

HALF YEAR RESULTS PRESENTATION

December 2019



Mitchell
SERVICES



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MITCHELL SERVICES MARKET PROFILE

ASX Information

| | |
|-----------------------------|-------------|
| ASX Stock Symbol | MSV |
| Shares Issued | 199,238,740 |
| Share Price (at 26/02/2020) | A\$0.60 |
| Market Capitalisation | A\$119.5m |

Major Shareholders

| | |
|------------------------------|-------|
| Mitchell Group | 17.9% |
| Scott Tumbridge | 7.2% |
| Other Directors & Management | 3.4% |
| Institutions | 20.6% |
| Other Shareholders | 50.9% |

Board of Directors



Nathan Mitchell
Executive Chairman

Scott Tumbridge
Executive Director

Peter Miller
Non-Executive Director

Robert Douglas
Non-Executive Director

Neal O'Connor
Non-Executive Director

Executive Management Team



Andrew Elf
Chief Executive Officer

Greg Switala
CFO & Company Secretary

SAFETY UPDATE

- Finishing each day without harm is a **core Mitchell Services value**
- **Focus on training** to attract, retain and further develop our own drillers as general market conditions continue to improve
- Mitchell Services' **safety culture** was recognised during the year with the following **major accolades**:
 - Winner of the 2019 Australian Mining Prospect Awards, Contract Miner of the Year
 - Josh Bryant, General Manager – People and Risk winner of the 2020 AusIMM Awards, Professional Excellence Award



1H2020 BUSINESS OVERVIEW

Revenue guidance FY2020
\$170m-\$180m

EBITDA guidance FY2020
\$34m-\$36m

1.1cps special dividend
determined, payable in July

Revenue of \$72.98m
↑ 15%
from 1H2019

EBITDA of
\$14m
1H2020

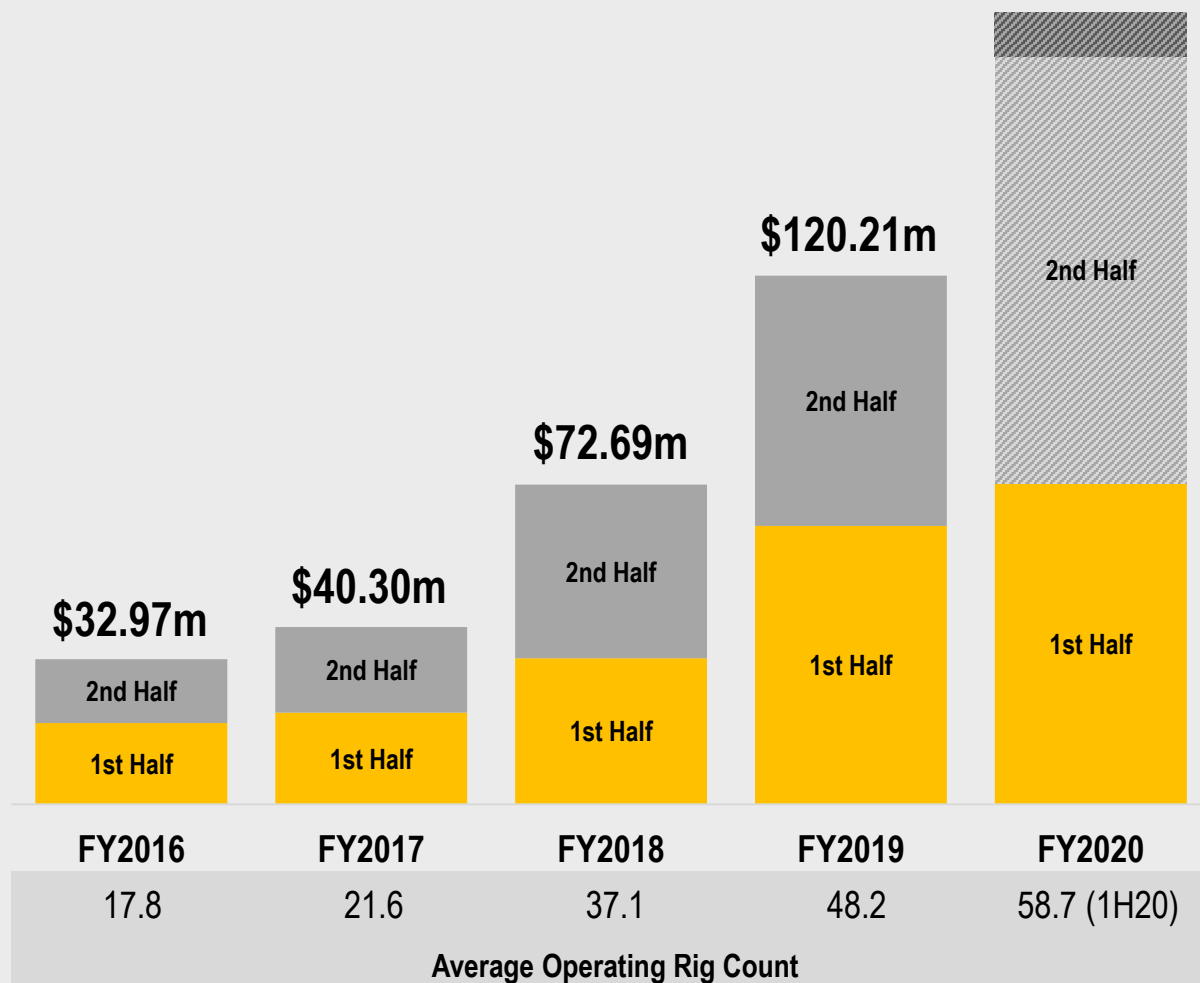
Deepcore Drilling Acquisition completed
and performing in line with expectations

OPERATIONAL HIGHLIGHTS

- Mitchell Services expects FY2020 EBITDA to be between \$34m and \$36m representing **year on year growth** of between 42% and 50% driven by seven months of Deepcore Drilling contribution and **continued improvement in underlying business** performance.
- The **increase in rig utilisation** (from 78 rigs operating in December 2019 out of a total of 103) is expected to continue with a strong business development pipeline
- **Revenue diversity** continues to improve by commodity, geography and drilling type
- Approximately 90% of revenue is derived from **Tier 1 clients** at the mine site resource definition, development and production stage which is a critical service in the mining lifecycle



IMPACT OF INCREASED UTILISATION ON REVENUE

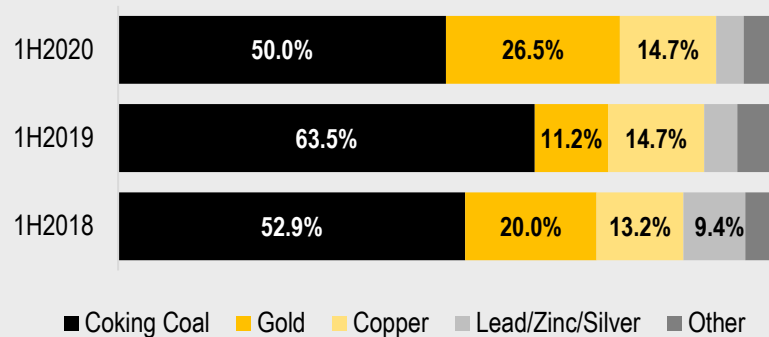


- Revenue guidance FY2020 \$170m-\$180m
- Mitchell Services anticipates further increases in average operating rig count in FY2020/FY2021
- 78 rigs operating as at 31 December 2019
- Operating rig count subject to change due to seasonality or other factors
- 103 rigs in fleet

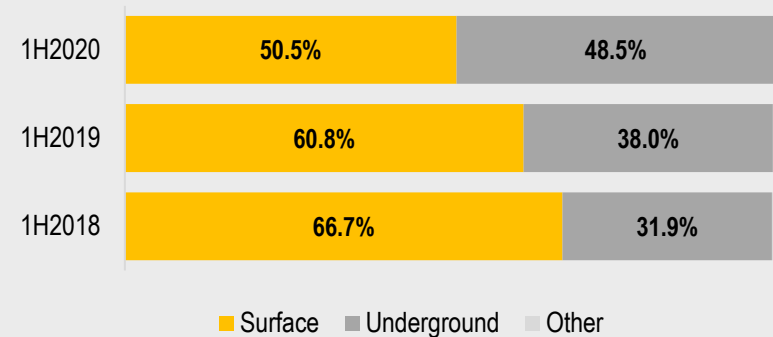
REVENUE DIVERSITY

Diversity in revenue streams sets Mitchell Services apart from competitors

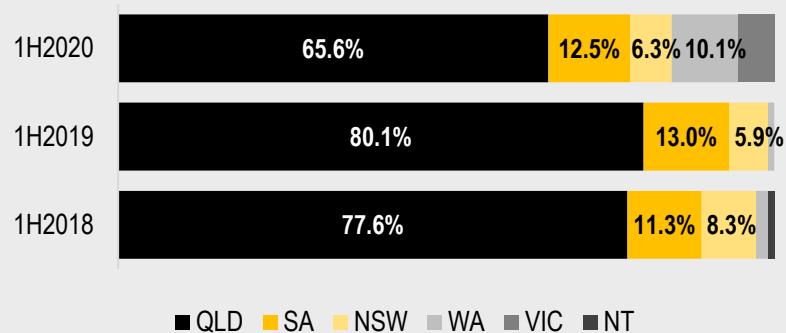
Revenue by Commodity



Revenue by Drilling Type



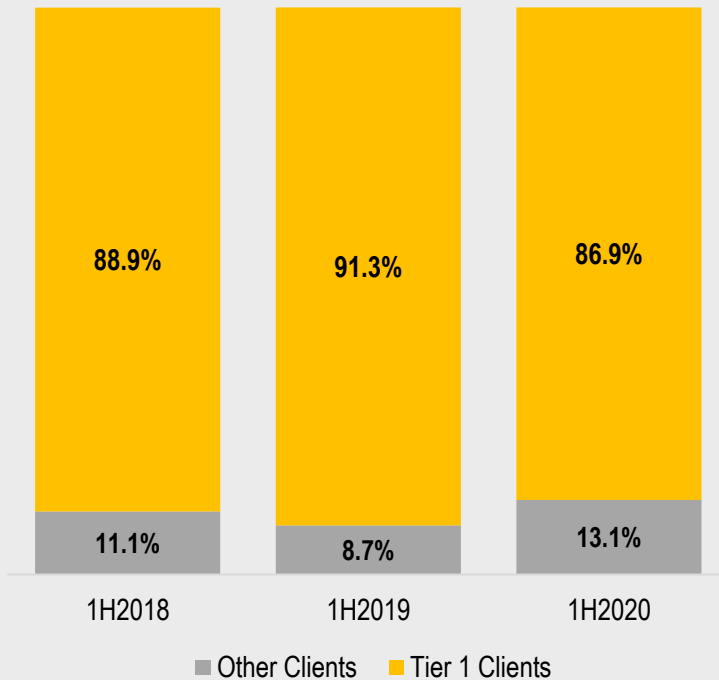
Revenue by Geography



- Zero exposure to thermal coal
- Management remain mindful of diversity in revenue streams
- Increased exposure in Victorian gold due to Deepcore Drilling acquisition

HIGH QUALITY REVENUE STREAMS

Revenue by Client Type



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

Revenue by Stage in the Mine Lifecycle



STAGES OF THE CYCLE

STAGE 1: UTILISATION INCREASES (THIS IS HAPPENING)

- More rigs start working

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

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

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

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

STAGE 4: GENERAL CONTRACT TERMS & CONDITIONS IMPROVE

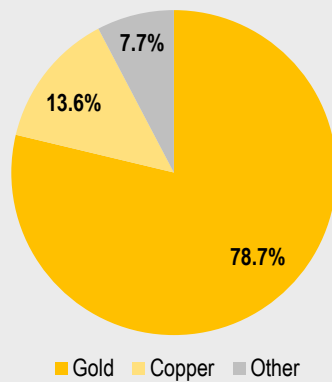
- Larger up front mobilisation charges to manage ramp up costs
- Larger demobilisation charges
- Take or pay contracts
- More flexible pricing schedule of rates

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

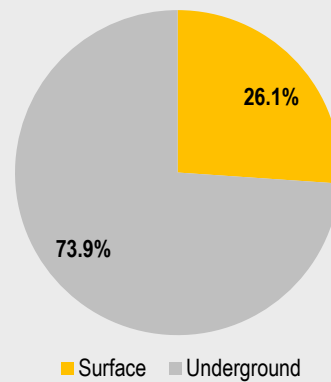
DEEPCORE DRILLING OVERVIEW

Overview

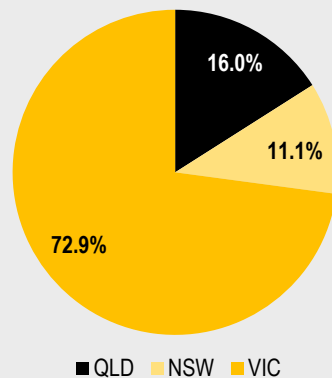
FY2020 Revenue by Commodity



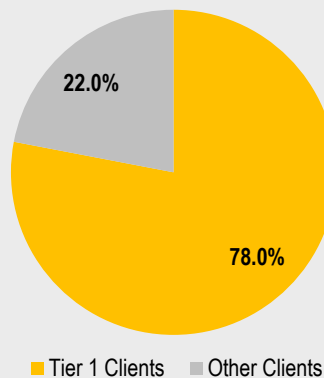
FY2020 Revenue by Drilling Type



FY2020 Revenue by Geography



FY2020 Revenue by Client Type

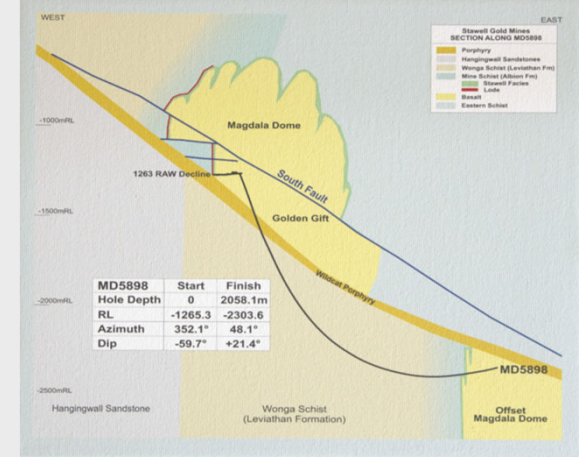


- Founded in 2005, provides surface and underground drilling services to the mining and infrastructure industries
- Specialised deep hole directional diamond drilling
- Specialised acoustic drilling services (noise suppression)
- Headquartered in Bendigo, Victoria
- Services Eastern Australia
- Founder Scott Tumbridge 7.20% holder and Executive Director of MSV
- Long term, Tier 1 client base
- Strong historic safety record

DEEPCORE DRILLING OVERVIEW

Unique selling proposition

- Industry experts in deep hole directional diamond core drilling
- Deepest directional diamond core drilling hole achieved from underground in Australia of 2,058.1m drilled at Stawell Gold Mine project in Victoria
- Industry experts in acoustic (noise suppression) drilling
- Provide customised equipment for specialised drilling in house
- Position of strength to leverage Victoria Gold



Stawell Gold Mine (VIC)

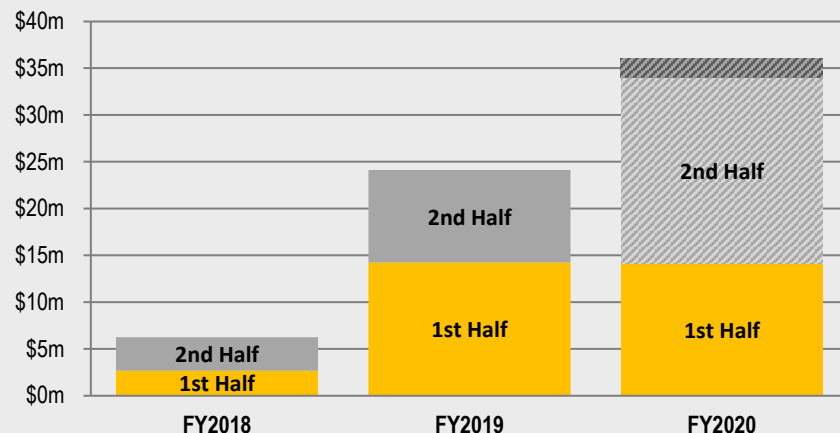
PROFIT AND LOSS

Strong EBITDA performance continues

Profit & Loss

| | 1H2018 | 1H2019 | 1H2020 |
|---------------|----------------|---------------|---------------|
| | \$000's | \$000's | \$000's |
| Revenue | 33,215 | 63,291 | 72,983 |
| EBITDA | 2,678 | 14,229 | 14,140 |
| EBIT | (374) | 8,458 | 7,063 |
| NPBT | (1,195) | 7,725 | 6,371 |
| NPAT | (1,195) | 11,728 | 4,290 |

EBITDA (\$M)



- MSV has delivered another strong EBITDA performance with a 1H2020 EBITDA margin of 19%
- NPAT lower than pcg primarily due to the one-off recognition in 1H2019 of previously un-booked deferred tax assets
- Mitchell Services expects FY2020 EBITDA to be between \$34m and \$36m representing year on year growth of between 42% and 50% driven by seven months of Deepcore Drilling contribution and continued improvement in underlying business performance.

BALANCE SHEET

Strong balance sheet provides flexibility

| | 31-Dec-19 | 30-Jun-19 | Change |
|------------------------------|----------------|---------------|-------------|
| | \$000's | \$000's | % |
| Balance Sheet Summary | | | |
| Current assets | 54,057 | 29,717 | 82% |
| Non-current assets | 86,914 | 40,480 | 115% |
| Total assets | 140,971 | 70,197 | 101% |
| Current liabilities | 40,939 | 26,469 | 55% |
| Non-current liabilities | 43,186 | 6,134 | 604% |
| Total liabilities | 84,125 | 32,603 | 158% |
| Net assets | 56,846 | 37,594 | 51% |

Working Capital Summary

| | | | |
|-----------------------------|---------------|---------------|------------|
| Trade and other receivables | 30,175 | 22,776 | 33% |
| Prepayments & other assets | 1,400 | 2,350 | (40%) |
| Inventories | 3,963 | 2,995 | 32% |
| Trade & other payables | (20,620) | (16,241) | 27% |
| Net Working Capital | 14,918 | 11,880 | 26% |

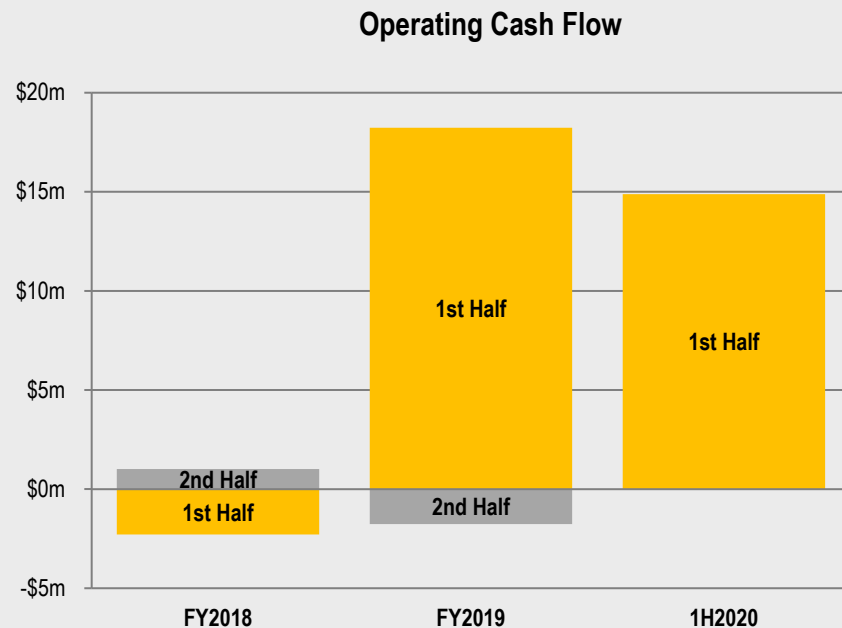
- Mitchell Services was able to utilise its strong balance sheet to complete the Deepcore Drilling acquisition in November 2019.
- Current Ratio of 1.32:1 (18% improvement on pcg)
- Mitchell Services is well funded to take advantage of potential growth opportunities and has access to these key debt facilities
 - \$10m working capital facility with NAB (undrawn at 31 December 2019)
 - \$15m revolving equipment finance facility with NAB (\$10.6m drawn at 31 December 2019)

CASH FLOW

Strong operating cash flows and Cash Conversion Ratio to continue

Operating Cash Flow Summary

| | 1H2018 | 1H2019 | 1H2020 |
|--|----------------|---------------|---------------|
| | \$000's | \$000's | \$000's |
| Receipts from customers | 28,741 | 63,807 | 74,502 |
| Payments to suppliers / employees | (30,174) | (47,342) | (59,624) |
| Cash generated from operations | (1,433) | 16,465 | 14,878 |
| Interest & other financing costs | (856) | (671) | (867) |
| Income tax paid | 0 | (484) | 0 |
| Cash flow from operating activities | (2,289) | 15,310 | 14,011 |
| EBITDA | 2,678 | 14,229 | 14,140 |
| Cash Conversion Ratio | (85%) | 108% | 99% |



Mitchell Services has reported a Cash Conversion ratio of approx. 1:1 for the second consecutive six month period ending 31 December as operating leverage continues to play out

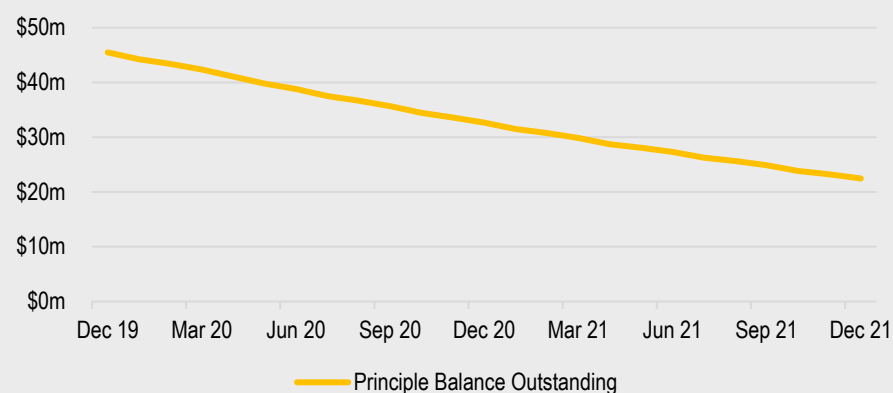
NET DEBT

Operating Leverage Ratio less than 1.5 x

Net Debt Summary

| | 31-Dec-19 | 30-Jun-19 |
|-------------------|---------------|--------------|
| | \$000's | \$000's |
| Equipment finance | 29,750 | 9,792 |
| Acquisition loan | 15,781 | 0 |
| Gross debt | 45,531 | 9,792 |
| Cash on hand | 7,082 | 1,597 |
| Net debt | 38,449 | 8,195 |

Amortisation Profile of Debt Facilities at 31 Dec 2019

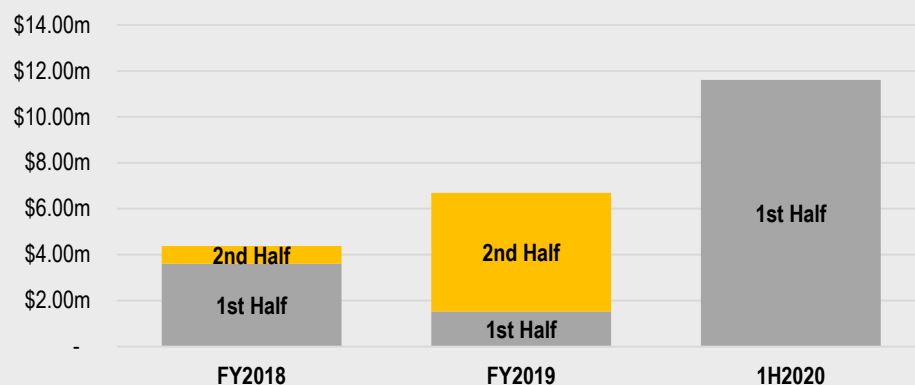


- A new \$16m NAB acquisition loan provided on the following summarised terms.
 - Expiry date 30 November 2022
 - \$3.2m minimum annual principle repayments
 - Pricing BBSY plus 2.7%
- All debt facilities are structured to include minimum principle repayments and have short amortisation profiles
- 31 December 2019 gross debt to forecast FY2020 EBITDA (Operating Leverage Ratio) approx. 1.3 times
- The Board remains mindful of overall debt levels and have approved a strategy to significantly reduce debt levels over the next 24 months

CAPITAL EXPENDITURE

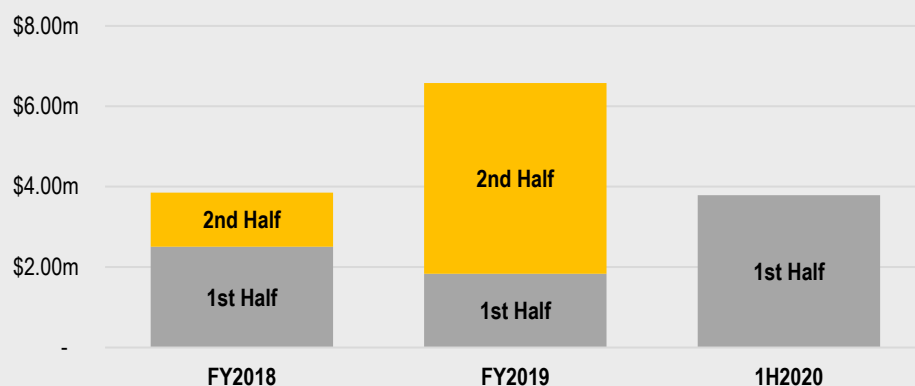
Organic growth delivering strong returns

Growth Capex



- Growth capex in 1H20 was a function of contract wins, extensions and scope increases including:
 - 5 year drill and blast contract award in Western Australia with at the Kirkalocka Gold Project
 - Underground In-Seam (UIS) contract extension and scope increase with Anglo American
 - Scope increase in Western Australia with Kalgoorlie Consolidated Gold Mines (a joint venture between Northern Star Resources and Saracen Mineral Holdings)

Maintenance Capex

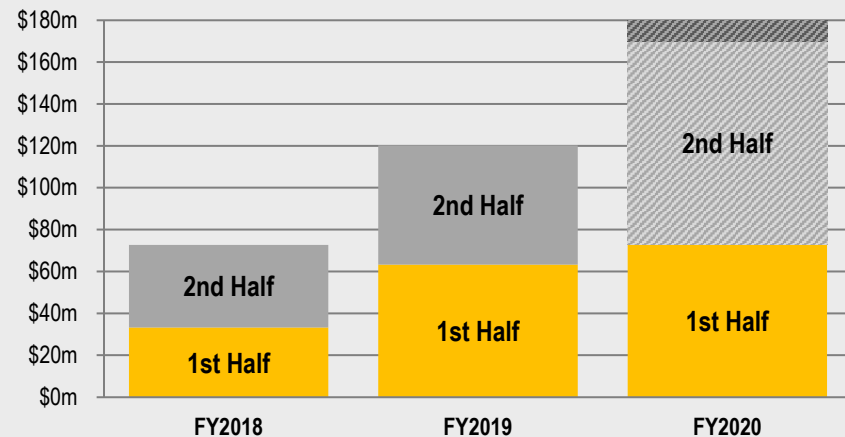


- Maintenance Capex typically trends in line with P&L depreciation multiplied by utilisation

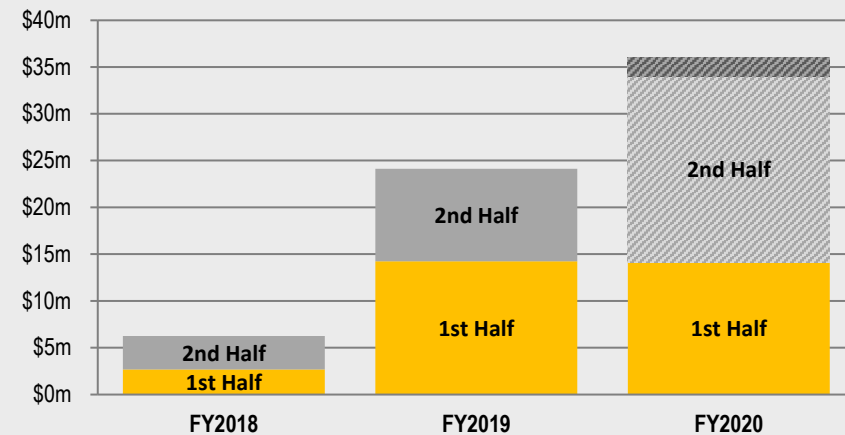
OUTLOOK

- Pipeline of identified opportunities remains strong and **demand continues to increase for drilling services** particularly from Tier 1 clients
 - At current conversion rates, rigs required exceed rigs available
- Mitchell Services expects to generate full year **FY2020 revenue** of between **\$170m and \$180m**
- At full year forecast revenue levels Mitchell Services expects to generate full year **FY2020 EBITDA** of approx. **\$34m to \$36m** with strong associated cash flows
- These forecast revenue and EBITDA levels take into account **expected utilisation levels** from **existing contracts** subject to normal operating conditions.
- These forecast revenue and EBITDA levels include seven months of Deepcore contribution

Revenue (\$M)



EBITDA (\$M)



SUMMARY

- Mitchell Services' vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries
- Mitchell Services has a **diversified revenue stream** by different drilling types and commodities
- Mitchell Services has a **high quality client base** with a majority of work related to mine site resource definition, development and production
- EBITDA guidance FY2020 \$34m-\$36m
- Special dividend determined in FY2020 and payable in July 2020
- Maintain a **strong balance sheet** to provide flexibility to take advantage of strategic opportunities



DEFINITIONS

| | |
|---------------------------------|---|
| Acquisition Loan | \$16m loan provided by National Australia Bank secured by Mitchell Services Limited to fund Deepcore Drilling acquisition |
| Capex | Capital expenditure |
| Cash Conversion Ratio | The ratio of A to B; where A is the reported cash flows from operating activities 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 principle balances outstanding on all bank loans, shareholder 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 |
| Operating Leverage Ratio | The ratio of A to B; where A is Gross Debt at reporting date and B is EBITDA on a 12 month rolling basis |
| pcp | Previous corresponding period |
| ROIC | Return on invested capital; EBIT on a 12 month rolling basis divided by (net PP&E plus net intangibles plus trade and other receivables plus inventories less trade and other payables less cash on hand) |
| Tier 1 Clients | Publicly listed mining and energy companies with market capital over \$1 billion or large multi-national private mining and energy companies |