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WILSONS RAPID INSIGHTS CONFERENCE

21 November 2019

Mitchell SERVICES

50 YEARS AND SPINNING
MITCHELL 50

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MITCHELL SERVICES MARKET PROFILE

ASX Information

ASX Stock Symbol	MSV
Shares Issued	1,742,382,681
Share Price (at 18/11/2019)	A$0.064
Market Capitalisation	A$111.5m

Major Shareholders

Mitchell Group	20.4%
Washington H Soul Pattinson	9.9%
CVC Limited	6.1%

Board of Directors

Nathan Mitchell
Executive Chairman

Peter Miller
Non-Executive Director

Robert Douglas
Non-Executive Director

Neal O'Connor
Non-Executive Director

Senior Management Team

Andrew Elf
Chief Executive Officer

Greg Switala
CFO & Company Secretary

Josh Bryant
GM People & Risk

Todd Wild
GM Commercial

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FY19 BUSINESS OVERVIEW

Revenue of $120.2m

↑65%

from FY18

EBITDA of $24.1m

↑286%

from FY18

Net Debt of $8.2m

54%

reduction from June 2018

Zero Lost Time Injuries

in FY19 with 400+ employees

Special dividend

declared in FY19

Strong balance sheet

provides flexibility

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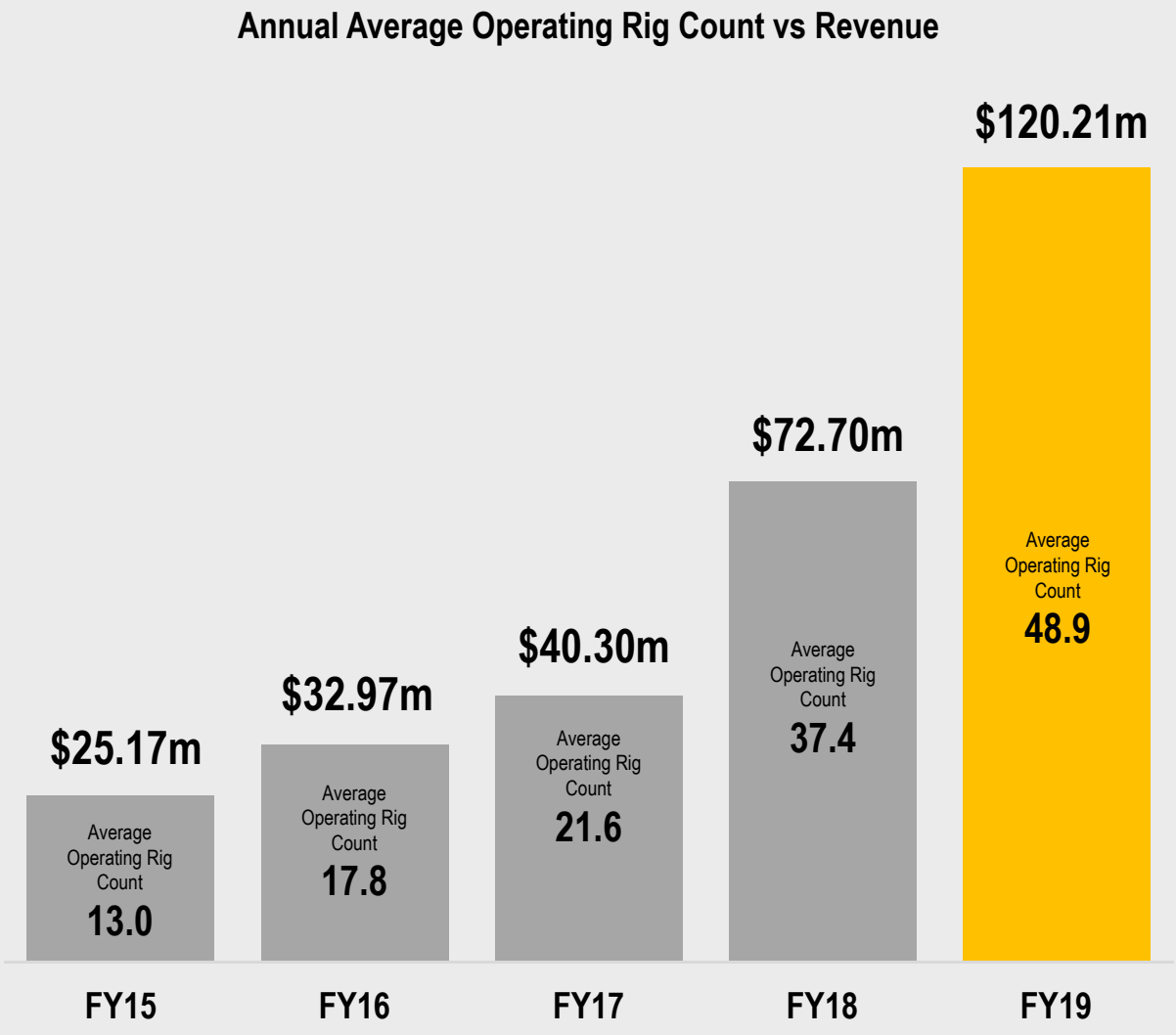
IMPACT OF INCREASED UTILISATION ON REVENUE



- Average operating revenue per rig continued to increase due to improved productivity, pricing and drilling mix
- Mitchell Services anticipates further increases in operating rig count in FY20
- Operating rig count subject to change due to seasonality or other factors
- 71 rigs in fleet as at 1 November 2019

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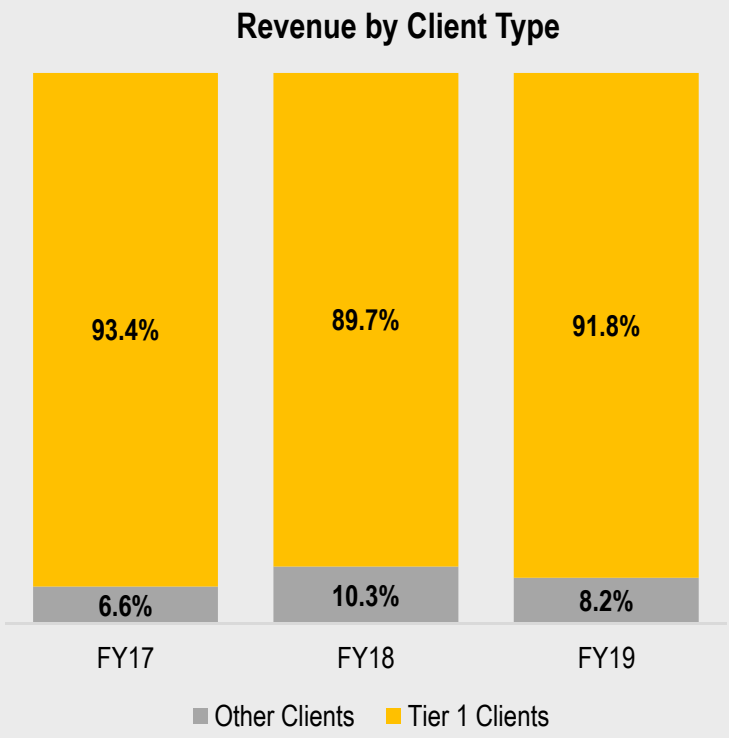
HIGH QUALITY REVENUE STREAMS



- Tier 1 Clients are large / multinational mining & energy companies
- A significant majority of Mitchell Services revenue comes from Tier 1 Clients operating on long life, low cost mine sites
- Approximately 90% of revenue is at the mine site resource definition, development and production stage which is a critical service in the mining lifecycle
- Focus on production related services was further enhanced by the recent announcement of entry into the drill and blast market through a material contract award

Revenue by Stage in the Mine Lifecycle

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STAGES OF THE CYCLE

STAGE 1: UTILISATION INCREASES (THIS IS HAPPENING)

- More rigs start working

STAGE 2: PRODUCTIVITY IMPROVES AS UTILISED RIGS WORK MORE SHIFTS (THIS IS HAPPENING)

- Seasonality impact reduces as rigs work through the wet season
- More rigs work 24 hours a day 7 days a week versus 12 hours a day (limited rigs in the surface coal sector work 24 hours a day)

STAGE 3: PRICE INCREASES AS SUPPLY AND DEMAND CHANGES IN FAVOUR OF SERVICE PROVIDERS (EARLY STAGES)

- On average across a range of different drilling types prices are still circa 10% - 30% below the highs achieved during the last cycle (Large Diameter, Surface and Underground)
- Prices for multi-rig multi-year contracts are increasing by high single or low double digit percentages

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

Evidence suggests that we are still in the early stages of Stage 3 with growth remaining measured

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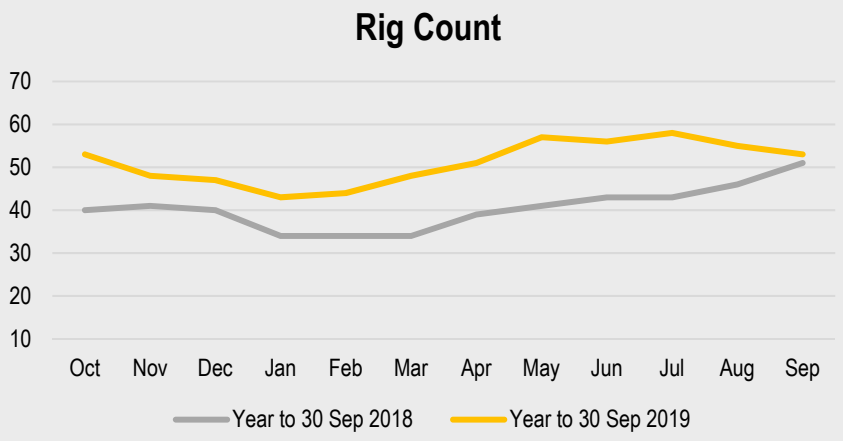
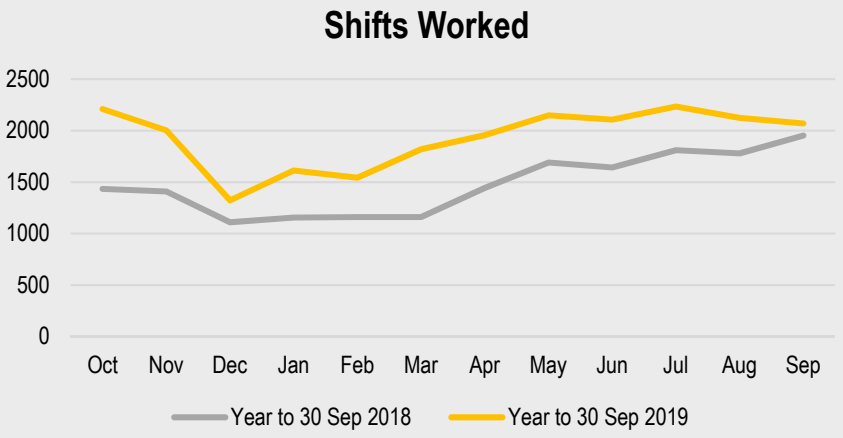
FY20 Q1 OVERVIEW

Strong FY20 Q1 performance

Revenue $33.5m	EBITDA $6.2m
Operating Cash Flow $5.7m	EBITDA to operating cash conversion rate 92%
EBIT $3.6m	Net Debt $12.7m





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DEEPCORE ACQUISITION SUMMARY

Deepcore Drilling is a compelling acquisition for Mitchell Services

... strategically

… financially

… operationally

- ✓ The acquisition of Deepcore Holdings Pty Ltd ("Deepcore Drilling") will make Mitchell Services Limited ("MSV") one of the largest and most diversified pure play drilling services companies in Australia
- ✓ The acquisition is expected to be 38.5% EPS accretive based on pro forma financials*
- ✓ MSV is currently trading at an EV/FY19 EBITDA multiple of 4.7 times (based on an 11 Nov 2019 closing share price of $0.058 and net debt of $12.7 million) with the acquisition to be completed on a 3.52 times (based on FY20 Deepcore Drilling forecast EBITDA of $12.5 million) basis
- ✓ Diversifies and strengthens market position by:
  - ✓ Drilling type: Deepcore Drilling offers complementary drilling services through surface and underground operations with specialty acoustic drilling that MSV does not currently provide
  - ✓ Commodity: Deepcore Drilling is primarily gold & copper focussed thereby balancing existing MSV commodity mix
  - ✓ Geography: Deepcore Drilling is primarily in Victoria and New South Wales where MSV has a small presence
- ✓ The acquisition significantly increases tender pipeline and growth opportunities
- ✓ Leverage of different brands to maintain strong nimble relationships with customers and employees while taking advantage of consolidation synergies
- ✓ The acquisition is expected to be completed by the end of this calendar year

*Based on FY19 underlying MSV results and FY20 forecast Deepcore Drilling results

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DEEPCORE ACQUISITION SUMMARY

Deepcore Drilling Overview	• Leading provider of specialist underground and surface drilling • 32 rigs to service Eastern Australia with strong exposure to gold and to Victoria
Transaction Summary	• MSV to acquire 100% equity of Deepcore Drilling (excludes Papua New Guinea operations) for purchase consideration of $32 million* • Consideration comprises 250 million fully paid MSV ordinary shares at an issue price of $0.068 and $15 million cash (post completion MSV will have 1.99 billion shares) • Based on FY20 forecasts Deepcore Drilling will add at least $70 million revenue and $12.5 million EBITDA to MSV on a per annum basis • An earn out period of three years post completion will apply under which any portion of EBITDA above $12.5 million will be shared equally by Deepcore Drilling vendors and MSV • The purchase consideration is on the basis that Deepcore Drilling's net debt at settlement will not be greater than $12 million
Transaction Metrics	• The acquisition implies an enterprise value for Deepcore Drilling of $44 million (based on an acquisition multiple of 3.52 x FY20 forecast EBITDA) • MSV is currently trading at an EV/FY19 EBITDA multiple of 4.7 times (based on an 11 Nov 2019 closing share price of $0.058 and net debt of $12.7 million) with the acquisition to be completed on a 3.52 times (based on FY20 Deepcore Drilling forecast EBITDA of $12.5 million) basis.

* The purchase price will be subject to normal working capital adjustments and a $4 million loan currently payable by the Deepcore vendors to Deepcore Drilling will be novated to MSV.

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DEEPCORE ACQUISITION SUMMARY)

Deepcore Drilling Shareholding	• At acquisition completion, Deepcore Drilling vendors will own approximately 12.5% of post-acquisition MSV shares • Consideration shares will be escrowed for periods of between 6 and 12 months • Scott Tumbridge will be invited to join MSV's board as an Executive Director following completion and will hold 7.2% of MSV shares

New Debt Facility	• The cash component of purchase consideration ($15 million) is expected to be debt funded
	• MSV has received credit approval from NAB to fund the cash component (subject to certain conditions precedent*) under the below terms:
	  • A new 3 year $16 million debt facility at an indicative all-inclusive funding cost of less than 4.5% per annum (based on current interest rates) with 60% of the facility amortising over the three year period
	  • An increased $10 million working capital facility limit (currently $5 million limit)
	  • Circa $7 million headroom remaining in existing equipment finance facility

Integration	• Well developed integration plan to manage the transition and assist in realising expected integration synergies • The brand and current operating structure of Deepcore Drilling will remain largely unchanged • MSV believes that the quality and expertise of the existing management team will continue to provide an invaluable contribution to the ongoing performance of the business

*NAB conditions precedent include the finalisation of due diligence

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DEEPCORE ACQUISITION SUMMARY

Conditions Precedent	• Acquisition subject to customary conditions precedent including no material adverse change to Deepcore Drilling or MSV, required change of control consents and MSV obtaining necessary funding to complete the transaction
Financial Impact	• The acquisition is expected to be 38.5% EPS accretive for MSV shareholders based on FY19 underlying MSV results and FY20 forecast Deepcore Drilling results • Longer term transaction benefits are expected to include supply chain pricing, shared support costs, shared IP & technology and back office economies of scale • Opportunity to leverage complementary client base

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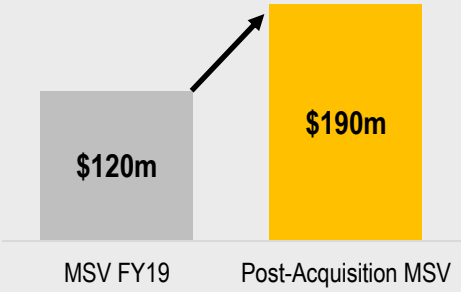
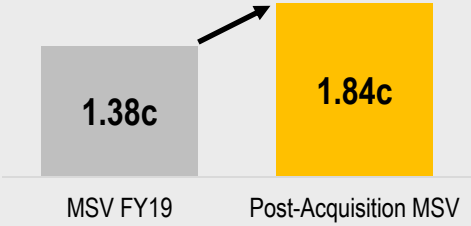
DEEPCORE ACQUISITION SUMMARY

Pro forma financials demonstrate strong financial position post-acquisition

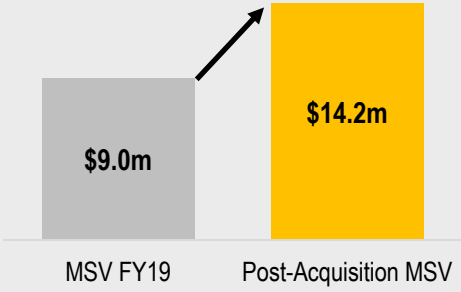
Pro forma Revenue



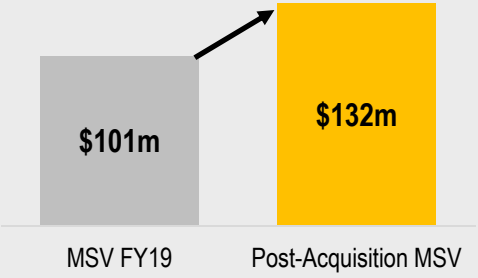
Pro forma EBITDA Per Share



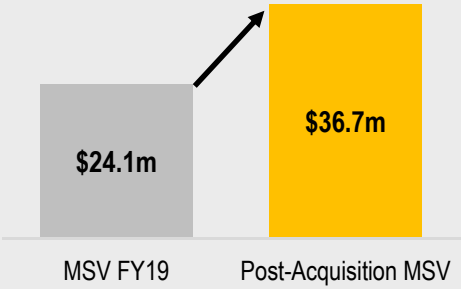
Pro forma Net Profit



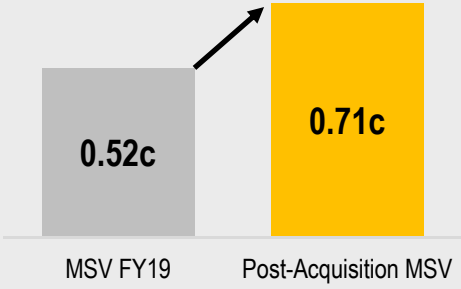
Theoretical Market Cap



Pro forma EBITDA



Pro forma EPS



Based on FY19 underlying MSV results and FY20 forecast Deepcore Drilling results

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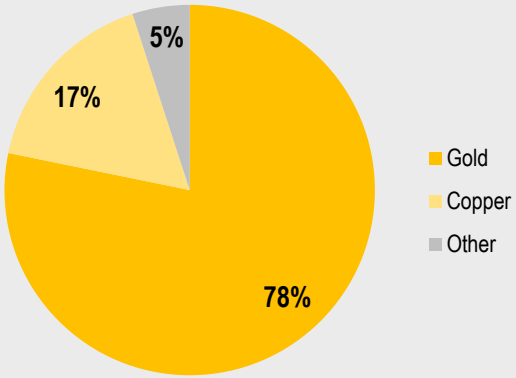
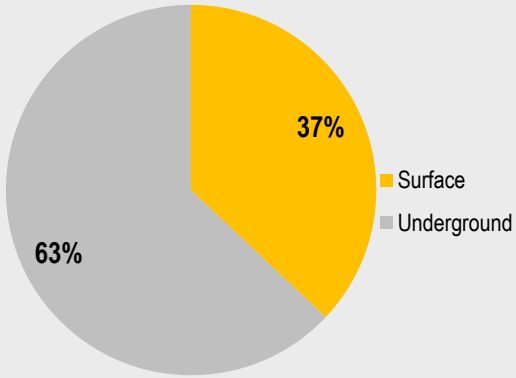
DEEPCORE DRILLING OVERVIEW

Overview

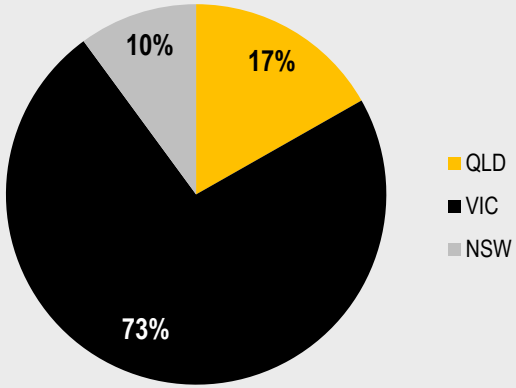
FY20 Revenue by Commodity



FY20 Revenue by Drilling Type



FY20 Revenue by Geography



- Founded in 2005, Deepcore Drilling provides surface, underground and specialised acoustic drilling services to the mining and infrastructure industries
- Headquartered in Bendigo, Victoria
- Deepcore Drilling services Australia's east coast
- Majority owned by founder Scott Tumbridge who will be invited to join the MSV board as an Executive Director
- Long-term client base, near mine production related work
- 32 high-quality underground and surface drill rigs at an anticipated utilisation* of 90%+ in FY20
- Values and culture aligned to MSV with strong historic safety record

* Utilisation is calculated as rigs located on operating mine sites during the month

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ACQUISITION STRATEGIC RATIONALE

The acquisition will make MSV one of the largest and most diversified pure play drilling services companies in Australia

Stronger Product Offerings

- Adds: geotechnical / infrastructure
- Adds: further mobile underground capacity
- Adds: surface acoustic (noise suppression)
- Adds: 'upsell' and 'cross-sell' opportunities
- Adds: additional deep hole directional diamond core drilling
- Adds: stable, local workforce

The brand and cultures of MSV and Deepcore Drilling are aligned:

Strong safety focus, quality over quantity, emphasis on customer service, leading technology and systems, nimble organisation, people drive success

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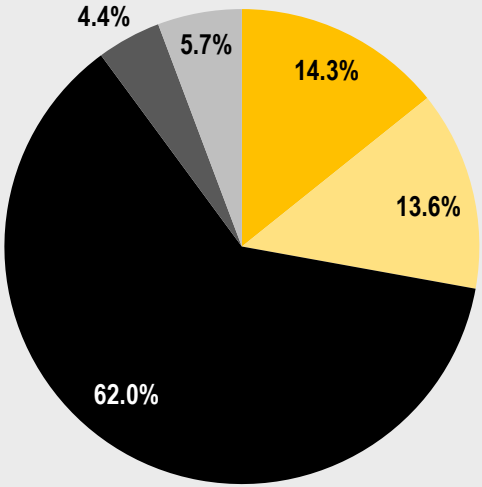
ACQUISITION STRATEGIC RATIONALE (CONT)

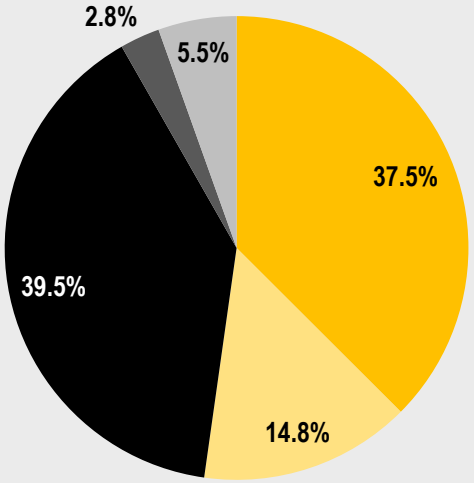
MSV FY19 Actual Revenue by Commodity: $120m



Gold Copper Coking Coal Lead/Zinc/Silver Other

Deepcore Drilling FY20 Forecast Revenue: $70m

Pro forma Revenue by Commodity: $190m



Gold Copper Coking Coal Lead/Zinc/Silver Other

Increase in revenue diversity by commodity

Based on FY19 actual MSV results and FY20 forecast Deepcore Drilling results

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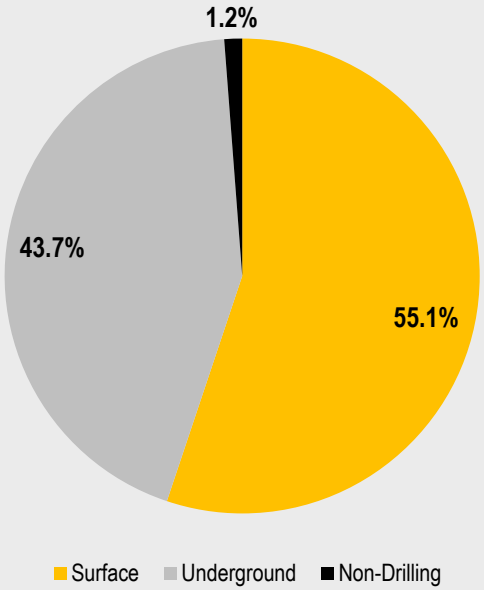
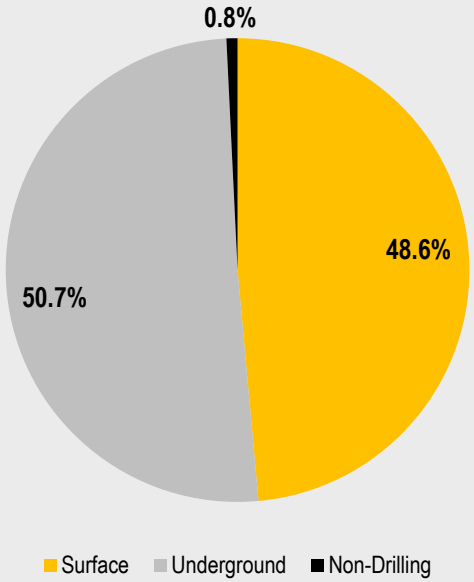
ACQUISITION STRATEGIC RATIONALE (CONT)

MSV FY19 Actual Revenue by Drilling Type: $120m



Deepcore Drilling FY20 Forecast Revenue: $70m

Pro forma Revenue by Drilling Type: $190m



Maintains diversity by drilling type

Based on FY19 actual MSV results and FY20 forecast Deepcore Drilling results

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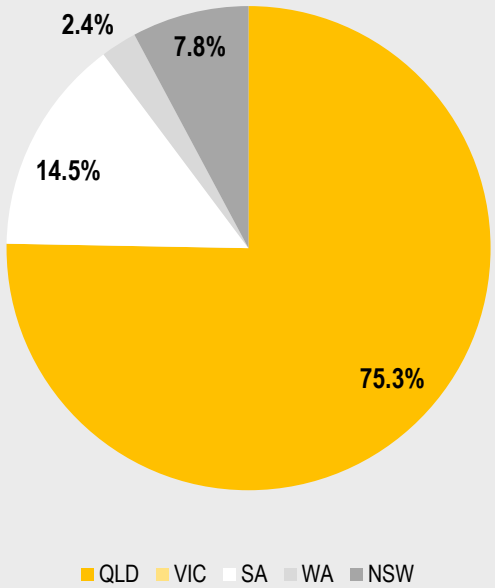
ACQUISITION STRATEGIC RATIONALE (CONT)

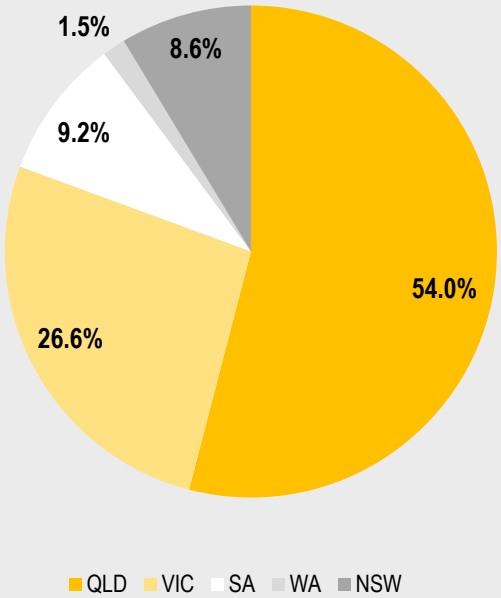
Increase in revenue diversity by geography

MSV FY19 Actual Revenue by Geography: $120m



Deepcore Drilling FY20 Forecast Revenue: $70m

Pro forma Revenue by Geography: $190m



Increased exposure to southern Australia reduces business seasonality (wet season impact)

Based on FY19 actual MSV results and FY20 forecast Deepcore Drilling results

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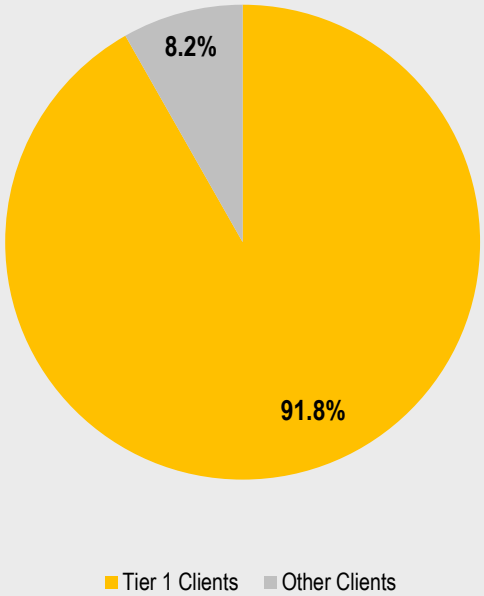
ACQUISITION STRATEGIC RATIONALE (CONT)

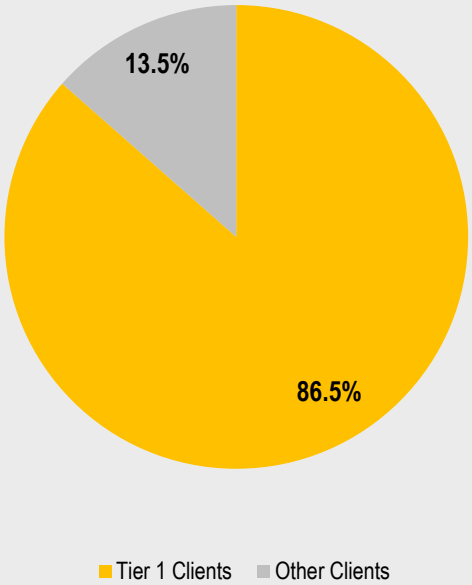
Tier 1 client base increase in size and diversity

MSV FY19 Actual Revenue by Client Type: $120m



Deepcore Drilling FY20 Forecast Revenue: $70m

Pro forma Revenue by Client Type: $190m



Tier 1 Clients are large / multinational mining & energy companies

Based on FY19 actual MSV results and FY20 forecast Deepcore Drilling results

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ACQUISITION STRATEGIC RATIONALE (CONT)

Current brands	Future brand strategy
Mitchell Services	Mitchell Services
Radco Technologies	Radco Technologies
	Deepcore Drilling

Leverage of brands to maintain strong nimble relationships with customers and employees while taking advantage of consolidation synergies

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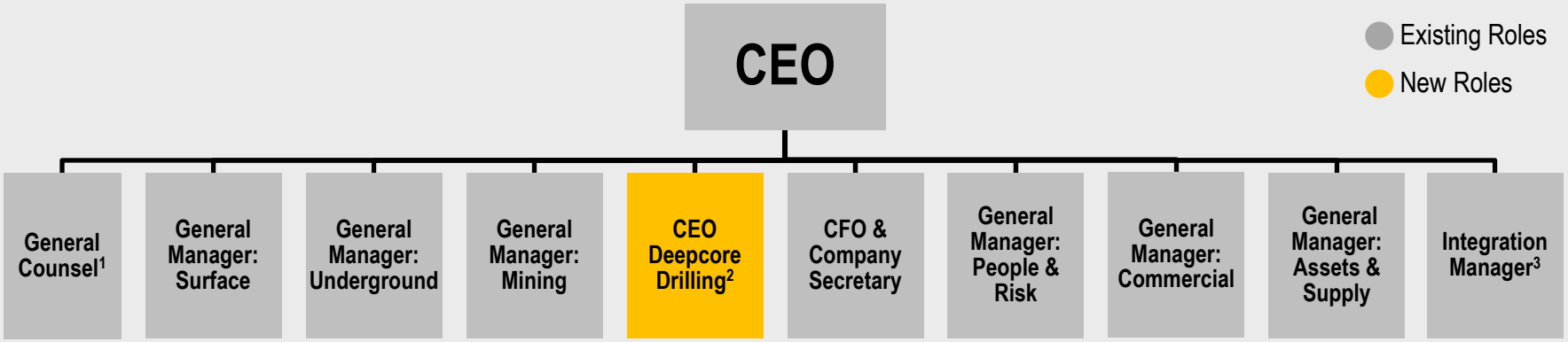
ACQUISITION STRATEGIC RATIONALE (CONT)



Organisation structure focus on drilling types and commodity to allow **streamlined processes** and systems driving **efficiency and safety for customers**

Shared services consolidated into MSV to support business and **deliver synergies** via procurement and key initiatives

Integration Manager to focus on key elements of integration and delivery of consolidation synergies

1. part time
2. existing Deepcore CEO
3. temporary role

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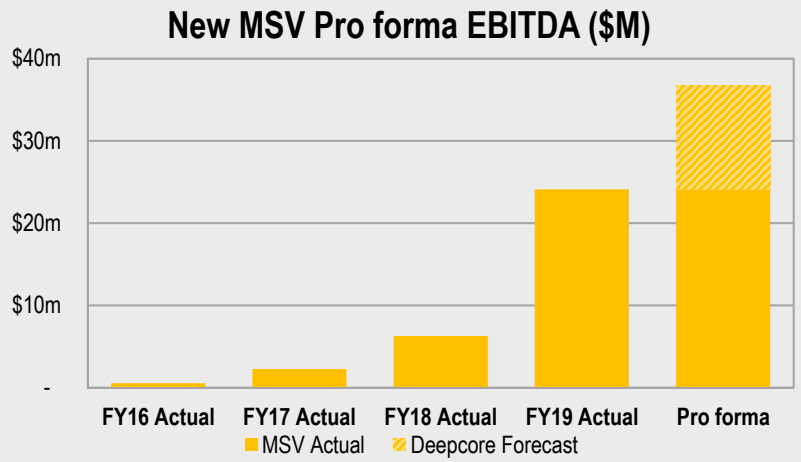
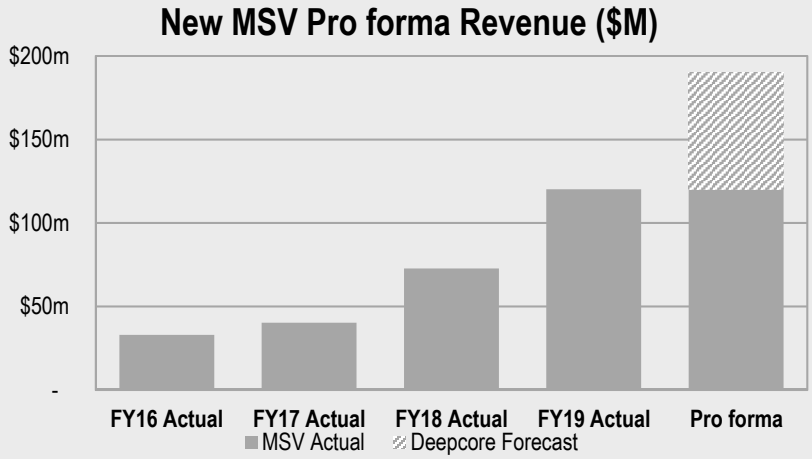
FINANCIAL IMPACT OF ACQUISITION

Pro forma Profit & Loss

	MSV FY19	Deepcore FY20 Forecast	MSV Post-Acquisition
	$000's	$000's	$000's
Revenue	120,205	69,916	190,121
EBITDA	**24,112**	**12,573**	**36,685**
EBITDA %	**20.1%**	**18.0%**	**19.3%**
EBIT	13,894	8,214	22,108
Underlying NPAT	**8,980**	**5,242**	**14,223**

- Deepcore Drilling FY19 Revenue $46.5 million and EBITDA $6.3 million (unaudited)
- Increase in Deepcore Drilling into FY20 relates to mobilisations of additional rigs to existing clients with ramp up costs from FY19 converting to earnings in FY20 (similar to MSV from FY18 to FY19)
- MSV anticipates both revenue and EBITDA to be improved on FY19 results
- Pipeline for future growth is strong and both companies are on track to meet revenue and EBITDA expectations





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FINANCIAL IMPACT OF ACQUISITION (CONT)

Pro forma Capitalisation

30-Sep-19	MSV	Deepcore	Trans. Adj	New MSV
	$000's	$000's	$000's	$000's
Equipment finance	14,936	12,361	-	27,298
Acquisition Funding Facility	-	-	16,000	16,000
Gross Debt	**14,936**	**12,361**	**16,000**	**43,298**
Cash	2,242	338	-	2,580
Net Debt	**12,695**	**12,023**	**16,000**	**40,718**
Shareholders Equity	**39,911**	**n/a**	**16,000**	**55,911**
Net Debt to Pro forma EBITDA	0.5 x	1.0 x	n/a	1.1 x

- MSV to utilise strong balance sheet and fund the $15 million cash consideration through debt.
- This will bring consolidated net debt to $40.7 million representing approximately 1.1 x EBITDA on a pro forma basis.
- MSV considers this level of leverage to be appropriate at the current time and will remain strategically focused to reduce debt.
- Strong support from NAB with a new finance facility offering:
  - A new 3 year $16 million debt facility at an indicative all-inclusive funding cost of less than 4.5% per annum (based on current interest rates) with 60% of the facility amortising over the three year period
  - An increase (from $5 million to $10 million) on MSV's working capital facility which is currently undrawn
  - Circa $7 million headroom remaining in existing equipment finance facility

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SUMMARY

- Mitchell Services' vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries
- The acquisition of Deepcore Drilling will **further diversify revenue** by drilling type, commodity and geography
- Mitchell Services has a **high quality client base** with a majority of work related to mine site resource definition, development and production
- Mitchell Services will provide more detailed **FY20 revenue and EBITDA guidance** post finalisation of the 1H20 actual results in Jan/Feb 2020
- Pipeline of **identified opportunities remains strong** as does the demand for drilling services particularly from Tier 1 clients