

22 FEBRUARY 2017

HALF-YEAR FINANCIAL RESULTS TO 31 DEC 2016

Key Points

- **Strong safety and financial performance across the Group**
- **Profit after tax of \$13.4m, up 87.1% over the prior corresponding period**
- **Sales revenue up 3.9% to \$373.0m**
- **EBITDA up 9.9% to \$65.6m**
- **EBIT up 39.6% to \$33.9m**
- **\$1.2 billion in new projects and contract renewals secured**
- **Strong cash flow and balance sheet, with cash reserves of \$218.6m and gearing ratio at a 5 year low of 23.9%**
- **Basic earnings per share up 87% to 4.29 cents per share**
- **Interim dividend of 2.0 cents per share, fully franked**
- **Business on track to meet full year market guidance**

Diversified mining services company, Ausdrill Limited (**ASX: ASL**) has delivered a strong result for the six months to 31 December 2016, winning significant new contracts, strengthening its financial position and improving its safety performance.

The Company has delivered an after tax profit of \$13.4 million, an increase of 87.1% over the prior corresponding period.

Sales revenue increased by 3.9%, with all core businesses of the Group contributing strongly and all but one achieving improved margins. This comes on the back of a period of rationalisation, cost-cutting and a concerted re-focusing on the delivery of core mining services in markets where Ausdrill holds a competitive advantage.

EBITDA increased by 9.9% to \$65.6 million while EBIT increased by 39.6% to \$33.9 million, driven by reduced operating labour costs, lower operational and corporate overheads and lower depreciation and amortisation charges. The EBIT margin (excluding equity accounted profits) increased from 4.7% in the prior corresponding period to 7.2%.

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During the half-year, the Group won \$1.2 billion in new projects and contract renewals, demonstrating Ausdrill's strong reputation, long-standing client relationships and robust business model. This provides a very solid foundation for future revenue certainty and is expected to translate to a significant increase in revenue and profit for FY18.

Ausdrill's Managing Director, Ron Sayers, said: "By any measure, we have seen a significant improvement in the performance of the business.

"Africa continues to be a source of strong activity for us, with a number of contract wins which will underpin Ausdrill's future growth. Having said that, like every participant in the sector, we have experienced persistent challenging market conditions in Australia."

Commodity prices, whilst on the improve, continued to place downward pressure on margins, as mining service providers respond to meet clients' pricing expectations. Ausdrill is meeting this challenge and continues to seek cost and productivity improvements across all of its activities to remain competitive in the markets in which it operates.

Safety remains a key priority, with the Group's commitment resulting in a continued reduction of total recordable incident numbers during the period. Ausdrill's flagship 'One Safe All Safe' program has resulted in an improvement in safety statistics.

The Group's staff numbers have increased over the past six months, primarily reflecting the commencement of new projects in Africa. As at 31 December 2016, the Group employed 4,144 people.

Dividend

The improved performance has meant a return to dividends for the first time in two years, with the Directors declaring an interim dividend of 2.0 cents per share for the half-year ended 31 December 2016.

The fully franked dividend will be paid to Ausdrill shareholders on 31 March 2017.

"We are delighted to be able to reward our loyal shareholders once again with a 2.0 cents per share dividend," Mr Sayers said.

Outlook

Over the past 12 months, Ausdrill has focused on aligning its business activities to the delivery of core mining services in markets where the Company has a competitive advantage. This has involved significant rationalisation and cost-cutting initiatives.

This process is expected to continue as the Company pursues additional opportunities to increase productivity and to reduce costs in order to deliver a cost-effective and cost-competitive solution to customers in what remains a highly competitive and dynamic environment.

Recent increases in the price of major commodities and base metals have delivered positive sentiment to the mining services sector. However, the outlook for the broader mining industry remains variable. In the near term, Ausdrill expects margin pressures to persist across all business segments until the demand and price for commodities improves on a more sustained basis.

Rationalisation within the sector is likely to continue, which may result in changes to the competitive landscape in which the Company operates and may ease margin pressures.

In response to these market conditions, Ausdrill will:

- Maintain its strong focus on safety
- Continue to deliver efficiency gains to counter market driven margin compression
- Rationalise its businesses 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
- Invest capital astutely to deliver sustainable returns
- Pursue opportunities for further industry consolidation which deliver value for shareholders

The A\$ gold price remains robust and provides a platform for a stable level of activity in Australia in the near term, particularly with the business having secured key contract extensions for the Drilling Services Australia segment.

Recent contract wins in Africa are expected to deliver significant revenue and profit growth in FY18 as AMS mobilises and ramps-up projects which are most typically lower cost, long-term projects. Tender activity in Africa is expected to remain robust in the short-term, providing additional avenues for growth or revenue replacement and possible margin relief in the medium term.

The increase in the price of coal and iron ore provides opportunities for the Equipment Services and Supplies business to grow as the demand for parts, equipment and services increases in response to the need to replace and repair an aging client fleet.

“The outlook for the resources industry is expected to improve over the medium term and Ausdrill remains in a strong position to remain a significant industry participant, well placed to capitalise on future opportunities as they arise.

“The business remains on track to meet its full year market guidance, subject to the Mako project starting in April 2017 and subject to any Edikan mine plan revisions. Delays in the finalisation of documentation have temporarily deferred the Mako project start-up. We now expect this project to commence in April 2017. Our client at the Edikan project is currently revising its mine plan, the impacts of any mining schedule changes are still being assessed and discussed with our client,” Mr Sayers said.

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 4,000 staff worldwide.

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