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ESTABLISHMENT OF INCENTIVE RIGHTS PLAN AND PROPOSED ISSUE OF INCENTIVE RIGHTS

The Board of Ausdrill Limited (ASX:ASL) ("**Ausdrill**") has established a new Incentive Rights Plan ("**Plan**") for the benefit of eligible employees holding senior executive roles and has today resolved to make offers under the Plan.

In Ausdrill's half year results presentation released to ASX on 21 February 2019, Ausdrill mentioned that a new executive performance framework had been developed with a focus on delivering outcomes to create value for shareholders. The Plan has been established under that framework following a comprehensive review of Ausdrill's remuneration structures following the acquisition of Barminco, with a view to incentivising, motivating and retaining key executives of the Group and to ensure alignment with shareholder value creation and ASX200 and industry best practice. This review was undertaken by the Remuneration Committee of the Board with the assistance of external remuneration advisers.

Eligible executives (or their nominees) will be offered Ausdrill incentive rights that will, upon satisfaction of vesting conditions where applicable, entitle the holder to one fully paid Ausdrill ordinary share for each vested incentive right.

The Plan allows for three different types of incentive rights:

- a) performance rights – which have vesting conditions relating to the performance of Ausdrill, the Ausdrill Group or the participant over a specified performance period ("**Performance Rights**");
- b) short term incentive rights – which may be granted to participants following the achievement of certain short-term hurdles based on performance of Ausdrill, a member of the Ausdrill Group or the participant as part of the participant's short-term incentive payment ("**STI Rights**"); and
- c) retention rights – which have vesting conditions attached to them relating solely to the continued employment of an employee during the applicable vesting period ("**Retention Rights**").

Shares acquired by participants under the Plan (on vesting of incentive rights) may be newly issued by Ausdrill or transferred to participants by a trustee which has subscribed for newly issued Ausdrill shares or has purchased Ausdrill shares on-market for the purposes of the Plan.

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Link Market Services has been engaged to take on the role of trustee of the Plan and will, as required for the purposes of the Plan from time to time, subscribe for new Ausdrill shares or purchase Ausdrill shares on-market.

Ausdrill has, pursuant to the Plan, today offered 2,638,530 Performance Rights and 939,824 Retention Rights to a total of ten eligible executives. Amongst those offered incentive rights, Ausdrill's Managing Director, Mr Mark Norwell, has been offered 649,087 Performance Rights subject to the receipt of shareholder approval for the purposes of the ASX Listing Rules. This approval will be sought at Ausdrill's next general meeting.

It is expected that the above incentive rights will be issued to eligible executives (other than Mr Norwell) on or about 18 March 2019.

It is proposed that each year eligible executives will be issued Performance Rights and, if relevant STI hurdles are met for the previous year, STI Rights representing a portion of their short-term incentive award. It is proposed that the first issue of STI Rights will be in August 2019 following assessment of STI hurdles for the financial year ending 30 June 2019. Again, any STI Rights to be issued to Mr Norwell will be subject to receipt of shareholder approval for the purposes of the ASX Listing Rules.

The attached annexure sets out the material terms of the Plan, including details of the performance/vesting hurdles that apply to the incentive rights.

The incentive rights will be issued pursuant to Ausdrill's 15% capacity under ASX Listing Rule 7.1. Except as mentioned above in relation to Mr Norwell, shareholder approval will not be sought for the issue of the incentive rights, though Ausdrill may seek approval in the future for issues of incentive rights under the Plan generally under ASX Listing Rule 7.2, Exception 9 or may seek ratification of issues of incentive rights in order to refresh its ASX Listing Rule 7.1 capacity.

An Appendix 3B in respect of the incentive rights will be released once they are issued.



Strati Gregoriadis
General Counsel/Company Secretary
AUSDRILL LIMITED

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, India and the United Kingdom. Ausdrill is a leader in open-cut and underground contract mining, diamond drilling, grade control, drill & blast, exploration, mineral analysis, procurement and logistics. The Ausdrill Group employs over 7,500 staff worldwide.

For further information, please contact:

*Peter Bryant
Chief Financial Officer
Ausdrill Limited
Tel: +618 9311 5666*

*Strati Gregoriadis
General Counsel/Company Secretary
Ausdrill Limited
Tel: +618 9311 5666*

Annexure – Summary of Plan Terms and Performance/Vesting Hurdles

Plan terms

- Eligible executives (or their nominees) will be offered incentive rights that entitle the holder to receive one fully paid Ausdrill share per incentive right. The incentive rights will be offered as Performance Rights, STI Rights or Retention Rights.
- Incentive rights granted will vest when the Board determines that the conditions in the Plan and the applicable offer invitation have been met.
- Except in the case of STI Rights, the participant must be an employee at the time the incentive rights are eligible to vest and the relevant participant must not have resigned or have been given notice of termination of employment by Ausdrill or a member of the Ausdrill Group.
- Incentive rights carry no entitlements to shares or dividends or other benefits unless and until they vest and shares are issued or transferred to the participant.
- The Board may determine that some or all unvested incentive rights should vest: if a person acquires a relevant interest in more than 50% of Ausdrill's issued capital; if a takeover bid is made to acquire more than 50% of Ausdrill's issued share capital; if a person becomes bound or entitled to acquire shares under section 414, Chapter 6A or section 444GA of the *Corporations Act 2001* (Cth); if a court orders a meeting to consider (or shareholders approve) a scheme of arrangement which would result in a person holding more than 50% of Ausdrill's issued share capital; if Ausdrill is wound up; if Ausdrill is delisted or disposes of all or substantially all of its business or assets; or if the participant ceases to be employed because of circumstances beyond the participant's control.
- The Plan is intended to fall within the scope of the relief set out in ASIC Class Order [CO 14/1000] and the number of incentive rights that may be issued under the Plan is capped at the levels set out in ASIC Class Order [CO 14/1000].
- Ausdrill may arrange for a trustee to subscribe for or purchase shares to be held on trust on behalf of present and future participants.
- The Board has an ongoing discretion to deem unvested incentive rights to have lapsed, and to deem any vested Plan shares to be forfeited, in certain circumstances of fraud, dishonesty, breach of obligation, breach of policy or misconduct (of the participant or any other employee).
- Incentive rights may not be transferred, encumbered or subject to any hedging or derivative instrument intended to limit the economic risk of holding them.
- If Ausdrill reconstructs or reorganises its capital, the incentive rights will be adjusted to the extent necessary to comply with the ASX Listing Rules.

Performance/Vesting hurdles

- **STI Rights:** STI Rights will vest on the date which is 12 months after the date they are granted, irrespective of whether the relevant participant remains employed by the Ausdrill Group at that time, provided that person is not a “bad leaver” as defined in the relevant invitation. STI Rights are not subject to further performance hurdles because STI Rights will only be granted where applicable STI hurdles have already been met. It is intended that one third of each relevant executive’s STI award will be granted as STI Rights (which will have the effect of deferring receipt of that component of the award until the STI Rights vest after 12 months).
- **Retention Rights:** Retention Rights will only vest if the participant remains employed by the Ausdrill Group by a particular date. The relevant vesting date for the Retention Rights to be granted in or about March 2019 is 31 October 2020.
- **Performance Rights:** Performance Rights will be divided into two separate tranches, each of which will usually be tested over a three year period ("**Performance Period**") but will be subject to different performance hurdles. Given that the Plan is being implemented part way through a financial year, the Performance Period for the initial Performance Rights to be granted in or about March 2019 is slightly shorter than three years, and will run from 1 November 2018 until 31 June 2021. 50% of the Performance Rights will vest if the TSR Vesting Condition specified below is met ("**TSR Performance Rights**") and 50% of the Performance Rights will vest if the ROACE Vesting Condition specified below is met ("**ROACE Performance Rights**").

TSR Vesting Condition

The TSR Performance Rights (being 50% of the Performance Rights issued to a participant) are subject to a performance based Vesting Condition based on relative total shareholder return, or TSR (the "**TSR Vesting Condition**"), details of which are specified below.

Testing

The TSR Vesting Condition will be measured over the Performance Period, and will not be retested. If, at the end of the Performance Period, the TSR hurdle (as set out in the table below) is not met then all TSR Performance Rights will lapse (unless otherwise determined by the Board).

TSR Vesting Condition

Ausdrill will measure its relative TSR against a Comparator Group (defined below). Ausdrill’s threshold hurdle will locate it at the 50th percentile, its target hurdle at the 62.5th percentile and its stretch hurdle at the 75th percentile of this group. The base TSR of the Comparator Group will be determined as at the commencement of the Performance Period. All TSR Performance Rights will be eligible to vest if the stretch hurdle is achieved in respect of the Performance Period (subject to also meeting the other conditions of the Plan such as continued employment at the end of the Performance Period).

At lower rates of TSR performance, a portion of the TSR Performance Rights may still be eligible to vest as set out in the table below. Therefore, in respect of the TSR Performance Rights (and measured over the Performance Period):

Ausdrill's relative TSR Performance (over Performance Period measured against a base at commencement of Performance Period)	Proportion of TSR Performance Rights that are eligible to vest
Less than 50 th percentile (when compared to TSR of Comparator Group) at end of Performance Period.	0%
At 50 th percentile (when compared to TSR of Comparator Group) at end of Performance Period.	50%
Between 50 th and 75 th percentile (when compared to TSR of Comparator Group) at end of Performance Period.	50% plus a straight line increase in % award until Stretch TSR (of 75 th percentile) is achieved.
At or above 75 th percentile (when compared to TSR of Comparator Group) at end of Performance Period.	100%

Measuring TSR

TSR measures the return to a shareholder over a period taking into account share price growth and dividends paid over the Performance Period. More specifically, the formula for calculating TSR (expressed as a percentage) is:

$$\text{TSR} = \left[\frac{\left(\begin{array}{c} \text{Share price at} \\ \text{end of} \\ \text{Performance} \\ \text{Period} \end{array} \right) - \left(\begin{array}{c} \text{Share price at} \\ \text{start of} \\ \text{Performance} \\ \text{Period} \end{array} \right) + \left(\begin{array}{c} \text{Dividends per} \\ \text{Share paid during} \\ \text{the Performance} \\ \text{Period} \end{array} \right)}{\left(\begin{array}{c} \text{Share price at start of} \\ \text{Performance Period} \end{array} \right)} \right] \times 100$$

In this regard:

- A 10 trading day VWAP is used to determine Share price at both the beginning and the end of the Performance Period.
- Ausdrill's TSR performance will be measured against those in the Comparator Group. For these purposes, "**Comparator Group**" means the group of companies selected by the Board for this purpose (while those companies remain listed on

ASX), or any successor or acquiring entities listed on ASX or any other recognised securities exchange as determined by the Board from time to time (with such adjustments as appropriate in the circumstances). As at the date of this announcement, those companies are AJ Lucas Group Limited; Austin Engineering Limited; Boart Longyear Limited; CIMIC Group Limited; Decmil Group Limited; Downer EDI Limited; Emeco Holdings Limited; GR Engineering Services Limited; Imdex Limited; Lycopodium Limited; MACA Limited; Macmahon Holdings Limited; Monadelphous Group Limited; NRW Holdings Limited; SRG Global Limited; and Swick Mining Services Limited.

- At the end of the Performance Period, TSR may be adjusted for Ausdrill, or any entity in the Comparator Group, for changes in the capital structure of the relevant entity that have occurred during the Performance Period (including but not limited to any consolidation, share-split, bonus issue, capital reduction or distribution or spin-out of assets) as determined by the Board.
- If any entity in the Comparator Group ceases to be listed during the Performance Period (for example, in the case of the insolvency of that entity), then in measuring the TSR for the Comparator Group, the TSR for that entity is to be taken into account in the manner determined by the Board

Determining the number of TSR Performance Rights eligible to vest

After the end of the Performance Period, the Board will determine the extent to which Ausdrill's TSR performance has satisfied the TSR Vesting Condition and the subsequent proportion of the TSR Performance Rights that will be eligible to vest.

ROACE Vesting Condition

The ROACE Performance Rights (being 50% of the Performance Rights issued to a participant) are subject to a performance based Vesting Condition based on return on average capital employed, or ROACE (the "**ROACE Vesting Condition**"), details of which are specified below.

Testing

The ROACE Vesting Condition will be measured over the Performance Period, and will not be retested. If, at the end of the Performance Period, the ROACE hurdle (as set out in the table below) is not met then all ROACE Performance Rights will lapse (unless otherwise determined by the Board).

ROACE Vesting Condition

Ausdrill will measure its ROACE over the Performance Period. Ausdrill's threshold hurdle for this grant of ROACE Performance Rights is a minimum of 14.5% ROACE over the Performance Period, its target is 14.5% to 19% ROACE over the Performance Period and its stretch hurdle is greater than 19% ROACE over the Performance Period. All ROACE Performance Rights will be eligible to vest if the stretch hurdle is achieved in respect of the Performance Period (subject to also meeting the other conditions of the Plan such as continued employment at the end of the Performance Period).

At lower rates of ROACE growth, a portion of the ROACE Performance Rights may still be eligible to vest as set out in the table below. Therefore, in respect of this grant of ROACE Performance Rights (and measured over the Performance Period):

Ausdrill's ROACE (over Performance Period)	Proportion of ROACE Performance Rights that are eligible to vest
Less than 14.5% ROACE over Performance Period.	0%
14.5% ROACE over Performance Period.	30%
Between 14.5% and 19% ROACE over Performance Period.	30% plus a straight line increase in % award until Stretch ROACE (of >19% ROACE) is achieved.
Greater than 19% ROACE over Performance Period.	100%

Issues of Performance Rights in future years may be made subject to different target and stretch hurdles.

Measuring ROACE

For these purposes ROACE is defined as:

EBIT

Average Capital Employed

Where:

“**EBIT**” means the average annual consolidated earnings before interest and tax of the Ausdrill Group over the Performance Period, normalised to exclude non-recurring items (such as foreign exchange gains or losses, transaction costs and other items deemed to be non-recurring by the Board);

“**Capital Employed**” means, at a given point in time, trade receivables plus inventories plus property plant and equipment (PP&E) minus trade payables, on a consolidated basis for the Ausdrill Group; and

“**Average Capital Employed**” means the average (over the Performance Period) of Capital Employed, based on monthly, quarterly, bi-annual or annual balances,

each as determined by the Board for this purpose in its absolute discretion.

Determining the number of ROACE Performance Rights eligible to vest

After the end of the Performance Period, the Board will determine the extent to which Ausdrill's ROACE performance has satisfied the ROACE Vesting Condition and the subsequent proportion of the ROACE Performance Rights that will be eligible to vest.