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## AUSDRILL DELIVERS SOLID RESULT IN CHALLENGING MARKET

### Highlights

- Significant business turnaround delivering profit from continuing operations of \$20.2 million
- Financial position remains strong with exceptional cash flow delivering increased cash reserves of \$181.9 million and lower gearing of 26.3%
- Ausdrill successfully re-focused on core activities through the sale and closure of non-core businesses generating \$35.7 million profit on sale, and in excess of \$70 million in sale proceeds
- Reported profit of \$58.2 million, basic earnings per share 18.6 cents per share
- Improved safety performance across the Group

Diversified mining services company Ausdrill Limited (**ASX: ASL**) has achieved a significant business turnaround over the past 12 months, increasing revenue and exiting non-core businesses to deliver a substantial increase in profit.

Ausdrill has reported sales revenue of \$743.9 million and a profit after tax of \$20.2 million from continuing operations for the year ending 30 June 2016. All major operating divisions within the Ausdrill Group achieved improved performance during the year.

The Company's long-standing exposure to the gold sector has continued to underpin revenue, with approximately 84% of Ausdrill's mining services revenues generated from the provision of services to gold companies.

Managing Director Ron Sayers said: "In what has remained a challenging environment, we have successfully re-focused the business on our core activities, reduced costs and won significant contracts with existing and new clients."

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## Financial Performance

\$ million	12 months to June 2016	12 months to June 2015	% change from prior corresponding period
<b>Continuing Operations</b>			
Sales revenue	743.9	719.8	3.3%
EBITDA*	124.9	110.8	12.7%
EBIT*	56.9	37.2	52.9%
Profit before tax*	24.8	2.1	1,103.8%
Profit after tax	20.2	(160.3)	112.6%
<b>Discontinued Operations</b>			
Profit/(loss) after tax	37.9	(15.3)	347.7%
<b>Reported Profit/(loss) after tax</b>	<b>58.2</b>	<b>(175.6)</b>	<b>133.1%</b>

\* Figures exclude the effects of any significant items in the pcp

The significant profit improvement was driven by cost-out initiatives and business rationalisation, which contributed to a 53% improvement in EBIT.

The Company's overall profit was boosted by the Group's sale of the DT HiLoad truck tray manufacturing business and the DTA drill bit manufacturing business, which together generated \$35.7 million profit after tax, and which will deliver in excess of \$70 million in cash proceeds.

These contributed to the Group's reported profit after tax of \$58.2 million.

The balance sheet of the Group remains strong, with a continued focus on debt reduction and cash generation, gearing levels decreased from 39.1% to 26.3%, with cash reserves of \$181.9 million at 30 June 2016. The net assets of the Group increased by \$53.3 million to \$606.6 million during the year, resulting in the net tangible asset position increasing from \$1.77 per share to \$1.94 per share.

Mr Sayers said "Ausdrill has emerged in a strong position to grow in our key markets in the years ahead."

Having given due consideration to current operating conditions, the Board has not declared a final dividend for the financial year ending 30 June 2016. Ausdrill has historically paid dividends to its shareholders twice a year and expects to resume paying dividends in the next financial year, subject to continued improvements in financial performance.

### Safety

Ausdrill's commitment to the safety and wellbeing of its employees, contractors and visitors is a core value of the business.

"I am pleased to report that we have achieved improved safety performance across the Ausdrill Group," Mr Sayers said. The initiatives we have taken over the past 12 months have brought tangible results, with a 25% reduction in the number of incidents over the previous year and an approximate 45% reduction in the Total Recordable Injury Frequency Rate."

## Outlook<sup>3</sup>

The Group has successfully refocused its strategy on the delivery of core mining services in markets where it has a competitive advantage. Its strategy is client-focused and harnesses innovation and technology to deliver relevant and low cost mining solutions to its clients.

The mining industry continues to experience a period of uncertainty in relation to future levels of demand and prices received for commodities. Furthermore, surplus capacity in certain markets in which we operate and the lack of new projects coming on stream mean competition for work remains extremely high in mining services.

In response to these market conditions, Ausdrill will:

- Maintain its strong focus on safety
- Work to maintain and rollover contracts as they mature
- Continue to deliver efficiency gains to counter market-driven margin compression
- Rationalise its businesses further to focus on profitable revenue streams
- Maintain a stable financial foundation from which to grow the Company in the future
- Review working capital, particularly inventory levels, to ensure that it is commensurate with current levels of activity
- Demonstrate continued restraint in capital expenditure

“We are of the view that competitive market conditions and margin pressure will persist.

“The gold price in Australian dollars currently favours the Australian production-related mining industry and provides a platform for a stable level of activity in the near term.

“However, we believe that near-term growth opportunities are anticipated to come from Africa in particular, where there is a higher rate of tendering activity.

“We are expecting the outlook for the resources industry to improve over the medium term in both Australia and Africa where Ausdrill has a long established presence and local know-how. As a consequence, Ausdrill remains very well placed to take advantage of future opportunities,” Mr Sayers said.

Based on the level of work currently in hand and the expected continued growth in the sector, Ausdrill is targeting revenue around \$800 million with an anticipated profit uplift from continuing operations of around 50% in FY17, subject to potential uncertainties associated with the volatility in world financial markets, exchange rates, tightness in labour markets and execution of the contracted work to plan.

## **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. The Ausdrill Group employs over 3,800 staff worldwide.*

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## **Notes**

### 1. Non-IFRS Financial Information

- “Operating profit” is profit /(loss) before significant items
- “EBITDA” is “Earnings before interest, tax, depreciation and amortisation, 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 2017 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.