

ACQUISITION & CAPITAL RAISING

9 June 2015

Mitchell
SERVICES

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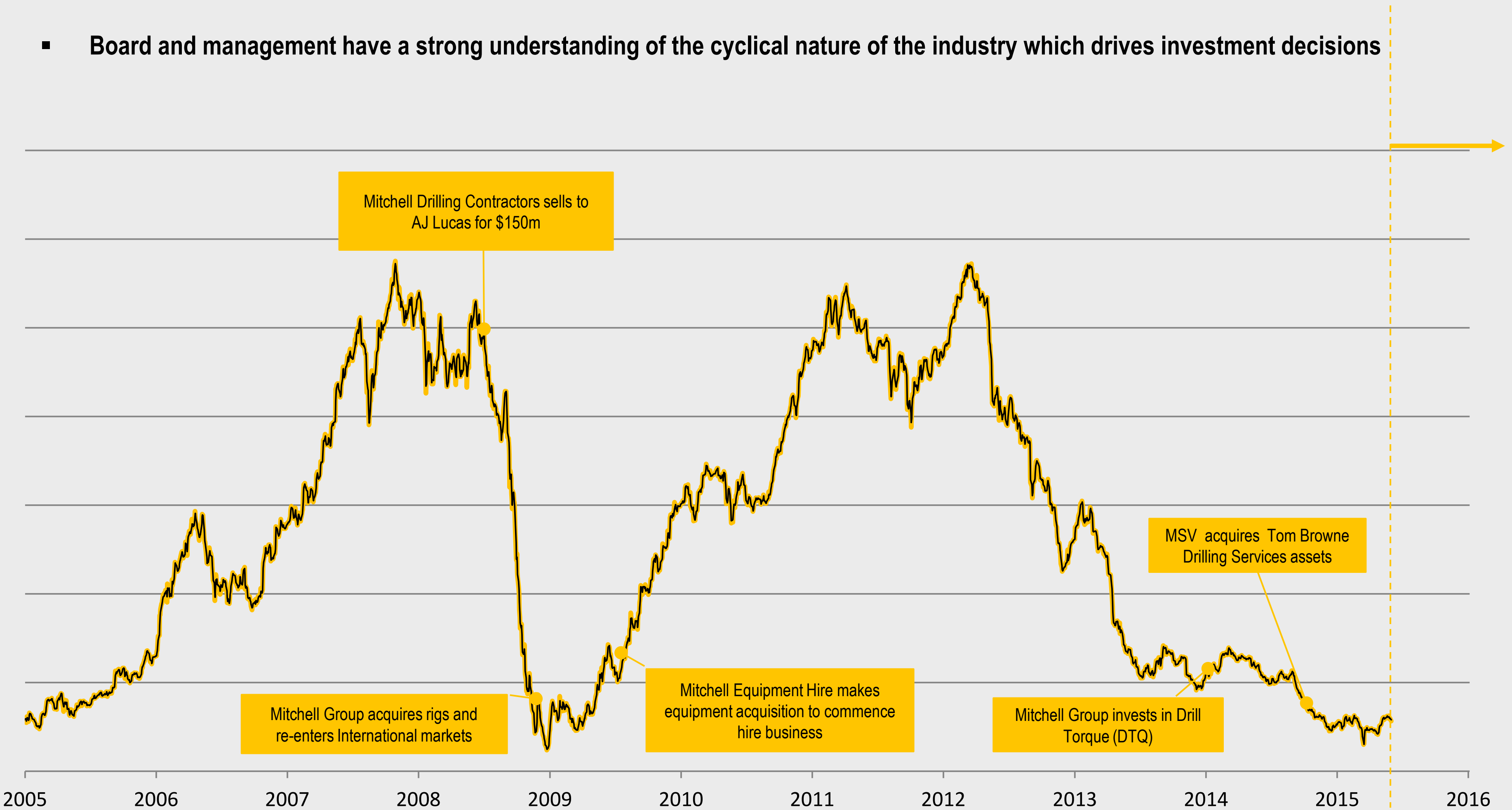
EXECUTIVE SUMMARY

- Mitchell Services Limited ("**Mitchell Services**") has entered into an agreement to acquire the assets of Nitro Drilling ("**Nitro**") for $16.125m (plus GST)
- The acquisition will be funded by a secured corporate lending facility of $8.5m and an underwritten rights issue of $8.42m
- The rights issue will be fully underwritten by Morgans Corporate Limited. The capital raising consists of:
  – A 4 for 7 non-renounceable rights issue to existing shareholders to raise $8.42m at $0.017 per share ("Entitlement Offer")
- The secured corporate lending facility is being provided by two of Mitchell Services' major shareholders, Washington H. Soul Pattinson & Company Limited (**WHSP**) and Mitchell Group#
- The acquisition of Nitro assets will 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. The rig fleet of Mitchell Services will be appropriately expanded and upgraded following the acquisition
- Importantly, the addition of 20 Tier 1 drilling rigs will provide capacity to fill Mitchell Services' strong tender pipeline for Tier 1 contracts
- Following completion of the acquisition Mitchell Services will sell non-core assets. Non-core asset sales are expected to net $3-$5m and other idle assets can potentially be rented
- Major shareholders Mitchell Group and WHSP have committed to take up their rights in full under the Entitlement Offer and provide the secured# corporate lending facility (Mitchell Group's proportion is $3.5 million and WHSP's is $5 million)
- All Directors and Senior Management intend to participate in the Entitlement Offer

The grant of security to Mitchell Group is subject to shareholder approval. The lender is Mitchell Family Investments (Qld) Pty Ltd as trustee for the Mitchell Family Investment Trust.

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 the companies listed on slide 28

HISTORY

MITCHELL SERVICES HISTORY

1969
Mitchell Drilling commenced operations

2000
Mitchell Drilling was at the forefront of the CSG industry in QLD

2008
Mitchell Drilling was sold for circa A$150m – approx. 30 Rigs

2008 – 2013
5 years non-compete period. Further development of overseas business

2013
Non-compete expired in August 2013. Re-entered Australian market.

DRILL TORQUE HISTORY

1992
Drill Torque Queensland founded with a single rig

2007
Well Drilled established with four rigs

2011
Drill Torque Queensland & Well Drilled merge to form Drill Torque with 31 rigs

2011
Drill Torque IPO

2013
Mitchell Group & Mitchell Services senior management acquire 19.9% in Drill Torque

November 2013
Drill Torque acquires Mitchell Services Pty Ltd and renamed Mitchell Services (MSV)

October 2014
$20.2m Capital raise and Tom Browne Drilling Services acquisition

MITCHELL SERVICES MARKET PROFILE

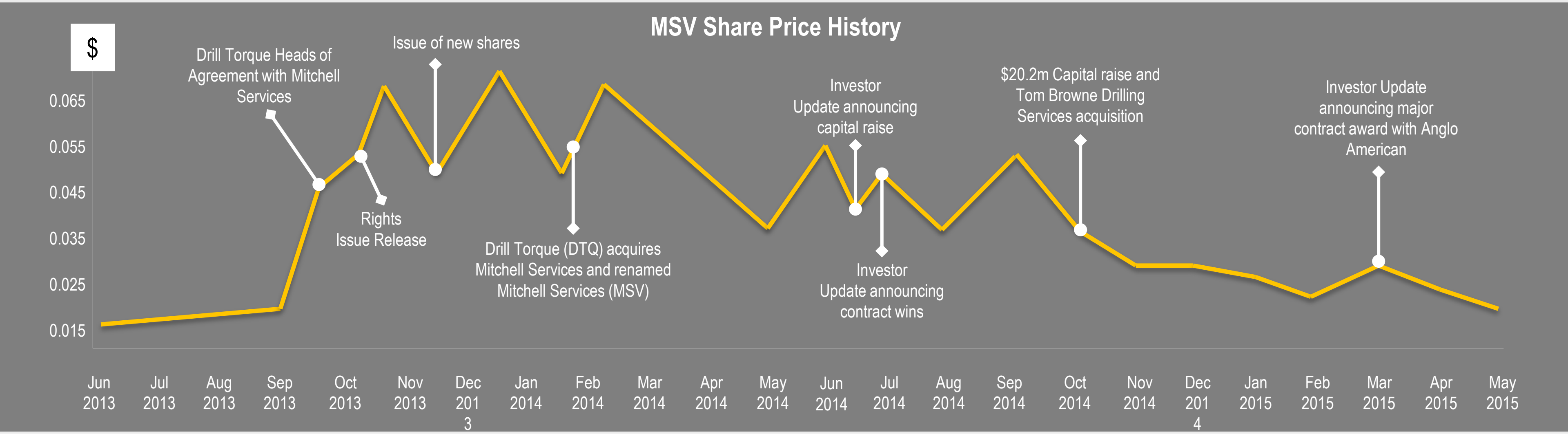
ASX Stock Symbol:	MSV
Shares Issued:	867,000,222
Performance Options:	98,700,000
Share Price (at 3/6/15):	A$0.025
Market Capitalisation:	A$21.67m
Average Daily Volume:	476,059
12 Month Volume:	124,727,529
Cash on hand (at 31/5/15):	A$1.85m

Senior Management Team

- Executive Chairman – Nathan Mitchell
- Chief Executive Officer – Andrew Elf
- CFO & Company Secretary – Greg Switala
- Chief Commercial Officer – Gary Salter
- General Manager Drilling – Cameron Wright

Major Shareholders

1	Mitchell Group	19.98%
2	Acorn Capital	9.89%
3	CVC	8.99%
4	Washington H Soul Pattinson	8.80%
5	Miller Family	4.97%



MITCHELL SERVICES VISION

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

Be Sure. Be Safe

Our people are your success

Find a better way

BUSINESS PROGRESSION

Phase 1: Post Drill Torque merger Nov 2013 – 30 Jun 2014

Business Ready

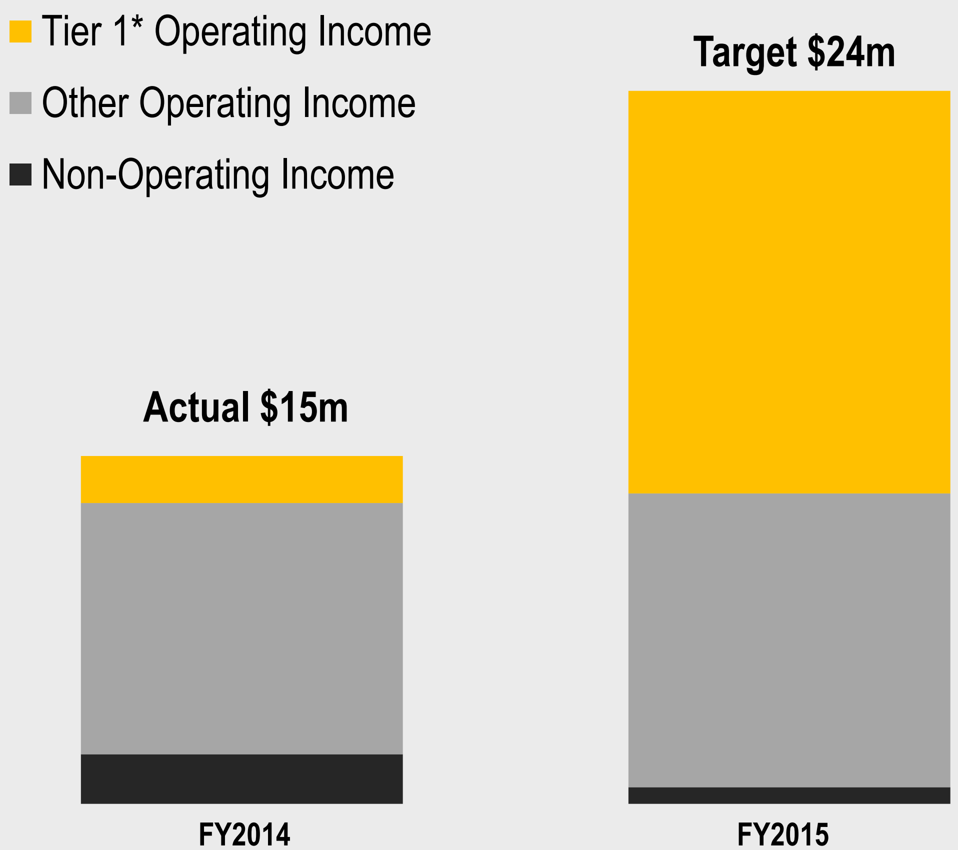
- **ISO certification** and implementation of electronic safety, training and human resources management system
- Review and implementation of **Industrial Relations strategy** to increase flexibility across the business
- Moved operational base, corporate office and rented Townsville premises to major global defence contractor
- Auction of surplus equipment
- Increased rig utilisation from **3** to **12** rigs

Phase 2 : Financial Year Targets 2015

Ramp Up

- Implement initiatives to improve safety culture and performance
- Expected **$24m** revenue in FY 2015
- **$20.2m** capital raise for the **acquisition of Tom Browne Drilling Services** assets from receivers
- Integration of Tom Browne Drilling Services including auction of surplus equipment
- **Increase "Tier 1" client base and increase rig utilisation**

REVENUE BY CLIENT TYPE

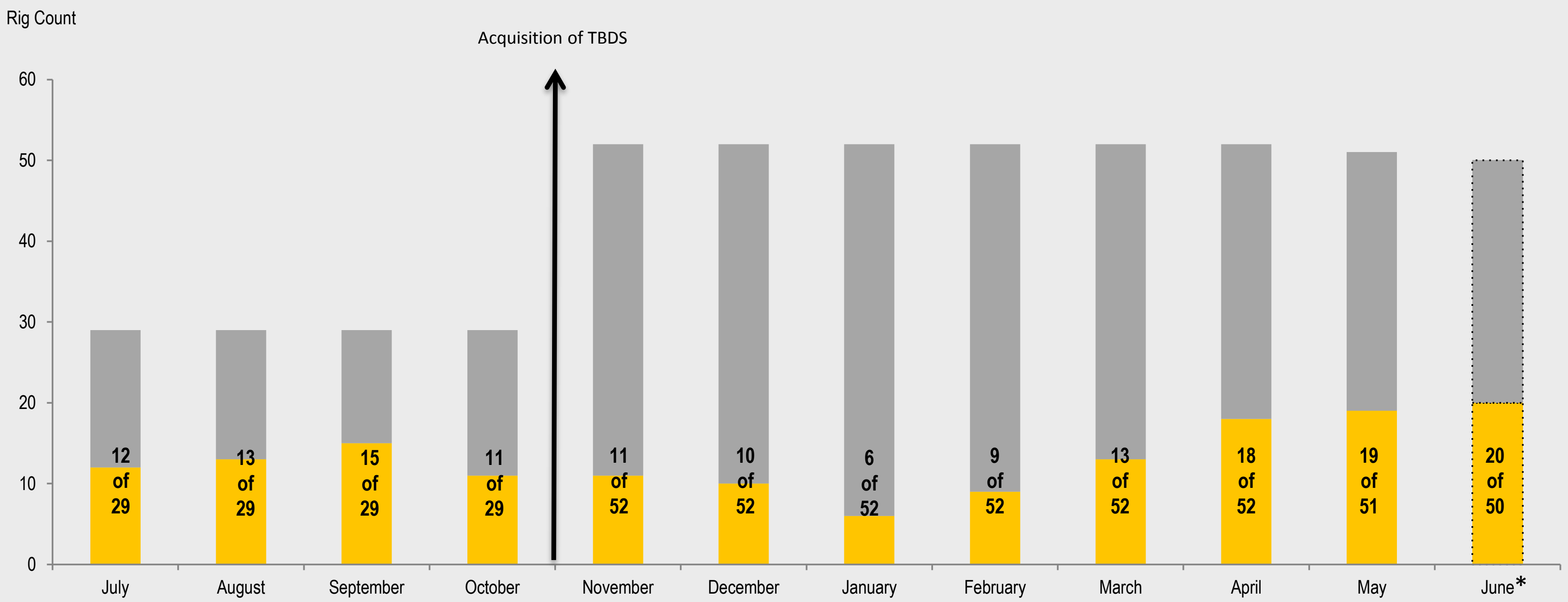


*multinational mining & energy companies

VALUE OF TIER 1

- Multinational mining and energy companies
- Very high safety and business system requirements
- Generally brownfield work for existing mining operators
- Longer term contracts

RIG UTILISATION

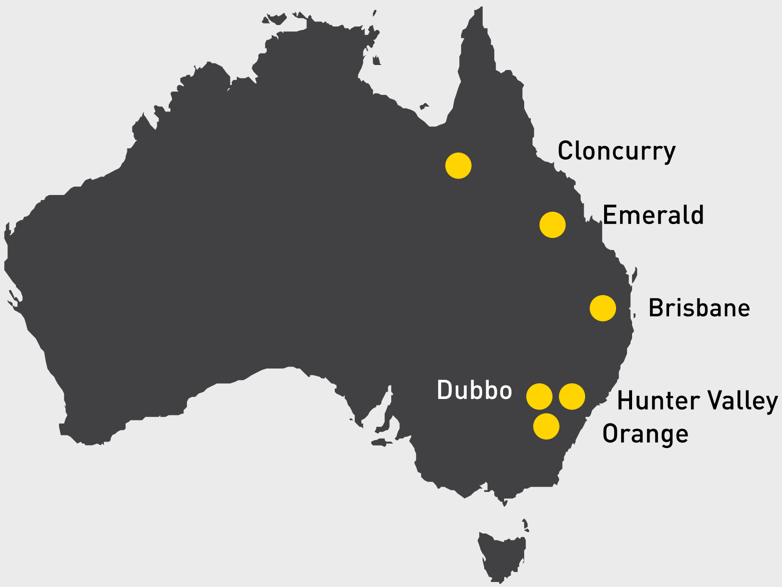


- Increase post Christmas and Wet Season
- **Contracted Anglo American Australia** (Queensland Coal) six rigs for three years from May
- Tender **pipeline continues to grow**
- **Doubled average rig utilisation** for same period in previous year

* Forecast

BUSINESS DEVELOPMENT

Tender pipeline value in excess of $275m



Dominant market position in:

- Queensland Minerals
- Queensland Coal

Strengthening market position in:

- New South Wales Minerals
- New South Wales Coal

Tender Pipeline continues to grow and historical conversion rate at circa 50%

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**
- Mitchell has identified one large opportunity in this market sector and Nitro has a compliant rig with all ancillary that could be utilised
- **Large Diameter Drilling – Technically complex high margin business**
- Mitchell has gained market share in this sector and continues to do so. Nitro assets will allow Mitchell to further extend its offering
- **Environmental monitoring and remediation** a growing market sector gaining momentum
- Nitro assets include three grouting units that clients to service a high growth market sector

COMPETITIVE PROFILE OF MARKET HAS IMPROVED

Numerous competitors have exited the market

- Major Drilling
- Nitro Drilling
- Pinnacle Drilling
- Macquarie Drilling
- Tec Drill
- AJ Hickey Contractors
- Geo Tech Drilling
- WDS

- 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

- New entrants are unable to secure finance to enter the drilling sector

NITRO ACQUISITION

- Receivers appointed to Nitro Drilling (**Nitro**) in March 2015
- Opportunity to acquire -
  - **Significant asset base** of 25 rigs (20 Tier 1), 3 grouting units and material ancillary equipment and inventory.
- Attractive pricing -
  - **Acquiring from receivers for A$16.125m**
  - **Replacement valuation** per data from the data room circa **A$84.0m** (excluding extensive inventory) in April 2015
- Opportunistic acquisition below valuation due to –
  - Distressed seller with significant further losses to accrue if the fleet is left idle or sold piecemeal
  - Portfolio purchase discount
  - The number of parties willing and able to complete this transaction are limited
- Opportunity to resize and rebalance entire fleet and ancillary equipment–
  - Identify assets that can be sold from existing fleet and Nitro acquisition to standardise equipment and reduce debt
  - Opportunity to utilise Tier 1 assets acquired to satisfy tender pipeline

WHY ACQUIRE NITRO ASSETS

- The current Tier 1 rig fleet is operating at near full utilization (87.5%)
- With the strong tender pipeline the Nitro acquisition **creates the rig capacity to execute on the pipeline**

- Mitchell Services can utilise Nitro assets for Tier 1 opportunities and **generate a superior return versus buying new equipment**
- Non core assets can be sold post acquisition and used to **pay down debt** and **inventory utilised to increase margin**
- Strengthen market share position
- Attractive acquisition price is cheaper than refurbishing existing non-Tier 1 rig fleet
- Ability to utilise a fully functioning Workshop and Service facility in Dysart
- Three grouting units acquired allows Mitchell Services to **enter a new and growing market sector**
- Acquisition of the Nitro business will restrict these assets becoming available to competitors

MITCHELL SERVICES FLEET CAPABILITY

CURRENT FLEET

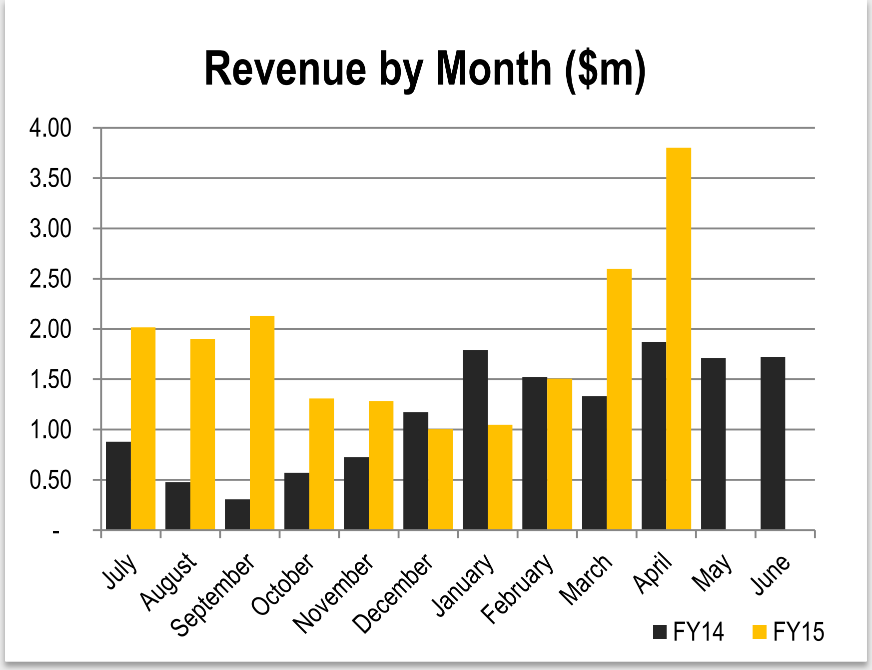
FLEET POST ACQUISITION

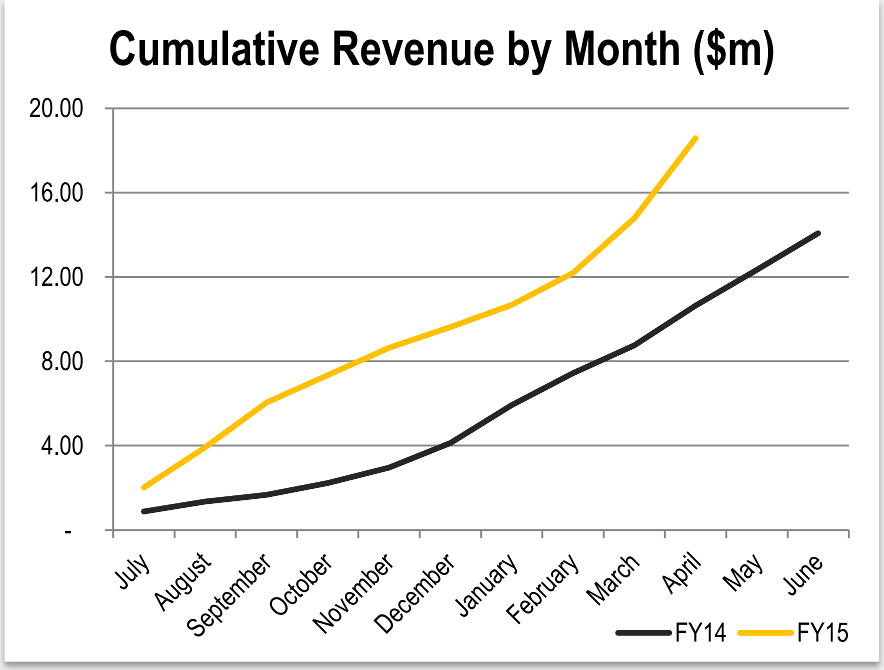
- Tier 1 rig utilisation is running at 87.5%
- Income spread across multiple commodity sectors including coal, copper and gold
- Income spread across multiple services sectors including exploration, mine services and underground drilling
- Market has not recovered to the point yet where Mitchell Services can take material advantage of Tier 2 rigs – demand is for Tier 1 rigs from brownfield operations

- Just under a 100% increase in Tier 1 rigs from 23 to 43 rigs
- Increase in total fleet from 52 to 77 rigs
- Acquisition of 3 grouting units in addition to the above to enter high growth market sector
- Resize and reshape fleet to standardise and reduce debt whilst maintaining a Tier 2 fleet to take advantage when general market conditions improve

REVENUE HIGHLIGHTS

	FY14	FY15	VARIANCE
10 Months revenue to April	$10.64m	$18.58m	74.6% ↑
Full year revenue	$15.01m	$24.00m*	59.9% ↑





* FY15 target

USE OF FUNDS AND LIQUIDITY

- Set out below are the use of funds and available funding for Mitchell Services post the capital raising.
- Table 1 is an estimate of the actual cash position post acquisition, post capital raising and inclusive of material post capital raising events

Table 1 – Estimate of available cash	Amount
Current cash balance at 31 May 2015	$1,850,336
Rights issue net of associated costs	$7,845,000
Funds from debt financing	$8,500,000
Total anticipated asset costs	($16,425,000)
Adjusted estimate of available cash[1]	**$1,770,336**

[1] The Estimate of available cash ignores cash flows as a result of GST payments. GST payments will flow in and out of the company in the ordinary course of business.

FINANCIAL POSITION

Mitchell Services Group
Balance Sheet
As at 30 April 2015
Management Accounts

	Pro Forma Balance Sheet 30 April 2015	Capital Raise	Pro Forma Balance Sheet Post Raise	Post Balance Sheet Event	Adjusted Pro Forma Balance Sheet
Current Assets					
Cash at Bank	$1,118,284	($80,000)	$1,038,284		$1,038,284
Other Current Assets	$8,029,534		$8,029,534	$130,000	$8,159,534
Total Current Assets	**$9,147,818**	**($80,000)**	**$9,067,818**	**$130,000**	**$9,197,818**
Non Current Assets					
PPE	$20,617,216	$16,425,000	$37,042,216	$1,300,000	$38,342,216
Other Non-Current Assets	$1,490,936		$1,490,936		$1,490,936
Total Non Current Assets	**$22,108,152**	**$16,425,000**	**$38,533,152**	**$1,300,000**	**$39,833,152**
TOTAL ASSETS	$31,255,971	$16,345,000	$47,600,971	$1,430,000	$49,030,971
Current Liabilities					
Term Debt	$319,452		$319,452		$319,452
Equipment Finance	$1,746,802		$1,746,802		$1,746,802
Other Current Liabilities	$6,222,182		$6,222,182	$1,430,000	$7,652,182
Total Current Liabilities	**$8,288,436**		**$8,288,436**	**$1,430,000**	**$9,718,436**
Non-Current Liabilities					
Term Debt	$1,048,815	$8,500,000	$9,548,815		$9,548,815
Equipment Finance	$2,930,598		$2,930,598		$2,930,598
Other Non-Current Liabilities	$84,424		$84,424		$84,424
Total Non-Current Liabilities	**$4,063,837**	**$8,500,000**	**$12,563,837**		**$12,563,837**
TOTAL LIABILITIES	$12,352,273	$8,500,000	$20,852,273	$1,430,000	$22,282,273
NET ASSETS	$18,903,697	$7,845,000	$26,748,697		$26,748,697
Capital and Reserves	$18,903,697		$26,748,697		**$26,748,697**
Capital Raising		$8,420,000			
Less Capital raising Costs		($575,000)			
TOTAL EQUITY	**$18,903,697**	**$7,845,000**	**$26,748,697**		**$26,748,697**

The unaudited pro forma balance sheet set out above has been derived from Mitchell Services unaudited management accounts consolidated balance sheet as 30 April 2015 and has been prepared for illustrative purposes to show the impact of the following pro forma adjustments-

(1) The Nitro asset purchase and associated equity raise

(2) The effect of a material post 30 April 2015 event:

   i. MSV have recently purchased a Schramm T130XD rig for $1,300,000 (excl GST). The effect of the transaction on the pro forma balance sheet is an increase in fixed assets of $1,300,000, an increase to current assets of $130,000 and an increase to current liabilities of $1,430,000.

(3) Management accounts include write downs in Goodwill ($2,994,236) and Deferred Tax Asset ($4,580,690) which have occurred since December 2014.

NOTE

The unaudited pro forma balance sheet is based on numerous assumptions that may or may not reflect the actual financial position of Mitchell Services after completion of the offer. This pro forma balance sheet is presented in summary format and does not contain all disclosures required under the Corporations Act. The pro forma information has been prepared using AIFRS and reflects the accounting policies of Mitchell Services and is based on unaudited accounts. The pro forma balance sheet assumes the capital raising has been completed as at 30 April 2015 although the actual date will be at a later date. The pro forma balance sheet assumes the acquisition of Nitro Drilling (In receivership) unencumbered assets as at 30 April 2015 although the actual date of acquisition will be at a later date.

EQUITY OFFER OVERVIEW

THE OFFER	**The capital raising consists of the following components** • A 4 for 7 non-renounceable rights issue to existing shareholders to raise $8.42m at $0.017 per share (“Entitlement Offer”) • Top-Up Offer to existing shareholders to subscribe for shares greater than their entitlement. Any allocation of additional shares under the Top-Up Offer is subject to the shortfall amount under the Entitlement Offer and the discretion of the Board. • The new shares will rank equally with Mitchell Services existing shares
PRICING	**Offer price of $0.017 per share represents** • 32% discount to last close of $0.0250 per share • 24.4% discount to 1 week VWAP of $0.0232 per share • 24.3% discount to 1 month VWAP of $0.0231 per share • 23.08% discount to TERP* of $0.0221 per share
SHAREHOLDER SUPPORT	• Major shareholders, the Mitchell Group and Washington H. Soul Pattinson and Company Limited have committed to take up their rights in full under the Entitlement Offer. • All Directors and Senior Management intend to participate in the Entitlement Offer
USE OF PROCEEDS	**The capital raising of $8.42 million will be used to partially fund the acquisition of the assets of Nitro Drilling Pty Ltd**
UNDERWRITING	The offer is fully underwritten by Morgans Corporate Limited

* The theoretical ex rights price (TERP) is the theoretical price at which MSV shares should trade immediately after the ex date for the entitlement offer. TERP is a theoretical calculation only and the actual price at which MSV shares trade immediately after the ex date for the Entitlement Offer will depend on many factors and may not be equal to TERP.

EQUITY OFFER OVERVIEW (CONTINUED)

INDICATIVE TIMETABLE (subject to change)

Activity	Date
Announcement of Entitlement Offer	Tuesday, 9 June 2015
Ex-date for Entitlement Offer	Friday, 12 June 2015
Record date	Tuesday, 16 June 2015
Entitlement Offer opens	Wednesday, 17 June 2015
Entitlement Offer closes	Friday, 26 June 2015
Entitlement Offer shares settle	Thursday, 2 July 2015
Entitlement Offer shares are issued	Friday, 3 July 2015
Entitlement Offer shares commence trading on a normal basis	Friday, 3 July 2015

DEBT FINANCING OVERVIEW

NEW FACILITIES

- Major shareholders, Mitchell Group and Washington H. Soul Pattinson & Company Limited (**WHSP**) will provide a secured corporate lending facility of $8.5 million
- Proportions: Mitchell Group - $3.5 million, WHSP - $5 million
- 5 year term
- 10% interest rate
- Loan facility secured against Nitro assets#
- Interest on the loans for the first two years will be paid at the start of each year by the issue of Mitchell Services shares#
  - Year 1 interest paid in shares with an issue price of $0.017; 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 New Shares at the start of year 2

The Lender, Mitchell Family Investments (Qld) Pty Ltd as trustee for Mitchell Family Investment Trust, is a related party of Mitchell Services Ltd, therefore the security arrangements and the issue of shares to satisfy interest payments are subject to shareholder approval. If shareholder approval is not received the loan will become repayable within a further 90 days.

EXISTING FACILITIES

Provider	Type	Liability
Westpac	Loan facilities	668,267
GE Capital	Loan facilities	477,548
Suncorp*	Loan facilities	700,000
Toyota Finance	Equipment finance	1,008,258
Suncorp	Equipment finance	1,102,327
Other	Equipment finance	2,089,267
Total debt financing		**6,045,668**

*Also includes an overdraft facility of $2.5million which is undrawn at 9 June 2015 and bank guarantees of $1.43mil. These are subject to an annual review at 31 December 2015. Management are confident that these will be renewed.

SUMMARY

- **Competitive landscape is improving** rapidly and **barriers to entry for new competitors have continued to increase**
- Best pricing for assets that Board and Management have seen. **Nitro assets to be acquired at $16.125m versus a replacement value of circa $84m** (excluding inventory)
- Post acquisition, Mitchell Services will have **the largest fleet of its kind in Eastern Australia** and one of the larger fleets in 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 continue to improve

APPENDIX

- Appendix 1 – Capital Structure and Performance Options
- Appendix 2 – Assets To Be Acquired From Nitro
- Appendix 3 – Board and Management
- Appendix 4 – Where are we in the cycle?
- Appendix 5 – Types of Drilling
- Appendix 6 – Investment Risks

APPENDIX 1 – CAPITAL STRUCTURE & PERFORMANCE OPTIONS

Current shares on issue	867,000,222
Rights issue ratio	4 for 7
Rights issue shares (subject to rounding of entitlement)	495,429,699
New shares on issue post Capital Raising (subject to rounding of entitlement)	1,362,428,921
Total performance options (Tranche C & D)	98,700,000
Tranche C - $7m FY16 EBITDA & 7cps share price	49,350,000
Tranche D - $9m FY16 EBITDA & 8cps share price	49,350,000

- Performance options were issued to Mitchell Group and its senior managers as consideration for the options cancelled through the merger with Drill Torque
- Tranche C & D are subject to EBITDA hurdles in FY2016 of $7m and $9m respectively, in addition to 10 day VWAP share price hurdles of 7 cps and 8 cps respectively at any time in the 12 month period following the release of the FY16 results

APPENDIX 2 – ASSETS TO BE ACQUIRED FROM NITRO

Asset Description / Type	Approximate Number	Note
Rigs	25	20 Tier 1 and all mounted on Mercedes 8x8 trucks
Grouting Units	3	Truck mounted
Support Truck	26	Mercedes 8x8 trucks
Tilt Tray	4	Mercedes 8x8 trucks
Prime Mover	4	
Trailers	30	Various types
Mercedes Sprinter Vans	35	
Other Light Vehicles	20	Hilux, Amarok, Land Cruiser
Camp	1	26 man camp
Forklifts	4	Cat, Crown, Manitou
Compressors	16	900/1150 Sullair (Count excludes rig mounted compressors)
Hydraulic Jack-up	30	
Other ancillary		Containers and other including workshop & service facility
Inventory		Drill pipe and other

Modern well maintained plant and equipment with an average age of 4.5 years

APPENDIX 3 - BOARD AND MANAGEMENT

NATHAN MITCHELL – Executive Chairman
During his tenure as CEO for Mitchell Drilling Contractors the company doubled in size with Mr. Mitchell directing an international expansion into China, Indonesia, USA and various countries across Southern Africa.

PETER MILLER - Non Executive Director
Mr. Miller founded Drill Torque in 1992 with one drill rig, which grew to 29 prior to the acquisition of Well Drilled. Mr. Miller has been involved in all aspects of the drilling industry for the past 28 years and has extensive knowledge of the drilling conditions, equipment requirements and pricing structure to maximize productivity.

ROBERT DOUGLAS (BCom, LLB) – Non Executive Director
Mr. Douglas has over 15 years experience in finance and investment banking and is currently Executive Director of Morgans Financial. He has vast experience in all aspects of corporate advisory and equity capital raising for listed public companies and companies seeking to list.

ANDREW ELF (B.Com, CPA, MBA, GAICD) – Chief Executive Officer
Mr. Elf has over 15 years finance, commercial and operation experience. He has held senior roles with Boart Longyear where he spearheaded the growth of the African business to an annual turnover in excess of $30 million.

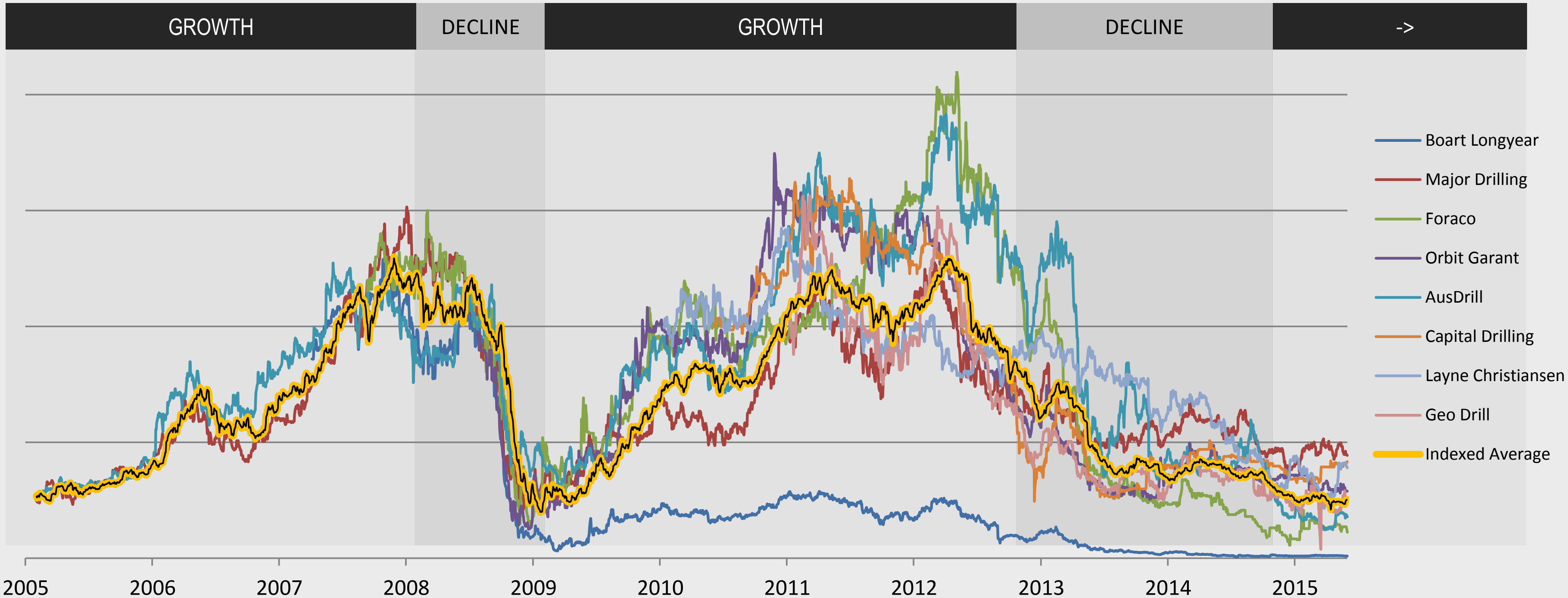
GREG SWITALA (B.Com Hons CTA, CA) CFO & Company Secretary
Mr. Switala joined Mitchell Services Limited in April 2014 as Group Financial Controller. Before joining MSV Mr. Switala has six years' financial accounting and reporting experience in the property and gaming industries and three years' experience in audit with KPMG Inc.

GARY SALTER (B.Sc (Geology) Hons) - Chief Commercial Officer
Mr. Salter has a wealth of senior management experience having worked with BHP Billiton (BHPB) for over 32 years in mine geology and exploration. Mr. Salter has been instrumental in leading the business development function and strengthening relationships with blue chip clients.

CAMERON WRIGHT (B.Laws)– General Manager Drilling
Mr Wright founded Capricorn Weston Drilling in 1996 and sold the business in 2007 having grown the business to work with multiple Tier 1 clients across Queensland. Cameron has in excess of 20 years industry experience and in addition to being a successful business owner has worked for major mining and services organization's.

APPENDIX 4 - WHERE ARE WE IN THE CYCLE?

Listed Drilling Company – Share Price Movements (Average is a non weighted average of daily close prices)



- **Where are we in the cycle?**
  - Production drilling must continue
  - Near mine exploration activity is increasing
  - Mine Services activity is increasing
  - Evidence of base level commitment spending in greenfield exploration
- **Why is now the time to invest?**
  - Industry peers experiencing financial distress and rig counts in the market place have reduced
  - Pipeline continues to grow
  - Business ready and in the ramp up phase
  - Strengthen market position in key market sectors

APPENDIX 5 – TYPES OF DRILLING

Types of Drilling		MSV
SURFACE DRILLING COAL	**Activity:** Low -Activity is primarily focused on production **Competition:** High **CAPEX:** Medium to High **Comment:** Competition has increased markedly as metals drilling companies enter this market sector	Recognised as experts in this market sector and CCO has extensive contacts network
SURFACE DRILLING METALS	**Activity:** Low - Activity is primarily focused on brownfield exploration and production **Competition:** High **CAPEX:** Medium to High **Comment:** Opportunity for consolidation in highly fragmented market sector	Continue to gain momentum since Australian market re-entry
UNDERGROUND DRILLING	**Activity:** Medium -This work is primarily production related **Competition:** Medium to High **CAPEX:** Medium **Comment:** Step change in sector with the development of the mobile drill rig	Increase market awareness that Mitchell Services actively participates in this market sector
OIL & GAS	**Activity:** Medium **Competition:** High **CAPEX:** High **Comment:** High risk high return. Long term contracts critical to success	Highly experienced in specific segments of this market sector
OTHER SERVICES	**Activity:** Low to Medium **Competition:** Medium **CAPEX:** Low to High pending service **Comment:** Diversification from cyclical minerals cycle	Not core business but have Logging Units

APPENDIX 6 – INVESTMENT RISKS

Acquisition of Nitro assets
Despite having external due diligence completed on the Nitro assets, the assets have been bought under a receiver sale on an 'as is, where is' basis and there is a risk that they do not perform according to current expectations. This may require significant maintenance or additional expenditure by the Company in order to have them in working order or brought up to the required standards for their intended use.

Seasonal conditions and business interruptions
The Company has exposure to a number of natural events such as cyclones, persistent rainfall, floods and fire which are beyond its control. Natural events would affect the Company's productivity and ability to engage in contract drilling for customers and, as a result, could have a material adverse effect on the Company. Unstable weather conditions, unstable service sites, regulatory intervention, delays in necessary approvals and permits or supply bottlenecks may reduce the Company's ability to complete drilling services contracts resulting in performance delays, increased costs and loss of revenue. The Company seeks to mitigate these and other risks by securing clients in multiple geographic locations so as to minimise the impact of events such as the Queensland wet season.

Dependence on key personnel and labour shortages
The Company's primary intellectual asset is the skill and experience of its staff. It is essential that appropriately skilled staff be available in sufficient numbers to support the Company's operations. While the Company has initiatives to mitigate this risk, including implementing special training programs, loss of key staff or failure to attract new staff may have a negative impact on the financial performance or otherwise of the Company and in particular its ability to expand its business. The loss of key staff to a competitor may magnify this impact.

Effects of amended industrial relations laws
Recent changes to Commonwealth industrial relations laws particularly in regard to new awards may result in increased labour and compliance costs. This could impact on the ability of the Company to retain key personnel, attract new workers or replacement personnel. Any further changes to Commonwealth industrial relations laws may result in additional labour and compliance costs.

Industrial accidents
Industrial accidents may occur with respect to the Company's business. In the event of a serious accident, for example resulting in a fatality or serious injury, or a series of such accidents on projects, substantial claims may be brought against the Company. Any such claim could result in substantial liability for the Company, which could negatively impact on growth prospects and adversely affect the financial performance and/or financial position of the Company.

Customer demand and outlook for resources industry
The Company's business depends on, amongst other things, the level of mining activity. Levels depend on a number of factors outside the control of the Company, including, but not limited to, continued global economic growth, continued international demand and infrastructure constraints experienced by the Company's clients. Any prolonged decline in the demand for resources may result in a corresponding decline in the use of the Company's services which will have an adverse effect on the financial performance and/or financial position of the Company. Commodity prices are volatile. Industry experience indicates that when commodity prices fall below certain levels, mining expenditure and activity decline in the following 12 months. There is a risk that a significant, sustained fall in commodity prices could substantially reduce future mining activity and accordingly demand for the Company's services.

Equipment constraints
Some of the specialist services provided by the Company require the use of purpose-built drilling rigs and equipment. The Company may have difficulty in gaining access to additional purpose-built rigs or equipment or adequate supplies of equipment at appropriate prices and in a timely manner or the quality of the available equipment may not be acceptable or suitable for its intended use. The Company may also not be able to make the necessary capital investment to maintain or expand its rig fleet. Any of these factors may constrain the Company's ability to provide services and may ultimately have an adverse effect on its growth opportunities, financial performance and/or financial position.

Concentration risk and industry downturn
The Company's focus on drilling gives rise to some degree of concentration risk in that the prospects of the Company are largely tied to the prospects of the mining industry.

APPENDIX 6 – INVESTMENT RISKS (CONT.)

Operational risks
The Company and its customers are exposed to a range of operational risks relating to both current and future operations. Such operational risks include equipment failures, information technology system failures, external services failure, industrial action or disputes and natural disasters. Whilst the Company endeavours to take appropriate action to mitigate these operational risks and to insure against them, the Company cannot control the risks to which its customers are exposed, nor can it completely remove all possible risks relating to its own business.

Changing customer preferences regarding contractual arrangements
The majority of the Company's contracts for the provision of services are negotiated on a variable costs relationship-based agreement. However, a small number are negotiated on a fixed-price basis. Fixed-price contracts are typically higher risk. Should customers in the future exhibit a preference for fixed-price contractual arrangements, this may have an adverse effect on the financial performance and/or financial position of the Company.

Capital and maintenance expenditure
The Company requires sufficient access to capital to fund the maintenance and replacement of its existing fleet of rigs, plant and equipment and any future expansion. Failure to obtain capital on favourable terms may hinder the Company's ability to expand and maintain its fleet of rigs or equipment which may reduce the Company's competitiveness.

Operating costs
This is a risk of unexpected increases in variable operating costs including labour, insurance and maintenance, which may adversely affect the Company's operating and financial performance.

Remote locations
The Company regularly undertakes projects in remote locations. The remoteness of the location exposes the Company to an increased risk of a shortage of skilled and general labour and potentially increased costs which may or may not be able to be passed onto the customer. The Company may also be exposed to a greater risk of logistical difficulties with plant and equipment because of the remote locations of its projects.

Early mine closure
The Company typically enters into contracts for the provision of services in relation to large, individual mines, which remain in force over extended periods of time. The Company ordinarily deploys its equipment and/or personnel with a view to providing services in relation to the particular mine on a continual basis over the duration of a service contract's life. Early or unforeseeable closure of a mine could result in loss of expected revenues, and additional expenses for demobilisation, maintenance and storage of equipment used at that time.

Environmental incidents and claims
The Company operates in an industry where environmental issues, including inclement weather, may delay contract performance or result in complete shutdown of a project, causing a deferral or preventing receipt of anticipated revenues.

Reputation
The Company's ability to retain and source new customers is heavily dependent on its reputation and current relationships with key customers. A dissatisfied customer, poor performance or litigation may result in significant damage to the Company brand and may impact on the Company's ability to maintain existing customers or enter into new customer relationships, resulting in an adverse impact, on its financial performance and/or financial position.

Insurance risks
The Company provides drilling services to third parties, which exposes the Company to the risk of liability from defective services, including indirect or consequential losses suffered by third parties. The Company contractually limits its exposure to liability, and the Company maintains public liability insurance. The Company also has Directors' and Officers' insurance, which it believes to be commensurate with industry standards, and adequate having regard to the business activities of the Company. Nevertheless, there remains a risk that the Company's insurance coverage will be insufficient to meet a very large claim or a number of large claims or that the Company is unable to secure insurance to satisfactorily cover all anticipated risks or that the costs of insurance will increase beyond anticipated levels.

APPENDIX 6 – INVESTMENT RISKS (CONT.)

Future funding
While the Directors believe that the Company will have sufficient funds to fund its activities in the short term, the Company is operating in a dynamic and rapidly growing industry. If the Company does not meet its stated objectives, it may need additional debt or equity funding. There can be no guarantee that such funding will be available to the Company on reasonable terms or at all. Any such failure to obtain funding on reasonable terms may result in a loss of business opportunity and excessive funding costs, including dilution to Shareholders if equity funding is pursued. Mitchell Services is obliged to adhere to covenants in its debt facilities. If Mitchell Services performance is significantly below expectations, there is a risk that it may not comply with its borrowing covenants, which may relate in it having to repay debt facilities earlier than their scheduled maturities.

Recognition of revenue
The Company's performance is influenced by its ability to win new contracts for the provision of drilling services and the completion of those contracts in a timely and efficient manner. Where new and existing contracts are delayed the recognition of revenue for those contracts may be deferred to later accounting periods.

Entry of new competitors
The entry of additional competitors in the drilling services sector could result in reduced operating margins and loss of market share. Such occurrences could adversely affect the Company's operating and financial performance.

Growth – new customers
The Company's ability to grow its business depends, to a large degree, on its ability to secure new customers and contracts. Failure to obtain new drilling contracts may have a material adverse effect on the Company.

Regulatory environment
The sector in which the Company operates is highly regulated by the various state and federal governments. The Company must comply with the relevant regulations and, as a consequence, its ongoing operations are subject to regulatory changes. Changes to the way in which the market is regulated could adversely affect the business or financial performance of the Company by the imposition of additional capital and/or operational obligations on the Company.

Concentration of shareholding
Entities associated with the Mitchell Group are expected to hold 20% of the issued shares in the Company immediately following the issue of shares under the offer with the ability to increase that interest to 27.6% if all of their Performance Options vest and following the 1st year interest paid on the corporate lending facility*. Accordingly, the Mitchell Group and its associated entities will continue to be in a position to exert significant influence over the outcome of matters relating to the Company, including the election of Directors and the consideration of material Board decisions. Although the interests of the Company, the Mitchell Group and other shareholders are likely to be consistent in most cases, there may be instances where their respective interests diverge.

Litigation
Litigation risks to the Company include, but are not limited to, contractual claims, environmental claims, occupational health and safety claims, regulatory disputes, legal actions from special interest groups, as well as third party damage or losses resulting from drilling actions. The Company is not currently involved in any disputes and is not aware of any circumstances which could give rise to any claims or disputes.

General risks
Other than the specific risks identified above, the price at which the Company's shares trade on the ASX may be determined by a range of factors, including inflation, interest rates and exchange rates, changes to government policy, legislation or regulation, the nature of competition in the markets in which the Company operates, inclusion or removal from major market indices and other general operational and business risks. The market for Company shares may also be affected by a wide variety of events and factors, including variations in the Company's operating results, recommendations by securities analysts, and the operating and trading price performance of other comparable listed entities. Some of these factors could affect the Company's share price regardless of the Company's underlying operating performance.

* This assumes 100% take up, tranche C (49,350,000) and D (49,350,000) options and 3.5/5ths of the 1st year interest shares (20,000,000).