

9 OCTOBER 2017

MOODY'S UPGRADES AUSDRILL'S CREDIT RATINGS

Ausdrill Limited (**ASX: ASL**) advises that Moody's Investors Service has upgraded the Company's credit ratings. Details as follows:

- Corporate family rating of Ausdrill Ltd – upgraded to “Ba3” from “B1”
- USD300 million senior unsecured notes rating of Ausdrill Finance Pty Ltd – upgraded to “Ba3” from “B2”

The outlook on both these ratings is stable.

Moody's press release is attached.

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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**BRINGING MORE
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Rating Action: Moody's takes rating action on Ausdrill

Global Credit Research - 09 Oct 2017

Sydney, October 09, 2017 -- Moody's Investors Service has upgraded Ausdrill Limited's corporate family rating (CFR) to Ba3 from B1. At the same time, Moody's has also upgraded the senior unsecured rating of Ausdrill Finance Pty Ltd to Ba3 from B2. The outlook on all ratings is changed to stable from positive.

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RATINGS RATIONALE

"The ratings upgrade reflects Ausdrill's sustained improvement in its credit profile and our expectation that earnings will continue to grow, driven by opportunities in both open pit and underground mining services in Africa," says Shawn Xiong, a Moody's Analyst.

Ausdrill's financial leverage, measured as adjusted debt-to-EBITDA, has improved to around 2.8x for fiscal 2017 ended 30 June 2017 (FY2017), as a result of new contract wins and reduction in debt. Moody's expects the company's financial leverage to improve further to the range of 2.2x-2.5x over the next 12-18 months.

Ausdrill's significant exposure to the gold sector has been a positive for the company as gold prices have held up relatively well compared to other commodities. Although the Australian mining services sector remains competitive, growth opportunities are starting to emerge as some of the gold miners look to increase capital expenditure at existing mines, as well as to develop new mines over the next 12-24 months. Moody's expects Ausdrill to grow its earnings by renewing existing contracts and winning new contracts, particularly in Africa, over the next 12-18 months.

Ausdrill has also benefitted from a strong and stable EBITDA margin due to cost initiatives and the more specialized nature of the mining services it offers, despite challenging and competitive market conditions. We expect further slight improvement in Ausdrill's EBITDA margin over the next 12-18 months.

Moody's considers Ausdrill's liquidity position to be strong, supported by a cash balance of AUD167 million as at 30 June 2017 and an undrawn revolving credit facility of AUD200 million. Additionally, Ausdrill has successfully completed an equity raising of around AUD100 million on 31 August 2017, in anticipation of growth opportunities in Africa over the next 12-18 months.

In FY2017, 52% of Ausdrill's revenue was generated in Africa and Moody's expects the share to increase to the range of 60%-65% over the next 12-18 months. The significantly increased share of revenue from Africa increases the company's exposure to jurisdictions which are subject to higher sovereign risk or which demonstrate less-developed institutional environments. Nevertheless, Moody's notes that Ausdrill's geographical and mine diversification within the region, as well as its long track record of successfully operating in these higher-risk jurisdictions as key mitigants.

The upgrade of the senior unsecured rating of Ausdrill Finance Pty Ltd to Ba3 from B2, in line with Ausdrill Limited's CFR, reflects Moody's expectation that there will be no need to utilize its largely undrawn AUD-200 million senior revolving debt facility.

WHAT COULD CHANGE THE RATING

Ausdrill's CFR could experience positive momentum if the company continues to maintain a track record of strong cash flow generation and improved earnings, such that adjusted debt/EBITDA is sustained below 2.0x. Additionally, the successful refinancing of the company's USD300 million of unsecured notes due November 2019 will be another important consideration.

Ausdrill's stable outlook reflects its solid credit metrics and our expectation that the company will continue to renew its existing contracts and win new contracts which will keep its credit metrics comfortably within our tolerance level over the next 12-18 months.

Ausdrill's rating could come under downward pressure if the company cannot sustain and/or if operating conditions deteriorate significantly, despite our expectations for stabilization and adjusted debt/EBITDA exceeds 3.25x.

The principal methodology used in these ratings was Business and Consumer Service Industry published in October 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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