



Mitchell
SERVICES

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16 August 2021

MITCHELL SERVICES LIMITED (ASX: MSV)

Organic Growth Strategy and Equity Raising

Key points

- Material organic growth capital investment program underway, including the acquisition of up to 12 new drill rigs in CY21 and CY22
- The outlook for drilling services demand is the strongest since 2008
- Expected FY22 revenue of \$200m - \$220m and FY22 EBITDA of \$40m - \$44m*
- Fully underwritten accelerated non-renounceable entitlement offer to raise ~\$10.5m to support funding of a sizeable organic growth opportunity
- Major shareholders, including Mitchell Group Pty Ltd (Nathan Mitchell) and Dream Challenge Pty Ltd (Scott Tumbidge) have committed to take up their entitlement in full and (in the case of Dream Challenge Pty Ltd) sub-underwrite a portion of the offer

Mitchell Services Limited (ASX: **MSV**) (the Company) is pleased to announce the implementation of an organic growth strategy and associated capital raise.

Growth Strategy

The Company expects to generate FY22 revenue of \$200m-\$220*m and FY22 EBITDA of \$40m-\$44m*.

The Company has a material capital investment program underway which includes the purchase of 9 LF160 drill rigs with a staggered delivery through until 31 December 2021 and includes an option for an additional 3 rigs. Based on the anticipated size of the fleet post implementation of the growth strategy, the business would have the capacity to generate \$50m-\$60^m EBITDA and to deliver material EPS growth.

The proposed timing also allows the Company to take advantage of the cash flow benefit associated with the ATO's instant asset write off program.

These rigs were pre-ordered and will be delivered during a period of significant and increasing lead times for rig supply. Other barriers to entry for mining services providers are high and growing, including challenging access to funding with limited lender appetite in the sector, a tightening labour market, and a highly complex regulatory environment. The Company is expecting business conditions to continue improving in the near term with productivity increases (utilised rigs working more shifts), price increases due to the evolving supply and demand landscape, and improvements in general contract terms (for example, larger mobilisation and demobilisation charges, take or pay contracts and pricing flexibility).

^ Assumes that the rig fleet is operating at or near capacity, at current productivity levels and under existing contract terms

*Assumes anticipated levels of work from existing customers and that all existing customers renew their drilling contracts to the extent that such contracts expire during this period. Assumes a 20% EBITDA margin and that there are no material changes in market conditions or operating environments, including no deterioration in COVID-19 restrictions and regulations

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

w www.mitchellservices.com.au

Capital Raising

To support the funding of this sizeable organic growth opportunity, the Company is undertaking a fully underwritten accelerated non-renounceable entitlement offer to raise approximately \$10.5m (**Entitlement Offer**). Under the Entitlement Offer, eligible shareholders will be able to subscribe for 1 fully paid ordinary share (**New Shares**) for every 8 Mitchell Services shares that they hold at 7.00pm (AEST) on Wednesday, 18 August 2021 (**Record Date**) at the issue price of \$0.42 per New Share (**Offer Price**).

The Offer Price represents a discount per share of:

- 15.15% to the last traded price on 13 August 2021 of \$0.495; and
- 13.70% to the theoretical ex-rights issue price (TERP)¹ of \$0.487.

The Entitlement Offer will result in approximately 24,994,286 million New Shares being issued in total, equivalent to approximately 11.1% of the Company's total shares outstanding upon completion of the Entitlement Offer. New Shares will rank equally in all respects with existing shares of the Company .

Entities associated with Executive Chairman Nathan Mitchell and Dream Challenge Pty Ltd (an entity associated with Executive Director Scott Tumbridge) have indicated that they will take up all their Entitlements and (in the case of Dream Challenge Pty Ltd) will sub-underwrite a proportion of any shortfall under the Retail Entitlement Offer. All other directors and executive management have indicated that they will participate in the Entitlement Offer.

The Entitlement Offer is non-renounceable and rights are not transferrable and will not be traded on the Australian Securities Exchange (**ASX**) or any other exchange. The Entitlement Offer will be made to both institutional shareholders (**Institutional Entitlement Offer**) and eligible retail shareholders (**Retail Entitlement Offer**). Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part will not receive any value in respect of those entitlements not taken up.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer. Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to eligible institutional investors at the Offer Price in the institutional bookbuild.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date of 7:00pm (AEST) Wednesday, 18 August 2021 have the opportunity to invest in New Shares at the Offer Price under the Retail Entitlement Offer, on the terms and conditions that will be set out in the retail offer booklet to be sent to eligible retail shareholders on or around Monday, 23 August 2021.

Please note that shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer. The Company will notify shareholders who are on the share register on the Record Date as to whether they are eligible to participate in the Retail Entitlement

¹ The theoretical ex rights price (TERP) includes shares issued under the Offer. TERP is the theoretical price at which Mitchell Services' shares should trade at immediately after the ex-date for the Entitlement Offer based only on the last traded price and issuance of shares at the Offer Price in the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Mitchell Services shares trade immediately after the ex-date for the Entitlement Offer may be different from TERP.

Offer. Eligible Shareholders will receive a retail offer booklet, including a personalised entitlement and acceptance form, which will provide further details of how to participate in the Retail Entitlement Offer.

Under the Retail Entitlement Offer, eligible retail shareholders that take up their full entitlement may also apply for additional New Shares in excess of their entitlement (subject to scale-back, at the Company's discretion).

Key Dates

Activity	Date
Announcement of Entitlement Offer, investor presentation and information booklet released to ASX	Monday, 16 August 2021
Institutional Entitlement Offer opens	Monday, 16 August 2021
Institutional Entitlement Offer closes	Tuesday, 17 August 2021
Announcement of results of Institutional Entitlement Offer	Wednesday, 18 August 2021
Trading halt lifted and shares recommence trading	Wednesday, 18 August 2021
Entitlement Offer Record Date	7:00pm Wednesday, 18 August 2021
Despatch of letters to shareholders regarding eligibility	Monday, 23 August 2021
Retail Entitlement Offer opens	9:00am Monday, 23 August 2021
Settlement of New Shares issued under the Institutional Entitlement Offer	Tuesday, 24 August 2021
Allotment of and commencement of trading of New Shares under the Institutional Entitlement Offer	Wednesday, 25 August 2021
Retail Entitlement Offer closes	5:00pm, Monday, 6 September 2021
Announcement of results of the Retail Entitlement Offer	Thursday, 9 September 2021
Settlement of New Shares under the Retail Entitlement Offer	Friday, 10 September 2021
Allotment of and commencement of trading of New Shares under the Retail Entitlement Offer	Monday, 13 September 2021
Holding statements in respect of New Shares issued under the Retail Entitlement Offer despatched	Tuesday, 14 September 2021

The timetable (and each reference in this announcement to a date specified in the timetable) is indicative only and the Company may, at its discretion, vary any of the above dates by lodging a revised timetable with the ASX.

All times referred to in this announcement are AEST.

The quotation of New Shares is subject to confirmation from the ASX.

Further Information

Further details of the acquisition and Entitlement Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Entitlement Offer. All the amounts are in Australian dollar unless otherwise indicated.

The Entitlement Offer is fully underwritten by Morgans Corporate Limited.

This announcement has been authorised by the Company's Board of Directors.

For more information, contact:

Andrew Elf – Chief Executive Officer

Telephone +61 7 3722 7222 or 0413 608 018

This announcement contains certain "forward-looking statements". Forward looking words such as "expect", "should", "could", "may", "will", "believe", "forecast", "estimate" and other similar expressions are intended to identify such forward-looking statements. Such statements are subject to various known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. These risks, uncertainties and factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements and from past results, performance or achievements. The Company cannot give any assurance or guarantee that the assumptions upon which management based its forward-looking statements will prove to be correct or exhaustive beyond the date of its making, or that the Company's business and operations will not be affected by other factors not currently foreseeable by management or beyond its control. Such forward looking statements only speak as at the date of this announcement and the Company does not assume any obligation to update such information.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19.

Not an offer in the United States

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.