ASX
RELEASE

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MARKET UPDATE

- Revenue guidance for 2013 financial year now includes BTP and is revised to a 20% increase from 2012
- Recent downturn in iron ore and coal prices has resulted in a reduction in activity levels in the industry
- Slowdown evident in mining services for exploration and equipment rental
- Activity levels expected to improve in second half of the 2013 financial year
- Reported NPAT to be impacted by acquisition costs, refinancing costs, foreign exchange losses and provision for a doubtful debt

Ausdrill Limited (**ASX: ASL**) previously reported at the time of releasing the results for the year ended 30 June 2012 that based on the then-prevailing trading conditions and subject to no unexpected changes in the operating environment, revenues were expected to increase by 15% at similar operating margins to that achieved in 2012 and excluding the effects of the BTP acquisition.

This market update is now provided due to the cumulative effect of a series of events that have occurred recently.

In recent months the Australian mining industry has experienced a period of uncertainty caused principally by a fall in the prices for iron ore and coal. Ausdrill has a very small exposure to coal, however, it has important customers in the iron ore industry in the Pilbara including Fortescue Metals (**FMG**). The decision by FMG to slow down its expansion plans has resulted in a decrease in the services provided by Ausdrill at FMG and we therefore expect that our revenues for the full year may decline by approximately $50 million (or approximately 4% of 2013 forecast revenue) if we are unable to redeploy our equipment. In addition, there has been a slowdown in the levels of exploration activity and equipment hire in Australia, as there has been a deferral or reduction in activity in reaction to the fall in bulk commodity prices.

In Africa, our operations in Burkina Faso have been brought to a halt by an unprecedented period of wet weather. Similarly, the start-up of operations at Syama in Mali has been slowed by the same poor weather.

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The BTP business will be consolidated into Ausdrill's financials from 1 November 2012 and is expected to account for 10% of consolidated revenues and make a positive underlying earnings contribution after financing costs. There will however be an accounting adjustment for the amortisation of intangibles, additional depreciation and cost of sales on parts, due to the uplift in the value of plant and inventory from book value to market value as required under accounting standards. The quantum of these adjustments will be finalised as part of the half year accounts for December 2012. The BTP business has also been affected by the slowdown in activity in the iron ore and coal sectors. We therefore expect the BTP contribution to reported net profits for 2013 to be minimal.

We also anticipate that the 2013 financial year results will include a number of one-off costs, amounting to approximately A$15 million before tax, most of which will be reported in the first half of the 2013 financial year. These are summarised as follows:

- Assuming the Australian dollar retains its current position against the US dollar, there will be a $7.2 million negative swing in our foreign exchange position year on year. A large portion of this is unrealised as it relates to loans to overseas subsidiaries. In the 2012 financial year we reported a foreign exchange gain before tax of $4.8 million.
- Acquisition costs in relation to BTP and costs from the Company's recent refinancing of $8.2 million.
- A $4.6 million write-off of monies owed by Central Norseman Gold Corporation Ltd, which has gone into Administration. The Company will be pursuing these monies.

With that background Ausdrill now expects to report increased revenues for the full year (including BTP) of at least 20% with the outcome dependant on a progressive redeployment of equipment in the iron ore industry as well as the continued ramp-up of the Company's new Syama project in Mali.

The overall results will be skewed to the second half of the financial year as the first half is expected to be impacted by prevailing market conditions and a gradual recovery coming through from February 2013. We also expect a slight drop in margins as the higher margin exploration and equipment hire businesses, having higher volatility, are the principal areas where a slowdown is now evident.

After adjusting for the aforementioned items we expect that Ausdrill, including BTP, can still achieve increased net profit growth of 15% on an underlying basis (or approximately 10% excluding BTP) whilst on a reported basis the net profit is expected to be the same or slightly better than that achieved in 2012.

About Ausdrill

Ausdrill (ASX: ASL) is a diversified mining services company. Since its formation in Kalgoorlie in 1987, Ausdrill has grown significantly and now has operations across Australia, Africa and the United Kingdom. Ausdrill is a leader in providing services in contract mining, grade control, drill & blast, exploration, mineral analysis, procurement & logistics and manufacturing. The Ausdrill Group employs over 5,000 staff worldwide.

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