

15 August 2018

BARMINCO TO BE ACQUIRED BY AUSDRILL

Leading underground hard-rock mining contractor Barmenco Holdings Limited (**Barmenco or the Company**) is pleased to announce it has entered into an agreement to be acquired by ASX-listed diversified mining services company Ausdrill Limited (ASX: ASL).

Ausdrill will acquire all of the equity and equity-like instruments in Barmenco, and assume Barmenco's debt, in exchange for 150.7 million fully paid ordinary ex-dividend Ausdrill shares and \$25.4 million in cash. Of note, it is intended that Barmenco's US\$350 million Senior Secured Notes, issued in April 2017 and due for repayment on 15 May 2022, will remain on issue.

The transaction is equivalent to an equity acquisition price of \$271.5 million¹ and an enterprise value of \$697.0 million².

Barmenco shareholders will own 22.1 per cent of the fully paid ordinary shares in Ausdrill post-completion of an associated Ausdrill equity raising and closing of the transaction, remaining shareholders in the combined business under set escrow periods. In addition, Barmenco Non-Executive Chairman Keith Gordon will join the Ausdrill board following completion.

Barmenco Chief Executive Officer Paul Muller said: "Barmenco and Ausdrill are a great fit, with the businesses providing complementary services and having worked together for a decade through our AUMS joint venture.

"By bringing these two businesses together and creating Australia's second largest mining services company, we will be able to provide a broader range of services for our customers and generate additional opportunities for our employees.

"Barmenco had a strong 2018 financial year and our focus is to continue safely delivering results for our customers."

Barmenco released its FY2018 results yesterday, reporting Revenue of \$731.9 million, Earnings Before Interest and Tax (EBIT) of \$90.6 million, and a Net Profit After Tax of \$38.6 million (all including Barmenco's 50% share of AUMS)³. The Company currently operates at 11 projects in Australia and 2 overseas (Egypt and India), with AUMS operating at a further 5 projects in Africa. Barmenco employs 1,800 people with an additional 1,000 people employed with AUMS.

¹ Assuming Ausdrill equity is valued at the Theoretical Ex-Rights Price ("TERP") of \$1.63. The Theoretical Ex-Rights Price ("TERP") is the theoretical price at which Ausdrill shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Ausdrill shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by adjusting for the bonus-element of the Entitlement Offer based on the closing price of Ausdrill shares on Tuesday 14 August 2018.

² Assuming Barmenco net debt, including the mark-to-market value of derivative financial instruments, of \$421.3 million as at 30 June 2018. This balance excludes shareholder-associated debt that will be extinguished as part of the purchase consideration.

³ EBIT and NPAT includes normalisations for shareholder management fees.



The transaction is subject to a number of conditions precedent, including Ausdrill shareholder approval, no material adverse change to Barmenco or Ausdrill, a favourable independent expert's report, continuation of material contracts and required change of control consents.

Full details of the transaction can be found in Ausdrill's announcement to the Australian Securities Exchange (ASX), appended below.

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About Barmenco

Barmenco's business was established in 1989 and operates gold and base metal mines for customers in Australia, India and Africa. Barmenco offers a full suite of underground mining services from mine development to production and underground diamond drilling. Barmenco's joint venture with Ausdrill, African Underground Mining Services (AUMS), operate mines in west Africa and Tanzania. Together Barmenco and AUMS are one of the world's largest hard-rock underground mining services, focused on creating value for mine owners.

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 5,000 staff worldwide.

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15 AUGUST 2018

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AUSDRILL DELIVERS 96% EARNINGS GROWTH, ANNOUNCES STRATEGIC ACQUISITION OF BARMINCO

Diversified mining services company Ausdrill Limited (**ASX: ASL**) has delivered an outstanding result, with a 95.7% increase in net profit after tax to \$61.1 million for the full year ended 30 June 2018. Ausdrill's safety record has also continued to improve, with all key safety indicators at record low levels.

Ausdrill is also pleased to announce it has entered into a binding agreement to acquire Barmenco Holdings Pty Ltd ("Barmenco"), a specialist underground hard-rock mining contractor with operations predominantly in Australia as well as in Africa (through the AUMS¹ joint venture with Ausdrill), Egypt and India. The acquisition is strategically, operationally and financially compelling. It would create Australia's second largest mining services company. It is also expected to strengthen Ausdrill's position in the S&P/ASX200 index and to result in a lower capital intensity, higher return business.

In order to reduce pro-forma gearing and facilitate the repayment of Ausdrill's Senior Unsecured Notes due November 2019 ("Ausdrill Notes"), Ausdrill will undertake a fully underwritten 1 for 2.13 pro rata accelerated non-renounceable entitlement offer to raise approximately \$250 million before costs.

Executive Chairman, Ian Cochrane, said:

"Ausdrill is pleased to present its shareholders with this transformational opportunity. We have delivered operationally in FY18 and the Barmenco transaction would broaden our strategic footprint to be Australia's clear #2 mining services company and set in place a balance sheet with the capacity to achieve sustainable and profitable growth."

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FY18 Results

Highlights ^{2,3}

- Key safety indicators at record low levels
- Sales revenue of \$887.3 million, up 16.4%
- Reported EBITDA of \$177.4 million, up 30.6%
- Reported EBITDA margin increased from 17.8% to 20.0%
- Reported Net Profit After Tax of \$61.1 million, up 95.7%
- Underlying profit after tax of \$45.2 million⁴, up 70.8% on the back of efficiencies and scale benefits
- Basic earnings of 17.4 cents per share, up 74.0%
- Fully franked final dividend of 3.5 cents per share declared, comprising a 1.5 cents per share final dividend and a 2.0 cents per share special dividend component bringing total dividends for the year to 7.0 cents per share
- Over \$500 million in contract extensions and new work won
- Long-standing exposure to low-cost gold sector continues to provide a core source of revenue, accounting for approximately 80% of revenue
- Targeting 20%-30% underlying profit growth for FY19 (before taking into account the proposed acquisition)

Ausdrill has delivered significantly improved financial performance during FY18 underpinned by our transformation and growth strategy.

Sales revenue from continuing operations for the Group increased 16.4% to \$887.3 million. Revenue growth was driven largely by activity in Africa following the commencement of mining works at major new projects in Burkina Faso, Mali and Senegal. The Equipment Services and Supplies segment also showed strong improvement, achieving revenue growth of 13.0%, driven by demand for mining equipment, parts and services.

EBITDA increased from \$135.8 million to \$177.4 million. The primary drivers of the increase included improved operational performance in Equipment Services and Supplies, Drilling Services Australia and growth of the African surface mining and underground portfolios. A non-recurring \$5.3 million claim settlement as well as foreign exchange movements also contributed favourably to the EBITDA increase.

Mr Cochrane said:

“This strong result has been underpinned by our strong relationships with long-standing mining clients, combined with our success at winning new work. Over the past 12 months we have secured more than \$500 million in contract extensions and new work.”

Group Financial Performance^{2,3,5}

\$ million	12 months to June 2017	12 months to June 2018	% change from prior corresponding period
Continuing Operations			
Sales revenue	762.6	887.3	16.4%
EBITDA	135.8	177.4	30.6%
<i>Proportionately consolidated EBITDA⁵</i>	153.5	204.5	33.2%
EBIT	73.6	102.9	39.7%
Profit before tax	44.6	74.1	66.0%
Profit after tax	30.9	59.3	91.8%
Discontinued Operations			
Profit after tax	0.3	1.7	
Reported profit after tax	31.2	61.1	95.7%

"Proportionately consolidated EBITDA" is the Company's reported EBITDA including the Group's 50% share of AUMS¹ EBITDA on a proportionately consolidated basis but excludes the equity accounted profits from AUMS¹.

The balance sheet of the Group remains strong with improved gearing at 25.7%, and cash reserves of \$137.3 million at 30 June 2018. The net assets of the Group increased by \$144.6 million to \$774.8 million during the year, resulting in the net tangible asset position increasing from \$2.02 per share to \$2.14 per share. The Group maintains financial flexibility for growth through its cash reserves, its committed lines of funding and ready access to capital markets.

Health and Safety

The Group continues to improve its health and safety performance. As a result of the continued engagement and commitment from all staff, a 25% reduction in the number of recordable injuries and a 41% reduction in the Total Recordable Injury Frequency Rate ("TRIFR") were reported for FY18, taking all key safety measures to record low levels.

People

Ausdrill and its jointly owned entities across Australia and Africa currently employ 5,278 employees, up from 4,582 at June 2017. This represents an increase of 15%, driven mainly by new projects in Mali, Burkina Faso and Senegal that saw the African employee numbers increasing to 4,206, from 3,503 at June 2017. Australian numbers remained virtually unchanged.

Dividend

The Directors have declared a final fully franked dividend of 3.5 cents per share for the full year ended 30 June 2018, including a 2.0 cents per share special component. The dividend will be paid to shareholders on 18 October 2018. This follows the payment of an interim fully franked dividend of 3.5 cents per share on 30 March 2018.

Acting CEO, Theresa Mlikota, said:

“The Company’s revenues have stabilised and grown over recent years, and we expect this growth to continue over the next 6 to 12 months based on contracts already secured. Whilst uncertainty within the mining services sector remains, Ausdrill has delivered improved profitability and has a strong balance sheet position.”

Outlook⁶

The Group continues to focus 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 our clients.

The mining industry continues to experience strong competition in an environment which is showing stable levels of activity in production drilling and exploration in Australia, increasing demand for equipment hire, parts sales and service exchange and continued growth in both production and exploration activity in Africa.

In response to these market conditions, Ausdrill will:

- maintain its strong focus on safety;
- invest in higher barrier to entry businesses that deliver sustainable profits to shareholders;
- continue to deliver efficiency gains to counter market driven margin pressures;
- rationalise its businesses to focus on profitable revenue streams;
- maintain a stable financial foundation from which to grow Ausdrill in the future;
- continue to review working capital, to ensure that it is commensurate with current levels of activity;
- restrict capital expenditure to replacement needs or identified growth opportunities; and
- pursue M&A opportunities which are complementary to its existing business model or to industry rationalisation.

Ausdrill believes that competitive market conditions will persist, and margin pressure will continue in material parts of our business.

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. Expenditure in gold exploration is growing in response to sustained periods of strong Australian Dollar gold prices.

Growth of the African businesses is expected to continue on the back of strong levels of tendering activity.

The outlook for the resources industry is expected to improve over the medium-term in both Australia and Africa where Ausdrill has a long-established presence and local know-how. Consequently, management believes that Ausdrill is in a strong position to grow in its key markets in the years ahead.

Ms Mlikota said:

"Based on the level of work currently in hand and expected contract renewals, we are targeting 20%-30% underlying profit growth for FY19, before taking into account the proposed acquisition."

Barminco Acquisition

Ausdrill has entered into a binding agreement to acquire Barminco on the terms described in Attachment I. Barminco is one of Australia's leading underground hard-rock mining contractors and is Ausdrill's existing joint venture partner in AUMS¹. The acquisition will create Australia's second largest mining services company, transforming the Ausdrill Group.

Ausdrill will acquire all of the equity and equity-like instruments in Barminco in exchange for 150.7 million fully paid ordinary ex-dividend Ausdrill shares and \$25.4 million in cash. This is equivalent to an equity acquisition price of \$271.5 million⁸ and an enterprise value of \$697.0 million⁹ which equates to acquisition multiples of:

- 4.2x FY18 reported underlying Barminco proportionately consolidated EBITDA, versus an equivalent Ausdrill multiple of 4.7x; and
- 7.6x FY18 reported underlying Barminco proportionately consolidated EBIT(A), versus an equivalent Ausdrill multiple of 9.3x.

At completion of the transaction, Barminco vendors will own approximately 22.1% of the enlarged Ausdrill, held by a range of entities. All of the consideration shares issued will be escrowed until the release of Ausdrill's FY19 results in late August 2019. However, if after the release of Ausdrill's 1H19 results (in late February 2019), the Ausdrill share price trades on the ASX for any five consecutive days at a volume weighted average price of at least \$2.04 (representing a 25% premium to TERP¹¹), this escrow will cease to apply with respect to one third of the shares issued.

In addition, experienced company director Mr Keith Gordon, currently non-executive chairman of Barminco, will join the Ausdrill Board following completion. Further information about Mr Gordon is set out in Attachment II.

Key expected benefits of the transaction include:

- materially earnings per share accretive on a pro-forma basis before synergies, amortisation of transaction intangibles¹²;
- adding financial strength across a range of metrics including resulting in Ausdrill being a higher margin business with improved return on average invested capital;
- delivering scale, with Ausdrill expected to have annual revenue of around \$1.8 billion across a more diverse range of customers and geographies;
- consolidating 100% of AUMS¹, resulting in streamlined governance, enhanced operation and strategic focus;
- complementing Ausdrill's current capabilities and creating a more balanced portfolio;
- enabling the delivery of a broader service offering and providing access to new underground mining markets;

- aligning former Barmenco owners and Ausdrill through acquisition consideration of (predominantly) Ausdrill shares and associated escrow; and
- further renewal of the Ausdrill Board.

Executive Chairman, Ian Cochrane, said:

“Given Barmenco’s strength in underground mining, the acquisition would enable Ausdrill to diversify and broaden its service offering as well as being a financially compelling acquisition.

“The combination of surface and underground technical expertise will deliver a mining services business that provides a broad range of services required by our customers, while transforming the Ausdrill Group.

“Ausdrill and Barmenco have worked together successfully for many years through their joint venture in Africa, AUMS¹, which provides a comprehensive range of underground mining and mine management services from consulting and feasibility management through to mine development and production.

“We also have a shared history in terms of our roots in the Goldfields of Western Australia. Today we share an over-riding commitment to safety, along with the delivery of outstanding work for our customers. As a result, we are confident that Barmenco can successfully be brought into the Ausdrill Group.”

Barmenco Chief Executive Officer, Paul Muller, said:

“Barmenco and Ausdrill are a great fit, with the businesses providing complementary services and having worked together for a decade through our AUMS joint venture.

“By bringing these two businesses together and creating Australia’s second largest mining services company, we will be able to provide a broader range of services for our customers and generate additional opportunities for our employees.

“Barmenco had a strong 2018 financial year and our focus is to continue safely delivering results for our customers.”

The transaction is subject to several conditions precedent, including Ausdrill shareholder approval (given the number of shares to be issued to Barmenco vendors, and former Managing Director Ron Sayers’ 15% indirect shareholding in Barmenco), no material adverse change to Barmenco or Ausdrill, a favourable independent expert’s report, continuation of material contracts and required change of control consents. Ausdrill shareholders will have the opportunity to vote on the proposed acquisition at Ausdrill’s AGM which is currently scheduled for 25 October 2018. Further information will be provided to shareholders in a notice of meeting expected to be issued in early September 2018. Further details of acquisition conditions precedent are at Attachment I.

Completion is anticipated to occur on 31 October 2018, but this date is subject to change.

In respect of the acquisition of Barmenco, Ausdrill was advised by Deutsche Bank AG, Sydney Branch, with Johnson Winter & Slattery as legal adviser.

Equity Raising

In order to reduce pro-forma gearing, Ausdrill will undertake a fully underwritten 1 for 2.13 pro rata accelerated non-renounceable entitlement offer to raise approximately \$250m before costs (“Offer” or “Equity Raising”).

The net proceeds of the Equity Raising are intended to be used to partially fund the repayment of the Ausdrill Notes due in November 2019 (with the balance of the notes to be repaid from existing cash and revolving credit facility drawdown)¹⁰.

Eligible Ausdrill shareholders will be invited to subscribe for 1 new fully paid ordinary share in Ausdrill (“New Share”) for every 2.13 existing fully paid ordinary shares in Ausdrill held as at 7.00pm (Sydney time) on Friday 17 August 2018 (“Record Date”), at the offer price of \$1.47 per New Share (“Offer Price”), which represents a:

- 14% discount to the closing price of Ausdrill shares of \$1.71 on Tuesday 14 August 2018; and
- 10.0% discount to the theoretical ex-rights price¹¹ of \$1.63 as at Tuesday 14 August 2018.

The Equity Raising will result in the issue of approximately 170.0m New Shares and will include:

- an accelerated institutional entitlement component (“Institutional Entitlement Offer”) which will open on Wednesday, 15 August 2018 and close on Thursday 16 August 2018; plus
- a retail entitlement component (“Retail Entitlement Offer”) which is anticipated to open on Tuesday 21 August 2018 and close at 5.00pm (Sydney time) on Wednesday 5 September 2018.

Entitlements to subscribe for New Shares under the Entitlement Offer cannot be traded.

Each New Share will rank equally with existing shares on issue and will be eligible for the dividend declared for the period ended 30 June 2018. Ausdrill will apply for quotation of the New Shares on ASX.

Institutional Entitlement Offer

Eligible institutional holders will be invited to participate in the Institutional Entitlement Offer, which is being conducted on Wednesday 15 August 2018 and Thursday 16 August 2018. Eligible institutional holders can choose to take up all, part or none of their entitlement.

Institutional entitlements that eligible institutional holders do not take up, and institutional entitlements that would otherwise have been offered to ineligible institutional holders, will be offered to eligible institutional holders who apply for New Shares in excess of their entitlement, as well as certain other institutional investors, through an institutional shortfall bookbuild to be conducted concurrently with the Institutional Entitlement Offer. It is expected that Ausdrill will remain in trading halt while the Institutional Entitlement Offer is conducted.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand as at the Record Date will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as under the Institutional Entitlement Offer. The Retail Entitlement Offer is expected to open on Tuesday 21 August 2018 and to close at 5.00pm (Sydney time) on Wednesday 5 September 2018 ("Retail Offer Period").

Eligible retail shareholders can choose to take up all, part, or none of their entitlements. Eligible retail shareholders who take up their full entitlement will also be permitted to apply for New Shares in excess of their entitlement at the Offer Price ("Retail Oversubscription") up to a maximum equivalent to 25% of their entitlement. New Shares not applied for by eligible retail holders may be offered to other eligible retail holders through applications via the Retail Oversubscription facility. There is no guarantee that applicants under the Retail Oversubscription facility will receive all or any of the additional New Shares for which they apply.

Further details about the Retail Entitlement Offer will be set out in a booklet ("Retail Offer Booklet") which Ausdrill expects to lodge with the ASX on Friday 17 August 2018, in advance of the despatch date (outlined below). The closing date for the receipt of Entitlement and Acceptance Forms is 5.00pm, (Sydney time) on Wednesday 5 September 2018.

Shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer.

All of the Directors of Ausdrill who are shareholders have indicated they will participate in the Retail Entitlement Offer. Directors are not eligible to participate in the Retail Oversubscription facility.

Timetable

Event	Date
Trading Halt; announcement of acquisition and Institutional Entitlement Offer; opening of Institutional Entitlement Offer	Wednesday, 15 August 2018
Institutional Entitlement Offer closes	Thursday, 16 August 2018
Announcement of results of Institutional Entitlement Offer	Friday, 17 August 2018
Trading halt lifted – shares recommence trading on ASX on an "ex entitlement" basis	Friday, 17 August 2018
Record Date for Entitlement Offer	7.00pm Friday, 17 August 2018
Retail Offer Booklet (including Entitlement and Acceptance Form) despatched and Retail Entitlement Offer opens	Tuesday, 21 August 2018
Settlement of Institutional Entitlement Offer	Friday, 24 August 2018
Issue and normal trading of New Shares under the Institutional Entitlement Offer	Monday, 27 August 2018
Retail Entitlement Offer closes	5.00pm Wednesday, 5 September 2018
Notice of AGM despatched	Friday, 7 September 2018
Announcement of results of Retail Entitlement Offer	Monday, 10 September 2018

Event	Date
Issue of New Shares under the Retail Entitlement Offer	Wednesday, 12 September 2018
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Thursday, 13 September 2018
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Friday 14 September 2018
Annual General Meeting and shareholder vote	Thursday, 25 October 2018
Barmenco acquisition completion	Wednesday, 31 October 2018

All dates and times are subject to change. Unless otherwise specified, all times and dates refer to Sydney time. Ausdrill and the Underwriters reserve the right to amend at any time any or all of these dates and times or to withdraw the Entitlement Offer, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Ausdrill reserves the right to extend the closing date for the Retail Entitlement Offer, or to accept late applications under the Retail Entitlement Offer without prior notice.

Further Information

Further information on Ausdrill's FY18 results is set out in the Results Investor Presentation provided to the ASX today.

Further details of the Acquisition and the Equity Raising are set out in the "Acquisition of Barmenco and equity raising" Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Equity Raising.

Retail Investor Enquiries

If you have any questions in relation to the Equity Raising, please contact the Ausdrill Offer Information Line on 1300 367 027 (within Australia) and +61 3 9415 4000 (from outside Australia) between 8.30am and 5.00pm (Sydney time) Monday to Friday.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and consult your independent broker, solicitor, accountant, financial adviser or other professional adviser in relation to the information in this announcement and any action to be taken on the basis of that information.

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 5,000 staff worldwide.

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Important Information

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction in which such an offer would be illegal. Neither the entitlements nor the New Shares to be offered and sold in the Entitlement Offer have been, or will be, registered under the U.S. Securities Act of 1933 (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be exercised or taken up by, and the New Shares may not be offered or sold, directly or indirectly, to, persons in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities law of any state or other jurisdiction of the United States.

This announcement may not be released or distributed in the United States.

This announcement includes certain forward looking statements, including statements regarding the completion of the acquisition, the impact of the acquisition and the future strategies and results of the combined Ausdrill and Barmenco groups and the opportunities available to it, the integration process and the timing and amount of synergies, the timing and outcome of the Entitlement Offer and the use of proceeds, as well as statements regarding projected earnings, revenue, growth, commodity prices, outlook, plans and strategies. 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. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. 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 announcement speak only as of the date of this announcement.

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 announcement 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 announcement.

Notes

1. AUMS = African Underground Mining Services joint venture companies (50/50 JV with Barmenco).
2. Non-IFRS Financial Information
 - "Operating profit" is profit/(loss) before significant items
 - "EBITDA" is "earnings before interest, tax, depreciation and amortisation, and significant items but includes impairment of available-for-sale financial assets"
 - "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.
3. Profit from continuing operations is profit/(loss) after tax from continuing operations and excludes results from discontinued activities, which must be added or deducted as the case may be to arrive at profit/(loss) attributable to equity holders of the Company.
4. Underlying excludes one off claim settlement, foreign exchange gains and transaction costs.
5. "Proportionately consolidated EBITDA" is the Company's reported EBITDA including the Group's 50% share of AUMS¹ EBITDA on a proportionately consolidated basis but excludes the equity accounted profits from AUMS¹.
6. Refer to Important Note on forward looking statements.
7. \$ = Australian dollars, unless otherwise stated.
8. Assuming Ausdrill equity is valued at the Theoretical Ex-Rights Price ("TERP") of \$1.63. See Note 11 below.
9. Assuming Barmenco proportionately consolidated net debt, including the mark-to-market value of derivative financial instruments, of \$425.5m as at 30 June 2018. This balance excludes shareholder-associated debt that will be extinguished as part of the purchase consideration.
10. This represents a statement of current intentions. Ausdrill will make final decisions on which debt instruments are repaid and when after consultation with lenders. If the acquisition does not complete, then net proceeds will be used to pay down Ausdrill debt or may be returned to shareholders (subject to any approvals required), or a combination of both.
11. The Theoretical Ex-Rights Price ("TERP") is the theoretical price at which Ausdrill shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Ausdrill shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by adjusting for the bonus-element of the Entitlement Offer based on the closing price of Ausdrill shares on Tuesday 14 August 2018.
12. EPS(A) is calculated excluding transaction costs, synergies and amortisation of intangibles. It includes discontinued operations, the impact of the acquisition, issue of shares to Barmenco vendors, the equity raising and associated TERP¹¹ adjustment, pro forma repayment of the Ausdrill Notes, utilisation of deferred tax assets and other adjustments.

Barminco Acquisition – Details of Transaction

Ausdrill has entered into a binding share sale agreement (**Share Sale Agreement**) to acquire 100% of the ordinary shares, redeemable preference shares and shareholder loan notes of Barminco Holdings Pty Limited (**Barminco**) for consideration of 150,666,463 fully paid ordinary shares in Ausdrill plus up to \$25.4 million in cash (**Transaction**).

The “locked box date” for the Transaction is 30 June 2018, meaning that (subject to completion of the Transaction) Ausdrill will have economic exposure to the Barminco business with effect from 1 July 2018. Completion is anticipated to occur on 31 October 2018, but this date is subject to change.

Conditions Precedent

Completion under the Share Sale Agreement is subject to customary conditions precedent for a transaction of this nature, including:

- the continuation of material contracts (including change of control consents where required);
- no Ausdrill or Barminco prescribed occurrences (covering customary matters such as alterations to share capital, material transactions and insolvency);
- no material adverse change occurring in relation to Ausdrill or Barminco. In relation to Ausdrill, a material adverse change refers to any event or circumstance (individually or in combination) that would:
 - prevent a party from discharging its obligations under the Share Sale Agreement;
 - materially adversely affect assets, liabilities, financial position or performance, profits, losses or prospects of the Ausdrill group;
 - have a material effect on certain financial or qualitative measures which may affect the underlying earnings or reputation of Ausdrill;
- Ausdrill shareholder approval of the Transaction (to be obtained at Ausdrill's 2018 annual general meeting);
- an independent expert's report concluding that the Transaction is fair and reasonable to Ausdrill shareholders whose votes are not to be disregarded;
- the vendors entering into voluntary escrow arrangements in respect of their scrip consideration; and
- receipt of change of control consents from Barminco's noteholders (or confirmation of no decline in note ratings as a result of the Transaction).

Escrowed Funds

A portion of the cash consideration (\$15 million) will be held in escrow for 6 months following completion pending resolution of any claims relating to the “locked box” accounts mechanism.

W&I Insurance

Ausdrill has taken out warranty and indemnity insurance in relation to the Transaction (and Ausdrill has limited recourse to the vendors except in limited circumstances).

Termination

The Share Sale Agreement can be terminated by mutual agreement, or by either party for material breach of the agreement (including failure to support the Transaction). Either party must pay a \$5 million break fee if a condition precedent is not satisfied due to an action (or failure to act) by that party or if that party ceases to support the Transaction.

Restraints

Certain of the vendors will be subject to customary restraints following completion of the Transaction.

Information about Keith Gordon

Qualifications

Bachelor of Sc (Agric) Hons and MBA from the University of Western Australia.

Experience

Keith Gordon is an experienced company director and public company CEO with a broad business perspective built through extensive experience across sectors including mining services, mining, retail, manufacturing, chemicals, energy and agriculture.

Mr Gordon has over 25 years' of professional experience having worked in large global organisations. Mr Gordon is currently the Chairman of Barmenco, the Chairman of GMA Garnet Group, a Director of Wright Prospecting Pty Ltd and a director of Red Emu Advisory.

Prior to this Mr Gordon was the Managing Director and CEO of Emeco Holdings and a senior executive at Wesfarmers. As part of his role at Wesfarmers, Mr Gordon led the post-merger integration of Coles into Wesfarmers.

Mr Gordon has a proven focus on driving financial performance through the engagement of teams and alignment around strategy, with experience in M&A activities, post-merger integration and equity markets both within Australia and internationally.