

ASX RELEASE



27 OCTOBER 2017

Market Announcements Office
Australian Securities Exchange Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir,

Attached is a copy of the Chairman's Address to be delivered to shareholders of Ausdrill Limited at the Annual General Meeting of the Company to be held today.

Yours faithfully

STRATI GREGORIADIS
Company Secretary
AUSDRILL LIMITED

**BRINGING MORE
TO MINING**

CHAIRMAN'S ADDRESS – 2017 AGM

Ladies and Gentlemen

Last year I noted the turnaround in the Company's business after a very difficult few years. This year, I am delighted to be able to say that the turnaround has been sustained and the mining industry appears to be through the worst of the downturn.

In the case of your Company, the upturn in the industry has seen a positive movement in key indicators with:

- Revenue up 4.5%
- EBIT up 30%
- Profit from continuing operations up 53.3%

Importantly for shareholders, the Company paid a first half dividend of two cents and recently paid a final dividend for the year, also of two cents. Both dividends are fully franked.

I don't propose to do an extensive review, but wish to highlight a few significant matters.

SAFETY

Including jointly owned businesses, the Ausdrill Group has a workforce in excess of 5,000 people. The safety of each one of those people is important. Safety is a core value of the Group. Considerable effort is put into improving our safety performance. We seek to have a safety culture right throughout the Group. Thus, we welcome the fact that our total recordable injury frequency rate is falling, but we will not be satisfied until it is zero.

OPERATIONS

During the year, we added to the value of our work in hand with \$1.6 billion of new work and contract extensions.

Drilling Services Australia

While confidence is returning to the mining sector in Australia, save for gold, activity is subdued. The high gold price in Australian dollars has led to considerable activity in that sector. This has seen a significant upturn in exploration activity. Unfortunately, the fact that there are still idle rigs in the market has meant that margins continue to be depressed. Many experienced drillers have left the industry during the downturn creating a shortage of good drillers.

The exploration drilling business is conducted through two businesses, one based in Kalgoorlie, primarily servicing the Goldfields region (Ausdrill) and the other based in Perth, servicing the North West of Western Australia (Ausdrill Northwest). The exploration drilling business secured a three-year contract extension with Gold Fields to provide drilling services at the St Ives and Granny Smith gold mines. It works for a number of other companies in the Goldfields and Midwest region of Western Australia.

Once it was able to exit the Newcrest contract, the margins in the drill and blast business improved significantly. This business secured a five-year contract extension with KCGM at the Super Pit in Kalgoorlie, as well as contracts at the Tropicana and Mungari mines. It has also secured a five-year contract at the Blair Athol coal mine in Queensland.

African Mining Services (AMS)

Africa has now surpassed Australia as the major generator of turnover for the Ausdrill Group. You will have seen in the Annual Report that it is estimated that 30% of the world's remaining resources are in Africa. Ausdrill, through its subsidiary, AMS, has been operating in Africa for more than 25 years. In the eight countries in which it operates, AMS is the largest mining contractor, providing exploration drilling, drill and blast and load and haul services.

AMS's reputation is second to none. It has trained over 20,000 African nationals in technical skills. The skills of AMS trained nationals have made them very attractive to others in the mining industry. Of our 3,000 employees in Africa, 97% are African nationals. Because of its experience and reputation, AMS is well placed to take advantage of the huge pipeline of work that is appearing in Africa.

During the year, AMS secured the following mining services contracts:

- 42-month contract for Perseus at its Edikan gold mine, Esuajah North deposit, in Ghana
- 36-month contract for Hummingbird at its Yanfolila gold mine, in Mali
- 60-month contract for SEMAFO at its Boungou gold mine, in Burkina Faso
- 75-month contract for Toro Gold its Mako gold mine, in Senegal

AMS also has contracts to provide exploration drilling in a number of these countries. Tender activity is very strong. In addition, we are seeing an increase in exploration drilling as more and more people come to appreciate the potential in Africa, which still has large areas that have never been explored.

African Underground Mining Services (AUMS)

Ausdrill's 50% interest in AUMS has proved to be a profitable investment. In 2017, we saw an increase in revenue, largely from the expansion at the Geita project in Tanzania and the Yaramoko project in Burkina Faso.

During the year, start-up costs were incurred at the Newmont gold owned Subika project in Ghana. We expect this project to be a significant contributor to revenue and profit in the coming year.

The outlook for AUMS is very positive as a result of the expected significant increase in underground mining in West Africa.

Equipment Services & Supplies (ESS)

This business was hard hit by the downturn in the mining sector. It has undergone a significant overhaul in the last two years and has moved into profitability.

The BTP business provides services to the Ausdrill Group, but also to external parties, providing maintenance, repairs and rebuild services for heavy equipment. It also has a large rental fleet of heavy mining equipment.

During the year, considerable resources were put into sourcing low cost equipment for AMS's new projects in Africa. BTP also provided AMS with some of its idle mining fleet for these projects.

In addition, BTP secured a major contract with Peabody Energy on the East Coast of Australia.

This business has seen a tightening in the availability of rental equipment and is again procuring and rebuilding in-demand mining equipment for its rental business.

MinAnalytical

Our mineral analysis business has invested in Chrysos Corporation and is assisting in commercialising the CSIRO developed photon assay technology owned by Chrysos. The first commercial unit is expected to have completed commissioning, or validation, by Q4 of FY18. This technology will provide, in minutes, assay results which have previously taken days. We have very high expectations for this revolutionary technology.

OUR PEOPLE

As I have said before, we have a very loyal and hardworking core of people at Ausdrill. They all buy into what the Group is seeking to achieve. It is for this reason that Ausdrill has been able to navigate the most difficult period in its history, when others have failed.

On behalf of the Board, I would like to thank management and staff for their dedicated service during this time.

OUTLOOK

As shareholders would be aware, we have been moving to dispose of non-core businesses and this will continue.

Management has embarked on a program to create efficiencies and to take costs out of the businesses. This year, a reduction in costs of some \$5 million is targeted.

From what I have said, it is clear that we think the outlook is positive for the resources industry, particularly in Africa. We believe our reputation and experience in Africa will give us a significant advantage over new entrants. AMS's standing in the industry will continue to mean that we will win more than our share of available work.

Obviously, the outlook in Australia is not as good. The lower Australian dollar will help Australian miners, so we see some improvement in the medium term.

With some \$250 million cash and a bank facility of approximately \$200 million, we have the funds to support new contracts.

As already announced, we are expecting a 30-40% increase in after tax profit for FY2018.

IN CLOSING

I have been Chairman of Ausdrill since it floated some 25 years ago. The time has come, some would say it is well past, for me to step down as a Director of the Company, which I will do after our December Board meeting.

When I started with Ausdrill it was a relatively small drill and blast exploration drilling contractor. I have watched as it has grown into a significant international mining contractor. This growth is a great tribute to the vision of Ron and the hard work of the Ausdrill team.

I have great confidence in the future of the Company. Ian Cochrane will be taking my place and Ausdrill will be in good hands under his leadership. He has on the Board an excellent group of Directors with a range of skills and experience. This group is well qualified to take Ausdrill on a significant growth path.

It has been a pleasure working with people involved in creating national wealth. My previous experience was working with people who spread the wealth around.

I want to thank my past and present Board colleagues for the help and support they have provided over the years. Although it is difficult to single out one person, I want to express my grateful thanks to Terry Strapp for his tireless work as Chairman of the Audit Committee. As someone whose grasp of the intricacies of accounting is modest at best, it was reassuring to have someone as diligent and hard-working as Terry to make sure that everything was in order.

I would also like to thank those shareholders who have stuck with the Company through thick and thin. Many of you here fall into that category. Your support has been very much appreciated.

Finally, I want to express my admiration for my friend, Ron. I can do no better than repeat what I said in the recent edition of Ausbits, which celebrated the 30th anniversary of the Company, where I said:

“Ron founded Ausdrill with a drill and blast rig and a contract with the owners of the Kalgoorlie Super Pit. He has grown the Group from that modest start. I have been involved with a number of public companies. In my experience, Ron is a unique Chief Executive. He has a real concern for his people and his door is always open to anyone in the Company. He talks of the Ausdrill family. This is not just idle talk. The Ausdrill Way, which helps employees and their families having difficulty is something Ron created and drove. It has helped a number of Ausdrill people in need. Coupled with this, he is an intelligent and creative manager with an extraordinary ability to solve problems and see opportunities. He is man of integrity and vision and easily the best Chief Executive I have worked with”.



TERENCE O'CONNOR

Chairman

Ausdrill Limited