

2 JUNE 2014

AUSDRILL FY2014 RESULTS UPDATE

Ausdrill Limited (**ASX: ASL**) (“Ausdrill” or “the Company”) has reviewed its anticipated operating performance for the financial year ending 30 June 2014.

The Ausdrill businesses (not including Ausdrill’s 50% share in the African Underground Mining Services business (“AUMS”)) have generally been performing in line with management expectations.

Following a review by management of AUMS’s contribution to Ausdrill’s FY2014 result it has become apparent that the contribution will be significantly lower than expected. Three key factors which have contributed to AUMS’s inferior performance are:

- AUMS operations have suffered from:
 - a higher than anticipated increase in costs, particularly maintenance-related costs due to its ageing fleet; and
 - the adverse foreign exchange impact on receivables, in particular the VAT receivable in Ghana due to the unexpected and ongoing material depreciation of the Ghanaian Cedi against the United States Dollar;
- in Ghana, its Kinross project which has been transitioning to an owner-miner model has reduced AUMS’s scope and resulted in a further deterioration in the margin as AUMS manages the transition process; and
- in Burkina Faso, the Perkoa mine which AUMS operates for Glencore has been operating for longer than anticipated at a reduced scale whilst Glencore addresses some operational issues. Ausdrill has been advised by AUMS management that the issues are being addressed and development activities at the project are expected to recommence in the near future.

Despite this disappointing result by AUMS in FY2014, AUMS has been a very good business and Ausdrill continues to see ongoing potential for this business in West Africa. The AUMS joint venture board (consisting of representatives from Ausdrill and Barmenco) has taken steps to address the deterioration in AUMS’s performance, including the appointment of a long-standing, highly-regarded Barmenco employee to the position of Chief Operating Officer for AUMS, and the boosting of AUMS’s management support structure.

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In light of the Group's results for the second half to 30 April 2014, prevailing market conditions, and a revision of the FY2014 forecasts, Ausdrill expects to report a Net Profit after Tax of between A\$25 million and A\$30 million for the financial year to 30 June 2014. The forecast FY2014 result excludes the effects of significant items as well as any further impact of any exchange rate fluctuations. The business remains comfortably within its debt covenants.

Ausdrill is expecting a substantially improved result in FY2015. It is continuing to focus on reducing costs, and the preliminary forecasts for the Ausdrill businesses for FY2015 are indicating an enhanced result with improvements expected particularly in the Energy Drilling Australia business and in the African Mining Services business. The anticipated improvements in these businesses are based on contracts which are now in place.

Ausdrill is of the view that provided there is not a significant fall in commodity prices from current levels, the mining downturn may have bottomed out or be close to the bottom. However, it anticipates that any recovery will be slow with challenging market and mining industry conditions continuing in FY2015, with subdued activity particularly in the Australian market.

Ausdrill expects the focus by the mining industry on deferring all non-essential expenditure including capital works, exploration programmes and non-critical maintenance will taper at some point, and possibly towards the end of FY2015, and that surplus capacity that exists in the mining services industry will then start to diminish.

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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