



# ANNUAL GENERAL MEETING 20 OCTOBER 2015

Chief Executive Officer Presentation



**Mitchell**  
SERVICES

# DISCLAIMER

This investor presentation has been prepared by Mitchell Services Limited (“the Company”). Information in this presentation is of a general nature only and should be read in conjunction with the Company’s other periodic and continuous disclosure announcements to the ASX, which are available at: [www.asx.com.au](http://www.asx.com.au).

This presentation contains statements, opinions, projections, forecasts and other material (“forward-looking statements”) with respect to the financial condition, business operations and competitive landscape of the Company and certain plans for its future management. The words *anticipate, believe, expect, project, forecast, estimate, likely, intend, should, could, may, target, plan* and other similar expressions are intended to identify forward-looking statements. Such forward-looking statements are not guarantees of future performance and include known and unknown risks, uncertainties, assumptions and other important factors which are beyond the Company’s control and may cause actual results to differ from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Any forward-looking statements contained in this document are qualified by this cautionary statement. The past performance of the Company is not a guarantee of future performance. None of the Company, or its officers, employees, agents or any other person named in this presentation makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statements or any of the outcomes upon which they are based.

The information contained in this presentation does not take into account the investment objectives, financial situation or particular needs of any recipient and is not financial product advice. Before making an investment decision, investors should consider their own needs and situation and, if necessary, seek independent professional advice.

To the maximum extent permitted by law, the Company and its directors and advisers of both give no warranty, representation or guarantee as to the accuracy, completeness or reliability of the information contained in this presentation. Further, none of the Company, its officers, agents or employees accepts, to the extent permitted by law, any liability for any loss, claim, damages, costs or expenses arising from the use of this presentation or its contents or otherwise arising out of, or in connection with it. Any recipient of this presentation should independently satisfy themselves as to the accuracy of all information contained herein.

# 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*



Management  
Team



Safety



Leading  
Technology



Systems



Operational  
Capability



Value  
Proposition

# SAFETY UPDATE

- Even though rig utilisation has increased the incidence and severity of safety incidents has **continued to decrease**.
- The company has retained ISO-14001, ISO-9001, OHSAS-18001 and AS/NZS 4801 safety, environment and quality **certifications**
- Numerous initiatives implemented to further strengthen **safety culture and performance**



# BUSINESS OPTIMISATION STRATEGY

## Phase 1 : Business Ready (FY14)

- 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: Ramp Up (FY15)

- Implement initiatives to improve safety culture and performance
- Reached goal of \$24m operating 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

## Phase 3: Refinement (FY16)

- Take advantage of strong position in key markets
- Capitalise on long term revenue streams from high quality tier one clients
- Focus on reducing costs in the business
- Deliver efficient, safe and quality services to our clients
- Identify appropriate levels of surplus assets that could potentially be sold to reduce debt levels
- Integration of Nitro assets

# ADJUSTED EBITDA



Please note ADJUSTED EBITDA represents non-IFRS information that has not been subject to an audit or review at 30 June 2015



# 2015 BUSINESS OVERVIEW

Average rig utilisation

**7.8** vs **13**  
2014 vs 2015

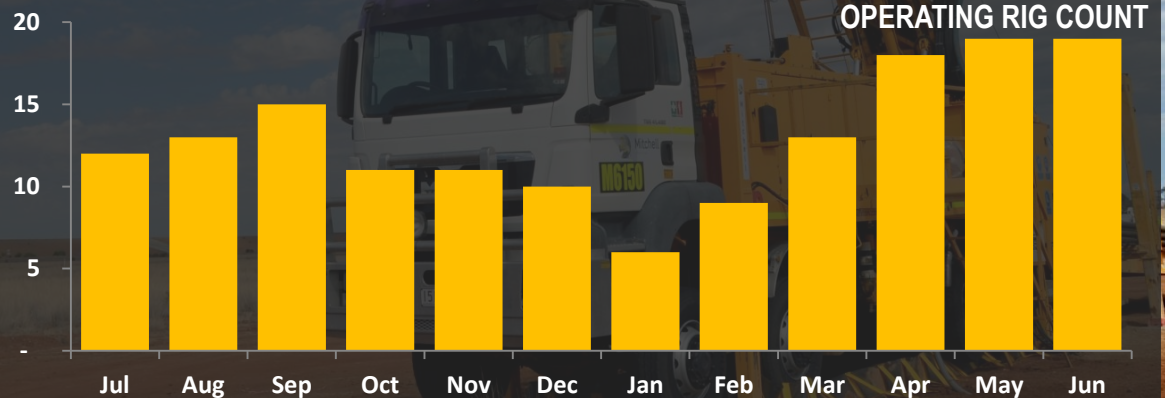
Tier 1 client revenue

↑ **195%**

Total revenue

↑ **68%**

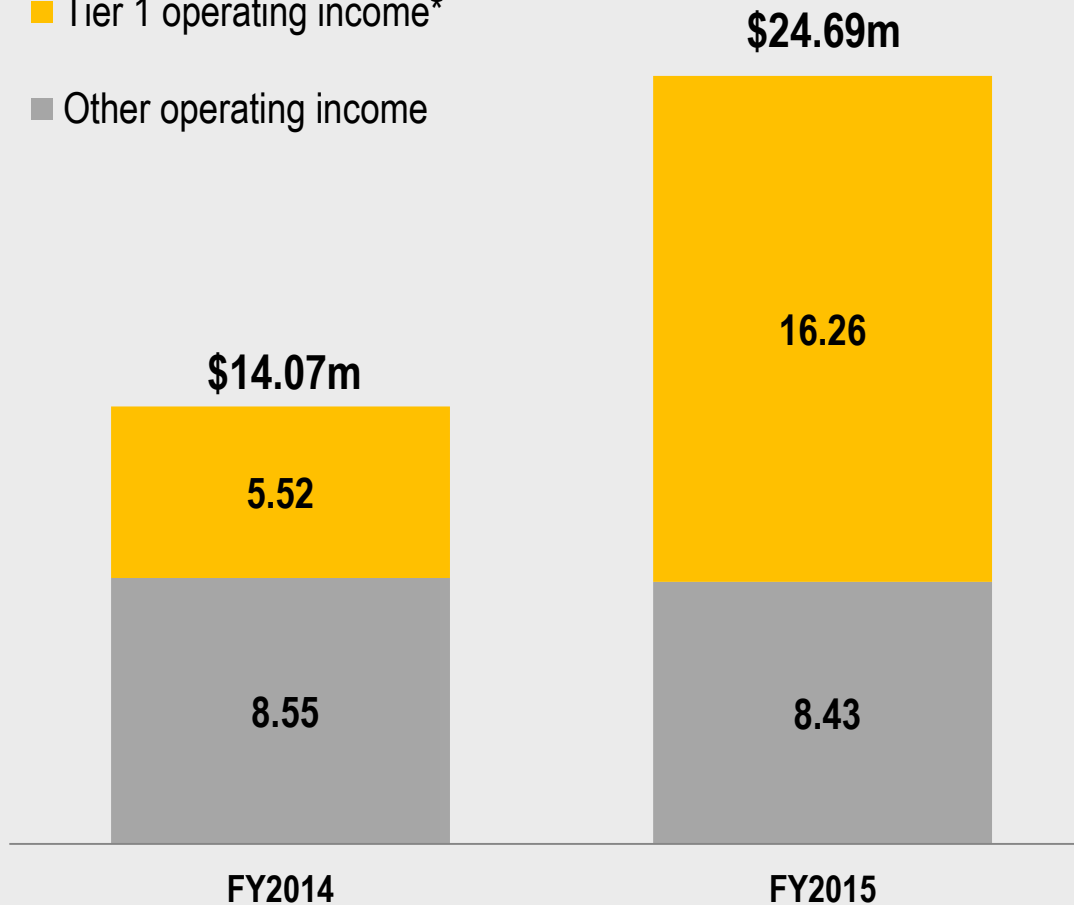
Tom Brown acquisition and integration completed on time and under budget



# OPERATING REVENUE BY CLIENT TYPE

■ Tier 1 operating income\*

■ Other operating income



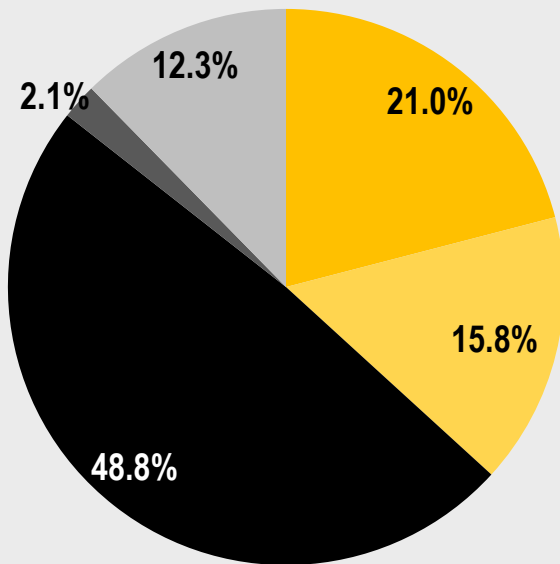
\*Large/multinational mining & energy companies



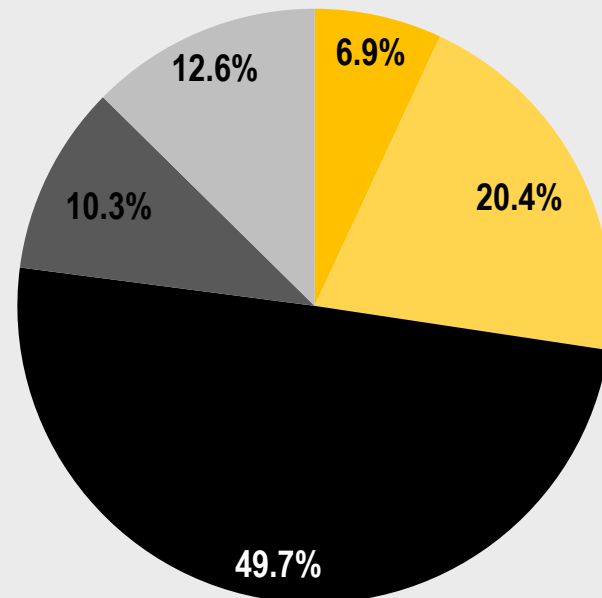


# OPERATING REVENUE SPLIT

FY2014 \$14.07m



FY2015 \$24.69m



- Gold
- Copper
- Coal
- Lead/Zinc
- Other

Management mindful of managing risk by commodity mix

# MAJOR CONTRACT WIN

- Australian **Tier 1** gold miner, Evolution Mining Ltd
- Cracow and Pajingo mines in **Queensland**
- **Two year, six rig** contract worth approximately **\$27million** in revenue over contract term
- Provision of both **surface** and **underground** drilling services
- Further strengthens **Tier 1 client base**
- **Diversity** in terms of drilling type (underground) and commodity type (gold)
- Further strengthens **market position** in Queensland



# NITRO INTEGRATION UPDATE

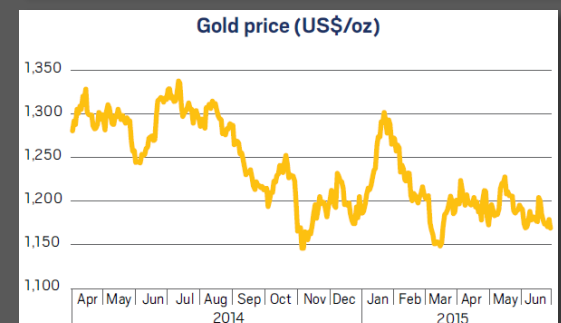
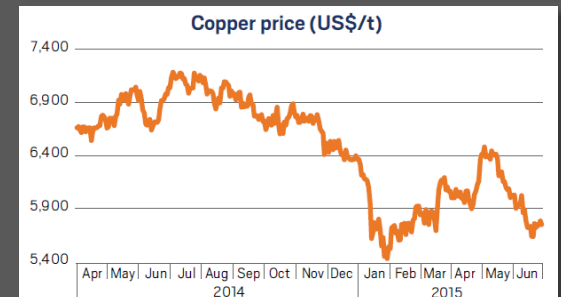
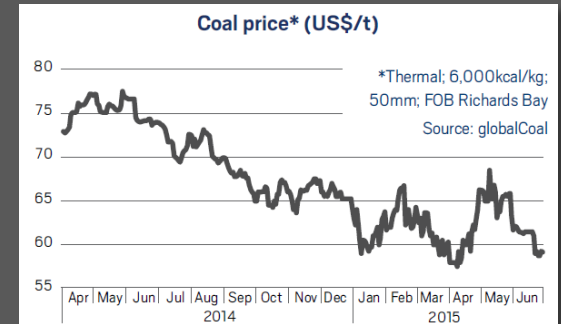
- Successful Nitro asset acquisition completed in July 2015
- Asset integration complete with full service history loaded into our business systems
- Strategic plan in place to sell surplus assets over time and reduce debt accordingly
- Nitro integration project as a whole is running on time and on budget and is scheduled to be completed by 31 October 2015



# SUBDUED GENERAL MARKET CONDITIONS CONTINUE

- General market conditions remain challenging with the prices of major revenue generating commodities reducing throughout FY15
- Demand for drilling services in the greenfield exploration sector remain subdued
- Ongoing demand for brownfield drilling services in key markets due to previous periods of inactivity and increased mine production

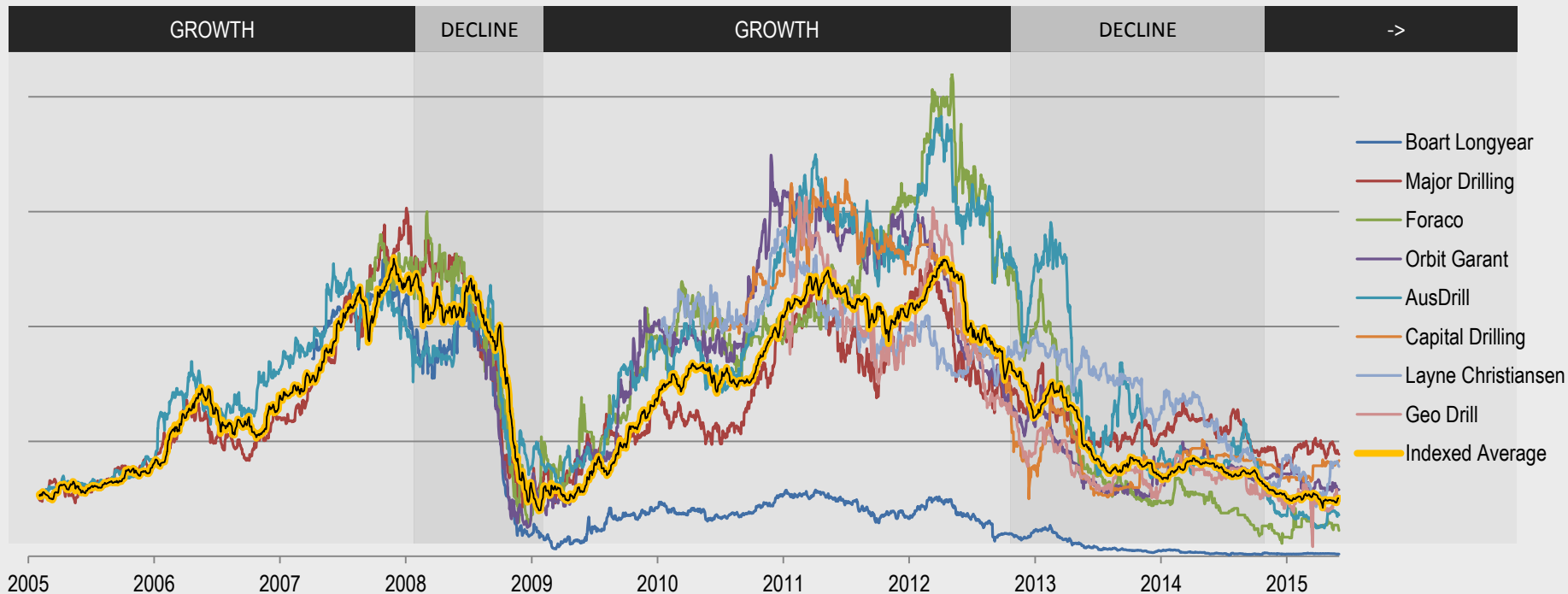
## Commodity Price Trends\*



\* Source: SNL Metals & Mining: State of the Market June Quarter, 2015

# 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



# MARKET OUTLOOK

Numerous competitors have exited the market

- **Competitive Profile** of market has **improved**
- **New entrants** are faced with **barriers** to entry
- **Pipeline** of identified **opportunities** continues to **grow**
- **Rig utilisation** continues to **grow**
- **Greenfield** exploration sector remains **subdued**
- **Ability to leverage** to the upside when general market conditions **improve**



# CONCLUSION

Improved  
safety statistics

Increased  
rig utilisation

Enhanced  
**Tier 1**  
client base

Growing opportunity  
pipeline

# Questions?