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HALF-YEAR FINANCIAL RESULTS TO 31 DEC 2015

Key Points

- Profit after tax attributable to Ausdrill shareholders of \$9.3m, up from a loss of \$177.4m
- Proactive response being taken by the business to defend traditional markets
- Sales Revenue is 6.5% up on previous half, down 9.3% compared with previous corresponding period from \$413.6m to \$375.2m
- Margin improvement in key segments driven by impact of business improvement initiatives and business rationalisation
- EBITDA⁽¹⁾ is up 5.4% from \$59.1m to \$62.4m
- EBIT⁽¹⁾ is up 82.0% from \$15.0m to \$27.2m
- Deleveraging strategy continues, \$46.5m in debt repayment
- Basic earnings per share up from a loss of 56.81 cents per share to a profit of 2.99 cents per share
- Cautious approach to dividend policy in light of market uncertainty

Diversified mining services company, Ausdrill Limited (**ASX: ASL**) has responded well to challenging market conditions, delivering profit after tax of \$9.3 million during the six months to 31 December 2015, a 105.3% increase from the previous corresponding period.

During the half-year to 31 December 2015, the Company focused on its core competencies to ensure it continued to remain cost competitive in its traditional markets. Sales revenue has remained relatively stable over the past 12 months, up 6.5% on the previous half but down 9.3% compared with the previous corresponding period to \$375.2 million.

In spite of this, margins have improved across most businesses, driven by the impact of improvement initiatives and business rationalisation. Importantly, EBITDA⁽¹⁾ increased by 5.4% on the previous corresponding period to \$62.4 million while EBIT⁽¹⁾ increased 82% to \$27.2 million. The EBITDA⁽¹⁾ margin (excluding equity accounted profits) increased from 13.8% to 14.7% over the same comparative periods.

⁽¹⁾ Figures exclude the effects of any significant items in previous corresponding period

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Ausdrill maintained its strategy of deleveraging and made debt repayments of \$46.5 million while restricting capital expenditure to \$6.1 million during the half. Over the last 18 months, debt repayments have totalled \$141.9 million. Gearing (net debt to net debt plus equity) reduced from 39.1% reported at 30 June 2015 to 36.3% at 31 December 2015.

Cash flow from operations of \$47.7 million was down from \$76.9 million for the previous corresponding period, with higher cash flow in the previous corresponding period being driven by working capital movements.

Earnings per share increased to 2.99 cents per share, compared to the loss of 56.81 cents per share reported in the previous corresponding period.

In light of the ongoing market uncertainty, a cautious approach to dividend policy has been taken with no interim ordinary dividend declared for the half-year ended 31 December 2015. The Company's policy with respect to returns to shareholders will continue to be evaluated and moulded appropriately to changing market conditions.

Ausdrill Managing Director, Mr Ron Sayers, said: "These results represent a turning point for Ausdrill with further opportunity for improvement.

"Ausdrill is responding well to the challenges it faces in light of continuing poor market conditions and is taking proactive steps to divest or exit non-performing assets and to reduce its overhead in line with a lower revenue base.

"Further, the Group is well advanced on a range of cost-cutting initiatives, which will enable it to deliver lower cost solutions to its clients and improved margins for shareholders."

Mr Sayers added: "The Company will continue to respond to the challenges of a depressed mining sector by focusing on its core competencies and ensuring it remains cost competitive in its traditional markets.

"Ausdrill has a long established presence and local know-how in both Australia and Africa, where the resources sector is expected to recover over the medium to long term. The Company remains very well placed to remain a long-term profitable service provider in what we expect will be a more rationalised and consolidated industry."

Outlook

Ausdrill continues to expect demand for mining services to remain tight in the near term with margin pressure stemming from tougher price competition. However, the Company's focus on exiting non-core and non-performing assets, rationalising the business overhead and delivering upon its business improvement initiatives, will enable it to more ably assist its customers to reduce their costs and increase the productivity of their operations.

At present, lower input costs and a lower Australian dollar provide a cushion for Australian based miners, who continue to respond to market pressures to reduce costs and to be low cost producers. This is expected to provide a base level of demand for mining services in the medium term. However, we do expect to see ongoing rationalisation within the mining services sector.

Tender activity, particularly in Africa, is robust, driven mainly by gold mining opportunities, which are being actively pursued and will potentially be a future source of earnings stabilisation in the near to medium term.

Taking into consideration these market conditions, and subject to any change in circumstances, the Company expects earnings in the second half of the 2016 financial year to be similar to the first half, excluding any further impact of exchange rate fluctuations, significant items or impairment expense.

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 3,600 staff worldwide.

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Notes

1. Non-IFRS Financial Information

- “Operating profit” is profit /(loss) before impairment charges
- “EBITDA” is “Earnings before interest, tax, depreciation and amortization, and significant items”
- “EBIT” is “earnings before interest and tax and significant items”

These terms are non-IFRS financial measures which Ausdrill uses in managing its business. They have been included to provide additional insight and understanding of business performance for users of this information. When reviewing business performance these non-IFRS financial measures should be used in addition to and not as a substitute for IFRS financial information provided. These non-IFRS financial measures do not have a standard definition under IFRS and may be calculated differently by different companies.

2. Statutory profit / (loss) is profit / (loss) after tax.

3. Disclaimer for Forward Looking Statements

This release includes forward looking statements concerning projected earnings, revenue, growth, outlook or other matters for the financial year ending 30 June 2016 or beyond. Forward-looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “continue”, “objectives”, “outlook”, “guidance” or other similar words and include statements regarding certain plans, strategies and objectives of management, trends and outlook. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Ausdrill’s actual results, performance and achievements or industry results to differ materially from any future results, performance or achievements, or industry results, expressed or implied by these forward-looking statements.

Forward-looking statements are based upon management’s good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect Ausdrill’s business and operations in the future. Ausdrill cannot give any assurance that the assumptions upon which management based its forward-looking statements will prove to be correct, or that Ausdrill’s business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond its control. Any forward-looking statements contained in this release speak only as of the date of this release. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, Ausdrill disclaims any obligation or undertaking to publicly update or revise any forward-looking statement contained in this release or to reflect any change in management’s expectations with regard thereto after the date hereof of any change in events, conditions or circumstances on which any such statement is based. No representation or warranty, express or implied, is given as to the accuracy, completeness, likelihood of achievement or reasonableness of any forecasts, projections or prospects referred to in this release.