

17 OCTOBER 2011

NOTICE OF ANNUAL GENERAL MEETING

Enclosed is a copy of the Notice of Meeting and Proxy Form for the Ausdrill Limited Annual General Meeting to be held on Wednesday 23 November 2011.

The Notice of Meeting and Proxy Form will be distributed to all shareholders and will also be available from the Company's website.

Yours faithfully
Ausdrill Limited



Domenic Santini
Company Secretary

**BRINGING MORE
TO MINING**

NOTICE OF ANNUAL GENERAL MEETING 2011

Notice is hereby given that the Eighteenth Annual General Meeting of Ausdrill Limited (**Company**) will be held at the Duxton Hotel, 1 St George's Tce, Perth at 4.00pm (WST) on Wednesday 23 November 2011.

Agenda

Ordinary Business

Reports and Accounts

To receive and consider the financial report for the year ended 30 June 2011 and the related Directors' Report, Directors' Declaration and Auditors' Report.

Resolution 1 – Adopt Remuneration Report

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That the Remuneration Report of the Company for the financial year ended 30 June 2011 be adopted”.

Under the Corporations Act 2001 (Cwlth), this resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion statement

To the extent required by section 250R of the Corporations Act, a vote must not be cast (in any capacity) on Resolution 1 by or on behalf of a member of the Company's or the group's key management personnel details of whose remuneration are included in the Remuneration Report or a closely related party of such a member unless:

- the vote is cast as a proxy;
- the appointment is in writing and specifies how the proxy is to vote on Resolution 1; and
- the vote is not cast on behalf of such a member or a closely related party of such a member.

Resolution 2 - Re-election of Mr Terence Edward O'Connor AM QC

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That Mr T E O'Connor AM QC, who retires in accordance with Article 60 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.”

Resolution 3 - Re-election of Mr Mason Gordon Hills

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That Mr M G Hills, who retires in accordance with Article 60 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.”

Special Business

Resolution 4 – Issue of Share Appreciation Rights to Mr Ronald George Sayers

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.11, and for all other purposes, the issue to Mr R G Sayers of 4,000,000 Share Appreciation Rights (**SARs**) issued on the terms set out in Schedule 1 to the Explanatory Statement which accompanies the Notice of Meeting (**Terms**) is approved, on the basis that:

- (a) 1,000,000 of Mr Sayers' SARs will vest if Mr Sayers remains in the Company's employ on 30 June 2014 or any earlier date determined in accordance with the Terms; and

- (b) up to 3,000,000 of Mr Sayers' SARs will vest depending on the total shareholder return achieved by the Company relative to a comparator group of Companies as described in the Terms and provided Mr Sayers remains in the Company's employ on 30 June 2014 or any earlier date determined in accordance with the Terms.

Voting exclusion statements

The Company will disregard any votes cast on Resolution 4 by Mr Sayers and any associate of Mr Sayers. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Also, to the extent required by section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 4 if the person is either a member of the Company's or group's key management personnel or a closely related party of such a member and the appointment does not specify the way the proxy is to vote on Resolution 4. However, the proxy may vote if the proxy is the chair of the meeting and the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Company's or group's key management personnel.

Resolution 5 – Amendments to the Company's Constitution

To consider and, if thought fit, to pass the following as a special resolution:

"That, with effect from the close of the Meeting and in accordance with section 136 of the Corporations Act, the Company's Constitution be modified by:

- (a) replacing all references to "Corporations Law" where used throughout the Constitution with "Corporations Act";
- (b) deleting the definition of "ASX" in Article 2.1 of the Constitution and replacing it with:
 "“**ASX**” means ASX Limited ABN 98 008 624 691 and, where the context requires, the securities exchange operated by it.”;
- (c) adding the following definitions after the definition of "ASX" in Article 2.1 of the Constitution:
 "“**ASX Settlement**” means ASX Settlement Pty Limited ABN 49 008 504 532.
 "“**ASX Settlement Operating Rules**” means the settlement operating rules of ASX Settlement and, to the extent they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited ABN 48 001 314 503.”
- (d) deleting the definition of "Corporations Law" in Article 2.1 of the Constitution and replacing it with:
 "“**Corporations Act**” means the Corporations Act 2001 (Cwlth).”;
- (e) deleting the definition of "Home Exchange" in Article 2.1 of the Constitution;
- (f) replacing all references to "Home Exchange" where used throughout the Constitution with "ASX";
- (g) replacing all references to "Proper SCH transfer" and to "proper SCH transfer" where used throughout the Constitution with "Proper Transfer";
- (h) deleting the definition of "Proper SCH Transfer" in Article 2.1 of the Constitution and replacing it with:
 "“**Proper Transfer**” means a transfer through a "prescribed CS facility", as defined in Section 761A of the Corporations Act.”
- (i) deleting the definitions of "SCH" and "SCH Business Rules" in Article 2.1 of the Constitution;
- (j) replacing all references to "SCH" where used throughout the Constitution with "ASX Settlement";
- (k) replacing all references to "SCH Business Rules" where used throughout the Constitution with "ASX Settlement Operating Rules";
- (l) replacing the reference to "Australian Stock Exchange Limited" in Article 8.3(c) of the Constitution with "ASX";
- (m) replacing the reference to "Australian Securities Commission" in Article 8.6 of the Constitution with "Australian Securities and Investments Commission";
- (n) replacing the reference to "Section 1089(2)" in Article 36.12(c) of the Constitution with "Section 1070D(5)";
- (o) replacing the references to "Unclaimed Money Act 1982" in Articles 36.12(d) and 93 of the Constitution with "Unclaimed Money Act 1990 (WA)";
- (p) deleting Article 46.3 of the Constitution;
- (q) replacing the reference to "Section 1109N of the Corporations Law" in Article 50.1 of the Constitution with "Regulation 7.11.37 of the Corporations Regulations 2001 (Cwlth)";

- (r) adding the words “, a Director falling within the terms of Section 250V(1)(b) of the Corporations Act” after the words “a Director appointed by virtue of Article 59” in article 60.5 of the Constitution;
- (s) replacing Article 88.2 of the Constitution with “The Directors may from time to time, without declaring a Dividend, determine that a Dividend is payable and fix the amount and time for payment of such Dividend.”;
- (t) replacing the words “may be paid otherwise than out of profits nor” in Article 88.3 of the Constitution with “shall”;
- (u) adding the words “or paying” after the words “when declaring” in each of Articles 90.2 and 91 of the Constitution;
- (v) adding the word “options,” after the words “paid up Shares,” in article 91 of the Constitution;
- (w) adding the words “or paid” after the words “having been declared” in Article 93 of the Constitution;
- (x) deleting the words “before declaring any Dividend” and the words “which they may think prudent not to divide” from Article 94 of the Constitution;
- (y) deleting the words “not in South Australia” from Article 98.7 of the Constitution; and
- (z) replacing the reference to “Sections 232(5) or (6)” in Article 99.3(a) of the Constitution with “Sections 182 or 183”.

Other Business

To transact any other business that may be properly brought before the meeting in accordance with the Company’s Constitution.

By order of the Board



Domenic Santini
Company Secretary
Dated: 17 October 2011

NOTICE OF ANNUAL GENERAL MEETING 2011

Explanatory Statement

Resolution 1 – Adopt Remuneration Report

The Corporations Act requires listed companies to put a Remuneration Report relating to director and executive remuneration for each financial year to a resolution of members at their annual general meeting. The Remuneration Report is included in the Directors' Report from page 23 of the Company's Annual Report, which accompanies this Notice of Meeting.

Under section 250R(3) of the Corporations Act, the vote is advisory only and does not bind the Directors or the Company. However, under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on the resolution are voted against adoption of the Remuneration Report at the meeting and then again at the 2012 Annual General Meeting, the Company will be required to put to shareholders a resolution at the 2012 Annual General Meeting proposing the calling of a further general meeting to consider the election of directors of the Company (**spill resolution**).

If more than 50% of shareholders vote in favour of a spill resolution, the Company would be required to convene a further general meeting (**spill meeting**) within 90 days of the 2012 Annual General Meeting. All of the Directors who were in office when the 2012 Directors' Report was approved by the Directors, other than the Managing Director, would cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting. Following the spill meeting those persons whose election or re-election as Directors is approved would be the Directors of the Company.

In summary, the Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of the key management personnel (broadly meaning those persons with the authority and responsibility for planning, directing and controlling the activities of the Company and the group) of the Company and group;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- details and explains any performance conditions applicable to the remuneration of key management personnel; and
- sets out remuneration details for the key management personnel and the 5 most highly remunerated senior executives of the Company, and for the 5 most highly remunerated senior executives of the group (including the value of any options granted to those persons).

Noting that each Director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report, the Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

Key management personnel details of whose remuneration are included in the Remuneration Report and their closely related parties are prohibited from voting on Resolution 1, except in the circumstances described in the voting exclusion statement set out in the Notice of Meeting.

Resolution 2 – Re-election of Mr Terence Edward O'Connor AM QC

Article 60 of the Company's Constitution requires one-third of the Directors (excluding the Managing Director and Directors appointed by the Directors under article 59.1 to fill a casual vacancy or as an additional Director), or if their number is not a whole multiple of three (3) then the number nearest to but exceeding one-third, to retire from office at each Annual General Meeting. Article 60.1 states that "a retiring Director shall act as a Director throughout the meeting at which he retires".

Mr Terence Edward O'Connor AM QC, who is required to retire in accordance with Article 60, has been Chairman and a non-executive Director since 11 November 1993 and is Chairman of the Remuneration Committee and a Member of the Audit Committee. Mr O'Connor was last re-elected as a Director at the Annual General Meeting held on 19 November 2008.

Mr O'Connor is a Barrister. He is a graduate of the University of Western Australia, and was formerly a partner in the legal firm Stone James Stephen Jaques (now Mallesons Stephen Jaques). Mr O'Connor was formerly the Chairman of the Anti-Corruption Commission, the Chancellor of the University of Notre Dame Australia and a Commissioner of the Australian Football League. Mr O'Connor has held the position of Chairman since 1993.

Being eligible, Mr O'Connor offers himself for re-election as a Director.

The Board (other than Mr O'Connor, who abstained) unanimously recommends that shareholders vote in favour of this resolution.

Resolution 3 – Re-election of Mr Mason Gordon Hills

Mr Mason Gordon Hills, who is also required to retire in accordance with Article 60 of the Company's Constitution, has been a non-executive Director since 24 February 2010 and is a Member of the Audit Committee. Mr Hills was last re-elected as a Director at the Annual General Meeting held on 24 November 2010.

Mr Hills is a Partner of Resource Capital Fund. Mr Hills has practised extensively in corporate finance and resources law. He was a partner of Wright Legal, a niche resources and industry focused banking and corporate law firm, before joining Resource Capital Fund in 2006. Mr Hills' practice included acquisitions, public offerings, corporate and securities regulation, project development and corporate and project finance acting for mining and mining services companies, financial institutions and government bodies both in Australia and overseas. Mr Hills is also a director of Talison Lithium Limited and Bannerman Resources Limited and was formerly a non-executive director of Brandrill Limited.

Mr Hills has a Bachelor of Economics from the University of Western Australia and a Bachelor of Laws with First Class Honours from Murdoch University.

Being eligible, Mr Hills offers himself for re-election as a Director.

The Board (other than Mr Hills, who abstained) unanimously recommends that shareholders vote in favour of this resolution.

Resolution 4 – Issue of Share Appreciation Rights to Mr Ronald George Sayers

Mr Ronald George Sayers founded the Company in 1987 and was first appointed Managing Director at that time. Shares in the Company were first traded on the official list of ASX Limited in 1994.

Mr Sayers retired as Managing Director in May 1997 but remained a non-executive director. Following his retirement, the performance of the Company declined and Mr Sayers was again appointed as Managing Director in December 2000, when the shares in the Company were trading at approximately 15 cents.

As at 30 June 2011, the Company had a turnover exceeding \$800 million, a market capitalisation of approximately \$1 billion and a share price of \$3.31.

Historically, the remuneration payable to Mr Sayers has been considerably below that which has been payable to his peers. Other key management personnel of the Company have received issues of options in recent years. However, since his return as Managing Director, Mr Sayers has not received any options or other equity-based performance incentives. Such incentives are common amongst Mr Sayers' peer group.

Approximately a year ago, the Board (excluding Mr Sayers) considered an issue of 3 million options to Mr Sayers (subject to shareholder approval). Three tranches of 1 million options each were contemplated at exercise prices of \$1.75; \$2.00 and \$2.45, at a time when the share price was approximately \$1.60.

Changes to tax laws and the fact that Mr Sayers and his associated entities held more than 5% of the issued share capital of the Company meant that the proposal did not proceed because of the adverse tax consequences.

The Remuneration Committee and the Board (with Mr Sayers abstaining) now wish to proceed with the grant to Mr Sayers of Share Appreciation Rights (**SARs**) as referred to in resolution 4 so as to:

- (a) reward Mr Sayers for his past performance as Managing Director;
- (b) provide an incentive for him to continue as Managing Director for another 3 years; and
- (c) provide a remuneration structure based on performance which sees him rewarded fairly in return for creating additional value for shareholders.

The Directors (with Mr Sayers abstaining) believe that the future success of the Company depends on the skills and motivation of the people engaged in and overseeing the management of the Company's operations. It is therefore important that the Company is able to retain people of the highest calibre, such as Mr Sayers. The Remuneration Committee and the Directors (excluding Mr Sayers) consider that the issue of SARs to Mr Sayers is an appropriate form of remuneration for Mr Sayers and is part of a reasonable remuneration package (taking into account the Company's and Mr Sayers' circumstances).

The full terms of issue of the SARs are set out in Schedule 1 to this Explanatory Statement (**Terms**).

Significantly, the number of shares in the Company which might ultimately be required to be issued to satisfy the Company's obligations at the time of vesting of the SARs may not exceed the number of SARs which will be issued to Mr Sayers. Practically the number of shares to be issued on vesting of the SARs will always be less than the maximum number that would have been issued if the grant had been structured as a grant of options. No further issues of SARs or other equity-based performance incentives are intended to be made to Mr Sayers in the period to 30 June 2014.

The proposed issue of SARs will be divided into 2 tranches.

The first tranche of 1 million SARs is designed to reward Mr Sayers for his past service, to reflect the fact that his current base remuneration has been substantially below the market, and to reward him appropriately for committing to the Company for a further 3 year contract term.

The Remuneration Committee requested that PwC Australia source appropriate market data and, based on the information provided, the Remuneration Committee and the Board (excluding Mr Sayers) are satisfied firstly that Mr Sayers' current base remuneration is substantially below the market and secondly that the proposed issue of SARs is fair.

The first tranche of SARs is subject only to the condition that Mr Sayers remains in the employ of the Company until 30 June 2014 (or any earlier date determined in accordance with the Terms).

Essentially, each SAR will deliver to Mr Sayers a value equivalent to the increase in the share price of the Company from the date of issue following shareholder approval to whatever the share price is at 30 June 2014 (or any earlier date determined in accordance with the Terms) when the SARs vest. Economically the SARs are similar to options in that they will only reward share price growth, however, as the SARs only ever payout the increase in value over the starting share price (with this value settled in shares based on the share price at the time of vesting) they will always deliver significantly less shares than an equivalent option plan and therefore are much less dilutive to shareholders.

The aggregate value thus earned in respect of the vested first tranche will be satisfied or delivered by the issue by the Company to Mr Sayers or his nominated entity or via an employee share trust of shares in the Company, issued at a price equal to the 10 day volume weighted average share price of the Company over the 10 trading days immediately prior to the proposed date of issue.

The second tranche of 3 million SARs is designed to create a forward looking long term incentive that rests upon the achievement of a performance measure based on Total Shareholder Return (TSR) and Mr Sayers remaining in the employ of the Company until 30 June 2014 (or any earlier date determined in accordance with the Terms).

Again these SARs will provide an entitlement on vesting to a payment (settled by way of an issue of equity) equal to the difference between the share price of the Company at the time of vesting and the share price of the Company at the time the SARs are issued.

TSR measures the return received by shareholders from holding shares in a company over a particular period. TSR is calculated by taking into account the growth in the Company's share price over the period as well as the dividends received during that period, and growth may have a positive or negative value. The formula for calculating TSR (expressed as a percentage) is:

$$TSR = \left(\frac{\text{Share price at Vesting} - \text{Share price at Grant} + \text{Dividends per Share paid and received during the Period of Measurement}}{\text{Share price at Grant}} \right) \times 100$$

A 10 day VWAP calculated over the 10 trading days prior to the relevant date is used to determine share price at grant and vesting.

Mr Sayers' entitlement upon vesting of the 3 million SARs will depend on the TSR of the Company measured against the TSR performance of a comparator group of other companies selected by the Board, being those set out in Annexure 1 to the Terms. Essentially, if the TSR performance of the Company is ranked at the 50th percentile within the comparator group, then 50% of the SARs will be realisable, with 100% of the SARs being realisable if the Company's TSR performance is ranked at or higher than the 75th percentile within the comparator group. Where the Company's TSR performance is ranked between the 50th and 75th percentile, the number of SARs realisable will be determined on a pro rata basis.

An example of the value potentially represented to Mr Sayers by both tranches of SARs, and depending on how the TSR of the Company compares with that of the selected peer companies, is set out below. For the purposes of the example, a share price at the time of vesting of the SARs of \$5.00 has been assumed.

Example	First tranche of SARs (Service SARs)	Second tranche of SARs (Performance SARs)	Total
Number of SARs	1,000,000	3,000,000	4,000,000
Share Price at time of grant	3.30	3.30	
Share Price at time of vesting	5.00	5.00	
Value if all Performance SARs vest (the Service SARs are not subject to a performance hurdle)	\$1,700,000	\$5,100,000	\$6,800,000
Number of shares issued if all Performance SARs vest (\$1,700,000 / \$5 and \$5,100,000 / \$5)	340,000	1,020,000	1,360,000
Value if only 50% of Performance SARs vest (the Service SARs are not subject to a performance hurdle)	\$1,700,000	\$2,550,000	\$4,250,000
Number of shares issued if only 50% of Performance SARs vest	340,000	510,000	850,000

In the above example if the SARs had instead been delivered as a grant of 4 million options then at 100% vesting (assuming all options were exercised), 4 million shares would have been issued, a significantly higher level of dilution than that under the SARs structure.

The above is an illustrative example only based on assumptions as to share price and TSR performance and the actual number of shares in the Company issued in relation to the SARs may be higher or lower than the numbers set out in the example. The above example is not intended to be a forecast or indication of the Company's expected share price or TSR performance.

Under Mr Sayers' employment agreement, the issue of SARs will be in addition to Mr Sayers' base salary (\$750,000 for the year commencing 1 July 2011) plus 9% superannuation and the use of a motor vehicle. Mr Sayers' contract requires both parties to give 12 months' notice of termination, provided no such notice may be given so as to expire before 30 June 2014 (except that notice of termination given by Mr Sayers may expire before 30 June 2014 if the SARs are not issued to Mr Sayers). Additional termination rights apply for default and in the event of illness.

It is important to note that, because the SARs are converted on realisation to ordinary shares in the Company, they are "equity securities" for the purposes of the ASX Listing Rules. Shareholder approval for the issue of the SARs to Mr Sayers is required under ASX Listing Rule 10.11, which provides (in summary) that an entity cannot issue or agree to issue equity securities to a related party (which includes a director of the entity) unless one of the exceptions to that rule applies or the holders of ordinary securities in the entity have approved the issue. Pursuant to ASX Listing Rule 7.2 exception 14, if approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1 (and the SARs will therefore fall within an exception to ASX Listing Rule 7.1).

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders:

- (a) The related party to whom the financial benefit will be given is Mr Sayers or his nominee.
- (b) The maximum number of SARs to be issued to Mr Sayers is 4 million. It should also be noted that not more than 4 million shares may be issued to Mr Sayers in satisfaction of his entitlement on realisation of the SARs. No further issues of SARs or other equity-based performance incentives are intended to be made to Mr Sayers in the period to 30 June 2014.
- (c) The SARs will be granted to Mr Sayers as soon as practicable after this Annual General Meeting and in any event no later than 1 month after the date of this Annual General Meeting.
- (d) The SARs will be granted for nil consideration (other than the services provided by and to be provided by Mr Sayers to the Company) and will be held in accordance with the terms and conditions set out in Schedule 1 to this Explanatory Statement.
- (e) Each share issued pursuant to the realisation of the SARs will rank equally with all existing fully paid ordinary shares of the Company.
- (f) No funds will be raised by the issue of SARs to Mr Sayers or upon their realisation.

The Board (other than Mr Sayers, who abstained from making a recommendation given his interest in the outcome of the resolution) unanimously recommends that Shareholders vote in favour of this resolution.

Key management personnel and their closely related parties are prohibited from voting on Resolution 4, except in the circumstances described in the voting exclusion statement set out in the Notice of Meeting.

Resolution 5 – Amendments to the Company's Constitution

The Company has undertaken a review of its Constitution and is proposing amendments to correct certain superseded references and to reflect changes to the Corporations Act. The proposed changes are summarised below:

- (a) References to superseded definitions such as “Corporations Law”, “Home Exchange”, “Proper SCH Transfer”, “SCH” and “SCH Business Rules” are being updated or replaced as appropriate.
- (b) References to certain ASX entities and operating rules are being updated in line with changes to ASX’s group structure and operating rule titles.
- (c) References to superseded regulatory bodies, provisions of the Corporations Law and other Acts are being updated to reflect current regulatory bodies and law.
- (d) Article 46.3 of the Constitution is being deleted as it is inconsistent with Division 4 of Part 2G.2 of the Corporations Act, which describes the rights of members to put resolutions at general meetings of companies. The removal of Article 46.3 will bring the position regarding members’ rights to put resolutions forward at general meetings of the Company back into line with the Corporations Act and other ASX listed entities.
- (e) Article 60.5 of the Constitution is being amended to make clear that any directors who, under the Corporations Act, cease to hold office at the end of a “spill meeting” (as described in the Explanatory Statement under Resolution 1 above) are automatically eligible for re-election as directors at that spill meeting.
- (f) Changes are being made to the dividend provisions of the Constitution to increase consistency with the Corporations Act.

Changes to the dividend payment provisions of the Corporations Act which took effect on 28 June 2010 removed the requirement for dividends to be payable only out of profits of the Company. Instead, section 254T of the Corporations Act now provides that a company must not pay a dividend unless:

- (i) the company’s assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (ii) the payment of the dividend is fair and reasonable to the company’s shareholders as a whole; and
- (iii) the payment of the dividend does not materially prejudice the company’s ability to pay its creditors.

The Company’s Constitution currently reflects the former profits test rather than the new test in section 254T, meaning that in order to pay a dividend the Company would need to comply with both tests. The Board considers it appropriate to remove the additional restriction in the Company’s Constitution to allow more flexibility in the payment of dividends.

Other changes to the dividend provisions of the Constitution include the following:

- (A) The provisions have been updated to include the ability to determine that a dividend is payable, without declaring a dividend. This allows the Company additional flexibility to determine when it incurs a debt in relation to a dividend. Under section 254V of the Corporations Act, if a dividend is declared, the company incurs a debt at the time of declaration of the dividend. However, a company does not incur a debt merely by fixing the amount and time for payment of a dividend (without declaring a dividend). In such cases the debt arises only when the time fixed for payment arrives and the decision to pay the dividend may be revoked at any time before then. While the Company is not likely to change the way it declares or pays dividends in practice, the Board considers it appropriate to have the flexibility to choose when it incurs a debt in relation to a dividend, as envisaged by the Corporations Act.
- (B) Article 91 has been updated to clarify that the Company may pay an in-specie dividend by way of the grant of an option in addition to an issue of shares or a transfer of assets. This is consistent with the replaceable rule in section 254U(1) of the Corporations Act which states that the methods of payment of a dividend may include cash, the issue of shares, the grant of options or the transfer of assets.
- (g) Article 98.7 of the Constitution is being amended to remove a distinction between the way that the Company may serve legal documents in South Australia compared with other jurisdictions.

A copy of the Company’s current Constitution is available from the Company upon request.

In order for the above changes to the Company’s Constitution to become effective, Resolution 5 will need to be passed by a special resolution (that is, the resolution must be passed by at least 75% of the votes cast by members entitled to vote on the resolution).

The Board unanimously recommends that shareholders vote in favour of this resolution.

Notes

Point at which voting rights are determined

In accordance with the Company's Constitution and the Corporations Regulations 2001 (Cwlth) the Board has determined that the members entitled to attend and vote at the meeting shall be those persons who are recorded in the register of members at 4.00 pm (WST) on Monday 21 November 2011.

Voting by Proxy

If you are unable to attend and vote at the meeting and wish to appoint a person who is attending as your proxy, please complete the attached form of proxy.

Information for voting by proxy:

- Each member entitled to attend and vote at the meeting may appoint not more than two proxies to attend and vote instead of such member.
- Where more than one proxy is appointed each proxy must be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion of the member's voting rights each proxy may exercise half of the member's voting rights.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if such appointor is a corporation as required by its constitution or the hand of its attorney.
- A proxy need not be a member of the Company.
- In the case of joint holders each holder should sign the proxy form.
- Should you wish to direct your proxy how to vote please indicate your direction in the appropriate box(es) on the proxy form otherwise your proxy will have a discretion to vote as he/she thinks fit.
- Where the chairman is appointed proxy he will vote in accordance with the member's directions as specified on the proxy form or, in the absence of direction, in favour of the resolutions contained in this notice.
- For Resolutions 1 and 4, if the chairman is your proxy or is appointed as your proxy by default, you must either direct the chairman how to vote in Step 2 of the proxy form, or mark the box in Step 1 of the proxy form. By marking the box in Step 1 of the proxy form, you will be directing the chairman to vote in accordance with the chairman's voting intentions on Resolutions 1 and 4 (that is, in favour of the resolutions). If you do not mark the box, and you do not direct your proxy how to vote on Resolutions 1 and 4, the chairman will not cast your votes on resolutions 1 and 4 and your votes will not be counted in computing the required majority if a poll is called on these items. By marking the box you will be directing the chairman to vote in accordance with the chairman's voting intentions on Resolutions 1 and 4 (except where you have indicated a different voting intention in Step 2 of the proxy form) and acknowledging that the chairman may exercise your proxy even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel.
- Proxies should be returned as follows:

By Mail to:

Computershare Investor Services Pty Ltd
GPO Box 242
Melbourne Victoria 3001
Australia

By Facsimile Transmission to:

1800 783 447 (within Australia) or
+61 3 9473 2555 (outside Australia)

By Hand to:

Computershare Investor Services Pty Ltd
Level 2
45 St George's Terrace
Perth, Western Australia 6000

- To be effective a completed proxy form and the power of attorney (if any) under which the proxy form is signed (or a certified copy of the power of attorney) must be received by 4.00 pm WST on Monday 21 November 2011 (being 48 hours before the meeting).

Schedule 1 – Terms of SARs

GENERAL TERMS

1. BACKGROUND

Shareholders will be asked to approve the issue to Mr Ronald George Sayers (**Mr Sayers**) of Share Appreciation Rights (**SARs**). The SARs will be issued to Mr Sayers on the terms set out in this document.

2. SAR TERMS

2.1 Entitlement

- (a) Subject to these Terms, each SAR entitles Mr Sayers to a payment on vesting equal to the positive difference between the share price at the time of vesting (**Vesting**) and the share price at the time the SARs are issued (**Grant**). The share price at Vesting and Grant will be determined by reference to the 10 day VWAP at the time of Vesting and Grant.
 - (i) The payment due following Vesting can only be settled by an issue of Shares of an equivalent value;
 - (ii) The payment due is calculated according to the following formula – Total Vested SARs value = Total number of vested SARs x (10 day VWAP of the Shares at Vesting LESS 10 day VWAP of the Shares at Grant); and
 - (iii) The number of Shares to be received on vesting of the SARs is calculated according to the following formula – Total Vested SARs value / 10 day VWAP of the Shares at Vesting. The resulting calculation is rounded down to the nearest whole Share.
- (b) No amount is payable by Mr Sayers on issue of the SARs.
- (c) The first tranche of 1,000,000 SARs to be issued to Mr Sayers will vest if Mr Sayers remains in the employ of the Company on 30 June 2014.
- (d) Mr Sayer's entitlement to the second tranche of 3,000,000 SARs will be subject to a determination by the Board of the Company based upon the Company's TSR performance as set out in clause 2.2 below and any SARs to which Mr Sayers becomes entitled will only vest if he remains in the employ of the Company on 30 June 2014.

2.2 TSR Performance

- (a) If the Stretch Level of Performance is achieved by the Company over the Period of Measurement then 100% of the second tranche of SARs will vest and be capable of being realised.
- (b) If the Target Level of Performance is achieved by the Company over the Period of Measurement then 50% of the second tranche of SARs will vest and be capable of being realised.

- (c) If the Company's performance over the Period of Measurement falls between the Target Level of Performance and the Stretch Level of Performance a percentage of the second tranche SARs determined on a pro rata basis between 50% of the second tranche and 100% of the second tranche will vest and be capable of being realised.

2.3 Shares to rank pari passu

- (a) Shares issued at the time of vesting of the SARs will rank pari passu with all existing Shares from the date of issue and will be entitled to those dividends which have a record date for determining entitlements after the date of issue.
- (b) No more than 1 Share may be issued in respect of each SAR.

2.4 Realisation of SARs

- (a) Within 60 days of Vesting the Company will lodge with Mr Sayers a vesting notice advising the number of SARs that have vested, the total vested value of the SARs and the number of Shares that will be issued.
- (b) Any Shares due to be issued with respect to the vested SARs may be issued either directly to Mr Sayers or his nominee or at the Company's discretion may be issued to an employee share trust where the trustee will be the legal owner of the Shares and Mr Sayers will be the beneficial owner of the Shares with full voting and dividend rights.
- (c) All of the SARs will vest and be capable of being realised immediately if:
 - (A) a takeover bid (as defined in the Corporations Act) is made in respect of Shares under which the bidder obtains voting power (as defined in the Corporations Act) in the Company of 50% or more and the takeover offers are made or declared unconditional (other than for the happening of the events or circumstances set out in section 652C(1) and (2) of the Corporations Act or the condition set out in section 625(3) of the Corporations Act); or
 - (B) a transaction by way of compromise or arrangement under Part 5.1 of the Corporations Act is approved by the requisite majorities of members of the Company at a meeting convened in accordance with the order of a court under section 411(1) of the Corporations Act; or
 - (C) an event or transaction by which an entity becomes or is to become the registered holder of more than 50% of Shares is approved or accepted by a majority of members of the Company; or
 - (D) Mr Sayers has ceased to be employed by the Company as a result of Total and Permanent Disablement, ill health, death, economic necessity or any other factor not attributable to the conduct or performance of Mr Sayers.

2.5 Transfer

SARs may not be transferred other than with the consent of the Board and then only to a Related Entity of Mr Sayers.

2.6 Quotation of Shares

- (a) The Company will make an application to ASX for official quotation of Shares issued on the realisation of SARs, if other Shares of the Company are listed at that time.
- (b) The Company will give to ASX (within 5 business days of issue of the Shares) a “cleansing notice” under section 708A(5)(e) of the Corporations Act in respect of the Shares, except where the Company is unable to do so under the Corporations Act.

2.7 Reorganisations

In the event of any reorganisation of the capital of the Company, the rights of Mr Sayers as a holder of SARs will be changed to the extent necessary to comply with the Listing Rules applying to such reorganisation at the time of the reorganisation.

2.8 Dividends and rights to vote

A SAR carries no right to a dividend and no right to a vote.

3. DEFINITIONS AND INTERPRETATION

3.1 Definitions

In these Terms, the following words and expressions have the meanings indicated unless the contrary intention appears:

ASX means ASX Limited ABN 98 008 624 691.

Board means all or some of the Directors acting as a board (and with Mr Sayers abstaining on matters relating to the SARs).

Business Days means a day other than a Saturday, Sunday or public holiday in Perth, Western Australia.

Company means Ausdrill Limited ACN 009 211 474.

Company Secretary means a company secretary of the Company from time to time.

Comparator Group means the group of companies selected by the Board and set out in Annexure “A” to these terms (while those companies remain listed on ASX), or any successor entities listed on ASX as determined by the Board from time to time.

Corporations Act means the Corporations Act 2001 (Cwlth).

Director means a director of the Company.

Listing Rules means the Listing Rules of the ASX.

Period of Measurement means the period between the date of issue of the SARs and 30 June 2014.

Share means a fully paid ordinary share in the capital of the Company.

Stretch Level of Performance means the Company achieving a TSR which when compared with the TSR of companies in the Comparator Group, has a percentile ranking in the Comparator Group measured against a base established at Grant which is 75% or better.

Target Level of Performance means the Company achieving a TSR which when compared with the TSR of companies in the Comparator Group, has a percentile ranking in the Comparator Group measured against a base established at Grant of 50%.

Terms means these Share Appreciation Rights Terms as set out in this document.

TSR measures the return received by shareholders from holding shares in a company over a particular period. TSR is calculated by taking into account the growth in the company's share price over the period as well as the dividends received during that period and growth may have a positive or negative value. The formula for calculating TSR (expressed as a percentage) is:

$$\text{TSR} = \left(\frac{\left(\begin{array}{c} \boxed{\text{Share price at Vesting}} - \boxed{\text{Share price at Grant}} + \boxed{\begin{array}{c} \text{Dividends per Share} \\ \text{paid and received} \\ \text{during the Period of} \\ \text{Measurement}} \end{array}} \right)}{\boxed{\text{Share price at Grant}}} \right) \times 100$$

A 10 day VWAP is used to determine share price at Grant and Vesting.

Total and Permanent Disablement in relation to Mr Sayers means that Mr Sayers has become incapacitated to such an extent as to render Mr Sayers unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience.

10 day VWAP means the volume weighted average share price of the Company during the 10 trading days prior to the stipulated date.

3.2 Interpretation

In these Terms, unless the contrary intention appears:

- (a) words importing the singular include the plural and vice versa;
- (b) references to a document, or any part of a document means the document or relevant part, as amended from time to time;

- (c) references to a statute or other law include regulations and other instruments made under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) references to the exercise of a power or discretion by a person (including Mr Sayers) include exercises by that person's executor, administrator or legal personal representative;
- (e) references to the exercise of a power or discretion include a decision not to exercise the power or discretion;
- (f) references to a "year" mean any period of 12 months;
- (g) "including" when introducing a list of items does not exclude a reference to other items whether of the same class or genus or not; and
- (h) "Australian dollars", "dollars", "A\$" or "\$" is a reference to the lawful currency of Australia.

3.3 Headings

Headings are for convenience only and do not affect the interpretation of these Terms.

ANNEXURE “A” – COMPARATOR GROUP

- Austin Engineering Limited;
- Boart Longyear Limited;
- Brierty Limited;
- Downer EDI Limited;
- Emeco Holdings Limited;
- Imdex Limited;
- Industrea Limited;
- MACA Limited;
- Macmahon Holdings Limited;
- Monadelphous Group Limited;
- NRW Holdings Limited;
- Sedgman Limited;
- Transfield Services Limited; and
- WDS Limited.

000001 000 ASL
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 367 027
(outside Australia) +61 3 9946 4421

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 4:00pm (WST) Monday 21 November 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Ausdrill Limited hereby appoint

☐

the Chairman
of the Meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Ausdrill Limited to be held at the Duxton Hotel, 1 St George's Terrace, Perth, Western Australia on Wednesday, 23 November 2011 at 4:00pm (WST) and at any adjournment of that meeting.

Important for Resolutions 1 and 4 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default

By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolutions 1 and 4 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Resolutions 1 and 4, the Chairman of the Meeting will not cast your votes on Resolutions 1 and 4 and your votes will not be counted in computing the required majority if a poll is called on these Items. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Resolutions 1 and 4).

The Chairman of the Meeting intends to vote all available proxies in favour of Resolutions 1 and 4.

☐

I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolutions 1 and 4 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY RESOLUTIONS

		For	Against	Abstain
Resolution 1	Adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Terence Edward O'Connor AM QC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Mr Mason Gordon Hills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Share Appreciation Rights to Mr Ronald George Sayers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL RESOLUTION

Resolution 5	Amendments to the Company's Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

ASL

1 3 7 3 3 3 A

Computershare +