

7 NOVEMBER 2018

MOODY'S UPGRADES RATINGS FOR AUSDRILL AND BARMINCO

Ausdrill Limited (**ASX: ASL**) advises that Moody's Investors Services (**Moody's**) has upgraded the Company's credit ratings to '**Ba2**' following the acquisition of Barminco Holdings Pty Ltd (**Barminco**). Moody's also upgraded Barminco's credit ratings.

The details of the upgrades are as follows:

Ausdrill

- Corporate family rating – *Upgraded to "Ba2" from "Ba3"*
- Senior unsecured notes rating – *Upgraded to "Ba2" from "Ba3"*

Barminco

- Senior secured notes rating – *Upgraded to "Ba3" from "B1"*
- Senior secured debt rating – *Upgraded to "Ba2" from "Ba3"*
- Corporate family rating – *Withdrawn*

The outlook on these ratings is stable.

Moody's press releases are 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, 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 7,000 staff worldwide.

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**BRINGING MORE
TO MINING**

Rating Action: Moody's upgrades Ausdrill's CFR to Ba2; outlook stable

06 Nov 2018

NOTE: On November 7, 2018, the press release was corrected as follows: In the methodology section, the principal methodology was changed to "Business and Consumer Service Industry published in October 2016." Revised release follows.

Sydney, November 06, 2018 -- Moody's Investors Service has today upgraded the corporate family rating (CFR) of Ausdrill Limited to Ba2 from Ba3. Moody's has also upgraded the rating on the senior unsecured notes issued by Ausdrill Finance Pty Ltd and guaranteed by Ausdrill to Ba2 from Ba3. The rating outlook is stable. Moody's rating action concludes its review of Ausdrill's rating that was initiated on 15 August 2018, when Ausdrill announced the acquisition of Barmenco Holdings Pty Ltd.

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The upgrades follow Ausdrill's completion of the acquisition on 1 November 2018.

RATINGS RATIONALE

"The rating upgrades reflect Ausdrill's significantly improved credit profile as a result of the acquisition and its debt reduction plans," says Shawn Xiong, a Moody's Analyst.

"The acquisition has strengthened Ausdrill's business profile in terms of increased scale, product offerings, as well as geographic diversity," adds Xiong.

Ausdrill has acquired Barmenco for a total consideration of around AUD697 million -- around AUD246 million of which funded by issuance of shares to existing Barmenco shareholders, and AUD25.4 million funded out of Ausdrill's existing cash balance. Ausdrill will assume around AUD425.5 million of net debt from Barmenco. Barmenco's USD350 million senior secured notes due May 2022 will remain in place.

Ausdrill will pay down its USD300 million (AUD420 million) senior unsecured notes due in November 2019, using the proceeds from its AUD250 million equity raising, and with a revolving credit facility drawdown of AUD200 million.

Ausdrill generated AUD887 million in revenue and AUD177 million in reported EBITDA for the fiscal year ended 30 June 2018 (fiscal 2018). The company's Moody's-adjusted debt/EBITDA was around 2.7x for fiscal 2018, improved from around 2.8x for fiscal 2017. Following the successful completion of the acquisition and debt reduction, Moody's expects Ausdrill's financial leverage to improve further to around 1.8x-2.0x for fiscal 2019.

WHAT COULD CHANGE THE RATING

Ausdrill's ratings are unlikely to be upgraded in the near future, given the relatively small scale of the company and its exposure to the volatile minerals industry.

Nevertheless, Ausdrill's CFR could experience positive rating momentum if the company continues to grow its scale, product offerings and maintain a track record of strong cash flow generation and improved earnings, such that adjusted debt/EBITDA is sustained below 1.5x.

Ausdrill's ratings could come under downward pressure if the company fails to renew material contracts or win new contracts, or if operating conditions deteriorate significantly, despite Moody's expectations of stable conditions, and if adjusted debt/EBITDA exceeds 2.5x.

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.moody.com for a copy of this methodology.

Ausdrill Limited was established in 1987 as a drill and blast company in the Australian mining services sector. It has since expanded into a vertically integrated provider of mining services to the resources industry in Australia and Africa, with in-house capabilities in manufacturing, logistics and supply.

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Rating Action: Moody's upgrades Barmenco Finance's ratings; outlook stable

07 Nov 2018

Sydney, November 07, 2018 -- Moody's Investors Service has today upgraded Barmenco Finance Pty Ltd's senior secured notes to Ba3 from B1 and the senior secured rating on its revolving credit facility to Ba2 from Ba3. The ratings outlook is stable.

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Moody's rating action concludes its review of Barmenco Finance's ratings that was initiated on 15 August 2018 when Ausdrill Limited's acquisition of Barmenco Holdings Pty Limited was announced. Barmenco Finance Pty Ltd is a wholly owned subsidiary of Barmenco Holdings Pty Limited. The upgrades follow Ausdrill's completion of the acquisition on 1 November 2018. A full list of the affected ratings can be found at the end of this press release.

RATINGS RATIONALE

"The rating upgrades reflect the strategic importance of Barmenco in the new Ausdrill group, and Barmenco's enhanced access to funding," says Shawn Xiong, a Moody's Analyst.

"Moody's also expects Ausdrill to provide operational and financial support to Barmenco in times of need" adds Xiong.

Ausdrill has acquired all of the equity and equity-like instruments in Barmenco in exchange for 150.7 million fully-paid ordinary ex-dividend Ausdrill shares and AUD25.4 million in cash, which equates to a total enterprise value of AUD697 million.

Following the completion of the acquisition, Barmenco's USD350 million senior secured notes maturing in May 2022, as well as its senior secured revolving credit facility - which remained largely undrawn at 30 June 2018 - will be left in place as they are. Barmenco and its subsidiaries will remain a ring-fenced group under the ownership of Ausdrill and will continue to have access to its 50% share of earnings from African Underground Mining Services (AUMS), a previous joint venture with Ausdrill.

Moody's expects Barmenco will benefit from being part of the combined group, which is larger in scale as well as more diverse in its product offering and earnings profile.

Additionally, Barmenco had a solid operating performance for fiscal 2018 (the year ended 30 June 2018) on a standalone basis, reporting revenue of AUD586 million and trading EBITDA of around AUD117 million. Barmenco's Moody's-adjusted debt/EBITDA was estimated to register around 3.7x for fiscal 2018.

WHAT COULD CHANGE THE RATING

Barmenco's ratings 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 3.5x on a standalone basis. Barmenco's ratings factor in operational and financial support from its parent group, Ausdrill, so a material improvement in Ausdrill's credit profile could also benefit Barmenco's ratings.

Barmenco's ratings could come under downward pressure if the company fails to renew material contracts or win new contracts, or if operating conditions deteriorate significantly, despite Moody's expectation of stable conditions, and if adjusted debt/EBITDA exceeds 4.25x. Additionally, a material reduction in parental support from Ausdrill or a deterioration in Ausdrill's credit profile will also likely lead to a ratings downgrade.

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.moody.com for a copy of this methodology.

Barmenco Finance Pty Ltd is a wholly-owned subsidiary of Barmenco Holdings Pty Limited (Barmenco).

Barmenco is a market leader in underground hard rock contract mining in Australia. The company provides diamond drilling, crushing and screening support services to its mining customers. Barmenco has material operations across Africa, both directly and through its 50% interest in the African Underground Mining Services joint Venture.

List of Affected Ratings:

..Issuer: Barmenco Holdings Pty Limited

.... Corporate Family Rating, Withdrawn, previously rated B1

....Outlook, Changed to Withdrawn from Rating Under Review

..Issuer: Barmenco Finance Pty Ltd

....Senior Secured Bank Credit Facility (Local Currency), Upgraded to Ba2 from Ba3

....Senior Secured Regular Bond/Debenture (Foreign Currency), Upgraded to Ba3 from B1

....Outlook, Changed to Stable from Rating Under Review

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