20 October 2021

Mitchell Services Limited (ASX: MSV)

Quarterly Investor Update

Mitchell Services Limited records solid FY22 Q1 operating and financial performance

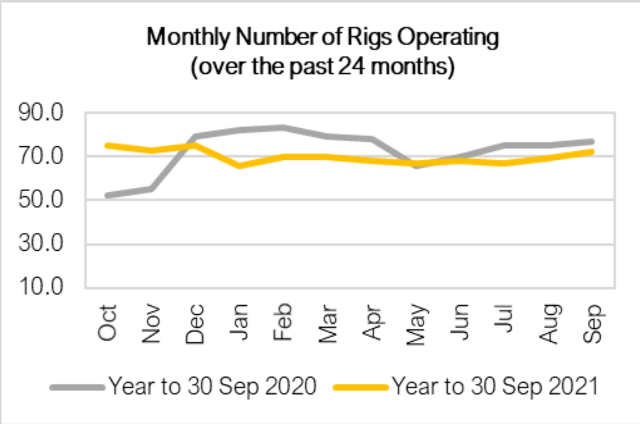
- Revenue $52.7m
- Reported EBITDA $8.1m
- Operating cash flow $4.5m
- Net debt $18.4m

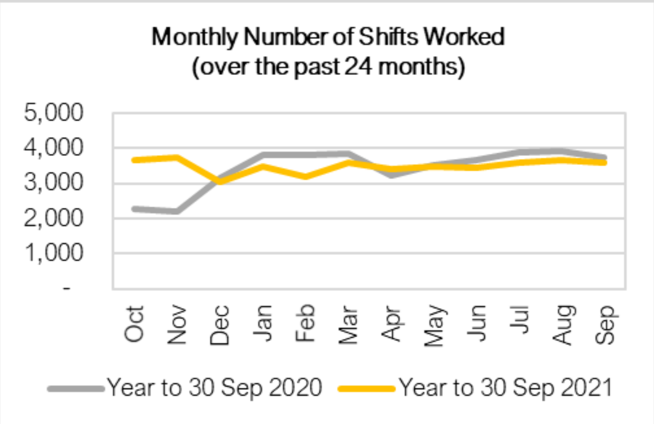
Dear Shareholder

I am pleased to provide the following investor update for the quarter ended 30 September 2021 (**FY22 Q1**) for Mitchell Services Limited (**the Company**) based on the Company's un-audited consolidated management accounts.

As the below tables illustrate, the strong momentum from FY21 Q4 continued into FY22 Q1 as the business (pursuant to its organic growth strategy) continued to ramp up in advance of what is expected to be an extremely busy next 9 months.

	FY22 Q1	FY21 Q4	Movement	Movement %
Average operating rigs	69.3	67.7	1.6	2.4%
Number of shifts	10,829	10,354	475	4.6%
Revenue ($'000s)	52,659	46,238	6,421	13.9%
Annualised revenue per rig ($'000s)	3,040	2,732	308	11.3%
EBITDA ($'000s)	8,109	7,621	488	6.4%
Operating cash flow ($'000s)	4,500	7,895	(3,395)	(43.0%)
Net Debt ($000s)	18,360	25,373	(7,013)	(27.6%)





The Company generated revenue in FY22 Q1 of $52.7m representing a 14% increase from the FY21 Q4 figure of $46.2m. In what I consider a solid result given the significant amount of mobilisation (and in some instances demobilisation) activities, the Company recorded a FY22 Q1 EBITDA of $8.1m which represents a 6.4% increase from the FY21 Q4 figure of $7.6m.

As additional rigs are deployed and as ramp up and ramp down costs begin to reduce, it is expected that EBITDA will continue to increase quarter on quarter for the remainder of FY22. For this reason, I am pleased to inform shareholders that the Company maintains its FY22 revenue and EBITDA guidance of $200m-$220m and $40m-$44m respectively.

It is pleasing to note that the Company's net debt at 30 September 2021 was $18.4m representing a 27.6% reduction from the figure of $25.4m as at 30 June 2021, although it should be highlighted that this is largely a result of the successful capital raising that concluded in September, and that the debt figure will likely increase in the short term as the Company continues to embark on its organic growth strategy.

The outlook for drilling services demand remains the strongest that we have seen since 2008 against a backdrop of extremely positive industry fundamentals which include strong and, in many cases, increasing commodity prices as a result of:

- Global government stimulus and subsequent infrastructure spending, and reducing grades and reserves
- Australia being perceived as an attractive region to invest due to its high quality, low risk jurisdiction in which to operate
- An increase in new projects and exploration programs following increased levels of capital markets activity
- Increased budgets amongst larger tier 1 producers
- Significant barriers to entry for new service providers including rig lead times/availability, their access to start-up funding and a highly regulated and complex operating environment

Whilst it is pleasing to note that the COVID-19 related restrictions are beginning to reduce, I must once again thank all staff members for their significant contributions, especially those who have continued to spend time away from loved ones or in quarantine.

Thank you to all shareholders who participated in the recent capital raising. Your ongoing support is most appreciated.

Yours faithfully,

Andrew Elf
Chief Executive Officer
Mitchell Services Limited