


FULL YEAR RESULTS PRESENTATION

Financial Year 2021

Mitchell
SERVICES

MITCHELL 50
50 YEARS AND SPINNING

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MITCHELL SERVICES MARKET PROFILE

ASX Information*

ASX Stock Symbol	MSV
Shares Issued	199,954,290
Share Price	A$0.43
Market Capitalisation	A$85.98m

*Current as at 23/08/2021

Major Holders *

Mitchell Group	18.4%
Dream Challenge Pty Ltd	7.2%
Washington H Soul Pattinson	6.0%

Board of Directors

Nathan Mitchell
Executive Chairman

Scott Tumbridge
Executive Director

Peter Miller
Non-Executive Director

Robert Douglas
Non-Executive Director

Neal O'Connor
Non-Executive Director

Peter Hudson
Non-Executive Director

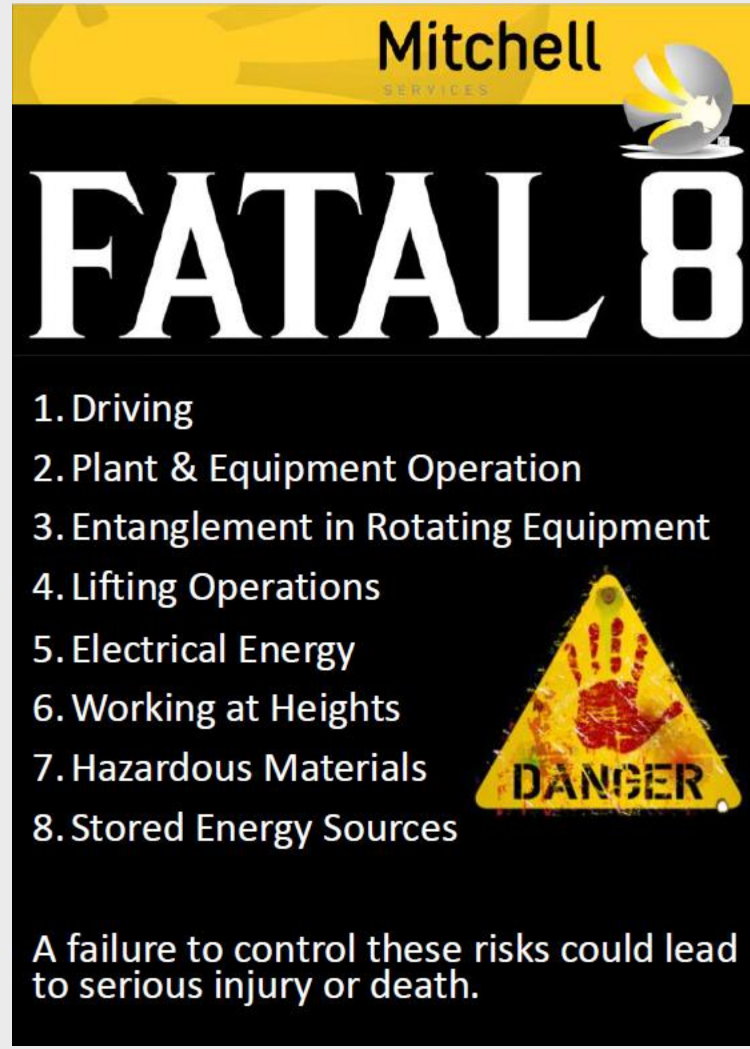
Executive Management Team

Andrew Elf
Chief Executive Officer

Greg Switala
CFO & Company Secretary

PEOPLE, RISK AND SUSTAINABILITY

- Implemented critical risk management program. Infield program designed to verify the presence and effectiveness of critical control measures to prevent life changing injuries and fatalities.
- Covid 19 has continued to present logistical changes but credit to our entire team who have continued to deliver safe and efficient services to our clients.
- Developed and released a Modern Slavery Statement.
- Mitchell Services Foundation has now been registered as a Charity.



FY21 BUSINESS OVERVIEW

42,633 shifts in FY21

↑ 20%

from FY20

Industry leading safety performance driven by critical risk control verification program

650+

experienced employees

Underlying* FY21 EBITDA of $35.7m

$29.6m **gross bank debt** at 30 June 21 representing a **25% decrease** from 30 June 20

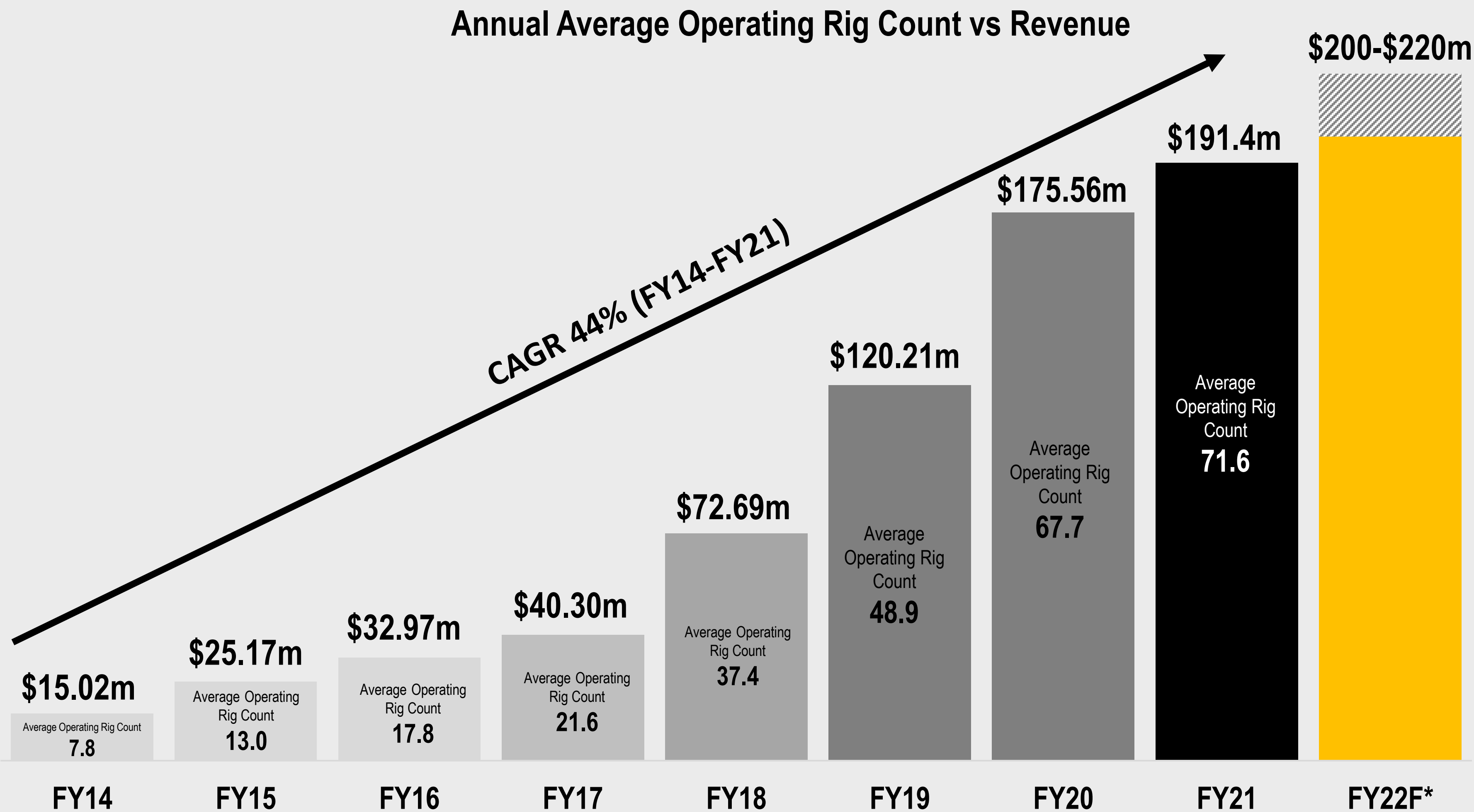
Total revenue of $191m

↑ 9%

from FY20 driven by utilisation increases

* Underlying excludes items as disclosed on slide 18.

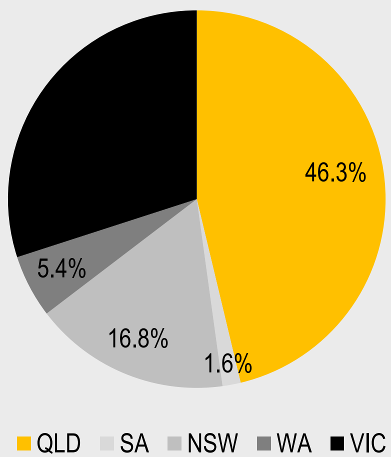
MSV'S DEMONSTRATED ABILITY TO DELIVER GROWTH

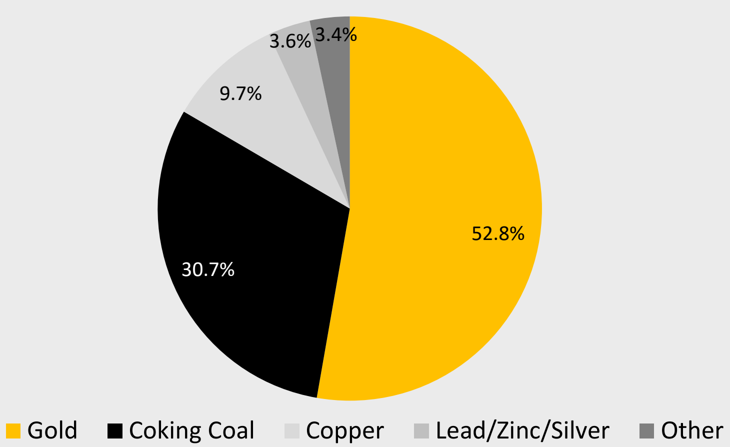


*Assumes anticipated levels of work from existing customers and that all existing customers renew their drilling contracts to the extent that such current contracts expire during this period. Assumes a 20% EBITDA margin and that there is no material changes in market conditions or operating environments, including no material deterioration in COVID-19 restrictions and regulations.

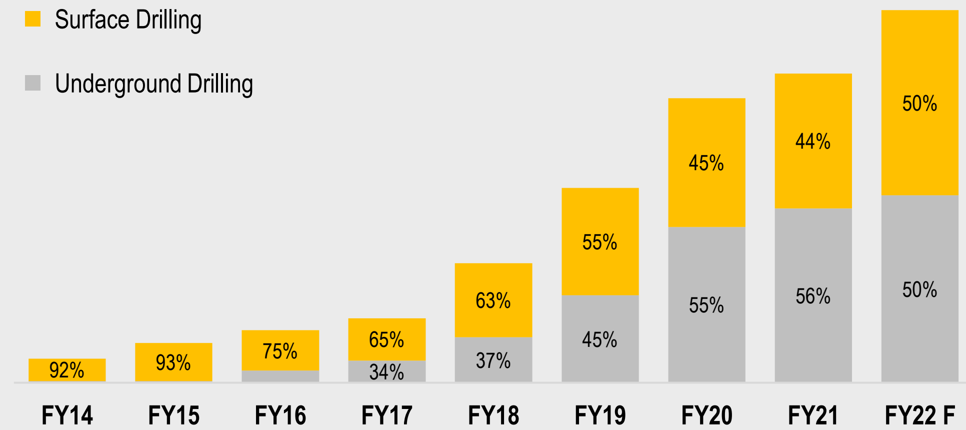
REVENUE QUALITY AND DIVERSITY

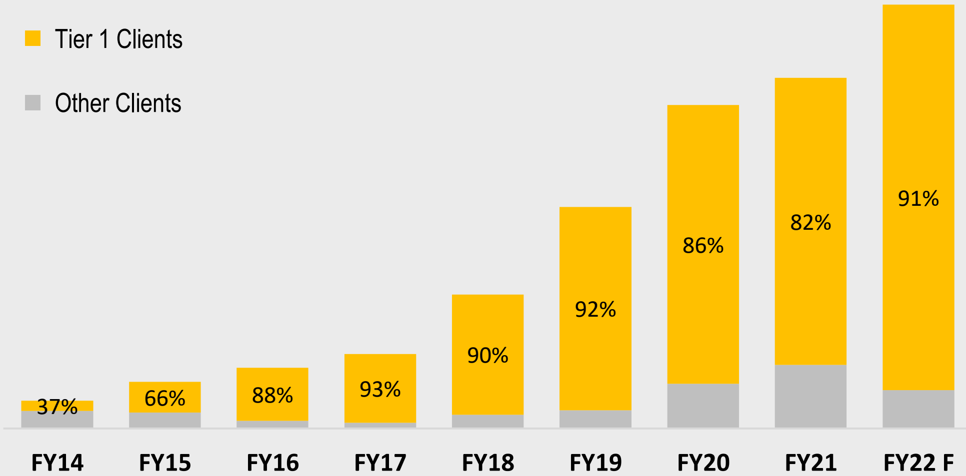
FY21 Revenue by State and Commodity





Revenue by Drilling and Client Type





ORGANIC GROWTH STRATEGY

- Mitchell Services is embarking on an organic growth strategy including a material capital investment program to deliver anticipated FY22 EBITDA of between $40m and $44m.

- This investment includes the purchase of 9 LF160 drill rigs that are expected to be delivered by 31 December 2021 and includes an option for an additional 3 rigs.

- The proposed timing allows Mitchell Services to take advantage of the cash flow benefit associated with the ATO's instant asset write off program (in place until June 2022 with a proposed extension to June 2023).

- It was previously Mitchell Services' intention to sell nominated rigs to provide partial funding for this capital investment program.

- However, given the strength of the current market and the lead times to procure additional drill rigs, Mitchell Services have opted to retain these rigs as the value to the business will be greater than the net sale proceeds.

- Based on the anticipated size of the fleet post implementation of the growth strategy, the business would have the capacity to potentially generate $50m-$60m EBITDA and to deliver material EPS growth.

OPPORTUNITY TO LEVERAGE THE CYCLE

- Significant increase in demand in the gold and base metals sectors with a positive long-term industry outlook.
- Global government stimulus and subsequent investment into infrastructure and other projects will drive demand for copper and other base metals.
- In a world where reserves and grades of some commodities are reducing, Australia is seen as a high quality, low risk jurisdiction in which to operate.
- Increase in new projects and exploration programs due to significantly increased level of capital raising and investment by miners during 2020 and 2021.
- With approximately 70% of FY21 revenue derived from the gold and base metal sectors, the Company is well placed to take advantage of any further uplift in these markets.

"We believe that the last supercycle peaked in 2008 (after 12 years of expansion), bottomed in 2020 (after a 12-year contraction) and that we likely entered an upswing phase of a new commodity supercycle"

JP Morgan macro and quantitative strategist Marko Kolanovic

The outlook for drilling services demand is the strongest that we have seen since 2008

SIGNIFICANT BARRIERS TO ENTRY

- Access to funding for new mining services providers is challenging given limited lender appetite to the mining services sector.
- Complex and highly regulated industry.
- Increasing lead time in relation to the supply of rigs, ancillary equipment and consumables.
- Significant level of industry consolidation.
- Tightening labour market and ability to attract and retain a highly skilled labour force.

Suppliers are currently experiencing a surge in global demand for drill rod while continuing to manage supply constraints as a result of Covid-19

Mitchell Services has circa 20,000 pieces of drill rod currently ordered which represents 32% of a major supplier’s total Asia Pacific drill rod availability over the next 6 months

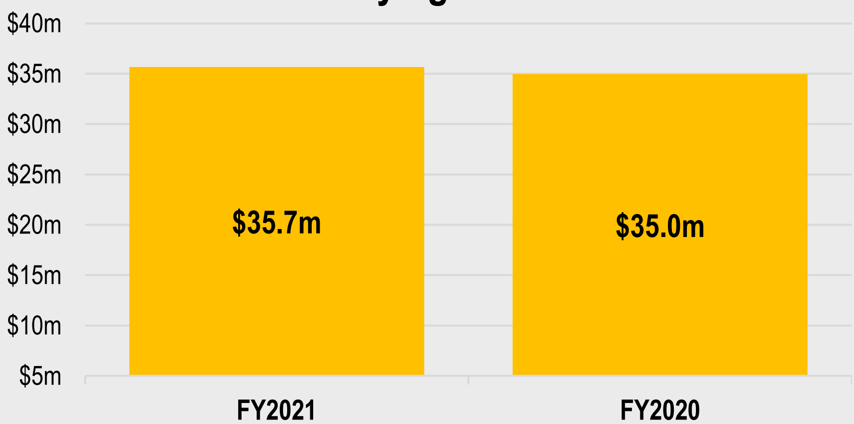
PROFIT AND LOSS

Strong underlying EBITDA performance

Underlying Profit & Loss

	FY21 $000's	FY20 $000's	Change %
Revenue	191,466	175,555	9%
EBITDA	**35,685**	**34,951**	**2%**
EBIT (before Amortisation)	12,929	18,011	(28%)
NPBT (before Amortisation)	10,152	15,868	(36%)
NPAT (before Amortisation)	**7,097**	**10,987**	**(35%)**

Underlying EBITDA



- At an underlying level, revenue and EBITDA have continued to grow and underlying EBITDA margins remain strong.
- Mitchell Services expects to generate FY22 EBITDA of $40m-$44m which, at an underlying level would represent annual growth of approximately 18% when compared to FY21.

Figures in this slide are underlying and exclude significant non-regular items and acquisition related amortisation as disclosed on slide 18.

BALANCE SHEET

Strong balance sheet provides flexibility

	30-Jun-21	30-Jun-20	Change
	$000's	$000's	%
Balance Sheet Summary			
Current assets	47,429	58,553	(19%)
Non-current assets	79,324	83,491	(5%)
Total assets	**126,753**	**142,044**	**(11%)**
Current liabilities	50,179	49,459	(1%)
Non-current liabilities	24,963	35,124	29%
Total liabilities	**75,142**	**84,583**	**11%**
Net assets	**51,611**	**57,461**	**(10%)**
Working Capital Summary			
Trade and other receivables	31,534	33,076	(5%)
Prepayments & other assets	1,559	1,811	(14%)
Inventories	5,272	4,094	29%
Trade & other payables	(24,400)	(21,699)	(12%)
Premium funding	(787)	(1,214)	35%
Net Working Capital	**13,178**	**16,068**	**(18%)**

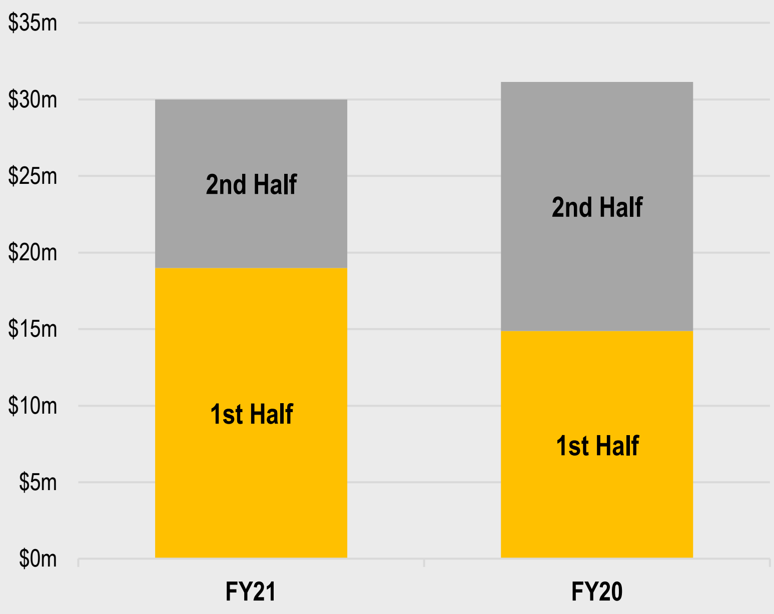
- Mitchell Services is well funded to take advantage of significant growth opportunities as it embarks on an organic growth strategy including a material investment program with the following sources of funds available:
  - $30m revolving equipment finance facility ($11.2m drawn at 30 June 2021)
  - access to $10m (currently undrawn) working capital facility
  - $10m equity raising as recently announced.
  - Strong anticipated operating cash flow

CASH FLOW

Strong operating cash flows and Cash Conversion Ratio

Operating Cash Flow Summary

	FY21 $000's	FY20 $000's	Change %
Receipts from customers	186,372	173,205	8%
Payments to suppliers / employees	(152,772)	(140,136)	(9%)
Cash generated from operations	**33,600**	**33,069**	**2%**
Interest & other financing costs	(1,966)	(1,919)	(2%)
Net income tax paid	(1,577)	-	(100%)
Cash flow from operating activities	**30,057**	**31,150**	**(4%)**
Underlying EBITDA	35,685	34,951	2%
Cash Conversion Ratio	**84%**	**89%**	**(6%)**



Despite the $6.6m impairment, operating cash flows have remained strong

DEBT PROFILE OVERVIEW

Seek to maintain leverage at below 1 x EBITDA

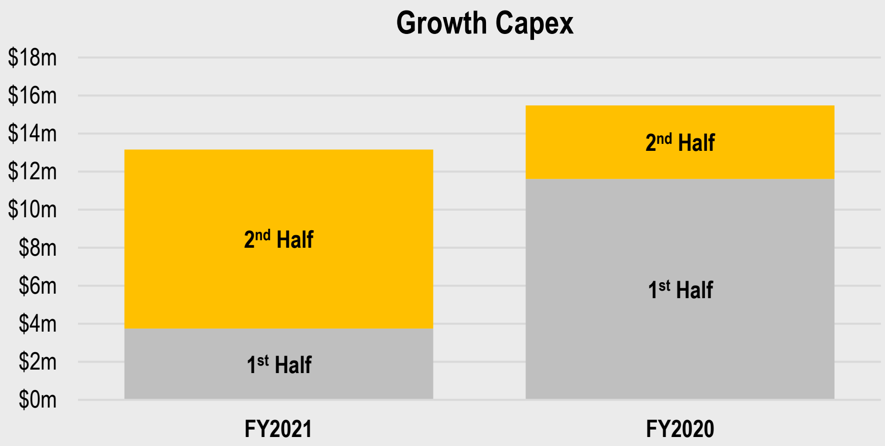
Facility	30 June 21	30 June 20	Movement
	$000's	**$000's**	**$000's**
Revolving equipment finance	11,248	9,882	(1,366)
Other equipment finance	7,429	15,440	8,011
Corporate/Acquisition loan	10,932	14,169	3,237
$10m overdraft/working capital	-	-	-
Gross Bank Debt	**29,609**	**39,491**	**9,882**
Cash on hand	4,236	11,906	(7,670)
Net Bank Debt	**25,373**	**27,585**	**2,212**

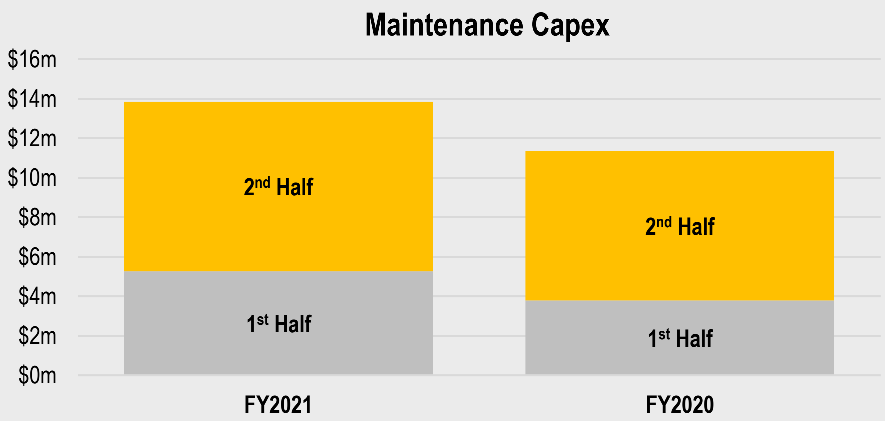
Post completion of the equity raise, the **revolving equipment finance** facility limit (currently $15m) will be increased to $30m, providing capacity to fund capital expenditure pursuant to the growth strategy

The proposed organic growth strategy will be funded by a combination of the Offer proceeds, operating cash flow and the equipment finance facility

CAPITAL EXPENDITURE

Organic growth strategy and capital investment program underway





- FY21 maintenance capex represents approximately 60% of FY21 depreciation.
- Growth Capex relates to new rigs and ancillary equipment to service new or extended contracts as well as capital expenditure incurred in the early stages of Mitchell Services' material capital investment program pursuant to its organic growth strategy.
- The proposed timing allows Mitchell Services to take advantage of the cash flow benefit associated with the ATO's instant asset write off program (in place until June 2022 with a proposed extension to June 2023).

SUMMARY

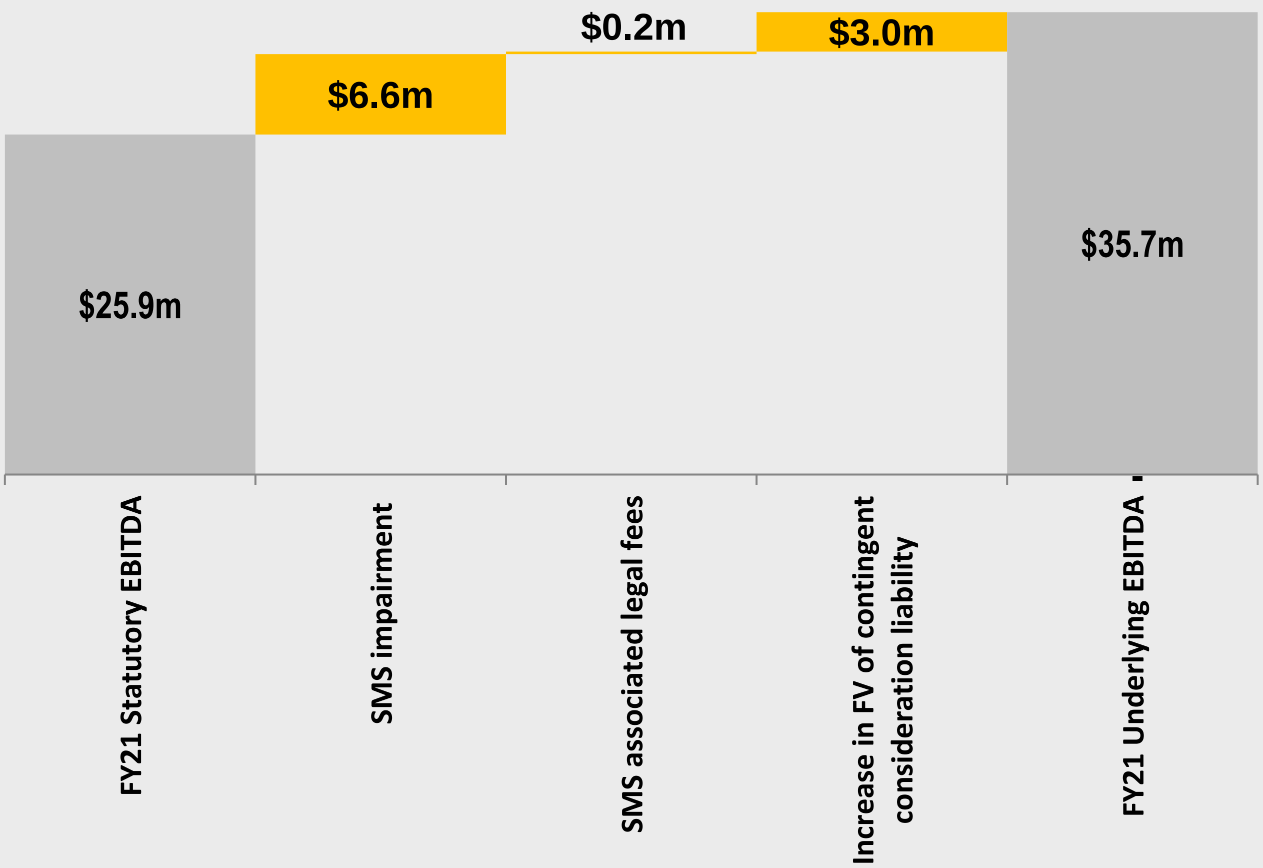
- Mitchell Services vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries.

- Mitchell Services is embarking on an **organic growth strategy** including a material capital investment program to deliver anticipated **FY22 EBITDA of between $40m and $44m**.

- Based on the anticipated size of the fleet post implementation of the -growth strategy, the business would have the capacity to potentially generate **$50m-$60m EBITDA** and to deliver material EPS growth.

- Mitchell Services has an **experienced board** and management team who have **proven success** in business development and growth.

APPENDIX A - FY21 EBITDA RECONCILIATION



- FY21 reported EBITDA includes a $6.6m trade receivable impairment in relation to SMS Innovative Mining Pty Ltd. The $6.6m reflects the gross receivable at 30 June 2021 of $9.6m less $3m being the first tranche received pursuant to a $5m settlement as announced on 13 July 2021.

- FY21 reported EBITDA also includes a $3m increase in fair value to the contingent consideration liability in relation to the Deepcore Drilling acquisition. Based on Deepcore Drilling's strong EBITDA performance to date and expected EBITDA over the remainder of the 3-year earn out period, the contingent consideration liability has been re-measured to $6.3m at 30 June 2021.

APPENDIX B

FY21 and FY20 reconciliation of statutory to underlying results

FY21	EBITDA	EBIT	NPBT	NPAT
	$000's	$000's	$000's	$000's
Statutory Results	**25,875**	**(4,357)**	**(7,134)**	**(5,899)**
Impairment of trade receivables [1]	6,625	6,625	6,625	6,625
Legal expenses related to impairment of receivables[1]	210	210	210	210
FV increase to contingent consideration liability[2]	2,985	2,985	2,985	2,985
Acquisition related amortisation of customer contracts [3]	-	7,466	7,466	7,466
Net tax effect [4]	-	-	-	(4,290)
Underlying Results	**35,695**	**12,929**	**10,152**	**7,097**

FY20	EBITDA	EBIT	NPBT	NPAT
	$000's	$000's	$000's	$000's
Statutory Results	**34,951**	**12,606**	**10,463**	**7,203**
Acquisition related amortisation of customer contracts [3]	-	5,405	5,405	5,405
Net tax effect [4]	-	-	-	(1,621)
Underlying Results	**34,951**	**18,011**	**15,868**	**10,987**

1. Impairment loss in relation to the SMS trade receivable owing and legal expenses incurred in relation to pursuing its recovery.
2. Fair value increase to contingent consideration payable to Deepcore vendors, based on Deepcore EBITDA historical performance and forecast growth.
3. Amortisation of separate customer contracts measured at fair value per the acquisition of Deepcore Drilling in November 2019.
4. Adjustment to derive underlying tax expense related to pre-tax underlying adjustments.

APPENDIX C

Definitions

Capex	Capital expenditure
Cash Conversion Ratio	The ratio of A to B; where A is the reported cash flows from operating activities (excluding interest and income tax paid) and B is the reported EBITDA
EBITDA	Earnings before interest, tax, depreciation and amortisation; calculated as NPAT plus income tax expense plus finance charges plus depreciation expense plus amortisation of intangibles
EBITDA Margin	EBITDA divided by reported revenue expressed as a percentage
EBIT	Earnings before interest and tax; calculated as NPAT plus income tax expense plus finance charges
EBIT Margin	EBIT divided by reported revenue expressed as a percentage
Gross Debt	Total principle balances outstanding on all bank loans, equipment finance facilities, hire purchase agreements, working capital facilities and overdrafts
Net Debt	Gross Debt less cash and cash equivalents on hand
NPAT	Net profit after tax; calculated as statutory reported profit before income tax less income tax expense
NPBT	Net profit before tax; calculated as NPAT plus income tax expense
pcp	Previous corresponding period
SMS	SMS Innovative Mining Pty Ltd
Underlying	Measurement of performance metric (e.g. EBITDA) adjusted for the impact of significant non-regular items