

21 DECEMBER 2015

ESTABLISHMENT OF EXECUTIVE SHARE OPTION PLAN AND PROPOSED ISSUE OF OPTIONS

The Board of Ausdrill Limited (ASX:ASL) ("**Ausdrill**") is pleased to announce that it has established a new employee share option plan ("**Plan**") for the benefit of eligible employees and has today resolved to make offers under the Plan.

Eligible employees will be offered Ausdrill options ("**Options**") which entitle the holder to subscribe for one fully paid ordinary share in Ausdrill per Option.

Ausdrill has, pursuant to the Plan, today offered 11.5 million Options to eligible employees. It is expected that the Options will be issued on or about 21 December 2015.

All Options will be unlisted, will expire 5 years after their issue (and also in certain circumstances where the employee ceases to be employed or where the Board determines), will have an exercise price of \$0.248 per Option and will be issued in three (equal) tranches as follows:

- Tranche 1 (one third of the Options) will become exercisable after the second anniversary of their date of issue;
- Tranche 2 (a further one third of the Options) will become exercisable after the third anniversary of their date of issue; and
- Tranche 3 (the remaining one third of the Options) will become exercisable after the fourth anniversary of their date of issue.

The exercise of the Options will be subject to the achievement by Ausdrill of certain performance hurdles involving Ausdrill's total shareholder return performance relative to certain of its peers.

The attached annexure sets out the material terms of the Plan, including details of the performance hurdles.

Options will be issued pursuant to Ausdrill's 15% capacity under ASX Listing Rule 7.1. Shareholder approval will not be sought for the issue of the Options, though Ausdrill may seek ratification of the issue in the future in order to refresh its ASX Listing Rule 7.1 capacity. An Appendix 3B in respect of the Options will be released once they are issued.

Domenic Santini
Company Secretary
AUSDRILL LIMITED

**BRINGING MORE
TO MINING**

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 4,000 staff worldwide.

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Annexure – Plan terms

Part A – Terms of Plan

- Eligible executives will be offered Options which entitle the holder to subscribe for one fully paid ordinary share in Ausdrill per Option.
- The number of Options that may be issued under the Plan is capped at the levels set out in ASIC Class Order [CO 14/1000].
- Options shall be issued in 3 equal tranches (subject to rounding), the first of which may not be exercised until after the 2nd anniversary of their issue, the second of which may not be exercised until after the 3rd anniversary of their issue, and the final tranche which may not be exercised until after the 4th anniversary of their issue. The ability to exercise an Option will be subject to additional performance hurdles as described in Part B below.
- Options may be exercised by the executive by paying the exercise price in cash, or by way of "cashless exercise". Cashless exercise means that instead of paying the cash exercise price for each of the Options, Ausdrill will issue a smaller number of shares representing the difference between the value of the shares and the exercise price. This will mean that the executive will not need to outlay cash to exercise Options. Where cashless exercise is selected, Ausdrill will only issue such number of shares as is equivalent to the number of Options being exercised multiplied by the excess of the average share price over the exercise price, divided by the average share price and then rounded down to a whole number of shares.
- The Board may determine that some or all Options are exercisable immediately if: there is a takeover bid (under which the bidder obtains voting power of at least 50% and the bid is declared unconditional other than for certain prescribed conditions); a scheme of arrangement (which is approved by members at the required court ordered meeting(s)); or another event occurs by which an entity becomes (or is entitled to be) registered as the holder of more than 50% of the total number of Ausdrill shares on issue.
- Options will lapse on the earlier of: the 5th anniversary of their issue; 30 days (or a longer period determined by the Board) after the executive ceases employment; or immediately upon the Board determining that an executive has acted fraudulently or dishonestly or in breach of their obligations to Ausdrill.
- The Board has a discretion to determine that Options should not lapse where employment ceases due to total and permanent disablement, ill health, death, economic necessity or retirement or other factors not attributable to conduct or performance.
- Options may not be transferred, will not be quoted on ASX and do not carry rights to dividends or rights to vote.
- Options will not carry any participation rights in respect of future issues of shares unless the Option is first exercised (and if required by the ASX Listing Rules, Ausdrill will give Option holders notice of any new issue before the record date for determining entitlements to the issue).
- If there is a bonus issue of shares (other than in lieu or in satisfaction of dividends or by way of dividend reinvestment) then the number of shares to be received on exercise of the Option will be increased as if the Option had been exercised before the record date for that bonus issue.
- If Ausdrill makes a rights issue (other than in lieu or in satisfaction of dividends or by way of dividend reinvestment) for an issue price which is less than the market price, then the exercise price of each Option will be reduced in accordance with the formula in ASX Listing Rule 6.22.2.
- In the event of any reorganisation of capital, the rights of an Option holder will be changed to the extent necessary to comply with the ASX Listing Rules.

- Participants are prohibited from entering into (and must ensure that their closely related parties (as defined in the Corporations Act) do not enter into) an arrangement (with anyone) if the arrangement would have the effect of limiting the exposure of the Participant to risk relating to their unvested entitlements under the Plan.
- The Board has the power to terminate, suspend or amend the Plan and is able to exercise certain discretions under the Plan.
- The Plan is governed by the laws of Western Australia.

Part B – Performance Hurdles

1. General Terms of Performance Conditions

A Participant's entitlement to exercise Options will be subject to a determination by the Board based upon Ausdrill's TSR performance as set out in clause 2 below.

2. TSR Performance

2.1 First Tranche

- If the Stretch Level of Performance is achieved or exceeded by Ausdrill over the Period of Measurement then 100% of the first tranche of one third of the Options ("**First Tranche Options**") will vest and be capable of being exercised.
- If the Target Level of Performance is achieved by Ausdrill over the Period of Measurement then 50% of the First Tranche Options will vest and be capable of being exercised.
- If Ausdrill's performance over the Period of Measurement falls between the Target Level of Performance and the Stretch Level of Performance a percentage of the First Tranche Options determined on a pro rata basis between 50% of the First Tranche Options and 100% of the First Tranche Options will vest and be capable of being exercised.
- If Ausdrill's performance over the Period of Measurement is less than the Target Level of Performance then none of the First Tranche Options will vest or be capable of being exercised.

2.2 Second Tranche

- If the Stretch Level of Performance is achieved or exceeded by Ausdrill over the Period of Measurement then 100% of the second tranche of one third of the Options ("**Second Tranche Options**") will vest and be capable of being exercised.
- If the Target Level of Performance is achieved by Ausdrill over the Period of Measurement then 50% of the Second Tranche Options will vest and be capable of being exercised.
- If Ausdrill's performance over the Period of Measurement falls between the Target Level of Performance and the Stretch Level of Performance a percentage of the Second Tranche Options determined on a pro rata basis between 50% of the Second Tranche Options and 100% of the Second Tranche Options will vest and be capable of being exercised.
- If Ausdrill's performance over the Period of Measurement is less than the Target Level of Performance then none of the Second Tranche Options will vest or be capable of being exercised.

2.3 Third Tranche

- (a) If the Stretch Level of Performance is achieved or exceeded by Ausdrill over the Period of Measurement then 100% of the third tranche of one third of the Options ("**Third Tranche Options**") will vest and be capable of being exercised.
- (b) If the Target Level of Performance is achieved by Ausdrill over the Period of Measurement then 50% of the Third Tranche Options will vest and be capable of being exercised.
- (c) If Ausdrill's performance over the Period of Measurement falls between the Target Level of Performance and the Stretch Level of Performance a percentage of the Third Tranche Options determined on a pro rata basis between 50% of the Third Tranche Options and 100% of the Third Tranche Options will vest and be capable of being exercised.
- (d) If Ausdrill's performance over the Period of Measurement is less than the Target Level of Performance then none of the Third Tranche Options will vest or be capable of being exercised.

3. Definitions

10 Day VWAP means the volume weighted average price of Shares on ASX during the 10 trading days prior to the stipulated date.

ASX means ASX Limited ABN 98 088 624 691, or, where the context requires, the securities exchange operated by it.

Ausdrill means Ausdrill Limited ACN 009 211 474.

Board means all or some of the directors of Ausdrill acting as a board or, where applicable, any relevant committee or subcommittee of directors.

Comparator Group means the group of companies selected by the Board and set out under the heading "Comparator Group" below (while those companies remain listed on ASX), or any successor entities listed on ASX as determined by the Board from time to time.

Grant means the time that an Option is issued to a Participant.

Option means an option to subscribe for one Share upon payment of the exercise price and subject to the terms of the Rules.

Participant means a person who is issued an Option under the Ausdrill Limited Executive Share Option Plan.

Period of Measurement means the period between the date of issue of the Options and:

- (a) in respect of the First Tranche Options, the 2nd anniversary of the date of Grant;
- (b) in respect of the Second Tranche Options, the 3rd anniversary of the date of Grant; and
- (c) in respect of the Third Tranche Options, the 4th anniversary of the date of Grant.

Rules means the rules of the Ausdrill Limited Executive Share Option Plan.

Share means a fully paid ordinary share in the capital of Ausdrill.

Stretch Level of Performance means Ausdrill achieving a TSR which when compared with the TSR of companies in the Comparator Group, has a percentile ranking in the Comparator Group measured against a base established at Grant of 75%.

Target Level of Performance means Ausdrill achieving a TSR which when compared with the TSR of companies in the Comparator Group, has a percentile ranking in the Comparator Group measured against a base established at Grant of 50%.

TSR measures the return received by shareholders from holding shares in a company over a particular period. TSR is calculated by taking into account the growth in the company's share price over the period as well as the dividends received during that period and growth may have a positive or negative value. The formula for calculating TSR (expressed as a percentage) is:

$$\text{TSR} = \left(\frac{\text{Share price at Vesting} - \text{Share price at Grant} + \text{Dividends per Share paid and received during the Period of Measurement}}{\text{Share price at Grant}} \right) \times 100$$

A 10 day VWAP is used to determine Share price at Grant and Vesting.

Vesting means the time that an Option is capable of being exercised in accordance with the Rules, being the end of the relevant Period of Measurement.

Comparator Group

Austin Engineering Limited

Boart Longyear Limited

Brierty Limited

Downer EDI Limited

Emeco Holdings Limited

Index Limited

MACA Limited

Macmahon Holdings Limited

Monadelphous Group Limited

NRW Holdings Limited

Sedgman Limited

Transfield Services Limited