

SE Lifestyle
HD **SURE PAYS TO KNOW THE DRILL**
BY ANDRE GRIMAUX
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After five years in exile, Mitchell Services is going against the **mining** tide, writes ANDRE GRIMAUX
NATHAN Mitchell has been on the **mining** roller-coaster since he was a boy, riding the ups and
downs of an industry he was born in to.

Now executive chairman of Mitchell Services, the 43-year-old has taken charge of a **company** that
not only bares his name, but whose roots **wind** back more than four decades to his parents, Peter
and Deidre.

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Mitchell Services, in its current guise, was established just last November when Mitchell's **company**
acquired Townsville's Drill Torque through a backdoor listing.

Drill Torque's history ran similar lines to the Mitchells. It was established with one rig in 1992 by Peter
and Sonya Miller, whose first major job was with Mount Isa Mines testing for **gold** deposits.

Drill Torque floated on the ASX in 2011 but was suffering due to the **mining** downturn. Nathan
Mitchell says it "was on its knees essentially".

"(But) it had a lot of equipment, 30-odd rigs, (and) it had a good reputation," he says.

Just prior to the takeover, Mitchell's **operations** had returned to re-establish itself in Australia after a
five-year non-compete period, which was tied to the 2008 **sale** of Mitchell Drilling Services to AJ
Lucas.

The AJ Lucas deal was worth about \$150 **million** to the Mitchells, and cemented the pioneering
drillers among Queensland's richest families.

The Mitchells were ranked at No. 64 in The Sunday Mail's 2014 Queensland's Top 150 Rich List, with
an estimated wealth of \$192 **million**.

Peter and Deidre Mitchell established Mitchell Drilling in 1969 and over more than three decades
carved a reputation for quality exploration and innovation across the minerals, **coal** and **coal** seam
gas sectors.

Nathan took charge of the family **company** in 2000 as the local CSG industry began to boom, and
oversaw Mitchell Drilling's move into India, the US and **China** between 2003 and 2005.

That overseas experience became invaluable after 2008, when Mitchell Drilling was sold and the
international arm of the business, which was still owned by the Mitchell family but locked out of
Australia, began work drilling for **coal** and base metals in Africa.

Now back on home soil, and tucked away in an industrial estate at Seventeen Mile Rocks, southwest
of Brisbane, Mitchell oozes confidence in his interview with QB Monthly.

The slump in **mining** services work doesn't appear to have knocked his swagger. The new **company**'s aims are clear, led by Mitchell and chief executive Andrew Elf, a one-time senior manager at **mining** giant Boart Longyear who first joined forces with Mitchell in 2010 when he was charged with driving growth in the **company**'s African business.

They aren't willing to grow the **company** organically – like it did from one drill rig back in '69 – fearing they will miss out on work when the market turns around.

Instead, Mitchell has set out to acquire assets. Tom Browne Drilling Services – financially broken and in the hands of receivers since April – was snapped up in August this year.

Mitchell Services paid \$9.5 **million** for Tom Browne's 29 rigs and ancillary equipment. Critically, 15 of the rigs are considered Tier 1, meaning they will boost Mitchell's ability to meet demand for top-shelf contracts with the major miners.

Mitchell Services now has 58 rigs and is undertaking a \$20.2 **million** capital raising to fund the Tom Browne **purchase**, pay down debt and strengthen its own financial position.

Nathan Mitchell says it puts the **company** "in the game" to reach its goal of being the leading driller for the eastern states.

"It's obviously a risk play, but I think now is the time to pick up those assets and that's what we've done, while the market is down," he says.

"The market will come back, there's no question. The question is how long. I don't think it will come back as fierce as it did, but it will come back. It always does." Mitchell isn't willing to predict which resources sector will move first, only to say it will be "across the board".

And he senses, possibly hopes, the wait won't be long.

"Drilling is always the litmus test for when the market comes back. We're the first to start up, and the first to turn off.

"The **mining** industry (boom), in our eyes, was over two years ago ... and while we're (now) talking about housing and that sort of investment, meanwhile the drilling industry is picking up again.

"When the drilling industry starts to go, 12 months from now, or whatever it's going to be, **mining** starts to pick up.

"There's not a lot of new work, but there is new work. That's the difference. A year ago you were seeing work drying up and going backwards, now you're actually getting people calling up asking if we have rigs." Mitchell Services has won \$30 **million** worth of contracts since December, including three Tier 1 clients.

Elf describes the past nine months as "operation clean-up" – a time to "re-enter, reposition, refocus" Mitchell Services in Australia.

"Traditionally, Drill Torque worked with greenfield exploration companies in north Queensland, the juniors, whereas Mitchell has worked with the large Tier 1s around the world," he says.

"So really what this has all been about is getting the capacity ... and then having a really successful business that can offer services to existing clients in the greenfield space, but also to Mitchell's historical base – the larger Tier 1 companies." Analysts will tell you Mitchell Services is swimming against the tide. Nathan Mitchell prefers to think of it as a running race.

"We're on the track, at the start of the pack," he says.

"Before, if we had one or two rigs we'd be right at the back of the pack with zero chance." But we're right at the front. And the front-runners who are normally alongside us, are bowing out."

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