



# MORGANS EMERGING COMPANIES CONFERENCE

Corporate Presentation

12 November 2014



**Mitchell**  
SERVICES

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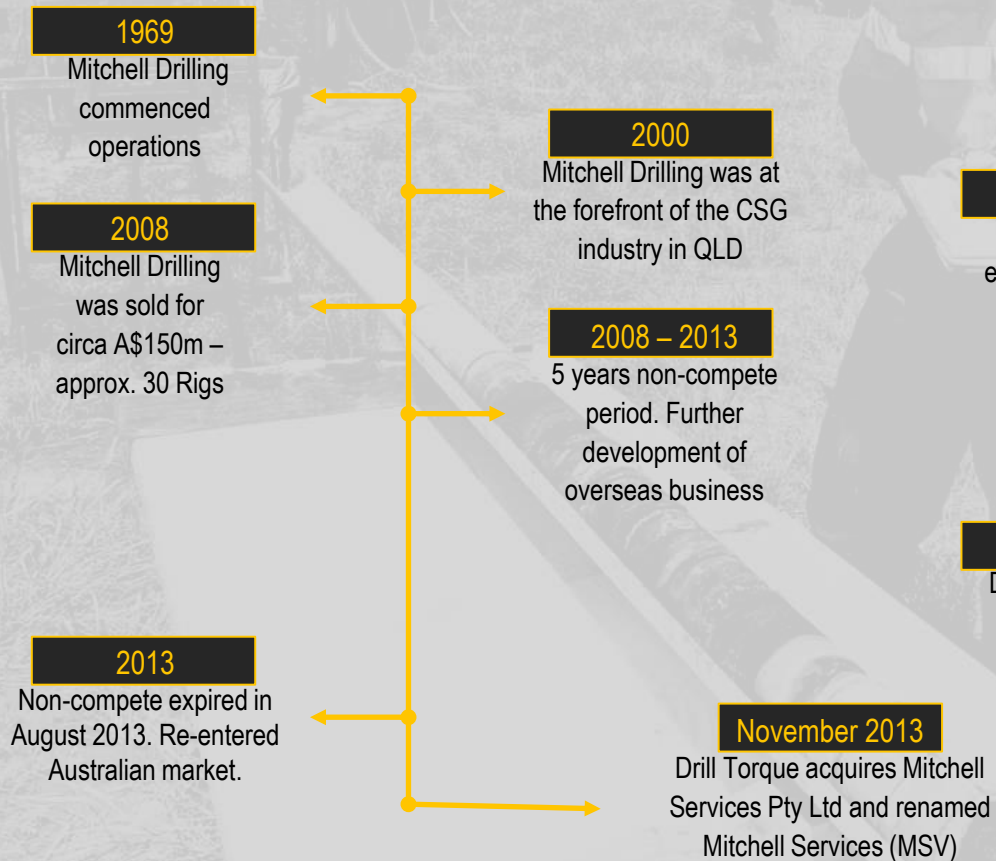
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# EXECUTIVE SUMMARY

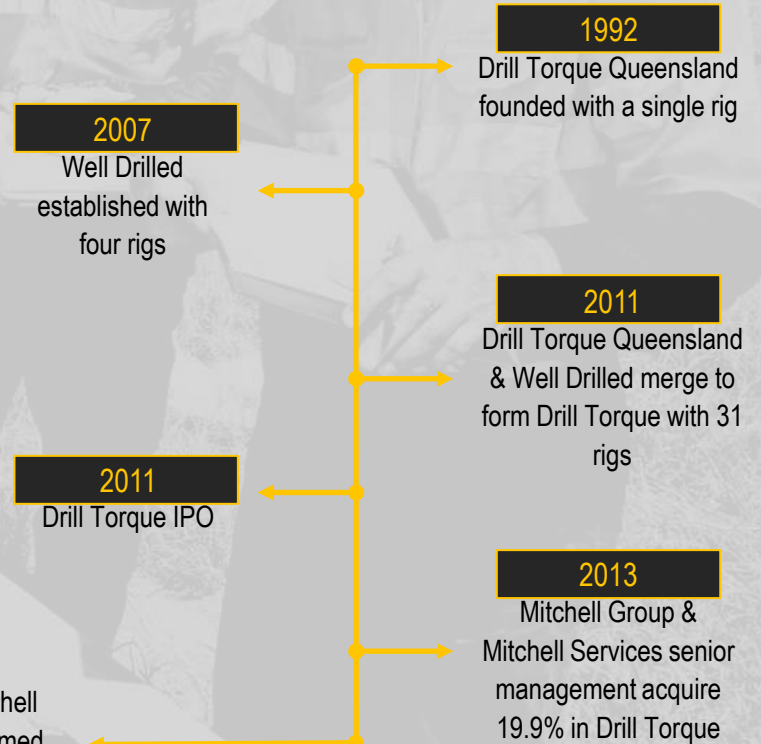
- Mitchell Services Limited (“**Mitchell Services**”) has settled an underwritten capital raising of \$20.2m
- Mitchell Services has acquired the assets of Tom Browne Drilling Services (“**TBDS**”) for \$9.5m (plus GST)
- The integration of the TBDS acquisition is progressing ahead of time and ahead budget
- In addition to the purchase of the TBDS assets, Mitchell Services also acquired a drilling contract with a “Tier 1” mining company. This contract has been assigned, is operating safely and is performing ahead of budget
- The acquisition of TBDS assets have positioned Mitchell Services as a leading provider in the Eastern States drilling market
- Rig utilization of 52% during the month of September (15 out of 29 rigs working)
- As at the end of September actual net operating cash flow is ahead of budget
- Mitchell Services has a strong balance sheet to allow the company to capitalise on market opportunities as they arise.

# HISTORY

## MITCHELL SERVICES HISTORY

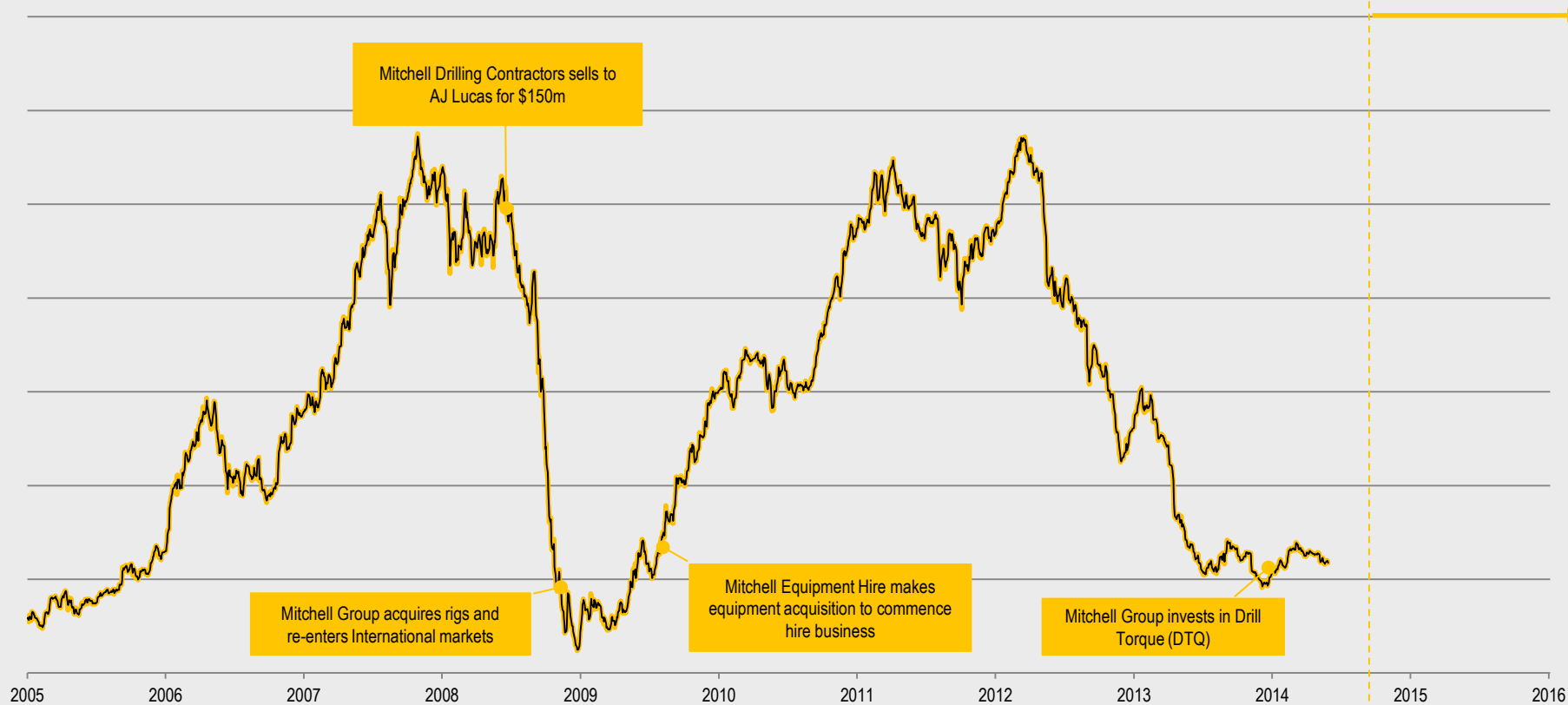


## DRILL TORQUE HISTORY



# CYCLICAL MARKET PRESENTS OPPORTUNITY

- Board and management have a strong understanding of the cyclical nature of the industry which drives investment decisions



- Indexed Listed Drilling Company average – Share Price Movements (Average is a non weighted average of daily close prices) for Boart Longyear, Major Drilling, Foraco, Orbit Grant, AusDrill, Capital Drilling, Layne Christiansen and Geo Drill

# MITCHELL SERVICES MARKET PROFILE

<b>ASX Stock Symbol:</b>	MSV
<b>Shares Issued:</b>	867,000,222
<b>Performance Options:</b>	98,700,000
<b>Share Price (at 7/11/14):</b>	A\$0.034
<b>Market Capitalisation:</b>	A\$29.47m
<b>Average Daily Volume:</b>	332,393
<b>12 Month Volume:</b>	83,430,772

## Senior Management Team

**Executive Chairman – Nathan Mitchell**

**CEO - Andrew Elf**

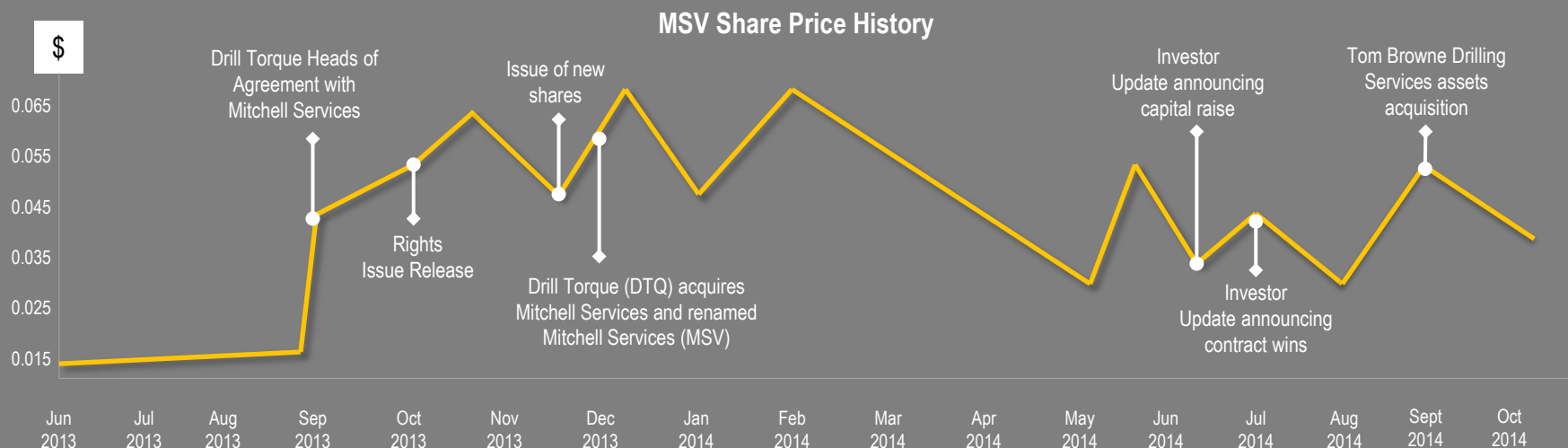
**CFO & Company Secretary – Bob Witty**

**Chief Commercial Officer – Gary Salter**

**General Manager Drilling – Aaron Short**

## Major Shareholders

<b>1</b>	<b>Mitchell Group</b>	20%
<b>2</b>	<b>Acorn Capital</b>	10%
<b>3</b>	<b>Washington H Soul Pattinson</b>	9%
<b>4</b>	<b>CVC</b>	8%
<b>5</b>	<b>Miller Family</b>	5%



# MITCHELL SERVICES VISION

To be Australia's leading provider of drilling services to the global exploration, mining and energy industries

*Find a better way*



Management  
Team



Safety



Leading  
Technology



Systems



Operational  
Capability



Value  
Proposition

# ACHIEVEMENTS FOLLOWING ACQUISITION AND RESTRUCTURE

- Won approximately **\$30m worth of contracts** by revenue since acquisition of Mitchell Services including three *Tier 1* clients
- Rig utilisation increased from **four to fifteen rigs**
- Review and implementation of **Industrial Relations strategy** to increase flexibility across the business
- Moved **operational base** to new Emerald premises and **corporate office** to Brisbane premises
- Rented **Townsville premises** to major global defence contractor creating a valuable standalone property investment that can potentially be divested in the medium term
- Auction of **surplus equipment**
- Access to equipment with **attractive buy out option** through rental agreement
- Settled an **underwritten capital raising of \$20.2m**
- **Acquired the assets of Tom Browne Drilling Services** for \$9.5m





# TOM BROWNE DRILLING SERVICES ACQUISITION

- Receivers appointed to Tom Browne Drilling Services (**TBDS**) in April 2014
- Mitchell acquired -
  - **Significant asset base** of 29 rigs and ancillary equipment
  - **18 month contract** with Tier 1 global mining company
  - **All business records** including various documents and files
- Attractive pricing -
  - **Acquired from receivers for A\$9.5m**
  - **Replacement valuation** of the material assets assessed by Slattery Auctions Australia Pty Ltd **of A\$52.6m** in July 2014
  - **Secondary market valuation** of the material assets assessed by Slattery Auctions Australia Pty Ltd **of A\$13m** in July 2014
  - Slattery Auctions Australia Pty Ltd conducted valuations on material assets only and did not contemplate inventory and other ancillary assets
- Opportunistic acquisition below valuation due to –
  - Distressed seller with significant further losses to accrue if the fleet is left idle
  - Portfolio purchase discount



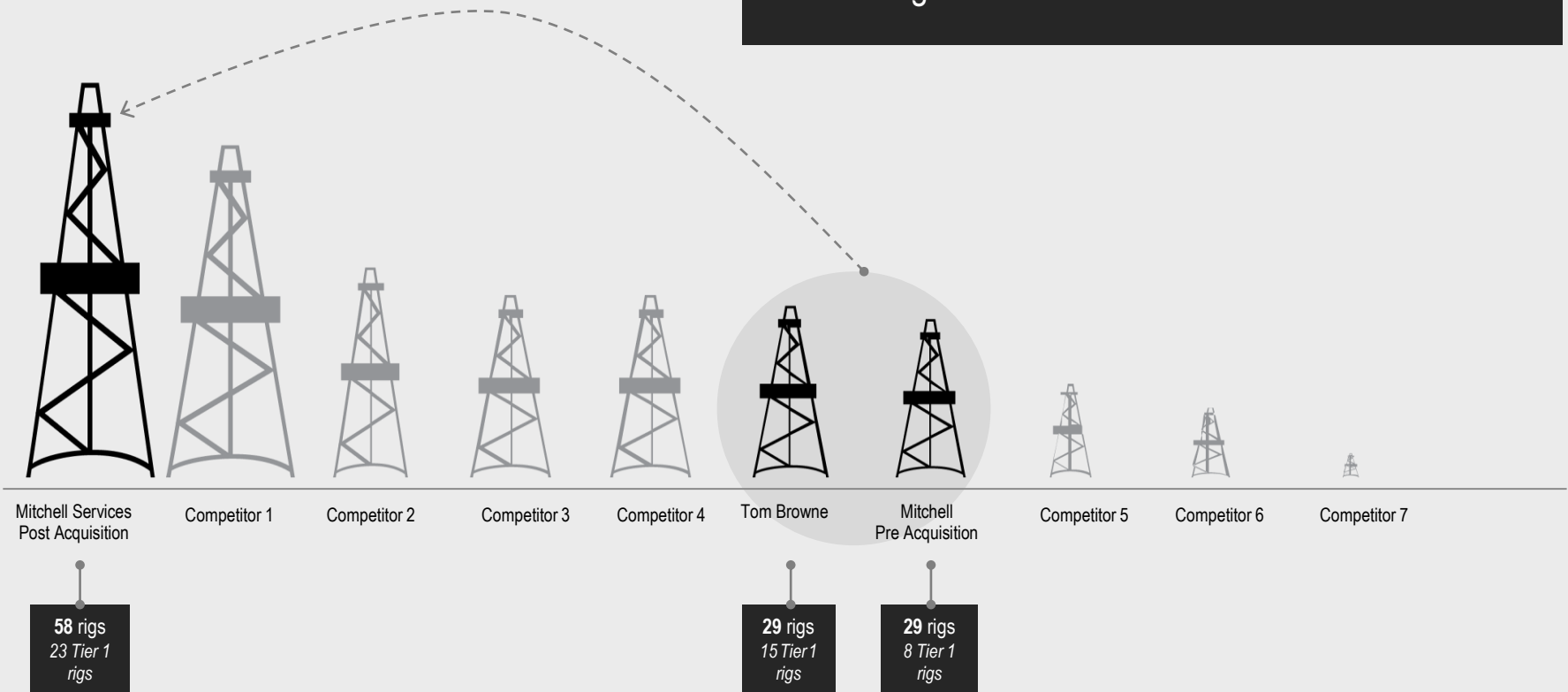
# WHY DID WE ACQUIRE TBDS ASSETS

- The current Tier 1 rig fleet is operating at near full utilisation
- With the strong tender pipeline Mitchell Services has developed since the merger the TBDS acquisition **creates the rig capacity to execute on the pipeline**
- Mitchell Services can utilise TBDS assets for Tier 1 opportunities and **generate a superior return versus buying new equipment**
- Strengthen market share position and **increase geographical footprint** from predominantly Queensland operations
- Attractive acquisition price is cheaper than refurbishing existing non-tier 1 rig fleet.
- Manufacturers have **significantly reduced capacity** and new rigs will have long lead times
- Assignment of contract with “Tier 1” mining company



# MATERIAL INCREASE IN CAPABILITY POST ACQUISITION

Significant Fleet in Eastern Australia



\*Eastern Australia fleet sizes of selected competitors are based on Mitchell Services management internal estimates

# THE FUTURE

## Top priorities in the year ahead

- Continue to improve the standards in the health and safety of our people
- Meet and exceed the high standard of service that our clients expect from Mitchell Services
- Integrate the Tom Browne Drilling Services assets and inventory
- Increase rig utilisation with a view to increasing shareholder value in the medium to long term





# TBDS ACQUISITION UPDATE

Ahead of time and ahead of budget

- Contract with global “Tier 1” mining company has been assigned
- High level of safety performance continues with no crew turnover
- Profitability of this contract has exceeded budget
- Establishment of new operational base in Dubbo complete
- Auction for excess equipment held with results exceeding expectations
- Inventory integration will be complete by the end of November
- Costs for TBDS integration under budget
- Integration will be complete by the end of December



# BUSINESS DEVELOPMENT

Won approximately \$30m worth of contracts since the acquisition

- **Highly focused on lead generation.** General Manager Business Development appointed to further increase lead generation across Central and Eastern Australia markets
- **Brand recognition of “Mitchell Services” continuing to increase.** Word is spreading that Mitchell are back in the Australian market place.
- Increase in rig utilisation and tender activity demonstrates Mitchell Services’ **ability to deliver on rig utilisation**
- Conversion rate Tier 1 clients circa 55% (Steady)
  - Clients focused on safety and efficiency
  - Majority of work is brownfield at mine or near mine
  - Higher barriers to entry for competitors
- Conversion rate Tier 2 clients <50% (Steady)
  - Highly competitive
  - Majority of work is greenfield exploration
  - Competing against smaller drilling companies



# BUSINESS DEVELOPMENT (CONT.)

- **Operational excellence is recognised** across a wide range of commodities and drilling market sectors

## Future Business Opportunities

- **Coal Seam Gas Drilling – Find a better way**
- In 2008 Mitchell Group was a pioneer and previous industry leader in the Coal Seam Gas industry
- **Large Diameter Drilling – Technically complex high margin business**
- In 2008 Mitchell Group was a major provider of large diameter drilling services in Eastern Australia. Now that TBDS and Major Drilling have exited the Eastern Australian market Mitchell Services has the **opportunity to fill this void and take advantage.**
- High quality leads in current tender pipeline for this market sector.
- **Environmental monitoring and remediation** a growing market sector gaining momentum



# FY14 HIGHLIGHTS & Q1 FY2015 REVENUE

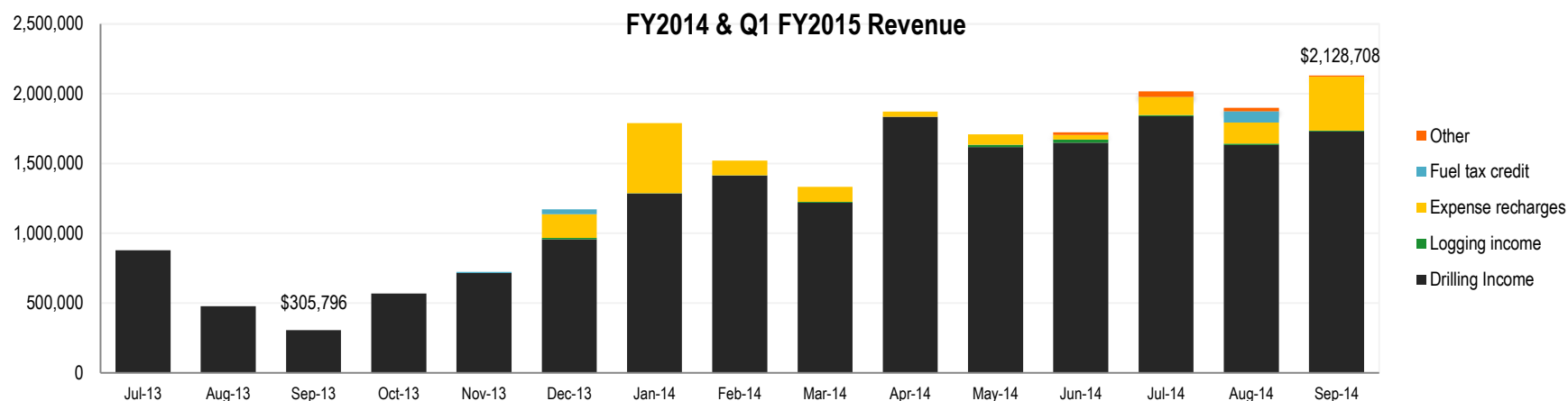
## Audited financials as at reporting date 30 June 2014

Revenue	<b>\$15.01m</b>
EBITDA	(\$2.90m)
NPAT	(\$4.60m)
Operating Cash flow	(\$2.20m)

## FY15 Outlook

Baseline revenue forecast of circa **\$24m** revenue at break even operating cash flow basis  
 Significant upside potential in forecast revenue  
 Strong cash generation as rig utilisation increases

- Increase in rig utilisation from 4 to 15 rigs in September
- Management has proven it can outperform versus standard industry utilisation rates





# SUMMARY

- **Major one off expenses** incurred to rebuild and position the business to work for Tier 1 clients are behind us
- **Competitive landscape is improving** rapidly and **barriers to entry for new competitors have increased**
- Best pricing for assets that Board and Management have seen. **TBDS assets were acquired at \$9.5m versus a replacement value of \$52.6m**
- Integration of the **TBDS acquisition is progressing ahead of time and budget**
- Mitchell Services has a **significant fleet in Eastern Australia** to deliver on its vision of being **Australia's leading provider of drilling services** to the global exploration, mining and energy industries
- **Compelling bottom of the market investment opportunity with significant upside** if general market conditions improve

