



**Mitchell**  
SERVICES

**ASX RELEASE**

**(ASX: MSV)**

## **2017 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS**

Dear Shareholders

Each year as I begin to prepare the annual Chairman's Address, I am amazed that another year has passed so quickly. This year is no different. What is different compared to previous years, is the state of the market in which we find ourselves operating. There has been a material improvement in general market conditions in recent times.

This week saw the release of the Queensland Resources Council's yearly economic contribution report for 2016/17. In Queensland alone, the resources sector contributed A\$55.1-billion to the state's economy, with some \$16-billion being spent on the purchase of goods and services. Interestingly, coal was the largest contributor, accounting for 68% of spending, followed by oil and gas at 16% and metals at 12%.

These improved market conditions have given rise to an increased level of optimism across the mining services sector and we are seeing demand for our services increase accordingly. This increase in demand has led to unprecedented growth for the organisation over the past 12 months with key achievements and highlights including:

- In April the Company announced a material underground drilling contract award with BHP Billiton at its Olympic Dam mine in South Australia.
- In May the Company announced a three-year contract with Glencore Coal Assets Australia (GCAA) across several of their Queensland coal operations.
- In June the Company announced a two-year contract with Glencore at its Oaky Creek Coal mine in Central Queensland for the provision of highly technical large diameter drilling. In the same month, the Company also announced its material expansion back into the New South Wales Hunter Valley region with the award of multiple contracts and re-establishment of the operating support facility in Muswellbrook from which it will service contracts in the region.

### **Mitchell Services Limited**

ABN 31 149 206 333

112 Bluestone Circuit

Seventeen Mile Rocks Qld 4073 Australia

PO Box 3250 Darra Qld 4076 Australia

t +61 7 3722 7222

f +61 7 3722 7256

e [info@mitchellservices.com.au](mailto:info@mitchellservices.com.au)

w [www.mitchellservices.com.au](http://www.mitchellservices.com.au)

- In September the Company announced a material extension and scope increase to the BHP Olympic Dam contract which has seen our Company play an integral part in BHP's plans to expand into the high-grade southern area of the mine.
- In October the Company announced the completion of an \$8.8million capital raising (comprising a \$2.52 million placement and \$6.27million 1 for 8 non-renounceable rights issue to existing shareholders) to ensure that the Company is adequately funded to mobilise additional rigs for the 2018 drilling season.
- In the same month, the Company also announced a 50% increase in quarterly operating rig count from June 2017 to September 2017 and I am pleased to inform shareholders that as of today, we currently have 40 rigs operating compared to 27 rigs at the same time last year.

The business recorded a positive EBITDA for the year ending 30 June 2017 at an average utilisation level of approximately 35% - today this stands at 65%. This demonstrates that Mitchell Services is well positioned to take advantage of improved market conditions in the mining services sector and that there is significant leverage within the business that can be capitalised on, as utilisation, productivity, pricing and contract terms continue to improve.

It has always been Mitchell Services' vision to become Australia's leading provider of drilling services across multiple drilling types, commodities and geographies and it is pleasing to note that our key contract awards in 2017 span across a range of different drilling types, commodities and geographies and go a long way to forming the foundations of this vision.

The outlook for 2018 is positive. For Mitchell Services, we will continue to focus on retaining and building Tier 1 contracts and moving further into other drilling disciplines, such as underground drilling which has been extremely successful for us during the last year. We will also look to expand our interstate markets of NSW and WA in particular, which is in the midst of high demand due to strong growth in the gold sector.

It is also extremely pleasing to note that despite a marked increase in operating rig count and new employees, our continually improving culture, safety and risk management systems, have resulted in both the frequency and severity of injuries reducing across the business.

In closing I would like to thank all shareholders for your continued support and participation in the recent capital raising. I would also like to thank all employees for their huge efforts during the past year – a year that has seen truly remarkable growth in the organisation.

On behalf of the Board, thank you.