

22 July 2016

MITCHELL SERVICES LIMITED
(ASX: MSV)

Appendix 4C Quarterly Report and Investor Update

Dear Shareholder,

Mitchell Services Limited (**The Company**) is pleased to provide the following Investor Update and 4C for the quarter ended 31 March 2016.

Please refer to the attached presentation that will be presented later today at the 2016 Noosa Mining and Exploration Conference. The business is performing safely and efficiently and has again recorded solid year on year revenue growth. This growth along with positive EBITDA for FY16 (unaudited) is especially pleasing given general market conditions.

Despite this performance, the Company recorded negative operating cash flows of \$71k for the quarter ended 30 June 2016. This was largely driven by the working capital cycle of the business as lower operating revenues in February and March (due to traditional seasonality) were collected in April and May.

The reported quarterly capex payment of \$1.1 million includes payment for a new underground drill rig required to service the Evolution Mining contract. Also included in capex is the purchase of ancillary equipment required to service the recently awarded South 32 contract. The Company currently has 18 operating drill rigs with no requirements to purchase additional rigs in the short term.

Yours Faithfully



Andrew Elf
Chief Executive Officer

Mitchell Services Limited
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NOOSA MINING & EXPLORATION CONFERENCE

Corporate Presentation
July 2016



Mitchell
SERVICES

DISCLAIMER

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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.

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MITCHELL SERVICES MARKET PROFILE

ASX Information

ASX Stock Symbol: MSV

Shares Issued: 1,471,498,973

Share Price (at 14/7/2016): A\$0.017

Market Capitalisation: A\$25.02m

Major Shareholders

1 Mitchell Group 21.39%

2 Washington H Soul Pattinson 12.26%

3 Acorn Capital 8.69%

4 CVC 8.33%

Senior Management Team

Chief Executive Officer – Andrew Elf

CFO & Company Secretary – Greg Switala

GM People and Risk – Josh Bryant

GM Commercial – Todd Wild

Board of Directors

Executive Chairman – Nathan Mitchell

Non-Executive Director – Peter Miller

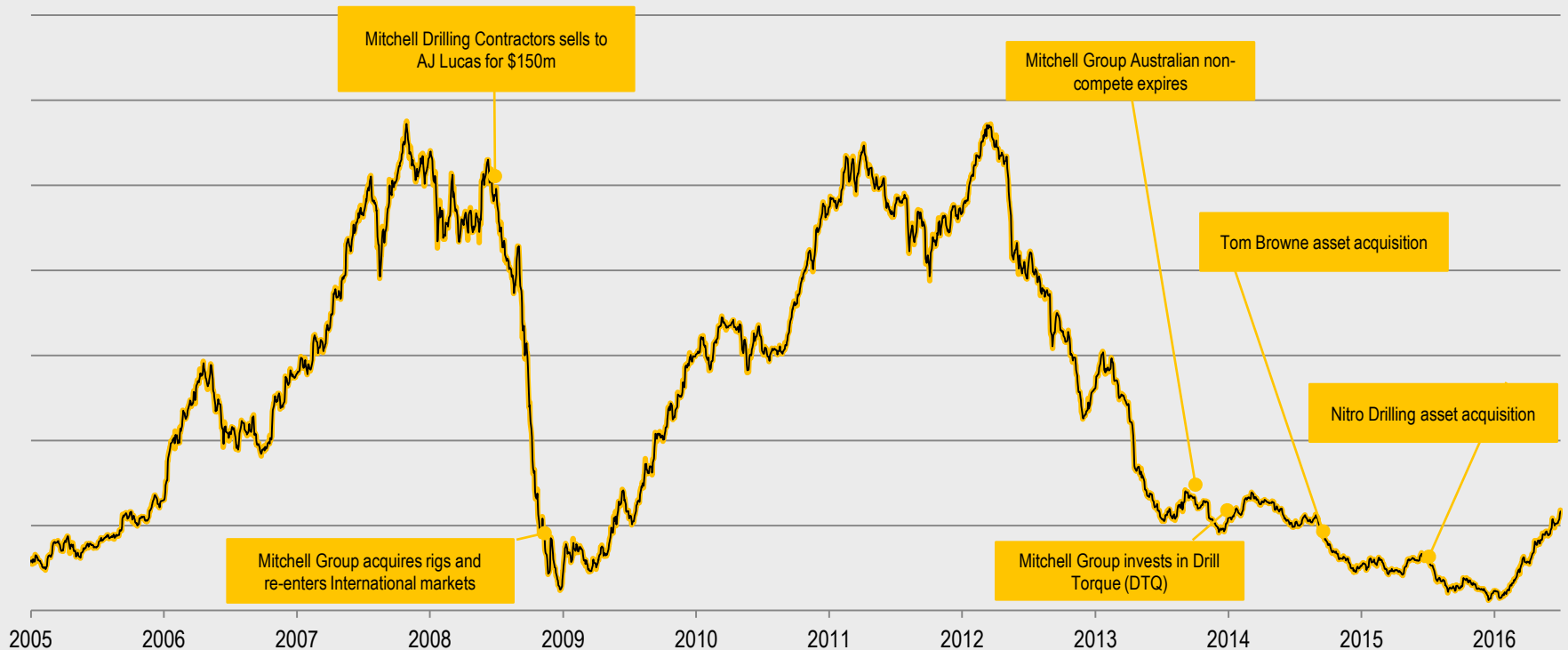
Non-Executive Director – Robert Douglas

Non-Executive Director – Neal O'Connor



MITCHELL SERVICES STRATEGY- 'TIMING'

- Board and management have a strong understanding of the cyclical nature of the industry which drives investment decisions
- In 1969 Mitchell Drilling commenced operations
- In 1992 Drill Torque commenced operations
- In 2013 the two businesses combined and re-branded Mitchell Services following Drill Torque's acquisition of Mitchell Services Pty Ltd.



▪ Indexed Listed Drilling Company average – Share Price Movements (Average is a non weighted average of daily close prices) for the companies listed on slide 11

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

FY16 BUSINESS OVERVIEW (UNAUDITED)

No lost time injuries in
FY16

\$32m+
revenue in FY16

EBITDA positive
FY16

Circa 90% of income is
from **Tier 1** * mining and
energy companies

Nitro acquisition completed
on time and **on budget**

Rig count

58

Operating Shifts
Q4 FY15 1,446

Operating Shifts
Q4 FY16 2,031



* Tier 1 refers to major mining and energy companies

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

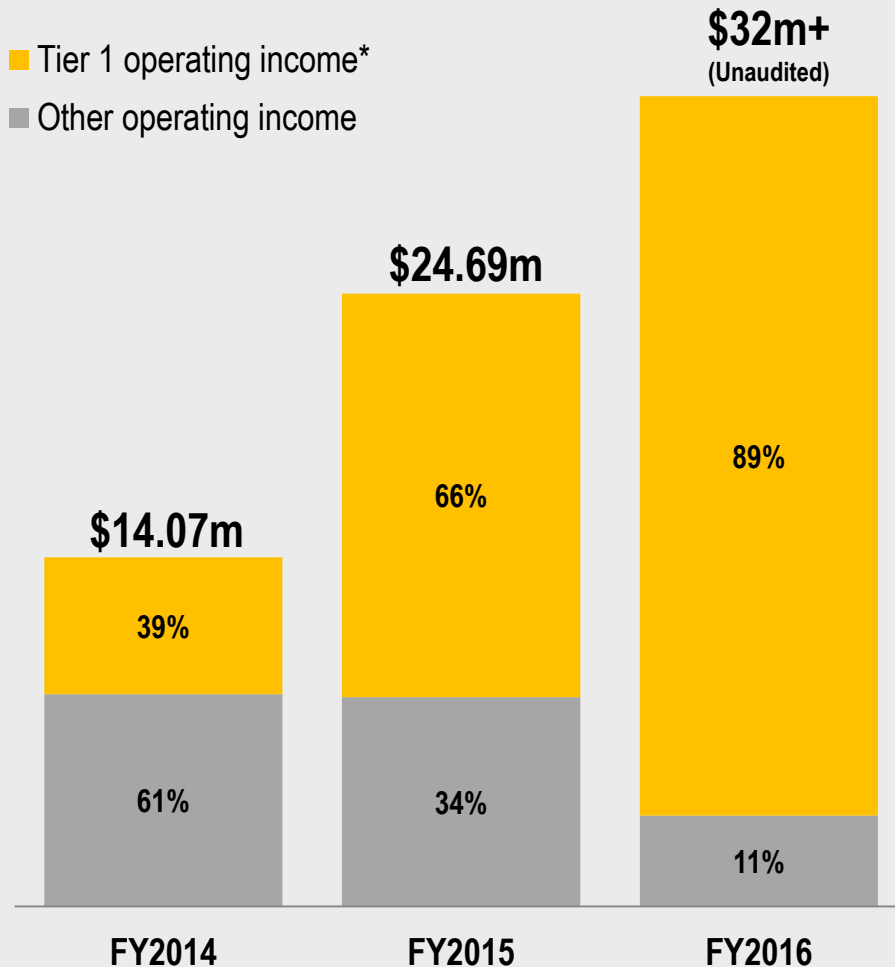
Phase 2: Ramp Up COMPLETE

- 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

- 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

YEAR ON YEAR REVENUE GROWTH



*Large/multinational mining & energy companies

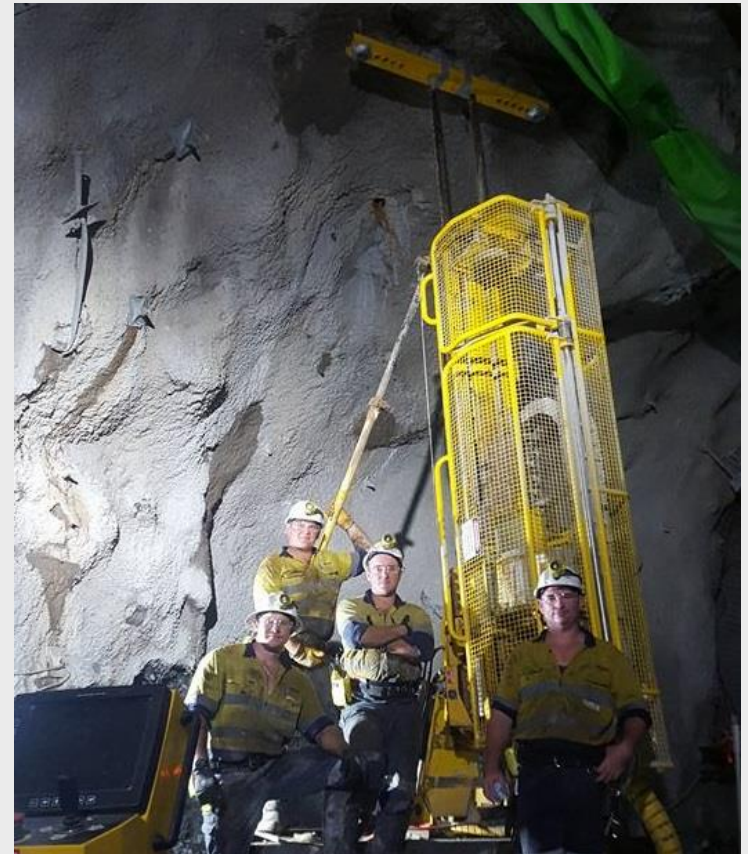
VALUE OF TIER 1

- 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

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



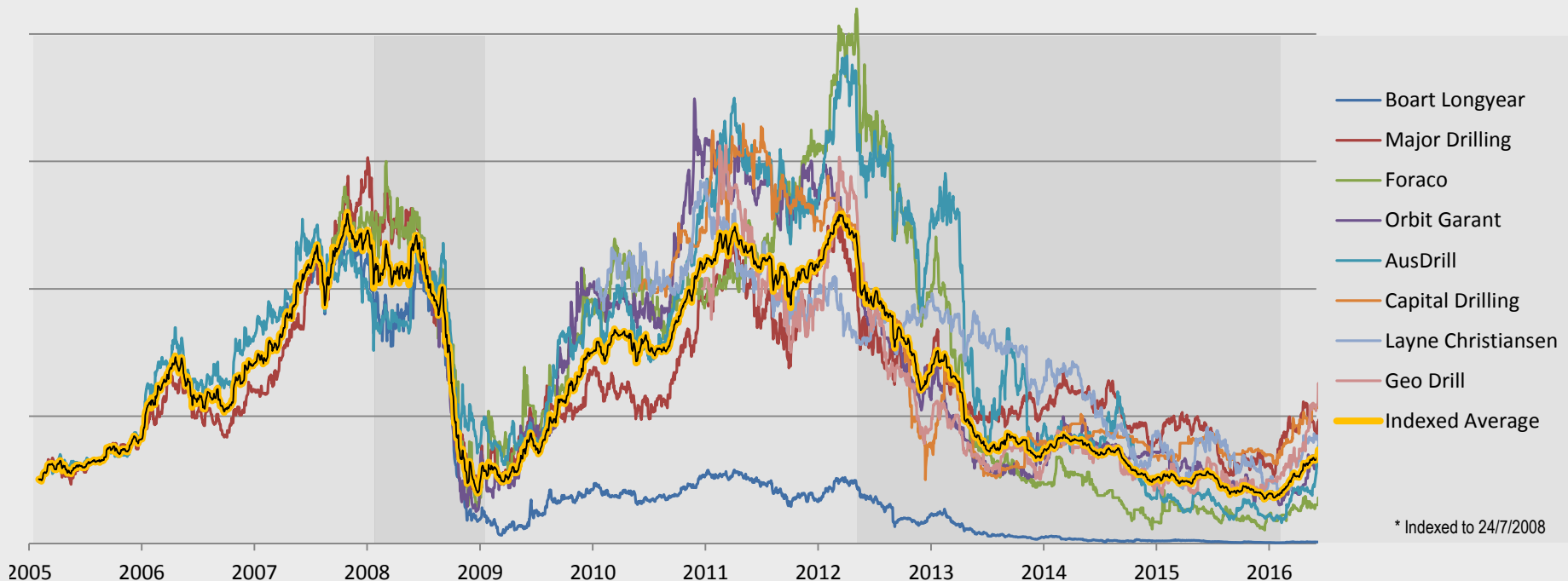
MARKET OUTLOOK

- **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**.



CYCLICAL INDUSTRY PRESENTS OPPORTUNITY

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 still continues
- Exploration metres are increasing
- **Why is now the time to invest?**
- Funds starting to be raised for new exploration
- ASX Small Resources turning with several successful raisings
- High barriers to entry for new and existing competitors

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



Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

MITCHELL SERVICES LIMITED

ABN

31 149 206 333

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Curent quarter \$A'ooo	Year to date (12 months) \$A'ooo
1.1	Receipts from customers	6,666	32,144
1.2	Payments for (a) staff costs	(3,992)	(14,973)
	(b) advertising and	-	-
	marketing (c) research and	-	-
	development (d) leased assets	-	-
	(e) other working capital	(2,646)	(16,879)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	4
1.5	Interest and other costs of finance paid	(99)	(361)
1.6	Income taxes paid	-	-
1.7	Other	-	-
Net operating cash flows		(71)	(65)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(71)	(65)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(1,099)	(18,812)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	205	6,251
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(894)	(12,561)
1.14 Total operating and investing cash flows	(965)	(12,626)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	8,535
1.16 Payment for share issue costs	-	(592)
1.17 Proceeds from borrowings	-	8,500
1.18 Repayment of borrowings	(416)	(3,334)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	(416)	13,109
Net increase (decrease) in cash held	(1,381)	483
1.21 Cash at beginning of quarter/year to date	1,250	(614)
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	(131)	(131)

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	47
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 6 May 2016, the Company purchased a new underground drill rig for \$979,397 to service the recently awarded South32 contract. The purchase was funded through an equipment finance facility with Westpac repayable over 5 years.

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	439	439
3.2 Credit standby arrangements	2,500	600

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	468	457
4.2	Deposits at call	1	793
4.3	Bank overdraft	(600)	-
4.4	Other (held in trust)	-	-
Total: cash at end of quarter (item 1.23)		(131)	1,250

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	-	-
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
 (Company Secretary)

Date: 22 July 2016

Print name: Greg Switala

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.