17 May 2022

MITCHELL SERVICES LIMITED
(ASX: MSV)

Trading Update

Mitchell Services Limited (ASX: MSV) (the Company) provides the following trading update. Whilst this trading update deals largely with the current and ongoing impacts of multiple wet weather events and COVID-19, the Company considers these impacts temporary with the broader long-term outlook remaining positive driven by record levels of rig utilisation and growing customer demand.

Operational disruptions

Record levels of rainfall from multiple severe wet weather events across the country since late 2021 have now materially impacted the Company's operations. Consequently, the ramp up of operational drill rigs (previously forecast to reach 85 by 30 June 2022 as outlined in the Company's recent quarterly report) has been delayed. The Company has incurred material costs in preparation for the commencement of these new projects and will not be able to mobilise and generate gross margin from operations of these projects until it is dry enough to do so.

COVID-19 related absenteeism due to illness or close contact isolation is currently higher than it ever has been since the start of the global pandemic with the Company's productivity and project margins reduced as a result. Whilst the Company remains positive that absenteeism levels will decrease in the near future particularly given the recent relaxation of the close contact isolation requirements, the impact of absenteeism on revenue and operating costs remains ongoing.

As a result of these operational disruptions, the Company now expects EBITDA for FY22 to be between $31 million and $35 million compared to the previous guidance of $40 million to $44 million for the same period. This change to guidance is a direct result of costs associated with project delays and interruptions that have temporarily restricted revenue growth and reduced operating margins.

The impact on revenue of the above weather and COVID-19 related disruptions has been partially offset by new contract wins and contract extensions successfully negotiated by the Company throughout the year. As a result, the Company confirms FY22 revenue guidance of between $200 million and $220 million.

It is anticipated that the capital spending on the Company's organic growth strategy will be largely complete by 30 June 2022 and as stated in previous quarterly reports the Company will focus on generating strong cash flows with the world class fleet that it has invested in.

Mitchell Services Limited
ABN 31 149 206 333

112 Bluestone Circuit
Seventeen Mile Rocks Qld 4073 Australia
PO Box 3250 Darra Qld 4076 Australia
t +61 7 3722 7222 f +61 7 3722 7256
e info@mitchellservices.com.au w www.mitchellservices.com.au

The Company anticipates that the temporary disruptions to operations experienced during FY22 will lessen in frequency and severity during FY23 allowing its expected operating rig count to drive increased revenue and earnings for the year.

This announcement has been authorised by the Company's Board of Directors.

For more information, contact:

Andrew Elf – Chief Executive Officer

Telephone +61 7 3722 7222 or 0413 608 018