17 July 2019

MITCHELL SERVICES LIMITED (ASX:MSV)

Quarterly Investor Update

Mitchell Services Limited exceeds FY19 EBITDA guidance following strong FY19 Q4 performance with significant improvements against FY18 Q4.

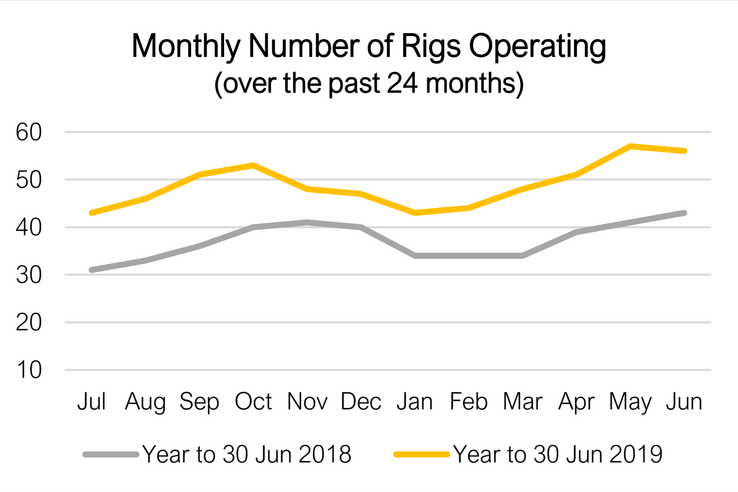
- 4Q19 Revenue $31.0m
- 4Q19 EBITDA $5.8m
- FY19 Revenue $120.0m
- FY19 EBITDA $24.1m
- FY19 EBIT $13.9m

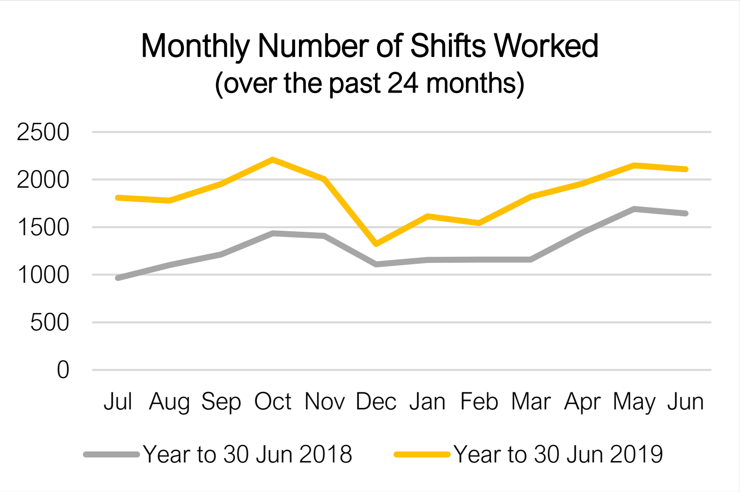
Dear Shareholder,

I am pleased to provide the following investor update for the quarter ended 30 June 2019 for Mitchell Services Limited (**the Company**) based on the Company's un-audited management accounts.

As utilisation, productivity, pricing levels and general market conditions continue to improve, the Company has again recorded significant improvements across operational and financial metrics when comparing the 2019 June quarter to the same quarter in 2018 as the below tables illustrate.

	FY19 Q4	FY18 Q4	Movement $	Movement %
Average operating rigs	54.7	41.0	13.7	33%
Number of shifts	6,213	4,777	1,436	30%
Revenue ($'000s)	30,981	24,538	6,443	26%
EBITDA ($'000s)	5,774	3,961	1,813	46%
Operating cash flow ($'000s)	(357)	706	(1,063)	(151%)





Un-audited year to date financial information as at 30 June 2019

	FY19 Q1	FY19 Q2	FY19 Q3	FY19 Q4	FY19
Average operating rigs	46.7	49.3	45.0	54.7	48.9
Number of shifts	5,542	5,536	4,975	6,213	22,266
Revenue ($'000s)	30,980	32,173	25,851	30,981	119,986
EBITDA ($'000s)	7,011	7,218	4,109	5,774	24,112
EBITDA (%)	22.60%	22.40%	15.90%	18.64%	20.10%
EBIT ($'000s)	4,188	4,270	1,855	3,581	13,894
EBIT (%)	13.50%	13.30%	7.18%	11.56%	11.58%
Operating cash flow ($'000s)	4,409	10,901	3,273	(357)	18,227
Annualised revenue per rig ($'000s)	2,654	2,610	2,298	2,267	2,454
Net debt ($'000s)	11,493	2,565	4,891	8,195	8,195
Gross debt ($'000s)	15,925	6,490	9,817	9,792	9,792
Cash on hand ($'000s)	4,432	3,925	4,926	1,597	1,597

The steep increase in operating rig numbers from FY19 Q3 to Q4 was driven by:

a) Traditional business seasonality (as drilling programs typically ramp up in Q4 following lower activity levels in Q3)
b) Recently announced contract awards, extentions and scope increases including BHP Olympic Dam Corpororation, KCGM Mount Charlotte and UIS drilling with Anglo American
c) Continued improvements in general market conditions

The Company's quarterly financial performance was strong off the back of the increase in rig numbers with revenue and EBITDA of $31m and $5.8m respectively. The conclusion of the June quarter has seen the Company exceed FY19 EBITDA guidance with un-audited, year-to-date revenue and EBITDA reaching $120.0m and $24.1m respectively.

Whilst the Company has recorded strong FY19 operating cashflows (at a conversion rate of approx 76%), the Company recorded a negative operating cash flow for the June 2019 quarter which was driven by:

a) A final income tax payment of $0.8m relating to pre-acquisition tax liabilities of Radco Drilling.
b) Day to day working capital requirements associated with ramping up from 45 rigs in Q3 to 55 rigs in Q4
c) The majority of client payments are typically made on the last day of each month. In this case 30 June 2019 fell on a Sunday meaning that those month end receipts took place on Monday 1 July 2019.

The Company's gross debt balance at 30 June 2019 of $9.8m comprises entirely of traditional equipment finance facilities with commercial lenders at an average interest cost of approx 4.9% per annum and has remained unchanaged from the 31 March 2019 figure of $9.8m.

I am pleased to announce that the Kirkalocka mobilisation is well advanced and progressing in a safe and efficient manner and I am extremely excited on the prospects associated with entering the drill and blast market. The Kirkalocka project is a major first step for the Company as it looks to execute on its stratgey to provide a broader range of production related drilling services to the mining sector across Australia.

The outlook across the business (and broader mining and resources industry) remains positive and I am grateful for your continued support.

Yours faithfully

Andrew Elf
Chief Executive Officer