



Mitchell
SERVICES

ASX RELEASE

22 August 2014

Acquisition of Tom Browne Drilling Services assets and \$20.2 million Equity Raising

Key Points

- The acquisition of the Tom Browne Drilling Services (in receivership) assets for \$9.5 million will strengthen Mitchell Services' market presence and expand its geographical footprint to position the Company for growth as a leading provider in the Eastern States' drilling market
- The \$20.2million capital raising has been fully underwritten by Morgans Corporate Limited following strong support from existing shareholders including Mitchell Group and Washington H. Soul Pattinson & Company Limited and a number of new institutional shareholders including CVC.
- Proceeds to fund attractively priced acquisition of quality assets of Australian drilling services company Tom Browne Drilling Services (in receivership), meet working capital requirements and retire debt
- Offer price of \$0.035 per new share represents a 12.5% discount to the closing price of Mitchell Services shares of \$0.04 on 19 August 2014

Acquisition of Tom Browne Drilling Services assets for \$9.5 million

Mitchell Services Limited (ASX Code: MSV) has entered into an agreement to acquire the drilling rigs and associated assets of Tom Browne Drilling Services Pty Ltd (**Tom Browne**) for \$9.5 million, positioning the Company for continued growth as a leading provider of drilling services within Eastern Australia.

The Tom Browne assets include 29 drilling rigs and ancillary equipment, which will double the number of rigs in the Mitchell Services fleet to 58, as well as the potential assignment of an 18-month drilling contract with a Tier 1 global mining company.

Executive Chairman of Mitchell Services Mr Nathan Mitchell said the acquisition represented an attractive counter-cyclical move to purchase a quality asset base at well below replacement value due to the distressed nature of the sale following the appointment of receivers to Tom Browne in April 2014.

"We believe this is a compelling bottom-of-the-market investment opportunity with significant upside for the Company if general market conditions improve, given the quality of these assets and the long lead times required to order new equipment," Mr Mitchell said.

"According to an independent valuation obtained in July 2014, the replacement value of the material assets being purchased is \$52.6 million."

Mr Mitchell said the Company's current fleet of eight Tier 1 drilling rigs was operating at near full utilisation and needed to be expanded in order to service a strong tender pipeline and drive growth.

"This acquisition, which includes 15 Tier 1 rigs, will provide Mitchell Services with the capacity required to execute in response to our strong tender pipeline, strengthen the Company's market presence and expand its geographical footprint from predominantly Queensland operations," he said.

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“Mitchell Services will then have a significant fleet in Eastern Australia to deliver on our vision of being Australia’s leading provider of drilling services to the exploration, mining and energy industries.”

Mitchell Services Chief Executive Officer Mr Andrew Elf said the extra rigs would enable the Company to offer clients in excess of 10,000 additional drilling shifts a year on a single shift basis.

“Significantly, we will be able to generate a much higher rate of return for shareholders from these high quality used assets than we could by purchasing new equipment.”

The acquisition of the Tom Browne assets for \$9.5 million (excluding GST) is expected to settle in late September 2014 following completion of the associated **Equity Raising**.

Equity Raising - \$20.2 million

Mitchell Services intends to conduct a \$20.2 million equity raising via a placement to institutional investors in two tranches to raise approximately \$8.5 million (**Institutional Placement**) and a 1-for-1 non-renounceable Entitlement Offer of fully paid ordinary shares in Mitchell Services (**New Shares**) to raise approximately \$11.7 million (**Entitlement Offer**).

The Institutional Placement comprises two tranches:

- the first tranche is a \$1.5 million placement to institutional and sophisticated investors using Mitchell Services’ existing placement capacity under the ASX Listing Rules (**First Tranche Placement**); and
- the second tranche is a \$7 million placement to institutional and sophisticated investors, subject to shareholder approval (**Conditional Placement**) to be sought at a shareholder meeting to be held on or around 23 September 2014.

The offer price for the Equity Raising will be \$0.035 per share which represents:

- a 12.5% discount to the last traded price of Mitchell Services shares (being \$0.04 on 19 August 2014);
- a 12.5% discount to the 1 week VWAP of Mitchell Services shares of \$0.04 per share;
- a 20.2% discount to the 1 month VWAP of Mitchell Services of \$0.044 per share; and
- a 4.6% discount to the theoretical ex-rights price (TERP)¹.

Under the Entitlement Offer, eligible shareholders will be able to subscribe for 1 new ordinary share in Mitchell Services for every existing share held at 7.00 pm (AEST) on Thursday, 28 August 2014 (**Record Date**) at the offer price (**Entitlements**).

Mitchell Services’ major shareholder, the Mitchell Group (with a current shareholding of approximately 30%) has committed to taking up their full Entitlement under the Entitlement Offer. Another major shareholder, Washington H. Soul Pattinson & Company Limited, has also committed to taking up approximately 50.7 million shares under the Institutional Placement and Entitlement Offer to retain its shareholding level.

¹ The theoretical ex-rights price of \$0.037 is calculated using Mitchell Services’ closing price on 19 August 2014 assuming proceeds from the Entitlement Offer of \$11.67 million. TERP is the theoretical price at which shares should trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer and the issue of all shares under the Institutional Placement. TERP is a theoretical calculation only and the actual price at which shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the TERP.

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The Equity Raising is fully underwritten by Morgans Corporate Limited.

The proceeds of the Equity Raising will be used to:

- Fund Mitchell Services' acquisition of the assets of Tom Browne, which will double the Company's existing rig count; and
- Meet Mitchell Services' ongoing working capital requirements and retire some existing debt facilities.

Top up facility

The Entitlement Offer will include a top up facility under which eligible shareholders who take up their full Entitlement will be invited to apply for additional shares in the Entitlement Offer from a pool of those not taken up by other eligible shareholders. There is no guarantee that applicants under this top up facility will receive all or any of the shares they apply for under the facility.

Key dates

Event	Date
Trading halt	20 August 2014
Announcement of the Equity Raising	22 August 2014
Ex-date	26 August 2014
Allotment Shares issued under the First Tranche Placement	28 August 2014
Record date (7.00 pm AEST)	28 August 2014
Entitlement Offer opens	2 September 2014
Entitlement Offer closes (5.00 pm AEST)	19 September 2014
New Shares are quoted on a deferred settlement basis	22 September 2014
Anticipated date for EGM to approve Conditional Placement	23 September 2014
Allotment of New Shares under the Entitlement Offer	26 September 2014
Allotment of Conditional Placement shares	26 September 2014
Despatch of holding statements	29 September 2014
Securities commence trading on normal basis	29 September 2014

More information

The Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value for those Entitlements that they do not take up. Shareholders who are not eligible to receive Entitlements will not receive any value for the Entitlements they would have received had they been eligible.

New Shares issued under the Equity Raising will rank equally with existing shares.

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Mitchell Services will notify shareholders as to whether they are eligible to participate in the Entitlement Offer.

Eligible shareholders will receive an information booklet including a personalised entitlement and acceptance form which will provide further details of how to participate in the Entitlement Offer. Mitchell Services will also notify each holder of options about the Entitlement Offer.

A presentation on the Equity Raising has been lodged with ASX today and is able to be downloaded from ASX's website, www.asx.com.au.

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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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