



Ausdrill Limited
6-12 Uppsala Place
Canning Vale WA 6155
PO Box 1540
Canning Vale WA 6970

T: 08 9311 5066
F: 08 9311 5987
www.ausdrill.com.au
ABN: 95 009 311 474

24 November 2010

Company Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Fax 1300 135 638

Dear Sir,

Attached is a copy of the Chairman's address to be delivered to shareholders of Ausdrill Limited at the Annual General Meeting of the Company to be held today.

Yours faithfully

DOMENIC SANTINI
Company Secretary



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CHAIRMAN'S ADDRESS – 2010 ANNUAL GENERAL MEETING

Ladies and Gentlemen,

Your Company has had another outstanding year. Obviously the Company continues to benefit from the unprecedented activity in the resources sector. We are seeing the benefit of the deliberate strategy of vertical integration, instituted by our Managing Director, Ron Sayers, and supported by the Board. Ausdrill is seeking to be a 'one stop shop' for companies whether they are at the mining stage or involved in exploration. This strategy has been pivotal in the Company's strong performance during the global financial crisis and it continues to be important in the growth of the Company.

As you have seen from the Annual Report highlights include:

- **Revenue up 24% to \$632.9m**
- **EBITDA up 21% to \$152.3m**
- **After tax profit up 20% to \$48.2m**

Significantly, we maintained the full year dividend at 11 cents, despite paying the final dividend on the shares issued in connection with the Brandrill takeover and the \$100 million capital raising.

During the year we have continued the policy of closely aligning the Company with the major mining houses. One feature of the year has been the significant pickup in exploration drilling activity both in Australia and Africa.

The other feature of the industry is the sharp upturn in activity in Africa. We are seeing the benefits of the experience we have gained from our many years operating in that continent. I will say more about this later.

I propose to highlight the activities of some of our divisions. For a full review I refer you to the Annual Report.

AUSTRALIA

The Drill and Blast Division, upon which the Company was founded, remains an integral part of the Company's operations. Most of its work is on long term contracts, although it has a strong Civil Division which is carrying out a number of civil jobs, including a \$24 million site preparation contract on the Gorgon project.



We have two exploration drilling businesses, one servicing the Goldfields region and the other the North West. Both Divisions have been upgrading their fleets with new rigs built by our in house drill rig manufacturer, Drill Rigs Australia. These rigs have special operational and safety features developed by and exclusive to Ausdrill. The new rigs have significantly improved productivity and, importantly, our safety performance.

Ausdrill Mining Services has a hire fleet of 80 earthmoving units which are mainly on hire to mining companies and mining contractors in the Pilbara. The equipment is maintained by Ausdrill personnel. This business has been an important contributor to our result. We expect demand for its services to remain strong.

Our manufacturing businesses have performed strongly during the year. I have already referred to Drill Rigs Australia which manufactures drilling rigs. Drilling Tools Australia (DTA), which manufactures drilling consumables, including drill bits and hammers, has had a good year. The Division has settled into its new \$20 million manufacturing facility. As you will have seen from the Annual Report, almost half the \$22.6 million turnover of DTA was sold externally, the balance of the sales were for use in house.

Since the end of the year, Drilling Tools Australia has won a \$25 million, 2 year contract with a 1 year option to supply drilling consumables to the Newmont Gold mine at Boddington. This is a significant coup for DTA, as it is probably the largest drilling consumables contract ever awarded in Australia.

AFRICA

African Mining Services provides a full suite of services to the burgeoning mining industry in West Africa.

Currently the Division has two drill and blast and load and haul jobs in Ghana and one in Mali. The contracts for Red Back Mining at Chirano and AngloGold Ashanti at Yatela in Mali have been extended for five years and until 2013 respectively.

The second contract at Damang in Ghana for Goldfields ends in April next year. That will be replaced by the recently announced 5 year contract with Perseus Mining for drill and blast and load and haul services at its Central Ashanti project. The contract is due to commence in April next year, just as the Goldfields contract is completed. As the Perseus mine is situated in the same area as the Goldfields mine we can easily move the equipment and expect most of the local workforce, whom the Company has trained, to move to the Central Ashanti mine.

As you will have seen, we recently announced a 3 year contract with Adamus Resources for drill and blast and load and haul services at their Nzema project in Ghana. There is the prospect that this project will increase significantly in size.

The 5 year contract for drill and blast services for AngloGold Ashanti at the Geita mine in Tanzania is proceeding very well. The Geita contract has provided us with a base from which to undertake further contract work in Tanzania. There are more opportunities arising both in Tanzania and East Africa generally, as demonstrated by the fact we have two exploration drilling contracts underway in Tanzania. We are tendering on a number of other jobs in the region.

African Underground Mining Services, our joint venture with Barmenco, has two contracts in Ghana and one in Mali. The prospects for the joint venture look bright as there are a number of new underground mining contracts coming up for tender in Africa.



PERSONNEL

Ausdrill employs more than 3,300 people world wide. Even during the recent global downturn we increased our workforce. The Company puts a lot of effort into training. We have a significant apprenticeship program. We also have a number of strategies designed to retain our existing personnel. These initiatives have provided us with a solid core of employees. Nevertheless, we are seeing a significant tightening in the labour market.

Worker safety is treated as a priority in Ausdrill. Our injury frequency has been reducing over the last three years. All divisions have safety officers. Our objective is to have no work related injuries.

PROPOSED MINING TAX

As all Australians should be, we are concerned about the impact of the proposed mining tax. While it is very embarrassing for Australians that our Government should handle a major proposal like this tax in such an amateurish and inept way, our concern is related to the long term effect the tax will have on Australia's reputation as an international investment destination.

The proposed tax has a retrospective effect in the sense that it will apply to the owners of mines which are already operating. The owners of those mines made investment decisions based on a certain tax regime. To suddenly impose on them a completely new tax after they have spent millions of dollars developing their mines sends a message to all investors that Australia is a place where there is a significant sovereign risk, in that the rules of the game can be summarily altered by the Government. Indeed, only in the last few days the Conoco Phillips President was complaining that his Company had invested in a Queensland gas project in the belief that Australia was not a country where there was a sovereign risk for investors. They have now been hit with a major change in the tax regime which, had they known was coming, could well have altered their investment decision.

Only a group of politicians and bureaucrats based in Canberra and out of touch with the real world could possibly believe that these proposals will not affect Australia's reputation as a reliable country in which to invest.

While I do not believe there will be a major effect from the tax in the short term, because the owners of existing mining operations have no choice but to continue, in the longer term I think we will see the exploration and mining effort move to other jurisdictions.

Everyone realises that, at some point in the future, not only will there be an increase in the rate of tax but also the tax will be extended from iron ore, coal and gas to cover all existing and proposed mines irrespective of the mineral being mined. These are the realities which local and international mining companies must and will take account of when considering whether to invest in Australia or some other country. The likelihood is that this will mean that a number of mining projects, which would otherwise have begun, do not get off the ground.



OUTLOOK

At the moment the Australian mining industry is experiencing a period of unprecedented prosperity. While it would appear that the Chinese authorities will be taking some steps to curb inflation in the country, it would seem that the development of China and India will continue to underpin our mining industry. While the Eurozone and the UK are looking very weak, the fact that the US economy is showing some, albeit faint, signs of improvement is also a positive.

In these circumstances the outlook for Ausdrill remains very positive. The Company has a strong balance sheet and all our major divisions are operating at near capacity. The Company is tendering for a lot of work and we expect the work in hand to continue to increase.

It is important to remember that approximately 70% of our revenue comes from the gold sector. The recent turbulence on world financial markets has seen the price of gold reach record levels with many pundits predicting it will go higher. Ausdrill has benefited from the increase in activity brought about by the higher gold price. If there is another general economic downturn the likelihood is that gold will remain strong which will be positive for Ausdrill.

Africa has the potential to become a major mining province. Already there is a lot of activity by international mining and exploration companies, including many from Australia. Given that only a tiny fraction of the continent has been explored for minerals, the likelihood is that more and more companies will turn their attention to Africa. Given its long experience in Africa, Ausdrill is bound to benefit from this increased activity.

As far as this year is concerned the outlook remains very positive. As I noted earlier, there is strong demand for labour and the difficulty in finding suitable people remains a negative. Although our African operations are performing very well, as I foreshadowed last year, the recent increase in the value of the Australian dollar against the US dollar will negatively affect our results. Nevertheless, barring some unforeseen downturn or a further major revaluation of the Australian dollar, our target is to maintain the earnings per share on the expanded capital base at the level of last year. Put into dollars, the target for the net profit after tax for the year is around \$62 million.

Finally I would like to pay a special tribute to our management and staff. In Ron Sayers we have a unique individual whose vision and drive has been responsible for the Company's growth. I thank him for his efforts. However, Ron could not do it by himself. We have a wonderful team of people in our Company and, on behalf of the Board and all the shareholders, I thank them all for the superb effort they have put in over the years and that they continue to put in.

TERENCE O'CONNOR
Chairman
Ausdrill Limited