



ANNUAL GENERAL MEETING 26 OCTOBER 2016

Chief Executive Officer Presentation



Mitchell
SERVICES

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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 frequency and severity of safety incidents has **continued to decrease**
- Numerous initiatives implemented to further strengthen **safety culture and performance**
- Mitchell Services has had **no lost time injuries** since November 2014



2016 BUSINESS OVERVIEW

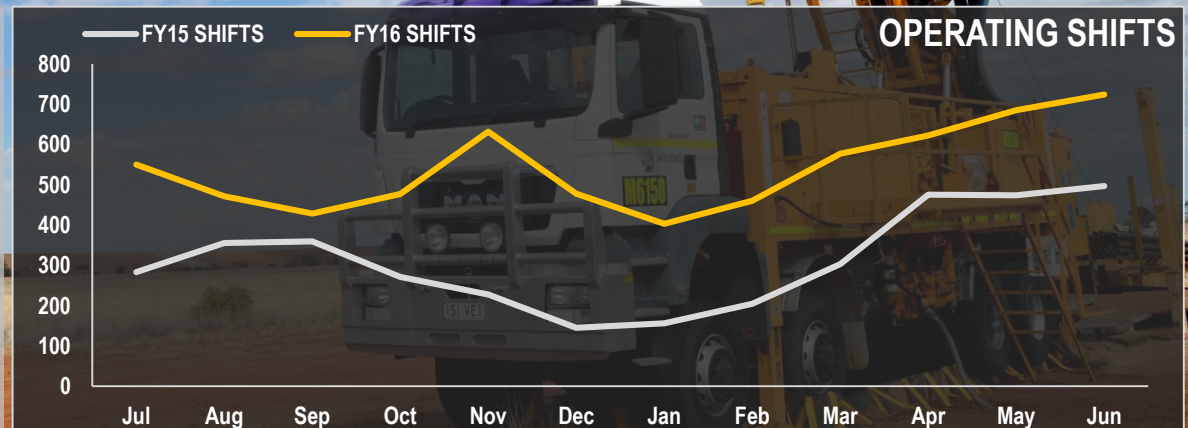
600+ days
lost time injury free

POSITIVE EBITDA
on less than 30% utilisation

Total revenue of \$32.97m

↑ **31%**
from FY2015

Nitro acquisition and
integration completed
on time and on budget



BUSINESS OPTIMISATION STRATEGY

Phase 1: Business Ready COMPLETE

- 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 COMPLETE

- 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 COMPLETE & ONGOING

- Take advantage of strong position in key markets
- Capitalise on long term revenue streams from high quality Tier 1 clients
- Focus on reducing costs in the business
- Deliver efficient, safe and quality services to our clients
- Acquisition and integration of Nitro assets
- Upgrade asset fleet and sell non-core assets to reduce commercial debt levels and optimise asset mix

RESULTS OVERVIEW

Statutory Profit & Loss

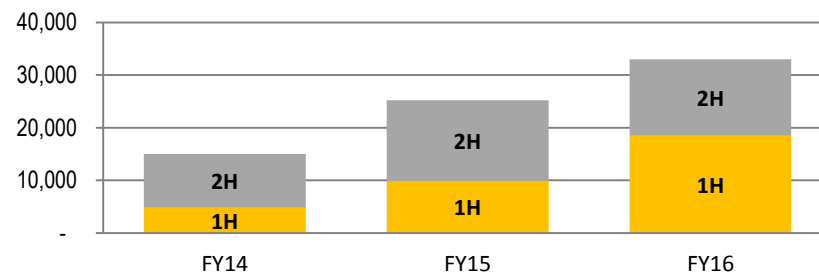
	FY16	FY15	Change
	\$000's	\$000's	%
Revenue	32,970	25,233	31%
EBITDA	522	(4,322)	112%
EBIT	(4,795)	(12,648)	62%
NPBT	(6,049)	(16,999)	64%

Adjusted Profit & Loss

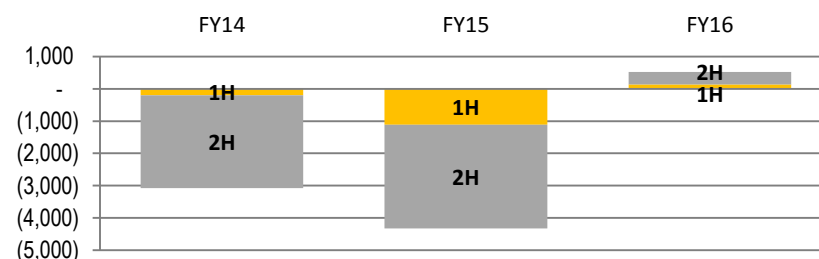
	FY16	FY15	Change
	\$000's	\$000's	%
Revenue	32,970	25,233	31%
EBITDA	2,535	(219)	1259%
EBIT	(2,782)	(8,544)	67%
NPBT	(4,036)	(12,896)	69%

Please note "Adjusted" figures represent non-IFRS information that has not been subject to an audit or review at 30 June 2016

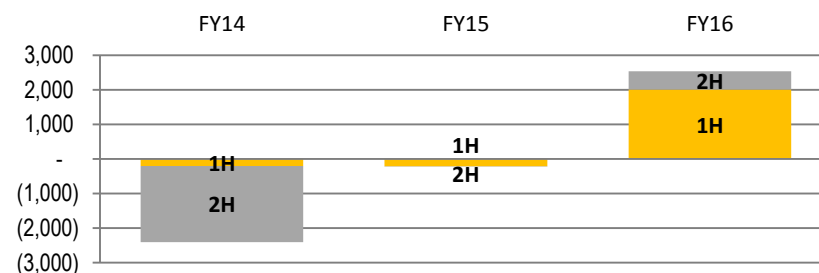
Revenue (\$000's)



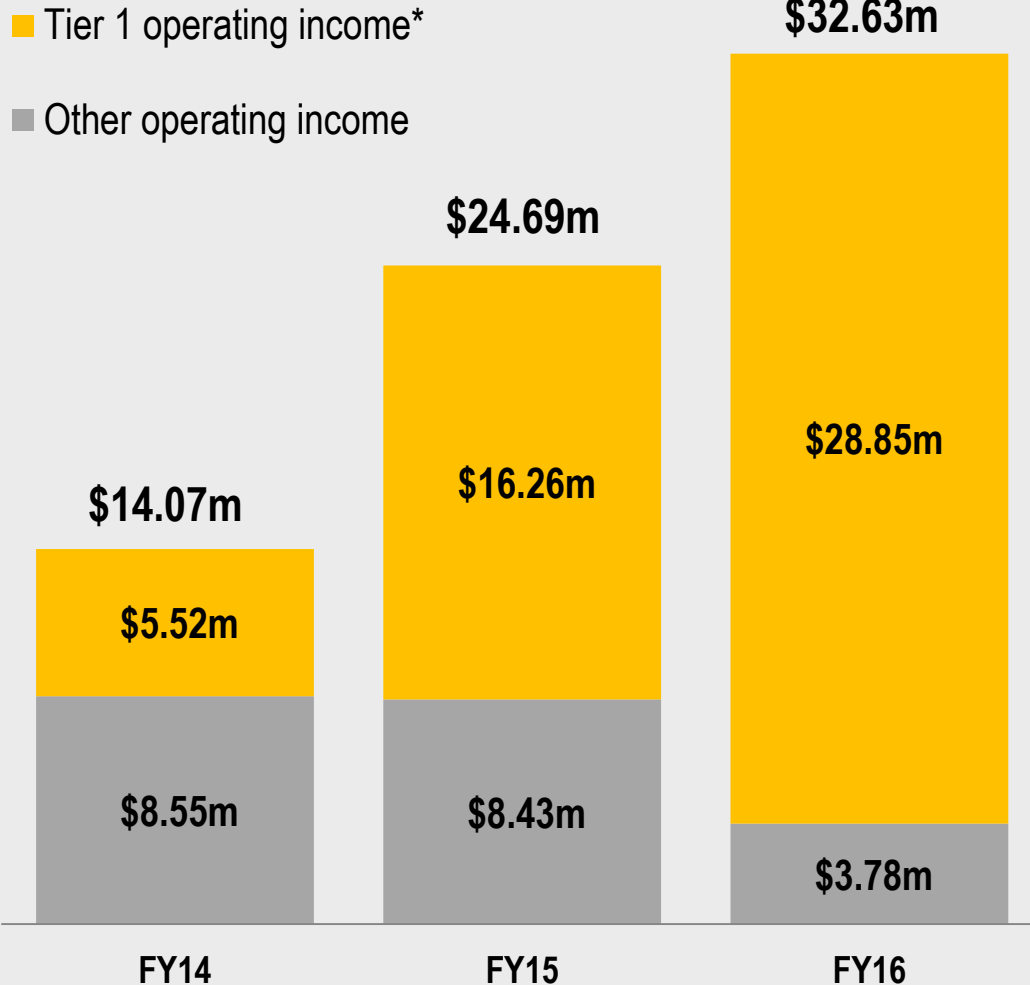
Statutory EBITDA (\$000's)



Adjusted EBITDA (\$000's)



OPERATING REVENUE BY CLIENT TYPE



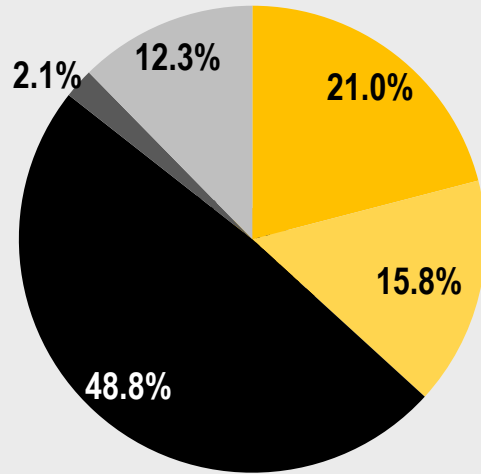
*large / multinational mining & energy companies

VALUE OF TIER 1

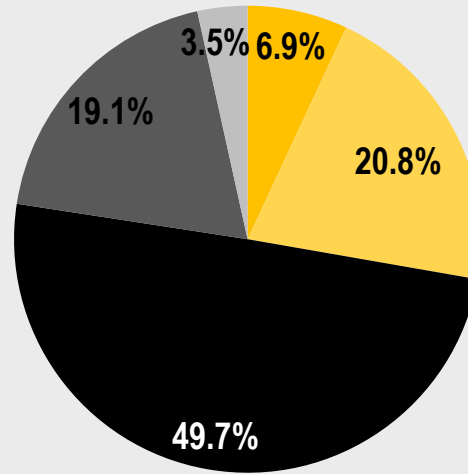
- Large / multinational mining and energy companies
- Very high safety and business system requirements
- Generally brownfield work for existing mining operators
- Longer term contracts
- Annual revenue from existing Tier 1 clients (based on current workloads) circa \$30million

OPERATING REVENUE BY COMMODITY

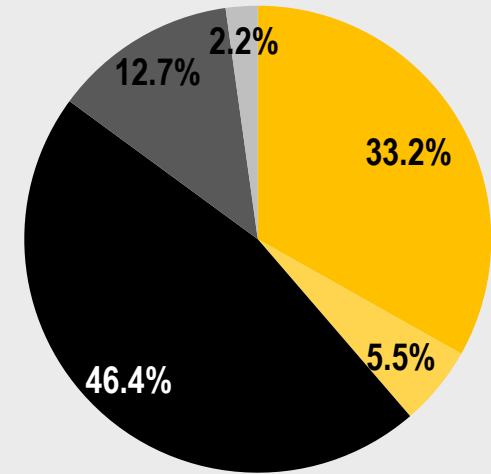
FY2014 \$14.07m



FY2015 \$24.69m



FY2016 \$32.63m

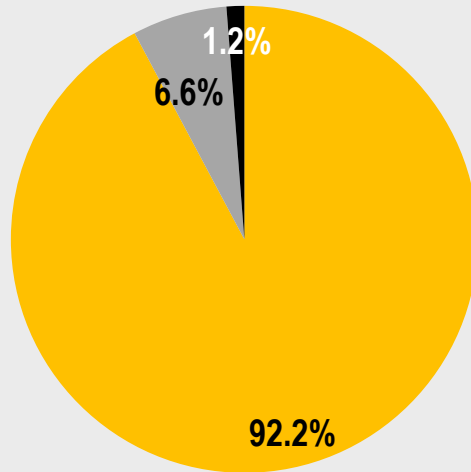


■ Gold
 ■ Copper
 ■ Coal
 ■ Lead/Zinc/Silver
 ■ Other

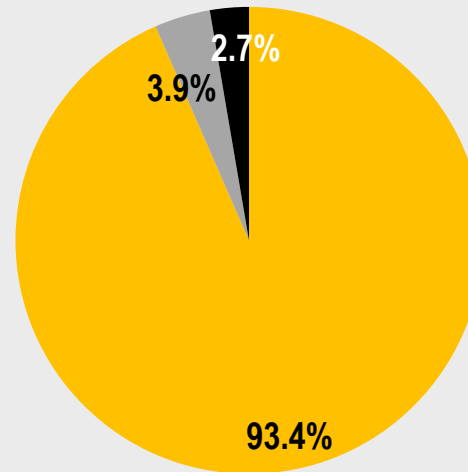
Management remains mindful of the importance of diversification in revenue streams including diversity in commodity mix. Our commodity mix remains well balanced with revenue from coal and revenue from minerals accounting for 46% and 51% of total operating revenue respectively.

OPERATING REVENUE BY DRILLING TYPE

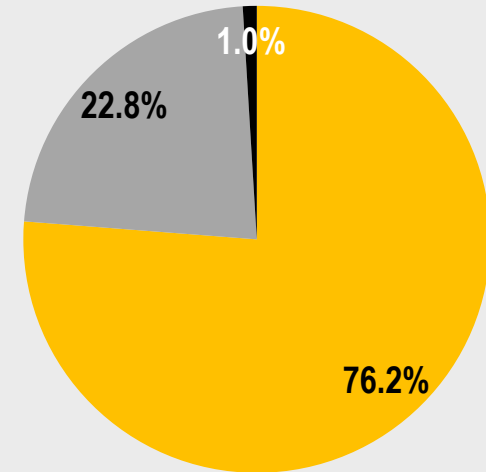
FY2014 \$14.07m



FY2015 \$24.69m



FY2016 \$32.63m



■ Surface ■ Underground ■ Non-Drilling

Management remains mindful of the importance of diversification in revenue streams including diversity in the mix between underground and surface drilling. Underground drilling is generally performed on a double shift basis and is generally not subjected to seasonal fluctuations. Revenue from underground drilling has grown by 681% compared to 2015 and now accounts for 23% of our total operating revenue.

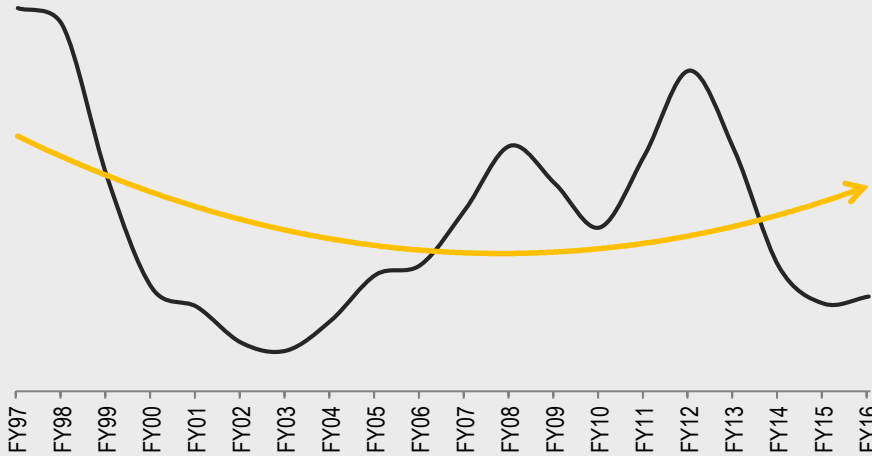
ADJUSTED EBITDA



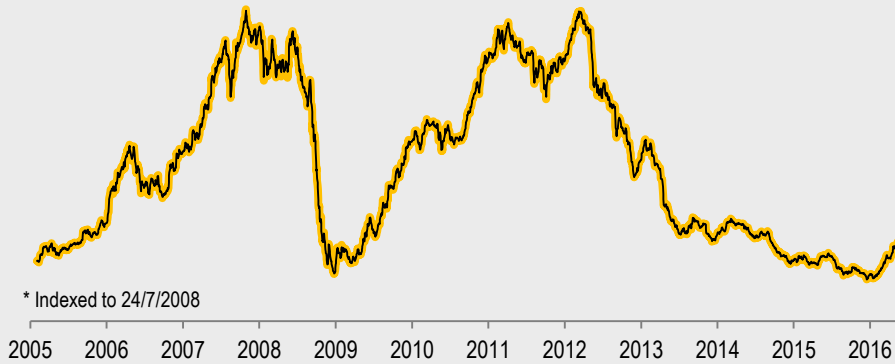
Please note ADJUSTED EBITDA represents non-IFRS information that has not been subject to an audit or review at 30 June 2016 and is used internally by management to assess the underlying performance of the business.

IS THE BOTTOM BEHIND US?

Mineral Exploration Meters Drilled (000's)¹



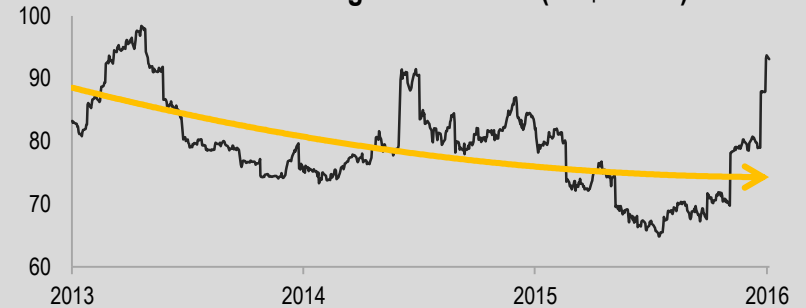
Indexed Average Listed Drilling Company –Share Price Movements*
(Average is a non weighted average of daily close prices)



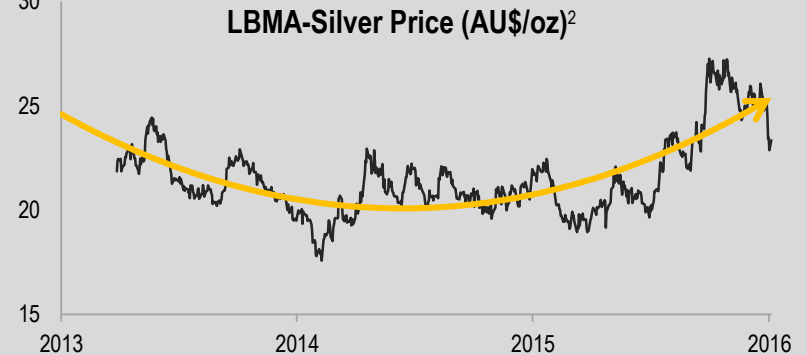
* Indexed to 24/7/2008

1. Source: Australian Bureau of Statistics 2 Source: SNL Financial LC

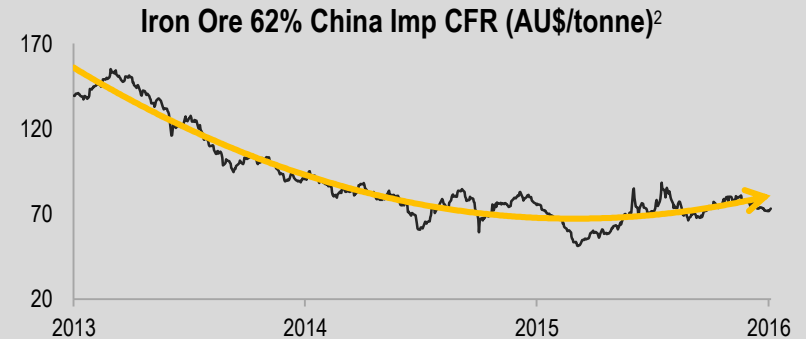
AUS Steam Coal Avg FOB Nwcastle (AU\$/tonne)²



LBMA-Silver Price (AU\$/oz)²



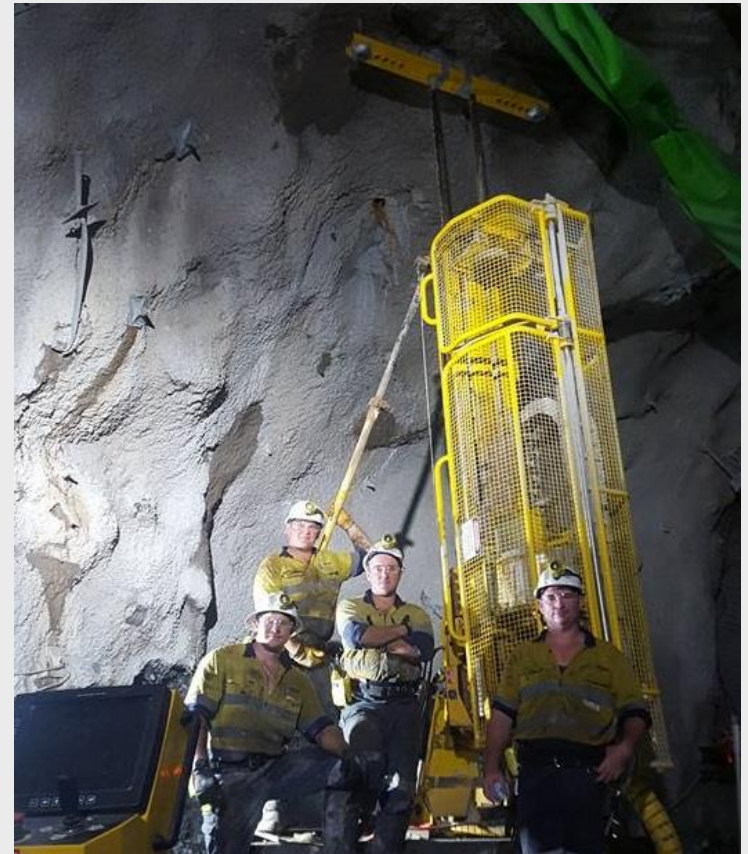
Iron Ore 62% China Imp CFR (AU\$/tonne)²



BUSINESS DEVELOPMENT

Annual revenue from existing Tier one contracts Circa \$30million based on current workloads

- Highly focused on **lead generation**
- **Strong tender pipeline** across Tier 1 and other clients requires equipment that MSV already owns
- Increase in revenue growth demonstrates Mitchell Services **ability to win material size contracts** with Tier 1 clients
- Conversion rate Tier 1 clients circa 50%
 - 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%
 - Highly competitive
 - Majority of work is greenfield exploration
 - Competing against smaller drilling companies
- Increased focus on geographical diversification



MARKET OUTLOOK

- **Competitive Profile** of the market has continued to improve
- **New entrants** are faced with **barriers** to entry such as high capital cost and inability to secure financing
- **Pipeline** of identified **opportunities** continues to grow
- **Greenfield** exploration sector showing some “**green shoots**”
- Interest in **gold** has **increased**
- **Ability to leverage** to the upside as general market conditions **improve**



SUMMARY

- Mitchell Services' vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries
- Tender pipeline provides opportunity for further revenue growth
- Mitchell Services can utilise acquired assets and generate a superior return versus buying new equipment
- **EBITDA positive** at less than 30% annual rig utilisation in current pricing environment
- Ability to leverage increased returns in an improving market
- Mitchell Services has an experienced board and management team who have proven success in business development and growth



CONCLUSION

Questions?