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AUSDRILL UPDATE ON OPERATING PERFORMANCE

Ausdrill Limited (**ASX: ASL**) has reviewed its anticipated operating performance for the financial year ending 30 June 2013 in light of the Group's results during the third quarter of FY2013 as well as prevailing market conditions and expects to report a Net Profit after Tax of between A\$90 million and A\$96 million for the financial year to 30 June 2013.

Ausdrill's core business comprising of mining services in Africa and Australia has largely continued to perform as expected due to the focus on production related services. However, the Group's profits are expected to be impacted by the general slowdown in activity in the Australian mining sector that has occurred from September 2012 onwards, and which has not recovered as previously expected.

In our view, this slowdown is particularly evident in the following areas:

- Exploration – there has been a delay in resumption of activities following the seasonal shut down over the Christmas period with the current level of activity not showing signs of a recovery in the near term. This has affected exploration drilling, mineral assaying and some manufacturing activities. Exploration drilling accounted for approximately 10% of Ausdrill's revenue in the half year to December 2012;
- Equipment hire – the fall in commodity prices has generally resulted in the deferral of new projects and the scaling back of overall physical material movements on some production sites. This has resulted in surplus mining equipment in the sector, with trading conditions in the equipment rental market remaining below expected levels. We expect these trading conditions to persist in the near term. Equipment hire revenue accounted for approximately 8% of Ausdrill's revenue in the half year to December 2012;
- Weakness in prices of coal, iron ore and more recently gold – leading to a slowdown in other services provided by Ausdrill in Australia; and
- Delays being encountered in ramp-up of production well drilling in the coal seam gas sector in eastern Australia.

In addition, Ausdrill has been developing two new businesses in the mineral assaying and coal seam gas drilling sectors which have been impacted as described above. Ausdrill continues to expense all development costs associated with those businesses.

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Despite this sustained slowdown in activity, Ausdrill expects to report a robust Net Profit after Tax of between A\$90 million and A\$96 million for the financial year ending 30 June 2013 on revenues between A\$1,150 million and A\$1,170 million. Ausdrill considers that the forecast result is acceptable considering the adverse market conditions that have beset the industry since September 2012.

This expectation is subject to the impacts of any fluctuation in the value of the Australian dollar in relation to the US dollar and the Euro, and assumes that the current trading conditions continue unchanged for the next quarter.

The full year result includes the effects of significant items totalling approximately A\$16.2m on an after tax basis and is summarised as follows:

ITEM	A\$m
Foreign exchange losses to 31 March 2013	-6.0
Bad debt provisions	-6.7
Contract variations recorded by AUMS	3.4
BTP:	
BTP Fair Value adjustments	-7.3
Acquisition costs	-2.5
Amortisation of intangibles in relation to Brandrill and Connector	-2.4
Costs in relation to the restructure of Ausdrill's financing arrangements	-3.1
Tax	8.4
NPAT Impact	-16.2

Ausdrill's strategy is to continue its focus on strengthening its business in the Australian and African markets by:

- 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;
- reviewing cost structures within the Group, including employee numbers with the total number of Australian employees (excluding BTP) being reduced from 2,454 in July 2012 to 2,133 in February 2013, a decline of 13% due to redundancies and natural attrition;
- reviewing working capital to ensure that it is commensurate with current levels of activity;
- restricting capital expenditure to replacement needs or identified growth opportunities; and
- extracting and realising the full benefit of cost synergies and revenue opportunities within the Group.

Ausdrill remains well placed in the mining services sector due to its diversified service offering and geographic presence and will benefit from any upturn in the industry.

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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 6,000 staff worldwide.

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