

7 NOVEMBER 2013

AUSDRILL UPDATE ON OPERATING PERFORMANCE

Ausdrill Limited (**ASX: ASL**) (“Ausdrill” or “the Company”) has reviewed its anticipated operating performance for the financial year ending 30 June 2014. In light of the Group’s results for the first quarter to September 2013, prevailing market conditions, and a revision of the FY2014 forecasts, Ausdrill expects to report a Net Profit after Tax of between A\$35 million and A\$45 million for the financial year to 30 June 2014 on revenues of between A\$825 million and A\$925 million. Ausdrill reported a net profit after tax of \$90.4 million on revenue of \$1,129 million for the financial year ended 30 June 2013.

The weaker than expected outlook reflects a continuation of the challenging market conditions which are expected to remain subdued until the beginning of 2014 when an improvement in selected markets is expected to occur. Ausdrill expects that the focus by the mining industry on deferring all non-essential expenditure including capital works, exploration programmes and non-critical maintenance will taper in the near future and that surplus capacity that exists in the mining services industry will start to diminish in FY2015.

The key challenges that have given rise to the expected weaker performance are as follows:

- mining production – a number of mining operators have reduced the waste volumes for FY2014 as a means of improving cash flows and operating costs. This has impacted on Ausdrill’s contract mining and Drill & Blast services; however an increase in mining volumes is expected in FY2015. The business has also been impacted by the cessation of Contract Mining services in West Africa at Pampe (May 2013), Chirano (June 2013) and Yatela (October 2013) as well as Drill and Blast services at Cloudbreak (April 2013) and at Geita (December 2013). However Ausdrill is actively tendering for work in both Africa and Australia which if successful could replace a substantial portion of the work that has ceased. Any new work is expected to commence in early 2014.
- exploration – activity levels remain subdued and are not showing signs of a recovery in the near term, with margin pressure evident. An increase in spending is expected to occur in 2014 but limited to the major mining houses with the junior miners still expected to be constrained by low cash availability. This continues to affect exploration drilling, mineral assaying and some manufacturing activities;
- equipment hire – the significant surplus of mining equipment in this sector continues, impacting on trading conditions in the equipment rental market with further margin pressure now evident. We expect these trading conditions to persist in the near term;

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- capital spending – the mining industry has reduced capital expenditure and this has had a flow-on effect on the DT HiLoad business which manufactures light weight dump truck trays;
- weakness in prices of certain commodities and precious metals – leading to a lower than expected demand for maintenance and related services provided by the BTP business in Australia which has performed substantially below expectations; and
- a delay in the commissioning of rigs to meet the anticipated increase in demand for production well drilling in the coal seam gas and onshore oil sectors in eastern Australia.

The first half result will be lower than the second half due to the effect of contracts ceasing with the impact of any new work not taking effect until 2014. The forecast result also excludes the effects of significant items, if any, as well as the impact of any fluctuation in the value of the Australian dollar.

The business remains comfortably within its debt covenants.

Ausdrill continues its focus on strengthening its business in the Australian and African markets by:

- improving the performance of specialist services provided in Australia, including MinAnalytical and Energy Drilling Australia;
- restricting capital expenditure to replacement needs or identified growth opportunities;
- reviewing cost structures within the Group;
- reviewing working capital, particularly inventory levels, to ensure that it is commensurate with current levels of activity;
- improving its clients' knowledge of the benefits of the package of diversified services offered by the Ausdrill Group;
- working with its clients to improve service, product safety and productivity whilst maintaining quality;
- identifying and pursuing new opportunities to provide mining services in existing and new markets and capitalising on the infrastructure that the Group already has in place; and
- extracting and realising the full benefit of cost synergies and revenue opportunities within the Group.

Ausdrill remains in a sound financial position. It considers that the forecast result is not acceptable even in these challenging times and it continuing to work on plans and strategies to achieve the returns necessary for a Company of its size. In addition the deleveraging plans being pursued will ensure that the Group will be well placed in the mining services sector to benefit from any upturn and opportunities that arise in the mining industry.

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 and manufacturing. The Ausdrill Group employs over 5,000 staff worldwide.

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