

23 AUGUST 2017

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## AUSDRILL DELIVERS 53% INCREASE IN PROFIT

### Highlights<sup>1,2,3</sup>

- Improved safety performance across the Group.
- Strong financial performance delivering exceptional profit growth.
- Revenue of \$776.3 million – up 4.5%.
- Margins continue to improve in competitive markets.
- Pro-forma EBITDA of \$154.5 million, up 8.6%.
- After-tax profit from continuing operations of \$31.4 million, up 53.3%.
- Fully franked final dividend of 2.0 cents per share declared, bringing total dividends for the year to 4.0 cents per share.
- \$1.6 billion in new work and contract renewals secured, reflecting high contract win ratio.
- Exceptional project pipeline opportunities.
- Significant financial flexibility with cash reserves of \$166.7 million, undrawn debt facilities of \$124.8 million and gearing at 26%.
- Continued strong revenue and profit growth expected for FY18 and beyond.
- Ausdrill is targeting 30-40% profit growth in FY18.

Diversified mining services company Ausdrill Limited (**ASX: ASL**) has achieved a 53.3% increase in net profit from continuing operations for the year ended 30 June 2017, the result of revenue growth and improved margins.

Growth in Ausdrill's African operations, combined with cost reductions and restructuring across the Group, have been key drivers in the delivery of the strong financial performance.

The gold sector continues to provide a strong foundation for the Group's revenues, with approximately 80% of mining services revenues generated from the provision of services to gold mining companies over the past financial year, primarily for production-related services.

Ausdrill's Managing Director, Mr Ron Sayers, said: "Over the past 12 months we have won \$1.6 billion worth of new projects and contract renewals. This includes four significant new jobs in Africa and the renewal of three key contracts in Australia.

**BRINGING MORE  
TO MINING**

“Our project pipeline is exceptional and with our deep and long-standing relationships with the major mining companies operating in both Australia and Africa, Ausdrill is in a very strong position to continue to deliver growth in the years ahead, in what remains a challenging but stabilising market.”

## Financial Performance<sup>1,2,3</sup>

\$ million	12 months to June 2016	12 months to June 2017	% change from prior corresponding period
<b>Continuing Operations</b>			
Sales revenue	743.0	<b>776.3</b>	4.5%
EBITDA	125.1	<b>136.8</b>	9.4%
<i>Proforma EBITDA</i> <sup>3</sup>	142.3	<b>154.5</b>	8.6%
EBIT	57.2	<b>74.4</b>	30.3%
Profit before tax	25.1	<b>45.3</b>	80.6%
<b>Profit from continuing operations</b>	20.5	<b>31.4</b>	53.3%

“Proforma EBITDA” is the Company’s reported EBITDA including impairment of available-for-sale financial assets and the Group’s 50% share of AUMS<sup>4</sup> EBITDA on a proportionately consolidated basis and excludes the equity accounted profits from AUMS<sup>4</sup>.

Sales revenue from continuing operations for the Group increased 4.5% to \$776.3 million. Revenue growth was driven by the African Mining Services segment, with all other segments delivering relatively stable external revenues for the period.

EBITDA increased from \$125.1 million to \$136.8 million for the year ended 30 June 2017. The major drivers of the increase were exceptional operational performance and growth of the African surface mining and underground portfolios. Equity accounted profits delivered through AUMS<sup>4</sup> increased from \$9.1 million in 2016 to \$13.1 million in 2017.

The reported profit after tax from continuing operations for the year totalled \$31.4 million, an increase of 53.3% on the \$20.5 million reported in 2016.

The balance sheet of the Group remains strong. The Group made a major investment in capex of \$147.4 million, mainly funded out of strong cashflow generation and cash reserves - gearing levels improved from 26.3% to 26.0%, with cash reserves of \$166.7 million at 30 June 2017. The net assets of the Group increased by \$23.5 million to \$630.1 million during the year, resulting in the net tangible asset position increasing from \$1.94 per share to \$2.02 per share. The Group maintains financial flexibility for growth through its cash reserves, its committed lines of funding and strong access to capital markets.

## Health & Safety

The Group continues to improve its health and safety performance, with the focus on the engagement of its people, as they plan and carry out their work with safety success in mind. This has resulted in a 9% reduction in the Total Recordable Injury Frequency Rate (TRIFR) and a 6% reduction in the number of work related incidents during FY17.

## People

As at 30 June 2017 the number of employees within the Group, including jointly owned entities, stood at 4,582, an increase of 19.3% on the previous year. Most of the growth in staff numbers has been in Africa, as a result of significant contract wins.

In Australia, the Group's ongoing restructure of the operational businesses and adoption of a shared services model for finance and administration services have contributed to a decrease in employee numbers.

## Dividend

The Directors have declared a fully franked final dividend of 2.0 cents per share for the full year ended 30 June 2017. The dividend will be paid to shareholders on 18 October 2017. This follows the payment of a fully franked interim dividend of 2.0 cents per share on 31 March 2017.

## Outlook<sup>5</sup>

The Group has successfully refocused its strategy on the delivery of core mining services in markets where it has a competitive advantage. Its strategy is client-focused and harnesses innovation and technology to deliver relevant and low-cost mining solutions to our clients. The mining industry continues to experience strong competition in an environment which is showing evidence of stabilisation in Australia and rapid growth in Africa. Ausdrill is of the view that competitive market conditions and margin pressure will persist.

In response to these market conditions, Ausdrill will:

- Maintain its strong focus on safety.
- Focus on securing a significant share of attractive projects with high quality clients.
- Continue to deliver efficiency gains to counter market driven margin pressures.
- Rationalise its businesses to focus on profitable revenue streams.
- Maintain a stable financial foundation from which to grow the Company in the future.
- Continue to review working capital, to ensure that it is commensurate with current levels of activity.
- Restrict capital expenditure to replacement needs or identified growth opportunities.
- Pursue M&A opportunities which are complementary to its existing business model or to industry rationalisation.

The Australian dollar gold price currently favours the Australian production-related mining industry and provides a platform for a stable level of activity in the near term. Expenditure in gold exploration is growing in response to sustained periods of strong Australian dollar gold prices.

Growth of the African businesses is expected to continue on the back of unprecedented levels of tendering activity. Ausdrill has an exceptionally strong and active tender pipeline of opportunities in surface and underground mining.

The outlook for the resources industry is expected to improve over the medium term in both Australia and Africa where Ausdrill has a long-established presence and local know-how. Consequently, Ausdrill is in a strong position to grow in its key markets in the years ahead.

Based on the level of work currently in hand and expected contract renewals, Ausdrill is targeting 30-40% profit growth in FY18, subject to various uncertainties applicable to the industry sectors within which the Group operates.

Mr Sayers said: "We have secured and are mobilising new projects which are expected to deliver significant revenue and profit growth during FY18 and beyond.

"The African tender pipeline in particular will continue to be a driver of earnings growth beyond FY18. We believe Ausdrill is well placed to secure a significant share of these projects."

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## 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 4,500 staff worldwide.

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## Notes

1. Non-IFRS Financial Information
  - "Operating profit" is profit/(loss) before significant items
  - "EBITDA" is "Earnings before interest, tax, depreciation and amortisation, and significant items but includes impairment of available-for-sale financial assets
  - "EBIT" is "earnings before interest and tax and significant items"

These terms are non-IFRS financial measures which Ausdrill uses in managing its business. They have been included to provide additional insight and understanding of business performance for users of this information. When reviewing business performance these non-IFRS financial measures should be used in addition to and not as a substitute for IFRS financial information provided. These non-IFRS financial measures do not have a standard definition under IFRS and may be calculated differently by different companies.
2. Profit from continuing operations, is profit/(loss) after tax from continuing operations and excludes results from discontinued activities, which must be added or deducted as the case may be to arrive at profit/(loss) attributable to equity holders of the Company.
3. "Proforma EBITDA" is the Company's reported EBITDA including impairment of available-for-sale financial assets and the Group's 50% share of AUMS<sup>4</sup> EBITDA on a proportionately consolidated basis and excludes the equity accounted profits from AUMS<sup>4</sup>.
4. AUMS = African Underground Mining Services (50/50 JV with Barmenco)
5. Disclaimer for Forward Looking Statements

This release includes forward looking statements concerning projected earnings, revenue, growth, outlook or other matters for the financial year ending 30 June 2018 or beyond. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words and include statements regarding certain plans, strategies and objectives of management, trends and outlook. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Ausdrill's actual results, performance and achievements or industry results to differ materially from any future results, performance or achievements, or industry results, expressed or implied by these forward-looking statements.

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