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ASX RELEASE

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Restructuring well advanced with turnaround in the second half anticipated

Every Day Mining Services Limited (EDMS; ASX: EDS) today announced its results for the six months ended 31 December 2010 (1H10).

Commenting on the results, EDMS Managing Director, Stephen McCoy said that the results for the past six months reflected a period of significant restructuring to lay the foundations for a sustainable, profitable business base.

“With a new senior executive team in place, our primary focus for the past six months has been to get the business back on track, refocus the operations, and strengthen the balance sheet so that EDMS can return to growth,” said Mr McCoy.

Key points

- Revenue of \$11.5 million, down 14.4% on 1H10 due to the exit from unprofitable contracts and adverse weather conditions
- EBITDA loss of \$2.5 million, including significant inventory writedown and restructuring costs totaling over \$2.0 million
- Underlying EBITDA loss due to a number of marginal and unprofitable contracts and unduly high overheads
- Net loss after tax of \$5.6 million, including depreciation of \$2.4 million and finance charges of \$0.8 million
- Capital raising completed on 7 February, with \$2.2 million raised
- Operational review completed, with business plan to turnaround performance being implemented.

Financial performance

Revenue of \$11.5 million was down 14.4% on 1H10 due to the early exit from unprofitable contracts, and also the adverse weather conditions that have caused delays across all divisions. Importantly, a number of marginal and onerous contracts from the above ground drilling operations have been exited as the business focus moves to target profitable niche drilling opportunities.



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A net loss after tax of \$5.6 million was generated in 1H11, reflecting a period of significant restructuring:

- Business reorganisation costs of \$1.4 million related to the consolidation of premises, streamlining systems, undertaking redundancies, and writing down the value of inventory
- Costs of \$0.6 million were incurred to exit uncommercial contracts.

Operationally, an inconsistent demand for the 'Down the Hole Hammer drill rigs' combined with reliability issues also negatively impacted the profit in the period.

The mining services division produced profitable performance from the Pump Repairs and Waste Management segments, with the unprofitable fabrication segment in Cobar ceasing operations during the period.

Operational review

The business reorganisation program is well advanced, with the following annual cost savings anticipated:

- Reduction in overheads, personnel and other costs to generate savings of \$3.6 million per annum
- Better procurement practices and optimised business services aiming to generate savings of \$0.5 million per annum
- Asset rationalisation program, targeted for completion by the end of 3Q11, to retire debt and thereby reduce finance costs by approximately \$1 million per annum.

Capital raising

The Company's capital raising, announced in December 2010, was completed in early February 2011 and raised \$2.242 million, with a balance of \$0.464 million to be placed this month.

These proceeds have been used to provide working capital for new projects, and to strengthen the balance sheet. The net debt to equity ratio was 29.1% at the end of December, but has now reduced to 23.5%, with \$8.1 million of net debt currently on the balance sheet.

Looking forward

Industry fundamentals are attractive. "Conditions generally are favourable given increasing demand for our services, although contract terms are becoming shorter. The strength in commodity prices has seen a growing number of new explorers, with additional expansion also being witnessed in the more mature mineral provinces such as the Hunter Valley and Bowen Basin," said Mr McCoy.



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“We are now well advanced in implementing the business plan to turnaround the Company’s performance. We have exited marginal and unprofitable contracts, substantially reduced overheads, reduced debt, and reviewed and cleaned up the balance sheet. Over the next six months, we anticipate that EDMS will return to profitability and positive cash flow.

“In addition, our successful capital raising allows new contracts to be pursued over the next six months, with a focus on niche, profitable drilling opportunities,” said Mr McCoy.

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