DRILLTORQUE

Drill Torque Limited
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23 October 2013

ASX ANNOUNCEMENT

Drill Torque Limited (ASX: DTQ) – Dispatch of Rights Issue Offer Document to Eligible Security Holders - Update on AGM timing

Rights Issue documents

Drill Torque Limited will today dispatch the Rights Issue Offer Document and the Entitlement and Acceptance forms to Eligible Shareholders (as defined in the Offer Document) in accordance with the timetable for the Company's 1 for 1 non-renounceable pro rata entitlement offer.
A copy of the Offer Document and Entitlement and Acceptance Forms are attached to this announcement.

For those Eligible Shareholders who wish to participate in the non-renounceable pro rata entitlement offer, please complete the Entitlement and Acceptance Form and forward to the share registry together with your payment. Both the form and your payment must be received by the share registry no later than 5.00pm (Perth time) on 8 November 2013.

Alternatively you may utilise the BPAY facility with your payment being received by the share registry no later than 5.00pm (Perth time) on 8 November 2013. You do not need to return the Entitlement and Acceptance Form however you are encouraged to return the Form to the Share registry for reconciliation purposes.

AGM timing

Due to delays with the preparation of the AGM documentation, the Company's 2013 Annual General Meeting has been put back several more days. The new expected date of the AGM is 29 November 2013 and it is expected that the AGM pack will be despatched to shareholders by 29 October 2013.

Bob Witty
Company Secretary

DRILL TORQUE LIMITED

ACN 149 206 333

RIGHTS ISSUE

OFFER DOCUMENT

1 for 1 underwritten non-renounceable rights issue of
approximately 125,000,005 New Shares
at 2 cents per New Share to raise up to approximately $2,500,000 before costs

Underwritten by RBS Morgans Corporate Limited

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the action you should take, consult your stockbroker, accountant, financial or other professional adviser immediately.

An investment in the New Shares offered by this Offer Document should be considered **SPECULATIVE.**

IMPORTANT NOTICES

This Offer Document is dated 9 October 2013 and is issued pursuant to section 708AA of the Corporations Act 2001 (Cth) for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Offer Document was lodged with ASX on 9 October 2013. ASX takes no responsibility for the contents of this Offer Document.

This Offer Document is not a prospectus and does not contain all of the information that an investor would find in a prospectus or which may be required by an investor in order to make an informed investment decision regarding, or about the rights attaching to, New Shares. Nevertheless, this Offer Document contains important information and requires your immediate attention. It should be read in its entirety. If you are in any doubt as to how to deal with this Offer Document, you should consult your professional adviser as soon as possible.

The New Shares being offered under this Offer Document pursuant to the Rights Issue are being offered to Eligible Shareholders, being Shareholders with a registered address in Australia or New Zealand at 7.00 pm (Perth time) on the Record Date. This Offer Document does not, and is not intended to, constitute an offer or invitation in the United States, or to any person acting for the account or benefit of a person in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No offer is being made to Shareholders with a registered address outside Australia or New Zealand. The distribution of this Offer Document and the Entitlement and Acceptance Form (including electronic copies) outside Australia and New Zealand may be restricted by law. If you come into possession of these documents, you should observe such restrictions and should seek your own advice about such restrictions. Please refer to Section 1.10.

Information about the Company is publicly available and can be obtained from ASIC and ASX (including its website www.asx.com.au). The contents of any website or ASIC or ASX filing by the Company are not incorporated into this Offer Document and do not constitute part of the Offer. This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Document. Any such extraneous information or representation may not be relied upon.

The Underwriter:

- has not authorised, permitted or caused the issue, lodgement, submission, despatch or provision of this Offer Document;
- does not make, or purport to make, any statement in this Offer Document, and there is no statement in this Offer Document which is based on any statement by the Underwriter; and
- to the maximum extent by law, expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any part of this Offer Document.

This Offer Document may include forward looking statements based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward looking statements.

Eligible Shareholders will be mailed a copy of this Offer Document, accompanied by a personalised Entitlement and Acceptance Form. Applications for New Shares by Eligible Shareholders may only be made on an **original** Entitlement and Application Form that accompanies a paper version of this Offer Document. The Entitlement and

Acceptance Form sets out the Entitlement of an Eligible Shareholder to participate in the Offer. Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

This Offer Document has been placed on the Company's website at www.drilltorque.com.au for information purposes only. Eligible Shareholders cannot apply for New Shares pursuant to the electronic version of this Offer Document.

By returning an Entitlement and Acceptance Form or lodging an Entitlement and Acceptance Form with your stockbroker or otherwise arranging for payment for your New Shares through BPay® in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have received and read this Offer Document, you have acted in accordance with the terms of the Offer detailed in this Offer Document and you agree to all of the terms and conditions as detailed in this Offer Document.

Some capitalised words or terms in this Offer Document have defined meanings which appear in the glossary in Section 6.

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9 October 2013

Dear Shareholder,

Drill Torque has faced challenging times since listing on the ASX in August 2011. Ongoing unseasonal weather conditions, the global financial crisis and the widespread downturn across the mining industry have continued to make life difficult, especially for the mining services sector.

After a thorough review of Drill Torque's current operations and the need to prepare the Company for these challenging times, your Directors have decided to invite you as Eligible Shareholders to participate in a one (1) for one (1) non-renounceable Rights Issue at a price of 2 cents per new share to raise approximately $2,500,000.

The Offer Document will be lodged with ASX on 9 October 2013 and a copy will be sent to all Eligible Shareholders who are on the register as at 7:00pm (Perth time) on 17 October 2013.

The Offer is open for acceptance until 5 pm (Perth time) on 8 November 2013.

RBS Morgans Corporate Limited has agreed to fully underwrite the Rights Issue, subject to the terms of the Underwriting Agreement.

Under the underwriting and sub-underwriting arrangements, Mitchell Group Holdings Pty Ltd and senior Mitchell Group managers have agreed to take up in priority to other sub underwriters, the first 50,000,000 New Shares of any shortfall under the Rights Issue (up to 46,250,000 New Shares to Mitchell Group Holdings Pty Ltd and 3,750,000 New Shares to senior Mitchell Group managers).

The Company has been placed under significant financial pressure by the on-going deterioration of market conditions in the drilling industry as well as the resources sector as a whole. As previously disclosed in releases to the ASX, the Company embarked on an "external restructure" strategy some months ago to identify potential merger and investment opportunities to improve the Company's outlook and shareholder value. After discussions with a number of third parties, the Directors received a proposal from Mitchell Group to restructure the Company by entering into a transaction to acquire Mitchell Services Pty Ltd and undertaking the Rights Issue with Mitchell Group sub-underwriting support. Following negotiation of the terms of the proposal, the Board believes that the Mitchell Group proposal, including the acquisition of Mitchell Services Pty Ltd, is superior to any other proposal reviewed by the Board. The Board believes that the acquisition of Mitchell Services Pty Ltd will have a marked effect on the current operations of the Company and the "merged vehicle" of the Company and Mitchell Services Pty Ltd will provide a platform to accelerate the Company's long term objective to become a national "tier one" drilling operation.

Mitchell Group is privately owned and headquartered in Seventeen Mile Rocks, Queensland and has 45 years' experience in drilling services with operations in Australia and Africa. As a result of the acquisition of Mitchell Services Pty Ltd the Company will obtain the services of the highly regarded management team of Mitchell Group.

Funds to be raised from the Rights Issue will be used as follows:

- to meet costs of upgrading rigs;
- to meet ongoing working capital requirements; and
- to meet the costs of the Rights Issue.

To find out what you need to do to participate in the Rights Issue, please refer to Section 3 of the Offer Document. I urge you to read the Offer Document thoroughly before making your investment decision, including the risk factors set out in Section 4.

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On behalf of the Board, I take this opportunity to thank each of our Shareholders and look forward to your support of the Rights Issue.

Yours sincerely,

D.J. Fairfull
Chairman

1. DETAILS OF THE OFFER

1.1 The Offer

Drill Torque Limited ACN 149 206 333 is making a fully underwritten non-renounceable pro rata offer of fully paid ordinary shares in the capital of the Company to Shareholders with a registered address in Australia or New Zealand. Eligible Shareholders who are on the Company's share register at 7:00pm (Perth time) on 17 October 2013 will be entitled to apply for 1 New Share for every 1 Existing Share held at an Issue Price of $0.02 each per New Share. The Issue Price is payable in full on application.

Fractional entitlements will be rounded down to the nearest whole number.

Under the Offer, 125,000,005 New Shares will be issued and the Company will raise approximately $2,500,000 before costs. The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

You may apply for all or part of your Entitlement.

The New Shares will be fully paid and will rank equally with the Company's Existing Shares.

1.2 Key dates

The Offer is open for acceptance until 5:00pm (Perth time) on the Closing Date or such other date as the Directors, in conjunction with the Underwriter, shall determine, subject to the Listing Rules. Other key dates for the Offer are as follows:

Event	Date
Rights Issue / Offer announced via ASX	10 September 2013
Offer Document lodged with ASX	9 October 2013
Notice sent to Shareholders containing information about Rights Issue	10 October 2013
Shares quoted on an "ex" basis	11 October 2013
Record Date to identify Shareholders entitled to participate in Rights Issue	17 October 2013
Offer Document and Entitlement and Acceptance Forms despatched to Eligible Shareholders	23 October 2013
Closing Date for acceptance and payment	8 November 2013
Issue of New Shares and despatch of holding statements	18 November 2013

The timetable outlined above is indicative only and subject to change. The Directors in conjunction with the Underwriter, reserve the right to vary these dates, including the Closing Date, without prior notice but subject to the Corporations Act and the Listing Rules. The Directors also reserve the right not to proceed with the whole or part of the Offer at any time prior to allotment. In that event Application Money will be returned without interest.

1.3 Use of proceeds

The immediate financial effect of the Offer on the Company will be to increase cash reserves by approximately $2,250,000 (being $2,500,000 gross proceeds to be raised **less** $250,000 in estimated costs of the Rights Issue). The Company intends to apply the funds raised in the following manner:

Use of proceeds	Indicative amount
Upgrade specific rigs	$500,000
Working Capital	$1,750,000
Expenses related to the Rights Issue	$250,000
Total gross proceeds to be raised	$2,500,000

The primary use of the funds raised will be to provide working capital to the Company of approximately $1,750,000, which will assist while the Company focuses on trying to secure new drilling contracts to meet its objective of becoming a national "tier one" drilling operation.

In addition, $500,000 is being set aside to upgrade specific rigs to allow those rigs to service a broader segment of the market.

The balance of the proceeds of the Offer (after repayment of costs associated with the Offer, including the underwriting fee) will be held by the Company as cash at bank, available for on-going working capital needs.

1.4 Capital structure

As at the date of this Offer Document:

(a) The Company has 125,000,005 Shares on issue.

(b) The Company has 12,500,000 quoted Options on issue. Each quoted Option is exercisable into one Share for an exercise price of $0.30 and, if not exercised by 2 August 2016, expires.

(c) The Company has 5,750,000 unquoted Options on issue. Each unquoted Option is exercisable into one Share for an exercise price of $0.30 and, if not exercised by 2 August 2016, expires. The unquoted Options cannot be exercised before 2 August 2014.

The holders of the quoted and unquoted Options are not eligible to participate in the Rights Issue unless they exercise their Options prior to the Record Date. It is unlikely any of the quoted Options will be exercised before the Record Date, as the exercise price of the quoted Options exceeds the closing Share price on the last trading day prior to the date of this Offer Document. As the unquoted Options are not capable of being exercised prior to the Record Date, no additional Shares will be issued as a result of the exercise of unquoted Options prior to the Record Date.

The principal effect of the Offer on the Company's capital structure will be to increase the total number of issued Shares by approximately 125,000,005.

The following table shows the proposed capital structure of the Company on completion of the Rights Issue assuming the maximum number of New Shares is issued under the Rights Issue:

Security	Number at date of this Offer Document	Number following completion of Rights Issue
Shares	125,000,005	250,000,010
Options (quoted)	12,500,000	12,500,000
Options (unquoted)	5,750,000	5,750,000

Details of the effect of the Offer on control of the Company are set out in Section 5.3.

1.5 Entitlements

Each Eligible Shareholder who is registered as the holder at 7:00pm (Perth time) on the Record Date is entitled to participate in the Offer. The number of New Shares to which you are entitled is shown on your Entitlement and Acceptance Form accompanying this Offer Document.

You may accept all, or part, of your Entitlement by completing the Entitlement and Acceptance Form and returning it in accordance with the instructions set out on the reverse of that form prior to the Closing Date. Acceptances must not exceed your Entitlement as shown on the Entitlement and Acceptance Form.

If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus Application Money will be returned to you. If you decided not to accept all or part of your Entitlement or fail to do so by the Closing Date, your Entitlement to the extent unaccepted will lapse and the New Shares not taken up by you will form part of the Shortfall.

As a result of this Offer, Eligible Shareholders who do not take up all of their Entitlement will have their percentage shareholding in the Company diluted. It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. The sale by Applicants of New Shares prior to the receipt of a holding statement is at the Applicant's own risk.

1.6 No Trading of Entitlements

The Entitlements to New Shares are non-renounceable, which means they cannot be sold. Refer to Section 3 for instructions on how to deal with your Entitlement. Any Entitlements not taken up by an Eligible Shareholder will be taken up by the Underwriter, subject to the terms of the Underwriting Agreement.

1.7 Underwriting and sub-underwriting

The Offer is fully underwritten by RBS Morgans Corporate Limited pursuant to an underwriting agreement between the Underwriter and the Company dated 8 October 2013. See Section 5.1 for further details.

1.8 ASX listing

The Company has made an application to ASX for Official Quotation of the New Shares. If ASX does not grant quotation for the New Shares within 3 months after the date of this Offer Document, the Company will not allot any New Shares and all Application Money will be refunded without interest.

The fact that ASX may grant Official Quotation of the New Shares is not to be taken in any way as an indication of the merits of the Offer or the New Shares offered under this Offer Document.

1.9 Refund of Application Money

Application Moneys will be held in a subscription account established and held by the Company on behalf of each Eligible Shareholder until the New Shares are issued. If necessary, Application Money will be refunded as soon as reasonably practicable, without interest. Interest earned on any Application Money will be for the benefit of the Company and will be retained by the Company regardless of whether New Shares are issued under the Offer.

1.10 Distribution restrictions and treatment of foreign Shareholders

General

This Offer Document, the Entitlements and the New Shares have not been registered, and will not be registered, in any jurisdiction, including the United States under the Securities Act 1933. Neither this Offer Document nor the Entitlement and Acceptance Form constitutes an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this Offer Document or the Entitlement and Acceptance Form (including electronic copies) in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, this Offer Document and the accompanying Entitlement and Acceptance Form may not be sent to investors in the United States or to any person acting for the account or benefit of a person in the United States. The Directors reserve the right to treat as invalid any Entitlement and Acceptance Form that appears to the Directors or the Company's agents to have been submitted in violation of any applicable securities laws.

Eligible Shareholders who are resident outside Australia or New Zealand should consult their professional advisers as to whether, in order to enable them to take up their Entitlements, any governmental or other consents are required or other formalities need to be observed.

The Offer contained in this Offer Document to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not Eligible Shareholders on the Record Date are not entitled to apply for any New Shares.

Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia or New Zealand (including nominees, custodians and trustees) are responsible for ensuring that any dealing with their Entitlements and any New Shares issued do not breach the laws and regulations in the relevant overseas jurisdiction, and should seek independent professional advice and observe any applicable restrictions relating to the taking up of Entitlements or the distribution of this Offer Document or the Entitlement and Acceptance Form.

The making of an application (whether by the return of a duly completed Entitlement and Acceptance Form or by the making of a BPay® payment or otherwise) will constitute a representation that there has been no breach of such laws or regulations. Shareholders who are nominees, custodians or trustees are therefore advised to seek independent advice as to how they should proceed.

Excluded Shareholders

The Company will not make an Offer to Shareholders with a registered address outside Australia and New Zealand. The Company has decided that it is unreasonable to extend the Offer to Excluded Shareholders having regard to:

(a) the number of Shareholders with a registered address outside Australia and New Zealand;

(b) the number and value of New Shares that would be offered to Shareholders with a registered address outside Australia and New Zealand; and

(c) the cost of complying with the legal requirements, and requirements of regulatory authorities, in the overseas jurisdictions.

Where this Offer Document has been despatched to Excluded Shareholders, this Offer Document is provided for information purposes only.

In limited circumstances the Company may elect to treat as Eligible Shareholders certain Shareholders who would otherwise be Excluded Shareholders, provided the Company is satisfied that it is not precluded from lawfully issuing New Shares to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

2. INVESTOR PRESENTATION

DRILLTORQUE

Non Renounceable Rights Issue

October 2013

Disclaimer

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No action has been taken to register or permit a public offering of Drill Torque shares or any related document, outside Australia or New Zealand. The distribution of this presentation outside Australia or New Zealand may be restricted by law. Persons who come into possession of this presentation who are not in Australia or New Zealand should seek advice on and observe any such restrictions.

Summary Information

This presentation contains summary information about Drill Torque and its activities current at 30 June 2013. The information herein is of general background and does not purport to be complete. It should be read in conjunction with the Offer Document of which this presentation forms part and Drill Torque's continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au

Not financial advice

This presentation does not contain all of the information which an investor may require to make an informed decision about whether to apply for Drill Torque shares. The information in this presentation does not take into account the objectives, financial situation or needs of individual investors. Before making an investment decision, prospective investors should consult their stockbroker, solicitor, accountant or other professional advisers.

Past performance

Past performance information is given for illustrative purposes only and is not, and should not be relied upon, as an indication of future performance.

Investment risk

An investment in Drill Torque shares is subject to known and unknown risks, some of which are beyond the control of Drill Torque. In considering an investment in Drill Torque shares, investors should have regard to (amongst other things) the risks outlined in this presentation and in the Offer Document of which this presentation forms part.

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Drill Torque - Introduction

- **Strategic Review** - Following a continued deterioration in the drilling market Australia wide, the board of Drill Torque Limited ("Drill Torque" or the "Company") undertook a strategic review to ensure that the business was adequately prepared to deal with the current market environment and position the Company for future growth
- **Outcomes** - The strategic review determined that the best course of action for the company is to recapitalise and restructure the business. This will be implemented through two key components:
  - **Step 1 Recapitalise** - via an $2.5 million underwritten Entitlement Offer which will provide sufficient working capital to recapitalise Drill Torque.
    - As part of the Rights Issue Mitchell Group and senior Mitchell Group managers will priority sub-underwrite the first 50 million shares of shortfall which in the event of a shortfall equal to or greater than 50 million shares will give them a combined stake of close to19.9%.
  - **Step 2 Restructure** *(Subject to shareholder approval)* - via the acquisition of Mitchell Services, the Australian drilling subsidiary of the Mitchell Group, Drill Torque will obtain the experience and expertise required to reposition Drill Torque as a key player in the Australian drilling market
- **Board Recommendation** - The board of Drill Torque believes that both the recapitalisation and restructure through Mitchell Services will have a marked effect on the current operations of Drill Torque and will provide a platform to accelerate the Company's strategy of becoming a national "tier one" drilling operation

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Drill Torque Business Update – FY13 Summary

- The on-going deterioration of market conditions in the drilling industry during FY13 resulted in an underlying EBITDA of $3.6 million

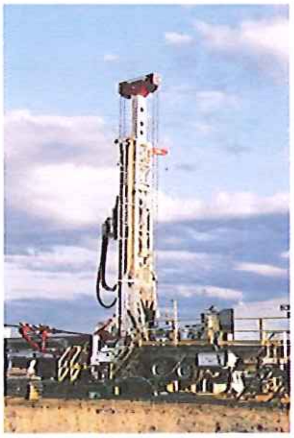
Performance	Current period 30 June 2013 $'000	Previous period 30 June 2012 $'000	Change %	Change $'000
Revenue from ordinary activities	26,321	37,091	Down (29%)	(10,770)
Profit / (loss) after tax before goodwill impairment	(397)	68	Down (633%)	(465)
Profit / (loss) after tax and goodwill impairment	(1,912)	68	Down (2,911%)	(1,980)

- A number of key events or themes contributed to the disappointing result, including:
  - Sector wide decline driven by reduced customer spend;
  - Increased competition impacting lower gross margins;
  - Decreased utilisation driven by market conditions; and
  - Loss of key contracts at the end of FY12.
- The existing Drill Torque board and management have conducted full strategic and operational review of the business in light of the market conditions
- The review has covered key areas including revenue, margins, costs, overheads and funding
- The result of the review has resulted in the aforementioned recapitalisation and restructure involving the acquisition (subject to shareholder approval) of Mitchell Services

The Australian drilling industry – Update

2014 Outlook

- The Australian drilling industry is expected to remain under pressure heading into 2014
- Expenditure on exploration remains subdued; however, there are some signs of a moderate increase in exploration heading into 2014
- Coal exploration has been impacted particularly hard with the soft coal prices delaying the development of new coal mines
- Coal seam gas projection and related services remain solid as gas producers continue to increase production volumes to supply the LNG projects already under construction
- Exploration focused drilling companies are likely to continue to experience cash flow pressure during the first half of the 2014 calendar year, that may lead to consolidation opportunities within the industry
- Drilling companies that offer an expanded service and who have good relationships with customers will be well placed for any recovery in the drilling market



Drilling capabilities and equipment

Drill Torque maintains a modern fleet of 32 specialised and multi-purpose drill rigs which can be employed in both the mineral and energy sectors in Australia

Equipment	Drill type	Description	No.
Schramm T130XD	Large diameter	Deep hole CSC, mine degasification	3
Schramm 685-450	Deep hole RC	Deep hole RC, large diameter gas production wells	3
Sandvik UDR1200	Multi-purpose	Multipurpose deep diamond coring, in-seam gas, large diameter production wells	3
Sandvik UDR1000	Multi-purpose	Multipurpose deep diamond and RC	4
Sandvik UDR650	Multi-purpose	Multipurpose deep diamond and RC	4
Boart Longyear LF90/LF70/LM30	Diamond coring	Underground and surface coring	7
RC / Air core / other	Exploration	Shallow RAB and RC	8
Total			**32**

Stage 1. Recapitalisation

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Entitlement Offer - Overview

- Drill Torque is raising $2.5 million through a fully underwritten one for one non-renounceable entitlement offer ('Entitlement Offer') via the issue of approximately 125 million ordinary shares ('New Shares')
- The Entitlement Offer will provide existing shareholders with the opportunity to purchase up to 1 additional share for every 1 share held as at the Record Date
- Net proceeds of the Entitlement, in combination with current drilling contracts will be used to support working capital
- The Entitlement Offer is fully underwritten by RBS Morgans

Issue price	$0.02
Total number of shares issued under the Entitlement Offer	125.0m
Capital raising amount	$2.5m
Expected total number of shares post the Entitlement Offer	250.0m

- Mitchell Group together with Mitchell Group senior management will sub-underwrite the first 50 million shares ($1.0m) which in the event of a shortfall could deliver up to 19.9% of Drill Torque shares on issue post the Entitlement Offer

Directors intention under the rights issue

Directors	% take up
Mr David Fairfull	100.0%
Dr Ralph Craven	100.0%
Mr Peter Miller	0%
Mr Guy Drummond	0%

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Use of Funds

Use of funds	Details	Amount
Upgrades to existing rigs	• Upgrade specific rigs to enable use in the coal seam gas market	$0.5m
Working capital	• Support the operations while additional contracts are secured • Fund the initial contract ramp up costs before drilling revenues are received	$1.75m
Costs of the offer		$0.25m
Total		**$2.5m**

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Proforma balance sheet (including net cash from rights issue)

As at 30 June 2013	$m
Cash	2.8
Receivables	1.9
Inventory	1.6
Other	0.3
Total Current Assets	**6.6**
Property plant and equipment	16.0
Other	1.3
Total Non Current Assets	**17.3**
Total Assets	**23.9**
Payables	1.5
Provisions	0.4
Financial liabilities	4.5
Total Current Liabilities	**6.4**
Financial liabilities	4.4
Total liabilities	**10.8**
Net assets	**13.1**

- Strong proforma cash position of $2.8m to be used to expand Drill Torque's drilling capabilities and fund working capital requirements
- Cash includes $2.25m net proceeds from the rights issue
- Value of property plant and equipment ($16.0m) is significantly greater than financial liabilities ($8.9m)
- Current assets are greater than current liabilities

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The Board Supports the Acquisition of Mitchell Services

Stage 2. Restructuring
(subject to shareholder approval)

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Strictly Private & Confidential

11

Acquisition of Mitchell Services - Overview

- Drill Torque have agreed to purchase Mitchell Services for 40 million Drill Torque shares plus additional performance based options (details are outlined in the Appendix). The acquisition is subject to shareholder approval, the independent expert has viewed the acquisition as **Fair and Reasonable**
- Mitchell Services will include the following assets:
  - Drilling and wireline logging contracts
  - Mitchell management and administration team, to lead and drive the business moving forward
  - A perpetual and royalty free licence from the Mitchell Group for Australia and Papua New Guinea for the following registered trademarks and other intellectual property:
    - The Mitchell "Globe" and Mitchell name (as it relates drilling services only)
    - MAXIAL2 (surface to inseam)
    - MAXTRACK (directional drilling software)
    - Mitchell Wireline Services
    - Mitchell Energy Services
  - Property lease for the Mitchell Services head office located at 112 Bluestone Circuit, Seventeen Mile Rocks
  - An option to purchase the Mitchell Group African drilling business, subject to agreeing terms
  - A service contract to oversee the Mitchell Group African operations
  - Intellectual property including financial model and budget models applicable and safe work instructions

Mitchell Mitchell Mitchell

MAXIAL2 MAXTRACK

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Overview of the Mitchell Group

Background

- Mitchell Group is a Brisbane based international drilling company which for nearly 45 years the Mitchell name has been synonymous with drilling in Australia
- The Group were pioneers in Queensland's CSG industry and were instrumental in developing drilling technology to maximise returns from CSG projects in Queensland
- In 2008, Mitchell sold its Australian drilling operations of our company to AJ Lucas Group Limited. At the time of sale, Mitchell was Australia's largest privately owned drilling contractor
- Under the sale terms Mitchell had a restraint of trade which expired in August 2013
- Mitchell Group has used the time since the sale to expand drilling operations internationally and gain global experience and recognition
- As the restraint of trade has now expired, Mitchell Group sees Drill Torque as an ideal way to return to the industry which it helped to pioneer

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The Management Team

Mr Nathan Mitchell
Managing Director

- 25 Years in drilling services, resource development and unconventional gas
- Specialist in frontier business development (Africa, India, Russia, China, PNG)
- Track record of technical development – surface to inseam directional drilling, mini-LNG, UCG

Mr Andrew Elf
Chief Operating Officer

- 15+ years finance, commercial and operations experience across a range of sectors
- 10 years in domestic and international drilling industry managing large rig fleets and teams
- Bachelor of Commerce, CPA, MBA, GAICD

Mr Martin McIver
Chief Financial Officer

- 13 years experience at General Manager or Director level in mining services and energy companies
- 3 years mergers and acquisitions experience with PricewaterhouseCoopers
- MBA with Honors from the American Graduate School of International Management

Mr Gary Salter
Chief Commercial Officer

- 31 years experience as a mining geologist and exploration manager
- 6+ years as business development manager for leading Australian drilling companies

Mr Aaron Short
Operations Manager

- 17+ years experience in the drilling industry
- Extensive experience at operations management level
- Responsible to establishing and running 17 rig program in Mozambique

Supported by workforce of experienced technical, trade, business development and management professionals

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Overview of the Mitchell Group

Mitchell Client Base

- Mitchell has forged long lasting relationships on the back of almost 45 years of proven performance and client satisfaction
- Mitchell key clients have included: Queensland Coal Investments, Xstrata, Anglo Coal, BHP, Rio Tinto, Hindustan Zinc, Sesa Goa, Boabab Resources, ENRC, Adi Gold Mining, Origin, Santos, Westside, Thiess, Peabody Coal, Arrow Energy, Carbon Energy, and Linc Energy*
- Mitchell continues to maintain and expand key relationships

Mitchell Services - Recent Contract Wins

- Queensland Coal Investments – West Moranbah
  - drilling and geophysical logging
- Bounty Mining Investments – Wongai Project
  - drilling and geophysical logging

*There is no guarantee that these clients will become clients of Drill Torque

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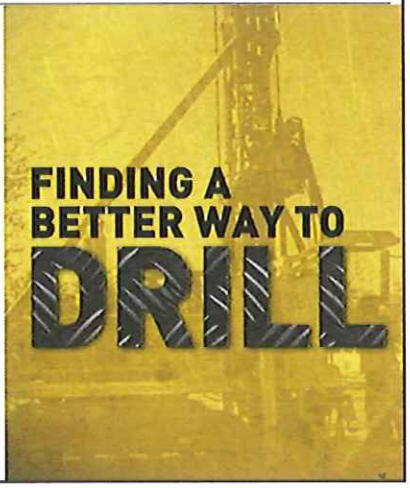
Overview of the Mitchell Group

45 Years of Drilling Expertise

- Large Diameter Drilling
- Directional Drilling
- Geophysical Wireline Services
- Coal Exploration Drilling
- Coal Seam Gas (CSG) & Coal Mine Methane (CMM) Exploration
- CSG & CMM Production
- Hard Rock Exploration Drilling
- Operational experience in Australia, Africa, China, India, Indonesia, Papua New Guinea and North America



Summary of key risks

Risk factor	Mitigants
Changes in commodity prices	• Improving global economic conditions may increase demand for resources, resulting in upward pressure on commodity prices • Drill Torque actively drills for a number of commodities reducing exposure to specific price fluctuations • Long term contracts with customers offer security of demand in medium term
Adverse changes in climatic conditions	• Sustained periods of adverse weather can limit the ability of drill rigs to operate • New maintenance facilities allow repair and maintenance to be undertaken in all weather conditions
Reliance on key personnel and access to skilled labour	• Drill Torque's primary intellectual asset is the skill and experience of its staff • Implemented special training programs to maintain and enhance skill levels of staff • Agreed employment contracts with qualified drillers to operate new drill rigs
Industrial risks	• Industrial accidents may occur with respect to Drill Torque's business • Drill Torque has implemented an occupational health and management system as part of its Integrated Management Plan • Track record of commitment to safety
Legislative change	• The sector in which Drill Torque operates has increasingly become the focus of Government regulation • Typically, significant consultation period associated with the implementation of new legislation, this should allow Drill Torque to manage its business operations in the event of a change in the regulatory environment

Note: Further detail and a full list of risk factors associated with investing in Drill Torque can be found in Section 4.2 of the Rights Issue Offer Document

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3. ACTIONS REQUIRED BY SHAREHOLDERS

Acceptance of the Offer must be made by Eligible Shareholders on the **original** Entitlement and Acceptance Form accompanying this Offer Document and must not exceed the Entitlement as shown on that form. The Directors reserve the right to reject any applications for New Shares that are not made in accordance with the terms of this Offer Document or the instructions on the Entitlement and Acceptance Form.

3.1 Taking up all of your Entitlement

If you wish to take up all of your Entitlement, complete the Entitlement and Acceptance Form in accordance with the instructions set out on the front of that form and arrange for payment of the Application Money in accordance with Section 3.4.

3.2 Allow all or part of your Entitlement to lapse

If you decide not to accept all or part of your Entitlement, or fail to accept your Entitlement by the Closing Date, your Entitlement to the extent not accepted will lapse. The New Shares not subscribed for will form part of the Shortfall.

If you do nothing, although you will continue to own the same number of Shares, your proportionate shareholding in the Company will be diluted.

3.3 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement under the Offer and allow the balance to lapse, please complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up in accordance with the instructions set out on the front of that form and arrange for payment of the applicable amount of Application Money in accordance with Section 3.4.

3.4 Payment and return of Entitlement and Acceptance Form

You may pay the Application Money by BPay®, cheque, or money order.

***Payment by** BPay®*

Those Applicants who elect to pay by BPay® must follow the instructions for BPay® described in the Entitlement and Acceptance Form (which includes the biller code and your unique customer reference number). Please note that should you choose to pay by BPay® payment:

(a) you do **not** need to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that Entitlement and Acceptance Form; and

(b) if you do **not** pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Money.

Applicants should be aware that their own financial institution may implement earlier cut off times with respect to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds submitted through BPay® are received by no later than 5:00pm (Perth time) on 8 November 2013.

Payment by cheque, money order or bank draft

Those Applicants who elect to pay by cheque or money order must follow the instructions described in the Entitlement and Acceptance Form. You must ensure that:

(a) your Entitlement and Acceptance Form is complete;

(b) your cheque or money order for the applicable amount of Application Money is made in Australian currency, drawn on an Australian branch of a financial institution, made payable to "Drill Torque Limited – Shareholder Account" and crossed "Not Negotiable"; and

(c) your completed Entitlement and Acceptance Form and cheque or money order are received by the Share Registry by no later than 5:00pm (Perth time) on 8 November 2013 at:

By Mail:
Advanced Share Registry Ltd
PO Box 1156
NEDLANDS WA 6909

By Hand:
Advanced Share Registry Ltd
150 Stirling Highway
NEDLANDS WA 6009

For further information on your Entitlement or how to accept your Entitlement, please contact the Share Registry as follows:

Advanced Share Registry Ltd
Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

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4. RISK FACTORS

4.1 Introduction

The Company's business is subject to risk factors, both specific to its business activities and of a general nature, which either individually or in combination, could materially and adversely affect the future operating and financial performance of the Company and accordingly the value of an investment in the Company. While some of these risks can be mitigated by the use of appropriate safeguards and systems, many are outside the control of the Company and cannot be mitigated. In particular, there can be no guarantee that the Company will achieve its stated objectives or that any forward looking statements or forecasts will eventuate. An investment in the Company should be considered speculative and must be considered in light of all relevant risks, both general and specific.

In addition, potential investors should be aware that the value of Shares on the ASX may rise and fall depending on a range of factors that affect the market price of Shares. These include local, regional and global economic conditions and sentiment towards equity markets in general. The New Shares to be issued under this Rights Issue carry no guarantee with respect to profitability, the payment of dividends, return of capital or the price at which the New Shares may trade on the ASX.

The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

4.2 Specific Investment Risks

4.2.1 *Seasonal conditions and business interruptions*

The Company has exposure to a number of natural events such as cyclones, persistent rainfall, floods, and fire which are beyond its control. Natural events would affect the Company's productivity and ability to engage in contract drilling for customers and, as a result, could have a material adverse effect on the Company. Unstable weather conditions, unstable service sites, regulatory intervention, delays in necessary approvals and permits or supply bottlenecks may reduce the Company's ability to complete drilling services contracts resulting in performance delays, increased costs and loss of revenue. The Company seeks to mitigate these and other risks by securing clients in multiple geographic locations so as to minimise the impact of events such as the Queensland wet season.

4.2.2 *Dependence on key personnel and labour shortages*

The Company's primary intellectual asset is the skill and experience of its staff. It is essential that appropriately skilled staff be available in sufficient numbers to support the Company's operations. While the Company has initiatives to mitigate this risk, including implementing special training programs, loss of key staff or failure to attract new staff may have a negative impact on the financial performance or otherwise of the Company and in particular its ability to expand its business. The loss of key staff to a competitor may magnify this impact.

4.2.3 *Effects of amended industrial relations laws*

Recent changes to Commonwealth industrial relations laws particularly in regard to new awards may result in increased labour and compliance costs. This could impact on the ability of the Company to retain key personnel, attract new workers or replacement personnel. Any further changes to Commonwealth industrial relations laws may result in additional labour and compliance costs.

4.2.4 *Industrial accidents*

Industrial accidents may occur with respect to the Company's business. In the event of a serious accident, for example resulting in a fatality or serious injury, or a series of such accidents on projects, substantial claims may be brought against the Company. Any such claim could result in substantial liability for the Company, which could negatively impact on growth prospects and adversely affect the financial performance and/or financial position of the Company.

4.2.5 *Customer demand and outlook for resources industry*

The Company's business depends on, amongst other things, the level of mining activity.

Levels depend on a number of factors outside the control of the Company, including, but not limited to, continued global economic growth, continued international demand and infrastructure constraints experienced by the Company's clients. Any prolonged decline in the demand for resources may result in a corresponding decline in the use of the Company's services which will have an adverse effect on the financial performance and/or financial position of the Company.

Commodity prices are volatile. Industry experience indicates that when commodity prices fall below certain levels, mining expenditure and activity decline in the following 12 months. There is a risk that a significant, sustained fall in commodity prices could substantially reduce future mining activity and accordingly demand for the Company's services.

4.2.6 *Equipment constraints*

Some of the specialist services provided by the Company require the use of purpose-built drilling rigs and equipment. The Company may have difficulty in gaining access to additional purpose-built rigs or equipment or adequate supplies of equipment at appropriate prices and in a timely manner or the quality of the available equipment may not be acceptable or suitable for its intended use. The Company may also not be able to make the necessary capital investment to maintain or expand its rig fleet. Any of these factors may constrain the Company's ability to provide services and may ultimately have an adverse effect on its growth opportunities, financial performance and/or financial position.

4.2.7 *Concentration risk and industry downturn*

The Company's focus on drilling gives rise to some degree of concentration risk in that the prospects of the Company are largely tied to the prospects of the mining industry.

4.2.8 *Operational risks*

The Company and its customers are exposed to a range of operational risks relating to both current and future operations. Such operational risks include equipment failures, information technology system failures, external services failure, industrial action or disputes and natural disasters. Whilst the Company endeavours to take appropriate action to mitigate these operational risks and to insure against them, the Company cannot control the risks to which its customers are exposed, nor can it completely remove all possible risks relating to its own business.

4.2.9 *Changing customer preferences regarding contractual arrangements*

The majority of the Company's contracts for the provision of services are negotiated on a variable costs relationship-based agreement. However, a small number are negotiated on a fixed-price basis. Fixed-price contracts are typically higher risk. Should customers in the future exhibit a preference for fixed-price contractual arrangements, this may have an adverse effect on the financial performance and/or financial position of the Company.

4.2.10 *Capital and maintenance expenditure*

The Company requires sufficient access to capital to fund the maintenance and replacement of its existing fleet of rigs, plant and equipment and any future expansion. Failure to obtain capital on favourable terms may hinder the Company's ability to expand and maintain its fleet of rigs or equipment which may reduce the Company's competitiveness.

4.2.11 *Operating costs*

There is a risk of unexpected increases in variable operating costs including labour, insurance and maintenance, which may adversely affect the Company's operating and financial performance.

4.2.12 *Remote locations*

The Company regularly undertakes projects in remote locations. The remoteness of the location exposes the Company to an increased risk of a shortage of skilled and general labour and potentially increased costs which may or may not be able to be passed onto the customer. The Company may also be exposed to a greater risk of logistical difficulties with plant and equipment because of the remote locations of its projects.

4.2.13 *Early mine closure*

The Company typically enters into contracts for the provision of services in relation to large, individual mines, which remain in force over extended periods of time. The Company ordinarily deploys its equipment and/or personnel with a view to providing services in relation to the particular mine on a continual basis over the duration of a service contract's life. Early or unforeseeable closure of a mine could result in loss of expected revenues, and additional expenses for demobilisation, maintenance and storage of equipment used at that mine.

4.2.14 *Environmental incidents and claims*

The Company operates in an industry where environmental issues, including inclement weather, may delay contract performance or result in complete shutdown of a project, causing a deferral or preventing receipt of anticipated revenues.

4.2.15 *Reputation*

The Company's ability to retain and source new customers is heavily dependent on its reputation and current relationships with key customers. A dissatisfied customer, poor performance or litigation may result in significant damage to the Company brand and may impact on the Company's ability to maintain existing customers or enter into new customer relationships, resulting in an adverse impact, on its financial performance and/or financial position.

4.2.16 *Insurance risk*

The Company provides drilling services to third parties, which exposes the Company to the risk of liability from defective services, including indirect or consequential losses suffered by third parties. The Company contractually limits its exposure to liability, and the Company maintains public liability insurance. The Company also has Directors' and Officers' insurance, which it believes to be commensurate with industry standards, and adequate having regard to the business activities of the Company. Nevertheless, there remains a risk that the Company's insurance coverage will be insufficient to meet a very large claim or a number of large claims or that the Company is unable to secure insurance to satisfactorily cover all anticipated risks or that the cost of insurance will increase beyond anticipated levels.

4.2.17 *Financing*

The Company has invested in a modern fleet of rigs, compressors and vehicles as well as maintenance facilities to ensure the fleet is able to be utilised to maximum advantage. As such, the Company raised significant borrowings to acquire and finance these items of plant and equipment in the form of short-term equipment finance loans (maximum term of 6 years) all with repayments of principal and interest.

The Company also utilises a revolving limit of $2 million to maintain a fleet of support utilities and sedans. For safety and maintenance reasons, vehicles are continually purchased and sold within this facility.

The Company's ability to make new acquisitions and further investment in its fleet may depend on it being able to obtain new capital at competitive rates in a timely manner. Failure to do so may limit the Company's ability to funds its future growth.

4.2.18 *Future funding*

While the Directors believe that the Company will have sufficient funds to fund its activities in the short term, the Company is operating in a dynamic and rapidly growing industry. If the Company does not meet its stated objectives, it may need additional debt or equity funding. There can be no guarantees that such funding will be available to the Company on reasonable terms or at all. Any such failure to obtain funding on reasonable terms may result in a loss of business opportunity and excessive funding costs, including dilution to Shareholders if equity funding is pursued.

4.2.19 *Recognition of revenue*

The Company's performance is influenced by its ability to win new contracts for the provision of drilling services and the completion of those contracts in a timely and efficient manner. Where new and existing contracts are delayed the recognition of revenue for those contracts may be deferred to later accounting periods.

4.2.20 *Entry of new competitors*

The entry of additional competitors in the drilling services sector could result in reduced operating margins and loss of market share. Such occurrences could adversely affect the Company's operating and financial performance.

4.2.21 *Growth – new customers*

The Company's ability to grow its business depends, to a large degree, on its ability to secure new customers and contracts. Failure to obtain new drilling contracts may have a material adverse effect on the Company.

4.2.22 *Regulatory environment*

The sector in which the Company operates is highly regulated by the various state and federal governments. The Company must comply with the relevant regulations and, as a consequence, its ongoing operations are subject to regulatory changes. Changes to the way in which the market is regulated could adversely affect the business or financial performance of the Company by the imposition of additional capital and/or operational obligations on the Company.

4.2.23 *Carbon and mining tax*

Implications for the Australian mining industry of the Federal Government's carbon and mining taxes remain unclear particularly given the recent change in the Federal Government. It is possible that the new Federal Government could change the laws imposing these taxes. It is not possible at this stage to quantify the potential impact of any such changes on the operations, performance, profitability, prospects or value of the Australian mining industry and therefore any impacts on the Company.

4.2.24 *Litigation*

Litigation risks to the Company include, but are not limited to, contractual claims, environmental claims, occupational health and safety claims, employee claims, regulatory disputes, legal actions from special interest groups, as well as third party damage or losses resulting from drilling actions. The Company is not currently involved in any disputes and is not aware of any circumstances which could give rise to any claims or disputes.

4.2.25 *Environmental*

State and national environmental legislation and regulations affect the operations of the Company. These regulations set standards regarding certain aspects of health and environmental quality, provide for penalties and other liabilities for violation of such standards and establish in certain circumstances, obligations to remediate current facilities and locations where operations are, or were previously conducted. There is a risk that such liabilities could be imposed on the Company.

4.2.26 *Occupational health, safety and environment*

Site safety and occupational health and safety outcomes are a critical element in the reputation of the Company and the ability to be awarded contracts in the drilling services sector. While the Company has a strong commitment to achieving high quality safety performance on its sites, and has implemented a safety management system acceptable to all major clients proven by the fact that contracts have been performed and completed without any significant safety issues having arisen, a serious site safety incident could impact upon financial outcomes for the Company.

4.2.27 *Foreign exchange*

Foreign exchange risk arises from the Company entering into commercial transactions that are denominated in currencies other than Australian dollars. The Company is primarily exposed to foreign currency risk through the acquisition of drilling rigs and equipment that are denominated in foreign currency. In the context of the Company's business, that exposure is currently immaterial. However, the risk remains that foreign exchange movements may increase the Australian dollar cost of such expenditure where exposure has not been effectively hedged.

4.3 General Investment Risks

4.3.1 *Price of New Shares may fluctuate*

The price of the New Shares on the ASX may rise and fall due to numerous factors including:

- general economic conditions including inflation, interest rates, and exchange rates;
- changes to government policy, legislation or regulation;
- variations in the prices of other listed stocks in general, or more mining and mining services stocks;
- inclusion or removal from major market indices;
- the nature of competition in the markets in which the Company operates; and
- other general operational and business risks.

It is the nature of equity markets that a company's share price is subject to wide fluctuations, which may not reflect the underlying value of the company.

4.3.2 *Trading in Shares*

Although the Company is listed on ASX, there is no assurance that an active trading market for its Shares will be sustained. There is also no assurance that the market price for the Shares will not decline below the Issue Price. The market price of Shares could be subject to significant fluctuations due to various external factors and events, including the liquidity of the Shares in the market, the Company's actual financial and operating results and broader market-wide fluctuations.

4.3.3 *Taxation*

Any change to the current taxation regime in Australia or an interpretation of Australian taxation laws by the Australian Taxation Office that is contrary to the Company's view of those laws may increase the amount of tax paid by the Company or affect the treatment of tax losses that may have otherwise reduced the tax payable by the Company. The Company obtains external expert advice on the application of the tax laws to its operations. The Company is not currently in dispute with any revenue authority in respect to any taxation matter.

Personal tax liabilities are the responsibility of each individual investor. The Company is not responsible for taxation or penalties incurred by investors.

4.3.4 *Accounting standards*

Australian accounting standards are set by the Australian Accounting Standards Board ("AASB") and are outside the Directors' and the Company's control. Changes to accounting standards issued by AASB or changes to the commonly held views on the application of those standards could materially impact the volatility of the Company's reported earnings and adversely affect the financial performance and position reported in the Company's financial statements.

4.3.5 *Force majeure*

Force majeure events including natural disasters, sabotage, the outbreak of international hostilities and acts of terrorism may cause an adverse change in investor sentiment with respect to the stock market generally or the Company specifically. Some force majeure events are uninsurable.

4.3.6 *Investment risk*

An investment in New Shares should be considered **speculative**. New Shares carry no guarantee with respect to the payment of any dividends, returns of capital or the market value of those New Shares.

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5. ADDITIONAL INFORMATION

5.1 Underwriting Agreement

The Company and the Underwriter have entered into the Underwriting Agreement pursuant to which the Underwriter has agreed to fully underwrite the Rights Issue on the terms and conditions contained in the Underwriting Agreement. Customary with these types of arrangements:

(a) the Underwriting Agreement includes a number of termination events, including market related termination events in respect to the fall in certain market indices;

(b) the Underwriter will receive an underwriting fee of $175,000 (plus any GST); and

(c) the Company has agreed to indemnify the Underwriter and various related parties and officers against their losses in connection with the Rights Issue.

5.2 Sub underwriting

The Underwriter has advised the Company that the Underwriter's obligations under the Underwriting Agreement are to be fully sub-underwritten by a number of different sub-underwriters, including Mitchell Group Holdings Pty Limited.

Under each sub-underwriting agreement the respective sub-underwriter has agreed to take up an agreed portion of any Shortfall, except that the Underwriter and the sub underwriters have agreed that Mitchell Group Holdings Pty Ltd and senior Mitchell Group managers will be entitled to take up, in priority to all other sub-underwriters, the first 50,000,000 New Shares of any Shortfall (up to 46,250,000 New Shares to Mitchell Group Holdings Pty Ltd and 3,750,000 New Shares to senior Mitchell Group managers). The

Company has been advised by Mitchell Group Holdings Pty Ltd that the senior Mitchell Group managers are not associates of Mitchell Group Holdings Pty Ltd as defined under the Corporations Act.

The Underwriter may terminate the sub-underwriting arrangements if the Underwriting Agreement is terminated or the Rights Issue does not proceed.

All fees payable to the sub-underwriters are payable by the Underwriter out of its underwriting fee that it is entitled to receive from the Company.

5.3 Effect of the Offer on control of the Company

To the extent that an Eligible Shareholder does not take up its Entitlement, the proportionate shareholding interest of that Eligible Shareholder in the Company will be diluted.

The final ownership of the Company and any likely change in ownership will depend on the degree to which Eligible Shareholders take up their entitlements.

As the Underwriter's obligations are to be fully sub-underwritten, the Company is of the view that the Offer will not affect the control of the Company that may be obtained by the Underwriter.

The Underwriter has advised the Company that the only sub-underwriter who is not already a substantial shareholder of the Company as disclosed at the date of this Offer Document and who could potentially become a substantial shareholder of the Company solely as a result of their sub-underwriting is Mitchell Group Holdings Pty Limited.

The Underwriter has further advised the Company that no sub-underwriter who, to its knowledge, is already a substantial shareholder of the Company will obtain any significant increase in their voting power in the Company as a result of their sub-underwriting, even if there was a 100% Shortfall.

Under the priority sub-underwriting arrangement with Mitchell Group, in the event of a Shortfall, Mitchell Group is required to take up, in priority to the other sub-underwriters, the first 46,250,000 New Shares of the Shortfall. The maximum number of New Shares that Mitchell Group can take up as a result of its sub-underwriting is 46,250,000 New Shares.

The number of Shares held by Mitchell Group and its associates as at the date of this Offer Document and the percentage of the total Shares represented by those Shares as at the date of this Offer Document are as follows:

Number of Shares held by Mitchell Group and its associates as at date of Offer Document	Shareholding percentage as at date of Offer Document
195,445	0.16%

Mr Peter Miller and Mr Guy Drummond who are current Directors, have advised the Company that neither they nor their associates will be taking up any of their Entitlements. Accordingly, the Company expects there will be a Shortfall of at least 50,185,619 Shares. Accordingly, the Company expects that Mitchell Group will acquire its full priority sub-underwriting commitment of 46,250,000 New Shares which would take the voting power of Mitchell Group in the Company from 0.16% to 18.58%.

The Company has announced to the ASX that, subject to Shareholder approval, it has agreed to acquire the whole of the issued share capital of Mitchell Services Pty Limited from Mitchell Group. In consideration for the sale of the shares in Mitchell Services, the Company will issue 40,000,000 shares to Mitchell Group and its associates. The completion of the purchase of the shares in Mitchell Services and the issue of the 40,000,000 Shares will occur after the completion of the Rights Issue, assuming the required Shareholder approvals needed for the Acquisition are obtained at the 2013 AGM.

As part of the Acquisition, Mitchell Group will also be granted 198,660,000 Options. However, those Options might not vest and, even assuming they do vest, cannot be exercised at the earliest until after the Company's financial results for the financial year ending 30 June 2015 are released.

Therefore, the maximum voting power in Shares that can be obtained by Mitchell Group and its associates as a sub-underwriter, assuming it does not sell or acquire any further Shares after the date of this Offer Document and before the Record Date, will arise if there is a Shortfall of at least 46,250,000 New Shares and it then subscribes for New Shares to the full amount of its sub-underwriting commitment. The following table sets out the maximum number of Shares that would be held by Mitchell Group and its associates in those circumstances and the voting power represented by those Shares immediately following completion of the Rights Issue and immediately following completion of the Acquisition:

Maximum number of Shares that could be held by Mitchell Group and its associates immediately following completion of Rights Issue*	Voting power represented by that maximum number of Shares immediately following completion of Rights Issue*	Voting power represented by that maximum number of Shares immediately following completion of Rights Issue and completion of Acquisition*
46,445,445	18.58%	29.81%

* This table assumes that Mitchell Group and its associates does not acquire or sell any Shares between the date of this Offer Document and completion of the Rights Issue, apart from the New Shares acquired by accepting its Entitlement and subscribing for New Shares as a sub-underwriter.

Although it is likely that Mitchell Group will become a substantial shareholder of the Company as a result of its priority sub-underwriting, the Company is of the view that this sub-underwriting will not affect the control of the Company, as the Underwriter advises the Company that it is a term of the sub-underwriting agreement that Mitchell Group is not permitted to acquire that number of Shares under the sub-underwriting agreement to the extent the issue of those Shares will result in a breach of any law or result in Mitchell Group and its associates obtaining voting power in Shares of greater than 20%.

Completion of the Acquisition of Mitchell Services is likely to affect control of the Company. However, the issue of the proposed 40,000,000 Shares to Mitchell Group and its associates and the grant of the 198,660,000 Options to Mitchell Group as part of the Acquisition is subject to Shareholder approval. The Company will be shortly issuing a notice of meeting to convene its 2013 AGM which will explain in detail the likely effect on control of the Company that will arise if the Acquisition proceeds to completion. Shareholders will be able to vote on the resolutions necessary to approve the Acquisition at the 2013 AGM. Completion of the Acquisition will only occur after completion of the Rights Issue and only if all required Shareholder approvals are obtained at the 2013 AGM.

5.4 Taxation

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under the Offer. The Company does not accept any responsibility in this regard, and Shareholders should consult with their professional tax advisers.

5.5 Privacy

The Entitlement and Acceptance Form requires you to provide information that may be personal information for the purposes of the Privacy Act 1988 (Cth).

The Company (and the share registry on its behalf) collects, holds and uses personal information in order to assess applications for New Shares, service the needs of Shareholders, provide facilities and services you request and carry out appropriate administration.

Access to information may also be provided to the Company's related bodies corporate, agents and service providers, regulatory bodies, mail houses and the Share Registry.

If you do not provide the information requested of you in the Entitlement and Acceptance form, the Share Registry will not be able to process your application for New Shares or administer your holding of Shares appropriately.

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6. Glossary

In this Offer Document:

2013 AGM means the annual general meeting of the Company to be held in respect of the financial year ended 30 June 2013.

$ means Australian dollars, unless otherwise specified.

Acquisition means the proposed acquisition by the Company of all the issued shares in Mitchell Services.

Applicant means a person who has applied to subscribe for New Shares by submitting an Entitlement and Acceptance Form.

Application Money means the aggregate of money payable for New Shares applied for in a duly completed Entitlement and Acceptance Form.

ASIC means the Australian Securities and Investment Commission.

ASX means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange.

Board means the board of directors of the Company.

Closing Date means the last day for payment and return of Entitlement and Acceptance Forms, being 5:00pm (Perth time) on 8 November 2013.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company.

Drill Torque or **Company** means Drill Torque Limited ACN 149 206 333.

Eligible Shareholder means a Shareholder at the Record Date who is not an Excluded Shareholder.

Entitlement means the number of New Shares that an Eligible Shareholder is entitled to apply for under the Offer, as determined by the number of Shares held by that Eligible Shareholder on the Record Date.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

Excluded Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia or New Zealand.

Existing Shares means Shares on issue as at 7.00 pm (Perth time) on the Record Date.

Issue Price means 2.0 cents per New Share.

Listing Rules means the official rules of ASX.

Mitchell Group means Mitchell Group Holdings Pty Ltd ACN 129 731 997 in its capacity as trustee of the Andala Trust.

Mitchell Services means Mitchell Services Pty Ltd ACN 165 456 066.

New Share means a new share to be issued under this Offer Document.

Offer means the pro rata renounceable rights issue offer by the Company to Eligible Shareholders to subscribe for 1 New Share for every 1 Existing Share held on the Record Date at the Issue Price, to raise a total amount of approximately $2,500,000.

Offer Document means this document.

Official Quotation means "quotation" (as the term is used in the Listing Rules) of all of the New Shares on ASX when allotted.

Options means options to subscribe for Shares in the Company.

Record Date means 7:00pm (Perth time) on 17 October 2013.

Rights Issue means the non-renounceable pro rata rights issue conducted pursuant to this Offer Document under which 125,000,005 New Shares will be offered to Eligible Shareholders on the basis of 1 New Share for every 1 Existing Share held by Eligible Shareholders at the Record Date at 2 cents per New Share.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Share Registry means Advanced Share Registry Ltd ACN 127 175 946.

Shortfall means the number of New Shares offered under the Offer for which valid applications have not been received from Eligible Shareholders before the Closing Date.

Underwriter means RBS Morgans Corporate Limited ACN 010 539 607.

Underwriting Agreement means the underwriting agreement between the Company and the Underwriter dated 8 October 2013.

DRILL TORQUE LIMITED
ABN 31 149 206 333
ENTITLEMENT AND ACCEPTANCE FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCKBROKER OR LICENSED PROFESSIONAL ADVISOR.

SHARE REGISTRY: Advanced Share Registry Ltd, Unit 2, 150 Stirling Highway, NEDLANDS, Western Australia 6009.

A non-renounceable pro-rata rights issue of 1 New Share at an issue price of $0.02 per New Share for every 1 Share held at the Record Date to raise up to approximately $2,500,000 (**Rights Issue**) before expenses.

NON-RENOUNCEABLE RIGHTS ISSUE, CLOSING 5.00PM (Perth time) ON 8 November 2013.

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2015 DTQ-88800415269

Sub-Register	ISSUER
HIN/SRN	I
Shareholding at Record Date 7.00pm (Perth time) 17 October 2013	
Entitlement to Shares on a 1 for 1 basis	
Amount payable on acceptance at $0.02 per Share	

To the Directors
DRILL TORQUE LIMITED ("the Company")

1. I/We the above mentioned, being registered on 17 October 2013 as the holder(s) of ordinary shares in the Company hereby accept the below mentioned securities in accordance with the terms of the Offer Document accompanying this form;
2. I/We hereby authorise you to place my/our name(s) on the register of shareholders of the Company in respect of the number of New Shares allotted to me/us.
3. I/We agree to be bound by the Constitution of the Company.

RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE **BY 5.00PM (Perth time) ON 8 November 2013** WILL CONSTITUTE YOUR ACCEPTANCE OF THE SHARES

NUMBER OF NEW SHARES ACCEPTED (BEING NOT MORE THAN THE ENTITLEMENT SHOWN ABOVE)	AMOUNT ENCLOSED @ $0.02PER NEW SHARE
	AUD$

METHOD OF ACCEPTANCE

You can apply for New Shares and make your payment utilising one of the payment options detailed overleaf, however please indicate which payment option you have chosen by marking the relevant box below.

☐ Cheque/bank draft/money order ☐ BPAY

PLEASE ENTER CHEQUE DETAILS	Drawer	Bank	Branch	Amount

B PAY Biller Code: 212969 Ref No: 714888004152699	You can pay by BPAY. If you choose to pay by BPAY, you do not need to return this Form. Please refer overleaf for details

My/Our contact numbers in the case of enquiry are:

Telephone: (...........) .... Email: ....

NOTE: Cheques should be made payable to **DRILL TORQUE LIMITED – SHAREHOLDER ACCOUNT**, crossed NOT NEGOTIABLE and forwarded to Advanced Share Registry Ltd, PO Box 1156, Nedlands WA 6909 together with this Entitlement and Acceptance Form.

Complete this panel and sign below only if a change of address is to be registered with the Company

New Address: ____________________

Signature(s): ____________________ Date:

Please indicate correct title: Director / Secretary /..

PLEASE REFER OVERLEAF FOR INSTRUCTIONS

APPLICATION INSTRUCTIONS

LODGEMENT INSTRUCTIONS

Acceptance of your Entitlement in Full

If you are accepting your entitlement in full or in part, please:

- complete the reverse side of this Entitlement and Acceptance Form; and
- forward it, together with your payment, so that it reaches Drill Torque Limited's share registry, Advanced Share Registry Limited no later than 5.00pm Perth time on 8 November 2013; or
- apply for New Shares by utilising the payment options detailed below. There is no requirement to return this Form if you are paying by BPAY or other electronic means.

Entitlements Not Taken Up

If you do not take whole or part of your entitlement the Rights will lapse.

Payment Details

You can apply for New Shares by utilising the payment options detailed below. There is no requirement to return this Form if you are paying by electronic means.

By making your payment using either BPAY or by cheque, bank draft or money order, you confirm that you agree to all of the terms and conditions of the Drill Torque Limited Entitlement Offer Document as enclosed with this form. Your cheque, bank draft or money order should be made payable to **DRILL TORQUE LIMITED- SHAREHOLDER ACCOUNT** in Australian currency and crossed "Not Negotiable". Your cheque or bank draft must be drawn on an Australian branch of a financial institution. Please ensure you submit the correct amount. Incorrect payments may result in your Application being rejected. Complete cheque details in the boxes provided.

If the payment you submit is insufficient to pay for the number of Shares you apply for, you will be taken to have applied for such lower number of New Shares as that amount will pay for. If the amount you pay is more than the amount payable for your full entitlement, you will be taken to have applied for the maximum number of Shares you are entitled to apply on this Form, with the excess balance of payment to be refunded.

Lodgement of Application

If you are applying for New Shares and your payment is being made by BPAY, you do not need to return this Form however you are encouraged to return the Form to the share registry for reconciliation purposes – in that case you can post the Form to the share registry or send it by facsimile to +61 8 9389 7871. Your payment must be received by no later than 5.00pm (Perth time) on 8 November 2013. Applicants should be aware that their own financial institution may implement earlier cut off times with regard to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY or other electronic means are received by this time. Neither Advanced Share Registry Limited nor the Company accepts any responsibility for loss incurred through incorrectly completed payments.

If you are paying by cheque, bank draft or money order, your Application must be received by the share registry by no later than 5.00pm (Perth time) on 8 November 2013. You should allow sufficient time for this to occur. Return your Application with cheque, bank draft or money order attached to the address below. Neither Advanced Share Registry Limited nor the Company accepts any responsibility if you lodge your Application and payment at any other address or by any other means.

If you have any enquiries concerning this Form or your entitlement, please contact Advanced Share Registry on phone +61 8 9389 8033 or fax +61 8 9389 7871. CHESS holders must contact their Controlling Participant to notify a change of address.

Telephone & Internet Banking – BPAY

Call your bank, credit union or building society to make this payment from your cheque or saving account. More info: www.bpay.com.au

By Mail

Drill Torque Limited - Rights Issue
c/- Advanced Share Registry Ltd, PO Box 1156
NEDLANDS WA 6909