

# ASX RELEASE

6 AUGUST 2014

## ASSET IMPAIRMENT AND MALI TAX IMPACT

### ***Asset Impairment***

Ausdrill advises that it has carried out a preliminary review of the carrying value of assets as at 30 June 2014, with the review including a consideration of the reasonableness of the assumptions used in these valuations. The review is ongoing and will be completed as part of the audit of Ausdrill's annual financial statements for FY2014.

As noted in Ausdrill's FY2014 Half Year Results released on 28 February 2014, a change in the assumptions the Company used at the time could result in the Company having to book an impairment expense.

Significantly, a review of the Company's longer term forecast on the back of the recent fall in the iron ore price and continued challenging market conditions have resulted in a view being taken that the recovery of the Australian mining services sector will be slower than Ausdrill had previously anticipated.

In addition to the pre-tax impairment expense in the Company's FY2014 Half Year Results, an impairment expense in the range of \$60 million - \$90 million (pre-tax) comprised mainly of goodwill will be required.

The Company's 2014 financial results are scheduled to be released on or about 28 August 2014.

### ***Impairment Implications***

The impairment expense is a non-cash item and:

- does not have any impact on cash-flow;
- will not have an impact on operations; and
- will not have a material impact on banking covenants with the principal covenant affected being the gearing ratio which would increase by approximately 2%, which is well within the required limit allowing the Company to maintain a significant level of headroom under its gearing covenant test.

Further details on the impairment expense will be provided in the Company's financial statements for FY2014.

The Board remains focussed on improving the Company's performance and applying the free cash-flow generated to reduce debt, with the Company remaining on track with its previously stated strategy of de-leveraging the business over the next 12 months.

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## **Mali Tax Status**

Ausdrill has been operating in Mali under a corporate tax exemption which is valid until December 2016. On 1 August 2014 Ausdrill's management was notified that Ausdrill's tax exemption has been withdrawn with effect from 1 January 2014. Ausdrill is considering its legal position in relation to the withdrawal of the exemption and will at this stage be providing for corporate income tax in Mali of approximately AUD\$2.7 million in FY2014.

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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 4,500 staff worldwide.*

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