consideration to be paid to the shareholders of Barminco will comprise:

- Share Consideration of 150,666,463 ("150.7 million") fully paid ordinary shares in Ausdrill; plus
- Cash Consideration of up to $25.4 million.

[3] ASX announcement 15 August 2018; Acquisition and Equity Raising Presentation dated 15 August 2018

Our valuation of the Consideration is discussed in Section 9.

Other key terms include:

- Each vendor's consideration will vary between Cash Consideration and Share Consideration and their respective proportions at completion.
- All of the Share Consideration issued to the Barminco vendors will be escrowed until the release of Ausdrill's FY19 results in late August 2019. However, if after the release of Ausdrill's 1H19 results (in late February 2019), the Ausdrill share price trades on the ASX for any five consecutive days at a volume weighted average price of at least $2.04 (representing a 25% premium to TERP), this escrow will cease to apply with respect to one third of the Share Consideration issued.
- $15 million of the Cash Consideration will be held in escrow for six months after completion ("Escrowed Funds") for resolution of any claims relating to the "locked box" accounts mechanism (unauthorised leakages to the Barminco Vendors after 30 June 2018).

The Ausdrill Board of Directors has unanimously recommended that the Non-Associated Shareholders vote in favour of the Transaction and have stated that each member of the Board who holds Ausdrill shares presently intends to do so in regards to any shares they hold or control.

1.4 Conditions precedent

Completion under the SSA is subject to customary conditions precedent for a transaction of this nature, including:

- the continuation of material contracts (including change of control consents where required)
- no Ausdrill or Barminco prescribed occurrences (covering customary matters such as alterations to share capital, material transactions and insolvency)
- no material adverse change occurring in relation to Ausdrill or Barminco. In relation to Ausdrill, a material adverse change refers to any event or circumstance (individually or in combination) that would:
  - prevent a party from discharging its obligations under the SSA
  - materially adversely affect assets, liabilities, financial position or performance, profits, losses or prospects of the Ausdrill group
  - have a material effect on certain financial or qualitative measures which may affect the underlying earnings or reputation of Ausdrill
- shareholder approval of the Transaction
- The independent expert concluding that the Transaction is fair and reasonable to Ausdrill shareholders whose votes are not to be disregarded
- the Barminco vendors entering into voluntary escrow arrangements in respect of their Share Consideration
- receipt of change of control consents from Barminco's noteholders (or confirmation of no decline in note ratings from Moody's and Standard & Poor's as a result of the Transaction).

We understand that Ausdrill is not aware of any condition that will not be fulfilled and, subject to shareholder approval of the Transaction, anticipates that all conditions will be fulfilled in the ordinary course.

A termination fee of $5 million will be payable by either Ausdrill or Barminco under certain circumstances.

1.5 Funding the Transaction

Ausdrill intends to fund the acquisition primarily through the issuance of 150.7 million shares and will fund the $25.4 million Cash Consideration from existing resources.

Concurrently, through the issuance of 170.0 million ordinary shares under a fully underwritten non-renounceable Entitlement Offer, Ausdrill intends to raise $250 million before costs. The net proceeds from the Entitlement Offer are intended to be used to redeem Ausdrill's high yield loan notes due in November 2019. Ausdrill will make final decisions on which debt instruments are repaid, and when, after consultation with lenders. If the acquisition does not complete, then net proceeds will be used to pay down Ausdrill debt or may be returned to shareholders (subject to any approvals required), or a combination of both. The Entitlement Offer is scheduled to be completed by 13 September 2018 and is not subject to shareholder approval.

Ausdrill's recent share price performance, the number of shares to be issued and the resulting impact on the Consideration are discussed in Section 9.

2. Scope of the independent expert's report

2.1 Purpose of the report

Under the ASX Listing Rule 10.1, a company must not (without shareholder approval) acquire a "substantial asset" from, or dispose of a "substantial asset" to, certain specified persons, which includes Related Parties and their associates.

Mr Sayers is the former Managing Director of Ausdrill, having retired from this position with effect from 3 July 2018. In accordance with the relevant Corporations Act provisions, anyone who has been a director within the last 6 months is considered to be a related party of the Company. Mr Sayers is therefore a related party of Ausdrill for these purposes.

In accordance with ASX Listing Rule 10.2, an asset will be "substantial" if its value (or the consideration paid for it) is 5% or more of the equity interests as set out in the company's latest accounts. Based on Ausdrill's accounts at 30 June 2018, the "substantial asset" threshold is approximately $38.7 million[4].

Mr Sayers' indirect interest in Barminco comprises:

- 749,750 fully paid ordinary shares in Barminco held by the Sayers Family Trust
- 17,927,417 redeemable preference shares in Barminco held by the Sayers Family Trust
- Barminco shareholder loan notes with a face value of $3,007,500, also held by the Sayers Family Trust

in return for which the Sayers Family Trust will receive (in aggregate) 24,687,087 shares plus its share of the Cash Consideration of up to $3.8 million.

Mr Sayers' indirect interest in Barminco (as described above) is, as at the date of this report, valued at more than the $38.7 million "substantial asset" threshold. Any acquisition by Ausdrill of the Sale Interests held by the Sayers Family Trust pursuant to the Transaction will therefore trigger ASX Listing Rule 10.1 and will require Shareholder approval.

Ausdrill seeks shareholder approval to allow the proposed acquisition of Sale Interests from the Sayers Family Trust pursuant to the Transaction to take place.

As set out in the Notice of Meeting, Ausdrill is not seeking separate approval from shareholders under Chapter 2E of the Corporations Act to allow it to give a financial benefit (being the issue of the Share Consideration plus the additional cash consideration) to a related party (Mr Sayers, through the Sayers Family Trust). One exception to the requirement for an approval under Chapter 2E is contained in Section 210 of the Corporations Act and applies where the applicable terms would be reasonable in the circumstances if the company and the related party were dealing at arm's length. Ausdrill has negotiated the terms of the Transaction with Gresham Private Equity (which, together with its associated funds and entities, controls the majority of Barminco). As an unrelated third party, Ausdrill considers the negotiations with Gresham Private Equity to have been conducted on arm's length terms. The terms that apply to the acquisition of the minority interest from the Sayers Family Trust are the same as those that apply to the acquisition of the interests from all other Barminco Vendors - and are therefore also considered to be arm's length terms. Accordingly, we note that the Board considers that the terms of the acquisition of the Sale Interests from the Sayers Family Trust are reasonable arm's length terms and consider there to be no need to obtain separate Chapter 2E approvals.

The Notice of Meeting provided to shareholders of Ausdrill Limited in advance of the meeting whereby Ausdrill will be seeking approval of the Transaction must include an IER. One of the conditions precedent to the

[4] Ausdrill's FY18 Accounts note shareholders equity is $774.8 million (before Entitlement Offer or Transaction).

Transaction is the approval by the Non-Associated Shareholders. This shareholder approval is subject to the ASX Listing Rules, in particular Listing Rule 10.1.

In accordance with ASX Listing Rule 10.10.2, the IER is required to state the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded (the Non-Associated Shareholders).

The directors of Ausdrill Limited have engaged EY Transaction Advisory Services to prepare this IER to be provided to the Non-Associated Shareholders as part of the Notice of Meeting.

2.2 Basis of evaluation

Neither the Corporations Act 2001 nor the ASX Listing Rules define the term "fair and reasonable". RG 111 provides some guidance as to how the term "fair and reasonable" should be interpreted in a range of circumstances. With respect to a related party transaction, RG 111 provides:

- A proposed related party transaction is "fair" if the value of the "financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity".

- A proposed related party transaction is "reasonable" if it is fair. It might also be "reasonable" if, despite being "not fair", the expert believes that there are sufficient reasons for security holders to vote for the proposal.

Accordingly, the key component of the assessment as to whether or not the Transaction is fair and reasonable is the comparison of the fair value of Barminco with the fair value of the Consideration being offered.

RG 111.62 sets out certain factors which an expert might consider when deciding whether a Transaction is "reasonable". These factors include:

- The financial situation and solvency of the entity, including the factors set out in RG 111.26, if the consideration for the financial benefit is cash

- Opportunity costs

- The alternative options available to the entity and the likelihood of those options occurring

- The entity's bargaining position

- Whether there is selective treatment of any security holder, particularly the related party

- Any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target

- The liquidity of the market in the entity's securities

Our consideration of other factors has been based on those factors suggested in RG 111, as well as the specific circumstances of the Transaction.

In undertaking our assessment of the Transaction, we have had regard to a number of references including Australian Securities & Investments Commission regulatory guidelines, in particular, RG 111 and RG 112: *Independence of experts* ("RG 112"), and relevant market valuation guidelines and generally accepted practices in the preparation of expert reports. This report has also been prepared in accordance with APES 225 *Valuation Services* issued by the Accounting Professional & Ethical Standards Board Limited in July 2008 (revised December 2015).

A glossary summarising the abbreviations we have used in this report is contained in Appendix E.

2.3 Shareholders' decisions

This IER constitutes general financial product advice only. In forming our opinion, we have considered the interests of the Non-Associated Shareholders as a whole, and we have not considered, nor is it practical or possible to consider, the individual circumstances of each Non-Associated Shareholder. The decision to vote for or against the Transaction is a matter for individual shareholders. The Non-Associated Shareholders should consider the advice in the context of their own circumstances, including investment objectives, liquidity preferences, risk profiles, tax position and expectations of future market conditions. Non-Associated Shareholders should also have regard to the Notice of Meeting prepared by the Directors and management of Ausdrill. Non-Associated Shareholders who are in doubt as to the action they should take in relation to the Transaction should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Ausdrill or Barminco. This is an investment decision upon which we do not offer an opinion and is independent of a decision to vote for or against the Transaction. Shareholders should consult their own professional adviser in this regard.

EY Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Corporations Act 2001. The Financial Services Guide is included as Part 2 of this report.

2.4 Fair value

We have assessed the value of Barminco on a 100% controlling interest basis as the Transaction involves the acquisition of 100% of Barminco. We note that Mr Sayers who is the deemed related party of Ausdrill under ASX Listing Rule 10.1 is the holder of an approximate 15% indirect interest in Barminco. Notwithstanding his minority interest, as he is participating in an overall control transaction, we have assessed the Transaction on that basis. We have assessed the fair value of the Consideration on minority interest basis because minority interests in Ausdrill shares will be issued to the vendors of Barminco shares, comprising collectively approximately 22.1% of Ausdrill's expected post Transaction share capital.

Fair value in this context is considered to be:

"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".

Fair value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

2.5 Independence

Prior to accepting this engagement, we considered our independence with respect to Ausdrill and Barminco with reference to RG 112. In our opinion, we are independent of Ausdrill and Barminco.

EY Transaction Advisory Services, Ernst & Young, and global affiliations, have not provided any services to Ausdrill or Barminco in relation to the Transaction.

EY Transaction Advisory Services, Ernst & Young, and global affiliations have previously provided professional services to both Ausdrill and Barminco, and subsidiaries thereof. These services included the provision of tax advice in respect of matters not related to the Transaction. We do not consider these services to compromise our independence.

2.6 Limitations and reliance of scope

We have considered a number of sources of information in preparing our report and arriving at our opinion. These sources of information are detailed in Appendix D.

The information provided to us for the preparation of our report has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Transaction is fair and reasonable to the Non-Associated Shareholders. We also held discussions with management of both Ausdrill and Barminco in relation to the Transaction, as well as the operations, financial position and operating results of Barminco. However, we do not warrant that our enquiries have identified all of the matters that an audit, an extensive examination or tax investigation might disclose.

Preparation of this report, and inclusion of extracts from financial statements of Ausdrill and Barminco as an appendix to our report, does not imply that we have, in any way, audited the accounts or records of Ausdrill, or Barminco. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards and International Financial Reporting Standards, as applicable.

In forming our opinion we have also assumed that:

- Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed
- The assessments by Ausdrill and its advisers with regard to legal, regulatory, tax and accounting matters relating to the transaction are complete and accurate
- The information set out in the Notice of Meeting and accompanying documents to the Non-Associated Shareholders is complete, accurate and fairly presented in all material respects
- The publicly available information relied upon by us in our analysis was accurate and not misleading
- The Transaction will be implemented in accordance with the terms outlined in the SSA

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this IER are given in good faith and in the belief that such statements and opinions are not false or misleading. This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A.

Our assessment of the Transaction is based on economic, market and other conditions prevailing as at the date of this IER. As evidenced in recent years these conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, our opinion could be different.

We provided draft copies of this independent expert's report to the Directors and management of Ausdrill for comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Amendments made to this IER as a result of this review by the Directors and management of Ausdrill have not changed the conclusions reached.

3. Industry overview

3.1 Contract mining services

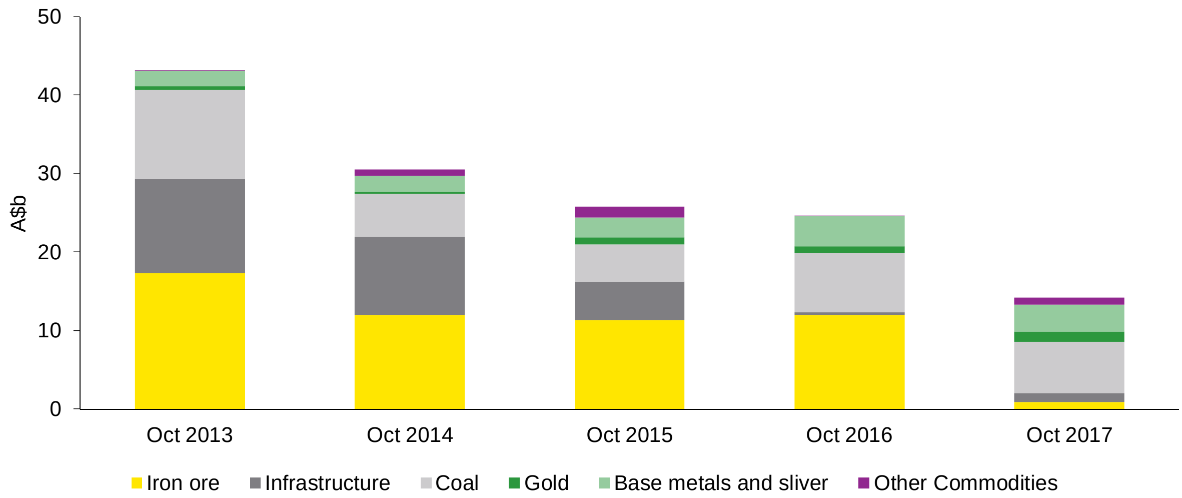
The contract mining services industry includes companies that carry out mining operations on behalf of third parties on a contract basis. These companies supply both machinery and trained staff to undertake mineral and resource extraction activities as well as drill and blast exploration, procurement and logistics activities.

3.1.1 Current industry performance

The Australian resources sector experienced unprecedented growth in the first half of the decade, driven primarily by demand for commodities in China and other Asian markets. This demand generated significant investment in the Australian mining sector, including its contract mining segment. However, in recent years the Australian mining industry experienced a period of low commodity prices and underinvestment with many miners delaying projects, cutting exploration budgets and instead focusing on operational efficiencies.

This is shown in the graph below, demonstrating a decline in the level of committed mining projects in Australia in 2017 compared to 2013.

Committed mining projects, 2013-2017



Source: Australian Department of Industry, Innovation and Science, Major Projects

Demand for contract mining services is driven by the mine owner's ability to achieve relative cost and productivity advantages from outsourcing mining operations. Consistent with the overall mining sector, the contract mining segment is highly dependent on commodity market trends.

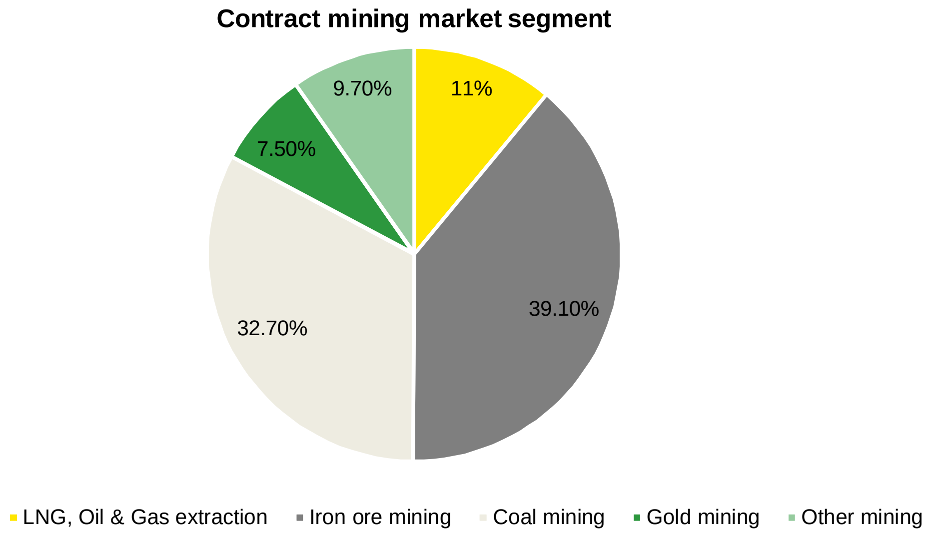
The contract mining industry in Australia went through a major downturn in recent years. Industry revenue declined at an annualised rate of 5.6% from FY14 to FY18, to reach $9.9 billion[5]. However, the recent recovery of commodity markets, especially in the coal, gold and iron ore sectors, is providing optimism to the contract mining segment with recovering demand and an improving project pipeline.

[5] Source: IBISworld industry report – Contract mining services in Australia – October 2017

3.1.2 Major market segments

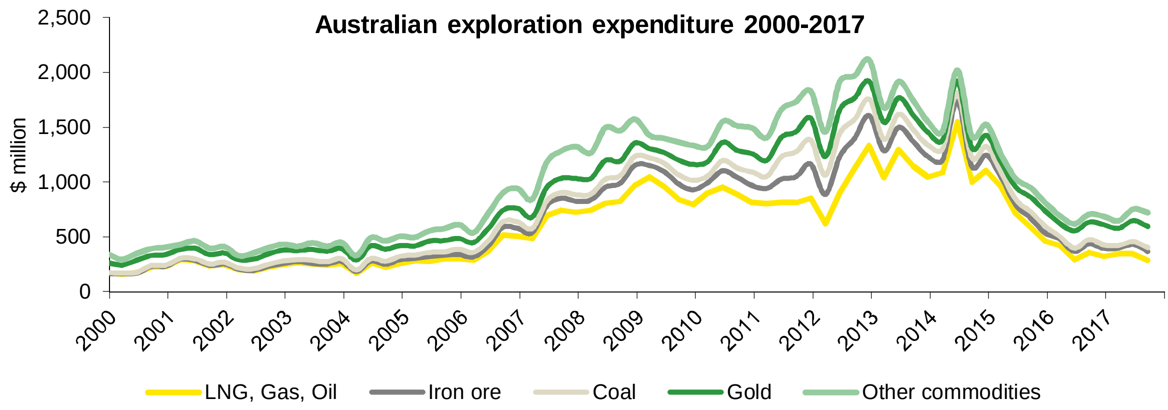
The contract mining sector can be characterised by type of commodity mined or by service type, such as surface mining, underground mining, drilling services and diversified mining operations.

The chart below shows the expected breakdown of FY18 revenue by major commodity market segment.



Source: IBIS world industry report – Contract mining services in Australia – October 2017

The chart below illustrates Australian exploration expenditure for the various commodity market segments from 2000 to 2017.



Source: ABS 8412.0, Mineral and Petroleum Exploration, Australia

Iron ore mining

The iron ore segment is the largest in Australia's mining sector. Large iron ore producers such as Rio Tinto, BHP Billiton, Fortescue Metals Group and Roy Hill use in-house mining operations as well as mining contractors. Smaller iron ore producers who lack the balance sheet size or strength often outsource their mining operations to contract mining service providers.

Coal mining

Coal miners in Australia use mining contractors extensively, representing over 30% of contract mining revenues in FY18. Some of the major industry participants including BHP Billiton, Glencore Plc and South32 Limited, use contract miners on many of their coal assets.

Gold mining

The gold mining industry has been an important customer for contract mining companies. When gold prices rose sharply in 2014 - 15, gold producers increased their exploration spend and ramped up production providing increasing demand for contract mining services. Investment in gold exploration has reduced more recently in line with gold prices in general.

Other commodities

Base metals producers, especially copper and nickel miners, also utilise the Australian contract mining services segment. Some of the major copper and nickel industry participants including BHP Billiton, Glencore Plc and Western Areas Limited, use contract miners.

3.1.3 Barriers to entry

The contract mining services industry has high barriers to entry due to the following factors:

- Large amounts of capital are required to establish a contract mining business given the need to invest heavily in equipment and machinery.
- Access to an experienced and skilled workforce is required. Recruiting such a workforce is usually both expensive and time consuming.
- Due to the large size and range of services required for many mining projects, larger service providers have a competitive advantage in securing new contracts.

3.1.4 Market concentration

The sector is competitive and fragmented with none of the local or international participants dominating the market. The largest participant, being CIMIC Group Limited, accounts for approximately 28.1% of the contract mining services market[6].

However, in recent years there has been a growing trend for market consolidation in the Australian contract mining industry. Key observations include:

- The Australian contract mining industry's four largest participants are forecasted to account for approximately 48.5% of the total industry's revenue in FY18[7].
- In the underground mining segment, the top three companies control a significant market share. The top three companies are Barminco, Pybar and Byrnecut.

3.1.5 Industry outlook

3.1.5.1 Australia

In comparison to the declining performance over the recent years, conditions in the contract mining services industry are forecasted to stabilise with some future growth anticipated over the next five years, albeit, IBISworld

[6] Source: IBISworld industry report – Contract mining services in Australia – October 2017
[7] Source: IBISworld industry report – Contract mining services in Australia – October 2017

does not forecast a return to 2017 levels yet[8]. IBISworld forecasts Australian contract mining services industry revenue to decline, however, according to Oxford Economics contract mining revenue is projected to increase strongly in the short term and to slow down in the medium term to reach $12.8 billion in 2022[9]. Key industry trends expected include:

- With the expected increase in actual capital expenditure, industry revenue is expected to improve from 2020-21 onwards. For example major iron ore participants, including BHP, Rio Tinto and Fortescue Metals have all recently announced construction of new large scale iron ore mines in the Pilbara region.

- Major mining companies, which are the primary customers of contract mining services, are expected to shift their focus to production costs as issues of delivery speed and project expansion become less important.

- Mining companies are expected to modify their cost structure by increasing reliance on the outsourcing of mining activities.

- The Australian dollar is projected to remain weak relative to the US dollar. A weak Australian dollar will benefit commodity exporters and contribute to growth in the mining sector which would ultimately have a positive impact on the contract mining service providers.

- Several global mining projects established to capitalise on the commodity price boom are expected to come online, increasing mining production. In addition, stronger global economic growth is also expected to underpin rising demand for a range of minerals. Ultimately, over the next five years, the interaction between supply and demand of commodities is expected to be weighted towards greater demand, with global prices forecast to increase as a result. As such, the demand for contract mining services is likely to increase.

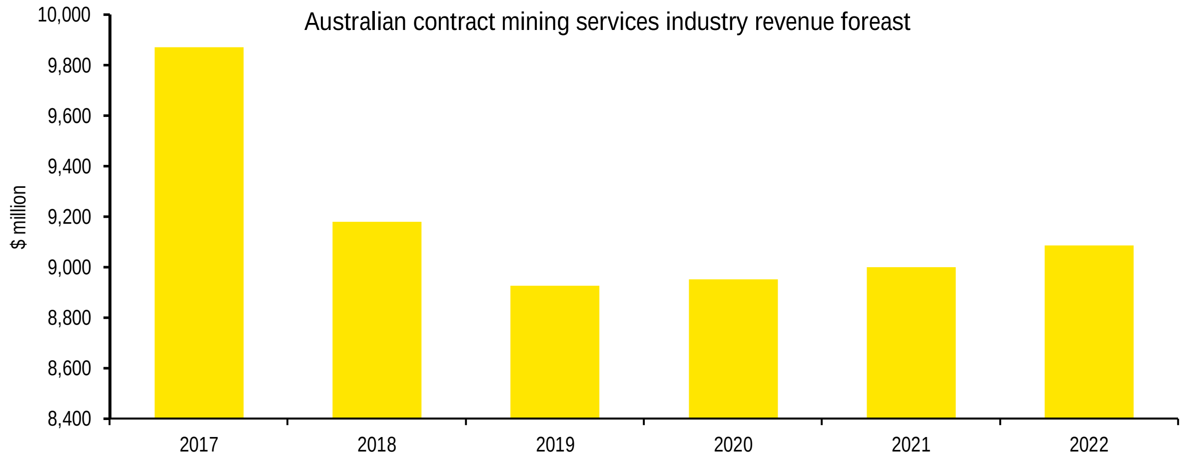
- While growth opportunities exist within the contract mining services industry, margins remain tight and competition high[10].

- As other sectors such as the construction and infrastructure sectors grow, there may be increased competition to attract and retain skilled labour.

- Contract miners will likely seek to invest or increase investment in regions such as Africa where stronger growth is anticipated.

[8] Source: IBISworld industry report – Iron Ore Mining in Australia – January 2018
[9] Australian mining industry poised for stronger growth in 2018 and beyond, Oxford Economics, 11 December 2017
[10] Pybar company website

The chart below shows the forecasted revenue for the Australian contract mining services industry in the next five years as projected by IBISworld.

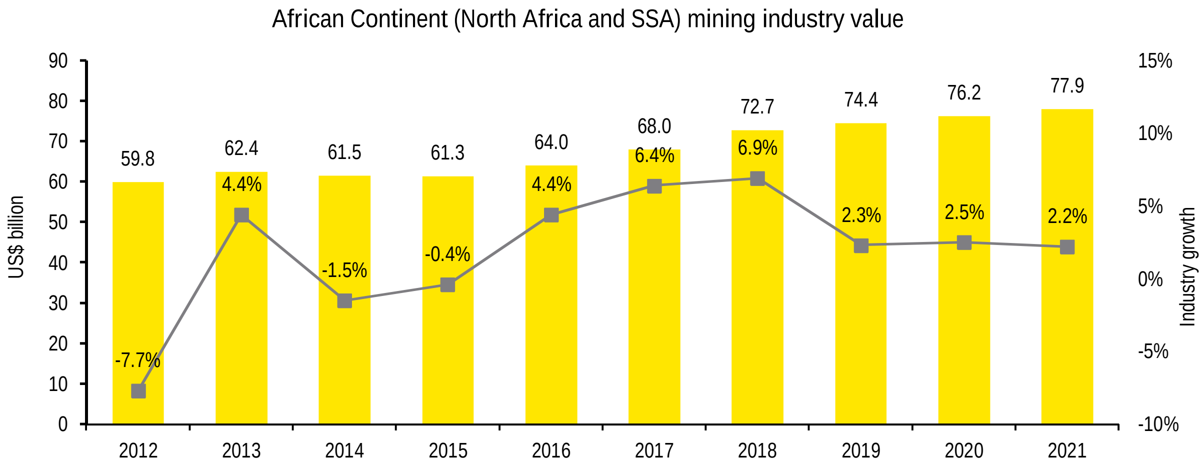


Source: IBISworld industry report – Contract mining services in Australia – October 2017

3.1.5.2 Africa

Over the last decade, West Africa's significant reserves of gold, iron ore and bauxite have attracted a number of mining companies to the region. In 2017, mining companies operating in West Africa posted strong financial results, driven by higher metal prices. As the industry returns to a period of growth, continued profitability in 2018 will depend on companies' ability to manage costs, target value over volume and focus on core commodities.

The chart below shows that according to BMI research, the North African and Sub-Saharan African mining industry value will reach US$78 billion by 2021.



Source: BMI Research

A positive metal price outlook is expected to lead to increased regulatory pressure on mining companies operating in Sub-Saharan Africa, as local governments claim a larger share of mineral resource wealth. To date, 2018 has seen a number of governments in the region implementing or announcing intentions to review their respective mining codes[11].

[11] Mining & Metals Mid-Year Update: Key Themes For 2018', June 12 2018

4. Overview of Ausdrill

4.1 Background

Ausdrill is an integrated mining and energy services group providing exploration, mine production, surface and underground mining and manufacturing services globally. Ausdrill was incorporated in 1987 by the then Managing Director, Mr Sayers. In February 1994, Ausdrill was listed on the ASX.

Ausdrill's Australian operations started with a single drill rig operating from Kalgoorlie in Western Australia. In its current form Ausdrill offers a wide range of services including drill and blast, grade control, water well drilling, exploration drilling, mineral analytics and equipment sales, hire and parts sales. The Australian operations are primarily based in Western Australia, with a presence in Queensland, South Australia and New South Wales.

By 1991 Ausdrill had expanded its drilling operations into Africa. It offers load and haul and crusher feed services in addition to all the production-related services that Ausdrill provides in Australia. In 2007, Ausdrill entered into an alliance with Barminco to form AUMS (50:50 joint venture), which provides specialist underground mining services, including high speed decline development and production in Africa. Ausdrill's African operations are diversified across a portfolio of clients and jurisdictions including Ghana, Mali, Burkina Faso, Senegal, Tanzania, South Africa, Zambia and Ivory Coast.

In February 2018, Mr Sayers gave notice of his intention to retire as Managing Director of Ausdrill. Mr Sayers formally retired with effect from 3 July 2018. In June 2018, Ausdrill appointed Mark Norwell as the company's new Managing Director and Chief Executive Officer. Mr Norwell will commence in his role at Ausdrill in September 2018.

Ausdrill employs over 5,000 staff worldwide and is one of the world's largest mining and drilling contractors. Ausdrill re-entered the ASX200 index effective 19 March 2018[12].

4.1.1 Operational overview

Ausdrill has four operating segments, which are primarily organised by the type of service offered and by geography. The reporting segments are:

- Contract Mining Services Africa: The provision of mining services including drilling and blasting, in-pit grade control, exploration drilling and earthmoving in Africa. AUMS is included within this segment.
- Drilling Services Australia: The provision of drilling services and drilling equipment including drilling and blasting, in-pit grade control, exploration drilling and water well drilling in Australia.
- Equipment Services and Supplies: The provision of mining supplies, products and services including equipment hire, equipment parts and sales throughout the world.
- All Other Segments: The provision of oil and gas drilling and equipment hire, mineral analysis and property holding services.

4.1.1.1 Contract Mining Services Africa

Ausdrill is one of Africa's largest mining contractors, offering a full suite of surface mining services through the Contract Mining Services Africa operating segment. This segment was the largest operating segment of Ausdrill in FY18. In addition, as previously mentioned, Ausdrill has a 50% interest in AUMS, which is discussed separately in Section 6 given its contribution to both Ausdrill and Barminco.

[12] ASX Announcement – 'S&P Dow Jones Indices Announces March 2018 Quarterly Rebalance of the S&P/ASX Indices' (9 March 2018)

Building a better working world

Ausdrill anticipates a positive outlook for this segment due to a number of new projects commencing and others gaining momentum in FY18 including:

- A two-year contract extension at AngloGold Ashanti's Iduapriem gold mine where Ausdrill has been providing a full suite of mining services since 2014.
- A one-year contract extension with Nordgold, with the option to extend for another year, to provide mining equipment to its Bissa gold project.
- Extensions to exploration drilling contracts with Cardinal Resources at the Bolgatanga project located in Ghana and with B2Gold and West African Resources at their projects in Burkina Faso.
- Securing a contract with Ghana Manganese Corporation to provide hire equipment at the Nsuta mine.
- Securing a contract with Resolute Mining's subsidiary, SOMIFI. Ausdrill will provide open pit mining services for SOMIFI at the Tabakoroni gold project located in Mali for 18 months. In addition, Ausdrill completed open mining at Syama for Resolute during the year.
- Completing mobilisation at the Yanfolila project in Mali and commencing works for Hummingbird Resources at this site. Following a recent security incident at Yanfolila, mining operations are now operating at full capacity with development works commencing at the Komana West deposit.
- Continuing exploration drilling at B2Gold's Fekola gold project and negotiating a 12 month extension.
- Completing mobilisation and commencing works at the Bongou gold mine in Burkina Faso for SEMAFO.
- Commencing works at the Mako gold mine in Senegal for Toro Gold Ltd.

4.1.1.2 Drilling Services Australia

Ausdrill's Drilling Services Australia operating segment provides drill and blast, grade control, works, exploration drilling services and drill rig manufacturing. The Drilling Services Australia operating segment is Ausdrill's second largest segment, contributing approximately one-third of total revenue over the last three years.

The Drilling Services Australia operating segment is conducted through two businesses, one based in Kalgoorlie which primarily focuses on gold and base metals in the Goldfields region of Western Australia, and the other based in Perth, servicing the North West of Western Australia.

During FY18 Ausdrill continued to secure new work and extended current contracts including:

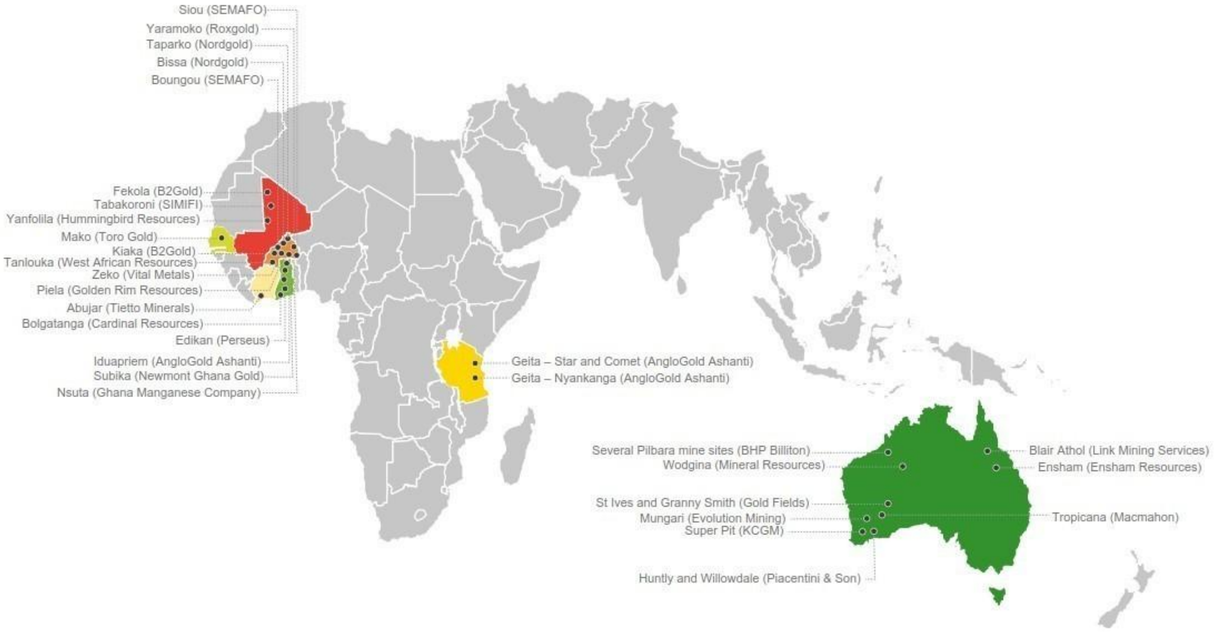
- A three year extension for the production drilling works at Evolution Mining's Mungari project in Western Australia.
- Extending and securing new exploration contracts with Silver Lake Resources, Mincor, SIMEC and Consolidated Minerals.
- Securing new works at the Wodgina Lithium mine for Process Minerals International and new grade control works at the Tropicana mine for Macmahon.

The recent wall failure at Kalgoorlie Consolidated Gold Mines' ("KCGM") Super Pit project has resulted in an estimated reduction in Ausdrill's scope of work of approximately 35% at that site[13]. Ausdrill continues to work closely with KCGM whilst the longer-term mine plan is being reviewed.

Ausdrill's mining services and drilling services contracts are summarised in the map over the page.

[13] ASX Announcement – 'Project Update' (11 June 2018)

Ausdrill: Mining service and drilling services contracts



Source: Ausdrill website, Ausdrill management, EY analysis

Notes:

1. The following projects are under the AUMS 50:50 joint venture with Barminco: Yaramoko, Star and Comet, Geita – Nyankanga, Subika, and Siou.
2. Country risk has been assessed for each of the projects locations with green portraying the lowest level of risk and red portraying the highest level of risk.

4.1.1.3 *Equipment Services and Supplies*

The Equipment Services and Supplies operating segment comprises the BTP Group and Supply Direct Group. The BTP Group is Australia's largest distributor of heavy earthmoving equipment solutions to the mining and construction industries that is not an original equipment manufacturer. The Supply Direct Group provides supply chain and logistics solutions predominantly to clients based in Africa.

4.1.1.4 *All Other Segments*

All Other Segments includes MinAnalytical Laboratory Services, Energy Drilling Australia, Well Control Solutions and Ausdrill Properties. Ausdrill also owned Diamond Communications that focused on utility network construction and maintenance, however sold this in May 2018.

4.1.2 Financial information

A summary of Ausdrill's financial information is presented below.

4.1.2.1 *Financial performance*

A summary of Ausdrill's financial performance for the last four years FY15, FY16, FY17 and FY18 is provided below. The amounts have been sourced from Ausdrill's audited financial statements.

Ausdrill – Consolidated income statement summary (excluding AUMS)				
$'000's	FY15	FY16	FY17	FY18
Revenue from continuing operations	**721,660**	**744,635**	**764,950**	**890,317**
Other income	9,349	11,102	12,468	22,345
Total expenses	(926,201)	(739,718)	(745,886)	(860,927)
Profit/(loss) before income tax	**(195,192)**	**16,019**	**31,532**	**51,735**
Add: Net finance costs	35,131	32,064	28,997	28,643
EBIT	**(160,061)**	**48,083**	**60,529**	**80,378**
Depreciation and amortisation expense	73,598	67,894	62,172	74,528
EBITDA	**(86,463)**	**115,977**	**122,701**	**154,906**
Reversal of non-recurring items	181,756	(4,225)	2,432	1,210
Adjusted EBIT	**21,695**	**43,858**	**62,961**	**81,588**
Adjusted EBITDA	**95,293**	**111,752**	**125,133**	**156,116**
Margins				
Adjusted EBIT	3.0%	5.9%	8.2%	9.2%
Adjusted EBITDA	13.2%	15.0%	16.4%	17.5%
Profit/(loss) before income tax	-27.0%	2.2%	4.1%	5.8%
Growth				
Revenue		3.2%	2.7%	16.4%
Adjust EBIT		102.2%	43.6%	29.6%
Adjusted EBITDA		17.3%	12.0%	24.8%
Supplementary information: reconciliation with income statement including AUMS				
Share of net profit of JV accounted for using the equity method	13,012	9,074	13,090	22,344
Reported profit/(loss) before income tax	(182,180)	25,093	44,622	74,079

Source: Ausdrill's audited accounts

Notes:

1. Revenue from continuing operations is inclusive of segmental revenue (i.e. revenue generated from sales to external customers and other revenue) and corporate and finance revenue.
2. Adjusted EBIT and Adjusted EBITDA excludes non-recurring items such as gain/loss on sale of property, plant and equipment, gain on sale of available-for-sale financial assets, impairment gains on trade receivables and impairment expenses.
3. Adjusted EBIT and Adjusted EBITDA in FY18 includes the benefit of a claim settlement of approximately $5.3 million relating to All Other Segments.

In relation to Ausdrill's financial performance we note:

- Revenue from continuing operations has averaged approximately $780 million over the period FY15 to FY18, with FY18 representing the highest level at $890 million. Adjusted EBITDA and EBIT over the same period averaged approximately $122 million and $53 million, respectively, with FY18 representing the highest level of adjusted EBITDA and EBIT over the period at $156 million and $82 million, respectively.

- In FY18 revenue from continuing operations increased by 16% as a result of the Contract Mining Services Africa segment's revenue growth, which was largely driven by the commencement of mining at its three new projects, as well as increased equipment hire at Nsuta in Ghana.

- Adjusted EBIT and Adjusted EBITDA, which exclude non-recurring items such as gain/loss on sale of property, plant and equipment, gain on sale of available-for-sale financial assets, impairment gains on trade receivables and impairment expenses, increased over the period FY15 to FY18 by approximately 276.1% and 63.8%, respectively.

- Adjusted EBIT margins over the period FY15 to FY18, averaged approximately 6.6%, with FY18 resulting in an Adjusted EBIT margin of 9.2%. Adjusted EBITDA margins over the period FY15 to FY18, averaged approximately 15.5%, with FY18 resulting in an Adjusted EBITDA margin of 17.5%.

4.1.2.2 *Financial position*

Provided below is a summary of Ausdrill's financial position as at 30 June 2017 and 30 June 2018.

Ausdrill – Consolidated balance sheet summary		
$'000's	30 June 17	30 June 18
Current assets		
Cash and cash equivalents	166,710	137,258
Trade and other receivables	167,742	230,464
Inventories	188,761	212,600
Available-for-sale financial assets	-	-
Current tax receivables	3,028	964
Total current assets	**526,241**	**581,286**
Non-current assets		
Receivables	-	3,314
Joint Ventures accounted for using the equity method[1]	58,884	71,266
Available-for-sale financial assets	5,189	11,999
PPE	560,464	664,347
Deferred tax assets	36,584	35,549
Total non-current assets	**661,121**	**786,475**
Total assets	**1,187,362**	**1,367,761**
Current liabilities		
Trade and other payables	100,396	122,770
Borrowings	2,802	3,334
Current tax liabilities	4,181	1,196
Employee benefit obligations	40,805	39,061
Total current liabilities	**148,184**	**166,361**
Non-current liabilities		
Borrowings	385,815	401,216
Deferred tax liabilities	22,289	24,947
Employee benefit obligations	960	486
Total non-current liabilities	**409,064**	**426,649**
Total liabilities	**557,248**	**593,010**
Net assets	**630,114**	**774,751**

Source: Ausdrill's audited accounts

Notes:

1. Joint ventures accounted for using the equity method refers to Ausdrill's share of AUMS' net assets/ (liabilities).

In relation to Ausdrill's financial position we note:

► Cash and cash equivalents decreased by $29.5 million in FY18 to $137.3 million as a result of ongoing investment in new projects during the period. Proceeds totalling $4.6 million were received during the reporting period for the disposal of Diamond Communications Pty Ltd ("Diamond Communications").

► Trade and other receivables increased from $167.7 million to $230.5 million in FY18 as new projects commenced in the period and $45.9 million of delayed payments which were received in early FY19.

► The net value of PPE increased by $70.6 million in FY17 and by $103.9 million in FY18 due to the investment in capital expenditure for growth projects in Africa. Capital expenditure in FY17 totalled $147.4 million and included expenditure in Africa of $121.1 million. For FY18, capital expenditure totalled $173.3 million driven primarily by growth projects in Africa. Ausdrill's subsidiary, African Mining Services, increased its major equipment fleet for West Africa to over 500 units including dump trucks, excavators, loaders, blast hole drills and grade control drills, along with 14 exploration drills.

- Trade and other payables increased from $100.4 million in FY17 to $122.8 million in FY17 as projects in Africa ramped up.

- As at 30 June 2018, the Ausdrill had total borrowings of $404.6 million (including prepaid borrowing costs and insurance premium funding). Cash and cash equivalents totalled $137.3 million, resulting in net debt of $267.3 million (up from $221.9 million as at 30 June 2017). Ausdrill refinanced and increased its revolving debt facility from $125 million to $200 million in August 2017. This facility matures on 1 July 2020 and was provided by a range of lending institutions in the Australian banking market. This facility remains largely undrawn.

4.1.3 Ausdrill's share price performance

The following table summarises the monthly trading prices of Ausdrill's shares on the ASX for the period 1 August 2017 to 14 August 2018. The last trading price of an Ausdrill share on 14 August 2018 was $1.710.

Ausdrill – Monthly trading prices

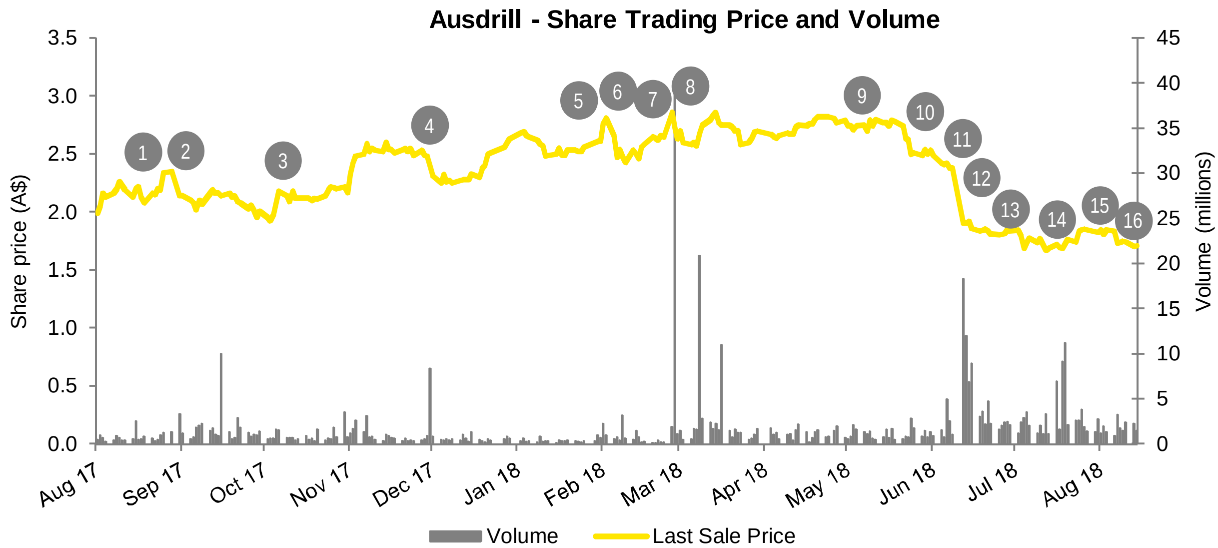
Period	High (A$)	Low (A$)	Close (A$)	VWAP (A$)	Shares outstanding (m)	Monthly volume (m)	Average daily liquidity[1]	Monthly liquidity[2]
Aug 17	2.410	1.910	2.140	2.155	312.29	18.71	0.29%	5.99%
Sept 17	2.220	1.905	1.950	2.087	350.49	37.04	0.50%	10.57%
Oct 17	2.270	1.870	2.200	2.118	359.47	20.76	0.26%	5.77%
Nov 17	2.640	2.150	2.530	2.499	359.72	28.17	0.36%	7.83%
Dec 17	2.670	2.200	2.500	2.366	359.91	11.14	0.16%	3.10%
Jan 18	2.700	2.400	2.520	2.565	360.83	8.64	0.11%	2.39%
Feb 18	3.040	2.300	2.640	2.602	360.94	54.92	0.76%	15.22%
Mar 18	2.880	2.460	2.730	2.689	361.93	58.97	0.78%	16.29%
Apr 18	2.900	2.610	2.760	2.743	362.01	22.13	0.32%	6.11%
May 18	2.850	2.450	2.780	2.685	362.16	26.82	0.32%	7.41%
Jun 18	2.520	1.690	1.860	2.027	362.19	84.41	1.17%	23.31%
Jul 18	1.890	1.630	1.720	1.764	362.20	68.54	0.86%	18.92%
Aug 18[3]	1.870	1.695	1.850	1.775	362.20	18.32	0.51%	5.06%

Source: S&P Capital IQ

Note:

1. Calculated as the average daily volume traded divided by the total number of shares outstanding for that month.
2. Calculated as the monthly volume traded divided by the total number of shares outstanding.
3. Aug 18 refers to the period 1 August 2018 to 14 August 2018.

The chart below shows the daily share price and trading volumes for Ausdrill between 1 August 2017 and 14 August 2018. The trading price is based on the daily closing price.



The table and chart show that over the period considered, Ausdrill's share price traded at a high of $3.040 on 26 February 2018 and a low of $1.630 on 12 July 2018.

In addition to the regular quarterly, interim and annual reporting announcements, the material announcements made by Ausdrill across the period above that may have had an impact on Ausdrill's share price are summarised below.

Ausdrill – ASX Announcements			
No.	Date/s	Event/s	Share price impact[1]
1	23 Aug 2017	In its annual report and results release, Ausdrill announced FY17 after-tax profit from continuing operations up 53.3%, $1.6 billion worth of new work and contracts secured in the last 12 months and a target of 30% to 40% profit growth in FY18.	↑ 2.3%
2	29 Aug 2017	Following the announcement of the trading halt, Ausdrill subsequently announced on 29 August 2017 the launch of a placement to institutional and sophisticated investors to raise up to $100 million, as well as the successful completion of refinancing and up-sizing its revolving debt facility from A$125 million to A$200 million. On 31 August 2017, Ausdrill announced the successful completion of the $100 million institutional equity raising and as such the trading halt was lifted. Ausdrill issued approximately 46.8 million fully paid ordinary shares at $2.140 per new share.	↑ 0.4%
3	9 Oct 2017 & 11 Oct 2017	On the 9 October 2017, Moody's Investors Service announced that it had upgraded Ausdrill's corporate family credit rating of Ausdrill Ltd from B1 to Ba3 and the US$300 million senior unsecured notes credit rating of Ausdrill Finance Pty Ltd from B2 to Ba3. Following this, Standard & Poor's Global Ratings announced on 11 October 2017 that it had upgraded Ausdrill's corporate credit and senior unsecured notes credit rating from B+ to BB- and the senior secured debt credit rating from BB to BB+.	↓ 1.8% ↑ 4.3%
4	28 Nov 2017	Ausdrill announced the successful extension of three of its existing contracts, namely, Mungari (Evolution Mining), Iduapriem (AngloGold Ashanti) and Syama (Resolute Mining). At the Mungari project in Western Australia, Ausdrill was awarded a three-year extension for production and drilling works. Ausdrill received a provisional letter of award for a two-year contract extension at the Iduapriem gold mine in Ghana, with final award subject to finalisation and agreement on the documentation applicable to the extension. The contract extension is valued at approximately US$108 million (A$142 million). Ausdrill had its existing contract at Resolute Mining's Syama project in Mali, extended until May 2018.	↓ 1.6%
5	1 Feb 2018	Ausdrill received a letter of intent from Process Minerals International Pty Ltd for a new three-year contract at the Wodgina lithium mine in the Pilbara, Western Australia. The expected revenue was approximately $180 million. The final award was subject to both parties agreeing to the terms and conditions and executing the contract.	↑ 5.7%
6	6 Feb 2018	Ausdrill announced that it had accepted a notice of retirement from its Managing Director, Mr Sayers, after 30 years in the role. Mr.Sayers gave 12 months' notice of his retirement.	↓ 7.1%
7	26 Feb 2018	In its release of the half year results, Ausdrill announced after-tax profit from continuing operations up 163.5% and more than $0.4 billion worth of new work and contracts secured in the last six months.	↑ 7.9%
8	27 Feb 2018	As part of Mr. Sayers transition to retirement, Mr. Sayers elected to sell his shareholding in Ausdrill. The holding of approximately 10% of Ausdrill shares on issue, was successfully traded with a number of institutional investors via a block trade.	↓ 4.5%
9	1 May 2018	Ausdrill completed a transaction to sell its Diamond Communications business to private group, Powerlines Plus Pty Ltd. In a separate transaction, Ausdrill had also agreed to purchase the majority of shares in HiSeis Pty Ltd ("HiSeis"). HiSeis is an end-to-end seismic hard rock exploration service provider which was established in 2009. According to Ausdrill, the disposal of Diamond Communications and investment in HiSeis are immaterial, however aligned with Ausdrill's strategy to focus on its core markets.	↓ 1.8%

10	25 May 2018	Ausdrill announced that AUMS has signed a mining services contract with SEMAFO at the Siou Underground Mine in Burkina Faso. This contract is expected to have a 70 month term to supply all underground mining services at the project. The estimated value of the contract is US$211 million and is expected to start in the third quarter of 2018.	↑ 0.4%
11	30 May 2018	Hummingbird Resources plc announced that a security incident occurred at the Yanfolila project in Mali. Ausdrill provides mining services to the site through its wholly owned subsidiary African Mining Services. No African Mining Services employees were harmed during the incident, however three lives were lost.	↓ 1.6%
12	12 Jun 2018	Ausdrill announced a project update on the Yanfolila, Wodgina and Super pit contracts. Ausdrill confirmed that following the recent security incident at Yanfolila, mining operations had returned to full capacity and development works had commenced at the Komana West deposit. Ausdrill advised that whilst they remained in discussions with Process Minerals International regarding the Wodgina project, Ausdrill expected the value of the contract to be approximately half the initially announced $180 million over the initial three years. Due to the recent wall failure at the Super Pit project, Ausdrill advised that their scope of work has been reduced by 35% whilst the client reviews the long-term mine plan.	↓ 20.2%
13	18 Jun 2018	Ausdrill announced it has appointed Mark Norwell as Ausdrill's new Managing Director and Chief Executive Officer. Mr Norwell was recently the Executive General Manager for Strategy & Growth at Thiess Pty Ltd. Mr. Norwell has previously held senior roles with Leighton Contractors, HWE Mining and Macmahon. He will commence his position at Ausdrill on 17 September 2018.	↓ 1.3%
14	16 Jul 2018	Golden Rim Resources Ltd announced a new gold discovery at Red Hill, following the return of assays from its regional reverse circulation ("RC") drilling program at its 100% owned Kouri Gold Project in Burkina Faso. Ausdrill is expected to remobilise to Kouri in approximately one week to commence follow-up RC drilling at Red Hill.	↑ 1.8%
15	6 Aug 2018	Emerging Goldfields explorer NTM Gold Ltd announced the commencement of the latest round of RC exploration on its Redcliffe Project located near Leonora, Western Australia. Ausdrill agreed to extend the drill-for-equity arrangement, thereby boosting the funding available for the exploration of Redcliffe.	↓ 0.5%
16	13 Aug 2018	Ausdrill noted that AUMS announced that it had been awarded the rollover/extension of services at Zone 55, and had commenced works for the Bagassi South mining contract with Roxgold in Burkina Faso. The contract has a 30-month term, with an option of a 12-month extension, to supply all underground mining services for the Zone 55 (Yaramoko) and Bagassi South underground mines, including development and production activities, diamond drilling and associated services.	↓ 2.3%

Source: ASX Announcements, S&P Capital IQ

Note:

1. Share price impact is based on the share price movement between the closing share price on the first trading day prior to the announcement, and the closing share price on the day of the announcement. The first trading day prior to the announcement could be impacted by weekends and public holidays.

5. Overview of Barminco

5.1 Company background

Barminco is an international underground mining contractor which provides production mining, development mining, diamond drilling and underground mining support services in Australia, Africa and India. Barminco was established in 1989 by founder and Non-Executive Director, Peter Bartlett.

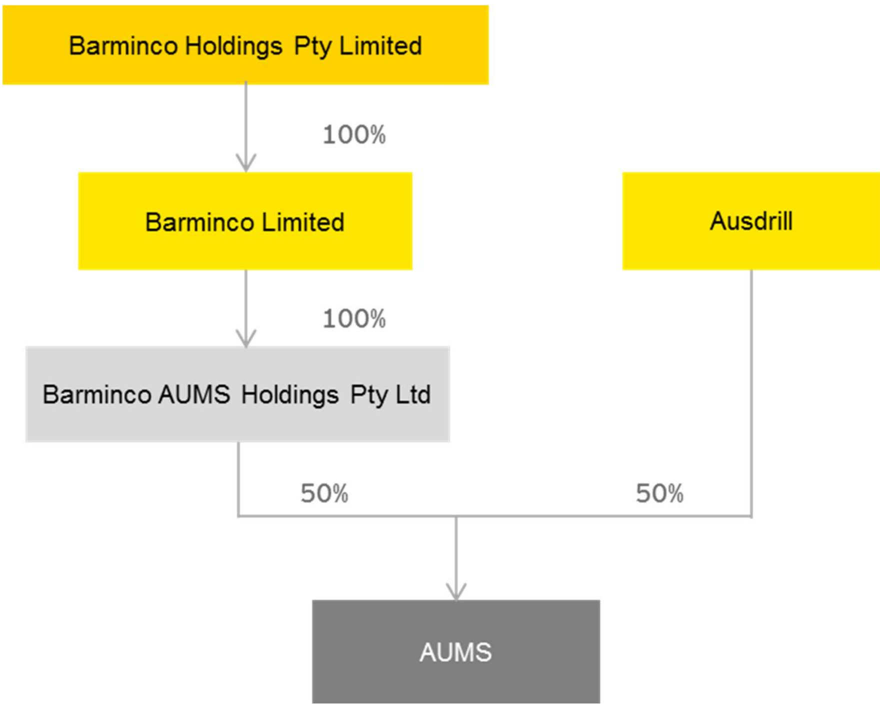
In 1996, Barminco established its diamond drilling division in order to expand from its core underground hard-rock mining business. Barminco received its first two major contract wins in 1995, after securing contracts for the Wiluna Gold Mine located in Western Australia near the town of Wiluna, and the Plutonic Gold Mine located in the Archaean Plutonic Marymia Greenstone Belt in Western Australia. In 2003, Barminco further diversified its service offering by acquiring Concrete and Crushing Australia to form the crushing and screening division.

In August 2007, Gresham Private Equity affiliated entities acquired a majority stake from Mr Bartlett to enable further investment in business growth and services. Barminco later formed the AUMS joint venture with Ausdrill in October 2007, resulting in the provision of underground hard-rock contract mining services to mining companies in Africa. In 2009, Barminco also solely expanded its services to Africa after securing a mining services contract with Sukari Gold Mining Co (Centamin Egypt Ltd's 50% owned subsidiary) at its Sukari Hills Gold Mine in Egypt. Barminco continued to expand internationally, securing a contract with Hindustan Zinc in December 2016 at its Rampura Agucha Zinc Mine located in India.

A summary of the company's history is shown on the following page.

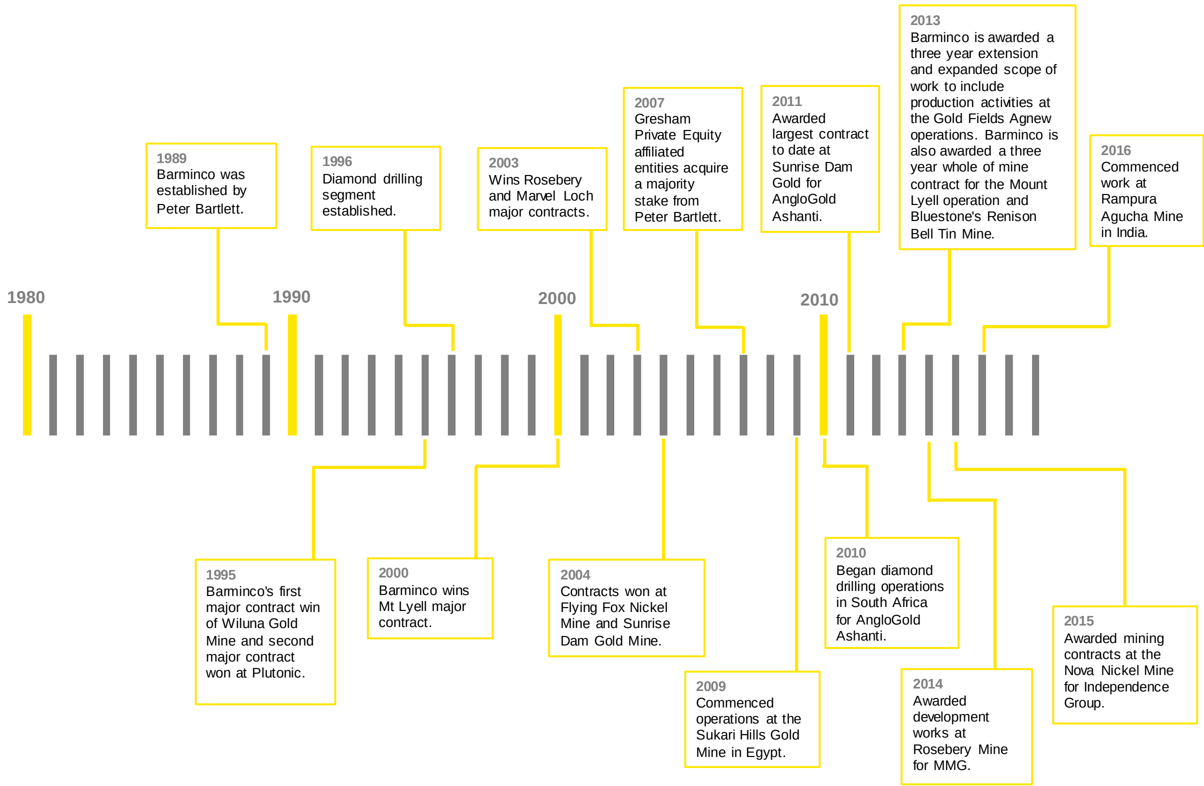
The corporate structure of Barminco (before the Transaction) is illustrated below.

Barminco: Simplistic corporate structure



Source: Barminco management
Note:
1. AUMS Ghana is 50% owned by Barminco Limited

The following timeline illustrates a summarised history of Barminco.



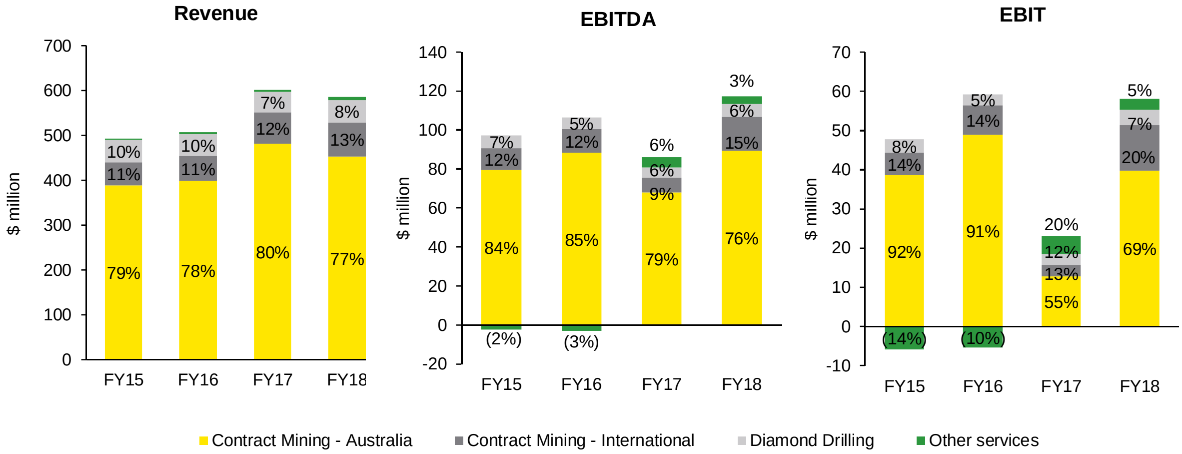
Source: Barminco management, Barminco website

5.1.1 Operational overview

Barminco provides underground mining services under the following categories:

- Production mining: The provision of production mining services involving production drilling using electric-hydraulic and diesel-hydraulic drill rigs using tele-remote control loaders.
- Development: The provision of development mining services including high speed mechanised hard rock mine development services and jumbo drilling using electric/hydraulic jumbo drills, charging and blasting using modern high-tech explosives and loading and hauling to the surface.
- Diamond drilling: The provision of diamond drilling mining services by operating a large fleet of electric-hydraulic diamond drills and rigs for deep hole directional drilling.
- Support services: The provision of maintenance services through Barminco's Maintenance System, which governs Barminco's site and fleet based maintenance activity; supply chain services through Barminco's supply chain management systems which help to facilitate supplier relationships; and planning and advisory services.

The following charts summarise the revenue, EBITDA and EBIT generated from Barminco's mining contracts, diamond drilling services and other services for the four years FY15 to FY18 (excluding any contribution from AUMS).



Source: Barminco management accounts
Notes:
1. Percentages are rounded to the nearest 1%.

In relation to Barminco's revenue, EBITDA and EBIT performance we note the following:

► Total revenue has averaged approximately $547 million over the period FY15 to FY18 with revenue for FY18 equalling $586 million. EBITDA and EBIT have averaged $99 million and $43 million, respectively, over the period FY15 to FY18, whilst FY18 EBITDA and EBIT was $116 million and $58 million, respectively.

► Barminco is focused on the Australian mining sector with approximately 80% of total revenue attributed to the Contract Mining – Australia segment.

► Barminco's Contract Mining – International segment accounted for approximately 12% of total revenue over FY15 to FY18. Barminco's international business is growing at similar rates on a revenue basis as the Australian business but at slightly higher EBIT margins. In FY15, the Contract Mining – International segment accounted for 11% of total revenue and 14% of total EBIT, whilst in FY18 it accounted for 13% of total revenue and 20% of total EBIT.

► Profitability in FY17 decreased due to the underperformance of the Kundana and Rampura Agucha contracts. At the end of FY17, mining services at the Kundana gold project were returned to Northern Star Resources as both parties were unable to agree on terms following a change in scope. The contract had two years to run and was valued at $275 million.[14] The Rampura Agucha contract has been extended with renegotiated terms.

5.1.1.1 Barminco's mining and diamond drilling contracts

Barminco operates seven underground contract mining projects in Australia and two internationally (Egypt and India). The company also has six diamond drilling contracts in Australia and one in Egypt. At three of the sites, Barminco provides a combination of underground contract mining and diamond drilling services to take advantage of the economies of scale.

[14] The West Australian – 'Barminco loses gold mining contract' (1 June 2017)

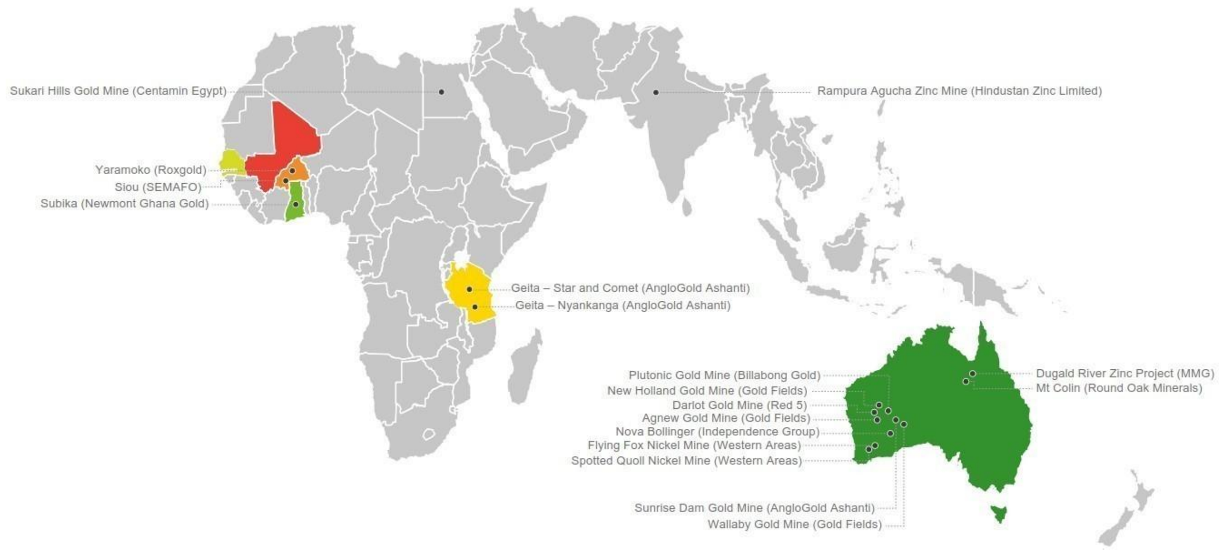
A full list of Barminco's key Australian and international mining contracts and diamond drilling projects is provided in the table below.

Barminco – Key contracts: Mining and diamond drilling contracts (excluding AUMS)				
Client	Project	Location	Services provided	Commodity
Australia				
Gold Fields	Agnew Gold Mine	Leinster, WA	Mining services / Diamond drilling	Au
Western Areas	Flying Fox Nickel Mine	Hyden, WA	Mining services / Diamond drilling	Ni
MMG	Dugald River Zinc Project	Cloncurry, QLD	Mining services	Zn, Pb, Ag
Independence Group	Nova Bollinger	Norseman, WA	Mining services	Ni
Western Areas	Spotted Quoll Nickel Mine	Hyden, WA	Mining services	Ni
AngloGold Ashanti	Sunrise Dam Gold Mine	Laverton, WA	Mining services	Au
Red 5	Darlot Gold Mine	Leinster, WA	Diamond drilling	Au
Gold Fields	New Holland Gold Mine	Leinster, WA	Diamond drilling	Au
Gold Fields	Wallaby Gold Mine	Laverton, WA	Diamond drilling	Au
Billabong Gold	Plutonic Gold Mine	Meekatharra, WA	Diamond drilling	Au
Round Oak Minerals	Mt Colin	Cloncurry, QLD	Mining services	Cu
International				
Centamin Egypt	Sukari Hills Gold Mine	Egypt	Mining services / Diamond drilling	Au
Hindustan Zinc Limited	Rampura Agucha Zinc Mine	India	Mining services	Zn

Source: Barminco management

Barminco's mining services and diamond drilling contracts are summarised in the map below.

Barminco: Mining service and diamond drilling contracts



Source: Barminco management, EY analysis

Notes:

1. The following projects are under the AUMS 50:50 joint venture with Ausdrill: Yaramoko, Star and Comet, Geita – Nyankanga, Subika, and Siou and described in the Section 6.1.
2. Country risk has been assessed for each of the projects locations with green portraying the lowest level of risk and red portraying the highest level of risk.

Recently Barminco has continued to secure new work and extend existing contracts including:

► Successfully securing new work at Round Oak Mineral's Mt Colin underground copper mine in north-west Queensland. Under the four-year contract, Barminco will provide the full suite of underground mining services including mine development and production. The new contract is valued at approximately A$95 million and includes a one-year option to extend it to five years.[15]

► Extending its contract with Independence Group NL in February 2018[16] in relation to the Nova Bollinger nickel-copper project in Western Australia for an additional one year after the current contract period, which ended January 2018. In addition, Barminco was also awarded a contract extension with Hindustan Zinc Limited in relation to the Rampura Agucha mine in India. These contract extensions in aggregate represent over $90 million in additional value.

► Securing a three-year extension at Western Area's Forrestania Nickel Operations in Western Australia in early FY18[17]. This contract covers the mining services and diamond drilling at the Flying Fox and Spotted Quoll underground nickel mines. The three-year contract extension is valued at approximately $236 million. Barminco commenced operations at the Flying Fox and Spotted Quoll nickel mines in March 2005 and May 2011, respectively.

► Potential contract extensions in relation to Agnew (for Gold Fields), Sunrise (for AngloGold Ashanti) and Nova Bollinger (Independence Group NL) with execution of contracts to occur in the second half of calendar year 2018.

[15] Barminco announcement – 'Barminco secures long-term contract at Mt Colin' (28 June 2018)
[16] Barminco announcement – 'Barminco secures contract extensions at Nova Bollinger and Rampura Agucha' (2 February 2018)
[17] Barminco announcement – 'Barminco and Western Areas Extend Successful Contract' (7 July 2017)

- ► Extensions and awarded contracts related to AUMS such as Yaramoko (Roxgold) and Siou (SEMAFO) which are detailed in Section 6.1.

MMG Limited has taken over mine development work from Barminco at Rosebery mine with the contract concluding as at 8 June 2018[18].

5.1.2 Financial information

A summary of Barminco's financial information is presented below.

5.1.2.1 Financial performance

A summary of Barminco's financial performance for the last four years FY15, FY16, FY17 and FY18 is provided below. The amounts have been sourced from Barminco's audited financial statements.

Barminco – Consolidated income statement summary (excluding AUMS)				
$'000's	FY15	FY16	FY17	FY18
Revenue	**492,917**	**507,932**	**601,685**	**586,065**
Other income	1,159	1,122	1,634	2,089
Operating expenses	(379,749)	(384,348)	(480,135)	(439,583)
Depreciation and amortisation expense	(53,315)	(49,657)	(62,932)	(58,163)
Net financing costs	(108,679)	(98,040)	(95,362)	(43,659)
Other expenses	(19,239)	(21,154)	(40,861)	(32,351)
Profit/(loss) before income tax	**(66,906)**	**(44,145)**	**(75,971)**	**14,398**
Add: Net finance costs	108,679	98,040	95,362	43,659
EBIT	**41,773**	**53,895**	**19,391**	**58,057**
Depreciation and amortisation expense	53,315	49,657	62,932	58,163
EBITDA	**95,088**	**103,552**	**82,323**	**116,220**
Reversal of non-recurring items	1,719	3,064	4,031	1,068
Adjusted EBIT	**43,492**	**56,959**	**23,422**	**59,125**
Adjusted EBITDA	**96,807**	**106,616**	**86,354**	**117,288**
Margins				
Adjusted EBIT	8.8%	11.2%	3.9%	10.1%
Adjusted EBITDA	19.6%	21.0%	14.4%	20.0%
Profit/(loss) before income tax	-13.6%	-8.7%	-12.6%	2.5%
Growth				
Revenue		3.0%	18.5%	-2.6%
Adjusted EBIT		31.0%	-58.9%	152.4%
Adjusted EBITDA		10.1%	-19.0%	35.8%
Supplementary information: reconciliation with income statement including AUMS				
Share of net profit of JV accounted for using the equity method	14,615	9,983	14,398	23,373
Reported profit/(loss) before income tax including AUMS	(52,291)	(34,162)	(61,573)	37,770

Source: Barminco's audited accounts

Notes:

1. Operating expenses consists of consumables used, employee benefits expense and contractor and consultant expenses.
2. Other expenses consists of operating lease expense, freight expense, travel expenses, onerous provision expense and custom import duty, sales tax and other.
3. Adjusted EBIT and Adjusted EBITDA excludes non-recurring items such as onerous provision expenses and redundancy costs.

In relation to Barminco's financial performance we note:

- ► In FY17 revenue, including other income, increased from $509.0 million to $603.3 million as a result of the contribution from the Kundana contract that began in July 2016 and concluded in 30 June 2017,

[18] The Advocate – ' Mining jobs to go at Rosebery as MMG takes over mine development work from Barminco' (17 April 2018)

and also revenue from the new Rampura Agucha contract which began in December 2016. For FY18, revenue decreased slightly to $588.2 million.

- The majority of the operating expenses are the direct costs of performing contract mining, drilling and crushing services. Operating expenses consists of consumables used, employee benefits expense and contractor and consultant expenses. Operating expenses increased by 24.9% in FY17 due to the Kundana contract and the start of the new Rampura Agucha contract. In FY18 operating expenses decreased by 8.4% to $439.6 million.

- Depreciation of PPE increased by 26.7% in FY17 due to the additional capital expenditure requirements that formed part of the Kundana contract.

- Adjusted EBITDA and Adjusted EBIT in FY18 was $117.3 million and $59.1 million, respectively, which is above the average Adjusted EBITDA and Adjusted EBIT for the last three financial years.

- Adjusted EBITDA and Adjusted EBIT margins for FY17 were 14.3% and 3.9%, respectively, which is lower than previous years. This reduction is primarily due to the unfavourable margins in relation to the Kundana and Rampura Agucha contracts. The Kundana contract concluded on 30 June 2017, the Rampura Aqucha contract was renegotiated, and as a result, margins recovered to historic levels with an Adjusted EBITDA margin of 20.0% and an Adjusted EBIT margin of 10.1% for FY18.

- Over the period FY15 to FY18, physical KPIs have increased. Production fell by 1.5% in FY16 to FY17 primarily due to a decrease in the ore mined at the Sukari Hills Gold Mine in Egypt, albeit this was partially offset by production at Nova Bollinger and increased production across other contracts.

5.1.2.2 *Financial position*

Provided below is a summary of Barminco's financial position as at 30 June 2017 and 30 June 2018.

Barminco – Consolidated balance sheet summary		
$'000's	30 June 17	30 June 18
Current assets		
Cash and cash equivalents	77,956	80,288
Trade and other receivables	79,052	83,472
Inventories	18,785	20,700
Prepayments	3,966	2,773
Total current assets	**179,759**	**187,233**
Non-current assets		
Other non-current assets	1,946	1,037
Investments accounted for using the equity method[1]	58,377	71,232
Derivative financial instruments	-	-
Property, plant and equipment	124,342	124,864
Intangibles	259,781	258,995
Deferred tax assets	47,612	63,268
Total non-current assets	**492,058**	**519,396**
Total assets	**671,817**	**706,629**
Current liabilities		
Trade and other payables	78,851	72,581
Borrowings	11,814	13,202
Employee benefits	26,445	25,760
Provisions	4,086	-
Total current liabilities	**121,196**	**111,543**
Non-current liabilities		
Derivatives financial instruments	23,741	19,652
Borrowings	476,043	479,478
Employee benefits	4,043	1,734
Total non-current liabilities	**503,827**	**500,864**
Total liabilities	**625,023**	**612,407**
Net assets	**46,794**	**94,222**

Source: Barminco's audited accounts
Notes:
1. Investments accounted for using the equity method refer to Barminco's share of net assets/ (liabilities) of AUMS.

In relation to Barminco's financial position we note:

► Trade and other receivables increased from $79.1 million to $83.5 million in FY18 with three clients paying their invoices slightly after month end.

► Investments accounted for using the equity method refers to Barminco's share of AUMS' net assets/ (liabilities). As at 30 June 2018, Barminco's share of AUMS net assets was equal to $71.2 million.

► As at 30 June 2018, Barminco had total debt of $501.6 million excluding the shareholder loan note (described below), including the derivative financial instrument and $1.7 million of non-current liabilities. Cash and cash equivalents totalled $80.3 million, resulting in net debt of $423.0 million.

► The shareholder loan note with a face value of $6.0 million was issued to Bremerton Pty Ltd on 31 August 2007 with an expiry date of 31 July 2017, which was extended to 31 January 2019 in 2013 by mutual consent. In June 2016, the Shareholder Loan Note Deed Poll was amended which had the effect of further revising the expiry date to 1 May 2026 and interest ceasing to accrue from 29 June

2016. The loan is subordinated to the high yield bond, revolving credit facility, finance leases and the cross currency interest rate swap. The carrying amount of the loan as at 30 June 2018 is $10.8 million and is presented within non-current borrowings in the table above.

5.1.3 Capital structure

In May 2013, Barminco raised US$485 million by issuing senior notes with an interest rate of 9.0% and maturity date of June 2018, in order to repay existing debt obligations. In addition it also negotiated an A$100 million revolving credit facility.

Between December 2014 and December 2016, a portion of the bond debt issued in May 2013 was repurchased in various tranches. In April 2017, Barminco secured another A$100 million revolving credit facility and closed a US$350 million bond issue to refinance the remaining bond debt. These bonds were issued at an interest rate of 6.625% and have a five year term, maturing in mid-2022.

Between August 2007 and April 2008, Barminco issued redeemable preference shares of an aggregate amount of A$122.2 million to a number of new shareholders and management under an executive incentive plan. This was in connection with the Barminco acquisition led by Gresham Private Equity. In relation to the redeemable preference shares we note:

- These redeemable preference shares were issued at $1 each with an interest rate of 14% compounded annually until 29 June 2016 with any unpaid interest capitalised to the redeemable preference share balance. The balance in FY16 of the redeemable preference shares, including the capitalised interest, was $391.7 million.

- In June 2016, the terms of the redeemable preference shares were amended so that interest ceased to accrue from 29 June 2016 and redemption would be under Barminco's control. As such, this had the effect of reclassifying these securities from borrowings to equity for accounting purposes.

- Bremerton Pty Ltd, in its capacity as trustee of the PM Bartlett Family Trust, and in its capacity as bare trustee for Nebraska Pty Ltd as trustee of the R.G. Sayers Family Trust, is the holder of 35,854,834 redeemable preference shares at $1 each. This represents approximately 29% of the redeemable preference shares on issue.

- The Gresham Private Equity affiliated entities in their various capacities as trustees, responsible entities or custodians hold 83,701,025 redeemable preference shares at $1 each. This represents approximately 68% of the redeemable shares on issue.

- Management and prior management are the beneficial owners of 3,396,157 redeemable preference shares. This represents 3% of the redeemable preference shares on issue.

5.2 Major shareholders

Based on information provided by Barminco management, the top shareholders of ordinary Barminco shares are as follows.

Barminco – Substantial shareholders		
Shareholder	Number of shares	Interest owned
Gresham Private Equity affiliated entities[1]	3,000,500	60.0%
Bremerton Pty Ltd	1,499,500	30.0%
Barholdco (EIS) Pty Ltd	450,126	9.0%
Other shareholders	49,874	1.0%
Total shares on issue	**5,000,000**	**100.0%**

Source: Barminco management
Note:
1. Gresham Private Equity affiliated entities are Gresham Partners Capital Ltd (25.3%), Gresham Nominees 1 Pty Limited (11.3%), Gresham Nominees 2 Pty Ltd (11.3%), Perpetual Corporate Trust Limited (9.1%) and Gresham Private Equity Limited (3.0%).

In relation to Barminco's major shareholders we note:

- Gresham Private Equity affiliated entities hold 3,000,500 ordinary shares on issue and 83,701,025 redeemable preference shares on issue. Gresham Private Equity entities are as follows:
  - Gresham Partners Capital Ltd, in its capacity as custodian of its wholesale investors, which holds 1,264,482 ordinary shares (25.3%)
  - Gresham Nominees 1 Pty Limited, in its capacity as trustee of the Gresham Private Fund No. 2a, which holds 565,882 ordinary shares (11.3%)
  - Gresham Nominees 2 Pty Limited, in its capacity as trustee of the Gresham Private Fund No. 2b, which holds 565,882 ordinary shares (11.3%)
  - Perpetual Corporate Trust Limited, in its capacity as custodian for Gresham Funds Management Limited in its capacity as responsible entity of the Gresham Private Equity Co-Investment Fund, which holds 454,229 ordinary shares (9.1%)
  - Gresham Private Equity Limited, in its capacity as custodian for the Plan Members in the Gresham Private Fund No. 2 Co-Investment Plan, which holds 150,025 ordinary shares (3.0%).
- Bremerton Pty Ltd is an entity controlled by Mr Bartlett. As discussed in Section 2.1, Mr Sayers' indirect interest in Barminco is held by Bremerton Pty Ltd in its capacity as bare trustee for Nebraska Pty Ltd as trustee of the R.G. Sayers Family Trust.
- Barholdco (EIS) Pty Ltd is an Australian private company.

6. Overview of AUMS

6.1 Company background

AUMS is primarily focused on underground contract mining for gold companies in Africa. A full list of the key AUMS contracts is provided in the table below.

AUMS – Key contracts: Mining contracts				
Client	Project	Location	Services provided	Commodity
Roxgold	Yaramoko – Zone 55 Yaramoko – Bagassi South	Burkina Faso	Underground mining services	Au
AngloGold Ashanti	Geita - Star and Comet	Tanzania	Underground mining services	Au
AngloGold Ashanti	Geita – Nyankanga	Tanzania	Underground mining services	Au
Newmont Ghana Gold	Subika	Ghana	Underground mining services	Au
SEMAFO	Siou	Burkina Faso	Underground mining services	Au

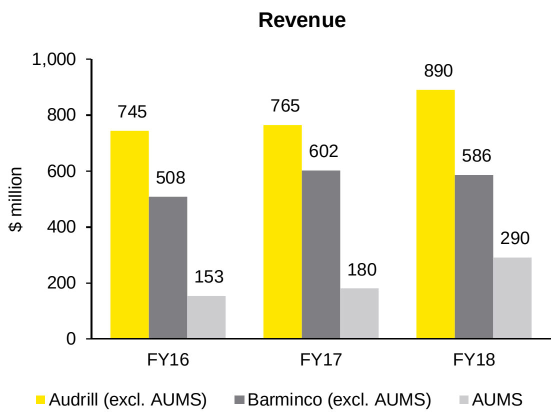
Source: AUMS management, Ausdrill Annual Report 2018

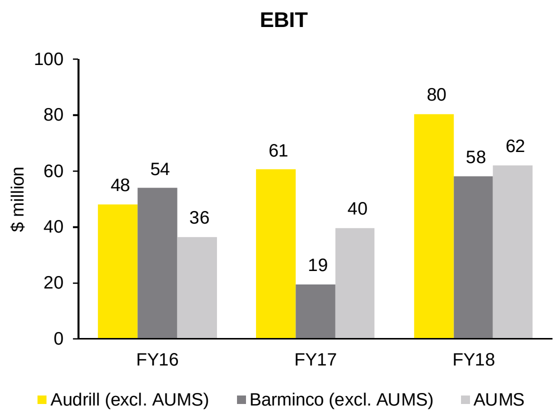
AUMS' mining contracts are summarised in the map in Section 4.1.1.

Recent contract wins and contract extensions include:

- A new contract in May 2018 with SEMAFO in relation to providing mining services for the Siou Underground Mine in Burkina Faso. The contract, with an estimated US$211 million value, is expected to be for a 70 month term starting in the third quarter of 2018.
- In August 2018, AUMS announced that it has been awarded the rollover/extension of services at Zone 55, and the commencement of works for Bagassi South mining contract with Roxgold in Burkina Faso. The contract has a 30-month term, with an option of a 12-month extension, to supply all underground mining services for the Zone 55 and Bagassi South underground mines, collectively called Yaramoko, including development and production activities, diamond drilling and associated services.

AUMS is the highest margin and highest returning division for both Ausdrill and Barminco and is seen as a key business driver. The following chart summarises the revenue and EBIT generated by Ausdrill (excluding AUMS), Barminco (excluding AUMS) and AUMS for the years ended FY16 to FY18.





Source: Ausdrill Annual Report 2018, Barminco's audited accounts

Among other upside factors, we note the following:

- Underground contract mining is less capital intensive, higher margin and can be seen as more stable in earnings given the long-term nature of the contracts
- The ramp-up of recently secured growth contracts and resulting operating leverage will continue to drive earnings growth in FY19 and onwards
- There is potential for material conversion of the opportunity pipeline into contract wins.

Building a better working world

6.1.1 Financial information

A summary of AUMS' financial information is presented below.

6.1.1.1 Financial performance

A summary of AUMS's financial performance for the last four years FY15, FY16 and FY17 and FY18 is provided below. The amounts have been sourced from Barminco's and Ausdrill's financial statements.

AUMS - Income statement summary				
$'000's	FY15	FY16	FY17	FY18
Revenue	**220,200**	**153,264**	**179,724**	**290,434**
Interest income	1,892	2,150	2,374	1,874
Operating expenses	(161,664)	(100,636)	(118,212)	(191,450)
Depreciation and amortisation expense	(25,914)	(16,184)	(21,940)	(37,070)
Interest expense	(1,816)	(2,122)	(3,874)	(4,338)
Profit before income tax	**32,698**	**36,472**	**38,072**	**59,450**
Income tax expense	(6,674)	(18,324)	(11,892)	(14,762)
Profit for the year	**26,024**	**18,148**	**26,180**	**44,688**
Ausdrill's share of net profit of JV accounted for using the equity method	**13,012**	**9,074**	**13,090**	**22,344**
Difference with Barminco reporting	1,603	909	1,307	1,028
Barminco's share of net profit of JV accounted for using the equity method	**14,615**	**9,983**	**14,397**	**23,372**
Add: Net finance costs	(76)	(28)	1,500	2,464
EBIT	**32,622**	**36,444**	**39,572**	**61,914**
Depreciation and amortisation expense	25,914	16,184	21,940	37,070
EBITDA	**58,536**	**52,628**	**61,512**	**98,984**
<u>Margins</u>				
EBIT	14.8%	23.8%	22.0%	21.3%
EBITDA	26.6%	34.3%	34.2%	34.1%
Profit/(loss) before income tax	14.8%	23.8%	21.2%	20.5%
<u>Growth</u>				
Revenue		-30.4%	17.3%	61.6%
EBIT		11.7%	8.6%	56.5%
EBITDA		-10.1%	16.9%	60.9%

Source: Ausdrill's audited accounts, Barminco's audited accounts

Notes:

1. Consolidated financial performance summary illustrates AUMS on a 100% basis.

In relation to AUMS' financial performance summary we note:

- Revenue decreased in FY16 by 30.4% to $153.3 million. This is due to the completion of the Gara contract in October 2015, albeit partially offset by the commencement of other projects during 2016, including the Geita project for AngloGold Ashanti and the Yaramoko project for Roxgold.

- In FY17 revenue was 17.3% above prior year, whilst EBIT and EBITDA were 8.6% and 16.9%, respectively, above prior year. Revenue increased due to the commencement of the Subika project and the expansion of the Geita project and Yaramoko project.

- In FY18 revenue increased by 61.1% to $290.4 million with EBIT and EBITDA having increased by 56.5% and 60.9%, respectively. This growth reflected the ramp-up of the Subika project, further expansion of the Geita project and commencement of diamond drill services in Ghana, Burkina Faso and Tanzania.
- Overall, AUMS is the highest margin and highest returning division for both Ausdrill and Barminco.

6.1.1.2 Financial position

Provided below is a summary of AUMS' financial position as at 30 June 2017 and 30 June 2018.

AUMS - Financial position		
$'000's	30 June 17	30 June 18
Current assets		
Cash and other cash equivalents	25,058	33,272
Other current assets	73,062	98,420
Total current assets	**98,120**	**131,692**
Non-current assets	**57,266**	**90,588**
Total assets	**155,386**	**222,280**
Current liabilities		
Financial liabilities (excluding trade payables)	5,318	17,992
Other current liabilities	29,314	40,440
Total current liabilities	**34,632**	**58,432**
Total non-current liabilities	**2,986**	**21,316**
Total liabilities	**37,618**	**79,748**
Net assets (100%)	**117,768**	**142,532**
Ausdrill's share of net assets	**58,884**	**71,266**
Difference with Barminco reporting	(508)	(34)
Barminco's share of net assets	**58,377**	**71,232**

Source: Ausdrill's audited accounts, Barminco's audited accounts

Notes:

1. Net assets – Barminco's share represents AUMS' net assets on a 50% basis to illustrate the net assets attributable to Barminco's 50% interest in the joint venture.

7. Valuation approach

As noted in Section 2.2, we have considered whether the Transaction is fair by comparing our assessed fair value of Barminco with the fair value of the Consideration being offered to Barminco shareholders.

On the basis that the terms which apply to the acquisition of the Sale Interests from the Sayers Family Trust are the same as the terms that apply to all other Barminco shareholders, in forming our opinion we have considered the Sale Interests as part of the overall assessment of the Transaction.

If the value of Barminco on a controlling interest basis prior to the Transaction is higher than the value of the Consideration being offered on a minority interest basis, then the Transaction would be considered to be fair.

7.1 Valuation methodology and approach

A number of valuation approaches may be applied in determining the fair value of an investment or business, with the appropriate approach dependent upon the relevant circumstances. Details of the various accepted approaches are outlined in Appendix B – Valuation methodologies, and typically comprise the income, market and cost approaches. The approaches adopted in our analysis are described below.

7.2 Valuation methodology adopted for Barminco including AUMS

Having regard to the nature of Barminco's business, including AUMS, and the available information, we have applied the market approach and specifically the capitalisation of maintainable earnings method as our primary methodology. We have adopted this approach for the following reasons:

- Barminco and AUMS are well-established with a track record of profitability.
- Information is available in respect of broadly comparable companies. We recognise that there are few truly comparable companies with operations in similar geographies and exposure to a similar portfolio of commodities. However, there are quoted companies that operate in the same sector, and recent transactions of mining services companies such that trading and transaction multiples are able to be observed from publicly available information to be applied to an assessment of Barminco and AUMS' earnings.
- No long term projections are available to enable us to apply the income approach.

The capitalisation of maintainable earnings method requires an assessment of the following:

- The earnings stream that may be considered representative for the business. In this respect, we have adopted EBIT as the appropriate earnings basis for our analysis. This is considered appropriate as:
    - Capital intensity can vary considerably between companies, even in the same industry sector. Using post depreciation earnings to calculate the multiples helps to neutralise the impact of differences in capital intensity between the business and the comparable companies.
    - Different gearing profiles of the comparable companies may impact upon the interest expense of the comparable companies. Using pre-interest earnings to calculate multiples removes the impact of different gearing profiles between companies.
    - Companies in this industry are typically valued using EBIT multiples.
- An appropriate earnings multiple to apply to the selected maintainable EBIT, having regard to comparable listed companies, relevant comparable transactions, growth prospects and other factors specific to Barminco and AUMS.

- Any other assets and liabilities that are not reflected in the value determined by the capitalisation of EBIT as described below.

Our selected maintainable EBIT is based on historical earnings trends and has regard to internal budgets and recent analyst forecasts, where available.

7.2.1 Other assets and liabilities

We have assessed the value of Barminco's non-operating assets and liabilities as follows:

- No separate value was placed on Barminco's deferred tax assets.
- The fair value of cash and debt were considered to be equal to their book values.

AUMS does not have any non-operating assets or liabilities.

7.2.2 Control premium

As noted previously, our valuation of Barminco has been assessed on a 100% controlling interest basis and as such includes a premium for control, aside from Barminco's 50% interest in AUMS. The EBIT multiple adopted in our valuation of Barminco's interest in AUMS reflects the rights and protections related to the 50% shareholding that shareholders in listed entities do not have, but falls short of the absolute control that 100% brings.

7.3 Valuation methodology adopted for evaluating the Consideration

As discussed in Section 1, the Consideration is formed of Cash Consideration of up to $25.4 million and Share Consideration of up to 150.7 million fully paid up Ausdrill ordinary shares.

We have evaluated the Share Consideration by applying a market based approach relying on the observed share prices of Ausdrill's shares prior to the announcement of the Transaction, having formed the view that the Ausdrill shares are relatively liquid. We then adjust these observed share prices for the effects of the Entitlement Offer and of the Transaction to determine the fair value per Ausdrill share of the enlarged group on a minority basis post the Transaction. This involved:

- Deducting the Cash Consideration
- Adding the value assessed for 100% of the equity in Barminco as calculated above with an adjustment to calculate the value on a minority basis
- Adding the value of potential synergies to be achieved as a result of the Transaction on a minority basis
- Calculating the estimated total number of Ausdrill shares in issue post Transaction, including the expected impact of the Entitlement Offer

We used this result to calculate the estimated value of the Share Consideration on a minority basis which is the basis upon which the shares trade on the ASX. This is explained in more detail in Section 10.

The Cash Consideration was then added to the estimated value of the Share Consideration to estimate the fair value of the Consideration. This was compared to the fair value of Barminco prior to the Transaction to evaluate the fairness of the Transaction.

As a cross check, we considered the reasonableness of the EBIT multiple implied by the minority valuation of the enlarged group relative to the observed trading EBIT multiple of Ausdrill on 14 August 2018. This is discussed in Section 9.

8. Valuation of Barminco

8.1 Valuation methodology

As discussed in Section 7 of this report, our fair valuation of Barminco has been conducted on a controlling interest basis primarily using a capitalisation of maintainable earnings method. When considering the value of Barminco, given the different risk profiles, functional currencies and ownership interest of AUMS and Barminco, we have valued Barminco's 50% interest in AUMS and Barminco (excluding AUMS) separately.

8.2 Maintainable earnings

For the purposes of the fair value assessment of Barminco and AUMS using the capitalisation of earnings method, we have given consideration to the historic reported EBIT, budgeted FY19EBIT, the contract pipeline and, our own analysis and discussions with management.

We performed analysis and had discussions in respect of Barminco's and AUMS' respective contract portfolios to understand their ability to generate new business in the future. The following factors were considered in our analysis:

- Customer relationships, including history of contract extensions, early terminations and failures to extend projects.
- Analysis of the contract mining sector, including recent contracts won by competitors, primarily underground mining contractors.
- Analysis of the life of mine plans for contracted mines and likelihood of contract extensions.
- Geographical focus of Barminco's and AUMS' contract portfolios and strategic growth prospects.
- Review of Australian and African economic and global commodity market growth prospects, including gold and base metals market segments.

Refer to Section 5 and 6 for a detailed analysis of Barminco's and AUMS' financial performance, operations and contract history.

The table below summarises our selected range of maintainable earnings on an EBIT basis:

Maintainable earnings range				
Parameters	*Unit*		**Low**	**High**
Barminco (excluding AUMS)	*$ million*		56	60
AUMS	*US$ million*		50	52
Exchange rate as at 14 August 2018	*USD:AUD*	0.72733		
AUMS	*$ million*		68	72

Source: EY analysis
Notes:

1. US$ denominated values were converted to A$ based on the spot rate as at 14 August 2018 being US$ 0.72733:A$1.00 according to the Oanda website and reflects the average of the closing exchange rate ask and bid rate as at 14 August 2018.

We considered the financial data made available to us and also held discussions in relation to individual major contracts in finalising our assessment of maintainable earnings for Barminco and AUMS. We note that our adopted maintainable earnings for Barminco, excluding AUMS, is consistent with historical FY18 EBIT achieved of $59.1 million. With respect to AUMS, given higher growth achieved historically, its strong current contract portfolio and pipeline, we adopted maintainable earnings which imply growth of 10% to 16% above FY18.

8.3 EBIT multiples

We have capitalised the selected earnings base at a multiple that we consider reasonably reflects the business and growth prospects of Barminco and AUMS. In assessing appropriate EBIT multiples we considered the current trading multiples of companies that may be considered broadly comparable to Barminco and AUMS. In addition, we analysed the multiples implied from recent acquisitions of companies with similar operations.

8.3.1 Transaction multiples

We have considered the prices achieved from transactions since 2016 involving the sale of companies which perform mining and drilling contracting services. The implied multiples of the observed transactions are presented in the table below.

Transaction multiples

Date	Acquirer	Target	EV (A$m)	% acquired	EBIT multiple (LTM)	EBIT multiple (NTM)
12-Jun-18	Global Construction Services Limited	SRG Limited	148	100%	nm	9.4x
14-Aug-17	NRW Mining Pty Ltd	Golding Group Pty Limited	72	100%	1.6x*	na
8-Jun-17	Westgold Resources Limited	Australian Contract Mining Pty. Ltd.	28	100%	nm	nm
10-Oct-16	CIMIC Group Investments No. 2 Pty Ltd	UGL Limited	618	86%	nm	6.9x
13-Jan-16	CIMIC Group Investments Pty Limited	Sedgman Limited	167	63%	7.5x	6.7x
Low					7.5x	6.7x
Median					**7.5x**	**6.9x**
Average					**7.5x**	**7.7x**
High					7.5x	9.4x

Source: S&P Capital IQ, Broker reports, EY analysis

Notes:

1. Multiples which appear to be outliers have been presented as not meaningful.
2. EV = enterprise value, nm = not meaningful, na = not available, LTM = last twelve months, NTM = next twelve months
3. * EV/EBITDA multiple, EBIT data is not publicly available.

Due to the lack of publicly available information on the transactions and limited comparability of the acquisition targets, we note that none of the transaction multiples are particulary relevant for Barminco or AUMS.

8.3.2 Identification of comparable companies

Presented in the table below are the major participants in the contract mining services industry, listed by revenue size, which we consider to be broadly comparable to Barminco and AUMS. We have included Barminco and Ausdrill data for comparison purposes.

Key participants in the Australian contract mining services industry

Company	Headquarter	Company type	Revenue (A$m)	For year ended	Service type
CIMIC Group Limited	Australia	Public	13,430	31/12/2017	Diversified
Downer EDI Limited	Australia	Public	7,268	30/06/2017	Diversified
Aecon Group Inc	Canada	Public	2,864	31/12/2017	Diversified
Watpac Limited	Australia	Public	1,109	30/06/2017	Diversified
Ausdrill Limited	**Australia**	**Public**	**784**	**30/06/2017**	**Surface/underground mining**
Byrnecut Australia Pty Ltd	Australia	Private	748	31/12/2017	Underground mining
Barminco Holdings Pty Ltd	**Australia**	**Private**	**698**	**30/06/2017**	**Underground mining**
MACA Limited	Australia	Public	498	30/06/2017	Diversified
Macmahon Holdings Limited	Australia	Public	363	30/06/2017	Surface/underground mining
NRW Holdings Limited	Australia	Public	345	30/06/2017	Diversified
Mastermyne Group Limited	Australia	Public	124	30/06/2017	Diversified
Pybar Mining Services Pty Ltd	Australia	Private	na	na	Underground mining
BGC Contracting Pty Ltd	Australia	Private	na	na	Diversified

Source: S&P Capital IQ, company announcements, company websites, newspaper articles

Notes:

1. Barminco and Ausdrill revenue includes revenue from AUMS at their JV interest level.

We note the following in relation to the key participants in the contract mining services industry:

- The Australian underground mining services segment is dominated by three major contractors: Barminco, Byrnecut and Pybar.
- Key surface mining contractors include Ausdrill, Macmahon and MACA, while CIMIC, Downer, NRW, Murray & Roberts and Boart Longyear represent diversified industry participants with expertise in surface and underground mining and/or significant operations in other segments like civil, construction and infrastructure.
- The major Barminco competitors (Byrnecut and Pybar) are privately held companies and as such, limited market data is available for these companies.

Taking account of AUMS' operations in Africa and Barminco's drilling services, we have expanded our analysis to consider selected multinational diversified contract miners who provide services internationally.

Multinational diversified contract miners					
Company	Headquarter	Company type	Revenue (A$m)	For year ended	Service type
Murray & Roberts Holdings Limited	South Africa	Public	2,333	31/12/2017	Diversified
Boart Longyear Limited	United States	Public	946	31/12/2017	Diversified
North American Construction Group Ltd.	Canada	Public	356	30/06/2018	Diversified
Major Drilling Group International Inc.	Canada	Public	354	30/04/2018	Drilling services
Foraco International SA	France	Public	209	30/06/2018	Drilling services

Source: S&P Capital IQ, company websites

Descriptions of the comparable companies presented in the tables are provided in Appendix C.

8.3.3 Trading multiples

The EBIT multiples calculated for selected comparable listed companies are shown in the table below.

Trading multiples				
Trading companies	**EV (A$m)**	**FY17 EBIT multiple**	**FY18 EBIT multiple**	**FY19 EBIT multiple**
Downer EDI Limited	5,665	20.7x	13.7x	11.3x
Aecon Group Inc.	1,333	16.6x	16.1x	11.8x
Boart Longyear Limited	1,157	nm	na	na
NRW Holdings Limited	663	22.9x	15.6x	8.5x
Murray & Roberts Holdings Limited	525	11.0x	7.4x	6.1x
Major Drilling Group International Inc.	491	nm	nm	11.9x
Macmahon Holdings Limited	475	nm	10.2x	5.9x
MACA Limited	246	5.1x	6.9x	7.5x
Foraco International SA	216	na	na	na
Mastermyne Group Limited	144	nm	16.8x	9.5x
North American Construction Group Ltd.	389	nm	17.2x	11.9x
Watpac Limited	-102	nm	nm	nm
Ausdrill Limited	887	11.7x	9.3x	8.7x
Low		5.1x	6.9x	5.9x
Median		**14.2x**	**13.7x**	**9.1x**
Average		**14.7x**	**12.6x**	**9.3x**
High		22.9x	17.2x	11.9x

Source: S&P Capital IQ, Company annual reports, EY analysis

Notes:

1. EV = enterprise value, nm = not meaningful, na = not available.
2. Enterprise value is calculated based on the market capitalisation of comparable companies as at 14 August 2018.
3. Net debt is based on the latest available balance sheets.
4. EBIT multiples are based on EBIT for the year ended 30 June.
5. The FY17 and FY18 EBIT multiples are adjusted for non-recurring items, including unusual items, non-operating income, currency exchange gains / (losses).
6. The FY17 and FY18 EBIT multiple for Ausdrill is based on underlying proportionally consolidated EBIT for the period ended 30 June 2017 and 30 June 2018, respectively, adjusted for non-recurring items, including unusual items, non-operating income, currency exchange gains / (losses).
7. FY19 EBIT multiples are based on consensus estimates available for the comparable companies as at 14 August 2018 on S&P Capital IQ.

The trading multiples presented above are based on the prices for minority parcels of shares and do not include a premium for control. A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- The ability to realise some synergistic benefits, for example by merging the target company's operations with those of the acquiring entity
- Access to cash flows
- Access to tax benefits
- Control of the board of directors and the direction of the company.

Historically, control premiums on successful takeovers in Australia have frequently been in the range of 20% to 40% with the premium varying significantly from circumstance to circumstance. Control premiums can vary widely and are often reflective at least in part of the potential for significant synergies to be realised by a particular purchaser. The Mergerstat control premium study at 31 March 2018, has median 12 month control premium observed for transactions globally in the mining industry sector of 32%. This compares to the 12 month control premium observed for all transactions globally of 26%. There may be differences between mining and mining services given the different levels of asset intensity and scale of potential synergies that can be realised.

8.3.4 Analysis of comparability

We have assessed the level of comparability of the observed comparable trading companies giving consideration to a number of factors including: location of projects, percentage of revenue generated from mining services, historical average EBIT margins and historical average EBIT growth.

We note, we considered Pybar and Byrnecut as the most comparable to Barminco (including AUMS), however since they are private companies with a lack of publicly available information, we have excluded them from our assessment. We also considered CIMIC Group Limited as a comparable company, however since it operates mainly in the construction space (57% of revenue in FY17) and is significantly larger than all other comparable trading companies, we have excluded it from our analysis.

Based on this analysis, we consider Ausdrill, NRW Holdings Limited, Macmahon Holdings Limited, MACA Limited and Murray & Roberts Holdings Limited to be the most comparable to Barminco and AUMS amongst the publicly traded contract mining services companies. Contract mining services represents a major business segment in the operations of those companies.

Although it is difficult to determine which factors are likely to influence the implied multiples of trading companies and to quantify their impact, when analysed individually, some factors are likely to contribute to a particular operation attracting higher multiples than others. A number of key factors we have considered in our analysis and their potential impact on multiples are listed below:

- **Size of company:** Larger companies with more diverse operations may attract higher multiples.
- **Geography:** Companies with operations in developing countries and countries associated with high levels of risk may attract lower multiples.
- **EBIT margin:** Companies with higher EBIT margins may attract higher multiples.
- **EBIT growth:** Companies with higher EBIT growth rates may attract higher multiples.

We have considered the aforementioned factors in assessing an appropriate range of EBIT multiples to apply in valuing Barminco and AUMS.

8.3.5 Assessment of EBIT multiples

We note the following in relation to Barminco's market position and performance against its comparable companies:

- Barminco continues to be one of the key participants in the Australian underground mining services sector. Its market position is strong due to its ability to maintain a quality portfolio of contracts and to constantly generate a pipeline of projects with gold and base metals clients in Australia.

- Unlike most of its peers, Barminco has been demonstrating consistently strong earnings results, gradually building its portfolio of clients. At the same time, Barminco is less geographically and operationally diversified than many of the comparable companies.

- AUMS is significantly less diversified than the selected comparable companies, with a focus on the African mining sector, with higher regional and contract risks including high dependence on key customers and geographies. At the same time, AUMS has been demonstrating high growth rates and profitability margins.

After considering the above factors we have selected an EBIT multiple of 9.5x on a control basis to apply to the selected maintainable earnings range of Barminco (excluding AUMS).

After considering the above factors we have selected an EBIT multiple of 7.0x to apply to the selected maintainable earnings range of AUMS. The discount applied to the EBIT multiple for AUMS reflects the 50% interest of Barminco in AUMS, higher country risk and customer concentration relative to the rest of Barminco. A 50% interest gives Barminco many rights and protections in relation to its shareholding that shareholders in listed entities do not have, but falls short of the absolute control that 100% brings.

8.4 Conclusion on value

Our fair value assessment of Barminco is summarised in the following table:

Barminco - Valuation summary			
Parameters	*Unit*	**Low**	**High**
Barminco (excluding AUMS) earnings base	*$ million*	56	60
Adopted EBIT multiple	*x*	9.5x	9.5x
Enterprise value of Barminco (excl. AUMS)	*$ million*	532.0	570.0
Less: Net debt	*$ million*	(423.0)	(423.0)
Fair value of Barminco equity (excl. AUMS)	***$ million***	**109.0**	**147.0**
AUMS earnings base	*$ million*	68	72
Adopted EBIT multiple	*x*	7.0x	7.0x
Enterprise value of AUMS (100% basis)	*$ million*	476.0	504.0
Less: Net debt (100% basis)	*$ million*	(8.6)	(8.6)
Fair value of AUMS equity (100% basis)	***$ million***	**467.4**	**495.4**
Barminco share in AUMS	*%*	50%	50%
Enterprise value of AUMS (50% basis)	*$ million*	238.0	252.0
Fair value of AUMS equity (50% basis)	***$ million***	**233.7**	**247.7**
Enterprise value of Barminco	***$ million***	770.0	822.0
Fair value of Barminco equity	***$ million***	**342.7**	**394.7**

Source: EY analysis, numbers may not calculate due to rounding

We note the following in relation to calculation of Barminco (excluding AUMS) equity value:

- We note that our range of values for Barminco is relatively wide. This is principally as a result of the relatively high debt levels in Barminco which exacerbates the range of equity values relative to a much narrower range at the enterprise value level.
- As at the 30 June 2018, Barminco had recognised a deferred tax asset of $63.3 million, mostly represented by carried forward tax losses. We have not attached any value to these tax losses for the purposes of our assessment.
- As at the 30 June 2018, Barminco's net debt of $423.0 million consisted of $501.6 million in interest-bearing debt, $1.7 million in other non-current liabilities and $80.3 million of cash. For the purposes of calculating net debt, we have excluded the $10.8 million of liabilities relating to the shareholder loan notes from interest-bearing debt as these shareholder loan notes are also being acquired by Ausdrill.

We note the following in relation to calculation of AUMS equity value:

- As at the 30 June 2018, AUMS had recognised an income/deferred tax provision of US$2.2 million, mostly represented by income tax provisions taken for each country within AUMS. For the purpose of calculating AUMS' equity value, we have excluded the income/deferred tax provision.
- As at the 30 June 2018, AUMS net debt of US$6.2 million ($8.6 million based on spot rate as at the 14 August 2018 being US$ 0.72733:A$1.00 according to Oanda website) consisted of US$30.3 million in interest bearing debt and US$24.1 million of cash.

We have considered the fair value of Barminco's equity to be in the range of $342.7 million to $394.7 million. Given the valuation methods applied, this assessment represents the value of Barminco on a 100% interest basis, which by definition includes a control premium.

9. Valuation of the Consideration

9.1 Overview of the Consideration

On 15 August 2018, Ausdrill announced it has entered into a binding share sale agreement to acquire 100% of the ordinary shares, redeemable preference shares and shareholder loan notes of Barminco.

The consideration to be paid to the shareholders of Barminco will comprise the Share Consideration being 150.7 million Ausdrill ordinary shares and the Cash Consideration of up to $25.4 million.

Transaction Consideration – Valuation summary			
A$ millions	Section	Low	High
Cash Consideration	9.2.1-9.2.2	25.4	25.4
Share Consideration	9.2.1, 9.2.3	247.4	260.9
Fair value of Consideration		**272.8**	**286.3**

9.2 Valuation of the Consideration

We understand that the Consideration is payable on completion, albeit, with certain amounts described below being held in escrow. We have treated both the Cash Consideration and Share Consideration as upfront payments rather than deferred payments and no discount has been applied for the escrow period.

9.2.1 Cash Consideration

The Cash Consideration is up to $25.4 million, of which $15 million will be held in escrow for six months after completion for resolution of any claims relating to the “locked box” ” accounts mechanism (unauthorised leakages to the Barminco Vendors after 30 June 2018). We assumed that no deduction is made and the Cash Consideration is paid in full.

9.2.2 Share Consideration

The Share Consideration is comprised of 150.7 million Ausdrill shares. All of the Share Consideration issued to the Barminco Vendors will be escrowed until the release of Ausdrill’s FY19 results in late August 2019. However, if after the release of Ausdrill’s 1H19 results (in late February 2019), the Ausdrill share price trades on the ASX for any five consecutive days at a volume weighted average price of at least $2.04 (representing a 25% premium to TERP), this escrow will cease to apply with respect to one third of the Share Consideration issued.

In assessing the fair value of the Share Consideration, we applied a market based approach relying on the observed share prices of Ausdrill’s shares prior to the announcement of the Transaction, and adjusting for the expected impact of the Entitlement Offer, having formed the view that the Ausdrill shares are relatively liquid. In applying this approach, we considered:

- the value of Ausdrill based on its share price prior to the announcement of the Transaction. ASIC Regulatory Guide 111.32 stipulates that where the market price for securities is used as a measure of the value offered as consideration, certain factors must be considered including:
  - the depth of the market for those securities
  - the volatility of the market price, and
  - whether or not the fair value is likely to represent the value if the transaction is successful.

- the value of the notionally combined Ausdrill and Barminco, determined considering:
    - the value of Ausdrill based on its market value prior to the announcement of the Transaction, but adjusted for the Entitlement Offer using TERP prices
    - the value of Barminco on a minority basis
    - synergies expected to be realised as a result of the Transaction
    - other relevant adjustments for the likely impact of the Transaction such as acquisition costs and Cash Consideration

In forming our overall share valuation conclusion, we also considered the reasonableness of the EBIT multiples implied by the valuation.

9.2.3 Value of Ausdrill based on its share price

We consider the Ausdrill share price to be reflective of fair value for the following reasons:

- Ausdrill shares appear to be relatively well traded. Shares are traded on a daily basis, with average monthly volumes equivalent to 10.2% of total shares on issue over the last 12 months.
- The table below sets out the volume and liquidity of Ausdrill shares in the year prior to the announcement of the Transaction.

Ausdrill – Monthly trading prices

Period	High (A$)	Low (A$)	Close (A$)	VWAP (A$)	Shares outstanding (m)	Monthly volume (m)	Average daily liquidity[1]	Monthly liquidity[2]
Aug 17	2.410	1.910	2.140	2.155	312.29	18.71	0.29%	5.99%
Sept 17	2.220	1.905	1.950	2.087	350.49	37.04	0.50%	10.57%
Oct 17	2.270	1.870	2.200	2.118	359.47	20.76	0.26%	5.77%
Nov 17	2.640	2.150	2.530	2.499	359.72	28.17	0.36%	7.83%
Dec 17	2.670	2.200	2.500	2.366	359.91	11.14	0.16%	3.10%
Jan 18	2.700	2.400	2.520	2.565	360.83	8.64	0.11%	2.39%
Feb 18	3.040	2.300	2.640	2.602	360.94	54.92	0.76%	15.22%
Mar 18	2.880	2.460	2.730	2.689	361.93	58.97	0.78%	16.29%
Apr 18	2.900	2.610	2.760	2.743	362.01	22.13	0.32%	6.11%
May 18	2.850	2.450	2.780	2.685	362.16	26.82	0.32%	7.41%
Jun 18	2.520	1.690	1.860	2.027	362.19	84.41	1.17%	23.31%
Jul 18	1.890	1.630	1.720	1.764	362.20	68.54	0.86%	18.92%
Aug 18[3]	1.870	1.695	1.850	1.775	362.20	18.32	0.51%	5.06%

Source: S&P Capital IQ

Note:

1. Calculated as the average daily volume traded divided by the total number of shares outstanding for that month.
2. Calculated as the monthly volume traded divided by the total number of shares outstanding.
3. Aug 18 refers to the period 1 August 2018 to 14 August 2018.

As indicated in the table above, the overall trading volume of Ausdrill shares over the last 12 months was approximately 122.9% of the total shares on issue.

- As a member of various indices including the ASX 200, ASX 300 and All Ordinaries, Ausdrill shares are more marketable. As such, various index tracker funds in effect are required to hold investments in Ausdrill.

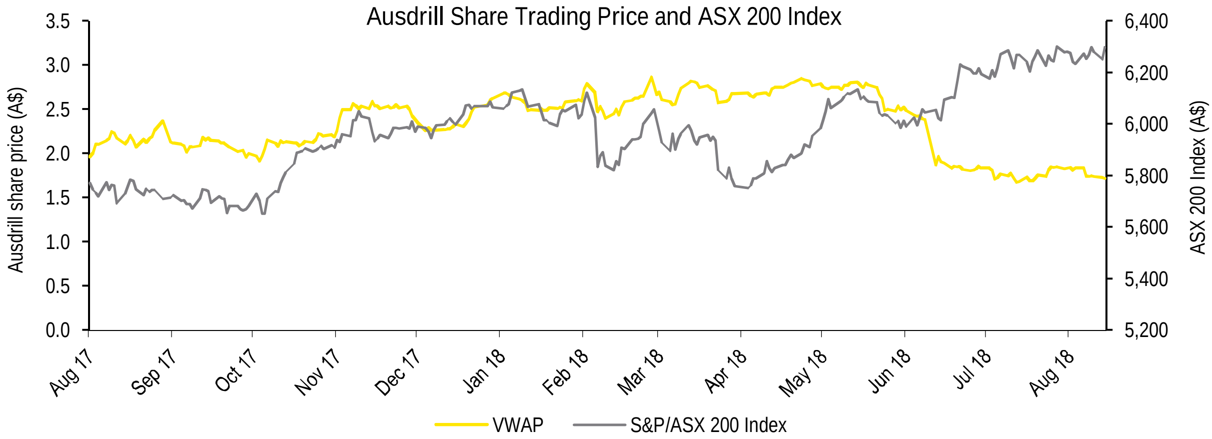
- The market appears well informed as to the company's performance and prospects and therefore the traded price in a liquid market is likely to be reflective of market value. Ausdrill is also followed by a wide range of analysts.
- Ausdrill has a strong institutional shareholder base with a high proportion of shares able to be traded, or free float.

As a result of the above factors, we consider the price at which Ausdrill shares have been trading represents an appropriate estimate of the value of an Ausdrill share on a minority basis, pre Entitlement Offer and announcement of the Transaction.

9.2.4 Volume Weighted Average Price (VWAP)

Ausdrill's share price has fluctuated over the twelve months prior to the announcement of the Transaction, decreasing from $2.14 on August 2017 to $1.71 per share on 14 August 2018, the day prior to the announcement of the Transaction.

As indicated in the following chart, Ausdrill's share price has generally moved in line with the market, specifically the ASX 200 index. However, its share price declined in both absolute terms and relative to the index, in the two months preceding the announcement of the Transaction following a project update announcement on 12 June 2018.



Source: S&P Capital IQ

The VWAP of Ausdrill's share price, over various periods preceding the announcement of the Transaction, is set out in the table below:

Price and VWAP up to 14 August 2018	
	$ per share
Close price	1.71
1 week VWAP	1.74
1 month VWAP	1.76
3 month VWAP	1.92

Source: S&P Capital IQ

As indicated, the price of Ausdrill shares reduced from a high of $3.04 per share in February 2018 to a low of $1.63 per share in July 2018. Since announcement, the share price of Ausdrill increased, reaching a high of $2.01 per share on 17 August 2018 but closed at $1.74 on 24 August 2018. Ausdrill's 5 day VWAP as at 24 August 2018 was $1.84 per share.

9.2.5 Value of an Ausdrill share post Transaction

The table below sets out our calculation of the value of an Ausdrill share assuming the Transaction is approved and proceeds to completion. The analysis shown assumes that the Cash Consideration is paid in full and no locked box adjustments are required.

Value of an Ausdrill share		
A$ millions	Low	High
Estimated Ausdrill shares outstanding post Entitlement Offer[1]	532.2	532.2
Price per share ($)[2]	1.63	1.67
Equity value of Ausdrill based on above share price range	**869.3**	**887.4**
Deduct: Cash Consideration	(25.4)	(25.4)
Deduct: estimated Transaction costs	(26.0)	(26.0)
Add: 100% of Barminco on a minority basis	285.6	328.9
Add: Potential synergies on a minority basis	41.7	41.7
Equity value of the Combined Group on a minority basis	**1,145.1**	**1,206.5**
Estimated total number of Ausdrill shares post Transaction[3]	682.9	682.9
Value per Ausdrill share (cum-dividend) ($)	**1.68**	**1.77**
Less final dividend of 3.5 cents	0.035	0.035
Value per Ausdrill share ($)	**1.64**	**1.73**

Source: EY analysis
Note:
1. Ausdrill closing shares outstanding on 14 August 2018 of 362.2 million, plus 170.0 million for Entitlement Offer.
2. Using TERP adjusted closing price and TERP adjusted one month VWAP (on 14 August 2018).
3. Ausdrill closing shares outstanding on 14 August 2018 of 362.2 million, plus 170.0 million for Entitlement Offer, plus 150.7 million for Barminco shareholders.
4. Numbers may not calculate due to rounding.

In relation to this analysis, we note:

- The Ausdrill equity value of $869.3 million to $887.4 million pre Transaction is based on:
  - The estimated number of shares outstanding post Entitlement Offer of 532.2 million, being the sum of 362.2 million shares outstanding on 14 August 2018 and the expected number of shares to be issued under the Entitlement Offer of 170.0 million.
  - A share price range of between $1.63 per share and $1.67 per share. The low end of this range is based on the TERP adjusted closing share price of Ausdrill on 14 August 2018 the last trading day prior to the announcement of the Transaction adjusted for the theoretical impact of the Entitlement Offer. It does not take into account any perceived impact of the Transaction on the value of Ausdrill shares. The high end of the share price range is based on the one month VWAP of $1.76 per share adjusted for the Entitlement Offer to give a TERP-adjusted one month VWAP of $1.67. This recognises that the share price of Ausdrill has displayed volatility, with the VWAP in the week prior to announcement of the Transaction being lower relative to prior months.

These TERP adjusted prices are summarised in the table below:

TERP adjusted prices		
A$ millions	Low	High
Closing price on 14 August 2018	1.71	
One month VWAP on 14 August 2018		1.76
Estimated TERP adjusted prices	**1.63**	**1.67**

Source: Ausdrill's 'Acquisition of Barminco and equity raising' presentation, EY analysis

- We have deducted Cash Consideration assuming it is fully paid out, as this is expected to be funded by existing cash reserves.
- The Barminco equity value is included on a minority basis based on the valuation analysis contained in Section 8 of this report, adjusted to a minority basis.
- We have assessed the value of the potential synergies of $5 million net of costs per annum and applied the same EBIT valuation multiple to these as applied to Barminco on a minority basis. Our assessed value of synergies is $41.7 million.
- The total number of Ausdrill shares, assuming the Transaction is approved and proceeds to completion has been calculated as the 532.2 million expected to be on issue after the Entitlement Offer plus the 150.7 million expected to be issued to the vendors of Barminco.

Based on our analysis, we have assessed the value per Ausdrill share being offered to Barminco shareholders to be between $1.64 and $1.73 (ex-dividend).

9.2.6 Implied multiples

We have cross-checked the reasonableness of the post Transaction value of Ausdrill by considering the implied EBIT multiple as follows:

Implied multiples		
A$ millions	Low	High
Equity value of the Combined Group on a minority basis	1,145.1	1,206.5
Net Debt [1]	502.6	502.6
Enterprise value (minority basis)	**1,647.7**	**1,709.1**
Ausdrill (excluding AUMS) reported EBIT - LFY	80.4	80.4
Barminco (excluding AUMS) reported EBIT - LFY	58.1	58.1
AUMS reported EBIT - LFY	61.9	61.9
Synergies	5.0	5.0
Underlying EBIT - LFY	205.3	205.3
Implied EV / EBIT multiple on a minority basis	**8.0x**	**8.3x**

Source: Ausdrill's 'Acquisition of Barminco and equity raising' presentation, EY analysis

Note:

1. Pro-forma FY18 balance sheet of the Combined Group.
2. Numbers may not calculate due to rounding.

We note the following in relation to this table:

- We have assumed that the pro forma Underlying EBIT for the enlarged Ausdrill for the last financial year ending 30 June 2018 is equal to sum of
  - Ausdrill FY18 reported EBIT (excluding AUMS) of $80.4 million as shown in Section 4.1.2.1 of this report
  - Barminco FY18 reported EBIT (excluding AUMS) of $58.1 million as shown in Section 5.1.2.1 of this report
  - AUMS FY18 reported EBIT of $61.9 million as shown in Section 6.1.1.1 of this report
- Our analysis implies an EV / FY18 EBIT multiple range of 8.0x to 8.3x, this compares to Ausdrill's standalone EV / FY18 EBIT multiple on 14 August 2018 (pre-announcement) of 9.3x and its TERP adjusted pre-announcement multiple of 8.9x.
- On a minority basis, we have considered it appropriate to value Barminco (excluding AUMS) using a multiple at a discount to that of Ausdrill for reasons such as Barminco being smaller than Ausdrill and not being a publicly traded company. Additionally AUMS is valued at a further discount to the Barminco multiple on the basis that it has a less diverse customer base and faces higher country risk.

Based on the above analysis, we consider the implied multiple range of 8.0x – 8.3x FY18 EBIT to be reasonable in the context of combining Ausdrill, which trades on a higher multiple on a standalone basis with Barminco (including AUMS) that are valued at a discounted multiple to Ausdrill. We therefore consider the assessed value of Ausdrill shares to be reasonable.

9.2.7 Total consideration

In aggregate, this implies Consideration including both the Cash Consideration and Share Consideration of $272.8 million to $286.3 million.

Total Consideration		
A$ millions	**Low**	**High**
Estimated value per Ausdrill share post Transaction	1.64	1.73
Share Consideration (in millions)	150.7	150.7
Value of Share Consideration	**247.4**	**260.9**
Add: Cash Consideration	25.4	25.4
Total Consideration	**272.8**	**286.3**

Source: EY analysis
Numbers may not calculate due to rounding.

10. Evaluation of the Transaction

10.1 Overview

In forming our opinion as to whether the acquisition of Sale Interests from the Sayers Family Trust and the Transaction are fair and reasonable for the Non-Associated Shareholders of Ausdrill, we have considered a number of factors, including:

- Whether the estimated value of 100% of the equity in Barminco, on a controlling interest basis, prior to the Transaction is higher or lower than the estimated value of the Consideration, on a minority interest basis, being offered in the event that the Transaction is approved and completed.
- The existence of alternatives to the Transaction and the consequences for Ausdrill shareholders.
- The likely market price of Ausdrill shares in the event that the Transaction is not approved.
- Other advantages and disadvantages that the Non-Associated Shareholders should consider in assessing whether to approve the Transaction.

10.2 Fairness of the Transaction

We have determined whether the acquisition of Sale Interests from the Sayers Family Trust and the Transaction are fair by comparing the assessed value of 100% of the equity in Barminco, on a controlling interest basis, prior to the Transaction to the fair value of the Consideration that will be paid by Ausdrill in the event that the Transaction is approved. The following table summarises this comparison:

Evaluation of the fairness of the Transaction			
A$ millions	*Ref*	**Low**	**High**
Fair value of 100% of the equity in Barminco prior to the Transaction on a controlling interest basis	*Section 8*	342.7	394.7
Fair value of the Consideration post the Transaction on a minority interest basis	*Section 9*	272.8	286.3
Premium over Consideration offered		69.9	108.3
% premium over Consideration offered		25.6%	37.8%

Source: EY analysis
Numbers may not calculate due to rounding.

The assessed value of 100% of the equity in Barminco prior to the Transaction on a controlling interest basis is in the range of $342.7 million to $394.7 million. This implies a premium of between 25.6% and 37.8% to our assessed value of the Consideration post the Transaction on an ex-dividend, minority interest basis of between $272.8 million and $286.3 million.

In reviewing the reasonableness of the premium over the Consideration, we note that the a sizeable element of the premium can be explained by the Fair Value of Barminco being assessed on a 100% controlling interest basis, whereas the Consideration is assessed on a minority basis. In addition, we note that the Consideration has been evaluated using TERP-adjusted share prices as at 14 August 2018, the day prior to announcement of the Transaction. As the TERP-adjusted prices are based on theoretical prices, taking account of expected impact of the Entitlement Offer, we note that the actual share price following completion of both phases of the Entitlement Offer may vary.

We note the significant difference between our assessment of the value of the Consideration and the value of the 100% interest in Barminco being proposed to be acquired. Prima facie such a large gap may appear counter intuitive as it implies that the vendors of Barminco would agree to sell their interests for less than its fair value on a control basis notwithstanding that control will pass to Ausdrill as a result of the Transaction.

There are however a number of key factors which assist to explain this position. These include:

- We have valued Barminco on a controlling basis because it is proposed that Ausdrill acquires 100% of Barminco. In contrast, we have valued the Share Consideration, being Ausdrill shares (including its proposed 100% interest in Barminco) on a minority basis as it represents minority interest parcels of shares to be issued to the vendors of Barminco shares. Collectively, the shares to be issued represents approximately 22.1% of Ausdrill's expected share capital post Transaction.

- There are a number of shareholders in Barminco none of which individually exert control. Therefore from an individual Barminco shareholder perspective in the absence of a sale of 100% of Barminco they may not otherwise be able to realise a controlling interest value for their shares.

- As set out in Section 10.3.1, the characteristics of Ausdrill subsequent to the acquisition of Barminco, and its likely greater representation in key Australian Stock Exchange indices, are such that it is possible that a rerating of Ausdrill shares could occur. This is in part evidenced by the increase in the value of Ausdrill shares that has occurred since the announcement of the Transaction on 15 August 2018.

- The majority of the Consideration is made up of Ausdrill shares. The vendors of Barminco shares therefore have the opportunity, should there be a control transaction involving Ausdrill in the future, to realise a control premium for the combined Ausdrill / Barminco business.

As the value range assessed for the Consideration is below the assessed value range for 100% of the equity in Barminco, we consider the Transaction to be fair.

The value of Barminco is sensitive to the maintainable earnings assumption, market multiples and net debt. The Fair Value of the Consideration is highly sensitive to Ausdrill share price performance.

10.3 Reasonableness

Consistent with the guidance provided by RG 111, as we consider the Transaction to be fair, we also consider the Transaction to be reasonable.

Notwithstanding the above conclusion, we have also considered other factors that the Non-Associated Shareholders should consider in forming their views as to whether or not to approve the Transaction. Individual Non-Associated Shareholders may interpret these factors differently depending on their own circumstances.

10.3.1 Factors for consideration

10.3.1.1 The Transaction will create a larger, more diversified business which may result in a re-rating above that reflected in our fair value

If approved and completed, the Transaction will result in the creation of a larger, more diversified business becoming the number two Australian mining services provider by revenue and the largest listed pure-play mining services company. The new enlarged group will have a broader service offering, greater mix of commodities within its portfolio and extended geographical footprint. This increased scale and diversification may improve the ability of Ausdrill to access capital at more attractive pricing, withstand volatility in the future and pursue further growth opportunities. These benefits may, over time, be reflected in an earnings multiple above that applied in our current fair value.

10.3.1.2 Ausdrill shareholders will continue to participate in possible future increases in the value of Ausdrill including Barminco and 100% of AUMS

Our valuation of the Consideration reflects assumptions regarding the future growth of the enlarged business including the potential cost synergies to be realised. To the extent that the enlarged group exceeds expectations and/or achieves synergies greater than the level assumed in our valuation, shareholders will benefit from future increases in the value of Ausdrill. Also, there may be opportunities for additional earnings growth, such as the ability to expand further in the global underground mining market. These synergies are not able to be reliably forecast and have not explicitly been included in our value assessment. To the extent that such synergies are achieved, this could positively impact on the Ausdrill share price in future.

10.3.1.3 Greater liquidity of Ausdrill shares

Ausdrill shares are relatively well traded and liquid. While Ausdrill is already included in the ASX 200, ASX 300, ASX 200 Metals and Mining and All Ordinaries amongst others, the increased market capitalisation of the enlarged group would raise Ausdrill's positioning within these indices, which may increase demand for its shares, especially from index-linked investment or tracker funds.

10.3.1.4 Potential for higher dividends per Ausdrill share

As set out in the investor presentation appended to the Notice of Meeting, while the dividend payout ratio is expected to remain at 40% of net profit after tax (before amortisation), the Transaction may result in higher dividends being paid per share as the estimated pro-forma figures in the investor presentation show that the combined entity will be more profitable. This reflects the fact that Barminco generates higher margins than Ausdrill. Additionally, the enlarged group's profitability will be greater as a result of recurring estimated net synergies of circa $5 million per annum, including reduced overheads for AUMS. Greater earnings per share combined with a constant dividend payout ratio would result in higher dividends per share for Ausdrill shareholders.

10.3.1.5 Familiarity with Barminco

Barminco and Ausdrill have been joint venture partners in AUMS since 2007. Given this historical partnership and that AUMS in which Ausdrill is already invested represents a significant portion of Barminco's business as well as Barminco's business activities complementing Ausdrill's, the Transaction presents a relatively lower risk acquisition than one which is not known and unrelated.

10.3.1.6 Greater exposure to AUMS, a high growth, higher margin business

The Transaction will result in Ausdrill increasing its stake from 50% to 100% of AUMS and therefore gaining full operational control of the business. This will allow Ausdrill to streamline the current governance structure and increase its exposure to AUMS which is a higher margin business with significant growth opportunities.

10.3.1.7 Transaction expenses

We understand that Ausdrill expects to incur circa $26 million of costs and expenses in respect of the Transaction (including costs and expenses relating to the Entitlement Offer). However, the majority of these will be incurred irrespective of whether or not the Transaction is approved and proceeds to completion.

As set out in the SSA, Ausdrill and Barminco have agreed that under certain circumstances one may recover transaction expenses of approximately $5 million from the other pulling out of the transaction.

10.3.1.8 Board representation

It is proposed that Keith Gordon, the current Chairman of Barminco, will join Ausdrill's board following completion of the Transaction. Mr Gordon has over 25 years of professional experience and is also Chairman of GMA Garnet Group, a director of Wright Prospecting and a director of Red Emu Advisory. As a member of the Ausdrill board, he would participate in making significant management decisions post Transaction.

10.3.1.9 If the Transaction is not approved, the Ausdrill share price may fall below current trading levels

If the Transaction is not approved and in the absence of an equivalent or superior alternative transaction, Ausdrill will continue to operate in its current form, albeit with reduced net debt levels as a result of the Entitlement Offer. The Ausdrill share price would likely decline below current levels. We note that the Ausdrill share price rose by 14% on 17 August 2018 following the simultaneous announcement of the Transaction and Entitlement Offer. As indicated, the price of Ausdrill shares reduced from a high of $3.04 per share in February 2018 to a low of $1.63 per share in July 2018. Since announcement, the share price of Ausdrill increased, reaching a high of $2.01 per share on 17 August 2018 but closed at $1.76 on 74 August 2018. Ausdrill's 5 day VWAP as at 27 August 2018 was $1.80 per share. To the extent that this is related to the proposed Transaction, it is likely that the premium would cease to be priced in the Ausdrill shares, causing the price to decline.

10.3.1.10 Equivalent or superior alternatives to the Transaction

Ausdrill management have confirmed that they have previously considered and evaluated the strategic options available to Ausdrill. Ausdrill management concluded that the acquisition of Barminco represented the greatest value to shareholders. We note that even if a new opportunity emerged that was of equivalent value to the Transaction, it would take time for Ausdrill management to reach the binding offer stage on an alternative acquisition. We therefore consider there to be no equivalent or superior alternative to the Transaction available to shareholders at the current date.

10.4 Conclusion

In the absence of a superior alternative, based on the matters outlined above, in our opinion, the Transaction and the acquisition of Sale Interests from the Sayers Family Trust are fair and reasonable to Non-Associated Shareholders.

This IER has been prepared to assist Non-Associated Shareholders in assessing the merits of the Transaction. In doing so, the report provides general information only and does not consider the individual situation, objectives and needs of each Non-Associated Shareholder. On this basis, Non-Associated Shareholders should consider whether this report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this report. If there is any doubt, Non-Associated Shareholders should seek their own professional advice.

Appendices

Appendix A Statement of qualifications and declarations

EY Transaction Advisory Services, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Corporations Act 2001 and its representatives are qualified to provide this report. The directors of EY Transaction Advisory Services responsible for this report have not provided financial advice to Ausdrill.

Prior to accepting this engagement, EY Transaction Advisory Services considered its independence with respect to Ausdrill and Barminco with reference to RG112.

This report has been prepared specifically for the Non-Associated Shareholders in relation to the proposed purchase of Barminco by Ausdrill. Neither EY Transaction Advisory Services, Ernst & Young and any employee thereof undertakes responsibility to any person, other than the Non-Associated Shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report EY Transaction Advisory Services has relied upon and considered information believed after due inquiry to be reliable and accurate. EY Transaction Advisory Services has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. EY Transaction Advisory Services has evaluated the information provided to it by Ausdrill its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. EY Transaction Advisory Services does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this report is set out in Appendix F to this report.

Ausdrill has provided an indemnity to EY Transaction Advisory Services for any claims suffered or incurred by EY Transaction Services directly arising out of any mis-statement or omission in any material or information provided to EY Transaction Advisory Services and used or relied upon by it in the preparation of this report.

EY Transaction Advisory Services provided draft copies of this report to Ausdrill for comments as to factual accuracy, as opposed to opinions, which are the responsibility of EY Transaction Advisory Services alone. Changes made to this report as a result of this review by the Directors and management of Ausdrill have not changed the methodology or conclusions reached by EY Transaction Advisory Services.

EY Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this report estimated at approximately A$120,000 (exclusive of GST). EY Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Evgeny Khrustalev a director and representative of EY Transaction Advisory Services and a partner of Ernst & Young and Mr Stuart Bright, a director and representative of EY Transaction Advisory Services and a partner of Ernst & Young have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other staff have been consulted in the preparation of this report where appropriate.

It is not intended that the report should be used for any other purpose other than to be included in the Notice of Meeting to be sent to the Non-Associated Shareholders be used for any other purpose other than as an expression of its opinion as to whether or not the proposed purchase of Barminco is fair and reasonable to the Non-Associated Shareholders.

EY Transaction Advisory Services consents to the issue of this report in the form and context in which it is included in the Notice of Meeting.

Appendix B Valuation methodologies

RG 111 provides guidance on the valuation methods that an independent expert should consider when valuing a company. These methods include the:

- DCF method and the estimated realisable value of any surplus assets.
- Application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount that would be available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale.
- Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets, and
- Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly adopted in valuing such an asset and the availability of appropriate information.

The DCF methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as oil and gas projects). The utilisation of this methodology generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

The net asset backing methodology involves consideration of the net realisable value of the assets of a business or company on a going concern basis, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair value.

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

Appendix C Description of comparable companies

CIMIC Group Limited ("CIMIC")

CIMIC is an ASX listed company. CIMIC is relatively diversified, with less than 30%[19] of revenue generated from contract mining services. Apart from contract mining services, its core business includes construction of infrastructure projects and the provision of engineering operations and maintenance services.

The majority of its contract mining revenue comes from Australian operations, with some revenue generated also from clients in New Zealand, the Philippines, Indonesia, Mongolia, India, Africa and South America. CIMIC generates most of its mining revenue from underground mining operations with a focus on the thermal and coking coal (Lake Vermont Coal, Jellinbah Plains, Curragh Coal, Dawson South Coal, Qcoal Northern Hub, Mt Owen Mine, Yallourn Mine Alliance), nickel (Rocky's Reward, Leinster Underground) and copper (Prominent Hill).

CIMIC acquired UGL Pty Limited in 2016 through a hostile takeover. UGL had a moderate presence in the mining contractor industry prior to the acquisition and offers services to mining firms as well as manufacturing and construction firms. CIMIC also acquired Sedgman in 2016, which provided engineering services including design, construction, and operation of mining infrastructure. In 2017, CIMIC attempted a hostile takeover of Macmahon Holdings[20] that was unsuccessful.

Downer EDI Limited ("Downer")

Downer is an ASX listed company that provides construction, engineering, and infrastructure development and management services across a range of infrastructure and mining assets. It has operations in Australia, New Zealand, Papua New Guinea, South Africa and South America.

Downer is relatively diversified, with less than 20%[21] of revenue generated from contract mining services. The company generates revenue from both underground and surface mining services. In 2017, Downer acquired 100% interest in Spotless Group what expands the range of Downer's contract services by including catering, cleaning, and laundry services to mining sites.

Downer's contract mining operations are mainly focused on copper (Carrapateena copper gold project) and gold (Gruyere gold project) assets, whilst also having exposure to the coal industry.

Aecon Group Inc.

Aecon Group Inc. is a TSX listed company that provides construction and infrastructure development services to private and public sector clients in Canada, the United States, and internationally. It operates through four segments: Infrastructure, Energy, Mining, and Concessions, with contract mining accounting for 12% of total revenue.

Watpac Limited

Watpac Limited is an ASX listed company that operates as a construction and civil and mining services company in Australia. Watpac Limited identifies three reportable segments: Construction (construction, refurbishment, project and design management), Civil & Mining (contract mining services and civil infrastructure works) and Property (Development, investment in and trading of property assets). Watpac Limited focuses on the construction business with the Civil & Mining segment share in total revenue of approximately 9%.

Byrnecut Australia Pty Ltd ("Byrnecut")

Byrnecut is a private company that is active in the contract mining industry in Australia with a focus on underground mining in the gold (Thunderbox Mine Site, Carosue Dam Mine Site, Challenger Mine Site, Deep South Mine Site) and copper (Capricorn Copper Mine Site, Golden Grove Mine Site) sectors. The company offers mine development, mine production, drilling and rehabilitation services. Byrnecut is a major competitor of Barminco with a large portion of its revenue in underground contract mining.

MACA Limited

MACA Limited is an ASX listed company that engages in mining, civil construction, and road infrastructure services in Australia and Brazil. Most of the mining projects that MACA are engaged in are in relation to load

[19] S&P Capital IQ, CIMIC annual financial report
[20] IBISworld industry report – Contract mining services in Australia – October 2017.
[21] S&P Capital IQ, Downer annual financial report

and haul, drill and blast, or crush and screen services. MACA Limited focuses on the gold assets (Gossan Hill, Matilda, Mount Magnet, Moolart Well, Rosemont, Garden Well). According to the company's annual report, close to 85% of its FY17 revenue was generated in the contract mining segment.

Macmahon Holdings Limited ("Macmahon")

Macmahon is an ASX listed company that provides contract mining services internationally, including customers in Australia and South East Asia. It conducts both surface mining and underground mining.

Macmahon has a diversified portfolio of key contracts across gold (Tropicana gold mine, Telfer gold-copper mine, St Ives gold mine, Cadia and Ridgeway operations, Martabe), copper (Olympic Dam), diamonds (Argyle Dikes), limestone (Lhokgna, Kanthan), triuranium octoxide (Ranger 3 Deeps) and other sectors.

In 2017 CIMIC unsuccessfully made takeover offer for Macmahon.

NRW Holdings Limited ("NRW")

NRW Holdings Limited is an ASX listed company which generates revenue in the mining sector providing civil and mining contract services to resources and infrastructure customers in Australia. NRW Holdings Limited focuses on surface mining services. NRW Holdings Limited's contract mining operations are focused on gold (Dalgaranga Gold), coal (Middlemount) and copper (Carrapateena Copper Mine) assets. According to the company's reports, more than 55% of revenue and more than 63% of EBITDA in the first half of FY18 were generated in the contract mining segment. For first half of FY17, NRW had close to 80% of sales and 84% of EBITDA generated in the contract mining segment.

NRW Holdings Limited acquired Golding in 2017 at an implied EV/EBITDA multiple of approximately 1.6.

Mastermyne Group Limited ("Mastermyne")

Mastermyne Group Limited is an ASX listed company which contracting services to the underground long wall mining operations and industrial products and services in the coalfields and supporting industries of Queensland and New South Wales.

Pybar Mining Services Pty Ltd ("Pybar")

Pybar is a private company that is one of the leaders in the Australian underground contract mining sector with a recent focus on gold (Dargues Gold Mine, Peak Gold Mine) and copper (Black Rock Cave, Mt Lyell, Capricorn Copper) assets.

BGC Contracting Pty Ltd ("BGC")

BGC Contracting Pty Ltd is a private company that provides construction and mining services for a range of sectors including oil and gas, mining, government infrastructure, building, and manufacturing sectors in Australia. For its mining services provided, we note that BGC's contract mining operations are focused on surface mining and are mainly in the iron ore (Mt Webber, Koolyanobbing, Iron Khob, South Middleback, Creek Constrained) and coal (Boggabri Coal) business.

Murray & Roberts Holdings Limited

Murray & Roberts Holdings Limited is a JSE listed company which operates in the construction and engineering, underground mining development, and oil and gas markets and provides services to customers in Africa, Australia, USA, Canada, South Korea and Europe.

Murray & Roberts Holdings Limited is relatively diversified, with 36%[22] of revenue and 52% of operating income generated from underground mining services in 2017. In 2016, contract mining services provided close to 54% of total operating income of the company. Murray & Roberts Holdings Limited has a diversified portfolio of key contracts across manganese, diamonds, gold, copper and other sectors.

Boart Longyear Ltd ("Boart")

Boart is an ASX listed company that provides drilling services in the United States and internationally. In addition, it manufactures and sells drilling equipment and tooling. According to its annual general meeting presentations, a significant share of its revenue is generated in the gold mining sector.

[22] Murray & Roberts Holdings Limited financial reports

Since many of Boart's drilling contracts are short-term, Boart does not disclose their engaged contracts. A number of Boart's customers disclosed their contracts with Boart. Those customers include Reedy Lagoon Corporation Limited (Columbus Salt Marsh project) and Rubicon Minerals Corporation (Phoenix Gold Project).

North American Construction Group Ltd.

North American Construction Group Ltd. is a NYSE listed company which provides a wide range of mining and heavy construction services to customers in the resource development and industrial construction sectors, primarily within WesternCanada, with approximately 90%[23] of revenue generated from operations support and services.

North American Construction Group Ltd. focuses on oil sands mines and provides services to Syncrude, Suncore Energy, Exxon Mobil and Canadian Natural.

Major Drilling Group International Inc.

Major Drilling Group International Inc. is a TSX listed company which primarily provides contract drilling services for mining and mineral exploration companies. Major Drilling maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa and Europe.

The Company categorises its mineral drilling services into three types: specialised drilling (51% of FY18 revenue), underground drilling (30% of FY18 revenue) and conventional drilling (11% of FY18 revenue) and is reliant primarily on gold and base metals.

Foraco International SA

Foraco International SA is a TSX listed company which provides drilling services to mining and water projects worldwide. Foraco International SA offers its drilling services in the exploration, development, and production phases of mining projects. As of December 31, 2017, it operated 302 drill rigs[24].

[23] North American Construction Group Ltd. investor presentation

[24] S&P Capital IQ

Appendix D Sources of information

In arriving at our views, we have had regard to the following sources of information:

- Audited annual financial statements for Ausdrill and Barminco for FY15, FY16, FY17 and FY18
- Results presentations for Ausdrill and Barminco for FY15, FY16, FY17 and FY18
- Management accounts of Barminco for FY15, FY16, FY17 and FY18
- Draft copies of the Notice of Meeting
- ASX announcements and filings issued by Ausdrill for the period from 2017 to 2018, including in relation to the Entitlement Offer and Transaction
- Company websites for Ausdrill, Barminco, AUMS and other companies in the sector
- Market data obtained from sources including ThomsonOne, S&P Capital IQ, IBIS World, Mergermarket, BMI
- Mergerstat control premium study as at 31 March 2018
- Data made available to Ausdrill to inform its assessment of Barminco

In addition we held discussions with various members of senior management of Ausdrill.

Appendix E Glossary

Glossary	
Abbreviation	Full Title / Description
$ or A$ or AUD	Australian dollars
ASX	Australian Securities Exchange
AUMS	African Underground Mining Services
Ausdrill	Ausdrill Limited
Ausdrill Notes	Ausdrill Limited Senior Unsecured Notes due in November 2019
Barminco	Barminco Holdings Pty Limited
Barminco Vendors	Holders of the Sale Interests in Barminco
BGC	BGC Contracting Pty Ltd
Boart	Boart Longyear Ltd
Byrnecut	Byrnecut Australia Pty Ltd
Cash Consideration	Cash of up to $25.4 million
CIMIC	CIMIC Group Limited
Consideration	150,666,463 fully paid ordinary shares in Ausdrill plus up to $25.4 million in cash
Diamond Communications	Diamond Communications Pty Ltd
Downer	Downer EDI Limited
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Entitlement Offer	Ausdrill's fully underwritten non-renounceable 1 for 2.13 entitlement offer to raise cash of $250 million before costs
Escrowed Funds	$15 million of the Cash Consideration held in escrow for six months after completion
EY Transaction Advisory Services	Ernst & Young Transaction Advisory Services Limited
FSG	Financial Services Guide
FY	Financial Year
HiSeis	HiSeis Pty Ltd
IER	A report on the proposed Transaction from an independent expert
JV	Joint Venture
KCGM	Kalgoorlie Consolidated Gold Mines
Macmahon	Macmahon Holdings Limited
Mastermyne	Mastermyne Group Limited
Mr Sayers	Mr Ronald George Sayers, the former Managing Director of Ausdrill
Non-Associated Shareholders	Shareholders of Ausdrill not associated with Barminco
Notice of Meeting	Notice of Annual General Meeting
NRW	NRW Holdings Limited
PPE	Property, plant and equipment
Pybar	Pybar Mining Services Pty Ltd
RC	Reverse circulation
Report	Independent Expert Report
RG 111	Australian Securities and Investment Commission regulatory guideline 111: Content of expert reports

Glossary

Abbreviation	Full Title / Description
RG 112	Australian Securities and Investment Commission regulatory guideline 112: Independence of experts
S&P	Standard & Poor's
Sale Interests	Barminco ordinary shares, redeemable preference shares and shareholder loan notes
Sayers Family Trust	Bremerton Pty Ltd (ACN 009 141 682) in its capacity as bare trustee for Nebraska Pty Ltd ACN 009 141 922 as trustee of the R.G. Sayers Family Trust
Share Consideration	150,666,463 fully paid ordinary shares in Ausdrill
Share Sale Agreement	Signed share sale agreement dated 15 August 2018 between Barminco and Ausdrill
SSA	Sub-Saharan Africa
TERP	Theoretical Ex-Rights Price reflecting the share price impact of the Entitlement Offer on a theoretical basis
Transaction	Ausdrill's binding agreement to acquire 100% of the ordinary shares, redeemable preference shares and shareholder loan notes of Barminco Holdings Pty Limited
US$	United States dollars
VWAP	Volume Weighted Average Price

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PART 2 - FINANCIAL SERVICES GUIDE

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

3 September 2018

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product. We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $132,000 (inclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of Section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

Annexure B – Investor Presentation


AUSDRILL
Acquisition of Barminco and equity raising
15 August 2018
NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Important notice and disclaimer

This presentation and these materials (together, the "**Presentation**") have been prepared by Ausdrill Limited ABN 95 009 211 474 (ASX:ASL) ("**Ausdrill**") in connection with the proposed acquisition of Barminco Holdings Pty Limited ABN 85 126 398 276 ("**Barminco**") and a related pro rata accelerated non-renounceable entitlement offer of new fully paid ordinary shares in Ausdrill ("**New Shares**"). By reviewing or retaining these materials, or attending or participating in this Presentation, you acknowledge and represent that you have read, understood and accepted the terms of this Important Notice and Disclaimer.

This Presentation should be read in conjunction with Ausdrill's 2018 Annual Report lodged with the Australian Securities Exchange ("**ASX**") on 15 August 2018 (including the risks noted under the heading "Key risks" on slides 41 to 50 (inclusive)) and other periodic and continuous disclosure announcements that have been lodged by Ausdrill with the ASX, and with Barminco's financial disclosures including Barminco's US Annual Compliant Report for the Year Ended 30 June 2018 and Results Presentation available at https://www.barminco.com.au/news-investors/investors.html and on the Singapore Stock Exchange (SGX).

Forward looking statements

This Presentation contains forward looking statements, including statements regarding projected earnings, revenue, growth, commodity prices, outlook, plans and strategies, the completion of the acquisition, the impact of the acquisition and the future strategies and results of the combined Ausdrill and Barminco groups ("**New Ausdrill**") and the opportunities available to it, the integration process and the timing and amount of synergies, the timing and outcome of the entitlement offer and the use of proceeds as well as guidance regarding future financial results for New Ausdrill's business. These statements relate to expectations, beliefs, intentions or strategies regarding the future. Forward looking statements may be identified by the use of words like 'anticipate', 'believe', 'aim', 'estimate', 'expect', 'intend', 'may', 'plan', 'project', 'will', 'should', 'seek' and similar expressions.

The forward looking statements reflect views and assumptions with respect to future events as of the date of this Presentation. However, they are not guarantees of future performance. They involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Ausdrill and its directors and management, and may involve significant elements of subjective judgement and assumptions as to future events that may or may not be correct. Refer to the "Key Risks" section of this Presentation for a summary of certain Ausdrill specific and acquisition specific risk factors that may affect Ausdrill. There can be no assurance that actual outcomes will not differ materially from those expressed in the forward looking statements in this Presentation. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this Presentation. Readers are cautioned not to place undue reliance on the forward looking statements, which are based only on information currently available to Ausdrill. Except as required by applicable laws or regulations, Ausdrill does not undertake to publicly update or revise the forward looking statements or this Presentation, whether as a result of new information or future events or circumstances.

No offer of securities

This Presentation is not a disclosure document and should not be considered as investment advice. The information contained in this Presentation is for information purposes only and nothing in this Presentation should be read or understood as an offer, invitation, solicitation, inducement or recommendation to buy or sell Ausdrill securities, or be treated or relied upon as advice by Ausdrill.

The release, publication or distribution of this Presentation (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Presentation, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws. Refer to the 'International offer restrictions' section of this Presentation for more information.

Important notice and disclaimer (cont'd)

Not for release or distribution in the United States

This Presentation may not be released or distributed in the Unites States.

This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. Neither the entitlements or the New Shares have been, or will be, registered under the U.S. Securities Act of 1933 ("**U.S. Securities Act**") or the securities laws of any state or other jurisdiction of the United States.

Accordingly, neither the entitlements nor the New Shares may be offered or sold, directly or indirectly, to persons in the United States, unless they have been registered under the U.S. Securities Act (which Ausdrill has no obligation or intention to do or procure), or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

Reliance on third party information

The views expressed in this Presentation contain information derived from sources believed to be reliable, although such information has not been independently verified in all instances. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, reliability or correctness of such information.

Information about Barminco

Certain information in this Presentation has been sourced from the vendors of Barminco, their representatives or associates. Ausdrill undertook a due diligence process in respect of Barminco, which relied in part on the review of financial and other information provided by the vendors of Barminco. Despite making reasonable efforts, Ausdrill has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. While steps have been taken to review that information, no representation or warranty, expressed or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy.

Similarly, Ausdrill has prepared (and made assumptions in the preparation of) the financial information relating to Barminco (on a stand-alone basis and also to New Ausdrill) included in this Presentation from financial and other information provided by the vendors of Barminco. Ausdrill is unable to verify the accuracy or completeness of all of this information.

Not investment advice

This Presentation does not constitute investment or financial product advice (nor tax, accounting or legal advice) or any recommendation by Ausdrill or its advisers to acquire entitlements or New Shares and does not and will not form any part of any contract for the acquisition of entitlements or New Shares. Each recipient of this Presentation should make its own enquiries and investigations regarding all information in this Presentation including but not limited to the assumptions, uncertainties and contingencies, which may affect future operations of Ausdrill and the impact that different future outcomes may have on Ausdrill.

The Presentation has been prepared without taking into account the investment objectives, financial situation or individual needs of any particular person. You should consult your own advisors as to legal, tax, financial and related matters and conduct your own investigations, enquires and analysis concerning any transaction, investment or other financial decision.

Financial data

Investors should note that this Presentation contains pro forma historical financial information. The pro forma financial information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of Ausdrill's views on its future financial condition and/or performance. The pro forma financial information has been prepared on the basis set out on slide 37, which also contains explanation of non-IFRS key financial terms used in this Presentation. Investors should also note that the pro forma financial information does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission (SEC), and such information does not purport to comply with Article 3-05 of Regulation S-X.

The pro forma financial information has been prepared by Ausdrill in accordance with the recognition and measurement principles of the Australian Accounting Standards and other mandatory reporting requirements in Australia, and Ausdrill's adopted accounting policies. Ausdrill has prepared (and made assumptions in the preparation of) the financial information relating to Barminco on a stand-alone basis and also to Ausdrill post-completion included in this Presentation in reliance on limited financial and other information provided by Barminco. Financial information contained in this presentation has been derived from audited consolidated annual accounts of Barminco, Barminco public announcements and other financial information made available by Barminco in connection with the acquisition, and Ausdrill does not take responsibility for it.

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Investors should be aware that certain financial measures included in this presentation are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934 and are not recognised under Australian Accounting Standards (**"AAS"**) and International Financial Reporting Standards (**"IFRS"**). The non-IFRS financial information/non-GAAP financial measures include EBITDA, EBITDA margin, EBIT(A), EBIT(A) margin, EBIT, NPAT(A), EPS(A), as well as the same measures stated on an underlying basis, net debt and return on average capital employed (**"ROACE"**).

Such non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although Ausdrill believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this Presentation. The financial information in the Presentation is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Financial data and rounding

All dollar values are in Australian dollars ($) unless stated otherwise. A number of figures, amounts, percentages estimates, calculations of value and other fractions used in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

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INDUSTRIOUS
Transaction
summary
NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

A compelling acquisition for Ausdrill …

… strategically

… financially

… operationally

- ✓ Creates Australia's clear #2, and leading listed pure-play, mining services company
- ✓ Pro forma FY18 underlying EPS(A)[1] accretion of over 28% (excluding synergies)
- ✓ Strengthens market leading position in international underground hard-rock contract mining
- ✓ Balances geographic exposure between Australia and Africa
- ✓ Consolidates African Underground Mining Services ("AUMS"), streamlining governance and providing clear operational control
- ✓ Delivers a lower capital intensity, higher return business
- ✓ Enhances future global growth opportunities
- ✓ Equity consideration creates alignment between Ausdrill and Barminco vendors
- ✓ Equity raising facilitates repayment of the Ausdrill Notes[2] to maintain prudent leverage
- ✓ Strengthens Ausdrill's position in the S&P/ASX200 index

[1] EPS(A) is calculated excluding transaction costs, synergies and amortisation of intangibles. It includes discontinued operations, the impact of the acquisition, issue of shares to Barminco vendors, the equity raising and associated TERP adjustment, pro forma repayment of the Ausdrill Notes[2], utilisation of deferred tax assets and other adjustments. See slides 27 and 28 for further information

[2] Ausdrill's Senior Unsecured Notes due November 2019 ("Ausdrill Notes")

Transaction summary

Barminco overview	■ Leading provider of underground hard-rock contract mining in Australia and Africa with FY18 proportionately consolidated underlying EBITDA[1] of $167.3m and EBIT(A) of $91.5m ■ Barminco has been Ausdrill's 50% joint venture partner in AUMS since 2007
Transaction summary	■ Ausdrill to acquire 100% of equity and equity-like instruments[2] ("Equity") of Barminco Holdings Pty Ltd ("Barminco") ■ Consideration comprises 150.7m fully-paid ex-dividend Ausdrill ordinary shares and $25.4m cash
Transaction metrics	■ Values Equity at $271.5m[3], together with $425.5m of net debt, implying an enterprise value of $697.0m ■ Proportionately consolidated underlying FY18 EV / EBITDA of 4.2x[4] and EV / EBIT(A) of 7.6x[4], discounts to Ausdrill's equivalent multiples of 4.7x[4] and 9.3x[4], respectively
Barminco shareholding	■ At acquisition completion, Barminco vendors will own approximately 22.1%[5] of New Ausdrill. 100% of the shares issued will be escrowed until the release of Ausdrill's FY19 results (late August 2019) ■ However, if after the release of Ausdrill's 1H19 results (late February 2019), its share price trades for any five consecutive days at a VWAP[6] of at least $2.04 (a 25% premium to TERP[3]), this escrow will cease to apply with respect to one third of the shares issued ■ Keith Gordon, currently Chairman of Barminco, will join Ausdrill's board as a director following completion

1 Underlying proportionately consolidated EBITDA and EBIT(A) – see slide 39
2 Including redeemable preference shares and shareholder loan notes
3 Based on an Ausdrill theoretical ex-rights price ("TERP") of $1.63
4 Multiple of underlying proportionately consolidated EBITDA and EBIT(A) – see slides 38 and 39. Ausdrill based on share price of $1.71 per share as of 14 August 2018
5 Share of New Ausdrill post equity raising
6 Volume weighted average price ("VWAP")

Transaction summary (cont'd)

Underwritten equity raising	▪ Concurrent with the acquisition announcement, Ausdrill is undertaking a fully underwritten 1 for 2.13 Accelerated Non-Renounceable Entitlement Offer ("Entitlement Offer") to raise $250m (before costs) at $1.47 per new share (10% discount to TERP of $1.63)
Leverage[1]	▪ Equity raising supports repayment of the Ausdrill Notes as soon as practicable after completion, resulting in lower gross debt for New Ausdrill. The Barminco Notes[2] are expected to remain in place ▪ New Ausdrill pro forma FY18 proportionately consolidated net debt / underlying proportionately consolidated EBITDA of 1.4x[3]
Dividends	▪ Shares issued in the equity raising will be eligible for Ausdrill's 30 June 2018 fully franked final and special dividends totaling 3.5 cents ▪ Shares issued to Barminco vendors will be ex-dividend ▪ Ausdrill dividend policy expected to remain at 40% of underlying NPAT(A) post transaction
Integration	▪ Well developed integration plan designed to manage the transition and assist Ausdrill to realise expected acquisition benefits ▪ Estimated run-rate synergies of approximately $5.0m per annum[4]
Conditions precedent	▪ Acquisition subject to customary conditions precedent including Ausdrill shareholder approval, no material adverse change to Barminco or Ausdrill, a favourable independent expert's report, continuation of material contracts and required change of control consents[5] ▪ Ausdrill's Directors unanimously support the transaction

1 This represents a statement of current intentions. Ausdrill will make final decisions on which debt instruments are repaid, and when, after consultation with lenders. If the acquisition does not complete, the net proceeds will be used to pay down Ausdrill debt or may be returned to shareholders (subject to any approvals required), or a combination of both

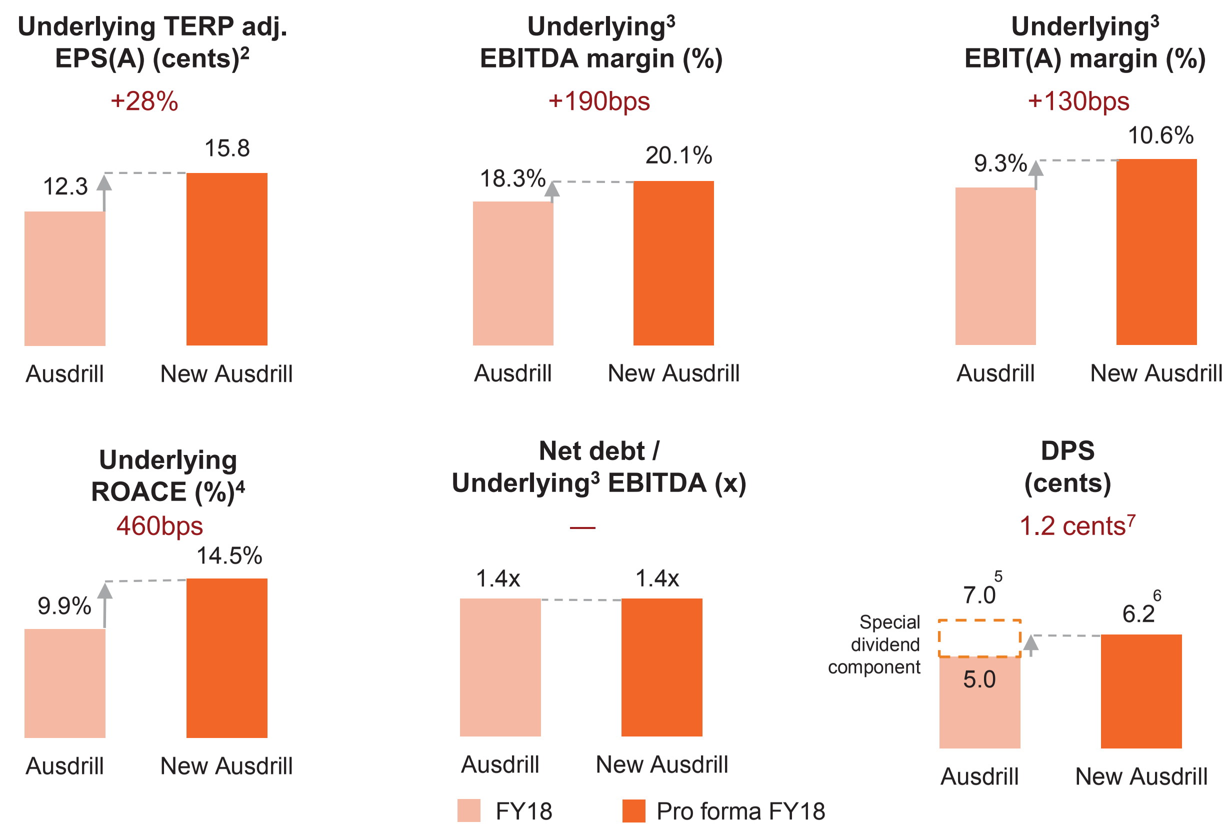
2 Barminco's Senior Secured Notes due May 2022 ("Barminco Notes")

3 See details of use of proceeds on slide 32

4 Synergy estimates have not been included in FY18 pro forma EPS(A) analysis for New Ausdrill

5 Further detail on conditions precedent is set out in Attachment I to today's ASX announcement

The acquisition is expected to be financially positive[1]



1 New Ausdrill metrics are pro forma including Ausdrill, Barminco and AUMS (100%) post-consolidation

2 EPS(A) is calculated excluding transaction costs, synergies and amortisation of intangibles. It includes discontinued operations, the impact of the acquisition, issue of shares to Barminco vendors, the equity raising and associated TERP adjustment, pro forma repayment of the Ausdrill Notes, utilisation of deferred tax assets and other adjustments. See slides 27 and 28 for further information

3 Ausdrill is on a proportionately consolidated underlying basis (including 50% contribution from AUMS). See slide 38

4 Return on average capital employed = Proportionately consolidated underlying EBIT(A) / sum of average of proportionately consolidated FY17 and FY18 receivables, inventories, PP&E less trade payables. ROACE for New Ausdrill based on pro forma balance sheet as of 30 June 2018

5 Ausdrill's full year dividend of 7.0 cents per share comprises 3.5 cent interim plus 1.5 cent final (for a 5.0 cent per share total ordinary dividend) plus a 2.0 cent per share special dividend

6 Assuming a 40% payout ratio applied to underlying NPAT(A)

7 Excludes FY18 special dividend

Timetable and process

Event	Date/Time (AEST)[1]
Announcement	Wednesday, 15 August 2018
Trading halt	Wednesday, 15 August 2018
Institutional Entitlement Offer closes	Thursday, 16 August 2018
Trading halt lifted	Friday, 17 August 2018
Announcement of results of Institutional Entitlement Offer and record date for the equity raising	Friday, 17 August 2018
Shares recommence trading on an “ex-entitlement” basis	Friday, 17 August 2018
Retail Entitlement Offer closes	5:00pm Wednesday, 5 September 2018
Notice of AGM despatched	Friday, 7 September 2018
Ex-dividend date	Wednesday, 3 October 2018
Annual General Meeting and shareholder vote	Thursday, 25 October 2018
Barminco acquisition completion	Wednesday, 31 October 2018

1 All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time. Ausdrill and the Underwriters reserve the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Ausdrill reserves the right to extend the closing date for the Retail Entitlement Offer, or to accept late applications under the Retail Entitlement Offer without prior notice

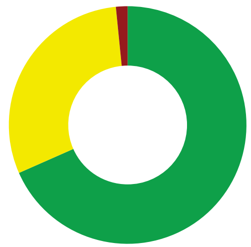

BUSINESS
Barminco overview
NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Barminco is one of the world's leading underground hard-rock contract miners

Overview

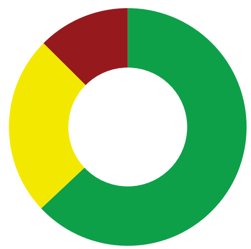
- Founded in 1989, Barminco provides underground hard-rock contract mining services under its own brand in Australia, Egypt and India
- Headquartered in Perth with 1,800 employees (AUMS employs an additional 1,000 people)
- Owned by a range of institutional and individual shareholders including Gresham, Peter Bartlett (Barminco's founder) and Ron Sayers (Ausdrill's founder)
- Also operates in other parts of Africa through AUMS (Ausdrill's 50% joint venture partner)
- Industry leading safety record with a TRIFR[2] of 7.1 and LTIFR[2] of 0
- Barminco is rated B1/B (Moody's/S&P)

2018 revenue by geography[1]



Australia	68%
Africa	30%
India	2%

2018 revenue by commodity[1]



Gold	63%
Nickel	24%
Zinc	13%

[1] Revenue represented on a proportionately consolidated basis (including 50% contribution from AUMS)

[2] Total Recordable Injury Frequency Rate and Lost Time Injury Frequency Rate, both per million man hours worked for the twelve months ended 30 June 2018

Barminco service offering[1]

Barminco

Underground contract mining

- Leading underground hard-rock mining services provider operating across Australia, Egypt and India
- Capability and fleet to provide customised solutions for longhole, specialist and production drilling applications
- Production mining services include drilling, charging and blasting, load and hauling to the surface

72% of Revenue — **$530m**

65% of EBITDA[2] — **$108m**

Diamond drilling/Other[3]

- Offers a complete suite of underground diamond drilling services including grade control and orebody definition
- All standard core sizes to 2,000m

8% of Revenue[3] — **$56m**

5% of EBITDA[2,3] — **$9m**

African Underground Mining Services (50% JV with Ausdrill)

AUMS

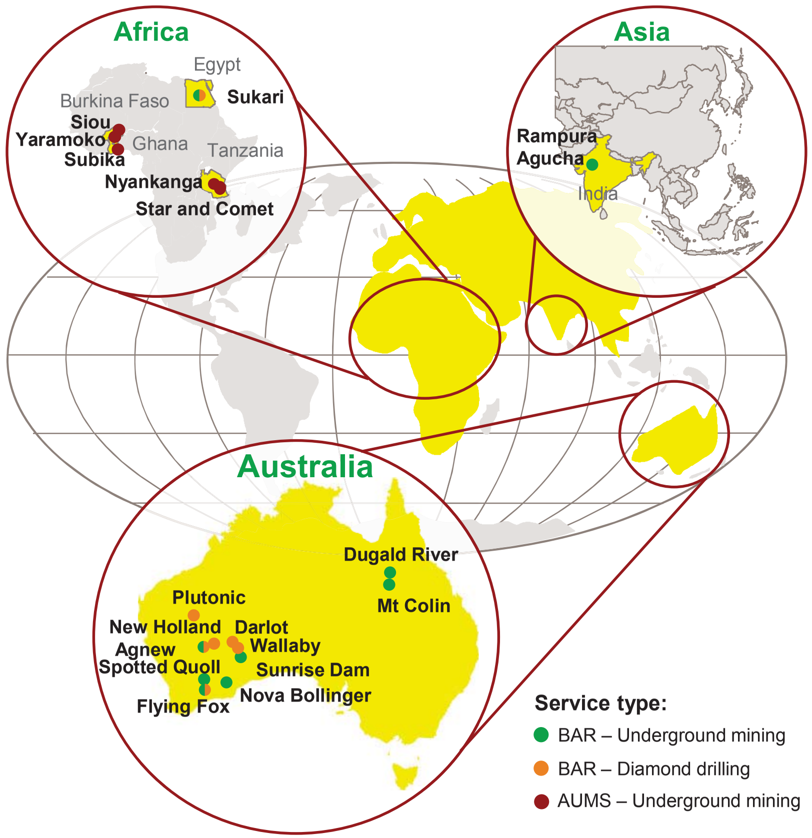
- Provides comprehensive underground mining and mine management services across East and West Africa
- Production mining services include drilling, charging and blasting, load and haul, shotcreting and diamond drilling
- Services predominantly provided to clients engaged in gold mining

20% of Revenue[4] — **$146m**

30% of EBITDA[4] — **$50m**

1 Divisional financials represented on a proportionately consolidated underlying basis for FY18 (including 50% contribution from AUMS)
2 Includes normalisations for shareholder management fees – see slide 39
3 Revenue and EBITDA include contribution from diamond drilling, crushing, shared services and other
4 As per Barminco reporting – see slide 39

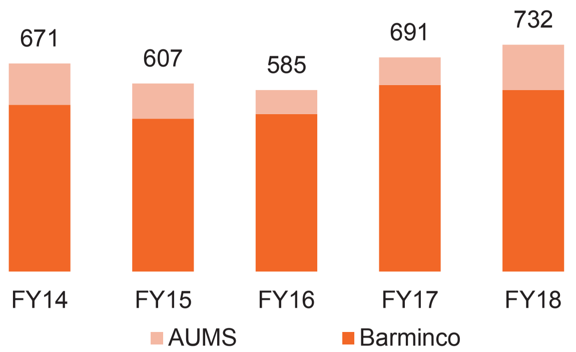
Barminco and AUMS have a diverse international portfolio of contracts



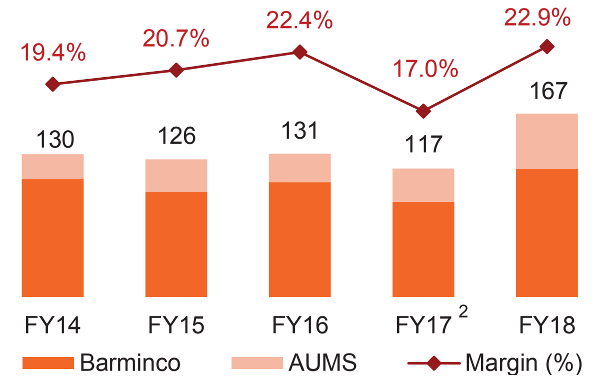
Project	Client	Geog.	Comm.
Australia			
Sunrise Dam	AngloGold Ashanti	WA	Gold
Dugald River	MMG	QLD	Zinc
Mt Colin	Round Oak Minerals	QLD	Copper
Spotted Quoll	Western Areas	WA	Nickel
Nova Bollinger	Independence Group	WA	Nickel
Agnew	Gold Fields	WA	Gold
Flying Fox	Western Areas	WA	Nickel
Plutonic	Billabong Gold	WA	Gold
Wallaby	Gold Fields	WA	Gold
New Holland	Gold Fields	WA	Gold
Darlot	Red 5	WA	Gold
International			
Sukari	Centamin	Egypt	Gold
Rampura Agucha	Hindustan Zinc	India	Zinc
Star & Comet	AngloGold Ashanti	Tanzania	Gold
Nyankanga	AngloGold Ashanti	Tanzania	Gold
Subika	Newmont Ghana Gold	Ghana	Gold
Yaramoko	Roxgold	Burkina Faso	Gold
Siou	SEMAFO	Burkina Faso	Gold

Barminco has evidenced a solid track record through the mining cycle and has delivered strong earnings growth in FY18[1]

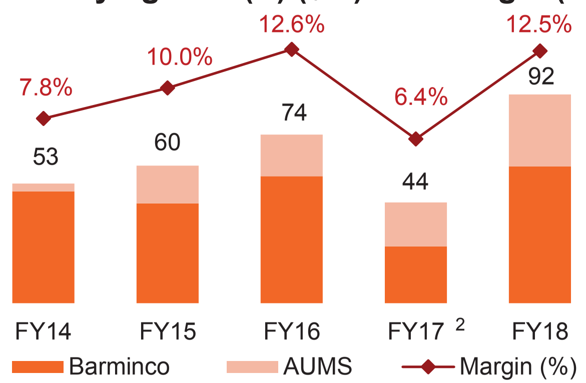
Revenue ($m)



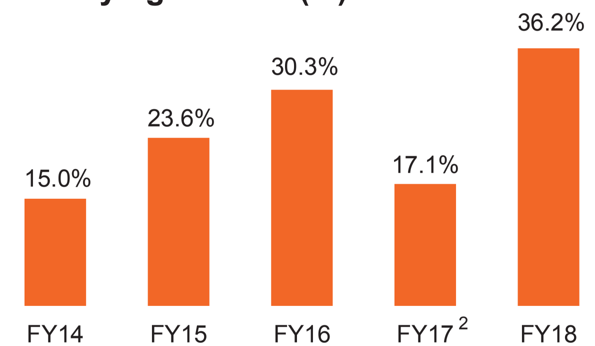
Underlying EBITDA ($m) and margin (%)



Underlying EBIT(A) ($m) and margin (%)



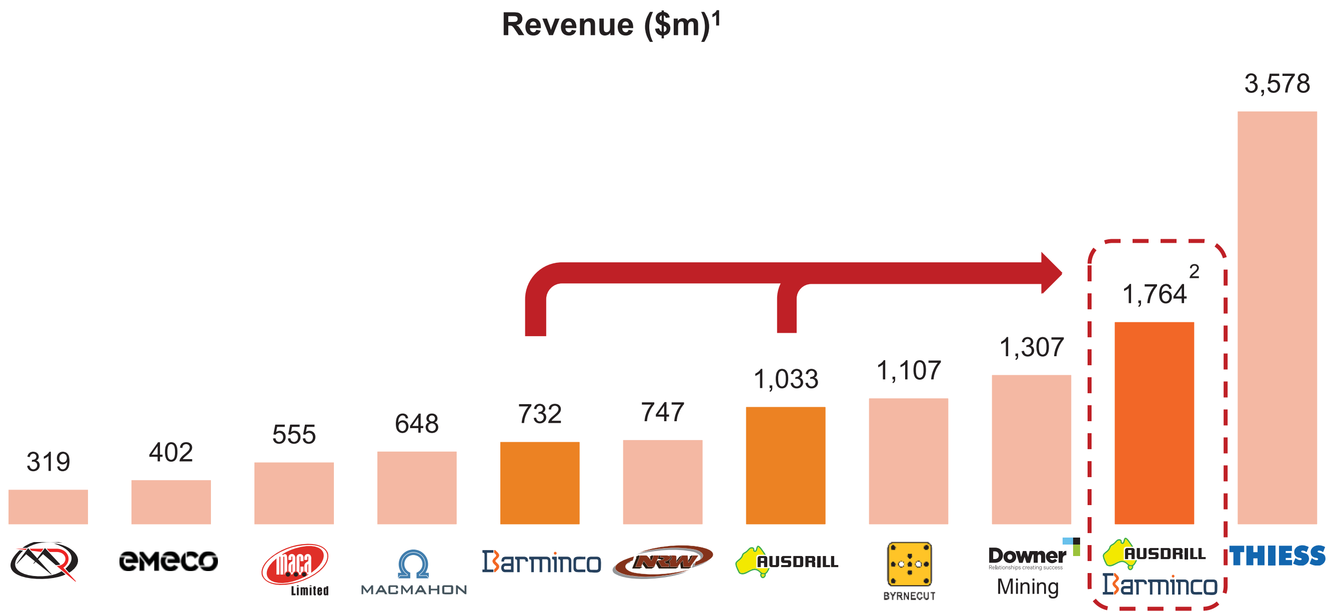
Underlying ROACE (%)[3]



1. All financials reflected on a proportionately consolidated underlying basis (including 50% contribution from AUMS) – see slide 39
2. Barminco's FY17 earnings materially impacted by once-off underperformance of Kundana (now exited) and Rampura Agucha (now rectified) contracts. FY17 excludes onerous contract provision of $3.7m
3. Return on average capital employed = Proportionately consolidated underlying EBIT(A) / sum of average proportionately consolidated current and prior year receivables, inventories, PP&E less trade payables


INDUSTRIOUS
Strategic
rationale

The acquisition positions Ausdrill as the clear #2 Australian mining services provider (and largest listed pure-play)



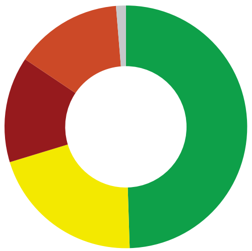
- Creates Australia's clear #2 mining services provider
- Largest listed Australian pure-play mining services company
- Strengthens Ausdrill's position in the S&P/ASX200 index

1 Ausdrill based on sales revenue. Proportionately consolidated revenue for Ausdrill and Barminco. FactSet consensus FY18E revenue for Emeco, MACA, Macmahon and NRW. Byrnecut based on twelve months to 31 December 2017. Downer Mining based on twelve months to 31 December 2017. Mineral Resources based on twelve months to 31 December 2017 for Mining Services & Processing external revenue (comparable total revenue figure is $903m). Thiess based on twelve months to 30 June 2018 for CIMIC Mining & Mineral Processing segment revenue (comparable total revenue figure is $3,420m)

2 Pro forma includes 100% contribution from AUMS

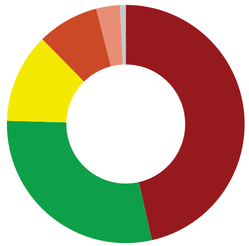
The acquisition delivers a more balanced and diverse revenue portfolio[1]

Revenue by business activity – pre transaction[2]



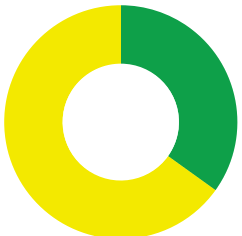
Surface mining	49%
Drilling services	21%
Underground mining[2]	14%
Equipment services	14%
Other	1%

Revenue by business activity – post transaction (pro forma)



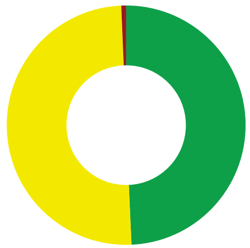
Underground mining[3]	46%
Surface mining	29%
Drilling services	12%
Equipment services	8%
Diamond drilling	3%
Other	1%

Revenue by geography – pre transaction[2]



Australia	35%
Africa	65%

Revenue by geography – post transaction (pro forma)



Australia	48%
Africa	50%
India	1%

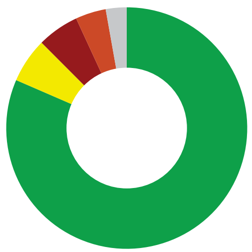
1 Ausdrill based on sales revenue

2 Pre transaction revenue for Ausdrill reflected on a proportionately consolidated basis (including 50% contribution from AUMS)

3 Post transaction revenue is 100% of AUMS and Barminco's underground mining segment

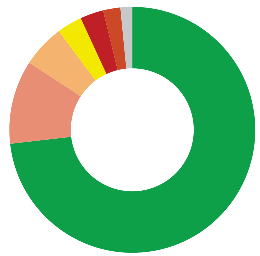
A more diverse project portfolio

Revenue by commodity – pre transaction[1]



Gold/copper	82%
Iron	6%
Coal	6%
Manganese	4%
Other	3%

Revenue by commodity – post transaction (pro forma)



Gold/copper	73%
Nickel	12%
Zinc	6%
Iron	3%
Coal	3%
Manganese	2%
Other	1%

Expanded portfolio of leading mining clients[2]

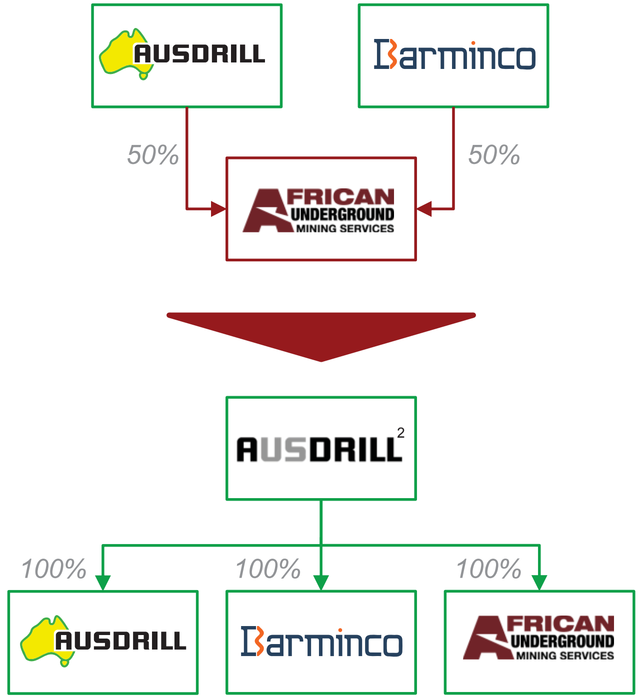
AngloGold Ashanti, BHP, MMG, Peabody Energy, Gold Fields, Hummingbird Resources, Perseus Mining Limited, igo, Mineral Resources, Resolute, Newmont, SEMAFO, Western Areas Ltd, Roxgold, Toro Gold, Superior Gold Inc., Centamin, Red5 Limited, GMC, Hindustan Zinc

1 Pre transaction revenue for Ausdrill reflected on a proportionately consolidated basis (including 50% contribution from AUMS)

2 Not exhaustive. List includes existing clients of Ausdrill, Barminco and AUMS

Consolidation of AUMS – a high margin, high growth business

- Ausdrill and Barminco have been joint venture partners since 2007
- Facilitates 100% ownership of AUMS, the fastest growing, highest margin and highest return on capital business of Ausdrill[1] and Barminco
- Streamlines current governance structure and provides operational control
- Benefit of relative de-gearing of Ausdrill due to earnings consolidation of AUMS
- Ausdrill shareholders increase effective exposure to the fast growing, underground mining business
- Africa presents good organic growth opportunities that enable further portfolio expansion



1 For further details see Ausdrill FY18 annual report

2 Simplified organisational chart

Business rationalisation provides a clear "go to market" strategy

Current brands	New brand strategy
	AUSDRILL
African Underground Mining Services; Barminco	Barminco
AMS African Mining Services; Logistics Direct	AMS
Ausdrill Northwest; Ausdrill; Connector Drilling; Drill Rigs Australia; MinAnalytical Laboratory Services Australia Pty Ltd; Synegex Explosives Direct	AUSDRILL
BTP Parts; BTP Equipment; Supply Direct	BTP

Non-core

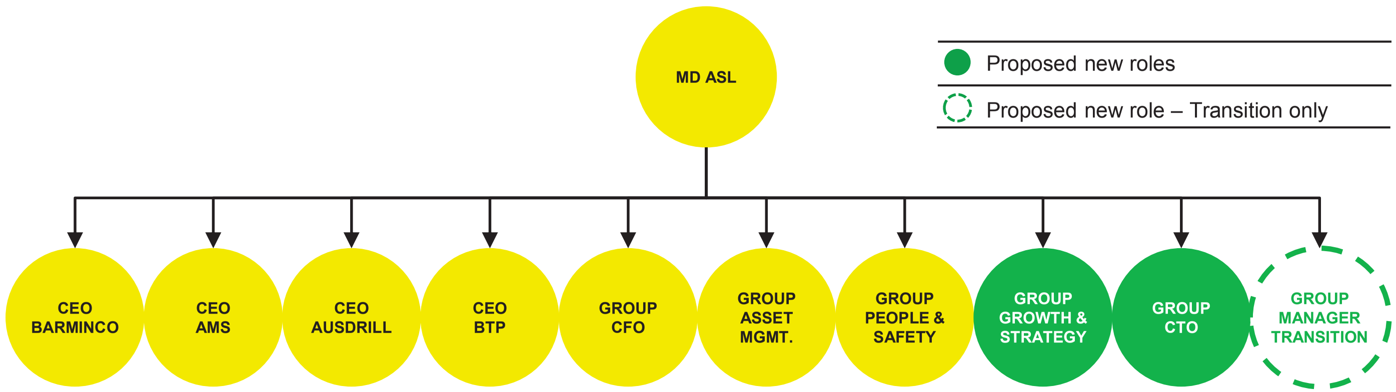
Well Control Solutions; Energy Drilling Australia

Integration guiding principles

An orderly and well resourced integration plan developed to ensure a successful acquisition

Focus on culture	**Unique opportunity to shape culture**	One-time chance to meld best of both cultures
	Leadership	High level of authentic employee touch and communications
	People	With the respective complementary skills across the combined entities we expect little change in management
Best of breed approach	**Brand**	Adopt brands that maximise market share, profit and ROACE
	Structure	Adopt business and organisation structures that best serve clients
	Processes	Adopt best of two equivalent processes
	Systems	Adopt best of three systems

Organisational structure



Rationale

- Organisational structure designed for growth under new Group Managing Director – Mark Norwell[1]
- Operational leadership rationalised under four core businesses – see slide 22
- New functions to enhance capability of a performance and technology driven growth business
- Centralised support services in two regional hubs to support global business to deliver approximately $5.0m in run-rate cost synergies[2] from duplicated overheads, procurement and other initiatives
- Business critical employees and key relationship managers incentivised to remain through remuneration structures
- Integration planning well progressed – integration team members identified

[1] Commences 17 September 2018

[2] Synergy estimates have not been included in FY18 pro forma EPS(A) analysis for New Ausdrill

Creates a foundation for pursuing global underground mining growth opportunities

Target markets in underground mining[1]

TIER 1&2[2] targets:

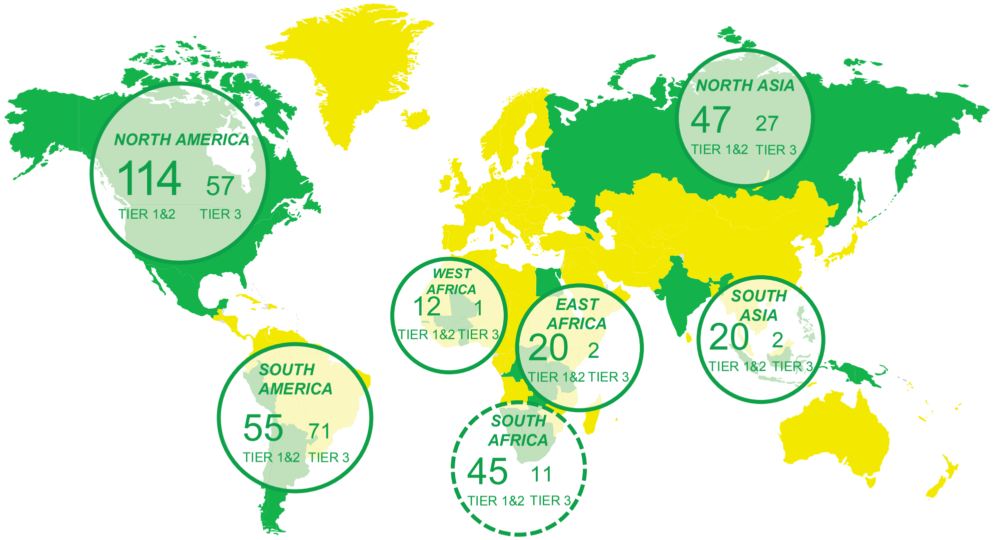
313

TIER 3[3] targets:

171

Target markets

Alternate markets



- Transaction creates platform to be a global underground mining player and lays the foundation for global growth and expansion
- Ausdrill evaluates global mine opportunities by assessing level of mining activity, ease of doing business, economic outlook, political stability and security
- A total of 313 Tier 1&2 mine site targets have been identified, with considerable scope for growth for New Ausdrill both within and outside existing geographic areas of operation
- Ausdrill MD Mark Norwell has significant international experience

1 Source: Ausdrill management analysis as of June 2018

2 Tier 1&2 key criteria: Major/mid-tier global mining companies, at least one large operating asset or multiple assets, often multi-market assets and market capitalisation over $500m or similar if private

3 Tier 3 key criteria: Mostly junior miners/exploration companies, mainly private or small entities, smaller sized and few assets, mostly operate in a single market and market capitalisation less than $100m or similar if private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Financial impact
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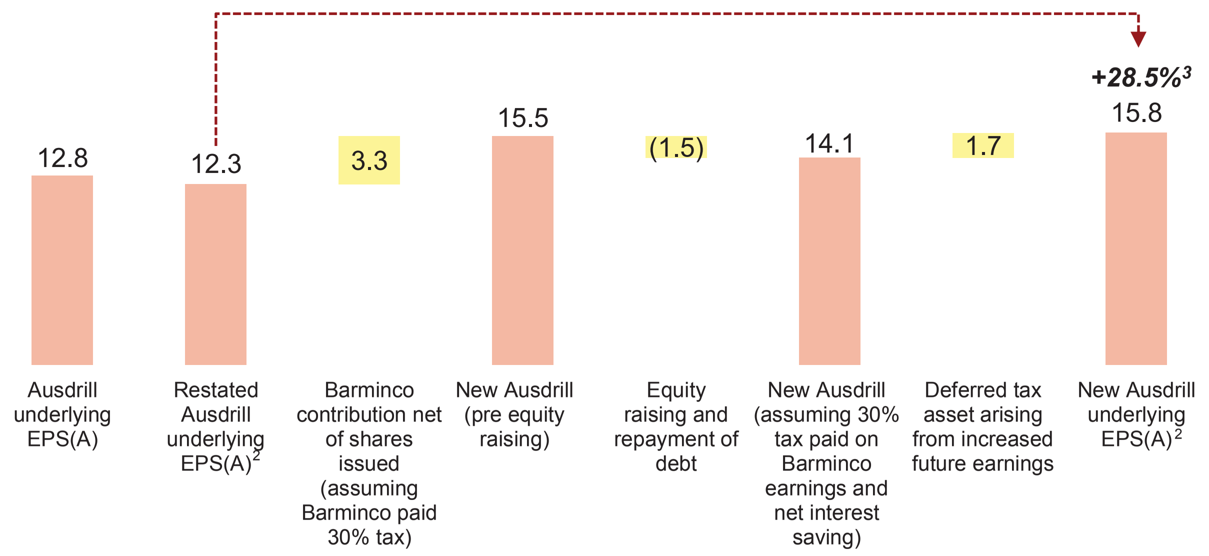
Pro forma FY18 earnings per share impact[1]

EPS(A) (cents)



1 Pro forma transaction impacts are illustrative only. EPS(A) is calculated excluding transaction costs, synergies and amortisation of intangibles. It includes discontinued operations, the impact of the acquisition, issue of shares to Barminco vendors, the equity raising and associated TERP adjustment, pro forma repayment of the Ausdrill Notes, utilisation of deferred tax assets and other adjustments. Assumes an indicative effective tax rate for Barminco of 30% and net interest savings. See slide 28 for further information

2 In accordance with AASB 133, Ausdrill pre transaction EPS(A) has been restated based on an adjustment factor to take into account the bonus element of the Entitlement Offer

3 These forward looking statements are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Ausdrill, its directors and management, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. See slide 2

As Ausdrill and Barminco have independently made positive outlook statements for FY19, pro forma underlying FY19 EPS(A) is expected to be at solid growth on underlying pro forma FY18[3]

Pro forma FY18 income statement

$Million	(A) Ausdrill	(A) Barminco	(B) Elim. of assoc.	(C) AUMS	Trans. adj.	New Ausdrill	(H) Adj.	Underlying New Ausdrill	
Revenue	**887.3**[1]	**586.1**	**-**	**290.4**	**-**	**1,763.8**	**-**	**1,763.8**	**Margin**
EBITDA	**177.4**	**139.6**	**(45.7)**	**99.0**	**-**	**370.2**	**(14.9)**	**355.3**	*20.1%*
EBIT(A)	**102.9**	**82.4**	**(45.7)**	**61.9**	**-**	**201.5**	**(14.9)**	**186.6**	*10.6%*
Customer related amort.	-	(0.9)	-	-	(39.8) (D)	**(40.8)**	-	**(40.8)**	-
EBIT	102.9	81.4	(45.7)	61.9	(39.8) (D)	**160.7**	(14.9)	**145.8**	-
Net interest expense	(28.8)	(43.7)	-	(2.5)	22.3 (E)	**(52.6)**	-	**(52.6)**	-
Tax expense	(14.7)	12.9	-	(14.8)	(13.1) (F)	**(29.7)**	-	**(29.7)**	-
Profit from disc. operations	1.7	-	-	-	-	**1.7**	-	**1.7**	-
NPAT	61.1	50.7	(45.7)	44.7	(30.6)	**80.1**	(14.9)	**65.2**	-
NPAT(A)	61.1	51.6	(45.7)	44.7	9.2	**120.8**	(14.9)	**105.9**	-
Underlying NPAT(A)	**45.2**	**39.5**	**(45.7)**	**44.7**	**22.3**	**n/a**	**-**	**105.9**	**Change**
Underlying EPS(A) (cents)	**12.8**	**-**	**-**	**-**	**-**	**n/a**	**-**	**15.8**	*22.7%*
Underlying EPS(A) TERP adj.	**12.3**	**-**	**-**	**-**	**-**	**n/a**	**-**	**15.8**	*28.5%*
Indicative DPS[2] (cents)	**5.0**[3]	**-**	**-**	**-**	**-**	**n/a**	**-**	**6.2**	*24.1%*
Shares on issue (m)	351.8[4]	-	-	-	320.7 (G)	**672.5**	-	**672.5**	-

1 Ausdrill based on sales revenue only

2 Assuming a 40% payout ratio applied to NPAT(A)

3 Ausdrill's full year dividend of 7.0 cents per share comprises 3.5 cent interim, 1.5 cent final and 2.0 cent special dividend. This base component of 5.0 cents per share is the sum of the 3.5 cent interim and 1.5 cent final full year dividends and excludes the special dividend

4 Basic weighted average shares on issue

Pro forma FY18 income statement (notes)

The New Ausdrill pro forma FY18 income statement has been derived from the FY18 audited financial statements of Ausdrill and Barminco, and adjusted to reflect the impact of the acquisition and Entitlement Offer as if both had occurred on 30 June 2017. As a result, the New Ausdrill pro forma FY18 income statement excludes the impact of the one-off gain recognised on acquisition upon remeasurement of Ausdrill's existing 50% share in AUMS and any transaction costs incurred. Both of which would be adjusted in the calculation of New Ausdrill underlying earnings given one-off nature. However, these items have been reflected in the New Ausdrill pro forma 30 June 2018 balance sheet – see following slides for further details

A – Presented on a statutory reported basis, as reflected in each company's respective audited financial statements, i.e. inclusive of equity accounted share of net profit after tax from AUMS

B – Elimination of equity accounted share of net profit after tax from AUMS included in each company's statutory income statement

C – Pro forma adjustment to recognise 100% of AUMS results

D – Indicative customer related amortisation expense that will be recognised upon acquisition of Barminco. Existing Barminco amortisation expense of $0.9m includes $0.4m of other non-customer related amortisation expense which has not been adjusted. Figures are illustrative only and subject to change upon finalisation of purchase accounting post acquisition. See slide 40

E – Pro forma adjustment to reflect impact on net interest expense from interest savings from the repaid Ausdrill Notes, additional interest expense on RCF drawdown, interest income foregone from cash utilised and additional interest expense (non-cash) recognised on fair value remeasurement of the Barminco Notes

F – Reversal of Barminco's $13.1m current year income tax benefit recognised from prior year tax losses, net of tax effect of other pro forma adjustments. This income tax benefit is non-recurring and would not be recognised by New Ausdrill

G – 150.7m shares issued to Barminco vendors and 170.0m shares issued as part of the Entitlement Offer

H – Adjustments to derive underlying earnings – see slides 38 and 39

Pro forma FY18 balance sheet

30 June 2018 $Million	A Ausdrill	A Barminco	B AUMS	C AUMS adj.	Trans. adj.	New Ausdrill
Cash and cash equivalents	137.3	80.3	33.3	-	(110.4) D	**140.4**
Receivables	230.5	83.5	44.5	-	-	**358.4**
Inventories	212.6	20.7	50.1	-	-	**283.4**
Property, plant and equipment	664.3	124.9	90.6	-	-	**879.8**
Intangibles	-	2.1	-	77.4	189.4 E	**268.9[1]**
Goodwill	-	256.9	-	136.5	103.6 F	**497.0[1]**
Deferred tax assets	35.5	63.3	-	-	(9.0) G	**89.8**
Other assets	87.5	75.0	(142.5)	-	-	**20.1**
Total assets	**1,367.8**	**706.6**	**76.0**	**213.9**	**173.5**	**2,537.8**
Payables	122.8	72.6	30.5	-	12.2 H	**238.0**
Interest bearing liabilities[2]	404.6	481.9	41.7	-	(304.8) I	**623.3**
Derivative financial instruments	-	19.7	-	-	-	**19.7**
Deferred tax liabilities	24.9	-	(2.3)	25.9	60.1 J	**108.7**
Employee provisions	39.5	27.5	1.5	-	-	**68.6**
Other liabilities	1.2	10.8[3]	4.6	-	(10.8) K	**5.8**
Total liabilities	**593.0**	**612.4**	**76.0**	**25.9**	**(243.2)**	**1,064.1**
Share capital	624.6	-	-	-	490.4 L	**1,114.9**
Reserves	(12.5)	-	-	-	-	**(12.5)**
Retained earnings	162.6	-	-	188.0 C	20.6 M	**371.2**
Shareholders' equity	**774.8**	-	**-**	**188.0**	**511.0**	**1,473.7**
Net debt[4]	267.3	421.3	8.4	-	(194.4)	**502.6**
Prop. consolidated net debt	271.5	425.5	-	-	(194.4)	**502.6**

1 See slide 40

2 Interest bearing liabilities presented are net of capitalised borrowing costs – see slide 32

3 Includes Barminco shareholder loan as per statutory accounts but will be eliminated on consolidation post acquisition – refer to Note K

4 Net debt inclusive of derivative financial instruments and net of capitalised borrowing costs. See slide 32

Pro forma FY18 balance sheet (notes)

The New Ausdrill pro forma 30 June 2018 balance sheet has been derived from the FY18 audited financial statements of Ausdrill and Barminco, and adjusted to reflect the impact of the acquisition and Entitlement Offer as if both had occurred on 30 June 2018

A – Presented on a statutory reported basis, as reflected in each company's respective audited financial statements, i.e. inclusive of investment in AUMS recognised as an equity accounted joint venture

B – Pro forma adjustment to recognise 100% of AUMS net assets (i.e. on a proportionately consolidated basis) and eliminate investment in equity accounted joint ventures

C – Pro forma adjustment to recognise fair value adjustments on Ausdrill's existing 50% share in AUMS. Under accounting standards, Ausdrill is required to recognise its 50% share of net assets in AUMS at fair value (including recognition of identifiable intangible assets and goodwill) at the acquisition date. The accounting for the step acquisition of Ausdrill's existing 50% share in AUMS results is a gain recognised in Ausdrill's income statement post acquisition of $188.0m based on management's indicative analysis (subject to change based on finalisation of the purchase price accounting ("PPA")). Actual intangibles will be calculated as at completion based upon the then prevailing Ausdrill share price. To the extent that Ausdrill's share price at completion is greater than TERP, it is Ausdrill's intention to impair any additional goodwill created which would be offset by the gain recognised post acquisition by New Ausdrill upon the re-measurement of Ausdrill's existing 50% equity interest in AUMS at fair value

D – Net reduction in cash reflecting the net proceeds from the equity raising (net of approximately $25.5m of transaction costs, including Barminco's transaction costs), partial repayment of the Ausdrill Notes and cash consideration paid to Barminco vendors

E – Indicative customer contract and relationship intangible assets recognised on acquisition of Barminco. This balance is indicative only and subject to change upon finalisation of PPA post acquisition

F – Indicative adjustment to recognise goodwill on acquisition of Barminco. This balance is indicative only and subject to change upon finalisation of PPA post acquisition, including the treatment of transaction costs, duties and management incentives

G – Net reduction in DTA reflecting the de-recognition of Barminco's carried forward tax losses on acquisition, partially offset by the recognition of Ausdrill's carried forward tax losses previously not recognised

H – Contingent liabilities recognised on acquisition of Barminco in accordance with accounting standards, partially offset by a reduction in liabilities to be settled pre-acquisition

I – RCF drawdown for the partial repayment of the Ausdrill Notes and payment of transaction costs, write-off of unamortised borrowing costs, reduction in the Barminco Notes (including associated capitalised borrowing costs) upon re-measurement at fair value on acquisition. The fair value adjustment for the Barminco Notes is indicative only and will be subject to change based on the trading price of the notes and the prevailing AUD:USD exchange rates at completion

J – Deferred tax liabilities in respect of the customer intangibles recognised as part of PPA on acquisition of Barminco

K – Ausdrill will acquire the loan receivable currently held by Barminco vendors as part of the transaction and therefore this balance will eliminate with the Barminco shareholder loan of $10.8m on consolidation

L – $244.3m (net of transaction costs) new shares issued as part of the Entitlement Offer and $246.1m new shares issued to Barminco vendors

M – Net increase in retained earnings of $20.6m from recognition of Ausdrill carried forward tax losses, partially offset by transaction costs (including employee bonus payments) and write-off of unamortised borrowing costs on repayment of the Ausdrill Notes

Pro forma FY18 capitalisation[1]

30 June 2018 $Million	Ausdrill	Barminco	AUMS	Trans. adj.	New Ausdrill
Ausdrill Notes	405.0	-	-	(405.0)	-
Barminco Notes	-	468.0	-	(17.8)[2]	**450.3**
Revolver (drawn)	-	-[3]	-	106.2[4]	**106.2**
Other[5]	(0.4)	33.5	41.7	11.8	**86.5**
Gross debt[6]	**404.6**	**501.6**	**41.7**	**(304.8)**	**643.0**
Cash	(137.3)	(80.3)	(33.3)	110.4	**(140.4)**
Net debt[6]	**267.3**	**421.3**	**8.4**	**(194.4)**	**502.6**
Shareholders' equity	**774.8**	**n/a**	**n/a**	**699.0**	**1,473.7**
Prop. consolidated gross debt	425.4	522.4	-	(304.8)	**643.0**
Prop. consolidated net debt	271.5	425.5	-	(194.4)	**502.6**
Prop. consolidated: Gross debt / underlying EBITDA (x)	2.3x	3.1x	n/a	n/a	**1.8x**
Prop. consolidated: Net debt / underlying EBITDA (x)	1.4x	2.5x	n/a	n/a	**1.4x**
Gearing[7]	25.7%	n/a	n/a	n/a	**25.4%**
Shares on issue (m)	351.8[8]	n/a	n/a	320.7[9]	**672.5**
Revolver (undrawn)	200.0	71.4[3,10]	-	(106.2)[4]	**165.2**

1 This represents a statement of current intentions. Ausdrill will make final decisions on which debt instruments are repaid and when after consultation with lenders. If the acquisition does not complete, the net proceeds will be used to pay down Ausdrill debt or may be returned to shareholders (subject to any approvals required), or a combination of both

2 Reduction in the Barminco Notes upon remeasurement at fair value at acquisition in accordance with accounting standards. The fair value adjustment reflects the implied discount based on the SGX traded price of the Barminco Notes and AUD:USD exchange rate as at 30 June 2018

3 No cash currently drawn, however $3.6m of bank guarantees and transaction banking facilities have been applied against this balance

4 Partial repayment of the Ausdrill Notes through revolver drawdown and funding of transaction costs

5 Includes hire purchase liabilities, bank loans, derivative financial liabilities and capitalised borrowing costs

6 Net of capitalised borrowing costs

7 Gearing calculated as net debt / (net debt plus shareholders' equity)

8 Basic weighted average FY18 shares outstanding

9 Comprises 150.7m shares issued to Barminco vendors and 170.0m shares issued in equity raising

10 Ausdrill intends to retain the Barminco revolver in place, subject to a change of control provision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Entitlement Offer
NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Overview of the equity raising

Offer structure	▪ Fully underwritten 1 for 2.13 Accelerated Non-Renounceable Entitlement Offer to raise $250m before costs ▪ 170.0m New Shares to be issued (equivalent to 46.9% of existing shares excluding any shares to be issued to Barminco vendors)
Offer price	▪ Entitlement Offer priced at $1.47 per New Share ("Offer Price"), representing: — 14.0% discount to the last traded price of $1.71 on 14 August 2018 — 10.0% discount to TERP[1] of $1.63
Use of proceeds	▪ Net proceeds are intended to be used to partially fund the repayment of the Ausdrill Notes (balance to be repaid from existing cash and revolving credit facility drawdown)[3]
Retail over-subscription	▪ The retail component will include an oversubscription facility under which eligible retail shareholders who take up their full entitlement may apply for additional New Shares to the extent New Shares are not taken up by eligible retail shareholders[4]
Ranking	▪ New Shares issued will rank pari passu with existing shares and will be eligible for the FY18 final dividend of 3.5 cents per share
Director participation	▪ Ausdrill Directors that are shareholders have indicated they will participate in the Retail Entitlement Offer

1 Theoretical ex-rights price ("TERP") is a theoretical calculation only and the actual price at which Ausdrill shares trade immediately following the ex-date for the Entitlement Offer. The actual trading price may be different from TERP

2 Volume weighted average price ("VWAP")

3 This represents a statement of current intentions. Ausdrill will make final decisions on which debt instruments are repaid, and when, after consultation with lenders. If the acquisition does not complete, the net proceeds will be used to pay down Ausdrill debt or may be returned to shareholders (subject to any approvals required), or a combination of both

4 Retail oversubscription facility capped at 25% of entitlement at record date

Equity raising timetable

Event	Date/Time (AEST)[1]
Trading Halt, announcement of acquisition, Institutional Entitlement Offer and opening of Institutional Entitlement Offer	Wednesday, 15 August 2018
Institutional Entitlement Offer closes	Thursday, 16 August 2018
Announcement of results of Institutional Entitlement Offer	Friday, 17 August 2018
Trading halt lifted – Shares recommence trading on an "ex-entitlement" basis	Friday, 17 August 2018
Record Date for Entitlement Offer	7:00pm Friday, 17 August 2018
Retail Offer Booklet despatched and Retail Entitlement Offer opens	Tuesday, 21 August 2018
Settlement of Institutional Entitlement Offer	Friday, 24 August 2018
Issue and normal trading of New Shares under the Institutional Entitlement Offer	Monday, 27 August 2018
Retail Entitlement Offer closes	5:00pm Wednesday, 5 September 2018
Announcement of results of Retail Entitlement Offer	Monday, 10 September 2018
Issue of New Shares under the Retail Entitlement Offer	Wednesday, 12 September 2018
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Thursday, 13 September 2018
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Friday, 14 September 2018

[1] All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time. Ausdrill and the Underwriters reserve the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Ausdrill reserves the right to extend the closing date for the Retail Entitlement Offer, or to accept late applications under the Retail Entitlement Offer without prior notice

Appendices

FOCUSED

Definitions and basis of preparation of key FY18 financials

	EBITDA EBIT(A)	Other/comments
EBITDA / EBIT	▪ Includes "share of associates net profit after tax" from AUMS and excludes profit from discontinued operations	▪ As reported in statutory accounts. NPAT (and NPAT(A)) includes profit from discontinued operations
Underlying	▪ Ausdrill: EBITDA / EBIT(A) less realised and unrealised FX gains, one-off claim settlement benefit and one-off transaction costs and excludes profit from discontinued operations ▪ Barminco: EBITDA / EBIT(A) less one-off income tax benefit recognised from prior year tax losses (non-cash) and reversal of shareholder management and consultancy fees	▪ Underlying profitability is a more appropriate basis for assessing performance ▪ Discontinued operations excluded in Ausdrill and New Ausdrill EBITDA and EBIT(A), but included in corresponding NPAT and NPAT(A) ▪ See reconciliations on slides 38 – 39
Proportionately consolidated	▪ EBITDA / EBIT(A) less share of associate net profit after tax from AUMS plus 50% of AUMS EBITDA / EBIT(A)	▪ Proportional consolidation for the respective 50% shares of AUMS best reflects the standalone financial profiles of Ausdrill and Barminco
Underlying proportionately consolidated	▪ Ausdrill/Barminco: Proportionately consolidated EBITDA / EBIT(A) as per Underlying (above)	▪ As per Underlying (above)
Net debt / EBITDA		▪ Proportionately consolidated net debt (net of capitalised borrowing costs) divided by proportionately consolidated underlying EBITDA
Underlying ROACE		▪ Proportionately consolidated underlying EBIT(A) / sum of average proportionately consolidated current and prior year receivables, inventories, PP&E less trade payables ▪ New Ausdrill based on pro forma 30 June 2018 balance sheet only

Ausdrill earnings reconciliation: statutory to underlying

FY18 $Million	Sales revenue	EBITDA[1]	EBIT/ EBIT(A)[1]	NPAT[1]
Reported earnings	**887.3**	**177.4**	**102.9**	**61.1**
Less: Share of associates profits	-	(22.3)	(22.3)	(22.3)
Standalone earnings	-	**155.0**	**80.5**	**38.7**
Realised foreign exchange gain	-	(9.6)	(9.6)	(9.6)
Unrealised foreign exchange gain	-	(1.6)	(1.6)	(1.6)
Transaction costs	-	0.6	0.6	0.6
Claim settlement benefit	-	(5.3)	(5.3)	(5.3)
Subtotal	-	**(15.9)**	**(15.9)**	**(15.9)**
Standalone underlying	**887.3**	**139.1**	**64.7**	**22.8**
50% share of AUMS[2]	145.2	49.5	31.0	22.3
Underlying proportionately consolidated	**1,032.6**	**188.6**	**95.6**	**45.2**
Margin (%)	-	*18.3%*	*9.3%*	*4.4%*

1 Discontinued operations is excluded from EBITDA / EBIT(A) and is included in NPAT / NPAT(A)

2 As per Ausdrill reporting – discrepancy to Barminco reporting due to differing treatment in relation to foreign exchange rates and post balance date adjustments

Barminco earnings reconciliation: statutory to underlying

FY18 $Million	Revenue	EBITDA	EBIT / EBIT(A)	NPAT
Reported earnings	**586.1**	**139.6**	**81.4**	**50.7**
Less: Share of associates profits	-	(23.4)	(23.4)	(23.4)
Add: Redundancy costs	-	1.1	1.1	
"Trading" earnings	-	**117.4**	**59.2**	
Less: Redundancy costs	-	(1.1)	(1.1)	
Standalone earnings[1]	-	**116.2**	**58.1**	**27.3**
Shareholder management and consultancy fees[2]	-	1.0	1.0	1.0
Recognised income tax benefit	-	-	-	(13.1)
Subtotal	**-**	**1.0**	**1.0**	**(12.1)**
Standalone underlying	**586.1**	**117.2**	**59.1**	**15.2**
50% share of AUMS[3]	145.8	50.1	31.6	23.4
Underlying proportionately consolidated	**731.9**	**167.3**	**90.6**	**38.6**
Margin (%)	-	*22.9%*	*12.4%*	*5.3%*
Add: Amortisation of customer intangibles[4]			0.9	
EBIT(A)			**91.5**	
Margin (%)			*12.5%*	

1 "Adjusted Trading EBITDA" and "Statutory Trading EBIT" per Barminco FY18 Results Presentation

2 Item is not an adjustment to underlying earnings in Barminco results (which are therefore $1.0m lower than underlying earnings presented in the table opposite), however these costs will not be incurred post acquisition by New Ausdrill and have therefore been removed

3 As per Barminco reporting – discrepancy to Ausdrill reporting due to differing treatment in relation to foreign exchange rates and post balance date adjustments

4 Existing Barminco amortisation expense of $0.9m includes $0.4m of other non-customer related amortisation expense

Indicative goodwill and intangibles

Total intangibles	▪ Intangible assets and goodwill of approximately $765m[1] in the acquisition arises from — difference between total purchase consideration and Barminco fair value of identifiable assets acquired and liabilities assumed — the re-measurement of Ausdrill's existing 50% equity interest in AUMS at fair value
Surplus intangible write-off	▪ The current intangibles balance is indicative only and calculated assuming the value of Ausdrill equity issued to Barminco vendors is the TERP of $1.63 per share ▪ Actual intangibles will be calculated as at completion based upon the then prevailing Ausdrill share price. To the extent that Ausdrill's share price at completion is greater than TERP, it is Ausdrill's intention to impair any additional goodwill created which would be offset by the gain recognised post acquisition by New Ausdrill upon the re-measurement of Ausdrill's existing 50% equity interest in AUMS at fair value
Allocation between intangible assets and goodwill	▪ Intangible assets and goodwill of approximately $765m[1] is indicatively allocated as: — $270m[1] to customer related intangibles, which will be amortised — $495m[1] to goodwill, that will be impairment tested annually
Annual amortisation	▪ Customer related intangible assets will be amortised on a contract life basis ▪ Pro forma FY18 customer related intangibles amortisation is expected to be approximately $40m[1] and remain at a similar level for three years, before declining
No impact on dividend	▪ Dividends are calculated based on NPAT(A) and hence no impact is expected from customer related intangibles amortization
Subject to review	▪ Intangible assets and goodwill are indicative and subject to change upon finalisation of the acquisition and purchase price accounting in the first twelve months

1 The impact of the purchase price accounting has not been completed, which will impact future depreciation and amortisation charges which impact on Ausdrill's NPAT

Key risks – Ausdrill and New Ausdrill risks

As Ausdrill and Barminco operate in the same industry, and are joint venture partners in AUMS, many of the key risks that apply to Ausdrill apply equally to Barminco. These overlapping key risks are set out below under the heading “Key risks – Ausdrill and New Ausdrill risks” and will continue to apply to New Ausdrill post-Transaction (although relative risk weightings may change). The next section of this Presentation (“Key risks – Barminco and acquisition risks”) contains specific Barminco risks that Ausdrill is not currently exposed to (but that New Ausdrill will be exposed to post-Transaction), plus risks in relation to the Transaction. Equity raising risks and general risks are set out under the heading “Key risks - Equity raising and general risks”.

The factors identified below are not necessarily listed in order of importance and are not intended as an exhaustive list of all the risks and uncertainties associated with Ausdrill, Barminco, the Transaction, the Entitlement Offer or New Ausdrill. Additional risks and uncertainties not presently known, or that are currently considered to be immaterial or manageable, may adversely affect the businesses of Ausdrill, Barminco or New Ausdrill.

Key risks – Ausdrill and new Ausdrill risks

Ausdrill’s operations and Barminco’s operations are impacted by both global and local factors that have the potential to have a material adverse impact on Ausdrill’s (or New Ausdrill’s) financial condition and results of operations. These factors may arise individually, simultaneously or in combination.

Level of new mining services contracts and contract renewals: Mining services provided under contracts represent a large portion of revenues for services provided for surface and underground contract mining, drill and blast, grade control, equipment hire, water well drilling, diamond drilling and exploration services. Under most mining services contracts the mine operator contracts Ausdrill or Barminco to undertake work in accordance with a work schedule. Mining services contracts, other than equipment hire contracts and exploration contracts, are typically for terms between three and five years. Some contracts, typically exploration contracts, have a shorter term, generally of one year or less, while equipment rental contracts have varying terms from three months to two years.

Generally, in the mining industry, most contracts can be terminated for convenience by the client at short notice and without penalty with the client paying for all work completed to date, unused materials and in most cases demobilisation from the sites and redundancies. As a result, there can be no assurance that work in hand will be realised as revenue in any future period.

Results from operations are affected by the number of new contracts commenced during a period, the number of existing contracts that are renewed during a period and the number of contracts that expire without renewal or extension or which are otherwise terminated during a period.

Contracts are at risk of termination or non-renewal due to the client having no further need for the service such as when the mine has reached the end of its planned life or the operator ceases production because changes in the underlying commodity price or mining costs have rendered continued production from the mine uneconomic. Contracts are also at risk of termination or non-renewal as a result of competition if the client seeks to use an alternative mining services provider to provide the service or if the client decides to bring the contracted services in-house.

Production levels and clients’ mines: Mining services provided in relation to the production phase (including development and rehabilitation work) of a mine represent a large part of Ausdrill’s and Barminco’s sales revenue. Revenues are associated with and influenced by long-term decisions of mine owners to continue producing at their current levels. Ausdrill and Barminco derive most revenues from mines which are already in production and the majority of other services, such as logistics, and assaying, complement production-related services. Under most mining services contracts, mining services revenues are linked to the volume of materials moved or drilled or declines developed and not necessarily to the short-term price of the underlying commodity or short-term fluctuations in the profitability of the underlying mines. Mines in the production phase of their life cycle typically generate stable revenues because production volumes have historically been relatively stable, even during commodity downturns. A downturn in expenditure in the mining sector typically impacts existing production projects last, with areas such as exploration and infrastructure construction services typically cut first. Consequently, Ausdrill and Barminco have limited exposure to the exploration activities market which has been volatile as the level of activity is generally linked to market sentiment surrounding the outlook for commodity prices and also the ability of smaller junior mining companies to fund such activities from capital which is often raised in the equity markets.

Activity levels and results of operations are dependent on production levels at clients’ mines and mining remaining economic to continue production at current mines. Growth is dependent on mine operators seeking to expand production at existing mines or bring new mines into production. If the price of particular commodities falls below the level at which any client’s project is profitable, the owner may suspend or close the project, in which case the mining services contract would likely be terminated. While there may be significant variation among projects as to the commodity price at which a project ceases to be profitable, in the event of a significant fall in the price of the relevant commodity, several projects may close around the same time. Ausdrill is particularly exposed to commodity prices for gold, iron ore and lithium, while Barminco is particularly exposed to commodity prices for gold, nickel, zinc and tin. A significant economic downturn may also impair the ability of clients to pay for mining services and, thus, a portion of receivables could become uncollectible. Consequently, results of operations could fluctuate during an economic downturn.

Key risks – Ausdrill and New Ausdrill risks (cont'd)

The achievement of production targets depends on many factors, many of which are outside of Ausdrill's and Barminco's control. These factors include, but are not limited to the ability to use the anticipated mining methods; the presence of pre-existing and/or defective drill holes; the accuracy of representations made by the mine-owner regarding the mine site; or the lack of ventilation and/or availability of power in the mine. If Ausdrill or Barminco is unable, whether due to factors within or beyond Ausdrill's control, to achieve the production targets set in their mining contracts, they could face the risk of liability for the damages suffered by the mine-owner or other contracting party, and their business, results of operations and financial position could be adversely and materially affected thereby.

Contract termination / reduction in scope: Ausdrill's and Barminco's revenues are subject to underlying contracts with varying terms. If obligations are not performed in accordance with the terms of the contract or the client's expectations, then there is a risk that the contract will be terminated. Any such performance issue may result in contract guarantees being relied upon by clients and could also adversely affect Ausdrill's or Barminco's reputation in the marketplace which could adversely impact their ability to secure new contracts.

There is a risk that contracts may be cancelled or may not be renewed if clients decide to reduce their levels of spending, potentially reducing Ausdrill's or Barminco's revenue. In the event of a contract termination, assets and resources used on that project may not be able to be redeployed to other projects on the same terms or at all and there may be downtime between demobilisation and redeployment. Any of these factors could materially adversely affect margins and results of operations.

Contract operations are vulnerable to the risk of interruption as a result of a variety of factors, which may be beyond Ausdrill's or Barminco's control, including the following: (i) accidents or unsafe conditions; (ii) equipment breakdowns; (iii) industrial relations issues; (iv) geological instability, including strong seismic activity, landslides, mudslides, rock falls, cave-ins, or conditions that threaten to result in such an event; (v) prolonged heavy rainfall or cyclone; (vi) scarcity of materials and equipment; and (vi) variations to reduce scope of works. Interruptions to existing operations or delays in commencing operations experienced by clients may result in lost revenue and, in some circumstances, result in Ausdrill or Barminco incurring additional costs, which may have a material adverse effect on their business, results of operations and financial condition.

Competition and pricing: The mining services industry is highly competitive and is subject to increasing competition which is fast-paced and fast-changing. Ausdrill and Barminco have a competitive advantage through experience and expertise gained through long-standing and successful relationships with clients in their business sectors. However, due to the intense competition faced, there is a risk that Ausdrill and Barminco may not compete as successfully in the future as they have in the past. Mining companies have recently been focused on cost reductions. This has resulted in an even more competitive environment which impacts pricing and revenue. Mining services contracts are generally awarded following a competitive tender process where price is one of the most important factors that a client will consider in evaluating tenders. Even for those projects that are not put out to tender, Ausdrill and Barminco still must negotiate the pricing of the contract with the client. In determining the price and other terms on which a tender or proposal will be submitted to a potential client, Ausdrill and Barminco undertake modelling of the contract pricing based on a series of assumptions made about a range of factors such as the type and amount of equipment to be deployed, length of contract, life of mine, location of mine, mine cost curve position, the utilisation rates, reliability and maintenance costs of equipment, mining consumables expenditure, the amount of labour required to support the project and labour productivity levels.

If any of the assumptions made during this modelling subsequently turn out to be materially incorrect, then Ausdrill or Barminco could be locked into a long-term contract with unfavourable economics that could adversely affect its margins and results of operations. There may be no right to renegotiate the contract with the client should the economics become unfavourable. In some cases clients will appoint Ausdrill or Barminco as "preferred contractor" pending award of a contract. However, being appointed as "preferred contractor" does not provide any assurance that a contract will ultimately be awarded, nor does it give any indication of the final scope of work to be undertaken if a contract is awarded.

Performance of new contracts: New contracts typically underperform during their ramp up phase compared to mature contracts and may even operate at a loss for a period of time. This is due to additional expenses associated with mobilising equipment and labour, training, and commitment of additional staff while operations are transitioning to Ausdrill or Barminco. Such operating issues are usually resolved within six months from the commencement of a new contract but can take longer depending on the mine plan and structure of the contract. When work commences under new contracts, a number of risks associated with the transition of mining operations from the owner or other mining services company to Ausdrill or Barminco can result in unexpected costs for a period of time. These risks include delays in the delivery of equipment to site due to manufacturer or logistical constraints, shortages of skilled labour during contract start-up and unanticipated issues with mine infrastructure and ground conditions.

Key risks – Ausdrill and New Ausdrill risks (cont'd)

Purchasing of equipment by clients: Some of Ausdrill's and Barminco's mining services contracts give the client an option (exercisable on default or, in the case of some of Barminco's contracts, on termination for convenience) to purchase the equipment used to perform mining services at its operation, at an agreed market price. The price at which equipment can be purchased by a client in these circumstances varies according to the particular contract, but is often the greater of the equipment's market value or the written down value. Even if the purchase price is above market value for such equipment, this could have an adverse impact on Ausdrill's or Barminco's revenues and profits since there is a substantial lead time to obtain new equipment and this would also reduce Ausdrill's and Barminco's available fleet of unutilised equipment to service other existing or new clients.

Scale of operations and mix of activities: The scale of operations and the mix of activities undertaken during a period also impact results of operations, due to the differing margins on different business segments. The activity mix depends in part on client demand for existing services as well as the ability to offer new services that are developed or acquired.

Currency fluctuations: Ausdrill and Barminco denominate their consolidated financial statements in Australian dollars. Broadly speaking, Australian operations are Australian dollar denominated and African operations are U.S. dollar and Euro denominated. Revenue, profit, expenses, debt servicing requirements, assets and liabilities of Ausdrill and Barminco may be adversely exposed to fluctuations in the value of the Australian dollar versus other currencies because consolidated financial results are reported in Australian dollars. If Ausdrill or Barminco generate sales or earnings or have assets and liabilities in other currencies, the translation into Australian dollars for financial reporting purposes can result in a significant increase or decrease in the amount of those sales or earnings and net assets. Ausdrill does not generally hedge translated foreign currency exchange rate exposure. Barminco has hedged the currency risk in relation to its US dollar denominated notes to Australian dollars. Fluctuations in foreign currency exchange rates may also make period to period comparisons of results of operations difficult. As the operations in Africa grow, foreign exchange translation risk will change.

The African operations often bid on contracts in U.S. dollars but a portion may be paid in local currency and are therefore exposed to transaction risk. If the U.S. dollar strengthens against the local currency during the term of the contract, the revenue earned may be affected where rise and fall mechanisms in the contracts are not perfectly correlated. Where revenue is earned in a local currency, it is exposed to exchange rate risk from time of invoice to the time of converting the local currency back to U.S. dollars. In addition, capital equipment is purchased in various currencies. Ausdrill does not generally hedge its normal operating foreign exchange exposures. However, Ausdrill does sometimes hedge trade receivables that are generated where products are exported from Australia and those receivables are denominated in a currency that is foreign to functional currency.

Ausdrill may also hedge large capital expenditure items acquired in a foreign currency. In respect of other monetary assets and liabilities held in currencies other than Australian dollars, Ausdrill ensures that the net exposure is kept to an acceptable level by matching foreign denominated financial assets with financial liabilities and vice versa. Ausdrill does not engage in any speculative trading activities.

Labour costs and availability: Ausdrill's and Barminco's ability to remain productive, profitable and competitive and to effect their planned growth initiatives depend on their ability to attract and retain skilled labour. Mining services projects are often in remote locations and sometimes require employees to endure harsh conditions or to "fly-in, fly-out" from a city to a remote location. As a result, there can be shortages of labour that make it challenging to recruit employees with relevant industry and technical experience who are willing to relocate or endure such conditions. Tightening of the labour market in key regions due to a shortage of skilled labour, combined with a high industry turnover rate and growing number of competing employers for skilled labour, may inhibit the ability to hire and retain employees and may lead to exposure to increased labour costs in markets where the demand for labour is strong. A shortage of skilled labour could limit growth prospects or lead to a decline in productivity and an increase in training costs and could adversely affect safety records. Changes to labour laws, regulations and enforcement policies (including, for example, in relation to maximum hours of service rules such as the Ghanaian Minerals Commission employment regulations (8 hour rule)) may limit productivity and increase costs of labour. Each of these factors could materially adversely impact revenues and, if costs increase or productivity declines, operating margins.

Industrial relations risks: Industrial relations issues may be faced in connection with employees and the employees of suppliers, including strikes, work stoppages, work slowdowns, grievances, complaints and claims of unfair practices or other industrial activity. Any such activity could cause production delays, increased labour costs and adversely impact the ability to fulfil existing contracts or win new contracts. As a result, operating results may be materially adversely affected. Ausdrill's and Barminco's workforces are regulated by common law contract arrangements, awards, Enterprise Bargaining Agreements, and local national workforce legislation.

Key risks – Ausdrill and New Ausdrill risks (cont'd)

Dependence upon key personnel: Ausdrill and Barminco depend substantially on their directors, senior management and key personnel to oversee day-to-day operations and the strategic management of their businesses. Loss of key personnel could have a detrimental impact on Ausdrill and Barminco if directors or employees cease their employment.

Business risks in Africa: Ausdrill's and Barminco's African operations are subject to business risks, including health risks such as the Ebola outbreak (2014), political instability, war or civil disturbance such as the Mali coup and the subsequent French military intervention (2012/2013), terrorism, abduction, expropriation, import and export restrictions, exchange controls, inflationary economies, currency risks, legal and taxation risks, risks related to the restrictions on repatriation of earnings or proceeds from liquidated assets of foreign subsidiaries, increasing requirements for local content and local participation, workforce instability, harsh environmental conditions and remote locations. New mining projects in Africa are increasingly occurring in countries where these risks are significant, which means an increasing portion of Ausdrill's and Barminco's business may be subject to these risks. Ultimately, these risks may cause Ausdrill and Barminco to cease doing business in certain high growth markets.

New technology: The introduction of new competing technologies by competitors, or the threat that they may do so, means Ausdrill and Barminco must stay current with technological trends in the mining industry in order to remain responsive to the technological expectations and needs of clients. The successful development and implementation of current technologies on a timely basis requires an understanding of clients' needs and the potential technological solutions for such needs, identification of emerging technological trends and prompt response to technological changes by competitors. Delays in completing the development and implementation of technological innovations could cause revenues to decline. If Ausdrill and Barminco fail to effectively address the changing demands of clients and to maintain their competitive advantage, their businesses, results of operations and financial condition could be materially adversely impacted.

Insurance and uninsured Risks: Ausdrill's and Barminco's operations are subject to many hazards inherent in the mining services industry, including blowouts, cratering, explosions, fires, loss of hole, damages or lost equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage and damage to the property of others. Additionally, warranty and indemnity provisions in mining services contracts could leave Ausdrill and Barminco exposed to the risk and liability associated with the services performed under such contracts. Protection for certain of these risks is sought through insurance and insurance coverage is maintained for employees, as well as professional indemnity, product liability, third party liability, and insurance against claims for certain property damage. Ausdrill and Barminco review their insurance requirements periodically. However, such insurance or any indemnification received from third parties may not adequately protect Ausdrill and Barminco against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a third party or an insurer to meet its indemnification or insurance obligations, could result in substantial losses, which may adversely affect financial position and performance. In addition, insurance may not be available to cover any or all of these risks, or, even if available, may not be adequate. Insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive or uneconomic. In future insurance renewals, Ausdrill and Barminco may choose to increase self-insurance retentions (and thus assume a greater degree of risk) in order to reduce costs associated with increased insurance premiums.

Operational risk: Ausdrill's and Barminco's operations may be subject to delays in obtaining equipment and supplies and the availability of transportation for the purpose of mobilising equipment, particularly where equipment or mines are located in remote areas with limited infrastructure support. In addition, Ausdrill's and Barminco's operations are subject to adverse weather conditions, natural disasters and mine accidents or unscheduled stoppages or closings. If operations are interrupted or suspended for a prolonged period as a result of any such events, revenues could be adversely affected.

Interruption in supply: Whenever new contracts are entered into, new capital equipment may need to be acquired if existing equipment is not available. Ausdrill and Barminco rely on preferred suppliers to source new equipment and related parts to perform under existing and new contracts. Any change in preferred supplier relationships may result in a shortage of equipment and parts which could constrict the ability to enter new contracts or fulfil existing contracts and adversely impact earnings and financial performance. To meet contractual obligations, Ausdrill and Barminco depend on the availability of critical pieces of equipment which will sometimes be put out of service unexpectedly as a result of failures, unplanned maintenance or otherwise. The nature of Ausdrill's and Barminco's operations requires the availability of equipment and spare parts, the supply of which can sometimes be insufficient to deal with production capacity and demand. An inability to secure an uninterrupted supply of all such necessary equipment at prices and times assumed within mine plans could, if supply disruptions persist, lead to an increase in costs and a slowdown in production and development.

Key risks – Ausdrill and New Ausdrill risks (cont'd)

Environment: Environmental management and compliance is an important part of a number of the businesses of Ausdrill's and Barminco's clients. These clients' operations are subject to numerous laws, regulations and guidelines relating to the protection of the environment, including those governing the management, transportation and disposal of hazardous substances and other waste materials. These include laws relating to spills, releases, emissions and discharges of hazardous substances or other waste materials into the environment, requiring removal or remediation of pollutants or contaminants and imposing civil and criminal penalties for violations. Additionally, operations may be conducted in or near ecologically sensitive areas, such as wetlands, which are subject to special protective measures and which may lead to exposure to additional operating costs and liabilities for non-compliance with applicable laws. Onsite, Ausdrill and Barminco work together with their clients to ensure that their equipment and maintenance services operate in alignment with their onsite policies, management systems and procedures. Ausdrill's or Barminco's actions or failure to act may result in the client incurring environmental liability, regulatory penalties, or having licenses suspended, cancelled or subjected to additional conditions.

Litigation: Ausdrill and Barminco are exposed to the risk of actual or threatened litigation or legal disputes in the form of client claims, personal injury claims, employee claims, subcontractor claims and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position or cash flow of Ausdrill or Barminco. Ausdrill and Barminco are often required to provide contract guarantees which can be called as part of a legal dispute or given the normal unconditional nature of most guarantees for any other reason (although usually for breach or non-performance).

Regulatory compliance and change of laws: Ausdrill and Barminco must meet regulatory requirements which are subject to continual review including inspection by regulatory authorities. Failure to continuously comply with regulatory requirements, or failure to take satisfactory corrective action in response to adverse inspection, could result in enforcement actions and have adverse financial consequences. Ausdrill and Barminco are also subject to changes to laws and regulations in all jurisdictions in which they operate, which changes can have a significant effect on operations and compliance costs.

Reputational risk: The reputation of Ausdrill and Barminco and their services are important in attracting and retaining existing business and obtaining new business and key employees. Reputational damage could arise due to a number of circumstances, including errors or defects, inadequate services or unsatisfactory client outcomes. Negative publicity could adversely impact the reputation of Ausdrill or Barminco which may potentially result in a fall in the number of clients seeking the products and services of Ausdrill and Barminco.

Safety management: Ausdrill's and Barminco's ability to retain existing clients and attract new business is dependent on many factors including Ausdrill's ability to demonstrate that Ausdrill and Barminco can reliably and safely deliver services. Existing and potential clients consider the safety record of their service providers to be of high importance in their decision to award service contracts. Some of Ausdrill's and Barminco's activities are by their nature among the higher risk activities undertaken. If one or more accidents were to occur at an operating site, the affected client may terminate or cancel the relevant mining services contract and may be less likely to continue to use Ausdrill's or Barminco's services.

Since clients require reporting of safety metrics to them as part of the bidding process and because the majority of Ausdrill's and Barminco's clients are companies with high safety standards, a general deterioration in Ausdrill's or Barminco's safety record could have a material adverse impact on the ability to bid for new contracts and renew existing contracts. Ausdrill and Barminco could also be subject to liability for damages as a result of such accidents and could incur penalties or fines for violations of applicable safety laws and regulations. In addition, any safety incidents or a deterioration in Ausdrill's or Barminco's safety record could adversely impact its ability to attract and retain qualified employees.

Margins and operating costs: Cost overruns, unfavourable contract outcomes, serious or continued operational failures, disruption at key facilities, disruptions to communication systems or safety incidents have the potential to have an adverse financial impact on margins. Ausdrill and Barminco are also exposed to input costs through their operations, such as the cost of fuel and energy sources, equipment and personnel. To the extent that these costs cannot be passed on to customers in a timely manner, at full cost, or at all, financial performance could be adversely affected.

Earnings guidance: Ausdrill and Barminco have provided earnings guidance on the basis of assumptions and forecasts which may subsequently prove to be incorrect, resulting in different actual results. Earnings guidance is not a guarantee of future performance, and involves known and unknown risks, many of which are beyond the control of Ausdrill and Barminco. Key identified risks that may result in a failure to meet earnings guidance include the other risk factors summarised in this section, termination of key contracts, variability in cost and productivity assumptions, and inability to recover claims and variations from clients.

Key risks – Ausdrill and New Ausdrill risks (cont'd)

Level of indebtedness: Ausdrill and Barminco have a significant amount of indebtedness. After the repayment of Ausdrill's Senior Unsecured Notes due November 2019 ("Ausdrill Notes") which are currently intended to be repaid shortly after completion of the Transaction (using the proceeds of the Entitlement Offer), it is anticipated that New Ausdrill's leverage will be lower than Ausdrill's existing leverage as at the date of this Presentation. New Ausdrill is also likely to have capacity to take on further debt if required (subject to limitations under Ausdrill's and Barminco's existing financing facilities and notes). While Ausdrill considers that the level of debt is appropriate given the nature and size of New Ausdrill's operations, a high level of debt could result in a significant portion of New Ausdrill's cash flows being dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes. High debt levels could also increase Ausdrill's vulnerability to general adverse economic and industry conditions and expose Ausdrill to the risk of increased interest rates as certain of Ausdrill's borrowings are at variable rates of interest. New Ausdrill's ability to make scheduled payments on or refinance its debt obligations will depend on its financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond New Ausdrill's control. The terms of Ausdrill's financing facilities and Barminco's Senior Secured Notes due May 2022 ("Barminco Notes") will restrict New Ausdrill's current and future operations through restrictive covenants that impose significant operating and financial restrictions. These include restrictions on relevant group members' ability to incur additional indebtedness, pay dividends, make other distributions, sell assets, enter into transactions with affiliates, or alter their business. In addition, the facilities and notes will require New Ausdrill to maintain specified financial ratios and satisfy other financial condition tests, some of which can be affected by events beyond New Ausdrill's control. A breach of the covenants or restrictions could result in an event of default under the applicable indebtedness, which could allow a creditor to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. Also, some of the cash that appears on New Ausdrill's balance sheet may need to be retained within certain group members and may not be available for use in all of New Ausdrill's business or to meet its debt obligations.

Future financing requirements: Ausdrill and Barminco may require further financing support in the future to support additional capital expenditure or to meet future objectives. Despite their capital raising track record, there is no certainty that they will be successful in obtaining the financing required as and when needed, on favourable terms or at all. Failure to obtain future financing on a timely basis may compromise their ability to commence new contracts, perform existing contracts or may prevent them from achieving other objectives.

Anti-corruption laws: Ausdrill and Barminco operate in a number of countries, including some countries that rank poorly in published indices of perceived public corruption. In these and other countries, Ausdrill's and Barminco's operations may be subject to anti-corruption laws (including laws in Australia relating to corruption and U.S. and other foreign laws), which generally prohibit companies or their agents and employees from providing anything of value to a foreign official for the purposes of influencing any act or decision of these individuals in their official capacity to help obtain or retain business, direct business to any person or corporate entity, or obtain any unfair advantage. Ausdrill's and Barminco's activities in these countries create the risk of unauthorised payments or offers of payments by one of their employees, agents or distributors that could be in violation of applicable anti-corruption laws, even though these parties are not always subject to Ausdrill's or Barminco's control. As Ausdrill and Barminco continue to evaluate existing and new anti-corruption laws, regulations and local laws, Ausdrill and Barminco may cease conducting business in certain high risk countries where these types of payments may often be required to operate. This could significantly affect Ausdrill's and Barminco's revenue if mining clients continue to pursue new exploration projects in areas where Ausdrill and Barminco decide not to conduct business.

Tax: Ausdrill and Barminco provide services in a number of countries. Therefore, they are subject to tax regimes of many different countries and are subject to risks of changes in taxes, or interpretation or enforcement. Certain of these countries have tax regimes in which the rules may not be clear, may not be consistently applied and may be subject to sudden change.

This is especially true with regard to international transfer pricing. Ausdrill's and Barminco's earnings could be reduced by the uncertain and changing nature of tax in these foreign locations. In addition, given the number of jurisdictions in which they operate, the tax positions Ausdrill and Barminco have taken or tax attributes of their contracts could be challenged and this could have a material adverse impact on their business, financial condition and results of operations.

Information technology systems: Ausdrill and Barminco rely on computer, information, and communications technology and related systems in order to properly operate the administrative and operational aspects of their business. If they are unable to regularly deploy software and hardware, effectively upgrade their systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of their systems, then the operation of such systems could be interrupted or result in the loss or corruption of data. In addition, Ausdrill's and Barminco's computer systems are subject to the risks of unauthorised access, computer hackers, computer viruses, malicious code, organised cyber-attacks and other security problems and system disruptions, including possible unauthorised access to clients' proprietary or classified information. Any of these events could damage Ausdrill's and Barminco's reputation and have a material adverse effect on their business, results of operations and financial condition.

Key risks – Barminco and acquisition risks

As noted above, as Ausdrill and Barminco operate in the same industry, and are joint venture partners in AUMS, many of the key risks that apply to Ausdrill apply equally to Barminco and these overlapping risks are described above. Set out below are some additional key risks which are associated with Barminco's business (but do not currently apply to Ausdrill) and with the acquisition of Barminco.

Operations in Egypt and India: Barminco currently has operations in Egypt and India (in addition to AUMS' operations in Ghana, Mali, Burkina Faso and Tanzania). Countries in Africa in particular have experienced political instability and humanitarian crises in the past. Disruptions may occur in the future, and losses caused by these disruptions may occur that will not be covered by insurance. For example, in Egypt (in 2011) Barminco demobilised expatriate staff at the Sukari gold project for 14 days as a precautionary measure due to the civil unrest, although Barminco's operations in Egypt were not otherwise affected.

Barminco takes out political risk insurance when operating overseas whenever it is available. Barminco has political risk insurance in Egypt. These insurance policies typically cover the expropriation, deprivation or forced abandonment of the plant and equipment, and loss due to riot, terrorism or war.

Even in countries where Barminco has political risk insurance, there can be no assurance that such insurance will cover all relevant contingencies or will adequately compensate Barminco for losses Barminco may suffer as a result of operating in these foreign countries, nor can there be any assurance that such insurance will continue to be available in the future on a cost-effective basis or at all. Risk assessments may also categorise threats as serious enough to require resort to public security forces, such as national police or military units on a near-permanent basis. In the event that the continued operation in some countries compromises Barminco's security or business principles, Barminco may withdraw from these countries on a temporary or permanent basis. This could have a material adverse impact on Barminco's business, financial condition and results of operations.

Exchange rate risks: In addition to the exchange rate risks outlined above, Barminco is exposed to exchange rate risks in Egypt and India. At Barminco's Egyptian operations, its revenue and certain of its costs are Australian dollar denominated, however costs related to its local workforce in Egypt and other locally incurred costs are denominated in Egyptian pounds, U.S. dollars and Euros. At Barminco's Indian operations, a percentage of its revenue and certain costs are Australian dollar denominated, however costs related to its local workforce in India and other locally incurred costs are denominated in Indian Rupees. In addition, Egypt and India have regulations that may restrict Barminco's ability to send cash out of the country. As a result, cash in Egypt and India may not be available to meet obligations incurred in other countries.

Hedging risks: Barminco hedges some of its foreign exchange and interest rate risks. While such activities may provide downside risk protection for Barminco, it is also possible that such activities may limit its upside benefit potential or give rise to potential losses. No assurances can be given as to the effectiveness of Barminco's hedging arrangements and policies. These hedging arrangements may give rise to additional risk, including additional market risk and risk of default by counterparties to derivative transactions. Barminco does not engage in any speculative trading activities.

Due diligence and reliance on information: Ausdrill undertook a due diligence process in respect of Barminco, which relied in part on the review of financial and other information provided by the vendors of Barminco. Despite making reasonable efforts, Ausdrill has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, Ausdrill has prepared (and made assumptions in the preparation of) the financial information relating to Barminco (on a stand-alone basis and also to Ausdrill post-acquisition of Barminco) included in this Presentation from financial and other information provided by the vendors of Barminco. Ausdrill is unable to verify the accuracy or completeness of all of this information. If any of the data or information provided to and relied upon by Ausdrill in its due diligence process and its preparation of this Presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of Barminco and New Ausdrill may be materially different to the financial position and performance expected by Ausdrill and reflected in this Presentation. Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the acquisition of Barminco have been identified and avoided or managed appropriately. Therefore, there is a risk that unforeseen issues and risks may arise, which may also have a material impact on Ausdrill. This could materially adversely affect the operations or financial performance or position of Ausdrill. The information reviewed by Ausdrill includes forward looking information. While Ausdrill has been able to review some of the underlying source data and assumptions for the forward looking information relating to Barminco, forward looking information is inherently unreliable and based on assumptions that may change in the future.

Conditions precedent: Completion of the Transaction is conditional on a number of conditions being met, including various Ausdrill shareholder approvals, no material adverse change in the underlying Barminco business or the underlying Ausdrill business, satisfactory change of control consents from material Barminco clients and other counterparties and any regulatory approvals (if any) being obtained. If any of these conditions are not obtained, there is a risk that the Acquisition will not complete. In some circumstances, failure to complete could trigger a break fee of $5,000,000 payable by Ausdrill.

Key risks – Barminco and acquisition risks (cont'd)

Financial capacity and recourse to vendors and warranty and indemnity insurance: Ausdrill has purchased warranty and indemnity insurance for the Transaction. If the Transaction completes and if a warranty or other claim is made under the share sale agreement, to the extent that warranty and indemnity insurance does not cover the particular claim, Ausdrill will (in most cases) not be able to bring a claim against the vendors for breach of that warranty. An inability to recover amounts claimed could materially adversely affect Ausdrill's financial position.

Integration risk: Whilst Ausdrill does not foresee any issues in integrating Barminco into New Ausdrill (given the similarities in approach and culture and in light of the good working relationships developed through the AUMS joint venture), the integration of a business of the size of Barminco carries risk, including potential delays or additional costs in implementing necessary changes, difficulties or unexpected costs in integrating systems or operations and costs relating to alignment of pay rates or retention of key staff. While synergies were not a key driver of the Transaction, there is a risk that any actual synergies able to be realised as part of the Transaction may be less than expected or delayed.

Historical liabilities: Following the acquisition of Barminco, New Ausdrill will become directly or indirectly liable for any liabilities that Barminco has incurred in the past, including liabilities which were not identified during Ausdrill's due diligence or which are greater than expected, for which insurance may not be adequate or available, and for which Ausdrill may not have post-completion recourse under the share sale agreement. These could include liabilities relating to contractual claims, environmental claims, breaches or contamination, current or future litigation, tax liabilities or audits, regulatory actions, occupational health and safety claims and other liabilities. Such liabilities may adversely affect the financial performance or position of New Ausdrill post-acquisition.

Acquisition accounting: Ausdrill is required to undertake an assessment of the fair value of the tangible and intangible assets acquired as well as the actual and contingent liabilities of Barminco at the date of acquisition. Accounting Standards provide twelve months from completion for this assessment to be finalised. The outcome of this assessment could give rise to different values being applied than those used in the pro-forma financial information contained in this Presentation. Such an outcome will impact the values of assets and liabilities reported in the consolidated balance sheet by New Ausdrill. There will also be differences in the depreciation and amortisation charges recognised in the consolidated profit or loss account which may impact reported profit before tax and net profit after tax.

Key risks – equity raising and general risks

Market price of the New Shares: The market price of Ausdrill Shares may fluctuate over time as a result of a number of factors including the financial performance and prospects of Ausdrill, prevailing market conditions, general investor sentiment in those markets, inflation, interest rates, commodity prices and the liquidity and volume of shares being bought or sold at any point in time. It should be noted that there can be no guarantee that there will be an active or liquid market in shares traded on ASX and there is no guarantee that the New Shares will trade at or above the issue price. It should also be noted that the historic share price performance of Ausdrill Shares does not necessarily provide any guidance as to the future share price performance.

Underwriting risk: Ausdrill has entered into an underwriting agreement pursuant to which Deutsche Bank AG and UBS AG ("**Underwriters**") have agreed to fully underwrite the Entitlement Offer, subject to the terms and conditions of the underwriting agreement ("**Underwriting Agreement**"). The Underwriters' obligations to underwrite the Entitlement Offer are conditional upon certain customary matters, including (but not limited to) Ausdrill delivering certain certificates, due diligence documentation, opinions and shortfall certificates, and despatching to its shareholders the notice of meeting seeking shareholder approvals required in connection with the Transaction. Further, if certain events occur, some of which are beyond the control of Ausdrill (and some of which having regard to the materiality of the relevant event), the Underwriters may terminate the Underwriting Agreement. These events include:

- the agreement for the Transaction is terminated, amended in a material respect without the Underwriters' consent, becomes void or voidable or is materially breached;
- ASX approval for the official quotation of the New Shares is refused, modified or withdrawn;
- Ausdrill ceases to be admitted to the official list of ASX or its shares are delisted or suspended from quotation;

Key risks – Equity raising and general risks

- Ausdrill or a material subsidiary of Ausdrill is or becomes insolvent;
- Ausdrill withdraws all or any part of the Equity Raising;
- a director of Ausdrill is charged with an indictable offence, disqualified from managing a corporation under the Corporations Act 2001 (Cth) or a Governmental Agency commences, or announces an intention to commence, any public action against an Ausdrill group member or any of its directors (in that capacity);
- the documentation for the Equity Raising (or any due diligence documentation prepared in connection with the Equity Raising and supplied to the Underwriters) does not comply with the Corporations Act or a material matter required to be included is omitted from the documentation;
- ASIC makes an application for an order, or commences an investigation or hearing, in relation to the Entitlement Offer or the offer documents and such application, investigation or hearing becomes public or is not withdrawn within two business days after it is made or commenced;
- ASIC or any other government agency makes an order or determination which prevents or is likely to prevent Ausdrill from proceeding with the Entitlement Offer in accordance with the timetable.
- an event specified in the timetable for the Entitlement Offer is delayed without the prior consent of the Underwriters;
- an adverse change occurs in respect of the assets, liabilities, financial position or performance of an Ausdrill group member;
- there is a change in the Ausdrill board or certain specified senior management personnel of Ausdrill;
- a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of Ausdrill is breached, becomes not true or correct or is not performed;
- the Underwriting Agreement is breached by Ausdrill;
- a statement in a certificate provided by Ausdrill for the purposes of the Underwriting Agreement is misleading, inaccurate or untrue or incorrect;
- Ausdrill reduces, reorganises or otherwise alters or restructures its capital structure (excluding the repayment of any financing instruments of Ausdrill or Barminco);
- there is an outbreak or major escalation of hostilities or a significant terrorist act is perpetrated involving any of Australia, the United Kingdom or the United States or a national emergency is declared by any of those countries;
- there is a general moratorium on commercial banking activities in Australia, the United Kingdom or the United States.
- trading in all securities quoted or listed on ASX, New York Stock Exchange or London Stock Exchange is suspended or limited in a material respect of a day (or a substantial part of a day) on which that exchange is open for trading; and
- there is an adverse change or disruption to the political or economic conditions or financial markets of Australia, the United Kingdom or the United States or the international financial markets or any change or development involving a prospective adverse change in a national or international political, financial or economic conditions.

Termination of the Underwriting Agreement may have an adverse impact on the amount of proceeds raised under the Offer and Ausdrill's ability to fund the early repayment of the Ausdrill Notes. The Transaction is not conditional on the Entitlement Offer or on the Underwriting Agreement remaining in place (so the Transaction could proceed even though the Entitlement Offer does not raise the funds Ausdrill is proposing to raise, in which case New Ausdrill will be more highly geared than anticipated and Ausdrill may need to undertake a further equity fundraising to reduce debt levels to a level the Board is comfortable with.

Risk of dilution: Investors who do not participate in the Entitlement Offer, or do not take up all of their entitlement under the Entitlement Offer, will have their percentage security holding in Ausdrill diluted by not participating to the full extent in the Entitlement Offer. Investors may also have their investment diluted by those who take up additional Ausdrill Shares pursuant to the Retail Oversubscription facility or by future capital raisings by Ausdrill. Ausdrill may issue new shares to finance future acquisitions or pay down debt which may, under certain circumstances, dilute the value of an investor's interest. Ausdrill will only raise equity if it believes that the benefit to investors of conducting the capital raising is greater than the short-term detriment caused by the potential dilution associated with a capital raising.

Accounting standards: Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside Ausdrill's control. Changes to accounting standards issued by AASB could materially adversely affect the reported financial performance and position reported in Ausdrill's financial statements.

Economic risk: General economic conditions may negatively affect Ausdrill's performance and the performance of Ausdrill's shares. Any protracted slow-down in economic conditions or factors such as movements in inflation or interest rates and industrial disruption may have a negative impact on Ausdrill's costs and revenue.

Key risks – Equity raising and general risks (cont'd)

Interest rate risk: Changes in interest rates will affect borrowings which bear interest at floating rates to the extent Ausdrill and Barminco have not hedged against this interest rate risk. An increase in interest rates will affect the costs of servicing these borrowings, which may adversely impact Ausdrill's and Barminco's business, financial condition and financial performance.

Market risks: The price at which Ausdrill Shares trade on the ASX may be determined by a range of factors including movements in local and international equity and bond markets, general investor sentiment in those markets, inflation, interest rates, general economic conditions and outlook and changes in the supply of, and demand for, mining service securities. The market for Ausdrill Shares may also be affected by a wide variety of events and factors, including variations in Ausdrill's operating results, movements in commodity prices, recommendations by securities analysts, inclusion in market indices and the operating and trading price performance of other listed mining service entities that investors consider to be comparable to Ausdrill. Some of these factors could affect Ausdrill's share price regardless of Ausdrill's underlying operating performance.

Taxation risks: Changes to the rate of taxes imposed on Ausdrill (including in overseas jurisdictions in which Ausdrill operates now or in the future) or tax legislation generally may affect Ausdrill and its Shareholders. In addition, an interpretation of tax laws by the Australian Taxation Office or a foreign taxing entity that differs to Ausdrill's interpretation may lead to an increase in Ausdrill's tax liabilities and a reduction in Shareholder returns. Personal tax liabilities are the responsibility of each individual investor. Ausdrill is not responsible for tax or tax penalties incurred by investors.

Other risks: There may be other risks other than those set out above. Other risks not specifically referred to above may be materially adverse to Ausdrill and its shares in the future.

International selling restrictions

This document does not constitute an offer of entitlements (“Entitlements”) and offer of New Shares of Ausdrill in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the entitlements and New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Canada (British Columbia, Ontario and Quebec provinces): This document constitutes an offering of New Shares only in the Provinces of British Columbia, Ontario and Quebec (the “Provinces”) and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are “accredited investors” within the meaning of NI 45-106 - Prospectus Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Shares or the resale of such New Shares. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Shares.

Ausdrill as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon Ausdrill or its directors or officers. All or a substantial portion of the assets of Ausdrill and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgement against Ausdrill or such persons in Canada or to enforce a judgement obtained in Canadian courts against Ausdrill or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission: Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than (a) a “Canadian financial institution” or a “Schedule III bank” (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against Ausdrill if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against Ausdrill. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against Ausdrill, provided that (a) Ausdrill will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation ; (b) in an action for damages, Ausdrill is not liable for all or any portion of the damages that Ausdrill proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

International selling restrictions (cont'd)

Certain Canadian income tax considerations: Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the transaction, holding or disposition of the New Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada: Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

European Economic Area – Belgium, Denmark, Germany, Luxembourg, Netherlands and Spain: This document has been prepared on the basis that all offers of Entitlements and New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to publish a prospectus for offers of securities.

An offer to the public of Entitlements and New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000;(ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC. MiFID); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID

France: This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Artic le L.411-1of the French Monetary and Financial Code (Code monetaire et financier) and Articles 211-1et seq. of the General Regulation of the French Autorite des marches financiers ("AMF"). The Entitlements and the New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Entitlements and the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (invest issuers qualifies) acting for their own account, as defined in and in accordance with Articles L.411-2-11-2, D.411-1, L.533-16, L.533-20, D.533-11,D.533-13, D.744-1, D.754-1and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Entitlements and the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Hong Kong: Warning: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

International selling restrictions (cont'd)

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Ireland: The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "Prospectus Regulations"). The New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(1) of the Prospectus Regulations.

Italy: The offering of the Entitlements and the New Shares in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (CommissioneNazionaleper le Societàe la Borsa, "CONSOB") pursuant to the Italian securities legislation and, accordingly, no offering material relating to these securities may be distributed in Italy and these securities may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, as amended ("Decree No. 58"), other than:

- to qualified investors ("Qualified Investors"), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended ("Regulation No. 1197l"); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of Entitlements and New Shares or distribution of any offer document relating to the New Shares in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws;
- in compliance with Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Investors should also note that, in any subsequent distribution of Entitlements or New Shares in Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, when such securities are placed solely with Qualified Investors and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of such securities who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises such securities were purchased, unless an exemption under Decree No. 58 applies

Japan: The Entitlements and the New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Entitlements and the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Entitlements or New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Entitlements or New Shares is conditional upon the execution of an agreement to that effect.

Korea: Ausdrill is not making any representation with respect to the eligibility of any recipients of this document to acquire the Entitlements or the New Shares under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. These securities have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea ("FSCMA") and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

Accordingly, the Entitlements and the New Shares may not be offered or sold in Korea other than to "accredited investors" (as defined in the FSCMA).

International selling restrictions (cont'd)

Malaysia: No approval from, or recognition by, the Securities Commission of Malaysia ("Commission") has been applied for or will be obtained in relation to any offer or sale, invitation for subscription or purchase of the New Shares under the Malaysian Capital Markets and Services Act 2007 ("CMSA"). As such, the New Shares may be offered only to persons specified in paragraph 10 of Schedule 5 of the CMSA and through a holder of Capital Markets Services Licence who carries on the business of dealing in securities ("Accredited Investors"). No prospectus or other offering material or in connection with the offer or sale, invitation for subscription or purchase of the New Shares has been or will be registered with the Commission as a prospectus under the CMSA. Neither will a copy of this document will be deposited with the Commission under Section 229(4) and 230(4) of the CMSA for the purpose of the offer or sale, invitation for subscription or purchase of the New Shares in Malaysia. Accordingly, this document may not be circulated or distributed in Malaysia. Any reproduction or distribution of this document in Malaysia, in whole or in part, or the disclosure of its contents in Malaysia, without the issuer's prior written consent, is prohibited.

New Zealand: This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of Ausdrill with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the Entitlement Offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Norway: This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non- professional in accordance with the procedures in this regulation).

Singapore: This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act. Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of Ausdrill's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Notification under Section 309B(1)(c) of the SFA - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), Ausdrill has determined the classification of the entitlements and the New Shares as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

International selling restrictions (cont'd)

Sweden: This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the Entitlements or the New Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of Entitlements or New Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Switzerland: The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the listing rules of any stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations. This document is personal to the recipient and not for general circulation in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority.

United Arab Emirates – Excluding the Dubai International Financial Centre: Neither this document nor any securities relating to it have been approved, disapproved or passed on in any way by the Emirates Securities and Commodities Authority ("ESCA") or any other governmental authority in the United Arab Emirates. Ausdrill has not received authorisation or licensing from the ESCA or any other governmental authority in the United Arab Emirates to market or sell the Entitlements or the New Shares within the United Arab Emirates. This document does not constitute, and may not be used for the purpose of, an offer of securities in the United Arab Emirates (excluding the Dubai International Financial Centre). No services relating to the Entitlements or the New Shares, including the receipt of applications, may be rendered within the United Arab Emirates (excluding the Dubai International Financial Centre).

United Kingdom: Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Ausdrill.

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FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

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(outside Australia) +61 3 9946 4421

Proxy Form

XX

Vote and view the annual report online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11.00am (WST) Tuesday, 23 October 2018

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Ausdrill Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Ausdrill Limited to be held at Indigo Room, RAC Arena, 700 Wellington Street, Perth, Western Australia on Thursday, 25 October 2018 at 11.00am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adopt Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Mr Ian Cochrane	☐	☐	☐
Resolution 3	Re-election of Ms Alexandra Atkins	☐	☐	☐
Resolution 4	Re-election of Mr Robert Cole	☐	☐	☐
Resolution 5	Issue of Consideration Shares pursuant to the Transaction	☐	☐	☐
Resolution 6	Acquisition of Sale Interests from a Related Party pursuant to the Transaction	☐	☐	☐
Resolution 7	Approval of issue of Shares to a Related Party pursuant to the Transaction	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ **Contact Daytime Telephone** ____________________ **Date** / /