

ASX RELEASE

9 June 2015

Acquisition of Nitro Drilling's assets and fully underwritten Entitlement Offer

Key Points

- The acquisition of the assets of Nitro Drilling Pty Limited (in receivership) (**Nitro**) for \$16.1 million will strengthen Mitchell Services' position as a leading provider in the Eastern States' drilling market
- The acquisition will be funded by a combination of:
 - \$8.5 million debt facility provided by major shareholders, Mitchell Group and Washington H. Soul Pattinson & Company; and
 - \$8.67 million fully underwritten non-renounceable Entitlement Offer of 4 new shares for 7 existing shares at an offer price of \$0.0175 per share

Acquisition of Nitro assets for \$16.1 million

Mitchell Services Limited (ASX Code: MSV) has entered into an agreement to acquire the drilling rigs and associated assets of Nitro for \$16.1 million (**Acquisition**), positioning the Company for continued growth as a leading provider of drilling services within Eastern Australia.

The Nitro assets include 25 drilling rigs, including 20 Tier 1 rigs, 3 grouting units and an extensive array of other support equipment and inventory.

Executive Chairman of Mitchell Services Mr Nathan Mitchell said that the acquisition of the Nitro assets would consolidate Mitchell Services' position as a leading provider in the Eastern States drilling market, following the 2014 acquisition of the assets of Tom Browne Drilling Services.

"Following this attractive acquisition, Mitchell Services will have the largest modern fleet of its kind in Eastern Australia and one of the larger fleets in Australia. This will strengthen our ability to deliver on our vision of being Australia's leading provider of drilling services to the global exploration, mining and energy industries" Mr Mitchell said.

Mr Mitchell said that the acquisition would provide capacity to fulfil Mitchell Services' strong tender pipeline for Tier 1 contracts.

"The competitive landscape is improving and barriers to entry for new competitors have continued to increase," he said.

Mitchell Services Chief Executive Officer Mr Andrew Elf said that the attractive acquisition pricing represents a significant opportunity to drive shareholder returns and that the replacement value of the assets is circa \$84 million based on data received by Mitchell Services.

"After a period of market consolidation, Nitro possibly presents one of the last opportunities to purchase a significant pool of assets and inventory at a significant discount to new pricing."

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The Acquisition of the Nitro assets for \$16.1 million (excluding GST) is expected to settle in July 2015 following completion of the Entitlement Offer.

Entitlement Offer - \$8.67 million

Mitchell Services intends to conduct a \$8.67 million equity raising through a 4 for 7 pro rata non-renounceable entitlement offer of fully paid ordinary shares in Mitchell Services (**New Shares**) (**Entitlement Offer**).

The offer price for the Equity Raising will be \$0.0175 per share which represents:

- a 30% discount to the last traded price of Mitchell Services shares (being \$0.025 on 3 June 2015);
- a 24.4% discount to the 1 week VWAP of Mitchell Services shares of \$0.0232 per share;
- a 24.3% discount to the 1 month VWAP of Mitchell Services of \$0.0231 per share; and
- a 21.5% discount to the theoretical ex-rights price (TERP)¹.

Under the Entitlement Offer, eligible shareholders will be able to subscribe for 4 new ordinary shares in Mitchell Services for every existing 7 shares held at 7.00 pm (AEST) on 15 June 2015 (**Record Date**) at the offer price (**Entitlements**).

Mitchell Services' major shareholder, the Mitchell Group (with a current shareholding of approximately 19.98%) has committed to taking up its full Entitlement under the Entitlement Offer.

Mitchell Group and another major shareholder, Washington H. Soul Pattinson & Company Limited (**Soul Pattinson**) will also provide debt facilities to the Company to fund the remainder of the Acquisition purchase price (detailed further below).

The Entitlement Offer is fully underwritten by Morgans Corporate Limited.

Debt facilities - \$8.5 million

The remainder of the Acquisition costs will be funded by way of debt financing in the amount of approximately \$8.5 million provided by Mitchell Group² and Soul Pattinson.

It is proposed that the debt facilities provided by Mitchell Group and Soul Pattinson will be secured by a charge over the Nitro assets. It is also intended that interest on the loans for the first two years of the five year term will be paid by the issue to the lenders of further New Shares (with Year 1 interest paid in Shares with an issue price of \$0.0175, and Year 2 interest paid in Shares with an issue price equal to the volume weighted average price for the 30 trading days prior to the issue of the Shares). Given that Mitchell Group is a related party of Mitchell Services, the security arrangements for the Mitchell Group loan and the issue of New Shares to satisfy interest payments on that loan are subject to shareholder approval.

¹ The theoretical ex-rights price of \$0.0223 is calculated using Mitchell Services' closing price on 3 June 2015 assuming proceeds from the Entitlement Offer of \$8.67 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. 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.

² The lender under the facility is Mitchell Family Investments (Qld) as trustee for the Mitchell Family Investment Trust

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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

Activity	Date
Trading halt	4 June 2015
Announcement of the Entitlement Offer	9 June 2015
Record Date for Entitlement Offer (7.00pm AEST)	15 June 2015
Information Booklet and Entitlement and Acceptance Form despatched	16 June 2015
Entitlement Offer opens	16 June 2015
Closing date for acceptances under Entitlement Offer (5.00pm AEST)	25 June 2015
Allotment of New Shares under the Entitlement Offer	2 July 2015
Despatch of holding statements for New Shares issued under the Entitlement Offer	2 July 2015
Normal ASX trading for New Shares issued under the Entitlement Offer commences	2 July 2015

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.

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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