




Mitchell
SERVICES



ANNUAL REPORT

2020



Mitchell Services
successfully completed
the **earnings accretive**
acquisition of Deepcore
Drilling, further
diversifying revenue by
commodity, geography
and drilling type



Mitchell

SERVICES

MITCHELL SERVICES LTD
ACN 149 206 333
ANNUAL REPORT
30 JUNE 2020

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CHAIRMAN'S REPORT

For the year ended 30 June 2020



Nathan Andrew Mitchell
Executive Chairman

Dear Shareholders

Firstly, can I take this opportunity to thank every employee, every customer and every supplier for the incredible dedication, commitment and teamwork that they have shown during these difficult times. Thank you especially, to all those staff members who have been affected by interstate border and travel restrictions and who have had to take up accommodation in different states away from their families as a result.

The health and wellbeing of Mitchell Services' employees, their families, our clients and the broader community remains our highest priority and we are continually committed to doing all we can to assist in reducing the spread of the COVID-19 virus. We are working closely with government, various specialist organisations, clients and all other stakeholders to limit the spread of the virus through active preventative measures.

There are many things that we have learnt during the recent pandemic and an insight into the strength and resilience of our business model is certainly one of them.

Shortly after re-entering the Australian market back in late 2013, the Board set a clear strategy to target multi-year, multi-rig work on established long life Tier 1 mines. These contracts are mostly linked to production and critical resource definition and development stages of the mine lifecycle as opposed to campaign style greenfield exploration. It was a strategy that, amongst other things, saw the business develop an underground division of significant quality and size in a relatively short space of time. It is interesting to note that revenue from underground drilling now accounts for over 50% of total revenue. This pivot away from exploration and towards production was also one of many catalysts for recent strategic acquisitions which, to date, have been hugely successful.

The **strength of the business model** was proven in 2020, with the company meeting FY20 guidance, **reducing debt** and declaring a **special dividend** during a **global pandemic**.

But it wasn't until the recent pandemic and the resultant impact on the global economy, that we truly appreciated the strength of these revenue streams and the resilience of the business model. With the exception of a small number of rigs (that ceased operating on a temporary basis to limit the number of people onsite), the virus-related impacts on the business and its revenue streams were minimal. Throughout the pandemic, mining has been deemed essential and given the direct link to production, so too the drilling services that we perform.

It was the strength of the business model and revenue streams that allowed the Company to maintain its FY20 revenue and EBITDA guidance numbers throughout the pandemic period whilst also ensuring that the previously announced special dividend was paid as anticipated on 30 July 2020. This resilience through the pandemic as well as significant year on year growth (both organically and through acquisition), have contributed to a strong financial performance in FY20 and have allowed the business to maintain its momentum from FY19 which was a financially transformational year.

The Group recorded revenue, EBITDA and operating cash flow of \$175.5m, \$35.0m and \$31.2m respectively, all representing significant increases on FY19 numbers. Whilst net profit after tax in FY20 of \$7.2m was down on the FY19 comparative of \$17.4m, it is worth noting that FY19 benefited from previously un-booked deferred tax assets on carried forward tax losses which resulted in a once off, income tax credit of \$4.5m.

We have continued to operate within a framework of prudent capital management aimed at maximising shareholder value and returns. The Company paid a fully franked, special dividend on 30 July 2020 whilst also reducing net debt (which peaked in December 2019 following the Deepcore acquisition) by nearly 30% from 31 December 2019 to 30 June 2020.

On the acquisition front, I am delighted with the impact that the Deepcore Drilling business has made in such a short period of time. To date, the integration of the two businesses has been well implemented, well managed and underpinned by an integration strategy that aims to recognise the value of the unique businesses, their cultures and their brands. These brands and cultures have been built on the success of the people within the businesses and the mandate that they have to be safe and to continually strive to find a better way.

With the growing global demand for gold and the resultant strength of the gold sectors in regional Victoria and New South Wales, I am excited about the potential further growth opportunities and additional value that can be un-locked from the combined businesses.

I am once again extremely proud of the various safety and training initiatives that have been implemented in 2020 and of the excellent culture and safety performance that these initiatives have produced. In November 2019, Mitchell Services received the 2019 Australian Prospect Mining "Contract Miner of the Year" award that recognised the Company's safety record and culture as key criteria.

In closing, I would once again like to thank all staff, customers, suppliers and shareholders for your continued support.

On behalf of the Board, thank you.



Nathan Andrew Mitchell
Executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

For the year ended 30 June 2020



Andrew Michael Elf
Chief Executive Officer

Dear Shareholders

I am delighted to provide the following CEO report for Mitchell Services Limited (The Group) for the financial year ended 30 June 2020 (FY20).

The FY20 results include seven months' contribution from Deepcore Drilling (which was acquired on 29 November 2019) and I am pleased to inform shareholders that the Deepcore Drilling business is performing safely, efficiently and in line with expectations.

As underlying utilisation and productivity levels continued to improve following the Deepcore acquisition, FY20 has seen significant increases in revenue, EBITDA, operating rigs and shift numbers when compared to FY19.

The Group recorded revenue in FY20 of \$175.5m representing an increase of approximately 46% from the FY19 figure of \$120.2m. This significant revenue increase was primarily driven by steep increases in:

1. Utilisation, with the average number of operating rigs increasing from 48.2 in FY19 to 67.7 in FY20
2. Productivity, with the average number of shifts per operating rig increasing from 455 in FY19 (for a combined 22,266 shifts) to 531 in FY20 (for a combined 35,956 shifts).

FY20 has seen the benefits of the operating leverage within the business continue to play out, with the \$55.3m increase in revenue translating into a \$10.9m increase in EBITDA from \$24.1m in FY19 to \$35.0m in FY20.

The Group recorded strong operating cash flows as a result of the significant improvement in EBITDA. The Group's cash flow from operating activities was \$31.2m, representing a \$12.9m improvement from FY19 and an FY20 EBITDA to cash conversion ratio of approximately 89% (up 13% on the FY19 ratio of 76%).

I must express my **sincerest gratitude** for the **enormous efforts** and **sacrifices** team members have made.

The **strength of our business model** is underpinned by the **quality** of our **people** and our **client** base.

The Group again recorded strong EBIT of \$12.6m (at an EBIT margin of 7.2%). This figure was slightly down on the FY19 comparative figure of \$13.9m, although this is largely represented by a greater depreciation expense and amortisation of customer contracts in relation to the acquisition accounting of Deepcore Drilling.

As always, management remains mindful of the diversity of the Group's revenue streams in terms of drilling type, commodity and geography. It is pleasing to note that the revenue generated in FY20 was more diverse across these categories than in any prior year. Of the total \$175.5m revenue in FY20, 45% was derived from coking coal, 34% from gold and 21% from other minerals. Revenue from underground operations now accounts for 55% of total revenue with the balance of 45% coming from surface drilling. Our increased market share in NSW and Victoria (following the Deepcore acquisition) and our organic expansion into Western Australia has seen the overall exposure to Queensland revenue drop to 59% compared to 75% in FY19.

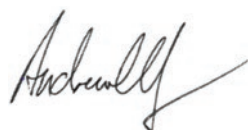
In previous public reports and updates, I mentioned how proud I was of all our teams in relation to how well the COVID-19 related challenges were being managed. I also expressed my sincerest gratitude to staff members who, in certain instances, had to leave their families behind in the state in which they usually reside and take up temporary accommodation due to travel and inter-state border restrictions. As I look back over the past few months and write this latest letter noting the enormous efforts and sacrifices team members have made, I must again express my sincerest thanks and pride in all our teams across the entire business.

Our business model has proven itself in an extremely challenging operational environment during a global pandemic. Whilst the risk of COVID-19 remains, the strength of our business model is underpinned by the quality of our people and our client base with circa 90% of revenue generated from Tier 1 mining clients.

Finishing each day without harm is a core Mitchell Services value and I am once again extremely proud of our safety culture and FY20 safety performance and would like to acknowledge the efforts of all of our people in living up to this value.

Lastly, a special thanks to the Board for their guidance and support especially during these unprecedented times.

Thank you.



Andrew Michael Elf
Chief Executive Officer

CURRENT BUSINESS SUMMARY

**VISION: TO BE AUSTRALIA'S LEADING
PROVIDER OF MINING SERVICES TO THE
GLOBAL EXPLORATION, MINING AND
ENERGY INDUSTRIES**

**Quality of
business model
proven through
global pandemic**

700+
experienced
employees



28% **net debt reduction** since December 2019

Revenue for 2019/20 full year
\$175m up 46%

Fully franked
special dividend
paid in July 2020

\$35.0M EBITDA
in 2020 is **45%**
higher than 2019

DIRECTORS' REPORT

For the year ended 30 June 2020

The Directors of Mitchell Services Limited submit herewith the financial report of Mitchell Services Limited (**Company**) and its subsidiaries (**Group**) for the year ended 30 June 2020. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows.

DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Nathan Andrew Mitchell **(Executive Chairman)**

Mr Mitchell was appointed to the Board on 29 November 2013 and appointed as Executive Chairman on 19 March 2014.

Mr Mitchell has been involved in the drilling industry for virtually his entire life. With a career spanning over 30 years, he has a proven track record as an industry leader in technical development and business growth.

Mr Mitchell is currently Executive Chairman of Mitchell Group including Energy and Equipment. Previously, as CEO of Mitchell Drilling Contractors, Mr Mitchell led that company through a period of rapid local growth and directed an international expansion into India, China, Indonesia, the United States and southern Africa. Other directorships include Mitchell Drilling International Pty Ltd and Adaman Resources Pty Ltd. Mr Mitchell also previously served on the board of Tlou Energy Limited (ASX:TOU) from June 2009 to February 2016.

At the date of this report, Mr Mitchell has relevant interests in 36,077,173 shares.

Scott David Tumbridge **(Executive Director)**

Mr Tumbridge was appointed as Executive Director on 29 November 2019 following the acquisition by the Company of Deepcore Drilling.

Mr Tumbridge (the founder of Deepcore Drilling) has over 25 years' experience in the Australasian mining and drilling industries and a proven track record in business development, innovation and operational excellence. Mr Tumbridge brings a wealth of specialist industry knowledge to the Mitchell Services board.

At the date of this report, Mr Tumbridge has relevant interests in 14,354,068 shares.

Peter Richard Miller **(Non-Executive Director)**

Mr Miller was appointed as Director on 8 February 2011.

Mr Miller has been involved in all aspects of the drilling industry for the past 30 years and founded Drill Torque in 1992. His experience encompasses working with all types of drilling rigs, building rigs and managing drilling companies. Having worked in most exploration areas in Australia he is intimately familiar with drilling conditions, equipment requirements and pricing structures to maximise fleet productivity. Mr Miller is widely known and well regarded in the industry.

At the date of this report, Mr Miller has relevant interests in 2,400,505 shares.

Robert Barry Douglas BCom, LLB **(Non-Executive Director)**

Mr Douglas was appointed as Non-Executive Director on 29 November 2013. Mr Douglas has over 20 years of experience in finance and investment banking and is currently an Executive Director of Morgans Financial.

Mr Douglas has experience in all aspects of corporate advisory and equity capital raising for listed public companies and companies seeking to list, including offer structure, prospectus preparation, due diligence, accounts and forecasting, risk management, sales and marketing, logistics and legal requirements. During his career, Mr Douglas has worked extensively with energy and resource companies. Mr Douglas has served on both the Audit and Risk Committee and the Remuneration and Nomination Committee since 20 March 2014 and was Chairman of both Committees between 21 November 2014 and 20 October 2015.

At the date of this report, Mr Douglas has relevant interests in 221,054 shares.

Neal Macrossan O'Connor LLB, GAICD **(Non-Executive Director)**

Mr O'Connor was appointed as Non-Executive Director on 21 October 2015 and is also Chairman of the Remuneration and Nomination Committee. Mr O'Connor also served as Chairman of the Audit and Risk Committee from 21 October 2015 until the date of this report.

Mr O'Connor was formerly General Counsel and Company Secretary and an Executive Committee member of the global Xstrata Copper. He has extensive experience in the resource industry and brings an added focus on corporate governance and risk management to the Board.

Mr O'Connor also served on the Board of Stanmore Coal Limited (ASX: SMR) from September 2017 until May 2020.

At the date of this report, Mr O'Connor has relevant interests in 116,888 shares.

**Peter Geoffrey Hudson BA (Acc), GAICD, CA
(Non-Executive Director)**

Mr Hudson was appointed as Non-Executive Director on 20 July 2020 and is also a member of the Remuneration and Nomination Committee and the Audit and Risk Committee. Mr Hudson has accepted the role as Chairman of the Audit and Risk Committee on the basis that the role takes effect from the day after this report.

Mr Hudson is an experienced corporate transaction specialist with over 20 years' experience in mergers, acquisitions, capital raisings, financial analysis, and project management in Australia and overseas. Previously a partner at global financial services firm KPMG, he brings a wealth of financial, risk management and corporate governance experience to the Board.

At the date of this report, Mr Hudson does not have any relevant interests in the Company's shares.

**Grant Eric Moyle
(Alternate Director)**

Mr Moyle was appointed as Alternate Director for Mr Nathan Mitchell on 30 May 2014.

Mr Moyle is an Executive Director of the Mitchell Group in Brisbane. He brings to the Group his management and board experience in international mining services, governance and strategic business growth.

At the date of this report, Mr Moyle has relevant interests in 306,529 shares.

CHIEF EXECUTIVE OFFICER

Andrew Michael Elf BCom, FCPA, MBA, GAICD

Andrew was appointed as Chief Executive Officer on 20 March 2014.

Andrew has over 20 years finance, commercial and operational experience working in various senior roles both in Australia and overseas and was a Financial Director in Indonesia for a top 100 ASX listed company before transitioning into the drilling industry in early 2004. Andrew held several senior roles with Boart Longyear before joining Mitchell Group in March 2010, where he spearheaded the growth of the African business.

Andrew has extensive experience in managing drilling companies in various regions around the world which have worked for global Tier 1 mining and energy houses.

**CHIEF FINANCIAL OFFICER &
COMPANY SECRETARY**

Gregory Michael Switala BCom (Hons), CA

Greg joined Mitchell Services in 2014 and has over 15 years' experience in audit and commercial finance roles.

Over the past six years, Greg has led the finance team through a period of substantial growth that has included significant corporate activity including substantial acquisitions and capital (both debt and equity) raisings.

PRINCIPAL ACTIVITIES

The Group provides exploration and mine site drilling services to the exploration, mining, and energy industries, primarily in Australia and is currently headquartered in Seventeen Mile Rocks, Queensland.

The Group specialises in various segments of the drilling market and has a history of innovation in the drilling industry. The Group's offerings include coal exploration, mineral exploration, mine services, large diameter, coal seam gas, directional drilling services, coal mine gas drainage and wireline services.

There were no significant changes in the Group's nature of activities during the year.

DIRECTORS' REPORT

For the year ended 30 June 2020

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the Group during the financial year.

SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS

The Group will continue to pursue its principal activities during the next financial year.

ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or a State or Territory. However, the Group does provide services to entities that are licensed or otherwise subject to conditions for the purposes of environmental legislation or regulation. In these instances, the Group undertakes its compliance duties in accordance with the contractor regime implemented by the licensed or regulated entity.

REVIEW OF OPERATIONS

Safety

Finishing each day without harm is a core Mitchell Services value and the Group is committed to the safety of its most important asset – its people. The Group is particularly focused on training to attract, retain and further develop its drillers and support crews to ensure that service levels and the quality of the Mitchell brand remain high.

As part of this commitment to finishing each day without harm, the Group is working closely with government, various specialist organisations, clients and all stakeholders to limit the spread of the COVID-19 virus through active preventative measures. To date, the virus-related impacts on the business have been limited.

In an effort to limit the number of people onsite to a minimum (and therefore the risk of the spread of the virus) a relatively small number of rigs on certain sites ceased operating on a temporary basis. The number of affected rigs was small given that the majority of the Group's rigs operate on existing mine sites and are closely linked to production.

Given the reliance in certain instances on the Group's fly-in-fly-out workforce, inter-state border restrictions and reductions in domestic airline capacity have represented the largest operational challenge in relation to the virus. To date, these challenges have been appropriately managed through a combination of a well-executed rapid response plan and significant dedication and commitment from field-based employees.

Acquisition of Deepcore Drilling

The financial year ending 30 June 2020 (FY20) was marked by the Group's acquisition of Deepcore Holdings Pty Ltd and its subsidiary companies (collectively Deepcore Drilling). Deepcore Drilling provides highly specialised services to the mining and infrastructure industries, including underground mobile drilling, diamond drilling, acoustic and deep directional drilling. The acquisition was strategically and financially compelling for the Group. Given Deepcore Drilling's specialist product offerings and its strong exposure to gold, the combination of the two business has resulted in the Group becoming one of the largest and most diversified drilling services providers in Australia. The acquisition has further strengthened the Group's market position with regard to diversity of drilling type, commodity and geography whilst maintaining a high proportion of Tier 1 clients on operating mine sites.

The Group acquired 100% of the equity in Deepcore Drilling in exchange for \$15m cash and 250 million fully paid ordinary Mitchell Services Limited shares at an agreed issue price of \$0.068 per share, as well as a contingent consideration element, fair valued at approximately \$4.9m, whereby the vendors will be entitled to a 50 per cent share of any portion of EBITDA generated by Deepcore Drilling in excess of \$12.5m per annum for a period of three years from 1 January 2020 through to 31 December 2022.

Activity levels

FY20 continued the momentum of FY19 which had been financially transformational for the Group with revenue for FY20 of \$175.5m representing a 46% increase from the previous corresponding period of \$120.2m.

This significant revenue improvement was driven by a combination of increased utilisation, productivity and pricing levels as well as the inclusion of seven month's contribution from Deepcore Drilling.

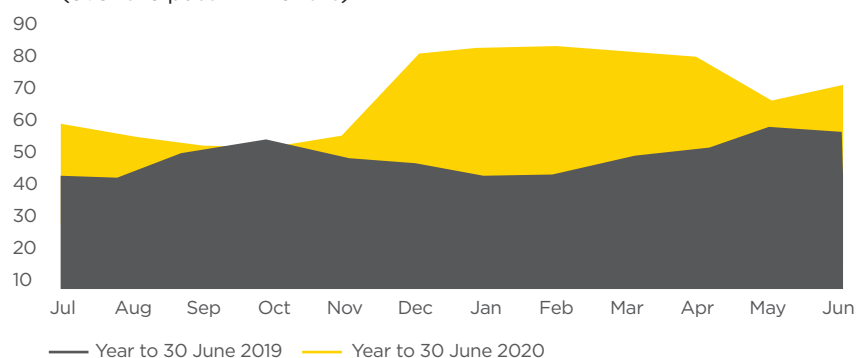
The charts right illustrate the sustained increase in utilisation (rig count) and productivity (number of shifts) over the past 24 months with improved metrics being shown over the 5 months ended 30 November 2019 compared to the previous corresponding period, as well as highlighting the effect of the Deepcore acquisition.

The table below right illustrates the revenue impact of the increased utilisation and productivity over the past 24 months.

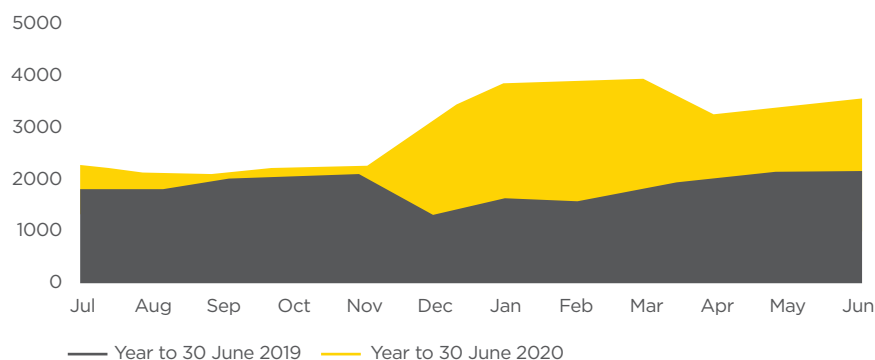
Customer base and revenue break-down

As the chart below right demonstrates, the Group's revenue was predominantly derived from large, multinational mining clients (Tier 1 clients). The drilling services that were provided to these Tier 1 clients were generally at producing mine sites and were linked to the resource definition, development and production stages within the mine life cycle as opposed to greenfield exploration.

Monthly Number of Rigs Operating
(over the past 24 months)



Monthly Number of Shifts Worked
(over the past 24 months)



	FY20	FY19	MOVEMENT	MOVEMENT %
Average operating rigs	67.7	48.9	18.8	38.4%
Number of shifts	35,956	22,266	13,690	61.5%
Revenue (\$'000s)	175,555	120,205	55,350	46.0%
EBITDA (\$'000s)	34,951	24,112	10,839	45.0%
Operating cash flow (\$'000s)	31,150	18,226	12,924	70.9%

Revenue by Client Type



DIRECTORS' REPORT

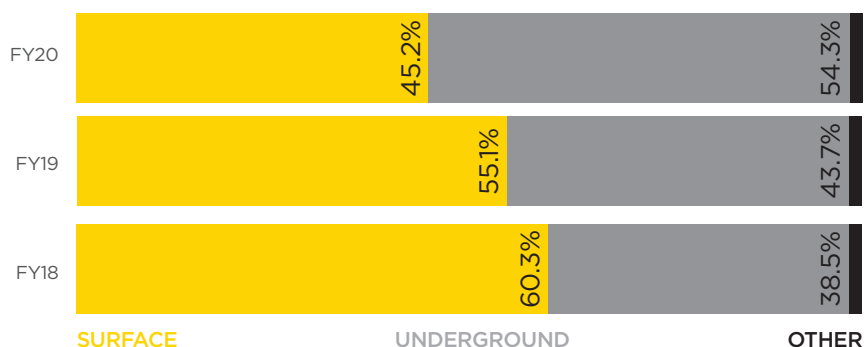
For the year ended 30 June 2020

The Board and management remain mindful of the importance of diversification in revenue streams including the mix between surface and underground drilling and the mix between different commodity types. Underground drilling is generally performed on a double shift basis and is generally not subjected to seasonal fluctuations. FY20 revenue from underground drilling has grown by 81.5% compared to FY19 (due, in part to the Deepcore acquisition) and now accounts for over 50% of the Group's total revenue.

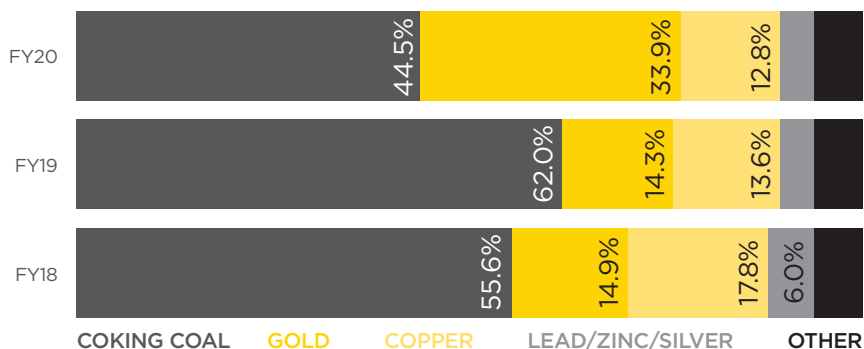
The Group's revenue mix by commodity remains well balanced, noting the increased proportion of overall revenue that related to gold in FY20. This increased gold exposure (one of the many key strategic elements of the Deepcore acquisition), was driven largely by Deepcore's FY20 revenue contribution to the Group. It is also worth noting that despite the decrease in coking coal revenue as a % of overall group revenue, revenue from coking coal increased by 4.8% from \$74.6m in FY19 to \$78.2m in FY20.

The Group has continued to expand its geographical footprint with FY20 including revenue derived from Western Australia based on its entry into the drill and blast production drilling market while the share of revenue derived from Victoria and New South Wales has progressively become a more substantial portion of the geography mix with FY20 including seven month's contribution from Deepcore Drilling.

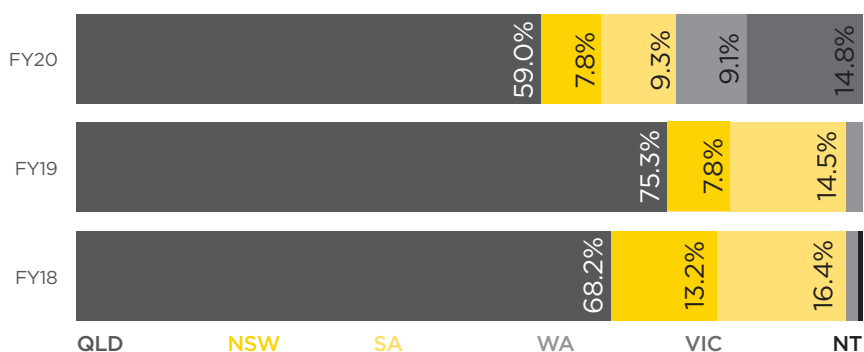
Revenue by Drilling Type



Revenue by Commodity



Revenue by Geography



Profitability

During FY20, the Group was able to maintain momentum from a financially transformational FY19, recording FY20 earnings before interest, depreciation and amortisation (EBITDA) of \$35.0m, representing a 45% increase from the previous reporting period (FY19).

After deducting depreciation and amortisation of \$22.4m, the Group recorded FY20 earnings before interest and tax (EBIT) of \$12.6m, down \$1.3m (or 9%) on the FY19 EBIT of \$13.9m, although this is largely represented by a greater depreciation expense and amortisation of customer contracts in relation to the acquisition accounting of the Deepcore acquisition.

Reduced EBIT flowed down to FY20 net profit before tax (NPBT) of \$10.5m, down \$2.3m on the FY19 NPBT of \$12.8m, driven by the increased depreciation and amortisation expense while the Group recorded a FY20 net profit after tax (NPAT) of \$7.2m after deducting a tax expense of \$3.3m. This represents a \$10.2m reduction in NPAT when compared to FY19, however the corresponding period had benefited from recognising previously unbooked deferred tax assets on carried forward tax losses which had resulted in a tax credit of in FY19 of \$4.5m.

Cash flow

As reported above, the Group recorded FY20 EBITDA of \$35.0m, and with minor net movements in working capital between 30 June 2019 and 30 June 2020, the Group generated \$33.1m in cash flow from operations. After deducting interest payments of \$1.9m, the Group's cash flow from operating activities was \$31.2m for FY20, up \$12.9m (71%) on FY19 and representing a healthy cash conversion ratio of 89%.

Balance sheet

The Group's strong pre-Deepcore acquisition balance sheet enabled the cash consideration component of the Deepcore Drilling acquisition to be funded by debt. The cash component of the purchase price (plus associated costs) was funded by a new \$16m facility (Acquisition Loan) provided by National Australia Bank on the following summarised terms:

- Loan amount \$16m
- Minimum annual principle repayments \$3.2m
- Interest rate BBSY plus 2.7%
- Security by way of a first ranking general security agreement over all companies within the Group

Consolidated net debt peaked at \$38.5m at 31 December 2019 (post acquisition) and represented a \$30.3m increase from the 30 June 2019 figure of \$8.2m. Since 31 December 2019 the Group's net debt has reduced by approx. 28% to \$27.6m at 30 June 2020, representing a level relevant to EBITDA of well under one times. Whilst the Group remains strategically focussed on debt reduction in the medium to long term, it considers current debt levels appropriate based on a number of factors including the size and remaining term of its contract book and tender pipeline. Further, at 30 June 2020, the Group held cash and cash equivalents of \$11.9m while the liquidity coverage is enhanced with access to a further \$10m in available funds through the Group's working capital facility which, as at the date of this report, remains undrawn.

Gross debt at 30 June 2020 of approx. \$39.5m is comprised of the Acquisition Loan and traditional equipment finance facilities with relatively short amortisation profiles (as the chart below demonstrates):

Amortisation profile of drawn debt facilities (at 30 June 2020)



With purchase price allocation accounting (PPA) being complete, the fair valuation of Deepcore's net assets has resulted in the recognition of Property, Plant and Equipment and Customer contracts (Intangible Assets) of \$27.5m and \$17.1m respectively. The former is largely represented by Deepcore's fleet of 32 rigs (including latest generation mobile underground rigs) while the latter is based on valuation of contracts executed with customers which will be amortised over the remaining term of the contracts on a straight-line basis.

The Group's current ratio (current assets: current liabilities) has increased by 5% from 1.12 at 30 June 2019 to 1.33 at 30 June 2020.

Further detailed comments on operations and financial performance are included in the Chairman's Report, Chief Executive Officer's Report and Financial Statements included in this Annual Report.

DIRECTORS' REPORT

For the year ended 30 June 2020

SHARE CONSOLIDATION

On 7 February 2020, the Company consolidated its issued capital on the following basis:

- every 10 shares were consolidated into one share
- every 10 options were consolidated into one option (with the exercise price of each option being amended in the inverse proportion to that ratio).

DIVIDENDS

On 30 July 2020 the Company paid a fully franked special dividend of \$2,191,627 representing 1.1 cents per share. On 30 July 2019 the Company paid a fully franked special dividend of \$1,734,966, representing 1.0 cents per share (on a post share consolidation basis).

SHARES UNDER OPTION

Details of unissued shares or interests under option as at the date of this report are:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
23 May 2016	7 years after vesting	\$0.395	1,636,242
4 August 2017	7 years after vesting	\$0.539	1,011,964
14 June 2018	7 years after vesting	\$0.7035	1,003,853
14 June 2019	7 years after vesting	\$1.1	1,206,992
1 June 2020	7 Years after vesting	\$0.91	1,169,795
			6,028,846

Options per the above table were granted under the Company's Executive Share and Option Plan (ESOP).

Further details in relation to the ESOP are provided as part of the Remuneration Report on pages 15 to 22.

During the year ended 30 June 2020, there were no shares in Mitchell Services Limited issued on the exercise of options.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the Directors and Company Officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director or Officer of the Company other than conduct involving a wilful breach of duty in relation to the Company. The total premiums paid in this regard amounted to \$151,170.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member). During the financial year, 21 Board meetings, 3 Remuneration and Nomination Committee meetings and 3 Audit and Risk Committee meetings were held.

DIRECTORS	BOARD OF DIRECTORS		REMUNERATION AND NOMINATION COMMITTEE		AUDIT AND RISK COMMITTEE	
	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended
N. Mitchell	21	21	-	-	-	-
P. Miller	21	20	-	-	-	-
R. Douglas	21	19	3	3	3	3
N. O'Connor	21	20	3	3	3	3
S. Tumbridge	14	14	-	-	-	-

NON-AUDIT SERVICES

There were no amounts paid or payable to the auditor for non-audit services provided during the year by the auditor. Refer to Note 25 to the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 29 of the Annual Report.

REMUNERATION REPORT

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of the Group's Key Management Personnel (**KMP**) for the financial year ended 30 June 2020.

The term Key Management Personnel refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Key Management Personnel

The Directors and other KMP of the Group during or since the end of the financial year were:

Nathan Andrew Mitchell (Executive Chairman)

Scott David Tumbridge (Executive Director)

Peter Richard Miller (Non-Executive Director)

Robert Barry Douglas (Non-Executive Director)

Neal Macrossan O'Connor (Non-Executive Director)

Peter Geoffrey Hudson (Non-Executive Director)

Andrew Michael Elf (Chief Executive Officer)

Gregory Michael Switala (Chief Financial Officer and Company Secretary)

Remuneration Policy

The Remuneration Policy of the Group has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives to key employees based on key performance areas affecting the Group's financial, operational and safety results. The Board believes the Remuneration Policy to be appropriate and effective in its ability to attract and retain high quality KMP to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

- The Remuneration Policy is developed by the Remuneration and Nomination Committee and approved by the Board;
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, and may receive fringe benefits and performance incentives (both short term and long term);
- The extent to which KMP receive performance incentives will depend on the performance of the Group with reference to specific key performance indicators;
- The performance indicators relating to incentives are aligned with the interests of the Group and therefore shareholders;
- The Remuneration and Nomination Committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

Executive remuneration components

Under the Group's remuneration framework for the year ending 30 June 2020, the following remuneration components were available to executive KMP:

- **Fixed remuneration** that comprises salary and other benefits including superannuation.
- **Short term incentives** that comprise a cash-based performance bonus, the extent of which will depend on the Group's financial and safety performance and is designed to attract the highest calibre of executives and senior managers and reward them for performance results leading to growth in shareholder value.
- **Long term incentives** that comprise an equity only component whereby equity instruments are issued (subject to financial, operational and safety performance-based vesting conditions) to executives and senior managers under the Group's Executive Share and Option Plan (ESOP) designed to reward those executives and managers for long term growth in shareholder value.

The above structure is designed to provide an appropriate mix of variable and fixed remuneration and to provide an appropriate mix of short-term and long-term incentives to attract and retain high quality KMP and to align incentives with the short-term and long-term objectives of the Group.

DIRECTORS' REPORT

For the year ended 30 June 2020

Fixed Remuneration

The level of fixed remuneration is determined based on various factors including length of service, experience, qualifications and with reference to remuneration paid by similar sized companies in similar industries and is designed to attract and retain high quality executive KMP. KMP receive a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's ordinary earnings, and do not receive any other retirement benefits. Some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation. Accrued entitlements are paid to KMP upon cessation of employment. KMP will receive redundancy benefits if applicable.

The fixed remuneration paid to executive KMP during the 2020 and 2019 financial years is set out below.

EXECUTIVE KMP		SHORT-TERM EMPLOYEE BENEFITS	POST- EMPLOYMENT BENEFITS	NON- MONETARY BENEFITS	TOTAL FIXED REMUNERATION
		Salary \$	Superannuation \$	Motor Vehicles ¹ \$	Total \$
Nathan Andrew Mitchell Executive Chairman	2020	200,000	19,000	-	219,000
	2019	80,000	7,600	-	87,600
Scott David Tumbridge Executive Director	2020	105,000	9,975	-	114,975
	2019	-	-	-	-
Andrew Michael Elf Chief Executive Officer	2020	400,000	38,000	14,534	452,534
	2019	400,000	38,000	14,862	452,862
Gregory Michael Switala Chief Financial Officer and Company Secretary	2020	300,000	28,500	9,415	337,915
	2019	240,000	22,800	5,109	267,909

1. The figures in this column relate to use of a Company motor vehicle to carry out duties as well as reasonable personal use. The amount included in the above remuneration table is the value attributable to such personal use calculated in accordance with the statutory requirements of the Fringe Benefits Tax Act 1986.

Short term incentives

During the 2020 and 2019 financial year the following cash-based, short-term performance bonuses were paid to executive KMP.

EXECUTIVE KMP		PERFORMANCE BONUS	PERCENTAGE OF FIXED REMUNERATION
Andrew Michael Elf Chief Executive Officer	2020	200,000	44.20%
	2019	64,000	14.13%
Gregory Michael Switala Chief Financial Officer and Company Secretary	2020	96,000	28.41%
	2019	-	-

The performance bonuses paid during the 2020 and 2019 financial year were based on the financial results, safety performance and share price performance of the Group during the 2019 and 2018 financial years respectively. To demonstrate the relationship between the short-term performance bonus payments and Group performance, the table below sets out summary information about the Group's revenue, earnings, share price movements and safety performance between 30 June 2017 and 30 June 2019

	30 JUN 17	30 JUN 18	30 JUN 19
Revenue (\$'000's)	40,303	72,700	120,205
EBITDA (\$'000's)	2,238	6,254	24,112
Share price (closing)	3.3c	3.9c	5.7c
Total Recordable Injury Frequency Rate (TRIFR)	14.89	12.82	14.09

Long-term employee benefits

Mitchell Services Limited operates an Executive Share and Option Plan (ESOP) for executives and senior employees of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, the Board may designate a Director or employee of the Company as an eligible participant of the ESOP (Eligible Participant). The Board may offer rights, options or shares to an Eligible Participant under the ESOP. A participant is not required to pay for the grant of any rights or options or for the issue of shares.

The objectives of the ESOP are to:

- Attract and retain a high standard of managerial and technical personnel for the benefit of the Group
- Establish a method by which Eligible Participants can participate in future growth and profitability of the Group
- Provide an incentive and reward for Eligible Participants for their contributions to the Group.

Equity instruments issued under the ESOP are subject to satisfaction of certain vesting conditions (tested two years after the offer date), being:

- a) EBITDA performance of the Group having regard to respective prior years' EBITDA performance, performance against budgets and general market conditions between the date of the offer and the vesting date
- b) share price performance between the date of the offer and the vesting date
- c) safety performance across all operations as determined on a financial year annual TRIFR basis, having regard to respective prior years' TRIFR performance
- d) operational performance, having particular regard to key operational metrics.

The proportion of the vesting conditions listed above varies according to each Eligible Participant's role, with the following table providing indicative guidelines.

ROLE	(A)	(B)	(C)	(D)
Chief Executive Officer	30%	30%	30%	10%
Corporate Management	40%	40%	20%	
Operational Management			50%	50%

The Board may, at its absolute discretion, vary, add, remove or alter the vesting conditions and indicative proportional allocation for respective Eligible Participant roles in circumstances in which the Board considers that such a change is appropriate to ensure that the vesting conditions and proportional allocation of them continue to represent a fair measure of performance. The vesting conditions are tested two years after the relevant securities are offered to an Eligible Participant.

The ESOP instruments are offered under the following major terms:

In the case of the options:

- a) Subject to the satisfaction of vesting conditions, each option entitles the holder to purchase one fully paid ordinary share at an agreed purchase price (exercise price) as outlined in the offer.
- b) The options will expire on a date that is the earlier of:
 - i. the date upon which it is deemed that the vesting conditions have not been met
 - ii. the date upon which the employee ceases employment
 - iii. seven years after vesting date.
- c) Options granted do not carry dividend or voting rights.

In the case of the shares:

- a) Shares issued under the ESOP are held by a designated Corporate Trustee subject to the satisfaction of vesting conditions.
- b) Upon satisfaction of vesting conditions, shares will be issued for nil consideration.

DIRECTORS' REPORT

For the year ended 30 June 2020

Offers made under the ESOP in 2020 and 2019

The table below summarises the shares and options offered to KMP pursuant to the ESOP during the 2020 and 2019 financial years. For purposes of the 2019 offer, the number of instruments, fair value of instruments and option strike price have been adjusted on a retrospective basis to reflect the impact of the one for ten capital consolidation that took place on 7 February 2020.

Using a Black-Scholes pricing model for the options and using a 30-day VWAP for the shares, the table also sets out the fair value of the ESOP instruments at offer date and the percentage that value represents with reference to the KMP's fixed remuneration. The table also demonstrates that a significant majority of equity instruments granted in each year under the ESOP were in the form of options (as opposed to shares) and that the exercise prices (or "strike prices") of those options were between 70% and 80% greater than the 30-day VWAP of MSV shares at the date of the offer. This means that for an option issued under the ESOP to be "in the money", shareholder value (in the form of the share price) would need to increase significantly between the offer date and the exercise date.

All instruments offered under the ESOP in 2020 and 2019 and shown in the table below are subject to vesting conditions which will be tested two years after the offer date. That is, vesting conditions will be tested on 22 May 2022 for offers made in 2020 and on 13 May 2021 for offers made in 2019.

KMP	AWARD	OFFER DATE	NUMBER OF INSTRUMENTS	FAIR VALUE PER INSTRUMENT AT OFFER DATE*	FAIR VALUE OF INSTRUMENTS AT OFFER DATE*	PERCENTAGE OF FIXED REMUNERATION	OPTION STRIKE PRICE	DATE AWARD MAY VEST
Andrew Michael Elf	Options	22 May 2020	241,681	\$0.1390	\$33,594	7.42%	\$0.91	22 May 2022
	Shares	22 May 2020	75,598	\$0.405	\$30,617	6.77%	na	22 May 2022
Gregory Michael Switala	Options	22 May 2020	150,170	\$0.1390	\$20,874	6.18%	\$0.91	22 May 2022
	Shares	22 May 2020	45,109	\$0.405	\$18,269	5.41%	na	22 May 2022
Andrew Michael Elf	Options	13 May 2019	329,614	\$0.269	\$88,666	19.6%	\$1.1	13 May 2021
	Shares	13 May 2019	99,013	\$0.632	\$62,575	13.8%	na	13 May 2021
Gregory Michael Switala	Options	13 May 2019	225,102	\$0.269	\$60,552	22.6%	\$1.1	13 May 2021
	Shares	13 May 2019	67,619	\$0.632	\$42,734	16.0%	na	13 May 2021

*For purposes of the above table, the fair value of the shares was determined with reference to the 30-day VWAP of a fully paid ordinary MSV share calculated taking into account the 30 trading days immediately before the offer date.

In the case of the options, fair value was determined using a Black-Scholes pricing model with the following key assumptions and inputs in the measurement:

	GRANTED DURING YEAR ENDED 30 JUNE 2020	GRANTED DURING YEAR ENDED 30 JUNE 2019
Share price	\$0.535	\$0.632
Exercise price	\$0.91	\$1.1
Expected volatility	57%	63%
Expected life (after vesting)	3.5 years	3.5 years
Risk-free interest rate	0.3%	1.15%
Dividend yield (assumed no dividends paid)	0%	0%
Fair value per option	\$0.139	\$0.269

Vesting of 2018 and 2017 ESOP instruments in 2020 and 2019

The table below summarises the equity instruments offered to KMP pursuant to the ESOP during the 2018 and 2017 financial years and the extent of vesting of those instruments in 2020 and 2019. The number of instruments, fair value of instruments and option strike price have been adjusted on a retrospective basis to reflect the impact of the one for ten capital consolidation that took place on 7 February 2020.

KMP	AWARD	OFFER DATE	NUMBER OF INSTRUMENTS	VESTED IN FY2020	VESTED IN FY2019	EXERCISABLE AT 30 JUNE 2020	OPTION STRIKE PRICE
Andrew Michael Elf	Options	4 May 2018	320,835	272,710	-	272,710	\$0.7035
	Shares	4 May 2018	96,376	81,920	-	na	na
Gregory Michael Switala	Options	4 May 2018	240,626	216,563	-	216,563	\$0.7035
	Shares	4 May 2018	72,282	65,054	-	na	na
Andrew Michael Elf	Options	29 June 2017	382,436	-	325,071	325,071	\$0.539
	Shares	29 June 2017	114,881	-	97,649	na	na
Gregory Michael Switala	Options	29 June 2017	268,900	-	242,010	242,010	\$0.539
	Shares	29 June 2017	80,776	-	72,698	na	na

In making a determination as to the extent of vesting of the 2018 and 2017 ESOP instruments (in 2020 and 2019 respectively), Directors considered the following in accordance with the ESOP rules:

- EBITDA performance of the Group having regard to respective prior years' EBITDA performance, performance against budgets and general market conditions between the date of the offer and the vesting date
- share price performance between the date of the offer and the vesting date
- safety performance across all operations as determined on a financial year annual TRIFR basis, having regard to respective prior years' TRIFR performance
- operational performance, having particular, regard to key operational metrics.

DIRECTORS' REPORT

For the year ended 30 June 2020

The proportion of the vesting conditions listed above varies according to each Eligible Participant's role, with the following table providing indicative guidelines.

ROLE	(A)	(B)	(C)	(D)
Chief Executive Officer	30%	30%	30%	10%
Corporate Management	40%	40%	20%	
Operational Management			50%	50%

To demonstrate the relationship between the extent of vesting and the Group's performance over the applicable vesting periods, the table below sets out summary information about the EBITDA, share price (adjusted retrospectively to take into account the one for ten capital consolidation that took place on 7 Feb 2020), safety and operational (revenue) performance between 30 June 2017 and 30 June 2020.

	30 JUN 17	30 JUN 18	30 JUN 19	30 JUN 20
EBITDA (\$'000's)	2,238	6,254	24,100	35,000
Share price (30-day VWAP)	31.4c	39.4c	63.2c	48.5c
Total Recordable Injury Frequency Rate (TRIFR)	14.89	12.82	14.09	12.67
Revenue (\$'000's)	40,303	72,700	120,200	175,500

Employment details of members of Key Management Personnel

The employment terms and conditions of KMP are formalised in contracts of employment. A contracted person deemed employed on a permanent basis may terminate their employment by providing the relevant notice period as outlined below.

	NOTICE PERIOD
Andrew Michael Elf	3 months
Gregory Michael Switala	3 months

Non-Executive Director Remuneration

Fees for Non-Executive Directors are set at a level to attract and retain Directors with the necessary skills and experience to allow the Board to have a proper understanding of, and competence to deal with, current and emerging issues. Remuneration for Non-Executive Directors is reviewed by the Remuneration and Nomination Committee and set by the Board, taking into account external benchmarking when required. The Non-Executive remuneration levels reflect the demands and responsibilities of the Directors but also reflect the historical financial position and performance of the Group in recent years following prolonged periods of subdued general market conditions in the broader resources and mining services sectors.

In addition to a cash-based fee (or salary), Non-Executive Directors receive a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's ordinary earnings, and do not receive any other retirement benefits. Some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

The aggregate cap on annual fees paid to Non-Executive Directors is currently \$350,000, as approved by shareholders at the 2010 Annual General Meeting. The remuneration levels for Non-Executive Directors (including fees for the Chairman of the Audit & Risk Committee and Remuneration and Nominations Committee) is summarised below (exclusive of superannuation).

	FY20	FY19
Non-Executive Director Fees	70,000	36,000
Chairman of the Audit and Risk Committee	10,000	12,000
Chairman of the Remuneration and Nomination Committee	10,000	4,000
Committee member	5,000	-

Remuneration of Key Management Personnel

The compensation of each member of the KMP of the Group is set out below.

		FIXED REMUNERATION PAID	SHORT-TERM EMPLOYEE BENEFITS	POST- EMPLOYMENT BENEFITS	SHORT- TERM INCENTIVES	NON- MONETARY BENEFITS	LONG-TERM EMPLOYEE BENEFITS		
			Salary \$	Superannuation \$	Bonus \$	Motor Vehicles ¹ \$	Long Service Leave ³ \$	Shares ² \$	Options ² \$
Nathan Andrew Mitchell	2020	200,000		19,000	-	-	-	-	-
Executive Chairman	2019	80,000		7,600	-		-	-	-
Scott David Tumbridge	2020	105,000		9,975	-	-	-	-	-
Executive Director	2019	-		-	-	-	-	-	-
Peter Richard Miller	2020	70,000		6,650	-	-	-	-	-
Non-Executive Director	2019	36,000		3,420	-	-	-	-	-
Robert Barry Douglas	2020	80,000		7,600	-	-	-	-	-
Non-Executive Director	2019	36,000		3,420	-	-	-	-	-
Neal Macrossan O'Connor	2020	90,000		8,550	-	-	-	-	-
Non-Executive Director	2019	52,000		4,940	-	-	-	-	-
Andrew Michael Elf	2020	400,000		38,000	200,000	14,534	10,332	33,123	9,692
Chief Executive Officer	2019	400,000		38,000	64,000	14,862	22,014	63,464	90,935
Gregory Michael Switala	2020	300,000		28,500	96,000	9,415	9,547	24,450	7,229
Chief Financial Officer and Company Secretary	2019	240,000		22,800	-	5,109	7,822	47,399	67,898

1. The figures in this column relate to use of a Company motor vehicle to carry out duties as well as reasonable personal use. The amount included in the above remuneration table is the value attributable to such personal use calculated in accordance with the statutory requirements of the Fringe Benefits Tax Act 1986.
2. These amounts were not actually provided to KMP during the financial year. The figures are calculated in accordance with the Australian Accounting Standards and are the amortised AASB fair values of equity instruments (whether vested or not) that have been granted to KMP. Refer to page 18 of this Remuneration Report for information on awards during the financial year and the vesting status of previous year's awards.
3. This is the change in accrued long service leave and is measured in accordance with AASB 119 Employee benefits.

DIRECTORS' REPORT

For the year ended 30 June 2020

KMP Shareholding

Details of shares (adjusted on a retrospective basis to reflect the impact of the one for ten capital consolidation that took place on 7 February 2020) held by KMP, including their personally related entities, for FY20 are as follows

	HOLDING AT 1 JULY 2019	SHARES RECEIVED PURSUANT TO ESOP	NET OTHER CHANGES	HOLDING AT 30 JUNE 2020
Executive KMP				
Nathan Andrew Mitchell	35,410,859	-	666,314	36,077,173
Scott David Tumbridge	-	-	14,354,068	14,354,068
Andrew Michael Elf	704,456	81,920	-	786,376
Gregory Michael Switala	72,698	65,054	-	137,752
Non-Executive KMP				
Peter Richard Miller	2,400,505	-	-	2,400,505
Robert Barry Douglas	221,054	-	-	221,054
Neal Macrossan O'Connor	116,888	-	-	116,888

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Nathan Andrew Mitchell
Executive Chairman

Dated at Brisbane this 18th day of August 2020

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2020

The Board considers there to be a clear and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness amongst and between the Board members, management, employees, customers and suppliers.

Unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council as outlined in the 3rd edition of the Corporate Governance Principles and Recommendations for the entire financial year ended 30 June 2020.

1. BOARD OF DIRECTORS

1.1. Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Group to the Chief Executive Officer and Executive Management. Responsibilities are delineated by formal authority delegations.

1.2. Board processes

To assist in the execution of its responsibilities, the Board has established 2 board committees which include a Remuneration and Nominations Committee and an Audit and Risk Committee. Both committees have written charters which are reviewed on a regular basis. The Board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds not less than 10 scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared by the Company Secretary in conjunction with the Chairman. Standing items include the Chief Executive Officer report, People and Risk report, Human Resources Report, General Manager's reports, Financial reports, Asset reports and Commercial and Business Development reports. The Board package is provided to all concerned in advance of meetings. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

1.3. Director and executive education

The Group has an informal induction process to educate new Directors about the nature of the business, current issues, the corporate strategy, the culture and values of the Group, and the expectations of the Group concerning performance of Directors. In addition, Directors are also educated regarding meeting arrangements and Director interaction with each other, senior executives and other stakeholders. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has an informal process to educate new senior executives upon taking such positions. This involves reviewing the Group's structure, strategy, operations, financial position and risk management policies.

1.4. Independent professional advice and access to Group information

Each Director has the right of access to all relevant Group information and to the Group's Executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The Directors must consult with an adviser suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Directors is made available to all other members of the Board.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2020

1.5. Composition of the Board

The names of the Directors of the Company in office at the date of this report together with their respective mix of skills, experience and length of service are set out in the Directors' Report on page 8 and 9 of this report.

The Group believes it is in its best interests to maintain a small but efficient Board. During the 12 months ended 30 June 2020, the Board consisted of 3 Non-executive Directors (being Peter Miller, Robert Douglas and Neal O'Connor), executive Director Scott Tumbridge and Executive Chairman, Nathan Mitchell. Throughout the 12 months ended 30 June 2020, two of the five board members were considered independent, being Robert Douglas and Neal O'Connor. On 20 July 2020 Mr Peter Hudson was appointed to the Board in a Non-executive capacity. As at the date of this report three of the six board members are considered independent, being Robert Douglas, Neal O'Connor and Peter Hudson.

The Executive Chairman is Mr Nathan Mitchell. Under the guidelines, Mr Mitchell does not meet the criteria for independence as he is a director of a substantial shareholder. Peter Richard Miller was previously employed by the Company in an executive capacity and as such does not meet the criteria for independence. Mr Scott Tumbridge does not meet the criteria for independence as he was previously employed by the Group in an executive capacity. He is also a director of a substantial shareholder. Under the guidelines, the majority of the Board should be independent as should the Chair. All Directors are committed to bringing their independent views and judgment to the Board and, in accordance with the *Corporations Act 2001*, must inform the Board if they have any interest that could conflict with those of the Group. Where the Board considers that a conflict exists, the Director concerned will not be present at the meeting while the item is considered. For these reasons, the Board believes that each of these Directors may be considered to be acting independently in the execution of their duties.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have appropriate industry expertise in the Group's business operations. The Board undertakes appropriate checks before appointing a person as a Director and provides security holders with all material information relevant to a decision on whether or not to elect a Director. The Board's policy is to seek a diverse range of Directors who have a range of skills, ages, genders and ethnicity that complements the environment in which the Group operates and having due regard to the current size of the Group (refer section 8 below on skills and diversity).

2. REMUNERATION AND NOMINATION COMMITTEE

Under the principles and recommendations of the ASX Corporate Governance Council, the Remuneration and Nomination Committee should consist of at least 3 members, each of whom should be Non-Executive Directors. Given the relatively small size of the Board, the Directors were of the opinion that 2 members would be sufficient to properly discharge the duties of the Committee for the 12 month period ending 30 June 2020. The Chairman of the Committee should be an independent Director. The Committee has 2 distinct roles as follows:

- Remuneration related matters; and
- Nomination related matters.

The members of the Remuneration and Nomination Committee during the year were:

- Mr Neal O'Connor – Chairman and Non-Executive Director
- Mr Robert Douglas – Non-Executive Director.

Following his appointment to the Board on 20 July 2020, Mr Peter Hudson joined the Remuneration and Nominations Committee. Mr Hudson is a Non-Executive Director and is considered independent.

All Directors are invited to Remuneration and Nomination Committee meetings at the discretion of the Committee. The Committee met three times during the year and Committee members' attendance record is disclosed in the table of Directors' meetings on page 14 of this report.

Remuneration related matters

The Committee assists the Board in the general application of the remuneration policy. In doing so, the Committee is responsible for:

- Developing remuneration policies for Directors and Key Management Personnel;
- Reviewing Key Management Personnel packages annually and, based on these reviews, making recommendations to the Board on remuneration levels for Key Management Personnel; and
- Assisting the Board in reviewing Key Management Personnel performance annually.

Executive Directors and Senior Executives are remunerated by way of salary, non-monetary benefits, statutory superannuation, short-term incentive payments and participation in the Mitchell Services Limited Executive Share and Option Plan (ESOP) in accordance with written agreements that set out the terms of their appointments. Non-Executive Directors are remunerated by way of salary and statutory superannuation. There are no schemes for retirement benefits for Directors other than statutory superannuation arrangements. Further disclosure on the policies and practices regarding remuneration is contained in the Remuneration Report of this Annual Report.

Nomination related matters

The Committee assists the Board in ensuring that the Board comprises Directors with a range and mix of attributes appropriate for achieving its objective. The Committee does this by

- Overseeing the appointment and induction process for Directors;
- Reviewing the skills and expertise of Directors and identifying potential deficiencies;
- Identifying suitable candidates for the Board;
- Overseeing Board and Directors reviews on an annual basis; and
- Establishing succession planning arrangements for the Executive team.

3. AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has a documented charter, approved by the Board. Under the principles and recommendations of the ASX Corporate Governance Council, the Committee should consist of at least 3 members, each of whom should be Non-Executive Directors. Given the relatively small size of the Board, the Directors were of the opinion that 2 members would be sufficient to properly discharge the duties of the Committee for the 12 month period ended 30 June 2020.

The Chairman of the Committee should be an independent Director and should not be Chairman of the Board. The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities in relation to the external audit function, accounting policies, financial reporting, funding, financial risk management, business risk monitoring and insurance.

The members of the Audit and Risk Committee during the year were:

- Mr Neal O'Connor – Chairman and Non-Executive Director
- Mr Robert Douglas – Non-Executive Director.

Following his appointment to the Board on 20 July 2020, Mr Peter Hudson joined the Audit and Risk Committee. Mr Hudson is a Non-Executive Director and is considered independent.

The external auditors and the Chief Executive Officer are invited to Audit and Risk Committee meetings at the discretion of the Committee. The Committee met three times during the year and Committee members' attendance record is disclosed in the table of Directors' meetings on page 14 of this report.

The Chief Executive Officer and the Chief Financial Officer declared in writing to the Board that the financial records of the Group for the financial year have been properly maintained, the Group's financial reports for the financial year ended 30 June 2020 comply with accounting standards and present a true and fair view of the Group's financial condition and operational results and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. This statement is required annually.

4. PERFORMANCE EVALUATION

The Remuneration and Nomination Committee is required to annually review the effectiveness of the functioning of the Board, its committees, individual Directors and Senior Executives through internal peer review.

5. RISK MANAGEMENT

The Board considers identification and management of key risks associated with the business as vital to creating and delivering long-term shareholder value.

The main risks that could negatively impact on the performance of the Group's business activities include:

- Safety of employees and contractors;
- Seasonal conditions and business interruptions;
- Dependence on key personnel and labour shortages;
- Obsolescence to certain machinery due to technological advancements or client requirements;
- Customer demand and outlook for the resources industry.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2020

An assessment of the business' risk profile is undertaken and reviewed by the Board at least annually, covering all aspects of the business from the operational level through to strategic level risks. Executive management has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly by management. Executive management has reported on an ongoing basis (via monthly Board meetings) to the Board as to whether the Group's business risks have been effectively managed.

In addition to their regular reporting on business risks, risk management and internal control systems, the Chief Executive Officer and Chief Financial Officer have provided assurance, in writing to the Board:

- That the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively; and
- The Group's financial reports are founded on a sound system of risk management and internal compliance and control.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. In the absence of an internal audit function, comprehensive practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled;
- Health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel;
- Financial reporting accuracy and compliance with the financial reporting regulatory framework. Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly; and
- Regulation compliance. The Group's health, safety, environment and sustainability obligations are monitored by all members of the Board.

6. ETHICAL STANDARDS

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews its Code of Conduct and Ethics regularly and processes are in place to promote and communicate these policies.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

Where the Board believes that a conflict exists the Director concerned will not be present at the meeting while the item is considered. Details of Director related entity transactions with the Group are set out in Note 23 to the financial statements.

Code of conduct

The Group has advised each Director, manager and employee that they must comply with the Group's Code of Conduct and Ethics. The code requires all Directors, management and employees to, at all times and with all relevant stakeholders:

- Act honestly and in good faith;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflict of interest;
- Comply with both the letter and spirit of the law;
- Encourage the reporting and investigation of unlawful and unethical behaviour; and
- Comply with the security trading policy.

Whistleblower Policy

The Group is committed to encouraging and supporting ethical and responsible behaviour. It is also committed to creating and maintaining an open working environment in which concerns regarding unethical, unlawful or undesirable conduct are able to be raised and reported. The policy sets out:

- The process by which concerns can be reported without fear of reprisal
- The investigation process to follow of receipt of a whistleblower report
- The Group's commitment to rectify any discovered wrongdoing
- The measures in place to protect the whistleblower.

Security trading policy

The Security Trading Policy restricts Directors and employees from acting on price sensitive information (which is not available to the public) until it has been released to the market and adequate time has been given for this to be reflected in the Company's share price.

Directors and other Key Management Personnel are also prohibited from trading during closed periods. Closed periods are the following periods:

- The period from 1 July until the first trading day after the release of the Company's annual result to the ASX; and
- The period from 1 January until the first trading day after the release of the Company's half yearly result to the ASX; and
- The period from 1 October until the first trading day after the release of the Company's 30 September quarterly investor report; and
- The period from 1 April until the first trading day after the release of the Company's 30 March quarterly investor report.

7. COMMUNICATION WITH SHAREHOLDERS

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy and investor relations program which includes identifying matters that may have a material effect on the price of the Company's shares and notifying them to the ASX.

In summary, the Continuous Disclosure Policy operates as follows:

- The Company Secretary (also the Chief Financial Officer) and the Chief Executive Officer are responsible for interpreting the Group's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX after they are discovered but are referred to the Board in the first instance.
- The full Annual Report is provided via the Company's website to all shareholders. It provides relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments.

- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the ASX and sent to any shareholder who requests it.
- Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders.
- All announcements made to the market can be accessed via the Company's website after they have been released to the ASX.
- The external auditor attends the Annual General Meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

8. SKILLS AND DIVERSITY

Diversity

The Company has an established Equity and Diversity Policy relating to its Board Members, Senior Executives and across the whole organisation with an objective to recruit and manage on the basis of qualification for the position and performance; regardless of gender, age, nationality, race, religious beliefs, cultural background or sexuality.

In summary, the Equity and Diversity Policy operates as follows:

The Company has zero tolerance toward discrimination.

To achieve this, we are committed to:

- Ensuring a working environment that is free of all forms of harassment.
- Valuing the diversity among our employees, and all those with whom we do business.
- Conducting business activities such as the hiring, promotion, and compensation of employees without regard to race, colour, religion, gender, gender identity or expression, sexual orientation, national origin, genetics, disability, or age.
- The employment and development of Indigenous employees in all the areas where we operate.
- Complying with all applicable legislative requirements.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2020

To achieve this, we will:

- Adhere to the Company Code of Conduct and be guided by the Company's Values.
- Recruit a diverse range of people with a diverse range of talents to help us achieve our goals.
- Employ the best person for the job regardless of race, colour, religion, gender, gender identity or expression, sexual orientation, national origin, genetics, disability, or age.
- Select on the principles of merit and fairness in all employment practices.
- Ensure that all reports of workplace discrimination are treated seriously, promptly and fairly with due regard to the principles of procedural fairness, natural justice and confidentiality.
- Take appropriate action against individuals engaging in discriminatory conduct.
- Build relationships and promote opportunities for Indigenous peoples throughout all of our operations, while encouraging cultural awareness and respect amongst our staff.
- Make confidential counselling and support available to employees to assist with any workplace issues that may arise.

The proportion of women employees in the whole organisation is detailed below:

	2020		2019	
	No.	%	No.	%
Women on the Board	-	-	-	-
Women in senior management roles ¹	1	11.11	1	11.11
Women in head office roles	22	51.16	16	55.56
Women employees in the Group	31	4.28	18	4.15

1. The Company has defined senior management roles as those roles which are responsible for a key business function and that report directly to either the Chief Executive Officer or Chief Financial Officer.

Skills matrix

The Company aims to maintain a diverse, multi-skilled Board with a range of different skills and expertise. At a minimum, these skills and expertise include:

- Capital management and corporate finance experience
- Experience at both executive and non-executive levels
- An understanding of the drilling industry and mining services sector
- Exceptional leadership skills
- Experience in workplace health and safety
- An understanding of technological advances in the mining services industry
- Financial acumen and strategic capabilities
- Environment and sustainability experience
- An understanding of risk management.



JESSUPS

INDEPENDENCE DECLARATION

TO THE DIRECTORS OF MITCHELL SERVICES LIMITED
FOR THE YEAR ENDED 30 JUNE 2020

In accordance with section 307C of the *Corporations Act 2001*, we declare that, to the best of our knowledge and belief, in relation to the audit of Mitchell Services Limited for the year ended 30 June 2020, there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Jessups

Paul Sapelli
Partner

Level 1, 211 Sturt Street, Townsville, QLD 4810

Dated: 18 August 2020



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

		2020	2019
	Note	\$	\$
Continuing operations			
Revenue	14	175,554,639	120,205,145
Gain on sale of assets		3,987,782	268,158
Advertising		(136,771)	(214,742)
Drilling consumables		(18,306,582)	(16,072,180)
Employee and contract labour expenses		(86,718,748)	(56,431,873)
Fuel and oil		(3,075,069)	(2,120,608)
Freight and couriers		(1,585,474)	(1,249,917)
Hire of plant and equipment		(8,354,143)	(4,104,613)
Insurances		(1,201,318)	(1,078,441)
Legal and consultant fees		(1,912,599)	(839,854)
Rent		(1,265,117)	(1,134,945)
Service and repairs		(10,316,788)	(6,073,461)
Travel expenses		(7,763,125)	(4,991,364)
Other expenses		(3,956,076)	(2,049,137)
EBITDA		34,950,611	24,112,168
Depreciation expense		(16,939,317)	(8,228,411)
Amortisation of intangibles		(5,405,086)	(1,989,629)
EBIT		12,606,208	13,894,128
Finance expenses		(2,143,466)	(1,065,169)
Profit before tax		10,462,742	12,828,959
Income tax (expense)/benefit	14	(3,259,261)	4,539,231
Profit for the period from continuing operations		7,203,481	17,368,190
Discontinued operations			
Profit/(loss) for the period from discontinued operations		-	-
Profit/(loss) for the period		7,203,481	17,368,190
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		7,203,481	17,368,190
Profit attributable to:			
Owners of the parent		7,203,481	17,368,190
Total comprehensive income attributable to:			
Owners of the parent		7,203,481	17,368,190
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)	27	3.8	10.0
Diluted (cents per share)	27	3.8	9.9
From continuing operations			
Basic (cents per share)	27	3.8	10.0
Diluted (cents per share)	27	3.8	9.9

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2020

		2020	2019
	Note	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3(a)	11,906,383	1,596,676
Trade and other receivables	4	33,076,207	22,775,835
Other assets	5	2,010,246	2,350,016
Inventories	6	4,093,648	2,994,947
Intangibles at cost	7	7,466,209	-
Total current assets		58,552,693	29,717,474
Non-current assets			
Right-of-use assets	8	3,056,584	-
Property, plant and equipment	13	70,265,463	35,273,397
Intangibles at cost	7	10,013,440	-
Deferred tax asset	14	-	5,027,750
Other assets	5	156,066	178,383
Total non-current assets		83,491,553	40,479,530
Total assets		142,044,246	70,197,004
LIABILITIES			
Current liabilities			
Trade and other payables	9	21,698,820	15,929,616
Dividend payable		2,191,627	1,734,966
Income tax payable	14	1,405,158	-
Other financial liabilities	10	15,822,772	4,890,434
Provisions	11	8,340,744	3,914,198
Total current liabilities		49,459,121	26,469,214
Non-current liabilities			
Other financial liabilities	10	33,139,005	5,717,699
Deferred tax liabilities	14	1,456,276	-
Provisions	11	528,423	416,727
Total non-current liabilities		35,123,704	6,134,426
Total liabilities		84,582,825	32,603,640
Net assets		57,461,421	37,593,364
EQUITY			
Issued capital	15	72,995,137	58,245,137
Share issue costs	16	(2,745,932)	(2,726,220)
Retained earnings	17	(12,787,784)	(17,925,553)
Total equity		57,461,421	37,593,364

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

		ISSUED CAPITAL	RETAINED EARNINGS	TOTAL
	Note	\$	\$	\$
Balance at 1 July 2018		55,174,562	(34,140,098)	21,034,464
Comprehensive income				
Profit/(loss) for the period	17	-	17,368,190	17,368,190
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	17,368,190	17,368,190
Issue of ordinary shares	15	-	-	-
Share issue costs	16	344,355	-	344,355
Dividend declared		-	(1,734,966)	(1,734,966)
Recognition of share-based payments	18	-	581,321	581,321
Balance at 30 June 2019		55,518,917	(17,925,553)	37,593,364
Comprehensive income				
Profit for the period	17	-	7,203,481	7,203,481
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	7,203,481	7,203,481
Issue of ordinary shares	15	14,750,000	-	14,750,000
Share issue costs, net of tax	16	(19,712)	-	(19,712)
Dividend declared		-	(2,191,627)	(2,191,627)
Recognition of share-based payments		-	125,915	125,915
Balance at 30 June 2020	18	70,249,205	(12,787,784)	57,461,421

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

		2020	2019
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		173,204,788	111,535,759
Payments to suppliers and employees		(140,136,306)	(90,729,017)
Interest received		209	71
Interest paid		(1,919,062)	(1,271,220)
Income tax paid		-	(1,309,121)
Net cash provided by operating activities	19	31,149,629	18,226,472
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		5,855,236	202,430
Payment for property, plant and equipment		(17,617,536)	(8,328,732)
Payment for purchase of Deepcore, net of cash acquired	21	(14,852,173)	-
Net cash used in investing activities		(26,614,473)	(8,126,302)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for share issue costs	16	(28,160)	-
Proceeds from borrowings		19,188,320	1,771,155
Repayment of borrowings		(11,650,643)	(12,138,387)
Dividends paid		(1,734,966)	-
Net cash provided by/(used in) financing activities		5,774,551	(10,367,232)
Net increase/(decrease) in cash and cash equivalents		10,309,707	(267,062)
Cash and cash equivalents at the beginning of the period		1,596,676	1,863,738
Cash and cash equivalents at the end of the period	3(c)	11,906,383	1,596,676

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General information

Mitchell Services Ltd (**Company**) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the Corporate Directory of this Annual Report. The principal activities of the Company and its subsidiaries (**Group**) are exploration and mine site drilling services to the exploration, mining, and energy industries, primarily in Australia.

(b) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue by the Directors on the date shown in the Directors' Declaration.

(c) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Company and all of the subsidiaries. Subsidiaries are entities that the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 20.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation.

Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(d) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(e) Intangibles

Goodwill and Impairment

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred at fair value;
- (ii) any non-controlling interest (determined under either the fair value or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139: *Financial Instruments: Recognition and Measurement*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (*full goodwill method*) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (*proportionate interest method*). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Customer contracts

Customer contracts acquired are initially recognised at fair value and are subsequently carried at fair value less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straightline method over the contract period or estimated useful life, whichever is shorter.

(f) Revenue recognition

Revenue is recognised for the major business activities as follows:

Revenue from contracts with customers

The Group provides drilling services to the exploration, mining and energy industries pursuant to service contracts with a variety of clients in those sectors. The revenue associated with these drilling contracts is recognised in accordance with AASB15, that is in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Revenue from customer contracts is recognised upon satisfaction of a performance obligation under those contracts either over time in accordance with specified units of production (for example meters drilled or hours worked) or at a point in time when risks and rewards pass to the customer under those contracts (for example the sale or hire of certain items including consumables).

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Initial Application of AASB 16: Leases

The Group has adopted AASB 16: *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: *Leases* where the Group is the lessee.

There has been no significant change from prior year treatment for leases where the Group is a lessor.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: *Leases* and Interpretation 4: *Determining whether an arrangement contains a lease* without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 5.0%.

(h) Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting

period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation benefits

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of:

- the date when the Group can no longer withdraw the offer for termination benefits; and
- when the Group recognises costs for restructuring pursuant to AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits.

In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

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Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments at grant date and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amounts are recognised in the option reserve and statement of profit and loss respectively. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(i) Income taxes

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which: (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised, unless the deferred tax asset relating to temporary differences arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Mitchell Services Ltd. The members of the tax-consolidated group are identified in Note 20. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated group in accordance with the arrangement.

(j) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. On-going repairs and maintenance are expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment using both the diminishing value basis or straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The depreciation rates used for the current and comparative years of significant items of property, plant and equipment are as follows:

CLASSES OF FIXED ASSET

Buildings	2.5%
Plant & Equipment	6.67% – 40%
Motor Vehicles	12.50% – 50%
Office Equipment, Furniture & Fittings	10% – 67.67%

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment of property, plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(m) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: Business Combinations applies, the Group may make an irrevocable election to measure any subsequent changes in fair value of the equity instrument in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group’s accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder’s contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial assets:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

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On derecognition of an investment in equity which was elected to be classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach; and
- the simplified approach.

General approach

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used, taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability; that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified within operating cash flows.

(o) Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for either use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

The Group uses the fair value model for investment property.

The Group's investment property is assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected. An impairment loss is recognised immediately in profit or loss, unless the investment property is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, but so that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the investment property in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(p) Capital management

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital, and financial liabilities, supported by financial assets.

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For the year ended 30 June 2020

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

(q) Assets held for sale

The Group recognises assets as held for sale when the sale of the asset is approved by the Board and is actively marketed at a reasonable price for immediate sale that is probable within 12 months.

After these conditions are met, the Group measures the assets held for sale at the lower of carrying amount and fair value less costs to sell and are not depreciated.

Any reduction in value on initial recognition or any reduction in fair value less costs to sell after initial recognition shall be recognised as impairment in the profit and loss. A gain for any subsequent increase in fair value less costs to sell shall be recognised in the profit or loss to the extent that it is not in excess of the cumulative impairment loss.

(r) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates – Business combinations

In accordance with accounting policies Note 1(d), assets and liabilities acquired in a business combination are recognised at their fair value at the date of acquisition. As per Note 21, the Group acquired Deepcore Drilling during the year ended 30 June 2020. At the time of issuing financial statements for the half-year ended 31 December 2019, the Group had not yet completed accounting for the acquisition. Accordingly, the fair values of certain assets and liabilities disclosed in the half-year accounts were determined on a provisional basis. The passage of time and greater clarity of information has allowed for management to re-assess fair values of certain assets and liabilities acquired based on conditions which existed at valuation date.

The most significant adjustments to the provisional business combination accounting related to valuation of the following items:

- Contingent consideration liability;
- Valuation of customer contracts; and
- Goodwill.

(i) Contingent consideration liability

Pursuant to the share purchase agreement in relation to the acquisition, Deepcore Drilling will operate under an earn out arrangement for a period of three years from 1 January 2020 through to 31 December 2022. Note 21 provides further details, however adjustments to provisional business combination accounting has seen a material increase in the liability due to:

- (a) a revised estimate of EBITDA performance from the availability of actual results for the remaining months in the financial year post acquisition and;
- (b) utilisation of the budget for FY21 as a base for future projections.

(ii) Valuation of customer contracts

As discussed in Note 21, provisional business combination accounting had fair valued customer contracts acquired in the half-year accounts. Management have updated their critical accounting estimate in fair valuing the customer contract intangible assets. With the benefit of actual contract operating performance during the remainder of the financial year post acquisition and through the use of more conservative underlying assumptions, management have applied a downward revision in value attributed to specific customer contracts however this also needs to be considered in the light of the critical accounting estimate discussion around impairment of assets below.

(iii) Goodwill

Largely attributable to an increased contingent consideration liability but also associated with the revised customer contracts valuation, adjusted business combination accounting has seen the value attributed to goodwill materially increased from the provisional accounting for the acquisition of Deepcore Drilling.

Key estimates – Impairment of Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Directly above and per Note 21, management have discussed adjustments to provisional accounting for the acquisition of Deepcore Drilling. Customer contracts acquired are finite in nature and require to be tested for impairment where any indicators are deemed to exist while goodwill arising in a business combination requires to be tested on an annual basis. While both of these groups of assets are only recently acquired, management believe the global economic impact of COVID-19 constitutes a potential indicator of impairment and have elected to test for impairment risk with immediate effect.

Impairment assessment

Goodwill is monitored by management at the level of the lowest cash-generating-unit (CGU) being the wider Deepcore Drilling business while individual customer contracts, being separable, are considered on an individual basis. Calculations require the use of certain assumptions. Management have modelled cash flow projections based on the most recent forecasts incorporating an annual growth rate of 2.0 per cent for a five-year period and taking into account all currently available information. Terminal value growth rate of 2.0 per cent represents CPI while the pre-tax discount rate used is 18.0 per cent being weighted average cost of capital (WACC) for the Group.

The Group considers key sensitivities to be the following:

- A change in the pre-tax discount rate; and
- Operating rig count with its consequential impact on cash flows.

Management have flexed scenarios based on the above sensitivities and considers goodwill and customer contract intangible assets to be carried at lower than their recoverable amount.

From a wider COVID-19 perspective, to date the virus-related impacts on the business have been limited.

In an effort to limit the number of people onsite to a minimum (and therefore the risk of the spread of the virus) a relatively small number of rigs on certain sites ceased operating on a temporary basis. The number of affected rigs was small given that the majority of the Group's rigs operate on existing mine sites and are closely linked to production.

Given the reliance in certain instances on the Group's fly-in-fly-out workforce, inter-state border restrictions and reductions in domestic airline capacity have represented the largest operational challenge in relation to the virus. To date, these challenges have been appropriately managed through a combination of a well-executed rapid response plan and significant dedication and commitment from field-based employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

2. REVENUE

2(a) INCOME FROM CONTINUING OPERATIONS

	2020	2019
	\$	\$
Revenue from contracts with customers	175,493,797	119,561,886
Interest income	209	71
Rental income	-	215,345
Other	60,633	427,843
	175,554,639	120,205,145

2(b) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group disaggregates revenue from contracts with customers by commodity, drilling type, client type and geography, as this appropriately depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	2020	2019
	\$	\$
Commodity		
Coal	78,165,749	74,581,316
Gold	59,477,279	17,129,932
Copper	22,495,261	16,342,739
Lead/zinc/silver	7,452,561	5,252,339
Other	7,902,947	6,255,560
	175,493,797	119,561,886
Drilling type		
Surface drilling	79,272,709	66,280,899
Underground drilling	95,261,513	52,474,777
Other revenue	959,575	806,210
	175,493,797	119,561,886
Client type		
Tier-1 clients	151,329,187	110,317,395
Other clients	24,164,610	9,244,491
	175,493,797	119,561,886
Geography by State		
Queensland	103,616,668	89,863,998
South Australia	16,254,623	17,406,785
New South Wales	13,685,473	9,398,280
Western Australia	15,911,480	2,892,823
Victoria	26,025,553	-
	175,493,797	119,561,886
Timing of revenue recognition		
Services transferred over time	149,171,231	103,646,389
Goods transferred at a point in time	26,322,566	15,915,497
	175,493,797	119,561,886

3. CASH AND CASH EQUIVALENTS

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows.

	2020	2019
	\$	\$
3(a) In funds accounts		
Bank balances	11,906,383	1,596,676
3(b) Bank overdraft		
Bank overdraft	-	-
3(c) Net cash at bank	11,906,383	1,596,676

4. TRADE AND OTHER RECEIVABLES

	2020	2019
	\$	\$
Trade debtors	21,406,957	18,263,546
Accrued income	11,614,842	4,340,516
Bonds and deposits	54,408	171,773
	33,076,207	22,775,835

4(a) CREDIT RISK AND AGEING OF TRADE DEBTORS

The class of assets described as “trade debtors” is considered to be the main source of credit risk related to the Group. The Group does not hold any collateral over these balances. The ageing of trade debtors (financial assets) is as follows:

	2020	2019
	\$	\$
< 1 month	19,116,071	11,783,873
1 to 3 months	2,290,886	6,474,760
3 to 6 months	-	4,913
	21,406,957	18,263,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

5. OTHER ASSETS

	2020	2019
	\$	\$
Current		
Borrowing costs	198,898	111,196
Prepayments	1,811,348	2,238,820
	2,010,246	2,350,016
Non-current		
Borrowing costs	156,066	178,383
	156,066	178,383

6. INVENTORIES

	2020	2019
	\$	\$
Finished goods	4,093,648	2,994,947
	4,093,648	2,994,947

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$18,306,582 (2019: \$16,072,180).

7. INTANGIBLE ASSETS

	GOODWILL	CUSTOMER CONTRACTS	TOTAL
	\$	\$	\$
At 30 June 2020			
Cost or fair value	5,755,572	17,129,163	22,884,735
Accumulated amortisation	-	(5,405,086)	(5,405,086)
Net book amount	5,755,572	11,724,077	17,479,649
Year ended 30 June 2020			
Opening net book amount	-	-	-
Acquired in purchase of Deepcore (see Note 21)	5,755,572	17,129,163	22,884,735
Amortisation	-	(5,405,086)	(5,405,086)
Closing net book amount	5,755,572	11,724,077	17,479,649

Customer contracts expire progressively, ranging from October 2020 to February 2023 and are being amortised on a straight-line basis. The closing carrying amount allocation of customer contracts between current and non-current is \$7,466,209 and \$4,257,868 respectively.

8. RIGHT-OF-USE ASSETS

The Group's lease portfolio relates only to leased premises with the date of expiry ranging from November 2022 through to December 2026.

Options to Extend or Terminate

The options to extend or terminate are contained in several of the property leases of the Group. These clauses provide the Group opportunities to manage leases in order to align with its strategies. All the extension or termination options are only exercisable by the Group. The extension options or termination options which management were reasonably certain to be exercised have been included in the calculation of the lease liability.

(i) AASB 16 related amounts recognised in the balance sheet

	30 JUNE 2020
	\$
Right-of-use assets	
Leased premises	3,593,773
Accumulated depreciation	(537,189)
Net carrying amount	3,056,584
Movements in carrying amounts	
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	2,848,459
New right-of-use asset recognised during year ended 30 June 2020	745,314
Depreciation expense for the year ended 30 June 2020	(537,189)
Net carrying amount	3,056,584

(ii) AASB 16 related amounts recognised in the statement of profit or loss

Depreciation charge related to right-of-use assets	537,189
Interest expense on lease liabilities (under finance cost)	131,478
Short term leases expense	329,452

(iii) Cash Flows

Total cash outflows for leases	564,094
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

9. TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Current		
Trade creditors	11,321,498	10,481,825
Accrued expenses	7,035,177	4,730,936
GST payable	3,342,145	716,855
	<u>21,698,820</u>	<u>15,929,616</u>

9(a) AGEING OF TRADE PAYABLES

The ageing of trade creditors (financial liabilities) is as follows:

< 1 month	5,974,833	4,432,726
1 to 3 months	4,816,244	5,600,993
> 3 months	530,421	448,106
	<u>11,321,498</u>	<u>10,481,825</u>

10. OTHER FINANCIAL LIABILITIES

	2020	2019
	\$	\$
Current		
Borrowings (i)	3,235,190	-
Equipment finance leases (ii)	9,009,083	4,074,157
Right-of-use lease liability (iii)	464,987	-
Insurance premium and vehicle registration funding	1,214,038	816,277
Contingent consideration liability (iv)	1,899,474	-
	15,822,772	4,890,434
Non-current		
Borrowings (i)	10,933,333	-
Equipment finance leases (ii)	16,313,846	5,717,699
Right-of-use lease liability (iii)	2,696,169	-
Contingent consideration liability (iv)	3,195,657	-
	33,139,005	5,717,699

- (i) In order to fund the acquisition of Deepcore (refer Note 21), the Group secured a \$16m debt facility with National Australia Bank (NAB) in December 2019 which includes the following terms:
- Minimum annual repayments totalling \$3.2m, due monthly in arrears with the balance payable at the end of the three-year expiry period on 30 November 2022; and
 - The facility is subject to pricing periods of between 1-3 months, with each pricing period reflecting a weighted average interest rate, including interest being based on BBSY plus 2.7% per annum.
- (ii) During the year, the following activity occurred with respect to equipment finance leases:
- As part of the acquisition of Deepcore (refer Note 21), the Group acquired certain items of equipment under finance leases with a remaining term ranging from 0.6 years to 3.9 years at acquisition date. As with the Group's existing portfolio of finance leases, the obligations on these acquired leases are secured by lessor's title to goods under those finance leases. The effective interest rates payable under these leases are between 4.46% and 5.95% per annum.
 - Separate from the acquisition of Deepcore, the Group obtained new equipment finance leases to fund the purchase of various new items of property, plant and equipment. The repayment terms on these facilities vary between 3.0 to 3.5 years with interest ranging between 3.65% and 5.06%.
- (iii) Right-of-use lease liability relate to the recognition of right-of-use assets as discussed in Note 8.
- (iv) Contingent consideration liability relates to the acquisition of Deepcore Drilling (refer Note 21). Also refer Note 22(d) for details of fair value measurement with respect to this liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

10(a) RECONCILIATION OF MOVEMENT IN OTHER FINANCIAL LIABILITIES

This reconciliation excludes movement in the Group's contingent consideration liability. Refer Note 22(d) for movements in the contingent consideration liability.

YEAR ENDED 30 JUNE 2020	AT 1 JULY 2019	ASSUMED PER DEEPCORE ACQUISITION	CASH PROCEEDS	NON-CASH INCREASE	NET SETTLEMENT	AT 30 JUNE 2020
	\$	\$	\$	\$	\$	\$
Borrowings	-	-	16,000,000	-	(1,831,477)	14,168,523
Equipment finance leases	9,791,856	11,896,383	3,188,320	8,340,765	(7,894,395)	25,322,929
Lease liabilities – right-of-use assets	-	-	-	3,593,773	(432,617)	3,161,156
Insurance premium and vehicle registration funding	816,277	-	-	1,889,913	(1,492,152)	1,214,038
Total	10,608,133	11,896,383	19,188,320	13,824,451	(11,650,641)	43,866,646

YEAR ENDED 30 JUNE 2019	AT 1 JULY 2018	NET CASH FLOWS	NON-CASH INCREASE	NET REPAYMENTS	AT 30 JUNE 2020
	\$	\$	\$	\$	\$
Equipment finance leases	8,345,344	(1,626,218)	3,072,730	-	9,791,856
Property Loan	2,713,115	(241,014)	-	(2,472,101)	-
Insurance premium and vehicle registration funding	390,235	426,042	-	-	816,277
Shareholder loan	8,500,000	(8,500,000)	-	-	-
Total	19,498,694	(9,941,190)	3,072,730	(2,472,101)	10,608,133

10(b) EQUIPMENT FINANCE LEASES

	2020	2019
	\$	\$
Current	9,009,083	4,074,157
Non-current	16,313,846	5,717,699
	25,322,929	9,791,856
<i>Minimum future lease payments</i>		
Not later than 1 year	9,460,751	4,484,239
Later than 1 year and not later than 5 years	17,607,122	6,019,600
Minimum future lease payments	27,067,873	10,503,839
Less future finance charges	(1,744,944)	(711,983)
	25,322,929	9,791,856

Equipment finance leases

The Group leases certain items of equipment under finance leases. The average term is 3.5 years (2019: 3.5 years). The Group's obligations under finance leases are secured by lessor's title to goods under finance lease.

The Group's exposure to interest rate risk has been mitigated in that interest rates have been fixed for the duration of the finance period. Effective interest rates payable under finance leases are between 3.65% and 5.95% (2019: 3.04% and 8.33%).

The fair value of the finance lease liabilities is approximately equal to the carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

10(c) LOANS

A summary of borrowing arrangements applicable to all loans is included in Note 22(a). Security pledged under these borrowing arrangements is detailed in Note 13(a).

10(d) CREDIT STANDBY ARRANGEMENTS WITH BANKS

The major facilities at year end are summarised below:

	TOTAL	USED	UNUSED
	\$	\$	\$
NAB business overdraft facility	10,000,000	-	10,000,000
NAB leasing facility	15,000,000	9,882,100	5,117,900

11. PROVISIONS

	2020	2019
	\$	\$
Current		
Employee benefit provisions	8,340,744	3,914,198
	8,340,744	3,914,198
Non-current		
Employee benefit provisions	528,423	416,727
	528,423	416,727

Movements in employee benefit provisions are as follows:

	CURRENT	NON-CURRENT	TOTAL
	\$	\$	\$
Balance at 1 July 2018	2,724,543	256,306	2,980,849
Movements	1,189,655	160,421	1,350,076
Balance at 30 June 2019	3,914,198	416,727	4,330,925
Recognised per acquisition of Deepcore Drilling (refer Note 21)	2,937,738	111,661	3,049,399
Movements	1,488,808	35	1,488,843
Balance at 30 June 2020	8,340,744	528,423	8,869,167

12. ASSETS HELD FOR SALE

There are no assets held for sale at 30 June 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	MOTOR VEHICLES	FURNITURE AND FITTINGS	TOTAL
	\$	\$	\$	\$	\$
At 1 July 2019					
Cost or fair value	101,473	52,568,077	15,120,021	682,445	68,472,016
Accumulated depreciation	(66,927)	(22,093,721)	(10,644,946)	(393,025)	(33,198,619)
Carrying amount at 1 July 2019	34,546	30,474,356	4,475,075	289,420	35,273,397
Year ended 30 June 2019					
Opening net book amount	34,546	30,474,356	4,475,075	289,420	35,273,397
Acquired in purchase of Deepcore (see Note 21)	19,865	25,714,818	1,798,566	-	27,533,249
Additions	-	23,561,480	1,968,502	118,362	25,648,344
Disposals	-	(1,756,925)	(28,899)	(1,575)	(1,787,399)
Depreciation	(27,957)	(14,224,514)	(1,989,569)	(160,088)	(16,402,128)
Carrying amount at 30 June 2020	26,454	63,769,215	6,223,675	246,119	70,265,463
At 30 June 2020					
Cost or fair value	121,338	97,249,313	18,468,883	795,252	116,634,786
Accumulated depreciation	(94,884)	(33,480,098)	(12,245,208)	(549,133)	(46,369,323)
Carrying amount at 30 June 2020	26,454	63,769,215	6,223,675	246,119	70,265,463
At 1 July 2018					
Cost or fair value	101,473	41,212,515	14,241,390	578,693	56,134,071
Accumulated depreciation	(50,628)	(15,395,839)	(9,680,939)	(266,280)	(25,393,686)
Carrying amount at 1 July 2018	50,845	25,816,676	4,560,451	312,413	30,740,385
Year ended 30 June 2019					
Opening net book amount	50,845	25,816,676	4,560,451	312,413	30,740,385
Additions	-	12,165,160	1,104,977	103,752	13,373,889
Disposals	-	(543,299)	(69,167)	-	(612,466)
Depreciation	(16,299)	(6,964,181)	(1,121,186)	(126,745)	(8,228,411)
Carrying amount at 30 June 2019	34,546	30,474,356	4,475,075	289,420	35,273,397
At 30 June 2019					
Cost or fair value	101,473	52,568,077	15,120,021	682,445	68,472,016
Accumulated depreciation	(66,927)	(22,093,721)	(10,644,946)	(393,025)	(33,198,619)
Carrying amount at 30 June 2019	34,546	30,474,356	4,475,075	289,420	35,273,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Plant and equipment and motor vehicles comprise mainly of drilling rigs and associated vehicles and equipment. Directors and management continually monitor both domestic and overseas markets on new and used drill rig pricing and availability and as a result are of the opinion that the net written down book value of the Group's property, plant and equipment is less than its recoverable amount.

13(a) ASSETS PLEDGED AS SECURITY

The following has been pledged as security in relation to the Group's bank overdraft and other financial liabilities.

Corporate Market Loan – National Australia Bank

This facility was obtained to fund the acquisition of Deepcore drilling with advances secured by way of a first ranking general security agreement over all companies within the Group.

Bank overdraft – National Australia Bank

The advances made under this \$10m facility are secured by a first ranking general security interest over all present and after acquired property of each of the subsidiaries within the Group.

Equipment finance leases – National Australia Bank

The Group has access to a combined \$15 million equipment finance facility with National Australia Bank (NAB). Any outstanding principle balances that exist under this facility is secured over the assets to which the equipment finance facility relates and a first ranking general security charge over the interest over all present and after acquired property of each of the subsidiaries within the Group.

Equipment finance leases – other lenders

The Group has entered into various equipment finance lease arrangements with a range of lenders. Under the terms of these facilities, security is limited to the assets to which the facility relates.

14. INCOME TAX

	2020	2019
	\$	\$
Income tax benefit recognised in profit/(loss)		
<i>Income tax expense comprises</i>		
Current tax on profits for the year	4,334,987	-
Deferred tax expense/(benefit)	(1,012,631)	4,648,258
Benefit of deferred tax assets on losses not previously recognised	(63,095)	-
Adjustments recognised in current year in relation to tax of prior years	-	232,410
Recognition of prior year deferred tax asset	-	(9,419,899)
Income tax expense/(benefit)	3,259,261	(4,539,231)
The income tax benefit for the year can be reconciled to the accounting profit as follows:		
Profit/(loss) before tax from continuing operations	10,462,742	12,828,959
Income tax expense calculated at 30%	3,138,822	3,848,688
Effect of expenses that are not deductible in determining taxable profit	183,534	799,570
Benefit of deferred tax assets on tax loss not previously recognised	(63,095)	-
Adjustments recognised in current year in relation to tax of prior years	-	232,410
Recognition of prior year deferred tax asset	-	(9,419,899)
Income tax expense/(benefit)	3,259,261	(4,539,231)

The tax rate used for 2020 and 2019 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

14(a) DEFERRED TAX BALANCES

Deferred income tax assets and liabilities are attributable to the following tax losses and temporary differences:

DEFERRED TAX ASSETS	2020	2019
	\$	\$
Accrued expenses	530,587	442,868
Employee benefit and other provisions	2,364,910	1,443,997
Right-of-use lease liabilities	948,347	-
Other	186,756	327,539
Deferred tax assets on temporary differences	4,030,600	2,214,404
Deferred tax asset on tax losses	-	3,006,153
Total deferred tax assets	4,030,600	5,220,557

DEFERRED TAX LIABILITIES	2020	2019
	\$	\$
Intangible assets – Customer contracts	(3,517,223)	-
Right of-use lease assets	(916,975)	-
Property, plant and equipment	(909,963)	(41,611)
Prepayments	(139,241)	(136,238)
Other	(3,474)	(14,958)
Total deferred tax liabilities	(5,486,876)	(192,807)
Net deferred tax assets/(liabilities)	(1,456,276)	5,027,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Movements in deferred tax assets on temporary differences and tax losses are as follows:

TEMPORARY DIFFERENCES	ACCRUED EXPENSES	PROVISIONS	RIGHT-OF-USE LEASE LIABILITY	OTHER	TOTAL
	\$	\$	\$	\$	\$
Balance at 1 July 2018 (nil recognised)	-	-	-	-	-
Recognised during year ended 30 June 2019	290,193	1,165,617	-	540,154	1,995,964
(Charged)/credited to profit or loss	152,675	278,380	-	(212,615)	218,440
Balance at 30 June 2019	442,868	1,443,997	-	327,539	2,214,404
Arising from acquisition of Deepcore (Note 21)	76,763	914,820	-	-	991,583
Originating during year ended 30 June 2020	-	-	1,078,132	8,448	1,086,580
(Charged)/credited to profit or loss	10,956	6,093	(129,785)	(149,231)	(261,967)
Balance at 30 June 2020	530,587	2,364,910	948,347	186,756	4,030,600

TAX LOSSES	OPENING BALANCE	PRIOR YEAR DEFERRED TAX ASSET RECOGNISED	UTILISED	CLOSING BALANCE
	\$	\$	\$	\$
Year ended 30 June 2019	-	9,419,899	(6,413,746)	3,006,153
Year ended 30 June 2020	3,006,153	-	(3,006,153)	-

Movements in deferred tax liabilities are as follows:

TEMPORARY DIFFERENCES	CUSTOMER CONTRACTS	PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE LEASE ASSETS	PRE-PAYMENTS	OTHER	TOTAL
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018 (nil recognised)	-	-	-	-	-	-
Recognised during year ended 30 June 2019	-	55,726	-	(139,738)	(17,311)	(101,323)
(Charged)/credited to profit or loss	-	(97,337)	-	3,500	2,352	(91,485)
Balance at 30 June 2019	-	(41,611)	-	(136,238)	(14,959)	(192,808)
Arising from acquisition of Deepcore (Note 21)	(5,138,749)	(338,668)	-	-	-	(5,477,417)
Originating year ended 30 June 2020	-	-	(1,078,132)	-	-	(1,078,132)
(Charged)/credited to profit or loss	1,621,526	(529,684)	161,157	(3,003)	11,486	1,261,482
Balance at 30 June 2020	(3,517,223)	(909,963)	(916,975)	(139,241)	(3,473)	(5,486,875)

14(b) INCOME TAX PROVISION

Income tax provision at 30 June 2020 is represented as follows:

	2020	2019
	\$	\$
Income tax liability – year ended 30 June 2020	1,265,739	-
Assumed per Deepcore acquisition (refer Note 21)	139,419	-
	1,405,158	-

14(c) UNRECOGNISED AMOUNTS

	2020	2019
	\$	\$
Unused tax losses	1,539,155	1,724,942
Other unrecognised temporary differences	-	-
Franking account balance	3,911,408	2,506,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

15. ISSUED CAPITAL

	2020	2019
	\$	\$
Fully paid ordinary shares		
Balance at the beginning of the period	58,245,137	58,245,137
Issue of ordinary shares (i)	14,750,000	-
	72,995,137	58,245,137

(i) Issue of ordinary shares during the year ended 30 June 2020 was partial consideration towards the purchase of Deepcore Drilling (refer Note 21 for further details).

	2020	2019
	Number of shares	Number of shares
Fully paid ordinary shares		
Balance at the beginning of the period	1,742,382,681	1,734,965,826
Vesting of ESOP shares	-	7,416,855
Issue of shares – purchase of Deepcore (refer Note 22)	250,000,000	-
	1,992,382,681	1,742,382,681
Effect of consolidation (i)	(1,793,143,941)	-
Balance at end of the period	199,238,740	1,742,382,681

(i) On 4 February 2020, the Company consolidated its issued capital on the following basis:

- Every 10 shares were consolidated into 1 share
- Every 10 options were consolidated into one option (with the exercise price of each option being amended in the inverse proportion to that ratio)

16. SHARE ISSUE COSTS

	2020	2019
	\$	\$
Balance at the beginning of the period	(2,726,220)	(3,070,575)
Share issue costs	(28,160)	-
Recognition of deferred tax asset	8,448	344,355
Balance at end of the year	(2,745,932)	(2,726,220)

17. RETAINED EARNINGS

	2020	2019
	\$	\$
Balance at the beginning of the period	(17,925,553)	(34,140,098)
Profit/(loss) attributable to owners of the company	7,203,481	17,368,190
Dividend declared	(2,191,627)	(1,734,966)
Share based payment transactions (refer Note 19)	125,915	581,321
Balance at end of the year	(12,787,784)	(17,925,553)

On 27 February 2020, the Company announced it had determined a fully franked special dividend of 1.1 cents per fully paid ordinary share. The dividend of \$2,191,627 was paid on 30 July 2020 to all shareholders who were registered at 5pm on 30 June 2020 (record date). There were dividends of \$1,734,966 paid in respect of the year ended 30 June 2019.

18. SHARE BASED PAYMENT TRANSACTIONS

	2020	2019
	\$	\$
Expense recognised in profit or loss		
<i>Equity-settled share-based payment transactions</i>		
Executive share and option plan	125,915	581,321
Total expense/(income) recognised for equity-settled share-based payment	125,915	581,321

Executive share and option plan

The Group accounts for instruments that are still in their vesting period issued under the Executive Share and Option Plan (**ESOP**) by recognising the fair value of the relevant equity instruments as an expense over the vesting period.

The fair value of the equity instruments is calculated at each reporting period and vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(i) Measurement of fair values – Employee Option Plan

Set out below are summaries of options granted under ESOP:

	YEAR ENDED 30 JUNE 2020		YEAR ENDED 30 JUNE 2019	
	AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS
As at 1 July	0.674	5,439,612	0.553	4,232,620
Granted during the year	0.910	1,169,795	1.100	1,206,992
Exercised during the year	-	-	-	-
Forfeited during the year	0.755	(580,561)	-	-
As at 30 June	0.712	6,028,846	0.674	5,439,612
Vested and exercisable at 30 June	0.520	3,652,056	0.395	1,636,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	OPTIONS AT 30 JUNE 2020	OPTIONS AT 30 JUNE 2019
23 May 2016	23 May 2025	0.395	1,636,242	1,636,242
4 August 2017	4 August 2026	0.539	1,011,964	1,135,354
14 June 2018	14 June 2027	0.703	1,003,853	1,333,737
14 June 2019	14 June 2028	1.100	1,206,992	1,334,279
1 June 2020	1 June 2029	0.910	1,169,795	-
Total			6,028,846	5,439,612
Weighted average remaining contractual life of options outstanding at end of period			6.84 years	7.41 years

Fair value of shares and options not yet vested at 30 June 2020

Options

The calculated fair value at 30 June 2020 of the Options granted during the years ended 30 June 2019 and 30 June 2020 was \$137,436 and \$162,602 respectively and has been determined using the Black-Scholes option pricing model. Expected volatility is estimated by considering historical volatility of comparable company share prices. The inputs in the measurement of the fair value at 30 June 2020 of the equity-settled share-based payment plans granted during the years ended 30 June 2019 and 30 June 2020 were as follows:

	GRANTED DURING YEAR ENDED 30 JUNE 2019	GRANTED DURING YEAR ENDED 30 JUNE 2020
Share price	\$0.5350	\$0.5350
Exercise price	\$1.10	\$0.91
Expected volatility	57%	57%
Time to maturity	9 years	9 years
Risk-free interest rate	0.30%	0.30%
Dividend yield (assumed no dividends paid)	0%	0%
Fair value per option	\$0.1139	\$0.1390
Number of options	1,206,992	1,169,795
Total fair value of options	\$137,436	\$162,602

Relating to the above issues, expenses of \$66,966 and \$6,091 respectively have been recognised on a life to date basis (grant date through to 30 June 2020) based on a straight-line amortisation of the fair value over the two-year vesting period. Further, a weighted probability adjustment of 90 per cent has been applied based on the estimated vesting percentage.

Shares

The calculated fair value of the shares issued during the years ended 30 June 2019 and 30 June 2020 under the ESOP was \$193,217 and \$189,600 respectively at 30 June 2020 and has been determined with reference to the closing price of the Company's fully paid ordinary shares.

Relating to the above issues, expenses of \$94,194 and \$7,110 respectively have been recognised on a life to date basis (grant date through to 30 June 2020) based on a straight-line amortisation of the fair value over the two-year vesting period. Further, a weighted probability adjustment of 90 per cent has been applied based on the estimated vesting percentage.

Fair value of shares and options vested during year ended 30 June 2020

Options

The calculated fair value of the options that vested under the ESOP during the year ended 30 June 2020 (which were granted under the ESOP in 2018) was \$112,532 as at the vesting date of 30 May 2020 and has been determined using the Black-Scholes option pricing model. Expected volatility is estimated by considering historical volatility of comparable company share prices. The inputs in the measurement of the fair value at vesting date of the options were as follows:

Share price	\$0.435
Exercise price	\$0.704
Expected volatility	55%
Time to maturity	7 years
Risk-free interest rate	0.30%
Dividend yield (assumed no dividends paid)	0%
Fair value per option	\$0.1121
Number of options	1,003,853
Total fair value of options	\$112,532

Shares

The calculated fair value of the shares that vested under the ESOP during the year ended 30 June 2020 (which were issued under the ESOP in 2018) was \$131,170 as at the vesting date of 30 May 2020 and has been determined with reference to the closing price of the Company's fully paid ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

19. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2020	2019
Profit/(loss) for the year	7,203,481	17,368,190
<i>Adjustments for:</i>		
Depreciation and amortisation	22,344,403	10,218,040
Net gain on disposal of property, plant and equipment	(3,987,782)	(268,158)
Income tax expense/(benefit)	3,259,261	(4,539,231)
Finance costs – unwind of discount on contingent consideration	243,639	–
Change in trade and other receivables*	(2,259,715)	(5,039,770)
Change in other assets*	314,251	(1,272,793)
Change in inventories*	(32,236)	(720,384)
Change in trade payables and accruals*	2,674,040	1,432,259
Change in insurance premium funding balance	397,759	426,042
Change in employee benefit provisions*	866,613	1,350,076
Recognition of share based payment	125,915	581,322
Income tax paid	–	(1,309,121)
Net cash inflow from operating activities	31,149,629	18,226,472

* Changes are net of effect of purchase of Deepcore Drilling (refer Note 21).

20. GROUP STRUCTURE

The ultimate parent entity within the group is Mitchell Services Ltd (the Company). The consolidated financial statements incorporate the assets, liabilities and results of the Company and the following controlled entities, that were held in both current and prior period unless otherwise stated.

ENTITY NAME	ACN	OWNERSHIP INTEREST HELD BY THE GROUP
Notch Holdings Pty Ltd	009 271 461	100%
Well Drilled Pty Ltd (i)	123 980 343	100%
Mitchell Operations Pty Ltd (i)	165 456 066	100%
Notch No. 2 Pty Ltd	606 170 138	100%
Mitchell Services Share Plan Pty Ltd	610 901 221	100%
Radco Technologies Pty Ltd (i)	137 688 227	100%
Radco Group Australia Pty Ltd	137 688 745	100%
Deepcore Holdings Pty Ltd (i), (ii)	155 701 885	100%
Deepcore Australia Pty Ltd (i), (ii)	115 967 809	100%
Deepcore Drilling Pty Ltd (i), (ii)	115 935 941	100%

(i) A deed of cross guarantee was enacted between the Company and these entities during the financial year. Under the deed, each company guarantees to support the liabilities and obligations of the others and, by entering into the deed, relief was obtained from preparing financial statements for each entity under ASIC Class Order 98/1418.

(ii) Acquired on 29 November 2019. Refer Note 21 for further details.

The entities disclosed above, being parties to the deed of cross guarantee, represent a Closed Group for the purposes of the ASIC Class Order. The consolidated income statement and balance sheet of all entities in the Closed Group are set out below.

	2020
	\$
Closed Group - Income Statement	
Revenue	175,554,639
Gain/(loss) on sale of assets	6,338
Advertising	(136,771)
Drilling consumables	(18,306,582)
Employee and contract labour expenses	(86,718,748)
Fuel and oil	(3,075,069)
Freight and couriers	(1,585,474)
Hire of plant and equipment	(8,354,143)
Insurances	(1,201,388)
Legal and consultant fees	(1,912,599)
Rent	(1,265,117)
Service and repairs	(10,316,788)
Travel expenses	(7,763,125)
Other expenses	(3,955,695)
Depreciation expense	(7,220,966)
Amortisation of intangibles	(5,405,086)
Finance expenses	(1,302,837)
Profit/before tax	17,040,589
Income tax expense/(benefit)	5,291,929
Profit for the period from continuing operations	11,748,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

2020

\$

Closed Group – Balance Sheet

Current assets

Cash and cash equivalents	9,259,538
Trade and other receivables	33,008,207
Other assets	1,899,182
Inventories	4,093,648
Intangibles at cost	7,466,209
Other financial assets	36,164,213

Total current assets	91,890,997
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Non-current assets

Investments in controlled entities	15,478,503
Right-of-use assets	3,056,584
Property, plant and equipment	28,903,597
Intangibles at cost	10,013,440
Other assets	86,652

Total non-current assets	57,538,776
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Total assets	149,429,773
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Current liabilities

Trade and other payables	22,702,002
Dividend payable	2,191,627
Income tax payable	1,405,158
Other financial liabilities	11,351,041
Provisions	7,342,613

Total current liabilities	44,992,441
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Non-current liabilities

Other financial liabilities	23,711,882
Deferred tax liabilities	1,155,465
Provisions	528,423

Total non-current liabilities	25,395,770
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Total liabilities	70,388,211
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Net assets	79,041,562
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EQUITY

Issued capital	68,983,344
Retained earnings	10,058,218

Total equity	79,041,562
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Parent entity

Summarised financial information for the parent entity is as follows:

	2020	2019
	\$	\$
Result of the parent entity – for the year ended 30 June		
Profit/(Loss) Loss for the year	(9,357,572)	5,768,688
Other comprehensive income	-	-
Total comprehensive income for the year	(9,357,572)	5,768,688
Current assets	38,655,404	43,958,846
Total assets	87,190,597	59,546,978
Current liabilities	14,527,907	4,160,456
Total liabilities	28,731,597	4,269,067
Issued capital	68,983,344	54,253,056
Retained earnings	(10,524,344)	1,024,855
Total equity	58,459,000	55,277,911

21. BUSINESS COMBINATION

On 29 November 2019 the Group acquired Deepcore Holdings Pty Ltd and its subsidiary companies (collectively **Deepcore Drilling**). Deepcore Drilling provides highly specialised services to the mining and infrastructure industries, including underground mobile drilling, diamond drilling, acoustic and deep directional drilling. The acquisition (which is expected to be materially earnings accretive into the foreseeable future) was strategically and financially compelling for the Group. Given Deepcore Drilling's specialist product offerings and its strong exposure to gold in Victoria, the combination of the two business has resulted in the Group becoming one of the largest and most diversified drilling services providers in Australia. The acquisition has further strengthened the Group's market position with regard to diversity of drilling type, commodity and geography whilst maintaining a high proportion of Tier 1 clients on operating mine sites.

At the time of issuing financial statements for the half-year ended 31 December 2019, the Group had not yet completed accounting for the acquisition. Accordingly, the fair values of certain assets and liabilities disclosed in the half-year accounts were determined on a provisional basis. The tables below compare adjusted values with those which had been determined provisionally.

The adjusted fair value of the purchase consideration at the date of acquisition was \$34,773,287 and is represented below:

TOTAL PURCHASE CONSIDERATION	ADJUSTED	PROVISIONAL
	\$	\$
Cash consideration (as reflected cash flow statement – investing activities) (i)	(15,171,795)	(15,171,795)
Ordinary shares issued (ii)	(14,750,000)	(14,750,000)
Contingent consideration liability (iii)	(4,851,492)	(1,903,700)
Total purchase consideration	(34,773,287)	(31,825,495)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

- (i) The cash consideration consisted of an initial \$15,000,000 outlay plus a further \$171,795 purchase price completion adjustment based on an agreed target working capital and net debt position as set out per the share purchase agreement.
- (ii) The fair value of \$14,750,000 was based on the issue of 250,000,000 fully paid ordinary Mitchell Services shares fair valued at \$0.059 per share on transaction date. Issue costs of \$28,160 which were directly attributable to the issue of the shares have been netted against the deemed proceeds.
- (iii) As part of the share purchase agreement, Deepcore Drilling will operate under an earn out arrangement for a period of three years from 1 January 2020 through to 31 December 2022. The arrangement will entitle the vendors to a 50 per cent share of any portion of EBITDA generated by Deepcore Drilling in excess of \$12.5m per annum on a calendar year basis commencing 1 January 2020. The estimated undiscounted amount payable under the agreement is between nil and \$6.5m with the fair value of \$4,851,492 estimated by calculating the present value of the future expected cash flows, based on a discount rate of 12.4 per cent. The contingent consideration liability was materially increased from the provisionally recognised amount due to:
- (a) a revised estimate of EBITDA performance benefitting from availability of actual results for the remaining months in the financial year post acquisition; and
- (b) utilisation of the budget for FY21 as a base for future projections.

ASSETS ACQUIRED AND LIABILITIES ASSUMED	ADJUSTED	PROVISIONAL
	\$	\$
Cash and cash equivalents	319,622	319,622
Current receivables	8,196,209	8,196,209
Inventories	1,066,465	527,352
Property, plant and equipment	27,533,249	27,533,249
Intangible assets – customer contracts (iv)	17,129,163	19,095,290
Payables	(5,642,842)	(5,642,842)
Current tax liabilities	(139,419)	(139,419)
Provisions	(3,049,399)	(3,049,399)
Deferred tax liabilities (v)	(4,498,950)	(4,878,142)
Financial liabilities	(11,896,383)	(11,896,383)
Net identifiable assets acquired	29,017,715	30,065,537
Add: goodwill (vi)	5,755,572	1,759,958
	34,773,287	31,825,495

- (iv) Management have updated their critical accounting estimate in fair valuing the customer contract intangible assets. With the benefit of actual contract operating performance during the remainder of the financial year post acquisition and through the use of more conservative underlying assumptions, management have applied a downward revision in value attributed to specific customer contracts.
- (v) Deferred tax liabilities were necessarily adjusted based on a revised view on the fair values of pre-tax assets and liabilities acquired and the consequential need for a resetting of the tax cost base applied to those individual items.
- (vi) Goodwill arising on acquisition has materially increased due mainly to (a) an increase in the contingent consideration liability meaning a far greater contingent consideration liability; and (b) downward revision in the fair value of customer contracts.

22. FINANCIAL RISK MANAGEMENT

The Group's financial instruments mainly consist of deposits with banks, trade receivables and payables and borrowings and leases from financial institutions. The Board of Directors are responsible for monitoring and managing the financial risks. They monitor these risks through regular meetings with the Group's management. The Group does not enter into derivative financial instruments and does not speculate in any type of financial instrument

Specific financial risk exposures and management thereof

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous reporting period.

22(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The following tables set out the Group's exposure to interest rate risk.

		EXPECTED DURATION UNTIL REPAYMENT				
2020		WITHIN 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	MORE THAN 3 YEARS	TOTAL
		\$	\$	\$	\$	\$
Bank overdraft	(a)	-	-	-	-	-
Borrowings	(b)	3,235,190	3,200,000	7,733,333	-	14,168,523
Equipment finance leases	(c)	9,009,083	9,268,374	6,445,030	600,442	25,322,929
Right-of-use lease liability		464,987	523,397	560,149	1,612,623	3,161,156
Insurance premium and vehicle registration funding		1,214,038	-	-	-	1,214,038
		13,923,298	12,991,771	14,738,512	2,213,065	43,866,646

- Interest rate is variable and calculated at NAB's business overdraft indicator rate (currently 6.47%) less a customer discount of 2.77%.
- Refer Note 10(i) for details of interest rates on this facility.
- Interest rates are commercial lease finance rates and are fixed for the duration of the loan period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

		EXPECTED DURATION UNTIL REPAYMENT				
2019		WITHIN 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	MORE THAN 3 YEARS	TOTAL
		\$	\$	\$	\$	\$
Bank overdraft	(a)	-	-	-	-	-
Equipment finance leases	(b)	4,074,157	2,870,835	2,792,943	53,921	9,791,856
Insurance premium and vehicle registration funding	(c)	816,277	-	-	-	816,277
		4,890,434	2,870,835	2,792,943	53,921	10,608,133

- Interest rates is fixed at a flat rate of 6.30% of drawn funds.
- Interest rates are commercial lease finance rates and are fixed for the duration of the loan period.
- Interest rate is fixed at a flat rates of 3.30% and 2.69% of the amount initially financed.

22(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages this risk through the following mechanisms:

- ensuring that there is access to adequate capital;
- preparing forward looking cash flow analyses in relation to its operational, investing and financial activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- investing surplus cash only with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities, compared with financial assets. Bank overdrafts have been excluded from the analysis below as management does not consider that there is any material risk that the bank will terminate such facilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward. The deficiency identified in the table will be met from cash flows generated by the Group's normal operations.

Financial liability and financial asset maturity analysis

	WITHIN 1 YEAR		1 TO 7 YEARS		TOTAL	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables (excluding estimated employee entitlements)	21,698,820	16,241,168	-	-	21,698,820	16,241,168
Dividend payable	2,191,627	1,734,966	-	-	2,191,627	1,734,966
Financial liabilities	15,822,772	4,890,434	33,139,005	5,717,699	48,961,777	10,608,133
Total expected outflows	39,713,219	22,866,568	33,139,005	5,717,699	72,852,224	28,584,267
Financial assets – cash flows realisable						
Cash and cash equivalents	11,906,383	1,596,676	-	-	11,906,383	1,596,676
Trade and other receivables	33,076,207	22,775,835	-	-	33,076,207	22,775,835
Total anticipated inflows	44,982,590	24,372,511	-	-	44,982,590	24,372,511
Net (outflow)/inflow on financial instruments	5,269,371	1,505,943	(33,139,005)	(5,717,699)	(27,869,634)	(4,211,756)

22(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables from customers. The Group has adopted a policy of only dealing with creditworthy counterparties and uses publicly available financial information and its own trading records to rate its customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored to mitigate financial loss. The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Consolidated Statement of Financial Position.

Details with respect to credit risk of trade and other receivables is provided in Note 4(a).

All trade and other receivables (whether due or past due) are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 4(a).

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

22(d) Fair Values

Fair value estimation

While the carrying values of financial assets and liabilities as detailed in the Consolidated Statement of Financial Position and these notes approximate their fair value at reporting date, the Group mandatorily measures and recognises the following liability at fair value on a recurring basis after initial recognition:

- obligation for contingent consideration arising from a business combination ("contingent consideration liability").

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

(i) Fair value hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

LEVEL 1	LEVEL 2	LEVEL 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly	Measurements based on unobservable inputs for the asset or liability.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Group's contingent consideration liability is measured using level 3. The following table presents changes in the contingent consideration liability for the year ended 30 June 2020:

YEAR ENDED 30 JUNE 2020	CURRENT	NON-CURRENT	TOTAL
	\$	\$	\$
Balance at 1 July 2019	-	-	-
Recognised per acquisition of Deepcore Drilling (refer Note 21)	1,808,645	3,042,847	4,851,492
Increase to present value (recognised in profit or loss)	90,829	152,810	243,639
Balance at 30 June 2020	1,899,474	3,195,657	5,095,131

There was no equivalent contingent consideration liability during the year ended 30 June 2019.

(iii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement of the Group's contingent consideration liability:

FAIR VALUE AT			UNOBSERVABLE INPUTS USED		
JUNE 2020 \$	JUNE 2019 \$	UNOBSERVABLE INPUTS	FY2020	FY2019	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
5,095,131	-	Risk-adjusted pre-tax discount rate	18.0%	-	A change in the discount rate by 100 bps would increase/ decrease the FV by approx. \$0.1 million.
		Anticipated annual growth rate in Deepcore profits	1.0%	-	If estimated annual profit growth rate was 1% higher or lower, the FV would increase/ decrease by approx.. \$0.2 million.

23. RELATED PARTY TRANSACTIONS

23(a) Related parties

The Group's main related parties are as follows.

(i) *Entities exercising control over the Group*

Note 20 details all subsidiary companies within the Group. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(ii) *Key management personnel*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity are considered KMP.

Disclosures relating to Key Management Personnel are set out in the Remuneration Report.

(iii) *Other related parties*

Other related parties include entities over which KMP have control or joint control.

23(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties.

Manutech Engineering and Maintenance

The Group engages Manutech Engineering and Maintenance to purchase parts and in some instances perform repair and maintenance type services. Manutech Engineering and Maintenance is an entity controlled by Peter Miller. The amount incurred during the reporting period in relation to these services was \$269,103 including GST. Amounts were billed on normal market rates for such services and were due and payable under normal payment terms. An amount of \$10,348 remains owing to this related entity at the end of the reporting period.

Equipment Hub Pty Ltd

Nathan Mitchell is a significant shareholder of Equipment Hub Pty Ltd. In order to satisfy specific contract requirements, the Group hired plant and equipment not available in its fleet from Equipment Hub. Hire of plant and equipment from this related entity for the reporting period amounted to \$436,618 including GST and was based on normal market rates and under normal payment terms. The Group also purchased certain items of ancillary equipment during the reporting period which amounted to \$1,045,000 including GST based on normal market rates and under normal payment terms.

In addition, during the reporting period, the Group engaged Equipment Hub Pty Ltd as a broker to sell certain items of property, plant and equipment to third parties. Commission of \$153,570 (including GST) was paid to Equipment Hub.

An amount of \$91,296 remains owing to this related entity at the end of the reporting period.

XLM Systems Pty Ltd

XLM Systems Pty Ltd is an entity controlled by Mitchell Group Holdings (a related party of Nathan Mitchell). XLM designs and develops specialist information technology and communication platforms and applications. During the reporting period, the Group has engaged XLM to provide ancillary equipment and to develop a remote drilling operations centre located at its Brisbane head office. Total spend in this regard was \$233,685 including GST and was based on normal market rates and under normal payment terms. An amount of \$88,000 remains owing to this related entity at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Eastwest Drilling and Mining Supplies Pty Ltd

Eastwest Drilling and Mining Supplies Pty Ltd is an entity controlled by Scott Tumbridge. During the reporting period, the Group was supplied plant items, parts and consumables and also hired ancillary equipment with amounts charged totalling \$5,658,942. All amounts are inclusive of GST and were based on normal market rates and under normal payment terms. An amount of \$1,382,940 remains owing to this related entity at the end of the reporting period.

Mitchell Family Investments (QLD) Pty Ltd

Mitchell Family Investments (QLD) Pty Ltd is an entity controlled by Nathan Mitchell. The Group leases the majority of the premises located at 112 Bluestone Circuit, Seventeen Mile Rocks Brisbane, which is owned by Mitchell Family Investments (QLD) Pty Ltd. The rental associated with this property for the reporting period amounted to \$296,246 net of applied rental reductions associated with the revised lease. An amount of \$82,283 remains owing to this related entity at the end of the reporting period.

Mitchell Group Pty Ltd

Mitchell Group Pty Ltd is an entity controlled by Nathan Mitchell. On 30 November 2016, the Group entered into a licence deed with Mitchell Group for the use by Mitchell Group of a designated area within 112 Bluestone Circuit, Seventeen Mile Rocks Brisbane. There are no rental charges associated with this property and Mitchell Group used the designated area under the licence deed for the duration of the reporting period.

Mitchell Family Superannuation Fund

Mitchell Family Superannuation Fund is an entity controlled by Nathan Mitchell. On 30 November 2016, the Group entered into a licence deed with Mitchell Family Superannuation Fund for the use by the Group of 119 Thomas Mitchell Drive, Muswellbrook to facilitate the Group's expansion into NSW. There are no rental charges associated with this property and the Group used the designated area under the licence deed for the duration of the reporting period.

24. KEY MANAGEMENT PERSONNEL

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2020.

25. AUDITORS REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor or its related practices:

	2020	2019
	\$	\$
Audit and review of financial statements	133,375	106,655
Other	-	-
	133,375	106,655

26. COMMITMENTS

26(a) Operating lease commitments

As per Note 8, the Group has recognised right-of-use assets on a modified retrospective basis at 1 July 2019. The table below, for comparative purposes, reflects non-cancellable operating leases related to land and buildings with varying lease terms not exceeding five years.

Non-cancellable operating lease commitments:

	2020	2019
Not later than 1 year	\$	\$
Between 1 and 3 years	-	605,853
Later than 3 years	-	558,285
	-	-
	-	1,164,138

26(b) Capital commitments

As at 30 June 2020, the Group had outstanding capital commitments of approximately \$3.3m relating to products for certain rig rebuilds and conversions.

27. EARNINGS PER SHARE

	2020	2019
	\$	\$
Basic earnings per share		
From continuing operations (cents per share)	3.8	10.0
Diluted earnings per share		
From continuing operations (cents per share)	3.8	9.9

Basic earnings per share is calculated using earnings and weighted average number of ordinary shares as follows:

	2020	2019
	\$	\$
Profit for the year attributable to owners	7,203,481	17,368,190
Weighted average number of ordinary shares	188,787,448	173,496,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Diluted earnings per share is calculated using earnings and weighted average number of ordinary shares as follows:

	2020	2019
	\$	\$
Profit for the year attributable to owners	7,203,481	17,368,190
Weighted average number of ordinary shares	190,423,690	175,132,822

As discussed in Note 15, during the year ended 30 June 2020 the Company consolidated its issued capital on the basis of every 10 shares and options being consolidated into 1. The comparative weighted average number of shares and earnings per share have been restated to reflect the effect of the consolidation.

28. SUPERANNUATION CONTRIBUTIONS

The Group contributes superannuation on behalf of qualifying employees to superannuation funds. The Group is required to make specified contributions in accordance with contractual employment and statutory obligations. The total expense recognised in the statement of profit or loss and other comprehensive income of \$7,380,851 (2019: \$4,448,847) represents the contributions payable by the Group to these plans in accordance with contractual employment and statutory obligations. As at 30 June 2020, contributions of \$715,957 due in respect of the 2020 reporting period (2019: \$1,007,565) had not been paid over to the plans. These amounts were paid subsequent to the end of the 2020 reporting period.

29. OPERATING SEGMENTS

29(a) The Group operates primarily within Australia, providing services wholly to a discrete industry segment (provision of drilling services to the mining industry). These geographic and operating segments are considered based on internal management reporting and the allocation of resources by the Group's chief decision makers (Board of Directors). On this basis, the financial results of the reportable operating and geographic segments are equivalent to the financial statements of the Group as a whole and no separate segment reporting is disclosed in these financial statements.

29(b) The Group generates revenue from external customers who individually account for greater than 10% of the Groups total revenue. The below table sets out the applicable revenue percentage generated from each of these customers.

	2020	2019
	%	%
External Customer 1	35.03%	30.88%
External Customer 2	12.56%	10.85%
External Customer 3	9.26%	14.48%
External Customer 4	0.26%	17.92%

30. EVENTS AFTER THE REPORTING DATE

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Mitchell Services Limited, the Directors of the company declare that:

1. the financial statements and notes, as set out on pages 30 to 76, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards applicable to the Group, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the consolidated group;
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the Directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

As per Note 20, the Company and a number of wholly owned subsidiaries entered into a deed of cross guarantee under which the Company and those subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.



Nathan Mitchell
Executive Chairman

Dated at Brisbane this 18th day of August 2020



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MITCHELL SERVICES LIMITED
FOR THE YEAR ENDED 30 JUNE 2020

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of Mitchell Services Limited (the Company and its controlled entities (the Group)), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2020. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

This is a key audit matter given that it is material to the Group's results and the rates at which revenue is charged to customers is complex and varies depending on the type of drilling service performed and whether the drilling service is coal or minerals based.

Our audit procedures to address the risk of material misstatement relating to the determination and recognition of drilling service revenue included:

- We reviewed the Group's accounting policies in light of AASB 15: *Revenue from Contracts with Customers* to ensure that these policies were consistent with that Standard.
- We obtained a detailed understanding of the revenue streams and the processes for calculating and recording revenue ensuring that these were consistent with AASB 15: *Revenue from Contracts with Customers*. We also gained an understanding of the key internal controls in place to ensure that recorded revenue had occurred and was accurate and that revenue had been completely recorded. We tested these controls on a sample basis to ensure that they were operating effectively throughout the year.
- We tested a sample of revenue transactions to the daily drilling reports (which are signed by the customer), to signed contracts (ensuring rates charged were accurate) and to receipt of funds in the Group's bank account.
- We tested a sample of revenue earning activities from the daily drilling reports to customer invoices ensuring that revenue earned had been recorded as revenue.
- We reviewed credit notes raised after year end to ensure that relevant adjustments were made to 2020 financial year revenues where required.
- We tested a sample of revenue earning activities from the daily drilling reports (pre and post 30 June 2020) to revenue recorded to ensure that a proper cut-off had been achieved.
- We performed analytical review procedures to determine key movements in revenue and corroborated those movements against supporting documentation.

Deepcore Acquisition

During the year, the Group completed the acquisition of 100% of the Deepcore Group as disclosed in Note 21 to the consolidated financial statements. The Group has determined this acquisition to be a business combination in accordance with AASB 3: *Business Combinations* and has applied the acquisition method to account for the transaction. The acquisition method requires the recognition and measurement of the identifiable assets acquired, the liabilities assumed and any goodwill or gain from a bargain purchase. The identification of such assets and liabilities and their measurement at fair value is inherently judgemental and we therefore considered this to be a key audit matter.



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Our audit procedures to address the risk of material misstatement relating to the Deepcore business combination included:

- We reviewed the Share Purchase Agreement to obtain a high level understanding of the business combination.
- We checked the calculation of the fair value of the purchase consideration with respect to the Share Purchase Agreement. The fair value of the share issue component was checked by ensuring that the share price used agreed to the Company's closing share price at acquisition date. The fair value of the contingent consideration component was reviewed in light of Deepcore EBITDA forecasts whereby we performed the following:
 - Forecast revenues were analysed for reasonableness in light of current executed contracts, recent actual average revenues per shift and recent actual shift numbers achieved adjusted for future assumptions.
 - Forecast gross profit margins were analysed for reasonableness in light of recent actual gross profit margins achieved and future assumptions.
 - Forecast overhead costs were reviewed in light of recent actual overhead costs incurred and future assumptions.
 - Ensured that the present value calculation of the contingent consideration liability was accurate and used an appropriate discount factor.
- We performed substantive testing on the fair value of the net tangible assets acquired (other than plant and equipment). These items included cash at bank, trade receivables, inventory, trade payables and accruals, provision for income tax, provision for employee entitlements and financial liabilities.
- We reviewed management's assessment of the fair value of the plant and equipment acquired which was based on an independent valuation of a significant proportion of those assets. We assessed the scope, competence and objectivity of management's expert valuer.
- We performed testing on the discounted cash flows and contributory asset charges included within the multi-period excess earnings method used to determine the fair value of customer contracts. In particular, we performed the following:
 - Reviewed executed contracts to ensure that the timeframes used within the discounted cash flows were reasonable.
 - Forecast gross profit margins were analysed for reasonableness in light of recent actual gross profit margins achieved and future assumptions.
 - Ensured that the contributory asset charges relating to assembled workforce, working capital and fixed assets were appropriately calculated and consistently applied across each contract.
 - Ensured that the present value calculation in relation to the cash flows was accurate and used an appropriate discount factor.
- We tested that any deferred tax assets or liabilities at acquisition date were identified and measured properly.
- We checked the accuracy of the resulting goodwill which represented the difference between the fair value of the purchase consideration and the fair value of the identifiable assets and liabilities acquired.
- We have critically analysed management's impairment assessments relating to goodwill and customer contract carrying amounts at 30 June 2020 (refer Note 1(r) to the consolidated financial statements) and did not identify any significant impairment.



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INFORMATION OTHER THAN THE FINANCIAL REPORT AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.



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REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 15 to 22 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Mitchell Services Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Jessups

Paul Sapelli
Partner

Level 1, 211 Sturt Street, Townsville, QLD 4810

Dated: 18 August 2020

ADDITIONAL AUSTRALIAN STOCK EXCHANGE INFORMATION

The following information is current as at 5 August 2020.

MSV QUOTED ORDINARY SHARES

SPREAD OF HOLDINGS	NUMBER OF HOLDERS	SHARES	% OF TOTAL CAPITAL ISSUED
1 - 1,000	126	74,230	0.04%
1,001 - 5,000	668	1,785,434	0.90%
5,001 - 10,000	399	3,134,327	1.57%
10,001 - 100,000	727	27,150,976	13.60%
Greater than 100,000	200	167,138,773	83.89%
Total	2,120	199,238,740	100.00
Holding less than a marketable parcel	-	-	0.00%

THE TWENTY LARGEST LISTED SECURITY HOLDERS COMPRISE:

RANK	SHAREHOLDER	ORDINARY SHARES	% OF TOTAL CAPITAL ISSUED
1	Mitchell Group Holdings Pty Ltd	19,888,393	9.98
2	Mitchell Family Investments (Qld) Pty Ltd	15,384,257	7.72
3	Dream Challenge Pty Ltd	14,354,068	7.20
4	Washington H Soul Pattinson And Company Limited	11,784,228	5.91
5	HSBC Custody Nominees (Australia) Limited	9,361,207	4.70
6	CVC Limited	7,678,796	3.85
7	Farjoy Pty Ltd	6,312,905	3.17
8	Skye Alba Pty Ltd	5,741,627	2.88
9	J P Morgan Nominees Australia Pty Limited	5,464,250	2.74
10	Banjo Superannuation Fund Pty Ltd	2,190,750	1.10
11	Judykaye Investments Pty Ltd	2,105,264	1.06
12	Peter Miller	1,981,681	0.99
13	Sonya Miller	1,981,681	0.99
14	Australian Executor Trustees Limited	1,847,254	0.93
15	Mrs Tracey Lee Cunningham	1,650,601	0.83
16	Carinda Pty Ltd	1,400,000	0.70
17	Patricia Property Investments Pty Ltd	1,300,000	0.65
18	Mr Simon Robert Evans & Mrs Kathryn Margaret Evans	1,283,373	0.64
19	Hancroft Pty Ltd	1,170,250	0.59
20	John Lamble Superannuation Pty Ltd	1,170,000	0.59
Total		114,050,585	57.24

ADDITIONAL AUSTRALIAN STOCK EXCHANGE INFORMATION

UNQUOTED AND RESTRICTED SECURITIES

The following options granted as part of the Employee Share and Option Plan are on issue. The exercise of these options is subject to vesting conditions. For more information, refer to the Directors' Report.

CLASS	NUMBER OF OPTIONS
Management options	6,028,846

SUBSTANTIAL SHAREHOLDERS

The following is a summary of the current substantial shareholders pursuant to notices lodged with the ASX in accordance with section 671B of the Corporations Act:

NAME	DATE OF NOTICE	ORDINARY SHARES ⁽¹⁾	% OF TOTAL CAPITAL ISSUED ⁽²⁾
Mitchell Group Holdings Pty Ltd and associates	2 Dec 2019	35,414,845	17.84%
Dream Challenge Pty Ltd	29 Nov 2019	14,354,068	7.20%
Washington H Soul Pattinson and Company Limited	19 Feb 2020	11,784,228	5.91%
Brickworks Limited and subsidiaries	22 Nov 2019	12,884,227	7.39%

(1) As disclosed in the most recent notice lodged with the ASX by the substantial shareholder

(2) The percentage set out in the notice lodged with the ASX is based on the total share capital at the date of interest

VOTING RIGHTS

Ordinary shares

The voting rights attached to ordinary shares is set out below:

On a show of hands, every member present at a meeting in person, or by proxy, shall have one vote, and upon a poll, each share shall have one vote.

No other classes of securities have voting rights.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Executive Chairman

Nathan Andrew Mitchell

Executive Director

Scott David Tumbridge

Non-Executive Directors

Peter Richard Miller

Robert Barry Douglas

Neal Macrossan O'Connor

Peter Geoffrey Hudson

Chief Executive Officer

Andrew Michael Elf

Chief Financial Officer and Company Secretary

Gregory Michael Switala

REGISTERED OFFICE

Mitchell Services Ltd

ABN 31 149 206 333

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Seventeen Mile Rocks Qld 4073

PRINCIPAL PLACE OF BUSINESS

112 Bluestone Circuit

Seventeen Mile Rocks Qld 4073

PO Box 3250

Darra Qld 4076

P: 07 3722 7222

F: 07 3722 7256

W: mitchellservices.com.au

SHARE REGISTRY

Link Market Services

10 Eagle Street

Brisbane Qld 4000

P: 07 3320 2200

F: 02 9287 0309

W: linkmarketservices.com.au

AUDITORS

Jessups

Level 1, 211 Sturt Street

Townsville Qld 4810

P: 07 4755 3330

F: 07 4721 4513

W: jessupsnq.com.au

TAXATION ADVISORS

PricewaterhouseCoopers

480 Queen Street

Brisbane Qld 4000

P: 07 3257 5000

F: 07 3257 5999

W: pwc.com.au

BANKERS

National Australia Bank

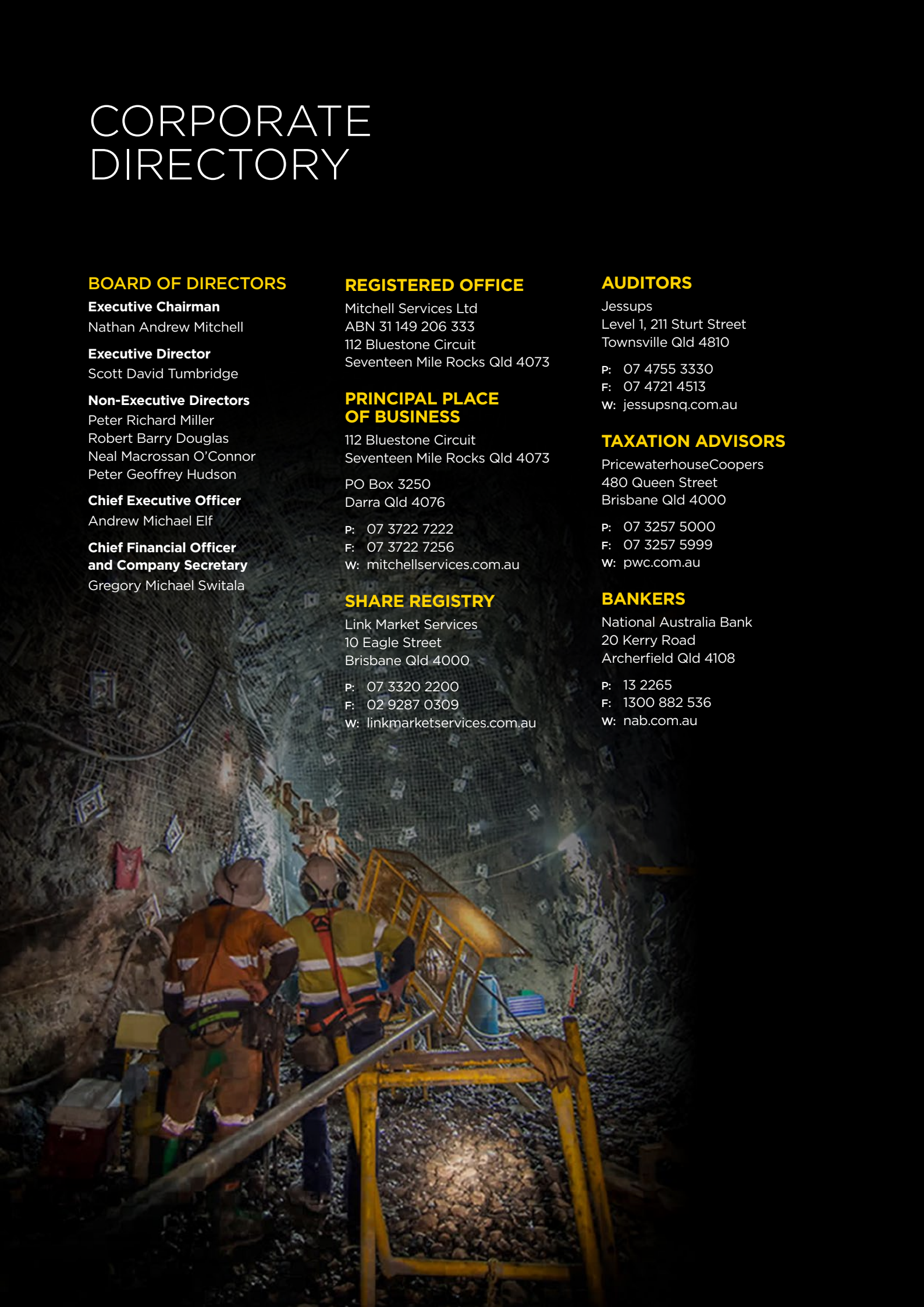
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Archerfield Qld 4108

P: 13 2265

F: 1300 882 536

W: nab.com.au





Mitchell
SERVICES