



**Mitchell**  
SERVICES

20 July 2017

**ASX Release**

**Mitchell Services Limited (ASX: MSV)**

**Presentation – Noosa Mining and Exploration Conference**

Please find attached presentation being made today by Mitchell Services CEO, Andrew Elf, at the 2017 Noosa Mining and Exploration Conference.

Greg Switala

**Company Secretary**

**Mitchell Services Limited**

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# NOOSA MINING & EXPLORATION CONFERENCE

Corporate Presentation  
July 2017



**Mitchell**  
SERVICES

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# MITCHELL SERVICES MARKET PROFILE

## ASX Information

ASX Stock Symbol: MSV

Shares Issued: 1,476,785,715

Share Price (at 13/7/2017): A\$0.038

Market Capitalisation: A\$56.1m

## Major Shareholders

1 Mitchell Group 21.32%

2 Washington H Soul Pattinson 12.26%

3 CVC 8.30%

4 Acorn Capital 4.50%

## Senior Management Team

Chief Executive Officer – Andrew Elf

CFO & Company Secretary – Greg Switala

GM People and Risk – Josh Bryant

GM Commercial – Todd Wild

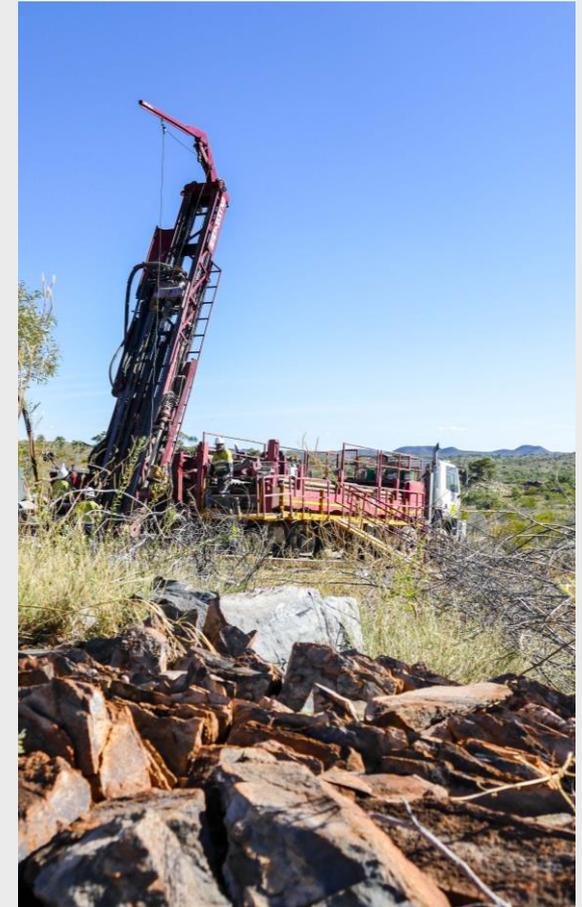
## Board of Directors

Executive Chairman – Nathan Mitchell

Non-Executive Director – Peter Miller

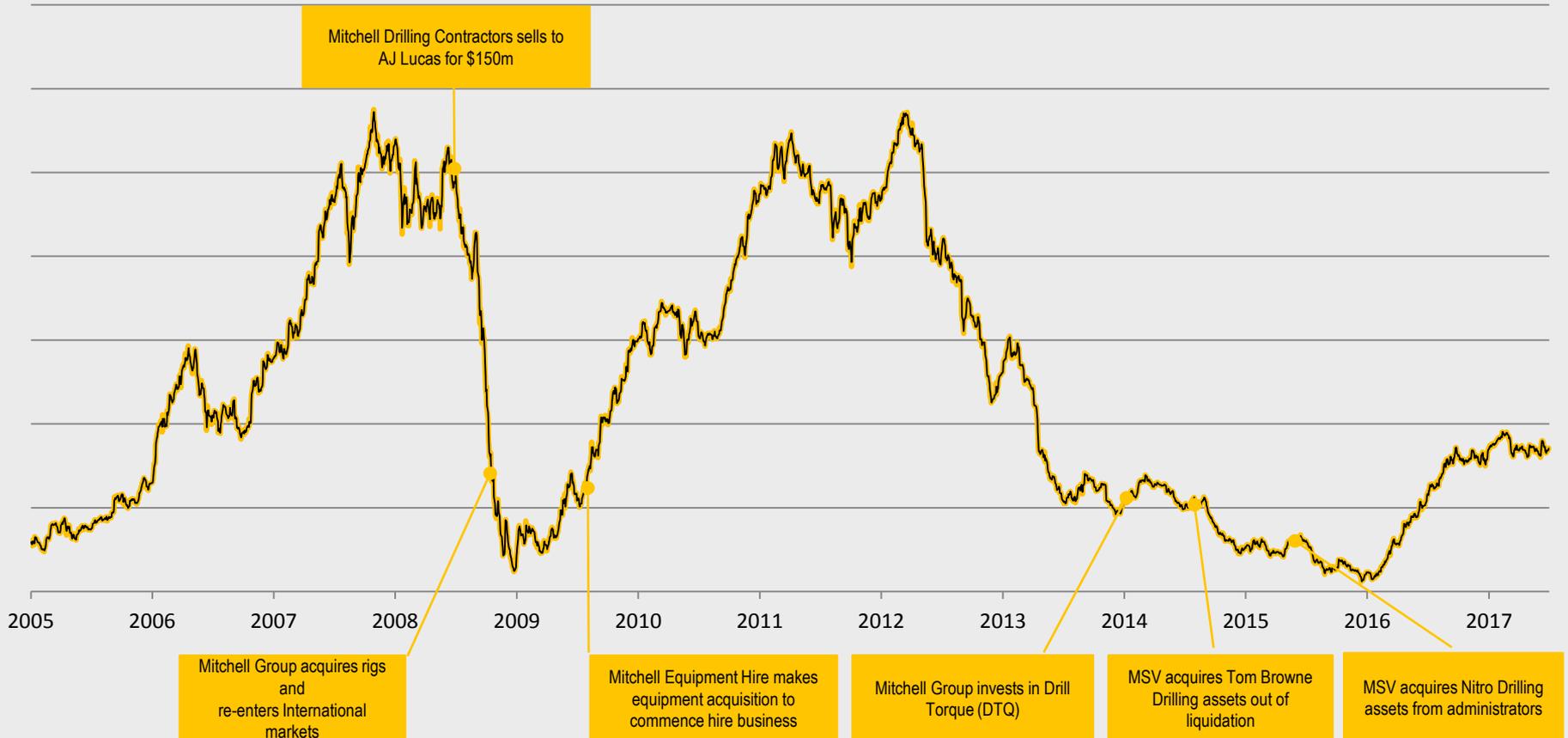
Non-Executive Director – Robert Douglas

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



- 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

# FY17 BUSINESS OVERVIEW (UNAUDITED)

**Total Recordable Injury Frequency Rate** of less than 15 as at 30 June

**\$40.1m**  
revenue in FY17

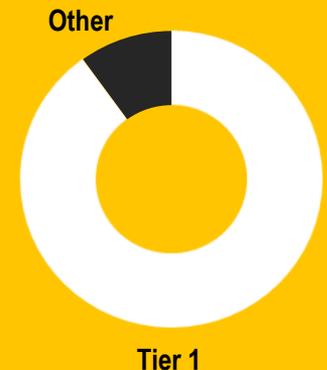
Recent contract wins will utilise  
**18 rigs**

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

**EBITDA positive FY2017**  
with average operating rig count of 22

Rig fleet size  
**63**

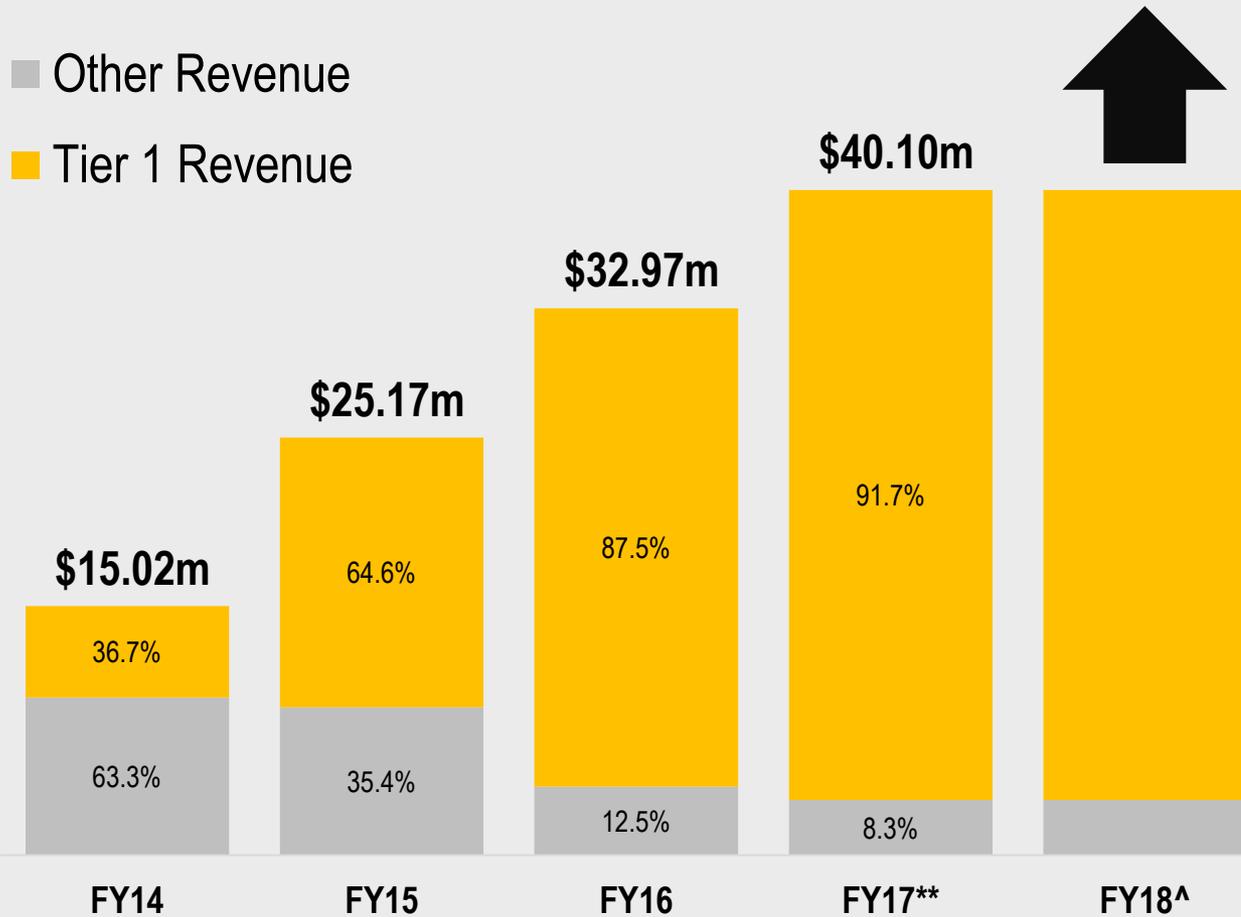
Expected operating rig count in the near future circa  
**40**



\* Tier 1 refers to major mining and energy companies

# YEAR ON YEAR REVENUE GROWTH

- Other Revenue
- Tier 1 Revenue



## VALUE OF TIER 1

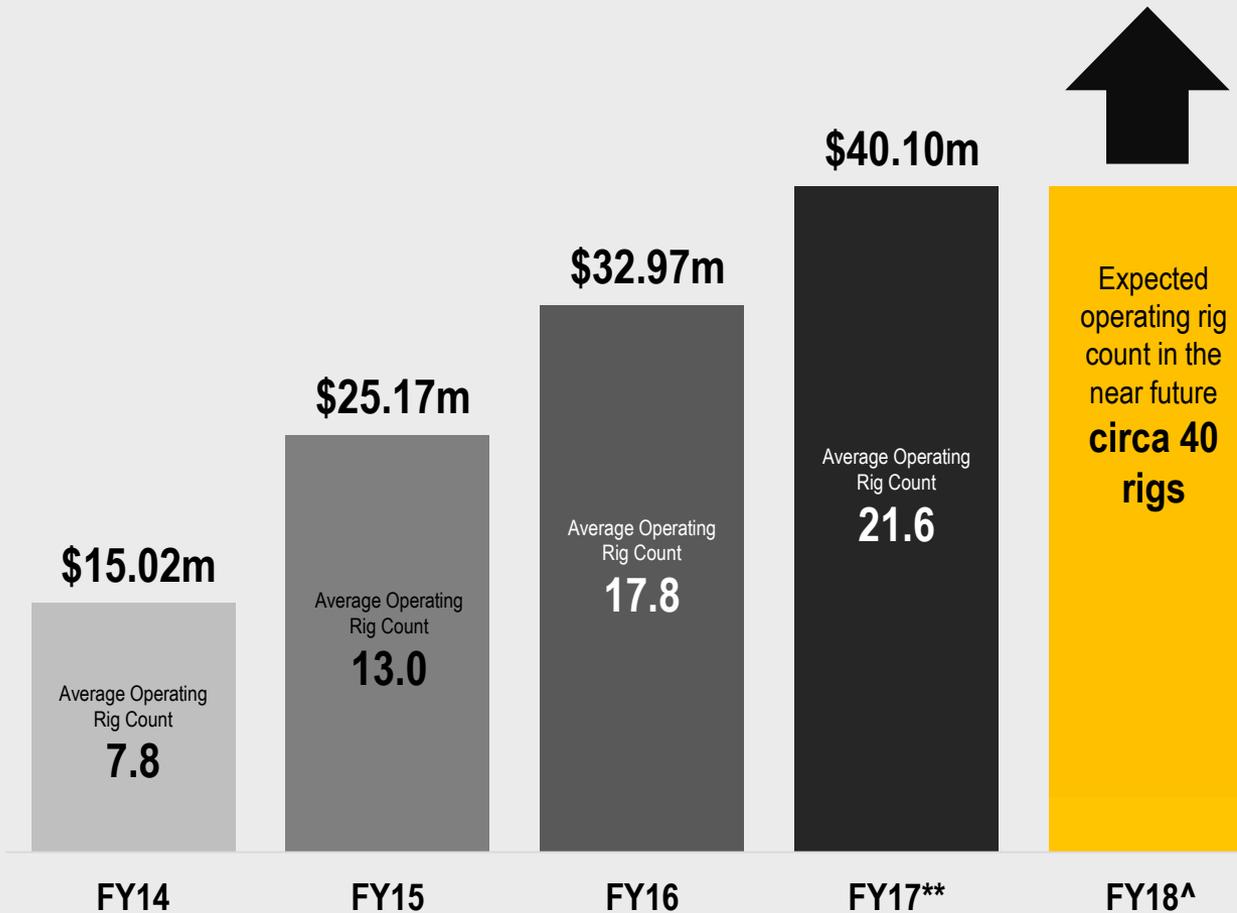
- Large / multinational mining and energy companies
- Very high safety and business system requirements
- Generally brownfield work for existing mining operators
- Longer term contracts

\*Large/multinational mining & energy companies

\*\*Unaudited

^Forecast only

# IMPACT OF INCREASED UTILISATION ON REVENUE



\*\*Unaudited  
^Forecast only

- Mitchell Services was EBITDA positive at less than 30% annual rig utilisation in current pricing environment in FY16
- We expect to be at 60%+ rig utilisation in the near future as a result of recent contract wins
- Operating rig count subject to change due to seasonality or other factors

# LEVERAGE IN AN IMPROVING MARKET

- **STAGE 1: UTILISATION INCREASES**
- More rigs start working (This is happening)
  
- **STAGE 2: PRODUCTIVITY IMPROVES AS UTILISED RIGS WORK MORE SHIFTS**
- Seasonality impact reduces as rigs work through the wet season (This is starting to happen in limited areas)
- More rigs work 24 hours a day 7 days a week versus 12 hours a day (Limited rigs in the Energy sector work 24 hours a day)
  
- **STAGE 3: PRICE INCREASES AS SUPPLY AND DEMAND CHANGES IN FAVOUR OF SERVICE PROVIDERS**
- On average across a range of different drilling types prices are still circa 20% - 40% below those of the highs in the last cycle (Large Diameter, Surface and Underground)
- HQ Core in the Energy sector is circa \$110 per metre down from \$150 per metre
  
- **STAGE 4: GENERAL CONTRACT TERMS & CONDITIONS IMPROVE**
- Larger up front mobilisation charges to manage ramp up costs
- Larger demobilisation charges
- Take or pay contracts
- More flexible pricing schedule of rates

EBIDTA as a percentage of revenue will increase significantly if the market continues to improve

# BUSINESS DEVELOPMENT

Increased focus on geographical diversification

- Highly focused on **lead generation**
- **Strong tender pipeline** across Tier 1 and other clients require equipment that MSV already owns
- Increase in revenue growth demonstrates Mitchell Services **ability to win material size contracts** with Tier 1 clients
- Operating in Queensland, Northern Territory, New South Wales and South Australia with plans to enter Western Australia in FY18



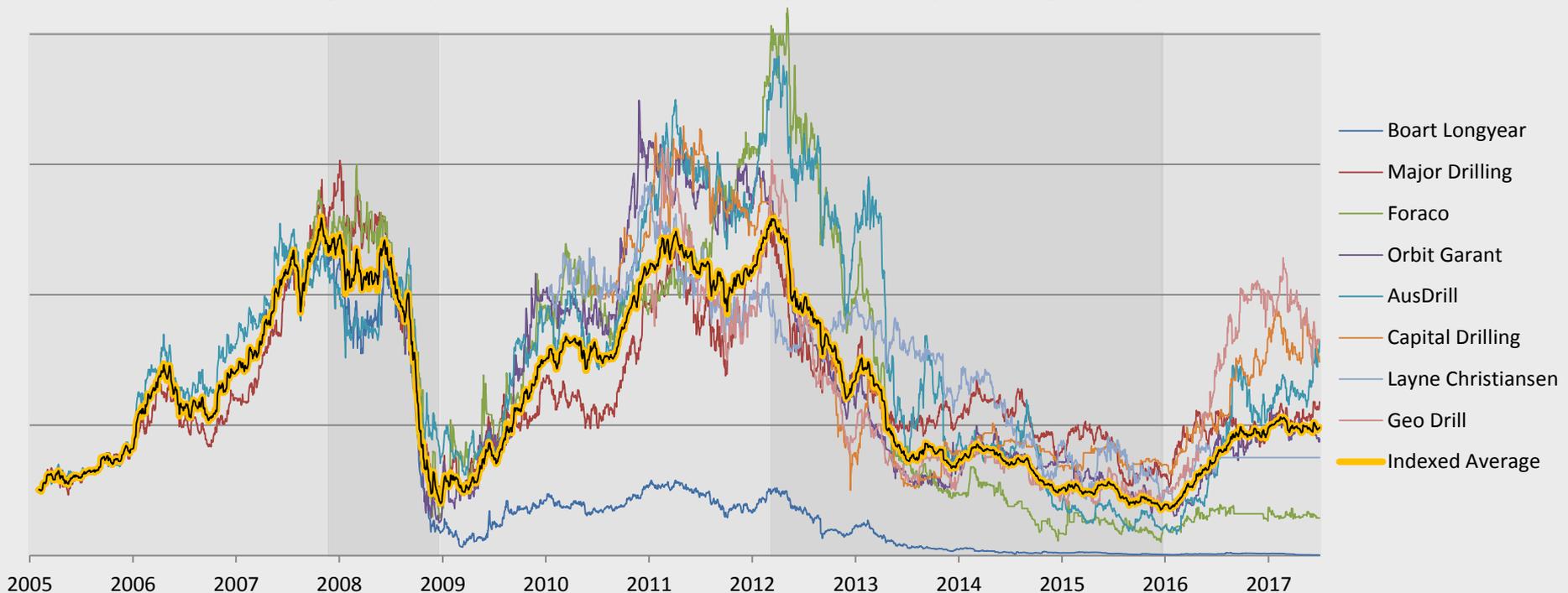
# MARKET OUTLOOK

- **Competitive Profile** of the market has improved but has now stabilised.
- **New entrants** are still faced with **barriers** to entry such as high capital cost and inability to secure financing.
- **Gold** in Western Australia is “hot”.
- **Greenfield** exploration sector showing some “**green shoots**”.
- Established **mining clients** are **increasing spending** on drilling
- **Ability to leverage** to the upside as general market conditions **improve**. (Utilisation, price, productivity and general contract terms and conditions)



# 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?**
- Brownfield spending is increasing
- “Green shoots” in the Greenfield sector
- Evidence suggests that the bottom is behind us

- **Why is now the time to invest?**
- Right time of the cycle.
- Significant increase in rig utilisation
- Money has moved into large cap mining services companies
- Are small cap mining services companies next?

\* Indexed to 24/7/2008

# SUMMARY

- Mitchell Services vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries
- Significant increase in rig utilisation to circa 40 rigs in the near future.
- Successful geographical expansion to date and entry into Western Australia planned in FY18.
- 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

