



Mitchell
SERVICES

ASX RELEASE

(ASX: MSV)

2018 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS

Dear Shareholders

The 2018 financial year saw unprecedented growth for Mitchell Services Limited with significant increases across all key metrics including operating rig numbers, shift numbers, revenue and EBITDA.

This growth was fuelled by a variety of different factors including:

- an increased demand for near mine, production related drilling services across our existing client base amid improvements to general market conditions within the resources sector
- the award of multi rig contracts with new Tier 1 clients, most notably the seven rig Olympic Dam project in South Australia with BHP, and
- the significant growth within our underground energy division following the acquisition of Radco Drilling.

Despite the growth in the number of operating rigs, I am pleased to inform shareholders that continued improvements and award-winning initiatives across our safety and risk management systems have resulted in both the frequency and severity of injuries reducing across the business. We are committed to the health and safety of all our people, and this focus across the business has recently been rewarded with GM People and Risk, Josh Bryant winning the national 'Safety Advocate' award in the Australian Mining Prospect Awards for 2018.

Having experienced several industry cycles previously and recognising that the organisation has idle rig capacity to meet growing demand, we are well positioned to take advantage of further anticipated improvements in general market conditions.

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One noticeable characteristic of the current cycle is that the growth appears to be measured, deliberate and steady. This may be a function of past lessons learned by the resources industry or the geopolitical uncertainty facing global markets affecting expectations for longer term commodities demand.

Whatever the reason, steady and measured growth will serve Mitchell Services and its shareholders well. The recent downturn saw numerous competitors exit the market (forced or voluntarily) and the barriers to entry for new competitors remain high.

I have spoken previously about the significant leverage within this organisation as utilisation, productivity, pricing and contract terms begin to improve. Improvements in utilisation, productivity and pricing resulted in an 80% increase in revenue year on year, and an increase in FY18 EBITDA which was nearly threefold that of 2017.

Our FY19 first quarter operating results are perhaps the most significant illustration of this point. EBITDA in the 3 months ending 30 September 2018 was higher than the EBITDA for the full 2018 financial year. The Company has recorded FY19 first quarter revenue of \$31million, EBITDA of \$7million and EBIT of \$4.2million. The Company generated strong operational cashflows off the back of this performance and has reduced net debt by 35% since June 2018.

Measured growth in early stages of the cycle will create favourable conditions to take advantage of growth opportunities. Price expectations are realistic, making attractive returns possible in an improving market, and this was certainly the case with the recent acquisition of Radco Drilling at a price representing approximately 2 times EBITDA. I am pleased to inform shareholders that the Radco Drilling business is performing safely and in line with expectations and that integration of this business is now complete. Radco Drilling is a specialist in the market of underground coal drilling and gas drainage which is linked to production and required by long life underground coking coal mines. The acquisition has further strengthened our diversity across different drilling types and commodities, making Mitchell Services one of the most diverse drilling companies in Australia.

In closing I would once again like to thank all shareholders for your continued patience and support. I would also like to thank all of our employees for their huge efforts during the past year – a year that has seen transformational growth in the organisation.

On behalf of the Board, thank you.