

Monday 17 August 2009

BRANDRILL MERGER WITH AUSDRILL TO DELIVER DIVERSIFIED MINING SERVICES GROUP

The Directors of Ausdrill Limited (ASX: ASL) and Brandrill Limited (ASX: BDL) are pleased to today announce a proposed merger of the two businesses, under which Ausdrill will issue shares to Brandrill shareholders in exchange for all of the shares in Brandrill.

The combined group will create a leading integrated mining services company, with a strong and complementary range of Australian and international business operations. This larger, more diverse company will have a better ability to serve existing clients and a greater financial capacity to fund future growth.

The merger will allow both Ausdrill and Brandrill shareholders to benefit from the expected growth in a stronger combined core business in Australia and from expansion of Ausdrill's African operations.

Ausdrill's Chairman, Terry O'Connor said today:

"This is a logical and compelling merger resulting in a stronger combined entity, benefiting both Ausdrill and Brandrill shareholders. The combined group brings together two established and experienced mining services operators, and provides benefits of increased scope and scale. We have a positive outlook for the industry, and look forward to continuing to grow our business for the benefits of our shareholders, our enlarged staff and our customers."

Brandrill's Chairman, Vince Pandal said:

"We believe that the combination of Brandrill with Ausdrill's businesses will create considerable additional value and this is expected to provide accelerated upside for our shareholders. This merger is the right agreement with the right company."

The Directors of Brandrill unanimously recommend that Brandrill shareholders vote in favour of the merger in the absence of a superior proposal. Subject to the same qualification, each of the Brandrill Directors intends to vote in favour of the merger in relation to shares held or controlled by them.

Merger Terms

Under the terms of the merger, **eligible Brandrill shareholders will receive one Ausdrill share for every 14.5 Brandrill shares** held at the record date for the merger (Merger Consideration). The merger will be implemented via a scheme of arrangement and is subject to a number of conditions, including Brandrill shareholder approval. A Brandrill shareholders' meeting is expected to be held in late November to seek shareholder approval for the merger.

Brandrill Share Premium

Based on the closing prices of the two companies on Friday 14 August 2009¹, the proposed merger terms equate to a value of 9.5 cents per Brandrill share, representing an attractive premium of:

- 77% to the volume-weighted average price (VWAP) of 5.4 cents per share for the 30 days prior to the Announcement Date; and
- 44% to the closing price of 6.6 cents per share on 14 August 2009.

Merger Benefits

Upon implementation of the merger, the combined group will provide Brandrill shareholders with a number of important benefits in addition to the headline premium noted above, including:

- **Diversified exposure** – Brandrill’s drill and blast and exploration drilling business and its DT Hi-Load truck body business will fit well in the wider Ausdrill group which includes:
 - Ausdrill drill and blast and exploration drilling businesses in Australia;
 - Ausdrill’s growing Australian contract mining and plant hire business;
 - African Mining Services – the full range of contract mining services in Africa;
 - Diamond Communications – telecommunications and utility construction and maintenance;
 - Drilling Tools Australia – manufacturing drill consumables; and
 - Supply Direct –procurement and logistics.
- **Operational Synergies** – The combination of Ausdrill’s and Brandrill’s complementary drilling businesses will create significant opportunities for operational synergies. It is intended that Brandrill’s drilling businesses will use drilling consumables manufactured by Ausdrill’s Drilling Tools Australia business and benefit from the increased buying power of the combined group. It is also expected that the emerging DT Hi-Load truck body business has the potential to supply truck bodies to Ausdrill’s growing mining services business.
- **Financial strength** – the combined balance sheets of both Companies will result in a stronger merged entity with greater capacity to pursue further growth opportunities.
- **Ongoing participation** – through the equity participation, Brandrill shareholders will not only retain exposure to the assets, operations and growth prospects of Brandrill, but will also be able to participate in the growth prospects in the combined group’s other businesses as well as the synergies which are expected as a result of the merger.
- **CGT rollover relief** – Eligible Brandrill shareholders should be entitled to Australian capital gains tax (CGT) roll-over relief in respect of their Merger Consideration. CGT roll-over relief would enable eligible shareholders to defer any potential CGT liability, which may be attributable to the Merger Consideration, until they dispose of the new Ausdrill shares.

¹ The closing price on the Australian Securities Exchange of Brandrill shares and Ausdrill shares on 14 August 2009 (being the last trading day before this announcement) was 6.6 cents and \$1.38 respectively.

The directors of both companies believe that the merger will enable it to offer an even better range of services to existing and new clients.

Board, Management and Workforce

It is intended that Brandrill management and workforce will be integrated into the existing Ausdrill structure with the objective being to maximise the benefits that will flow from combining the skills, expertise, experience and relationships of the two companies' employees.

It is proposed that current Brandrill director, Mr Mason Hills, will join the Board of Ausdrill.

Merger Details

Ausdrill and Brandrill have signed a Merger Implementation Agreement ("MIA") under which each party has agreed to take the steps necessary to implement the merger.

A summary of the conditions to the merger and certain other key provisions of the MIA is contained in Annexure A to this announcement.

Timetable

An Information Booklet will be provided to Brandrill shareholders in connection with the merger. This will include an independent expert's report assessing whether the merger is in Brandrill shareholders' best interests.

It is expected that a meeting of Brandrill shareholders will be held in late November 2009 to vote on the merger. If the merger is approved, final implementation is likely to occur in December 2009.

Ausdrill is being advised by Cochrane Lishman and Argonaut Capital Limited. Brandrill is being advised by Gresham Advisory Partners and McKenzie Moncrieff Lawyers.

Contacts

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About Ausdrill

Ausdrill is a diversified mining and services company listed on the Australian Securities Exchange (ASX: ASL). It provides leading edge services in mining, drill & blast, exploration, procurement & logistics, manufacturing and telecommunications.

Based in Perth WA, Ausdrill has operations in Australia, Europe and Africa. Ausdrill provides both exploration drilling, and drill and blast services to some of the world's largest mining companies, across a wide range of minerals. It also has a growing mining services business in Africa, through wholly owned subsidiary African Mining Services (AMS)

Ausdrill manufactures drill consumables and drill spares both for its own fleet, and for the global market, and provides telecommunications cabling and the installation of underground power cables through subsidiary Diamond Communications.

www.ausdrill.com.au

About Brandrill

Brandrill is a mining services company listed on the Australian Securities Exchange (ASX:BDL). The company specialises in drilling and blasting with contracts across Australia in both mining and civil projects. Its main operational base is located in Henderson, Western Australia and it operates throughout Western Australia, at the Prominent Hill site in South Australia and in the Eastern States coal fields. Brandrill operates a diverse fleet of 95 blast hole drilling rigs.

Strange Drilling is the exploration division of Brandrill, with a fleet of ten drills operating out of Kalgoorlie.

In addition, Brandrill has a 90% interest in the DT HI-Load Australia business that manufactures innovative light weight heavy duty trays for mining and quarrying rear dump trucks.

www.brandrill.com.au

Annexure A

1 Summary of key terms of Merger Implementation Agreement

Brandrill and Ausdrill have signed a Merger Implementation Agreement dated 17 August 2009 (“MIA”) that sets out the obligations of both companies in relation to the proposed merger.

A summary of the terms and conditions of this agreement are set out below. The full terms and conditions of the MIA will be provided in the Information Booklet to be sent to Brandrill shareholders.

2 Merger Conditions

Implementation of the merger is subject to a number of conditions, including:

- **(ASIC and ASX)** ASIC and ASX provide such consents, waivers or approvals as are necessary to permit the merger;
- **(independent expert's report)** an independent expert providing a report which concludes that the merger is in the best interests of Brandrill shareholders. Brandrill will not be required to proceed with the merger if the expert’s opinion is that the merger is not in the best interests of Brandrill shareholders;
- **(banking approvals)** confirmation that certain existing Brandrill and Ausdrill financing facilities will not be terminated or varied as a consequence of the merger;
- **(shareholder approval)** approval of the merger by Brandrill shareholders;
- **(court approval)** approval of the merger by the court in accordance with section 411(4)(b) of the Corporations Act;
- **(no prescribed occurrences)** no “prescribed occurrences” (as defined in the MIA) occurring in relation to, or becoming known to, Brandrill or Ausdrill prior to the second court hearing date;
- **(no material adverse change)** there being no event(s), prior to the second court hearing date, which could have a material adverse effect on the profitability of Brandrill or Ausdrill by specified amounts; and
- **(warranties)** the warranties given by Brandrill and Ausdrill under the MIA being true and correct in all material respects as at the date of the MIA and the second court hearing date.

3 No Shop, No Talk

Brandrill has agreed not to:

- approach, solicit inquiries from or initiate discussions, expression of interests, offers or proposals by any third parties in relation to any takeover offer, scheme of arrangement, capital reconstruction or purchase of main undertaking; or
- participate in discussions or provide any information to third parties or take any other action to facilitate a proposal referred to above.

Brandrill has also agreed to notify Ausdrill of any approaches from third parties.

The "no talk" restriction is subject to a "fiduciary duty" exception enabling the Brandrill directors to respond to a written proposal from a third party if the Brandrill directors, acting in good faith and in accordance with their fiduciary duties, after taking legal advice, form the view that to fail to do so would be in breach of their fiduciary duties.

4 Termination Rights

Ausdrill will have the right to terminate the merger if:

- the Brandrill Board withdraws its unanimous support or changes its recommendation to shareholders to vote for the merger or supports a "competing proposal" (either including by recommending, voting for or announcing an intention to vote for a competing proposal); or
- a Brandrill material adverse change or a Brandrill prescribed occurrence occurs.

Brandrill will have the right to terminate the merger if:

- an Ausdrill material adverse change or an Ausdrill prescribed occurrence occurs; or
- the Independent Expert's Report does not conclude that the merger is in the best interests of Brandrill shareholders; or
- if Ausdrill elects not to match a superior competing proposal within three days of public announcement.

Either party will have the right to terminate the merger if:

- the other party becomes insolvent or commits a material breach of the MIA which is not cured within a specified time or capable of being cured; or
- the required Court approval is not received; or
- Ausdrill elects to make a takeover bid in circumstances where a competing proposal is announced or the scheme timetable is delayed.

5 Break Fees

A mutual break fee of \$300,000 has been agreed. This will be payable by Brandrill to Ausdrill if:

- the Brandrill Board withdraws its unanimous support for the merger or supports a competing proposal;
- a competing proposal is announced and the proponent of that competing proposal acquires at least 50% of the shares of Brandrill; or
- the merger is terminated by Ausdrill due to the occurrence of either a Brandrill prescribed occurrence or a material breach by Brandrill of its obligations under the MIA.

Ausdrill will be required to pay the break fee to Brandrill if Brandrill terminates the merger as a result of an Ausdrill prescribed occurrence or a material breach by Ausdrill of its obligations under the MIA.

6 Standstill

Brandrill and Ausdrill have also agreed not to acquire shares in the other party for a period of approximately 6 months other than by way of a takeover or transaction subject to shareholder approval of the other party, or with the written consent of the other party, or where a third party announces a takeover offer for either of Brandrill or Ausdrill.