

ASX RELEASE

12 February 2018

MITCHELL SERVICES LIMITED ANNOUNCES ACQUISITION OF RADCO DRILLING

Mitchell Services Limited today announced:

- **A binding agreement¹ to acquire 100% of the shares of Radco Drilling**
- **The purchase price is \$5.3million cash consideration (approximately two times FY17 EBITDA)**
- **The transaction is expected to be materially EBITDA and EPS accretive**
- **The transaction is expected to deliver multiple strategic benefits**
- **The acquisition is expected to be funded via a combination of existing working capital, idle asset sales and appropriate debt mechanisms**

Mitchell Services Limited (ASX: MSV) (the **Company**) today announced that Well Drilled Pty Ltd (a wholly owned subsidiary of the Company) has entered into an agreement to acquire 100% of the shares in Radco Technologies Pty Ltd and Radco Group Pty Ltd (collectively **Radco Drilling**), a privately owned drilling business, for a cash consideration purchase price of \$5.3² million, representing approximately 2 times EBITDA³ for Radco Drilling's financial year ending 30 June 2017.

Radco Drilling is a privately owned drilling business based in Queensland and New South Wales and is a specialist in underground coal drilling and gas drainage services. With a fleet of 11 underground drill rigs, the group operates in the underground coal drilling industry and currently services "Tier 1" global coal mining clients under long term contracts. Group revenue and EBITDA for the 2017 financial year was approximately \$11.6 million and \$2.6 million respectively.

The strategic rationale for the acquisition includes increased revenue diversification though the niche market of underground coal drilling and gas drainage, which is linked to production and required by long life underground mines. The highly regulated nature of this type of drilling creates a barrier to entry for new competitors which can be further leveraged given the combined entity's ability to offer packaged services (both surface and underground coal drilling). The transaction is expected to be materially EPS and EBITDA accretive in the first full financial year, after allowing for any integration costs, synergies and transaction costs. It is envisaged that the current operating structure and management team of Radco Drilling will remain largely unchanged following completion of the acquisition.

¹ Subject to a number of required conditions precedent

² The purchase price will be subject to normal working capital and net debt adjustments

³ Based on unaudited pro-forma consolidated numbers for the 12 months ending 30 June 2017

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As a combined entity for the financial year ending 30 June 2017, Mitchell Services group revenue would have increased by approximately 29% from \$40.3 million to \$51.9 million whilst EBITDA would have increased by over 100% from \$2.2 million to \$4.8 million. Following recent increases in demand for underground coal drilling at major client sites, Radco Drilling's operating rig count has increased by approximately 30% since 30 June 2017. Given the demand from current clients and the strong tender pipeline, this operating rig count is likely to increase in the short term.

Completion of the transaction is subject to several consents and conditions precedent and the transaction is expected to be completed by early Q2 of this calendar year. Key conditions precedent to the acquisition include:

- The receipt (from existing Radco Drilling clients) of all necessary approvals required under material client contracts
- The Company obtaining sufficient funding to complete the purchase. The Company will be seeking to fund this acquisition through a combination of:
 - I. Operating cash flows;
 - II. Proceeds from the sale of idle or non-core assets (including the Company's Townsville property); and
 - III. Third party debt funding. The Company is currently evaluating a number of third party debt options and is confident that the required level of debt funding will be available to complete the transaction within the timetable outlined above.

In announcing the acquisition, Mitchell Services Executive Chairman Nathan Mitchell said, "I am extremely excited about the potential benefits that can be unlocked following a combination of the two businesses. A drilling business is all about the quality of its people and I'm particularly pleased to see that a majority of previous Radco Directors will remain within the Radco business in a senior management capacity. We are delighted to welcome the Radco team to Mitchell Services".

For more information, contact:

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Important information

This announcement contains certain 'forward-looking statements' within the meaning of the securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as 'may,' 'should,' 'expect,' 'anticipate,' 'estimate,' 'scheduled' or 'continue' or the negative version of them or comparable terminology. Any forecasts or other forward looking statements contained in this announcement are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. Mitchell Services does not give any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur and you are cautioned not to place undue reliance on forward-looking statements.

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