



Mitchell
SERVICES

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2016 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS

I am pleased to present the annual report for the year ended 30 June 2016.

Despite subdued global economic growth and commodity prices, Mitchell Services has made significant progress towards delivering on its long-term strategy.

From the outset it has been Mitchell Services' vision to become Australia's leading provider of drilling services. To achieve this vision we put in place a three phase process:

Phase 1 - Business Ready

Phase 2 – Ramp up

Phase 3 – Business Refinement

With phases 1 and 2 completed our 2016 objectives were very much focused on phase three. Phase three was the process of taking advantage of our strong position in the drilling market and capitalising on long term revenue streams from high quality Tier 1 clients. This phase also involved a focus on reducing costs in the business, delivering efficient, safe and quality services to our clients and identifying appropriate levels of surplus assets that could potentially be sold to reduce debt levels.

Looking back over this past year, it is pleasing to note that our key achievements have aligned so closely with these objectives and our broader strategy;

Long term revenue streams with Tier 1 clients

Our Tier 1 client base has strengthened significantly during the 2016 financial year, with 88% of the Group's total revenue attributable to revenue from long term contracts with major Tier 1 mining companies. As a result, the Group has again recorded strong year on year revenue growth with total revenue increasing from \$25.2 million in 2015 to \$33.0 million in 2016.

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Efficient service delivery and cost reduction

Following the successful acquisition and integration of assets previously owned by Nitro Drilling in July 2015, Mitchell Services has assembled one of the highest quality fleets in Australia capable of providing outstanding service to clients across the resources industry. An added focus on innovation and cost reduction has resulted in positive EBITDA at a utilisation level of less than 30%, with the Group recording EBITDA of \$522k for the year compared to negative EBITDA of \$4,322k in 2015.

Safety

The team has made significant progress with regards to the safety of our most valuable assets - our people. Improved safety and risk management systems have resulted in both the frequency and severity of injuries reducing across all areas of the business.

Rationalisation and debt reduction

In late 2015, we embarked on a strategic asset rationalisation and debt reduction process. During this process the Group realised \$6 million in proceeds from asset sales which were used to fund necessary capital expenditure and reduce debt.

We will continue to be heavily reliant on the general strengthening of our sector, however the broader strategy of the business remains; that upon return to normal market conditions with a significantly diminished competitor base, we will be well placed to deliver strong returns to our shareholders. That said, it is extremely pleasing to note that this year's growth and improvements were achieved in a subdued market that remains challenging.

In closing I would like to thank all shareholders for your continued patience and support. I would also like to thank our team of dedicated employees who enthusiastically drive the vision and the values of Mitchell Services every day.

On behalf of the Board, thank you.