HALF YEAR RESULTS

FINANCIAL YEAR 2023

Mitchell
SERVICES

ASX:MSV

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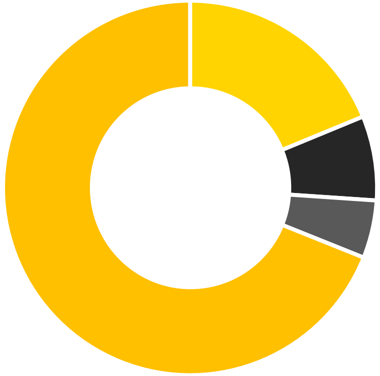
AGENDA

MARKET PROFILE

ASX INFORMATION

ASX Stock Symbol	MSV
Shares on Issue (at 21/02/23)	220,839,049
Share Price (at 21/02/23)	A$0.36
Market Capitalisation	A$79.50m

SHAREHOLDERS



- 18.8% - Mitchell Group
- 7.3% - Dream Challenge Pty Ltd
- 4.97% - Washington H Soul Pattinson
- 69% - Other

BOARD OF DIRECTORS

Nathan Mitchell	Executive Chairman
Scott Tumbridge	Non-Executive Director
Peter Miller	Non-Executive Director
Robert Douglas	Non-Executive Director
Neal O’Connor	Non-Executive Director
Peter Hudson	Non-Executive Director

EXECUTIVE MANAGEMENT TEAM

Andrew Elf	Chief Executive Officer
Greg Switala	CFO & Company Secretary

1H23 BUSINESS SUMMARY

RECORD REVENUE $120.2m

↑ 17%

FROM 1H22

81 AVERAGE OPERATING RIGS

↑ 13%

FROM 1H22

CAPITAL INVESTMENT PROGRAM

COMPLETE WITH ALL 12 LF160 RIGS OPERATING FOR GLOBAL MAJOR MINERS

CAPEX $8.8m

↓ 51%

FROM 1H22

GROSS DEBT $37.2m

↓ 13%

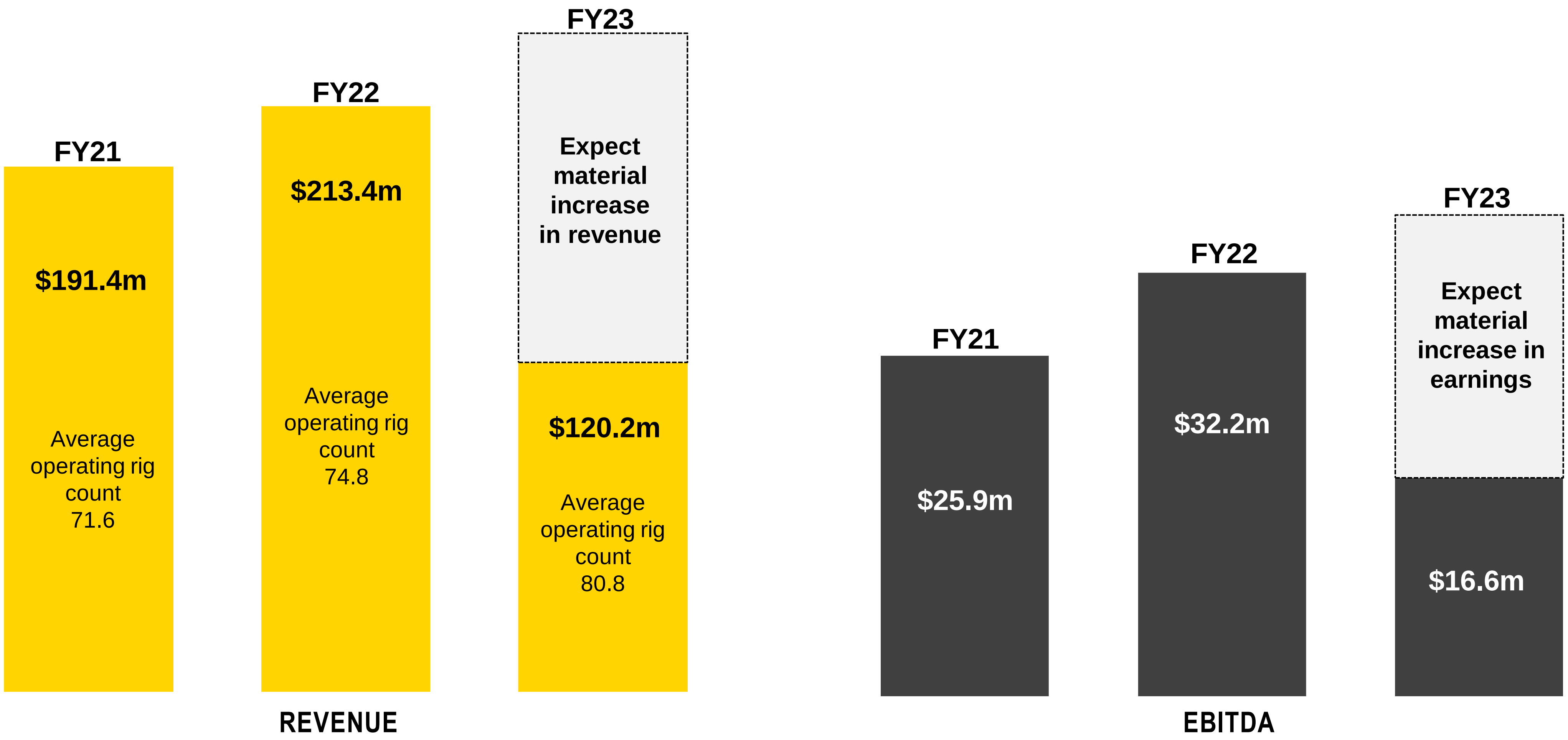
FROM 30 JUNE 22

SHARE BUY BACK PAYMENTS $1.5m

↑ 100%

FROM 1H22

REVENUE AND EARNINGS GROWTH



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OVERVIEW

- High commodity prices driving **continued strong demand** for drilling services particularly in the steelmaking coal sector
- High levels of utilisation and inflation are providing the Company with an opportunity to **reset pricing**
- Company's capital investment program is complete. All 12 LF160 rigs are working for global major miners and are **generating returns** post ramp up and mobilisation
- High quality revenue streams and strong organic growth positions the Company to deliver **strong shareholder returns** through a focused capital management strategy
    - 90% of revenue is from global mining majors
    - Revenue is split circa 50% surface drilling & 50% underground drilling
    - Gold represents circa 50% of revenue
    - 80% of revenue is from production, development and resource definition drilling

AngloAmerican

AGNICO EAGLE

SOUTH32

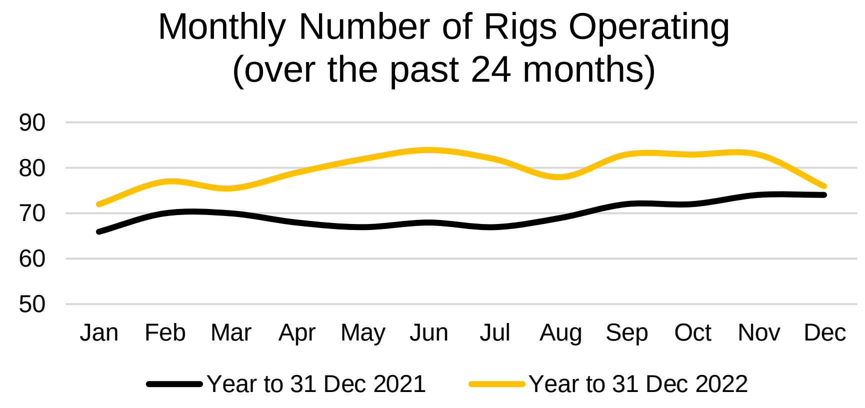
Newmont

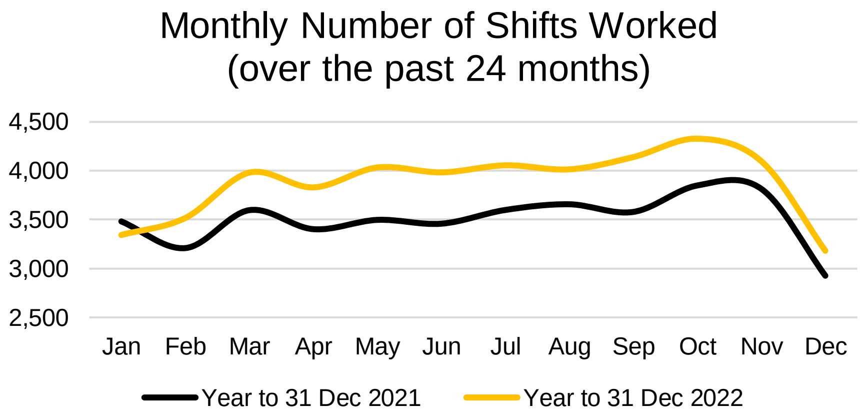
NEWCREST MINING LIMITED

GLENCORE

OPERATIONAL UPDATE

- Capital investment program to deliver MSV's organic growth strategy now complete
- All 12 new LF160 drill rigs now operating for global mining majors
- Multiple new and expanding contracts expected to be EBITDA accretive for the balance of the financial year
- Multiple rainfall events and unplanned contract variations temporarily reduced operating margins during a period of significant mobilisations and de-mobilisations
- 1H23 Performance was impacted by an isolated but serious safety incident (hand injury). Thankfully, the employee is expected to make a full recovery and we remain proud of our safety performance and culture
- COVID impacts in the business in 1H23 were significantly reduced when compared to FY21 and FY22 levels
- Unprecedented utilisation of the large diameter fleet, expected to remain fully utilised until at least June 2023



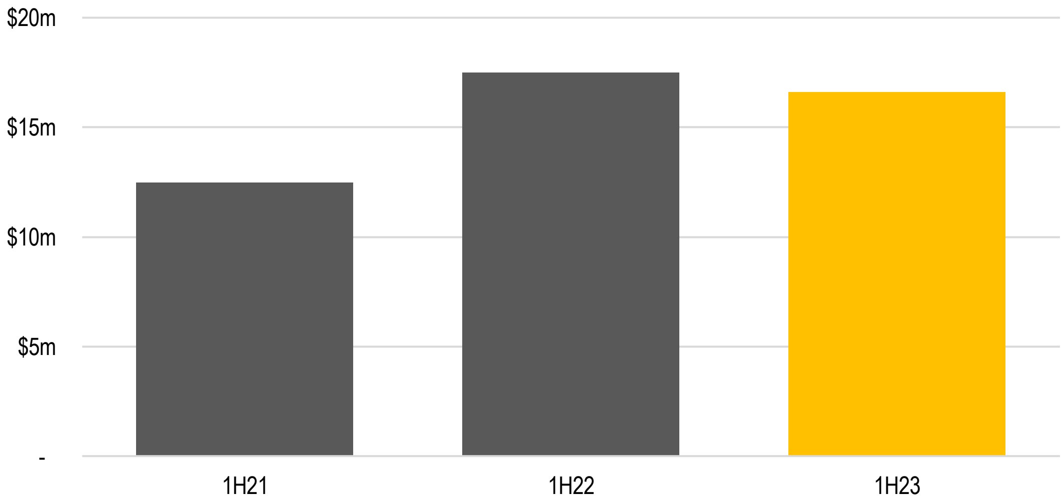


PROFIT AND LOSS

SOLID OPERATING PERFORMANCE

- Solid operating performance drove continued material increases in revenue, operating rigs and shifts in 1H23 compared to previous periods
- Increase in revenue did not translate into increase in EBITDA due to overall inflation pressures and temporary headwinds including multiple severe wet weather events, contract variations and an isolated but significant safety incident
- With an average operating rig count in 1H23 of 81, the business is well positioned to benefit from multiple new and expanding contracts
- 1H23 includes an amortisation expense of circa $1.0m being the amortisation of Deepcore customer contracts recognised as part of the initial acquisition accounting. This amortisation cost will cease from Feb 2023

EBITDA



PROFIT & LOSS

	1H21	1H22	1H23
	$000's	$000's	$000's
Revenue	100,035	102,884	120,231
EBITDA	12,465	17,545	16,609
EBIT	(3,011)	2,338	1,455
NPBT	(4,378)	1,480	253
NPAT	**(3,131)**	**1,091**	**186**

BALANCE SHEET

WELL POSITIONED TO CAPITALISE ON EXPANDING CONTRACT BASE

- The business is well funded to capitalise on strong market conditions and an expanding contract base
- No intention to raise equity to further strengthen balance sheet or for any other reason
- Seasonal reduction in trade and other receivables not as pronounced as prior periods given greater revenue in FY23 Q2 and a delay in payments from a mining major client as part on an upgrade to is global accounts payable processes which has been rectified post 31 December 2022
- Increased inventory levels associated with the new LF160 fleet and to ramp up for new and expanding contracts that mobilised late in calendar year 2022

	31-Dec-22	30-Jun-22	Change
	$000's	$000's	%
Balance Sheet Summary			
Current assets	46,433	49,208	(6%)
Non-current assets	87,665	94,077	(7%)
Total assets	134,098	143,285	(6%)
Current liabilities	48,282	51,006	(5%)
Non-current liabilities	25,216	30,532	(17%)
Total liabilities	73,498	81,538	(10%)
Net assets	**60,600**	**61,747**	**(2%)**
Working Capital Summary			
Receivables	34,991	36,003	(3%)
Prepayments & other assets	1,831	2,147	(15%)
Inventories	9,574	7,237	32%
Trade & other payables	(20,845)	(22,131)	(6%)
Premium funding	-	(441)	(100%)
Working Capital Investment	**25,551**	**22,815**	**12%**

CASH FLOW

CONSISTENT OPERATING CASH GENERATION

- 1H23 Cash Conversion Ratio largely in line with 1H22 levels
- Temporarily increased working capital requirements (see slide 10) have resulted in a Cash Conversion that is lower than historical trends and longer-term expectations
- Conversion Ratios expected to normalise in 1H24 given the expected increase in rig count (and associated working capital requirements) in 2H23
- Cashflows from financing activities in 1H23 included circa $1.5m in payments to shareholders in the form on an on-market share buyback that remains on foot
- Having benefited from the recent ATO instant asset write-off program, MSV expects no tax payments until at least FY24

OPERATING CASH FLOW SUMMARY

	1H23	1H22	Change
	$000's	$000's	%
Receipts from customers	133,492	110,643	21%
Payments to suppliers / employees	(121,337)	(97,112)	(25%)
Cash generated from operations	**12,155**	**13,531**	**(10%)**
Interest & other financing costs	(1,140)	(874)	(30%)
Cash flow from operating activities	**11,015**	**12,657**	**(13%)**
EBITDA	16,609	17,545	(5%)
Cash Conversion Ratio	**66%**	**72%**	**(8%)**

DEBT PROFILE

MSV REMAINS ON TRACK TO ACHIEVE ITS $15.0m NET DEBT TARGET BY THE END OF FY24

- 1H23 performance delivered a gross and net debt reduction of 13% and 5% respectively
- Current blended average cost of debt is approximately 5.2% p.a with the significant majority fixed prior to recent rate increases
- Expect gross debt to materially reduce by the end of FY23
- Longer term target Net Debt of $15 million by 30 June 2024

FACILITY

	31 Dec 22	30 Jun 22	Movement
	$000's	$000's	$000's
Equipment finance	29,601	35,189	(5,588)
Corporate/Acquisition loan	6,133	7,733	(1,600)
$15m overdraft/working capital	1,464	-	1,464
Gross debt	**37,198**	**42,922**	**(5,724)**
Cash on hand	-	3,742	(3,742)
Net debt	**37,198**	**39,180**	**(1,982)**

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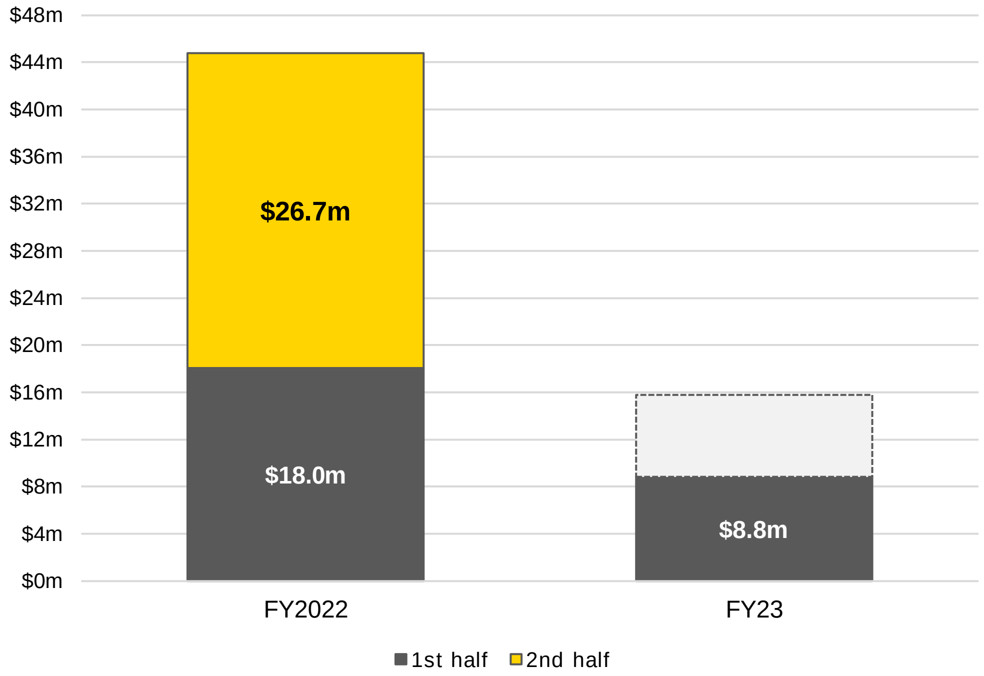
CAPITAL EXPENDITURE

MATERIAL REDUCTION INTO FY23

- Operational teams have done an outstanding job to deliver on the organic growth strategy and commission all 12 rigs on time and on budget
- The timing of the significant FY22 capex allows Mitchell Services to take advantage of the cash flow benefit associated with the ATO's instant asset write off program
- Pursuant to the capital management policy, 1H23 was significantly reduced vs 1H22 and expect this trend to continue for 2H23 whilst maintaining excellent productivity, mechanical availability and safety performance
- FY23 Capex is expected to be cash funded

YEAR ON YEAR CAPITAL EXPENDITURE



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CAPITAL MANAGEMENT UPDATE

The Company is committed to returning surplus cash to shareholders under a recently implemented capital management policy with the following summarised key terms.

- The Company will prioritise a portion of free cash flow to reduce leverage and has no present intention to raise equity to reduce leverage or for any other reason
- Maintenance capital expenditure will continue to be deployed as required with growth capital expenditure limited where it makes sense to do so
- Surplus cash is intended to be returned to shareholders (in the form of dividends and/or share buybacks). Under a recently implemented dividend policy, up to 75% of the Company’s reported post tax profits are intended to be paid in the form of dividends

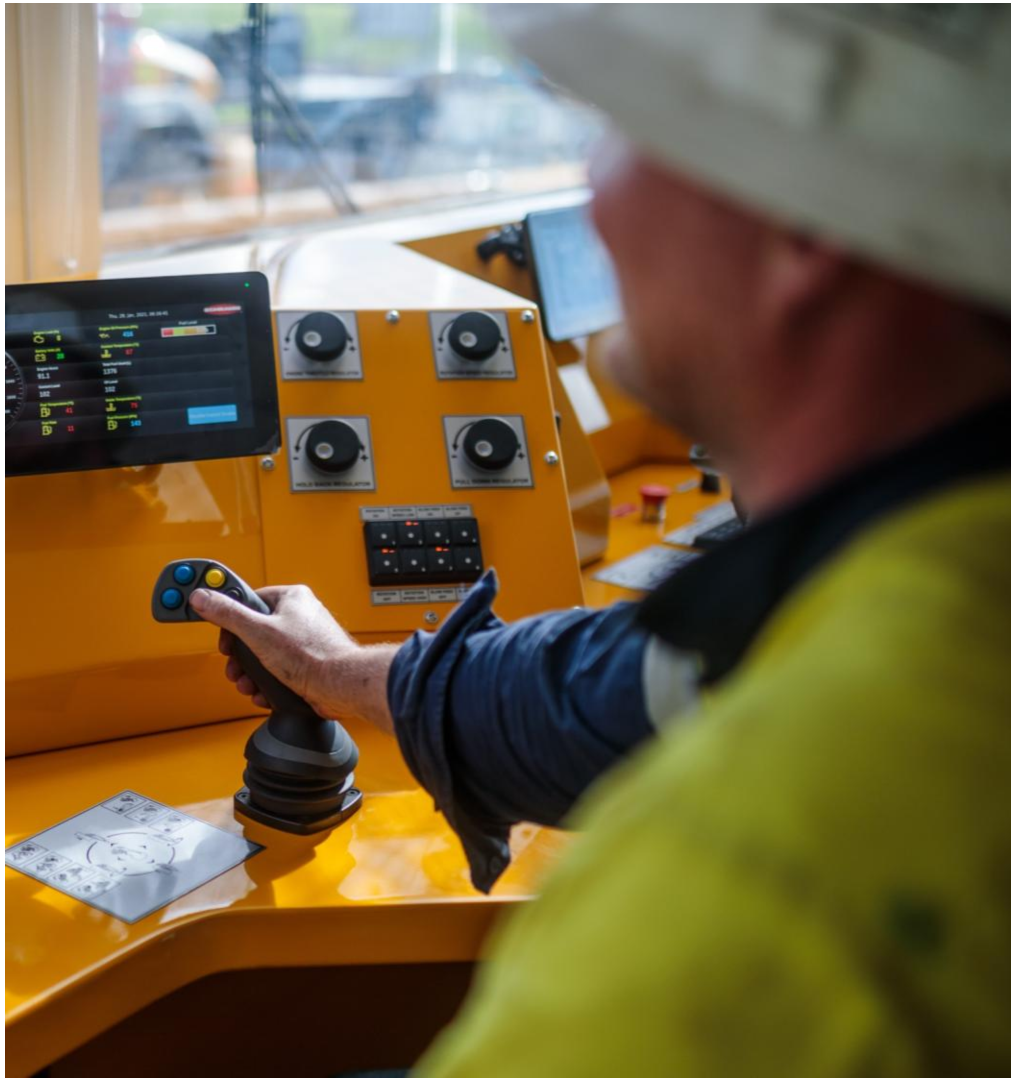
1H23 CAPITAL MANAGEMENT PERFORMANCE

Prioritise leverage reduction	Sensible capex limitation	Payments to shareholders
GROSS DEBT $37.2m	**CAPEX $8.8m**	**SHARE BUYBACK PAYMENTS $1.5m**
↓ 13%	↓ 51%	↑ 100%
FROM 30 JUNE 22	FROM 1H22	FROM 1H22

WHY INVEST IN MITCHELL SERVICES?

- World class rig fleet
- Strong client base
- Revenue and earnings growth
- Focused capital management strategy over the next 2 years delivering:
  - Significant reduction in net debt to $15m by the end of FY24
  - Expected cash flow to deliver dividends
  - Share buy-backs
- Equity price is low versus net tangible assets
- Equity price is low versus traditional multiples

Targeting material shareholder returns via dividends and buy-backs over the next two years



DEFINITIONS

Capex	Capital expenditure
Cash Conversion Ratio	The ratio of A to B; where A is the reported cash flows from operating activities (excluding interest and income tax paid) and B is the reported EBITDA
EBITDA	Earnings before interest, tax, depreciation and amortisation; calculated as NPAT plus income tax expense plus finance charges plus depreciation expense plus amortisation of intangibles
EBITDA Margin	EBITDA divided by reported revenue expressed as a percentage
EBIT	Earnings before interest and tax; calculated as NPAT plus income tax expense plus finance charges
EBIT Margin	EBIT divided by reported revenue expressed as a percentage
Gross Debt	Total principal balances outstanding on all bank loans, equipment finance facilities, hire purchase agreements, working capital facilities and overdrafts
Net Debt	Gross Debt less cash and cash equivalents on hand
NPAT	Net profit after tax; calculated as statutory reported profit before income tax less income tax expense
NPBT	Net profit before tax; calculated as NPAT plus income tax expense

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