Mitchell
SERVICES




ANNUAL REPORT

2022

FY22 has seen the timely completion of a material investment program as part of a broader organic growth strategy. The investment program has ensured that Mitchell Services remains one of the most diverse drilling businesses in Australia with a world class fleet of drill rigs and has positioned the business to capitalise on increased demand for specialist drilling services across a range of different commodities.

Mitchell
SERVICES

MITCHELL SERVICES LTD
ACN 149 206 333
ANNUAL REPORT
30 JUNE 2022

CHAIRMAN'S REPORT

For the year ended 30 June 2022

Nathan Andrew Mitchell
Executive Chairman

Dear Shareholders

In an industry like ours, timing is extremely important. As I reflect on FY22 (and what a defining year it was), I am reminded of this importance.

By way of background, Mitchell Services Limited (Mitchell) previously acquired a significant number of drill rigs at the bottom of the market from companies that were placed in receivership. Since that time, Mitchell has embarked on an aggressive growth strategy, initially through the use of those assets and later through earnings accretive acquisitions of other operating drilling companies. This growth journey has seen Mitchell transform from an eight rig business that generated annual revenue of $15m in FY14 into a business that today owns 100 rigs and generated FY22 revenue of more than $200m.

Most recently, the growth was pursued through a material organic expansion strategy and capital investment program. The timely completion of the investment program has not only ensured that Mitchell remains one of the most diverse drilling businesses in Australia, but pre-ordering 12 new state of the art rigs (in advance of the current supply chain constraints) also positioned the business to capitalise on increased demand for specialist drilling services.

In June this year, as part of ongoing fleet management, Mitchell entered into a sale agreement to dispose of two of the older rigs that it had acquired in 2014 at the bottom of the market.

These rigs were purchased for a combined price of $0.4m and sold for $2.5m.

FY22 has seen the continuation of strong commodity prices, which is driving an increase in demand from existing and potential clients across all of the commodities and geographies that Mitchell is exposed to.

In an industry like ours timing is extremely important. Capitalising on buoyant market conditions, Mitchell has increased confidence about future operating cashflows which underpins the decision to return surplus cash to shareholders.

This is driven by various factors including infrastructure spending, demand for future facing minerals, recognition of Australia as a high-quality jurisdiction in which to invest, increased budgets amongst global miners, and increased exploration programs following increased levels of capital market activity.

These increased demand levels translated into higher operating rig count, revenue, EBITDA and net profit after tax in FY22 when compared to FY21.

Conversely, supply side constraints are continuing to tighten as we continue to see significant barriers to entry for new service providers, further drilling sector consolidation, reducing grades and reserves, accelerated commodity deficits and increased levels of resource nationalism.

Timing is important.

Underpinned by the success of the recently implemented growth strategy, I am very pleased to outline Mitchell's capital management policy including dividends and share buy-backs.

CAPITAL MANAGEMENT POLICY

The Mitchell Board has emphasised a structured approach to capital deployment to support future growth. This has been done with a view to delivering long-term sustainable returns to shareholders through dividends and buy-backs, whilst ensuring prioritisation and allocation of capital to the balance sheet.

Mitchell will prioritise a portion of free cashflows to reduce leverage and has no present intention to raise equity for any reason. The Board has recently set a net debt target of $15m by the end of FY24.

Shareholder returns

Capitalising on buoyant market conditions, Mitchell has increased confidence about future operating cashflows, which underpins the decision to return surplus cash to shareholders.

Under the terms of our capital management policy, up to 75% of Mitchell's reported post tax profits will be paid to shareholders in the form of a dividend. An interim dividend is intended to be declared in February 2023 with a final dividend to be declared in August 2023.

Mitchell has also initiated an on market buy-back under which the number of shares to be purchased will not exceed 10% of total fully paid shares (approx. 22.5m shares). The proceeds from the recent sale of the two rigs will contribute towards funding the buy-back, which is intended to be in place until at least July 2023. As at 22 August 2022, the Company had bought back approximately 1,169,072 shares for a total consideration of $439,133.

In closing, I would once again like to thank all staff, customers, suppliers and shareholders for your continued support. Finishing each day without harm remains a core Mitchell value and it is extremely pleasing that even in an environment of significant growth, the safety performance and culture across the business remains industry leading.

On behalf of the Board, thank you.

Nathan Andrew Mitchell
Executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

For the year ended 30 June 2022

Andrew Michael Elf
Chief Executive Officer

Dear Shareholders

I am pleased to provide the following CEO report for Mitchell Services Limited (Mitchell) for the financial year ended 30 June 2022 (FY22).

Operationally, FY22 was an extremely successful year which primarily focused on executing a capital investment program as part of Mitchell's broader organic growth strategy. As part of this organic growth strategy Mitchell has taken delivery of 12 new, state of the art LF160 drill rigs and I couldn't be prouder of everyone involved in making this project a success.

The organic growth strategy and investment program has positioned the business to capitalise on increased demand for specialised drilling services across a range of different commodities. The success of this initiative has ensured that Mitchell's fleet remains world class and that it retains its position as Australia's leading provider of drilling services across a variety of commodities and drilling types.

I am delighted with the timing of the completion of the investment program which is beginning to deliver a substantial and expanding contract base. We foresaw the current resources upcycle and invested to expand our fleet in advance of the current supply constraints and before it impacted on supply costs, lead times and funding costs. Our valued clients (predominantly global major miners) have seen the benefits of this investment in our ability to deploy state of the art equipment on their projects and as such, all LF160 rigs are currently assigned to projects on new or expanding contracts and all 12 of these rigs will be operating in the near future.

It is pleasing to note that FY22 saw Mitchell record its highest ever annual revenue. Revenue for FY22 was $213.4m which represents an 11.5% increase when compared to the FY21 figure of $191.4m.

I am delighted with the timing of the completion of the investment program which is delivering a substantial and expanding contract base.

Mitchell expects both revenue and EBITDA to be materially greater in FY23 compared to FY22.

This increase was driven by a combination of increased utilisation and pricing. The average operating rig count in FY22 was 74.8 compared to 71.6 in FY21 with the increase largely due to new or expanding contracts. Given that the operating rig count at 30 June 2022 was 84 and that only a portion of the LF160 rigs were operating at that time, Mitchell expects that revenue will be materially greater in FY23 compared to FY22.

It is also pleasing to note that EBITDA for FY22 was $32.2m, representing an increase of 24.3% when compared to the FY21 figure of $25.9m although admittedly, the EBITDA margin of 15% was lower than our targeted longer term levels due to various operational challenges. FY22 saw a significant amount of unseasonal rainfall across most of the regions in which Mitchell operates whilst COVID-19 related absenteeism due to illness or close contact isolation requirements was the highest (particularly in the fourth quarter) since the start of the global pandemic. In some ways it was unfortunate that these factors coincided with a period during which a significant number of rigs were being deployed.

These interruptions (which temporarily restricted revenue growth and operating margins), together with normal levels of ramp up costs associated with significant rig deployment saw a temporary reduction in EBITDA margin. The heavy lifting is behind us and Mitchell is very well positioned heading into FY23.

Almost three years into the global pandemic, Mitchell continued to be agile in dealing with the challenges presented by COVID-19. This included monitoring of ongoing risks, working closely with government, various specialist organisations and all clients and stakeholders to assist where we could to limit the impact of the virus. We are extremely fortunate in that our safety function comprises teams of passionate industry professionals who possess some of the most innovative minds with regards to all aspects of operational health and safety.

Despite the significant growth across the business (with headcount increasing from 674 in June 2021 to 773 in June 2022) the safety performance and culture at Mitchell remains industry leading and is something that I am personally very proud of.

In closing, I would like to again thank all employees for their hard work and dedication and all shareholders for their continued support. As I reflect on what an extremely busy and challenging year FY22 was, I am extremely excited about the prospects of FY23. Underpinned by a highly skilled workforce of over 750 valued employees and now boasting one of Australia's largest, most diverse and highest quality fleets, Mitchell is extremely well placed to capitalise on buoyant market conditions as we continue to find a better way to unlock resources for our customers, for the benefit of shareholders, our people and the community.

Andrew Michael Elf
Chief Executive Officer

CURRENT BUSINESS SUMMARY

VISION:
"Finding a better way to unlock resources for our customers, for the benefit of our shareholders, our people and the community".

44,086 shifts in FY22

up 3.4%
from FY21

100 rigs

Industry leading safety performance driven by critical risk control verification program

750+
experienced employees

FY2022 revenue
$213.4m
90% from global mining majors

EBITDA of $32.2m in FY2022
24% higher
than 2021

DIRECTORS' REPORT

For the year ended 30 June 2022

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 2022 (**FY22**). 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. As CEO of Mitchell Drilling Contractors prior to its sale in 2008, Mr Mitchell led that business through a period of rapid local growth and directed an international expansion into India, China, Indonesia, the United States of America and southern Africa. Other current directorships include Mitchell Drilling International 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 41,413,695 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 by the Company.

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 16,184,612 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 2,412,505 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' 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 248,686 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 previously served as Chairman of the Audit and Risk Committee from 21 October 2015 to 18 August 2020.

Mr O'Connor was formerly General Counsel and Company Secretary and an Executive Committee member of 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 previously served on the Boards of Stanmore Coal Limited (ASX: SMR) from September 2017 until May 2020, and Maas Group Holdings Limited (ASX:MGH) from November 2020 to August 2022.

At the date of this report, Mr O'Connor has relevant interests in 131,499 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 Chairman of the Audit and Risk Committee.

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 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 283,532 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 of 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 seven 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 and mining industries within Australia and is currently headquartered in Seventeen Mile Rocks, Queensland.

The Group provides drilling solutions at all stages of the mining lifecycle, in both the energy and minerals sectors. The diversity in operations allows for better management of the cyclical nature of commodity prices, as well as giving employees exposure to various forms of drilling as part of their career development.

The various stages of the mining lifecycle for which the Group provides drilling services includes:

- Greenfield exploration;
- Project feasibility;
- Mine site exploration and resource definition;
- Development; and
- Production.

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

CHANGES IN STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS

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

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

DIRECTORS' REPORT

For the year ended 30 June 2022

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 (amid high demand for drilling services) on training to attract, retain and further develop its 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 has implemented an industry leading critical risk management program across the organisation. This infield program is designed to verify the existence and effectiveness of critical control measures to prevent life changing injuries and fatalities.

Almost three years into the global pandemic and the Group has continued to be agile in dealing with the safety and operational challenges presented by COVID-19. This includes monitoring the ongoing risks, working closely with government, various specialist organisations and all clients and stakeholders in order to assist where it can to limit the spread of the virus through preventative measures.

Despite the ongoing COVID-19 challenges and continued growth across the business (with Group headcount increasing from 674 in June 2021 to 773 in June 2022), the safety performance and culture of Mitchell Services remains industry leading.

Implementation of organic growth strategy

In August 2021 the Group implemented an organic growth strategy that was designed to capitalise on continuing strong growth in demand for specialised drilling services across a range of commodities and deliver a substantial and expanded contract base.

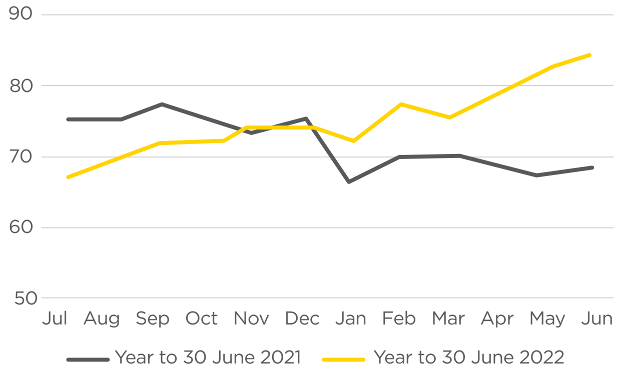
Pursuant to its organic growth strategy, the Group undertook a material capital investment program which included the purchase of 12 new, state of the art LF160 drill rigs. With the capital investment program substantially complete as at the date of this report, the Group's strategy of pre-ordering new drill rigs and upgrading its technology ahead of global supply constraints, and further diversifying its fleet across drilling type and commodity, has positioned the Group to capitalise on the increased demand for drilling services.

Activity levels

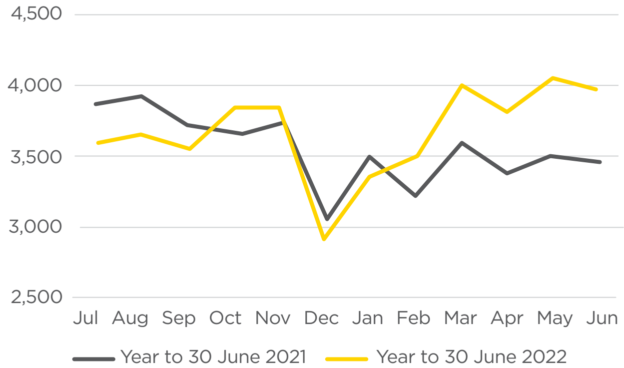
General market conditions remained strong throughout FY22 and year-on-year average operating rig count has continued to increase as a result. The average operating rig count in FY22 was 74.8 compared to 71.6 in FY21. This increase in activity levels has seen reported revenue increase by approximately 11.5% from $191.4m in FY21 to $213.4m in FY22.

The charts below illustrate utilisation (rig count) and productivity (number of shifts) levels over the past 24 months.

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



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



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

	FY22	FY21	MOVEMENT	MOVEMENT %
Average operating rigs	74.8	71.6	3.2	4.5
Number of shifts	44,086	42,633	1,453	3.4
Revenue ($'000s)	213,369	191,384	21,985	11.5

Customer base and revenue break-down

As the adjacent charts demonstrate, 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 a producing mine sites and were linked to the resource definition, development and production stages within the mine life cycle as opposed to greenfield exploration.

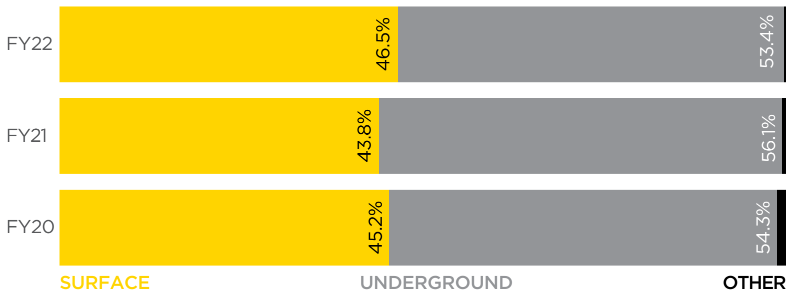
The Board and management remain mindful of the importance of diversification in revenue streams including the mix between surface and underground drilling and the mix between different commodity types. The relevant proportions of revenue derived from underground drilling and surface drilling (of 53.4% and 46.5% respectively) remained well balanced in FY22. The staggered introduction of the new LF160 drill rigs saw revenue from surface drilling increase marginally from 43.8% in FY21 to 46.5% in FY22.

From a commodity perspective, the revenue mix in FY22 was very similar to that in FY21 and remains well balanced with revenue from gold, coking coal and other base metals comprising 55.8%, 32.1% and 12.1% respectively (FY21 52.9%, 30.6% and 16.5%).

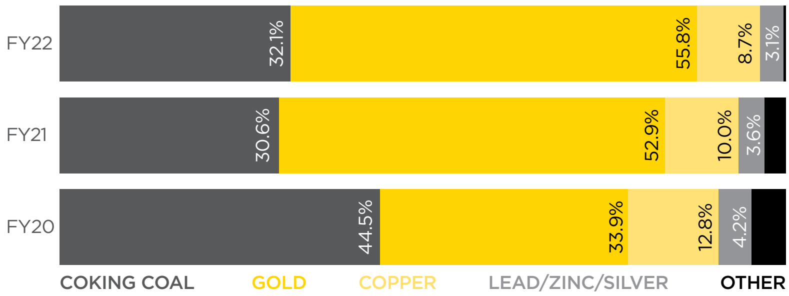
The geographical diversity of revenue generated in FY22 remained similar to that in FY21 with revenue from Queensland, Victoria and New South Wales comprising 49.0%, 28.4% and 14.1% respectively (FY21 46.1%, 29.9% and 16.8%).

Revenue by Client Type

Revenue by Drilling Type



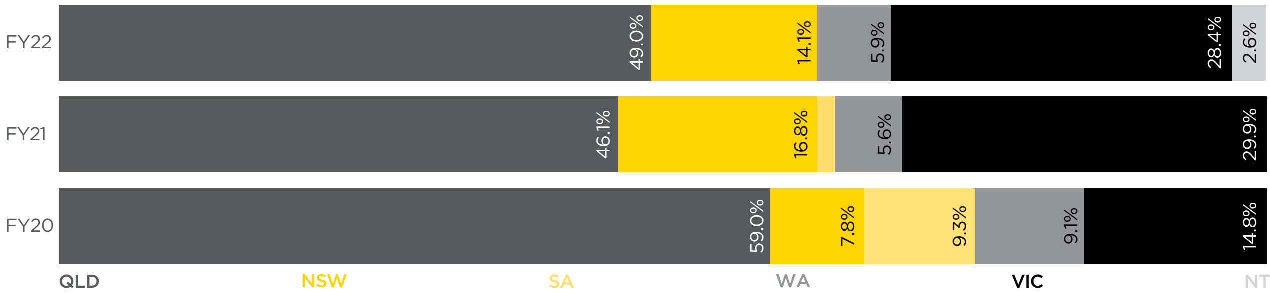
Revenue by Commodity



DIRECTORS' REPORT

For the year ended 30 June 2022

Revenue by Geography



Profitability

The table below summarises the key profitability metrics for FY22 versus the prior corresponding period (FY21).

	FY22	FY21	MOVEMENT	MOVEMENT
	$m	$m	$	%
Revenue[1]	213.4	191.4	22.0	11.5
Operating expenses	(181.2)	(165.5)	(15.7)	(9.5)
EBITDA[2]	32.2	25.9	6.3	24.3
Depreciation and amortisation[3]	(30.8)	(30.2)	(0.6)	(2.0)
EBIT	1.4	(4.4)	5.8	131.8
Finance costs[4]	(1.9)	(2.8)	0.9	32.1
EBT	(0.6)	(7.1)	6.5	91.5
Taxation benefit	0.6	1.2	(0.6)	50.0
Profit/(loss) after tax	0.0	(5.9)	5.9	100

1. As reflected earlier in this Directors Report, revenue increased by approximately 11.5% from $191.4m in FY21 to $213.4m in FY22 and was driven by a combination of increased utilisation and pricing. The average operating rig count in FY22 was 74.8 compared to 71.6 in FY21 with the increase largely attributable to new or expanding contracts (predominantly with Tier 1 global mining majors).
2. Whilst FY22 EBITDA of $32.2m represented an increase of approximately 24.3% compared to the FY21 figure of $25.9m, FY22 saw a significant amount of unseasonal rainfall across most of the regions in which the Group operates whilst COVID-19 related absenteeism due to illness or close contact isolation requirements was the highest since the start of the global pandemic. It was unfortunate that these factors coincided with a period during which a significant number of rigs were being deployed to new or expanding projects (as demonstrated in the operating rig count graph which reflects an operating rig count at 30 June 2022 of 84). The Group incurred material costs in preparation for the commencement of these projects and was unable to generate a sufficient margin on these projects prior to 30 June 2022 either on the basis that ground conditions were too wet or on the basis that shifts were lost due to COVID related absenteeism. As a result of these operational disruptions, the FY22 EBITDA margin of 15.1% was lower than the anticipated longer term margins. This was as a direct result of costs associated with project delays and interruptions that temporarily restricted revenue growth and reduced operating margins.
3. Depreciation and amortisation in FY22 of $30.8m was 2.0% greater than the FY21 figure of $30.2 with the increase largely attributable to the additional depreciation on the new LF160 fleet that were delivered on a staggered basis throughout FY22, partially offset by lower amortisation on the customer contract intangible assets acquired per the Deepcore acquisition in FY20.
4. Finance costs in FY22 of $1.9m were 32.1% lower than the FY21 figure of $2.8m with the decrease attributable to two factors. Firstly, while the average gross debt balance was very similar year on year - $33.8m in FY22 compared to $33.7m in FY21, gross debt in FY21 peaked at approximately $39.5m on 1 July 2020 with an equivalent of $29.6m at 1 July 2021. The significantly lower debt base per the latter has resulted in a comparatively reduced interest expense in FY22 although gross debt at 30 June 2022 of $42.9m will see an increased interest expense in FY23. Further, an expense of $0.6m was recognised in FY21 being the unwinding of the discount rate of the contingent consideration liability associated with the three-year Deepcore Drilling earnout arrangement which ceases on 31 December 2022. The FY22 expense in relation to the unwinding of the discount rate was only $0.1m.

Cash flow

The table below summarises the key cash flow metrics for FY22 the prior corresponding period (FY21).

	FY22	FY21	MOVEMENT	MOVEMENT
	$m	$m	$	%
Cash flows from operating activities[1]	$22.2m	$30.1m	($7.9m)	(26.2%)
Payments for PPE (net of proceeds from sales)	$17.3m	$22.1m	$4.8m	21.7%
Deepcore earnout payment	$2.1m	$2.3m	$0.2m	8.7%
Proceeds from issue of shares (net of costs)[2]	$9.8m	–	$9.8m	–
Repayment of borrowings	$14.6m	$15.4m	$0.8m	5.2%
Dividends paid	–	$2.2m	$2.2m	–
Decrease in cash and cash equivalents	**($0.5m)**	**($7.7m)**	**$7.2m**	**93.5%**

1. Cash flows from operating activities in FY22 of $22.2m was 26% lower than the FY21 figure of $30.1m with the decrease largely attributable to temporarily increased working capital requirements associated with material mobilisations and increased revenue levels that took place in the fourth quarter of FY22. Trade and other receivables increased from $31.5m at 30 June 2021 to $36.0m at 30 June 2022 whilst inventory increased from $5.3m to $7.2m over the same period.
2. To support the funding of the FY22 organic growth strategy, the Group completed a fully underwritten accelerated non-renounceable entitlement offer to raise approximately $9.8m (Entitlement Offer). Under the Entitlement Offer, eligible shareholders could subscribe for 1 fully paid ordinary share (New Shares) for every 8 Mitchell Services Ltd shares that they held on 18 August 2021 (Record Date) at the issue price of $0.42 per New Share (Offer Price).

Financial position

The following table summarises the Group's financial position at 30 June 2022 and 2021.

	2022	2021 RESTATED*	MOVEMENT	MOVEMENT
	$	$	$	%
Current assets	49,207,524	44,271,714	4,935,810	11.1
Non-current assets	94,077,586	82,481,133	11,596,453	14.1
Total assets	143,285,110	126,752,847	16,532,263	13.0
Current liabilities	51,005,641	50,178,990	(826,651)	(1.6)
Non-current liabilities	30,532,818	24,963,015	(5,569,803)	(22.3)
Total liabilities	81,538,459	75,142,005	(6,396,454)	(8.5)
Net assets	**61,746,651**	**51,610,842**	**10,135,809**	**19.6**

The Group's current ratio improved marginally to 0.96 at 30 June 2022 (from 0.88 at 30 June 2021 — Restated).

Gross Debt (which is defined as the total of the NAB Corporate Loan and all drawn Equipment Hire Purchase facilities) at 30 June 2022 was $42.9m (comprising $35.2m equipment finance facilities and a term loan of $7.7m). This figure on 30 June 2022 was approximately 44% greater than the 30 June 2021 figure of $29.6m with the increase largely attributable to new equipment finance leases that settled during the year to assist in the funding of the material capital investment program pursuant to the Group's organic growth strategy.

DIRECTORS' REPORT

For the year ended 30 June 2022

Capital management

Following the success of the organic growth strategy which has delivered a substantial and expanding contract base, the Group has implemented a formal capital management policy. As it delivers on its organic growth strategy, the Group will emphasise a measured and structured approach to capital deployment whilst ensuring prioritisation of capital to the Group's financial position and shareholder returns through dividends and buy-backs.

As part of its capital management strategy the Group has introduced a formal dividend policy effective from 1 July 2022. Pursuant to the terms of the dividend policy, up to 75% of the Group's reported post tax profits will be paid to shareholders in the form of a dividend.

EVENTS AFTER THE REPORTING DATE

On 14 July 2022, the Group commenced a 12 month on-market share buy-back on the following key terms:

- the price paid for shares purchased under the buy-back will be no more than 5% above the volume weighted average price of the Company's shares over the five days of trading prior to the purchase; and
- the number of shares purchased under the buy-back will not exceed 10% of the Company's fully paid ordinary shares (approximately 24 million shares).

The Group reserves the right to suspend or terminate the buy-back at any time and there is no commitment or guarantee that the Group will purchase the full 24 million shares. The timing and number of shares purchased will depend on the prevailing share price and other considerations, and all shares purchased under the buy-back will be cancelled.

As at 22 August 2022, the Company had bought back approximately 1,169,072 shares for a combined consideration of $439,133.

Other than the matter noted above, there has not been any matters or circumstance occurring subsequent to the end of the reporting period that have 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 the future.

DIVIDENDS

The Company has determined no dividend will be declared.

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	1,526,614
4 August 2017	7 years after vesting	$0.539	933,983
14 June 2018	7 years after vesting	$0.703	905,557
14 June 2019	7 years after vesting	$1.100	705,621
1 June 2020	7 years after vesting	$0.910	956,789
25 June 2021	7 years after vesting	$0.690	1,330,805
23 June 2022	7 years after vesting	$0.630	1,720,360
			8,079,729

Options per the above table were offered 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 16 to 25.

During the year ended 30 June 2022, 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 $129,625.

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, 19 Board meetings, 2 Remuneration and Nomination Committee meetings and 2 Audit and Risk Committee meetings were held.

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 23 to the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 33 of the Annual Report.

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	19	19	–	–	–	–
P. Miller	19	19	–	–	–	–
R. Douglas	19	18	2	2	2	2
N. O'Connor	19	18	2	2	2	2
S. Tumbridge	19	19	–	–	–	–
P. Hudson	19	19	2	2	2	2

DIRECTORS' REPORT

For the year ended 30 June 2022

REMUNERATION REPORT — AUDITED

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 2022. 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), and superannuation. They may also 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; and
- 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 ended 30 June 2022, 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.

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 10.0% 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 2022 and 2021 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	**2022**	**200,000**	**20,000**	**-**	**220,000**
Executive Chairman	2021	200,000	19,000	-	219,000
Scott David Tumbridge	**2022**	**180,000**	**18,000**	**-**	**198,000**
Executive Director	2021	180,000	17,100	-	197,100
Andrew Michael Elf	**2022**	**433,333**	**43,333**	**14,438**	**491,104**
Chief Executive Officer	2021	400,000	38,000	14,438	452,438
Gregory Michael Switala	**2022**	**300,000**	**30,000**	**9,934**	**339,934**
Chief Financial Officer and Company Secretary	2021	300,000	28,500	9,934	338,434

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 2022 and 2021 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	**2022**	**200,000**	**40.72**
Chief Executive Officer	2021	340,000	75.15
Gregory Michael Switala	**2022**	**150,000**	**44.13**
Chief Financial Officer and Company Secretary	2021	225,000	66.48

The performance bonuses paid during the 2022 and 2021 financial year were based on the financial results, safety performance and share price performance of the Group during the 2021 and 2020 financial years respectively. The extent of the bonus paid is at the discretion of the Board. 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 2021.

	30 JUN 17	30 JUN 18	30 JUN 19	30 JUN 20	30 JUN 21
Revenue ($000's)	40,303	72,700	120,205	175,555	191,384
EBITDA ($000's)	2,238	6,254	24,112	34,951	25,875
Share price (closing)*	$0.33	$0.39	$0.57	$0.54	$0.40
Total Recordable Injury Frequency Rate (TRIFR)	14.89	12.82	14.09	11.62	7.34

* Where applicable share prices adjusted retrospectively to take into account the one for ten capital consolidation that took place on 7 Feb 2020.

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; and
- 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; and

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; and

   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.

Offers made under the ESOP in 2022 and 2021

The table below summarises the shares and options offered to KMP pursuant to the ESOP during the 2022 and 2021 financial years.

Using a Black-Scholes pricing model for the options and using a 30-day VWAP for the shares, the table also sets out the estimated fair value of the ESOP instruments at grant date (or estimated grant 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 granted 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 2022 and 2021 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 25 June 2023 for offers made in 2021 and on 23 June 2024 for offers made in 2022.

KMP	AWARD	GRANT DATE[1]	NUMBER OF INSTRUMENTS	FAIR VALUE PER INSTRUMENT AT GRANT DATE*	FAIR VALUE OF INSTRUMENTS AT GRANT DATE*	OPTION STRIKE PRICE	DATE AWARD MAY VEST
Andrew Michael Elf	Options	23 June 2022	425,566	$0.0668	$28,422	$0.63	23 June 2024
	Shares	23 June 2022	127,836	$0.0315	$40,268	na	23 June 2024
Gregory Michael Switala	Options	23 June 2022	284,285	$0.0668	$18,990	$0.63	23 June 2024
	Shares	23 June 2022	85,397	$0.0315	$26,900	na	23 June 2024
Andrew Michael Elf	Options	25 June 2021	258,366	$0.0965	$24,941	$0.69	25 June 2023
	Shares	25 June 2021	103,481	$0.400	$41,392	na	25 June 2023
Gregory Michael Switala	Options	25 June 2021	167,710	$0.0965	$16,189	$0.69	25 June 2023
	Shares	25 June 2021	77,610	$0.400	$31,044	na	25 June 2023

* 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: Due to the deferral of the grant date (for purposes of AASB 2 Share Based Payment expense recognition) until the date upon which vesting is determined, the grant date fair value has been updated and provisionally estimated at the year-end date.

1. Reflects date these options were initially offered. These options will only become exercisable on the vesting date (the extent to which will be subject to the achievement of vesting conditions) and, as such, the grant date for purposes of AASB 2 Share-Based Payment expense recognition is deferred until such time. The grant date fair value is estimated at the reporting date.

	PROVISIONALLY GRANTED DURING YEAR ENDED 30 JUNE 2022	PROVISIONALLY GRANTED DURING YEAR ENDED 30 JUNE 2021
Share price	$0.3150	$0.3150
Exercise price	$0.63	$0.69
Expected volatility	56%	56%
Expected life (after vesting)	3.5 years	3.5 years
Risk-free interest rate	3.21%	3.21%
Dividend yield (assumed no dividends paid)	0%	0%
Fair value per option	$0.0668	$0.0675

Vesting of 2020 and 2019 ESOP instruments in 2022 and 2021

The table below summarises the equity instruments offered to KMP pursuant to the ESOP during the 2020 and 2019 financial years and the extent of vesting of those instruments in 2022 and 2021. 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	GRANT DATE[2]	NUMBER OF INSTRUMENTS	VESTED IN FY2022	VESTED IN FY2021	FAIR VALUE PER INSTRUMENT AT VESTING DATE*	EXERCISABLE AT 30 JUNE 2022	OPTION STRIKE PRICE
Andrew Michael Elf	Options	1 June 2020	241,681	194,553	–	$0.0408	194,553	$0.91
	Shares	1 June 2020	75,598	60,856	–	$0.30	na	na
Gregory Michael Switala	Options	1 June 2020	150,170	111,126	–	$0.0408	111,126	$0.91
	Shares	1 June 2020	45,109	33,381	–	$0.30	na	na
Andrew Michael Elf	Options	14 June 2019	329,613	–	201,064	$0.0546	201,064	$1.10
	Shares	14 June 2019	99,013	–	60,397	$0.40	na	na
Gregory Michael Switala	Options	14 June 2019	225,102	–	130,559	$0.0546	130,559	$1.10
	Shares	14 June 2019	67,618	–	39,218	$0.40	na	na

* For purposes of the above table, the fair value of the shares was determined with reference to the closing price of the Company's fully paid ordinary shares on vesting 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:

2. Reflects date these options were initially offered. These options will only become exercisable on the vesting date (the extent to which will be subject to the achievement of vesting conditions) and, as such, the grant date for purposes of AASB 2 *Share-Based Payment* expense recognition is deferred until such time. The grant date fair value is estimated at the reporting date.

	VESTED DURING YEAR ENDED 30 JUNE 2022	VESTED DURING YEAR ENDED 30 JUNE 2021
Share price	$0.30	$0.40
Exercise price	$0.91	$1.10
Expected volatility	55%	55%
Expected life (after vesting)	3.5 years	3.5 years
Risk-free interest rate	2.97%	0.33%
Dividend yield (assumed no dividends paid)	0%	0%
Fair value per option	$0.0408	$0.0546

In making a determination as to the extent of vesting of the 2020 and 2019 ESOP instruments (in 2022 and 2021 respectively), Directors considered the following in accordance with the ESOP rules:

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%

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 2018 and 30 June 2022.

	30 JUN 18	30 JUN 19	30 JUN 20	30 JUN 21	30 JUN 22
EBITDA ($000's)	6,254	24,112	34,951	25,875	32,153
Share price (30-day VWAP)	39.4c	63.2c	48.5c	40.5c	29.8c
Total Recordable Injury Frequency Rate (TRIFR)	12.82	14.09	11.62	7.34	9.20
Revenue ($000's)	72,700	120,205	175,554	191,384	213,369

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

The Remuneration and Nominations Committee engaged Godfrey Remuneration Group (Godfrey) as remuneration consultant to undertake a senior leadership team remuneration review. Godfrey was paid $17,000 to undertake the review.

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 10% 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 $450,000, as approved by shareholders at the 2020 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).

	FY22	FY21
Non-Executive Director Fees	70,000	70,000
Chairman of the Audit and Risk Committee	10,000	10,000
Chairman of the Remuneration and Nomination Committee	10,000	10,000
Committee member	5,000	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	SHORT TERM INCENTIVES	NON-MONETARY BENEFITS	POST-EMPLOYMENT BENEFITS	LONG TERM EMPLOYEE BENEFITS			% OF PERFORMANCE RELATED REMUNERATION
		Salary $	Bonus $	Motor Vehicles[1] $	Super-annuation $	Long Service Leave[3] $	Shares[2] $	Options[2] $	
Nathan Andrew Mitchell	**2022**	**200,000**	–	–	**20,000**	–	–	–	–
Executive Chairman	2021	200,000	–	–	19,000	–	–	–	–
Scott David Tumbridge	**2022**	**180,000**	–	–	**18,000**	–	–	–	–
Executive Director	2021	180,000	–	–	17,100	–	–	–	–
Peter Richard Miller	**2022**	**70,000**	–	–	**7,000**	–	–	–	–
Non-Executive Director	2021	70,000	–	–	6,650	–	–	–	–
Robert Barry Douglas	**2022**	**80,000**	–	–	**8,000**	–	–	–	–
Non-Executive Director	2021	80,000	–	–	7,600	–	–	–	–
Neal Macrossan O'Connor	**2022**	**85,000**	–	–	**8,500**	–	–	–	–
Non-Executive Director	2021	86,250	–	–	8,194	–	–	–	–
Peter Geoffrey Hudson	**2022**	**85,000**	–	–	**8,500**	–	–	–	–
Non-Executive Director	2021	73,596	–	–	6,992	–	–	–	–
Andrew Michael Elf	**2022**	**433,333**	**200,000**	**14,438**	**43,333**	**19,944**	**19,814**	**8,381**	**30.1%**
Chief Executive Officer	2021	400,000	340,000	14,438	38,000	7,998	11,560	1,510	43.4%
Gregory Michael Switala	**2022**	**300,000**	**150,000**	**9,934**	**30,000**	**6,478**	**13,442**	**5,052**	**32.7%**
Chief Financial Officer and Company Secretary	2021	300,000	225,000	9,934	28,500	13,109	5,943	151	40.0%

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 23 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 2022

KMP Shareholding

The movement during the reporting period in the number of ordinary shares in Mitchell Services Limited held directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	HOLDING AT 1 JULY 2021	SHARES RECEIVED PURSUANT TO ESOP	NET OTHER CHANGES*	HOLDING AT 30 JUNE 2022
Executive KMP				
Nathan Andrew Mitchell	36,812,169	–	4,601,526	41,413,695
Scott David Tumbridge	14,354,068	–	1,830,544	16,184,612
Andrew Michael Elf	517,650	60,856	6,250	584,756
Gregory Michael Switala	39,218	33,381	4,903	77,502
Non-Executive KMP				
Peter Richard Miller	2,400,505	–	12,000	2,412,505
Robert Barry Douglas	221,054	–	27,632	248,686
Neal Macrossan O'Connor	116,888	–	14,611	131,499

* Net other changes represent shares that were purchased or sold during the year

The movement during the reporting period in the number of options to purchase ordinary shares in Mitchell Services Limited held directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	HOLDING AT 1 JULY 2021	OPTIONS GRANTED PURSUANT TO ESOP	OPTIONS THAT LAPSED UPON VESTING DETERMINATION	HOLDING AT 30 JUNE 2022	EXERCISABLE AT 30 JUNE 2022*
Executive KMP					
Nathan Andrew Mitchell	–	–	–	–	–
Scott David Tumbridge	–	–	–	–	–
Andrew Michael Elf	1,963,206	425,566	(47,128)	2,341,644	1,657,712
Gregory Michael Switala	1,365,160	284,285	(39,044)	1,610,401	1,158,406
Non-Executive KMP					
Peter Richard Miller	–	–	–	–	–
Robert Barry Douglas	–	–	–	–	–
Neal Macrossan O'Connor	–	–	–	–	–

* Options granted pursuant to the 2021 and 2022 ESOP offers remain subject to the determination of vesting conditions and as such are not exercisable at 30 June 2022. The strike prices of options that are exercisable at 30 June 2022 vary between $0.395 and $1.10.

Other transactions with KMP

A number of KMP, or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-KMP related entities on an arm's length basis.

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 24th day of August 2022

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2022

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 4th edition of the Corporate Governance Principles and Recommendations ('Recommendations') for the financial year ended 30 June 2022.

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. This, together with the Board's other roles and responsibilities, is set out in the Board Charter, a copy of which can be found on the Group's website.

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 two board committees being the Remuneration and Nominations Committee and the 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 Directors and relevant management 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 associated 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 and operating environment. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has an informal process to induct new senior executives upon taking such positions. This involves educating the executives on 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.

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, for efficiency of operations, it is in its best interests to maintain a small but efficient Board. During the 12 months ended 30 June 2022, the Board consisted of 4 Non-executive Directors (being Peter Miller, Robert Douglas, Neal O'Connor and Peter Hudson), executive Director Scott Tumbridge and Executive Chairman, Nathan Mitchell. Throughout the 12 months ended 30 June 2022, 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.

Additionally, notwithstanding Mr Mitchell's executive capacity and non-independent status, it is the view of the Board that Mr Mitchell brings a particular and unparalleled skills set to the Group, having established the Company, been involved in the drilling industry for his entire working life and being a pioneer of this industry in Australia, is uniquely placed to act as Chairman of the Group.

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). Directors each have a written agreement with the Group setting out the terms of their appointment.

2. REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee has a documented charter, approved by the Board. The Remuneration and Nomination Committee comprises three members — Neal O'Connor (Chair), Robert Douglas and Peter Hudson — each of whom are Non-Executive Directors. The Chairman of the Committee, Neal O'Connor, is an independent Director. The Committee has 2 distinct roles as follows:

- Remuneration related matters; and
- Nomination related matters.

All Directors are invited to Remuneration and Nomination Committee meetings at the discretion of the Committee. The Committee met twice during the year and Committee members' attendance record is disclosed in the table of Directors' meetings on page 15 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.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2022

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. The Committee comprises three members — Peter Hudson (Chair), Neal O'Connor and Robert Douglas — each of whom are Non-Executive Directors

The Chairman of the Committee, Peter Hudson, is an independent Director and is not the 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 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 15 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 2022 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.

The Group's external auditor audits, or in the case of the half-year, reviews the Group's financial reports in accordance with the accounting standards.

Management verifies other periodic corporate reports. The verification processes involve a management and operational review and include cross checking statements, information and data to original source reports.

All documents released to the market are subject to final sign off and approval by relevant senior executives and, as required, the Board.

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.

An assessment of the business' risk profile and its risk management framework 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 to ensure that the Group is operating within the risk appetite set by the Board.

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 Group's operations are not subject to any particular and significant environmental regulation under the 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 such cases, the Group manages its risks and undertakes its compliance duties in accordance with contractor regime implemented by the licensed or regulated entity. Additionally, the Group is not aware of any material exposure to any particular social risks.

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. Given the size of the Group, there is no dedicated internal audit function. 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 AND GROUP VALUES

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 and to live the Group's values. 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.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2022

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 on receipt of a whistleblower report;
- The Group's commitment to rectify any discovered wrongdoing; and
- 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.

Anti Bribery and Corruption Policy

The Group is committed to protecting its assets and reputation by reinforcing the Board and management's commitment to identify if there are any fraudulent and corrupt activities, for establishing policies, controls and procedures for the prevention and detection of any such activities that may exist and to reinforce to all employees to report any corrupt and fraudulent conduct that they may be aware of. The policy sets out:

- Definitions of Bribery and Corruption;
- Examples of conduct which amounts to bribery and/or corruption;
- Rules around the prohibition of bribes and facilitation payments;
- Rules around gifts and hospitality and gift and entertainment expenditure; and
- Rules around charitable contributions.

Sexual Harassment Policy

The Group is committed to providing a safe environment for all. Pursuant to the Sexual Harassment Policy, all complaints of sexual harassment will be taken seriously and treated with respect and in confidence. No person will be victimised for making such a complaint and any person found to have sexually harassed another will face disciplinary action. The policy sets out:

- Definition of Sexual Harassment;
- The complaints procedures;
- Sanctions and disciplinary measures;
- Monitoring and evaluation.

Group Values

The Group has adopted and is committed to upholding the following values:

- Finish each day without harm;
- Foster a culture of respect, support, trust and recognition;
- Never openly criticise any team member. Blame is not productive;
- Understand your role. Embrace your role. Execute your role;
- Provide quality services through effective strategy, structure and systems; and
- Continuously improve and find a better way.

The Group Values are published on the Group's website.

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;

- 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; and
- 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.

Copies of all material market announcements are provided to the Directors promptly after such announcements have been made to the market. Any new and substantive investor or analyst presentations are released by the Group to the market ahead of any presentation to investors and/or analysts.

Governance-related materials are available for review by shareholders under the 'Investors' section of the Group's website and includes all key corporate policies. In the event that shareholders have any queries as to their holding or as regards the Group's operations, an investor email address (investors@mitchellservices.com.au) is available, and all enquiries are promptly addressed. Shareholders are welcome to attend investor briefings and to ask questions at those briefings. Details of these briefings are released to the market periodically by of the ASX platform.

The Group strongly encourages shareholders to elect to receive all communications via its registrar (Link Market Services) electronically.

The Board encourages full participation of shareholders at the Annual General Meeting (AGM), 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. Shareholders are encouraged to submit questions ahead of the AGM so that these may be addressed at the AGM.

In determining whether resolutions put to a meeting of shareholders are to be decided by a poll, the Group will have regard to the requirements of the ASX as set out in Guidance Note 35 (i.e. that all Listing Rule resolutions be decided by a poll), as well as the obligation of the Chair, being aware of the final proxy count, to ensure that the will of the meeting is delivered in the final result of the resolution.

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; and
- Complying with all applicable legislative requirements.

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;

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2022

- 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; and
- Make confidential counselling and support available to employees to assist with any workplace issues that may arise.

The Group notes recommendation 1.5(b) of the Recommendations in relation to the setting of measurable objectives for achieving diversity. The Group currently has a diverse workplace in terms of age, skillsets, ethnicity, cultural background and gender and as such believes that the objectives of its Equity and Diversity Policy are currently being met. As such the Group has not set firm gender (or other) diversity targets. This will continue to be monitored on an annual basis.

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

	2022		2021	
	No.	%	No.	%
Women on the Board	–	–	–	–
Women in senior management roles[1]	–	–	–	–
Women in head office roles	26	41.94	20	41.67
Women employees in the Group	34	4.49	29	4.36

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; and
- An understanding of risk management.

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To the Directors of Mitchell Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Mitchell Services Limited for the year ended 30 June 2022, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

M J Jeffery
Partner

Brisbane
24 August 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue	2	213,368,663	191,383,879
Other income		15,545	81,882
Gain on sale of assets		1,239,728	1,738,118
Drilling consumables		(24,124,936)	(18,121,349)
Employee and contract labour expenses		(114,937,855)	(95,766,144)
Fuel and oil		(2,192,817)	(2,006,151)
Freight and couriers		(3,188,242)	(1,782,890)
Hire of plant and equipment		(12,082,459)	(10,563,111)
Insurances		(1,053,032)	(1,009,545)
Legal and consultant fees		(1,721,537)	(1,125,355)
Rent		(462,013)	(628,879)
Service and repairs		(13,416,907)	(13,145,318)
Travel expenses		(9,349,816)	(7,835,285)
Reversal of impairment/(impairment) of trade receivables		2,420,445	(6,624,899)
Fair value decrease/(increase) to contingent consideration liability		2,413,817	(2,985,252)
Depreciation expense		(27,644,500)	(22,764,864)
Amortisation of intangibles		(3,157,377)	(7,466,209)
Finance costs		(1,913,755)	(2,777,880)
Other expenses		(4,775,134)	(5,735,161)
Loss before tax		**(562,182)**	**(7,134,413)**
Income tax benefit	14	577,739	1,235,019
Profit/(loss) for the year		**15,557**	**(5,899,394)**
Other comprehensive income/(loss), net of income tax			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income/(loss) for the year		**15,557**	**(5,899,394)**
Profit/(loss) attributable to:			
Owners of the parent		**15,557**	**(5,899,394)**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**15,557**	**(5,899,394)**
Earnings per share			
Basic (cents per share)	25	0.0	(3.0)
Diluted (cents per share)	25	0.0	(3.0)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	30 JUNE 22 $	30 JUNE 21 RESTATED* $	1 JULY 2020 RESTATED* $
ASSETS				
Current assets				
Cash and cash equivalents	**3**	3,742,395	4,236,219	11,906,383
Trade and other receivables	**4**	36,002,961	31,534,236	33,076,207
Other assets	**5**	2,224,676	1,689,144	2,010,246
Inventories	**6**	7,237,492	5,271,953	4,093,648
Current income tax asset	**14**	–	1,540,162	–
Total current assets		**49,207,524**	**44,271,714**	**51,086,484**
Non-current assets				
Right-of-use assets	**8**	1,772,390	2,703,752	3,056,584
Property, plant, and equipment	**12**	85,424,134	69,738,456	70,265,463
Intangible assets	**7**	6,856,063	10,013,440	17,479,649
Other assets	**5**	24,999	25,485	156,066
Total non-current assets		**94,077,586**	**82,481,133**	**90,957,762**
Total assets		**143,285,110**	**126,752,847**	**142,044,246**
LIABILITIES				
Current liabilities				
Trade and other payables	**9**	22,130,522	24,399,791	21,698,820
Dividend payable		–	–	2,191,627
Income tax payable	**14**	–	–	1,405,158
Financial liabilities	**10**	18,537,821	16,927,611	15,822,772
Provisions	**11**	10,337,298	8,851,588	8,340,744
Total current liabilities		**51,005,641**	**50,178,990**	**49,459,121**
Non-current liabilities				
Financial liabilities	**10**	28,742,314	22,664,875	33,139,005
Deferred tax liabilities	**14**	788,605	1,589,409	1,456,276
Provisions	**11**	1,001,899	708,731	528,423
Total non-current liabilities		**30,532,818**	**24,963,015**	**35,123,704**
Total liabilities		**81,538,459**	**75,142,005**	**84,582,825**
Net assets		**61,746,651**	**51,610,842**	**57,461,421**
EQUITY				
Issued capital		80,241,766	70,249,205	70,249,205
Retained earnings		(18,495,115)	(18,638,363)	(12,787,784)
Total equity		**61,746,651**	**51,610,842**	**57,461,421**

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

* Refer to Note 29

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Note	ISSUED CAPITAL $	RETAINED EARNINGS $	TOTAL $
Balance at 1 July 2020		**70,249,205**	**(12,787,784)**	**57,461,421**
Comprehensive income/(loss)				
Loss for the year		–	(5,899,394)	(5,899,394)
Other comprehensive income for the year		–	–	–
Total comprehensive loss for the year		–	(5,899,394)	(5,899,394)
Transactions with owners of the Company				
Recognition of share-based payments	**17**	–	48,815	48,815
Total transactions with owners of the Company		–	48,815	48,815
Balance at 30 June 2021		**70,249,205**	**(18,638,363)**	**51,610,842**
Comprehensive income/(loss)				
Profit for the year		–	15,557	15,557
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		–	15,557	15,557
Transactions with owners of the Company				
Issue of ordinary shares	**15**	10,497,738	–	10,497,738
Share issue costs, net of tax	**16**	(505,177)	–	(505,177)
Recognition of share-based payments	**17**	–	127,691	127,691
Total transactions with owners of the Company		9,992,561	127,691	10,120,252
Balance at 30 June 2022		**80,241,766**	**(18,495,115)**	**61,746,651**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		232,494,902	186,372,316
Payments to suppliers and employees		(210,161,946)	(152,772,244)
Interest received		-	95
Interest paid		(1,655,876)	(1,966,091)
Income tax paid		-	(2,481,490)
Income tax refunded		1,538,898	904,323
Net cash provided by operating activities	**18**	**22,215,978**	**30,056,909**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,434,620	4,010,879
Payment for property, plant and equipment		(19,740,612)	(26,142,183)
Earn out payment related to purchase of Deepcore		(2,123,697)	(2,344,468)
Net cash used in investing activities		**(19,429,689)**	**(24,475,772)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		10,497,738	-
Payments for share issue costs	**16**	(721,682)	-
Proceeds from borrowings		1,545,065	4,311,042
Repayment of borrowings		(14,601,234)	(15,370,716)
Dividends paid		-	(2,191,627)
Net cash used in financing activities		**(3,280,113)**	**(13,251,301)**
Net decrease in cash and cash equivalents		(493,824)	(7,670,164)
Cash and cash equivalents at the beginning of the year		4,236,219	11,906,383
Cash and cash equivalents at the end of the year	**3**	**3,742,395**	**4,236,219**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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.

These consolidated financial statements are presented in Australian Dollars which is the Company's functional currency.

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 19.

The assets, liabilities and results of all subsidiaries are 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 consolidated statement of financial position and consolidated 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.

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 non-controlling 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 straight-line method over the contract period or estimated useful life, whichever is shorter.

(f) Revenue recognition

Revenue is recognised, net of the amount of goods and services tax (GST), 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 Revenue from *Contracts with Customers*, 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. 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, invoiced throughout the month) or at a point in time when control passes 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.

(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 expense 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.

(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. 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 and salaries are recognised as part of current trade and other payables in the consolidated 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. 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 corporate 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 period 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 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.

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 profit or loss. 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, 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.

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 19. 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	
Leasehold improvements	20.00%
Plant & Equipment	6.67% – 40.00%
Motor Vehicles	12.50% – 50.00%
Furniture & Fittings	10.00% – 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 are impaired. 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.

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, to the extent 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 of the amount of the obligation can be made.

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 gain or loss 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 consolidated 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 financial liability 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.

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 investment's 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 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

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in profit or loss.

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 each 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 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 consolidated statement of cash flows 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) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short term highly liquid investments with ongoing maturities of 3 months or less, and bank overdrafts.

(p) Fair value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e., unforced) transaction between independent, knowledgeable, and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(q) 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.

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.

(r) 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 profit or 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.

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

In the application of the Group's accounting policies, management 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 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.

The Group has considered the impact of COVID-19 on each of its significant accounting judgements and estimates. Key assumptions that underpin the assessment for impairment continue to be the Group's main area of estimation uncertainty and are described below. While no further significant estimates have been identified as a result of COVID-19, the pandemic has increased the level of uncertainty in all future cash flow forecasts applicable when considering the valuation of asset, liability and equity balances of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

Key estimates – Business combination related

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. The Group acquired Deepcore Holdings Pty Ltd (Deepcore) during the year ended 30 June 2020 with accounting for the business combination finalised per the reported financial statements for the year ended 30 June 2020. There continues to be key accounting considerations related to the business combination, primarily the following items:

- Fair valuation of contingent consideration liability; and
- Goodwill.

(i) Fair valuation of contingent consideration liability

Under the terms of the acquisition, Deepcore operate under an earnout arrangement applicable to the first three calendar years post acquisition subject to outperformance against pre-agreed Deepcore EBITDA targets. This entitles the Deepcore vendors to an annual earnout payment being 50% of that portion of calendar year Deepcore EBITDA greater than $12,500,000. As part of the finalised acquisition accounting at 30 June 2020, a $4,851,492 contingent consideration liability was recognised, being the present value of the forecast annual cash payments in relation to the three-year earnout.

As at 30 June 2022, two of the three earn-out years have been completed with the third (and final year) due for completion on 31 December 2022. Throughout the duration of this earnout arrangement, the Group has assessed the completeness and accuracy of the contingent consideration liability at each reporting date and, to the extent that it deemed it necessary, adjusted its fair value with any movements recognised in profit or loss.

During the financial year ended 30 June 2021, the Group increased the fair value by $2,985,252. This adjustment was considered necessary given the strong Deepcore EBITDA contribution to the Group during the 18 months ended 30 June 2021 (the first half of the earnout period) and the forecasted continuation of Deepcore growth and EBITDA performance over the then remaining 18 months of the earnout period.

During the financial year ended 30 June 2022, the Group has decreased the fair value by $2,413,817. This adjustment was considered necessary given Deepcore's EBITDA performance over the 2022 financial year which was impacted by various operational challenges beyond the Group's expectations, including excessive adverse wet weather events and ongoing COVID-19 factors.

The reduction in the fair value of the contingent consideration liability discussed above resulted in a benefit of $2,413,817 being recognised in profit or loss (2021: expense of $2,985,252 recognised in profit or loss).

As at 30 June 2022, the contingent consideration liability is $1,899,612 being the present value of the forecast cash payment in the relation to the final earn out year (being the calendar year ending 31 December 2022). In determining the forecast cash payment, the Group has taken into account the actual Deepcore EBITDA performance for the 6 months ended 30 June 2022 and an up-to-date estimate of the forecast performance for the six months ending 31 December 2022.

(ii) Impairment testing for CGUs containing goodwill

Pursuant to the acquisition of Deepcore during the year ended 30 June 2020, the Group recognised goodwill of $5,755,572 with goodwill requiring to be tested for impairment on an annual basis.

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.

The recoverable amount of this CGU was based on value-in-use (VIU), estimated using discounted cash flows, requires the use of certain assumptions. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industry and have been based on historical data from both external and internal sources.

Key assumptions utilised within the VIU model:

- Discount rate (post tax): 12.4% (2021: 12.4%)
- Terminal value growth rate: 2% (2021: 2%)
- Budgeted EBITDA growth rate (average of next five years): 2% (2021: 2%)

The cashflow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience with respect to revenue generated, adjusted for the existing contract book, change to contract rates, drilling volume and price growth for the next five years. This, in conjunction with forecasted operating costs based on historical experience, determined the budgeted EBITDA.

Management do not consider there to be a reasonably possible change in key assumptions that cause the carrying amount to exceed the recoverable amount.

(t) Standards issued by not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to AASB 137)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to AASB 16)
- Reference to the Conceptual Framework (Amendments to AASB 3)
- Sale or contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)

(u) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year, except as noted in Note 1(v).

(v) Restatement

The Group has restated the financial position for prior periods as a result of reclassifying the intangible asset customer contracts from a current asset to non-current assets. Refer to Note 29.

2. REVENUE

2(a) REVENUE FROM CONTINUING OPERATIONS

	2022	2021
	$	$
Revenue from contracts with customers	213,368,663	191,383,879
	213,368,663	**191,383,879**

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.

	2022	2021
	$	$
Commodity		
Coal	68,418,691	58,526,257
Gold	119,025,962	101,191,956
Copper	18,608,323	19,052,729
Lead/zinc/silver	6,670,630	6,799,601
Other	645,057	5,813,336
	213,368,663	**191,383,879**
Drilling type		
Surface drilling	99,213,720	83,731,794
Underground drilling	113,937,625	107,356,085
Other revenue	217,318	296,000
	213,368,663	**191,383,879**
Geography by State		
Queensland	104,479,073	88,321,252
South Australia	–	2,966,086
New South Wales	30,154,011	32,102,310
Western Australia	12,683,586	10,764,334
Victoria	60,534,590	57,229,897
Northern Territory	5,517,403	–
	213,368,663	**191,383,879**
Timing of revenue recognition		
Services transferred over time	180,044,822	166,517,395
Goods transferred at a point in time	33,323,841	24,866,484
	213,368,663	**191,383,879**

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 (where applicable). 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.

	2022	2021
	$	$
Bank balances	3,742,395	4,236,219
	3,742,395	4,236,219

4. TRADE AND OTHER RECEIVABLES

	2022	2021
	$	$
Trade debtors	21,115,464	19,886,892
Accrued income	14,849,173	11,616,356
Bonds and deposits	38,324	30,988
	36,002,961	31,534,236

Impairment of trade receivables

The Group establishes an allowance for impairment by utilising the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses.

Year ended 30 June 2021

During the year ended 30 June 2021, the Group recognised a trade receivables impairment of $6,624,899 relating to one of its customers, SMS Innovative Mining Pty Ltd (SMS) following the termination of a drilling contract with SMS on grounds of breach of contract following SMS' failure to pay invoices that were due and owing. The impairment represented the gross amount receivable from SMS at 30 June 2021 of $9,624,899 less $3,000,000 that the Group recovered from SMS on 19 July 2021. The $3,000,000 represented the first of three payment tranches that SMS had agreed to pay the Group pursuant to a settlement deed agreed on 13 July 2021. Both parties had agreed to resolve all claims relating to this matter on the basis that SMS pay the Group a settlement sum of $5,000,000 in three tranches over a six-month period during the 2022 financial year.

In accordance with the settlement deed, two additional tranches of $1,000,000 each were received in September and December 2021 respectively and, as such, the Group recorded an impairment loss reversal which is recognised as a benefit in earnings for the year ended 30 June 2022. This reversal amounted to $2,420,455 and is represented by the final two tranches of $1,000,000 each plus a further $420,445 being the GST component of uncollected invoices which, on being written off as bad debts, ceased to qualify as taxable supplies and became refundable from the Australian Tax Office.

The table below details gross and net receivables at 30 June 2022 with the comparative reflecting the impairment loss recognised.

	2022	2021
Gross trade debtors	21,115,464	26,511,791
Impairment loss allowance	–	(6,624,899)
Net trade debtors	21,115,464	19,886,892

A reconciliation of the movement in the impairment loss allowance provision is shown below:

	2022	2021
Balance at beginning of the year	6,624,899	–
Impairment loss recognised during the year	–	6,624,899
Impairment loss reversal due to settlement by debtor	(2,420,445)	–
Remeasurement of loss allowance during the year*	(4,204,454)	–
Balance at end of the year	–	6,624,899

* The remeasurement of loss allowance did not have an impact on the 2022 profit or loss.

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:

	2022	2021
	$	**$**
< 1 month	19,631,685	14,710,565
1 to 3 months	1,483,779	2,176,327
> 3 months*	–	9,624,899
	21,115,464	26,511,791

* All amounts in the >3 months category in the comparative year related to SMS Innovative Mining Pty Ltd (Refer to discussion earlier in Note 4).

5. OTHER ASSETS

	2022	2021
Current	**$**	**$**
Borrowing costs	77,690	130,580
Prepayments	2,146,986	1,558,564
	2,224,676	1,689,144
Non-current		
Borrowing costs	24,999	25,485
	24,999	25,485

6. INVENTORIES

	2022	2021
	$	$
Spare parts and consumables	7,237,492	5,271,953
	7,237,492	5,271,953

The cost of inventories recognised as an expense during the year in respect of continuing operations was $24,124,936 (2021: $18,121,349).

7. INTANGIBLE ASSETS

	GOODWILL	CUSTOMER CONTRACTS	TOTAL
	$	$	$
At 30 June 2022			
Cost or fair value	5,755,572	17,129,163	22,884,735
Accumulated amortisation	–	(16,028,672)	(16,028,672)
Net book amount	5,755,572	1,100,491	6,856,063
Year ended 30 June 2022			
Opening net book amount	5,755,572	4,257,868	10,013,440
Amortisation	–	(3,157,377)	(3,157,377)
Closing net book amount	5,755,572	1,100,491	6,856,063

Refer Note 1(s) for discussion of the Group's assessment of the Goodwill carrying value.

As at 30 June 2022, Customer Contract Intangible Assets have a remaining amortisation period of approximately 8 months, expiring in February 2023. Refer to Note 29 for details of a reclassification of Customer Contract Intangible Assets to non-current assets in the Consolidated Statement of Financial Position.

8. RIGHT-OF-USE ASSETS

The Group's property lease portfolio relates to leased premises with the date of expiry ranging from November 2022 through to December 2026. In certain instances, the Group's property leases include extension options that allow the Group to extend the lease term to beyond the original termination date. These options are exercisable at the sole discretion of the Group and provide the Group with appropriate flexibility to manage leases to align with its strategies. The extension options which management were reasonably certain to be exercised have been included in the calculation of the lease liability.

AASB 16 related amounts recognised in the statement of financial position

	2022	2021
	$	$
Right-of-use assets		
Cost	3,414,313	3,818,277
Accumulated depreciation	(1,641,923)	(1,114,525)
	1,772,390	2,703,752
Movements in carrying amounts		
Opening net book amount	2,703,752	3,056,584
Adjustment to carrying value of right-of-use asset*	(403,964)	–
Change in assumption around likelihood of option take-up	–	224,504
Depreciation expense for the year	(527,398)	(577,336)
Net book amount	**1,772,390**	**2,703,752**

* During the year ended 30 June 2022, the Group exercised an option to renew the property lease on its head office premises for a further five years. The previously recognised head office premises lease liability had assumed the lease would be renewed for five years during the current financial year but had reflected rates which were higher than the renegotiated terms. The present value of the lease liability has therefore been revised downward with a corresponding reduction in the carrying value of the right-of-use asset.

AASB 16 related amounts recognised in profit or loss

	2022	2021
	$	$
Depreciation charge related to right-of-use assets	527,398	577,336
Interest expense on lease liabilities (under finance costs)	139,524	159,068
Short term leases expense	462,013	318,847

AASB 16 related amounts recognised in the statement of cash flows

	2022	2021
	$	$
Total cash outflows for leases	478,763	645,609

9. TRADE AND OTHER PAYABLES

	2022	2021
	$	$
Trade creditors	15,193,876	13,712,779
Accrued expenses	6,243,284	6,686,784
GST payable	693,362	4,000,228
	22,130,522	24,399,791

9(a) AGEING OF TRADE PAYABLES

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

< 1 month	8,914,696	8,034,828
1 to 3 months	6,233,931	5,662,695
> 3 months	45,249	15,256
	15,193,876	13,712,779

10. OTHER FINANCIAL LIABILITIES

	2022	2021
	$	$
Current		
Borrowings (i)	3,200,000	3,198,674
Equipment Hire Purchase Facilities (ii)	12,735,958	8,714,837
Lease liability (iii)	260,930	516,953
Insurance premium and vehicle registration funding	441,321	786,534
Contingent consideration liability (iv)	1,899,612	3,710,613
	18,537,821	16,927,611
Non-current		
Borrowings (i)	4,533,333	7,733,333
Equipment Hire Purchase Facilities (ii)	22,453,116	9,962,327
Lease liability (iii)	1,755,865	2,382,168
Contingent consideration liability (iv)	–	2,587,047
	28,742,314	22,664,875

(i) This relates to a $16m debt facility (Corporate Market Loan) with National Australia Bank (NAB), secured by the Group in December 2019 to fund the acquisition of Deepcore with latest terms being the following:

- Minimum annual repayments totalling $3.2m, due monthly in arrears, expiring on 30 November 2024; 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) The Group finances certain items of equipment under hire purchase agreements and, during the year ended 30 June 2022, a significant number of new arrangements have been entered into, mainly related to drill rigs and motor vehicles. In line with the Group's organic growth strategy, announced in August 2021, these include financing of a further twelve newly acquired LF160 surface drill rigs and related assets (in addition to the first delivered LF160 financed in June 2021). Repayment terms on these facilities, being over three years, have interest ranging between 3.41% and 6.13%.

(iii) Lease liability relating to the recognition of right-of-use assets as discussed in Note 8.

(iv) Contingent consideration liability relates to the acquisition of Deepcore during the year ended 30 June 2020. Refer to Note 20(d) for details of fair value measurement with respect to this liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

10(a) RECONCILIATION OF MOVEMENT IN OTHER FINANCIAL LIABILITIES

This reconciliation excludes movement in the Group's contingent consideration liability which is scheduled per note 21(d).

YEAR ENDED 30 JUNE 2022	AT 1 JULY 2021	CASH PROCEEDS	NON-CASH INCREASE	ADJUSTMENT TO CARRYING VALUE	CASH REPAYMENT	AT 30 JUNE 2022
	$	$	$	$	$	$
Borrowings	10,932,007	–	–	–	(3,198,674)	7,733,333
Equipment Hire Purchase Facilities	18,677,164	1,545,065	24,257,059	–	(9,290,214)	35,189,074
Lease liability	2,899,121	–	–	(403,964)	(478,362)	2,016,795
Insurance premium and vehicle registration funding	786,534	–	1,288,771	–	(1,633,984)	441,321
Total	33,294,826	1,545,065	25,545,830	(403,964)	(14,601,234)	45,380,523

YEAR ENDED 30 JUNE 2021	AT 1 JULY 2020	CASH PROCEEDS	NON-CASH INCREASE	NON-CASH REPAYMENT	CASH REPAYMENT	AT 30 JUNE 2021
	$	$	$	$	$	$
Borrowings	14,168,523				(3,236,516)	10,932,007
Equipment Hire Purchase Facilities	25,322,929	4,311,042	1,313,327	(3,522,226)	(8,747,908)	18,677,164
Lease liability	3,161,156	–	–	–	(262,035)	2,899,121
Insurance premium and vehicle registration funding	1,214,038	–	2,472,249	–	(2,899,753)	786,534
Total	43,866,646	4,311,042	3,785,576	(3,522,226)	(15,146,212)	33,294,826

10(b) EQUIPMENT HIRE PURCHASE FACILITIES

	2022	2021
	$	$
Current	12,735,958	8,714,837
Non-current	22,453,116	9,962,327
	35,189,074	18,677,164
Minimum future lease payments		
Not later than 1 year	14,022,166	9,384,675
Later than 1 year and not later than 5 years	23,999,789	10,333,749
Minimum future lease payments	38,021,955	19,718,424
Less future finance charges	(2,832,881)	(1,041,260)
	35,189,074	18,677,164

Equipment Hire Purchase Facilities

The Group finances certain items of equipment under hire purchase facilities. The average term is 3.0 years (2021: 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 each individual agreement, within the wider facility, has interest rates fixed for the duration of the finance period Effective interest rates payable under finance leases are between 3.34% and 6.79% (2021: 3.21% and 5.40%). The fair value of the finance lease liabilities is approximately equal to the carrying amount.

10(c) LOANS

A summary of borrowing arrangements applicable to all loans is included in Note 20(a). Security pledged under these borrowing arrangements is detailed in Note 13.

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	30,000,000	25,244,310	4,755,690

11. PROVISIONS

	2022	2021
	$	$
Current		
Employee benefit provisions	10,337,298	8,851,588
	10,337,298	8,851,588
Non-current		
Employee benefit provisions	1,001,899	708,731
	1,001,899	708,731

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

12. PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	MOTOR VEHICLES	FURNITURE AND FITTINGS	CAPITAL WIP	TOTAL
	$	$	$	$	$	$
At 1 July 2021						
Cost or fair value	210,982	104,198,653	18,095,994	1,266,777	9,304,260	133,076,666
Accumulated depreciation	(121,519)	(49,418,798)	(12,925,935)	(871,958)	–	(63,338,210)
Net book amount	89,463	54,779,855	5,170,059	394,819	9,304,260	69,738,456
Year ended 30 June 2022						
Opening net book amount	89,463	54,779,855	5,170,059	394,819	9,304,260	69,738,456
Additions	–	29,979,107	1,590,356	20,880	12,407,349	43,997,692
Transfers	88,285	18,605,063	250,405	99,136	(19,042,889)	–
Disposals	–	(1,012,463)	(181,068)	(1,381)	–	(1,194,912)
Depreciation	(41,654)	(24,789,631)	(2,046,124)	(239,693)	–	(27,117,102)
Closing net book amount	136,094	77,561,931	4,783,628	273,761	2,668,720	85,424,134
At 30 June 2022						
Cost or fair value	299,267	150,878,144	19,651,821	1,351,757	2,668,720	174,849,709
Accumulated depreciation	(163,173)	(73,316,213)	(14,868,193)	(1,077,996)	–	(89,425,575)
Net book amount	136,094	77,561,931	4,783,628	273,761	2,668,720	85,424,134
At 1 July 2020						
Cost or fair value	121,338	92,098,004	18,468,883	795,252	5,151,309	116,634,786
Accumulated depreciation	(94,884)	(33,480,098)	(12,245,208)	(549,133)	–	(46,369,323)
Net book amount	26,454	58,617,906	6,223,675	246,119	5,151,309	70,265,463
Year ended 30 June 2021						
Opening net book amount	26,454	58,617,906	6,223,675	246,119	5,151,309	70,265,463
Additions	82,049	6,098,889	342,016	16,530	21,533,994	28,073,478
Transfers	7,595	15,712,086	1,190,951	470,411	(17,381,043)	–
Disposals	–	(5,993,739)	(402,522)	(16,696)	–	(6,412,957)
Depreciation	(26,635)	(19,655,287)	(2,184,061)	(321,545)	–	(22,187,528)
Closing net book amount	89,463	54,779,855	5,170,059	394,819	9,304,260	69,738,456
At 30 June 2021						
Cost or fair value	210,982	104,198,653	18,095,994	1,266,777	9,304,260	133,076,666
Accumulated depreciation	(121,519)	(49,418,798)	(12,925,935)	(871,958)	–	(63,338,210)
Net book amount	89,463	54,779,855	5,170,059	394,819	9,304,260	69,738,456

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. 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 present and after acquired property of 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 hire purchase facilities — National Australia Bank

As at 30 June 2022, the Group had entered into various individual equipment hire purchase arrangements with National Australia Bank (NAB). Any outstanding principal balances that exist in relation to these facilities provided by NAB, are 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 hire purchase facilities — other lenders

The Group has also entered into minor equipment hire purchase facilities with other lenders. Under the terms of these facilities, security is limited to the assets to which the facility relates.

14. INCOME TAX

	2022	2021
	$	**$**
Income tax benefit recognised in profit/(loss)		
Income tax expense comprises		
Current tax on loss for the year	(12,583,915)	(1,576,182)
Deferred tax expense/(benefit)	11,845,458	610,916
Benefit of deferred tax assets on losses not previously recognised	–	(461,747)
Adjustments recognised in current year in relation to tax of prior years	172,768	145,099
Other	(12,050)	46,895
Income tax benefit	(577,739)	(1,235,019)
The income tax (benefit)/expense for the year can be reconciled to the accounting (loss)/profit as follows		
Loss before tax from continuing operations	(562,182)	(7,134,413)
Income tax benefit calculated at 30%	(168,655)	(2,140,324)
Tax effect of fair value (decrease)/increase to contingent consideration liability	(724,145)	895,576
Tax effect of other expenses that are not deductible in determining taxable profit	154,343	279,482
Benefit of deferred tax assets on tax loss not previously recognised	–	(461,747)
Adjustments recognised in current year in relation to tax of prior years	172,768	145,099
Other	(12,050)	46,895
Income tax benefit	(577,739)	(1,235,019)

The tax rate used for 2022 and 2021 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

14(a) DEFERRED TAX BALANCES

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

DEFERRED TAX ASSETS	2022	2021
	$	$
Accrued expenses	636,769	586,072
Employee benefit and other provisions	3,161,387	2,516,133
Impairment loss on trade receivables	–	1,987,470
Right-of-use lease liabilities	605,272	869,502
Other	235,671	96,919
Deferred tax assets on temporary differences	4,639,099	6,056,096
Deferred tax asset on tax losses	13,573,822	1,119,519
Total deferred tax assets	18,212,921	7,175,615

DEFERRED TAX LIABILITIES	2022	2021
	$	$
Intangible assets - Customer contracts	(330,147)	(1,277,360)
Right of-use lease assets	(531,717)	(811,126)
Property, plant and equipment	(17,338,120)	(5,783,509)
Consumable inventories	(649,594)	(672,327)
Prepayments	(148,431)	(138,388)
Other	(3,517)	(82,314)
Total deferred tax liabilities	(19,001,526)	(8,765,024)
Set-off of deferred tax assets pursuant to set-off provisions	18,212,921	7,175,615
Net deferred tax liabilities	(788,605)	(1,589,409)

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

TEMPORARY DIFFERENCES	ACCRUED EXPENSES	PROVISIONS	IMPAIRMENT LOSS TRADE RECEIVABLES	RIGHT-OF-USE LEASE LIABILITY	OTHER	TOTAL
	$	$	$	$	$	$
Balance at 1 July 2020	530,587	2,364,910	–	948,347	186,756	4,030,600
(Charged)/credited to profit or loss	55,485	151,223	1,987,470	(78,845)	(89,837)	2,025,496
Balance at 30 June 2021	586,072	2,516,133	1,987,470	869,502	96,919	6,056,096
Charged/(credited) to current tax	153,823	–	–	234	21,593	175,650
Charged/(credited) to profit or loss	(103,126)	645,254	(1,987,470)	(143,175)	(99,345)	(1,687,862)
Recognised directly in other comprehensive income	–	–	–	–	216,504	216,504
Reduction in carrying value of lease liability	–	–	–	(121,289)	–	(121,289)
Balance at 30 June 2022	636,769	3,161,387	–	605,272	235,671	4,639,099

TAX LOSSES	OPENING BALANCE	RELATED TO PRIOR YEARS	RECOGNISED ON FY2022 TAX LOSS	RECOGNISED ON FY2021 TAX LOSS	UTILISED	CLOSING BALANCE
	$	$	$	$	$	$
30 June 2022	1,119,519	(129,612)	12,583,915	–	–	13,573,822
30 June 2021	–	–	–	1,576,182	(456,663)	1,119,519

As at 30 June 2022, the Group has recognised a deferred tax asset of $13,573,822 related to estimated tax losses for the year ended 30 June 2022.

As at 30 June 2021, the Group recognised a deferred tax asset of $1,576,182 relating to estimated tax losses for the year ended 30 June 2021. Based on the Australian Government "loss carry back tax offset" provisions, the Group partially reduced the tax losses arising during the year ended 30 June 2021 by an amount of $456,663, and these were carried back and utilised against the tax liability recorded per the lodged tax return for the year ended 30 June 2020.

Movements in deferred tax liabilities are as follows:

TEMPORARY DIFFERENCES	CUSTOMER CONTRACTS	PROPERTY, PLANT, AND EQUIPMENT	CONSUMABLE INVENTORIES	RIGHT-OF-USE LEASE ASSETS	PRE-PAYMENTS	OTHER	TOTAL
	$	$	$	$	$	$	$
Balance at 30 June 2020	(3,517,223)	(909,963)	–	(916,975)	(139,241)	(3,473)	(5,486,875)
(Charged)/ credited to current tax	–	–	(589,074)	–	–	–	(589,074)
(Charged)/ credited to profit or loss	2,239,863	(4,873,546)	(83,253)	105,849	853	(78,841)	(2,689,075)
Balance at 30 June 2021	(1,277,360)	(5,783,509)	(672,327)	(811,126)	(138,388)	(82,314)	(8,765,024)
Charged)/ (credited) to current tax	–	(288,619)	(5,568)	–	–	75,381	(218,806)
Charged/ (credited) to profit or loss	947,213	(11,265,992)	28,301	158,120	(10,043)	3,416	(10,138,985)
Reduction in carrying value of right-of-use lease asset	–	–	–	121,289	–	–	121,289
Balance at 30 June 2022	(330,147)	(17,338,120)	(649,594)	(531,717)	(148,431)	(3,517)	(19,001,526)

14(b) CURRENT INCOME TAX ASSETS/(LIABILITIES)

Current income tax assets/(liabilities) at 30 June 2022 are represented as follows:

	2022	2021
	$	$
Income tax refundable/(liability)	–	1,540,162
	–	1,540,162

The income tax refundable recognised at 30 June 2021 was recovered by the Group on lodgement of the tax return for the year ended 30 June 2021.

14(c) UNRECOGNISED AMOUNTS

	2022	2021
	$	$
Unused tax losses	–	–
Franking account balance	929,603	2,476,444

15. ISSUED CAPITAL

	2022	2021
	$	$
Fully paid ordinary shares		
Balance at the beginning of the year	72,995,137	72,995,137
"Entitlement Offer" during period (i)	10,497,738	–
Balance at the end of the year	83,492,875	72,995,137

	2022	2021
	Number of shares	**Number of shares**
Fully paid ordinary shares		
Balance at the beginning of the year	199,238,740	199,238,740
Shares issued pursuant to Executive Share and option plan	1,168,414	
"Entitlement Offer" during period (i)	24,994,615	–
Balance at end of the year	225,401,769	199,238,740

(i) Equity raise during year ended 30 June 2022

On 16 August 2021, the Group announced a material organic growth strategy and capital investment program which included the purchase of up to 12 LF160 drill rigs.

To support the funding of this organic growth strategy, the Group undertook a fully underwritten accelerated non-renounceable entitlement offer to raise approximately $10,500,000. Under the offer, eligible shareholders could subscribe for 1 fully paid ordinary share for every 8 Mitchell Services Ltd shares that they held on 18 August 2021 at the issue price of $0.42 per New Share.

The offer was made to both institutional and eligible retail shareholders with the institutional and retail components successfully completing on 18 August and 9 September respectively. This resulted in 24,994,615 new shares being issued, equivalent to approximately 11.1% of the Company's total shares outstanding at 30 June 2021, raising $10,497,738, excluding share issue costs.

16. SHARE ISSUE COSTS

	2022	2021
	$	$
Balance at the beginning of the year	(2,745,932)	(2,745,932)
Share issue costs (i)	(721,682)	–
Recognition of deferred tax asset	216,505	–
Balance at end of the year	(3,251,109)	(2,745,932)

(i) During the year, the Group incurred pre-tax transaction costs of $721,682 being mainly management fees, underwriting fees and legal expenses associated with the capital raise (refer Note 15). These have been adjusted for tax with a deferred tax asset of $216,505 being recognised on these amounts which will be deductible for income tax.

17. SHARE BASED PAYMENT TRANSACTIONS

	2022	2021
	$	$
Equity-settled share-based payment transactions		
Executive share and option plan	127,691	48,815
Total expense recognised for equity-settled share-based payment	127,691	48,815

Executive share and option plan

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; and

(d) operational performance, having particular regard to key operational metrics.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

(i) Measurement of fair values – Employee Option Plan

Set out below are summaries of options granted under ESOP:

	YEAR ENDED 30 JUNE 2022		YEAR ENDED 30 JUNE 2021	
	AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS
As at 1 July	0.682	6,471,713	0.712	6,028,846
Granted during the year	0.630	1,720,360	0.690	1,330,805
Exercised during the year	–	–	–	–
Forfeited during the year	0.910	(112,344)	0.898	(887,938)
As at 30 June	**0.668**	**8,079,729**	**0.682**	**6,471,713**
Vested and exercisable at 30 June	0.674	5,028,561	0.619	4,071,772

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 2022	OPTIONS AT 30 JUNE 2021
23 May 2016	23 May 2025	0.395	1,526,614	1,526,614
4 August 2017	4 August 2026	0.539	933,983	933,983
14 June 2018	14 June 2027	0.703	905,557	905,557
14 June 2019	14 June 2028	1.100	705,621	705,621
1 June 2020	1 June 2029	0.910	956,789	1,069,133
25 June 2021	25 June 2030	0.690	1,330,805	1,330,805
23 June 2022	23 June 2031	0.630	1,720,360	–
Total			**8,079,729**	**6,471,713**
Weighted average remaining contractual life of options outstanding at end of year			6.15 years	6.41 years

Fair value of shares and options not yet vested at 30 June 2022

Options

The calculated fair value at 30 June 2022 of the options provisionally granted during the years ended 30 June 2021 and 30 June 2022 was $89,894 and $114,920 respectively and has been determined using the Black-Scholes option pricing model. Due to the deferral of the grant date until the number of options that are vested are determined, the grant date fair value has been provisionally estimated at the year-end date. 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 2022 of the equity-settled share-based payment plans granted during the years ended 30 June 2021 and 30 June 2022 were as follows:

	PROVISIONALLY GRANTED[1] DURING YEAR ENDED 30 JUNE 2022	PROVISIONALLY GRANTED DURING YEAR ENDED 30 JUNE 2021
Share price (at 30 June 2022)	$0.3150	$0.3150
Exercise price	$0.63	$0.69
Expected volatility	56%	56%
Time to maturity	9 years	9 years
Risk-free interest rate	3.21%	3.21%
Dividend yield (assumed no dividends paid)	0%	0%
Fair value per option	$0.0668	$0.0675
Number of options	1,720,360	1,330,805
Total fair value of options	$114,920	$89,894

1. The options have been provisionally granted. These will only be granted post vesting and as such, the grant date is deferred until such time. The options provisionally granted during the 30 June 2021 financial year have been granted subsequent to the 2022 financial year.

Relating to the above issues, expenses of nil (2022 issue) and $40,452 (2021 issue) have been recognised on a life to date basis (grant date through to 30 June 2022) 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 2021 and 30 June 2022 under the ESOP was $142,652 and $162,785 respectively at 30 June 2022 and has been determined with reference to the closing price of the Company's fully paid ordinary shares at the end of the financial year.

Relating to the above issues, expenses of $64,180 and nil respectively have been recognised on a life to date basis (grant date through to 30 June 2022 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 2022

Options

The calculated fair value of the options that vested under the ESOP during the year ended 30 June 2022 (which were granted under the ESOP in 2020) was $38,079 as at the vesting date of 1 June 2022 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	$0.30
Exercise price	$0.91
Expected volatility	55%
Time to maturity	7 years
Risk-free interest rate	2.97%
Dividend yield (assumed no dividends paid)	0%
Fair value per option	$0.0408
Number of options	933,302
Total fair value of options	$38,079

Shares

The calculated fair value of the shares that vested under the ESOP during the year ended 30 June 2022 (which were issued under the ESOP in 2020) was $84,830 as at the vesting date 1 June 2022 and has been determined with reference to the closing price of the Company's fully paid ordinary shares.

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

	2022	2021
	$	$
Profit/(loss) for the year	15,557	(5,899,394)
Adjustments for:		
Depreciation and amortisation	30,801,877	30,231,073
Net gain on disposal of property, plant and equipment	(1,239,728)	(1,738,118)
Income tax benefit	(577,739)	(1,235,019)
Finance costs – unwind of discount on contingent consideration	139,466	561,745
Fair value (decrease)/increase to contingent consideration liability	(2,413,817)	2,985,252
Change in trade and other receivables	(4,474,332)	1,531,644
Change in other assets	(262,910)	272,960
Change in inventories	(1,965,539)	(1,178,305)
Change in trade payables and accruals	(2,973,140)	3,077,097
Change in insurance premium funding balance	1,336,850	2,472,249
Change in employee benefit provisions	2,162,844	504,077
Recognition of share-based payments	127,691	48,815
Net income tax receipts/(payments)	1,538,898	(1,577,167)
Net cash inflow from operating activities	**22,215,978**	**30,056,909**

19. 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 year 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)	155 701 885	100%
Deepcore Australia Pty Ltd (i)	115 967 809	100%
Deepcore Drilling Pty Ltd (i)	115 935 941	100%

(i) A deed of cross guarantee was enacted between the Company and these entities during the year ended 30 June 2020. 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. These entities, 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.

All entities in the table above form part of the tax consolidated group as disclosed in note 1(i).

	2022	2021
	$	$
Closed Group - Income Statement		
Revenue	213,404,208	191,465,761
Gain/(loss) on sale of assets	(43,024)	50,692
Drilling consumables	(24,124,936)	(18,121,349)
Employee and contract labour expenses	(114,937,855)	(95,766,144)
Fuel and oil	(2,192,817)	(2,006,151)
Freight and couriers	(3,188,242)	(1,782,890)
Hire of plant and equipment	(12,082,459)	(10,563,111)
Insurances	(1,053,032)	(1,009,545)
Legal and consultant fees	(1,721,537)	(1,125,355)
Rent	(462,013)	(628,879)
Service and repairs	(13,416,907)	(13,145,318)
Travel expenses	(9,349,816)	(7,835,285)
Reversal of impairment/(impairment) of trade receivables	2,420,445	(6,624,899)
Fair value decrease/(increase) to contingent consideration liability	2,413,817	(2,985,252)
Depreciation expense	(15,450,545)	(12,375,838)
Amortisation of intangibles	(3,157,377)	(7,466,209)
Finance costs	(1,148,985)	(2,005,051)
Other expenses	(4,899,251)	(5,733,355)
Profit before tax	**11,009,674**	**2,341,822**
Income tax expense	2,932,191	1,877,604
Profit for the year	**8,077,483**	**464,218**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

	2022	2021 RESTATED*
	$	$
Closed Group — Balance Sheet		
Current assets		
Cash and cash equivalents	3,712,702	3,969,998
Trade and other receivables	36,002,961	31,534,236
Other assets	2,224,676	1,619,730
Inventories	7,237,492	5,271,953
Current income tax assets	–	1,540,162
Other financial assets	36,349,736	39,688,118
Total current assets	85,527,567	83,624,197
Non-current assets		
Investments in controlled entities	15,478,503	15,478,503
Right-of-use assets	1,772,390	2,703,752
Property, plant and equipment	28,954,739	29,699,533
Intangibles at cost	6,856,062	10,013,440
Deferred tax assets	11,937,893	1,244,259
Other assets	25,000	25,485
Total non-current assets	65,024,587	59,164,972
Total assets	150,552,154	142,789,169
Current liabilities		
Trade and other payables	19,894,800	22,978,328
Other financial liabilities	12,401,220	14,491,987
Provisions	11,740,273	8,851,588
Total current liabilities	44,036,293	46,321,903
Non-current liabilities		
Other financial liabilities	7,633,940	16,252,756
Provisions	1,001,899	708,731
Total non-current liabilities	8,635,839	16,961,487
Total liabilities	52,672,132	63,283,390
Net assets	97,880,022	79,505,780
EQUITY		
Issued capital	78,975,905	68,983,344
Retained earnings	18,904,117	10,522,436
Total equity	97,880,022	79,505,780

* Refer to Note 29

Parent entity

Summarised financial information for the parent entity is as follows:

	2022	2021
	$	$
Loss for the year	(2,942,048)	(8,879,788)
Other comprehensive income	–	–
Total comprehensive income for the year	(2,942,048)	(8,879,788)
Current assets	3,799,014	21,205,451
Total assets	68,814,885	74,221,302
Current liabilities	7,375,302	11,153,874
Total liabilities	12,074,085	24,642,090
Total equity of the parent entity comprising of:		
Issued capital	78,975,905	68,983,344
Retained earnings	(22,235,105)	(19,404,132)
Total equity	56,740,800	49,579,212

Parent entity contingent liabilities

There are no contingent liabilities required to be disclosed as at 30 June 2022 (2021: nil).

Parent entity capital commitments

There are no capital commitments as at 30 June 2022 (2021: nil).

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed within this Note.

20. 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.

20(a) Interest rate risk

The Group is exposed to interest rate risk on its Corporate Market Loan facility with the NAB (discussed in Note 10) which is subject to floating interest rates as specified in Note 10 while all Equipment Hire Purchase facilities are at fixed rates. With respect to those subject to a floating interest rate, a one percentage point increase/decrease in interest rates would result in a net profit after tax decrease/increase of $54,133 (2021: $76,524).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

20(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 the gross, undiscounted contractual maturity analysis for financial liabilities.

		CONTRACTUAL CASH FLOWS					
2022	CARRYING AMOUNT	WITHIN 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
	$	$	$	$		$	$
Trade payables	22,130,522	22,130,522	–	–	–	–	22,130,522
Borrowings	7,733,333	3,376,186	3,287,429	1,343,446	–	–	8,007,061
Equipment hire purchase facilities	35,189,074	14,186,889	11,495,706	9,842,616	2,496,744	–	38,021,955
Lease liability	2,016,795	587,333	594,611	611,016	500,796	–	2,293,756
Insurance premium and vehicle registration funding	441,321	458,974	–	–	–	–	458,974
Contingent consideration liability	1,899,612	2,053,568	–	–	–	–	2,053,568
	69,410,657	42,793,472	15,377,746	11,797,078	2,997,540	–	72,965,836

		CONTRACTUAL CASH FLOWS					
2021	CARRYING AMOUNT	WITHIN 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
	$	$	$	$		$	$
Trade payables	24,399,791	24,399,791	–	–	–	–	24,399,791
Borrowings	10,932,007	3,462,297	3,373,657	3,285,200	1,342,602	–	11,463,756
Equipment hire purchase facilities	18,677,164	9,387,563	6,480,023	2,456,553	1,397,173	–	19,721,312
Lease liability	2,899,121	651,453	655,621	665,699	1,107,303	200,687	3,280,763
Insurance premium and vehicle registration funding	786,534	819,804	–	–	–	–	819,804
Contingent consideration liability	6,297,660	4,012,907	3,144,735	–	–	–	7,157,642
	63,992,277	42,733,815	13,654,036	6,407,452	3,847,078	200,687	66,843,068

20(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.

20(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.

(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 relates to the acquisition of Deepcore during the year ended 30 June 2020 and is measured using Level 3. The valuation technique utilised is a discounted cash flow model which considers the present value of the expected future payments, discounted using a risk-adjusted discount rate.

Refer Note 1(s) for discussion around fair value measurement of the contingent consideration liability during the 2022 financial year.

The following tables present changes in the contingent consideration liability:

YEAR ENDED 30 JUNE 2022	CURRENT	NON-CURRENT	TOTAL
	$	$	$
Balance at 1 July 2021	3,710,613	2,587,047	6,297,660
Increase to present value (recognised in profit or loss)	83,697	55,769	139,466
Earn out payment to Deepcore vendors during year ended 30 June 2022	(2,123,697)	-	(2,123,697)
Transfer from non-current to current during year ended 30 June 2022	2,332,911	(2,332,911)	-
Fair value decrease to liability during year ended 30 June 2022	(2,103,912)	(309,905)	(2,413,817)
Balance at 30 June 2022	1,899,612	-	1,899,612

YEAR ENDED 30 JUNE 2021	CURRENT	NON-CURRENT	TOTAL
	$	$	$
Balance at 1 July 2020	1,899,474	3,195,657	5,095,131
Increase to present value (recognised in profit or loss)	223,839	337,906	561,745
Earn out payment to Deepcore vendors during year ended 30 June 2021	(2,344,468)	-	(2,344,468)
Transfer from non-current to current during year ended 30 June 2021	3,533,563	(3,533,563)	-
Fair value increase to liability during year ended 30 June 2021	398,205	2,587,047	2,985,252
Balance at 30 June 2021	3,710,613	2,587,047	6,297,660

(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 2022 $	JUNE 2021 $	UNOBSERVABLE INPUTS	FY2022	FY2021	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
1,899,612	6,297,660	Risk-adjusted pre-tax discount rate	18.0%	18.0%	A change in the discount rate by 200 bps would increase/ decrease the FV by approx. $0.1 million.
		Anticipated annual growth rate in Deepcore profits	2.0%	2.0%	If estimated annual profit growth rate was 1% higher or lower, the FV would increase/ decrease by approx. $0.1 million.

21. RELATED PARTY TRANSACTIONS

21(a) Related parties

The Group's main related parties are as follows.

(i) Entities exercising control over the Group

Note 19 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 (KMP)

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. Refer Note 22 for disclosures relating to KMP.

(iii) Other related parties

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

21(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 during the year.

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 $180,986 including GST. An amount of $7,654 remains owing to this related entity at the end of the reporting period.

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 Pty Ltd (Equipment Hub). Nathan Mitchell is a significant shareholder of Equipment Hub. Hire of plant and equipment from this related entity for the reporting period amounted to $461,971 including GST. An amount of $72,325 remains owing to this related entity at the end of the reporting period.

Eastwest Drilling and Mining Supplies Pty Ltd

Deepcore Drilling Pty Ltd operate under an outsourced procurement model whereby the majority of its purchasing function is outsourced to Eastwest Drilling and Mining Supplies Pty Ltd (Eastwest). This arrangement (which was in place prior to and at the date of the Deepcore Drilling acquisition) has remained in place post the completion of the acquisition as part of a broader integration plan designed to minimise acquisition related disruption within the Deepcore business and to the manner in which it operates. On acquisition of Deepcore, the outsourced procurement arrangements were reviewed and agreement reached on pricing to ensure that the arrangement was no less favourable to normal commercial terms. Eastwest is an entity controlled by Scott Tumbridge.

During the year, the Group was supplied plant items, parts and consumables and also hired ancillary equipment with amounts charged totalling $5,672,163. All amounts are inclusive of GST and were based on normal market rates and under normal payment terms. An amount of $1,132,527 remains owing to this related entity at the end of the year.

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 rent associated with this property for the reporting period amounted to $322,975 net of applied rental reductions associated with the revised lease. There are also ancillary utilities charges of $23,007 reflected in the period. Amounts owing to this related entity at the end of the reporting period is $54,238.

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 year.

The Group and this related entity currently operate under an arrangement whereby the services of an in-house legal counsel are shared between the two entities. Net of minor outgoings recovered by the Group, invoices in relation to this shared resource totalling $155,941, inclusive of GST, were issued to the Group by the related entity during the year with an amount of $30,789 remaining owing at the end of the year.

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 however, during the period, the related party charged the Group an amount of $28,946 to reimburse for the cost of council rates. There were nil amounts payable to this related entity at period end

The above related party transactions were based on normal market rates and under normal payment terms.

22. KEY MANAGEMENT PERSONNEL

Key management personnel compensation

Key management personnel compensation comprised the following:

	2022	2021
	$	$
Short term employee benefits	1,783,333	1,954,846
Post-employment benefits	143,333	132,036
Non-monetary benefits	24,372	24,372
Other long term benefits	26,422	21,107
Share-based payments	46,688	19,164
	2,024,148	2,151,525

Compensation of the Group's key management personnel includes salaries and non-cash benefits, and certain key management personnel also participate in the Group's Executive share and option plan (refer Note 17).

23. AUDITORS REMUNERATION

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

	2022	2021
	$	$
Audit and review of financial statements – Jessups (previous auditors)	68,528	157,950
Audit and review of financial statements – KPMG (current auditors)	146,426	-
Other	-	-
	214,954	157,950

24. CAPITAL COMMITMENTS

As at 30 June 2022, the Group had capital commitments of $2,008,806 (2021: $25,776,002), mainly relating to certain trucks, light vehicles, drilling pipe and sundry other items of property, plant and equipment.

25. EARNINGS PER SHARE

	2022	2021
	$	$
Basic earnings per share		
From continuing operations (cents per share)	0.0	(3.0)
Diluted earnings per share		
From continuing operations (cents per share)	0.0	(2.9)

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

	2022	2021
	$	$
Profit/(loss) for the year attributable to owners	15,557	(5,899,394)
Weighted average number of ordinary shares	221,428,148	199,238,740

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

	2022	2021
	$	$
Profit/(loss) for the year attributable to owners	15,557	(5,899,394)
Weighted average number of ordinary shares	221,428,148	200,765,354

26. 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 $8,651,166 (2021: $6,870,588) represents the contributions payable by the Group to these plans in accordance with contractual employment and statutory obligations. As at 30 June 2022, contributions of $889,326 due in respect of the 2022 financial year (2021: $536,815) had not been paid over to the plans. These amounts were paid subsequent to the end of the 2022 financial year.

27. OPERATING SEGMENTS

27(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.

27(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.

	2022	2021
	%	%
External Customer 1	25.66%	25.01%
External Customer 2	17.57%	17.85%
External Customer 3	13.82%	10.83%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

28. EVENTS AFTER THE REPORTING DATE

On 14 July 2022, the Group commenced a 12 month on-market share buy-back on the following key terms:

- the price paid for shares purchased under the buy-back will be no more than 5% above the volume weighted average price of the Company's shares over the five days of trading prior to the purchase; and
- the number of shares purchased under the buy-back will not exceed 10% of the Company's fully paid ordinary shares (approximately 24 million shares).

The Group reserves the right to suspend or terminate the buy-back at any time and there is no commitment or guarantee that the Group will purchase the full 24 million shares. The timing and number of shares purchased will depend on the prevailing share price and other considerations, and all shares purchased under the buy-back will be cancelled.

As at 22 August 2022, the Company had bought back approximately 1,169,072 shares for a combined consideration of $439,133.

Other than the matter noted above, there has not been any matters or circumstance occurring subsequent to the end of the reporting period that have 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 the future.

29. RECLASSIFICATION OF INTANGIBLE ASSETS

The Group now classifies the total carrying amount of Customer Contract Intangible Assets as non-current assets in the Consolidated Statement of Financial Position. Previously the Group classified a portion of Customer Contract Intangible Assets as current assets.

The following table summarises the impact of the reclassification on the comparatives on each line item affected of the Group's Consolidated financial statements:

	AT 30 JUNE 2021			AS AT 1 JULY 2020		
	PREVIOUSLY REPORTED	ADJUSTMENTS	RESTATED	PREVIOUSLY REPORTED	ADJUSTMENTS	RESTATED
	$	**$**	**$**	**$**	**$**	**$**
Consolidated Statement of Financial Position						
Current intangible assets	3,157,378	(3,157,378)	–	7,466,209	(7,466,209)	–
Total current assets	**47,429,092**	**(3,157,378)**	**44,271,714**	**58,552,693**	**(7,466,209)**	**51,086,484**
Non-current intangible assets	6,856,062	3,157,378	10,013,440	10,013,440	7,466,209	17,479,649
Total non-current assets	**79,323,755**	**3,157,378**	**82,481,133**	**83,491,553**	**7,466,209**	**90,957,762**

There is no impact on the Consolidated Statement of Profit or Loss and Other Comprehensive Income, basic or diluted earnings per share and Consolidated Statement of Cash Flows for the year ended 30 June 2021.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Mitchell Services Limited ("the Company"):
   a. the consolidated financial statements and notes, as set out on pages 34 to 76 and the Remuneration report on pages 16 to 25 in the Directors' report, are in accordance with the *Corporations Act 2001,* including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 19 will be able to meet any obligations and liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
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 for the financial year ended 30 June 2022.
4. The directors draw attention to Note 1 to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Nath Mitchell

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 24th day of August 2022

Independent Auditor's Report

To the shareholders of Mitchell Services Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Mitchell Services Limited (the Company).

In our opinion, the accompanying Financial Report of the Company 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 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** comprises Mitchell Services Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Emphasis of matter – Restatement of comparative balances

We draw attention to Note 29 to the Financial Report, which describes the restatement of amounts reported with respect to Intangible asset customer contracts. The Group has restated its comparatives to appropriately reflect the classification of the Intangible asset customer contracts as non-current assets. The annual financial report of Mitchell Services Limited for the year ended 30 June 2021 was audited by Jessups, another auditor who issued an unmodified opinion on that financial report on 25 August 2021. Our opinion is not modified in respect of this matter.

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 of the current period.

This matter was 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 this matter.

Revenue recognition ($213 million)

Refer to Note 2 to the Financial Report

The key audit matter	How the matter was addressed in our audit

The Group's revenue is generated from the provision of drilling services to the exploration, mining and energy industries.
 	
Revenue from contracts with customers was a key audit matter due to the quantum of the balance, and the significant audit effort we have applied in assessing the Group's recognition and measurement of revenue throughout the period.
 	
This was the result of the:
• High volume of service contract revenue transactions, with varying rates charged under each contract.
• The Group's judgement involved in applying the requirements of AASB 15 *Revenue from Contracts with Customers* in identifying the performance obligations within the contracts; and
• Manual interface of the Group's systems with the general ledger, when in combination with a high volume of activity, presents conditions for transactions to be recorded incorrectly.
 	
In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.
	Our procedures included:
	• Obtaining an understanding of the nature of the revenue and the related revenue recording processes, systems and controls. This included the manual interface between the drilling report system and the general ledger.
	• Evaluating and challenging the appropriateness of the Group's accounting policies for revenue recognition against the requirements of AASB 15 and our understanding of the business.
	• Assessing a sample of customer contracts to understand the key terms of the arrangements and the Group's determination of the performance obligations.
	• Testing a sample of revenue transactions, covering those to be recognised over time and point in time. This included assessing:
	  ◦ Existence of an underlying arrangement with the customer to signed customer contracts;
	  ◦ Amounts invoiced to customers as sourced from the general ledger against daily drilling reports as sourced from the drilling report system, rates per the

KPMG

	respective contract and subsequent receipt from the customer; and • For each revenue transaction, the timing and completion of performance obligations against underlying evidence of daily drilling reports and the Group's revenue recognition policies. • Testing a sample of revenue recognised by the Group during the period under audit, and in subsequent periods, to the underlying customer signed or acknowledged invoices and daily drilling reports to check revenue recognition in the correct period; • Evaluating the Group's disclosures against our understanding obtained through our testing and the requirements of AASB 15.

Other Information

Other Information is financial and non-financial information in Mitchell Services Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information and, based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Mitchell Services Limited for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' 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 responsibilities

We have audited the Remuneration Report included in pages 16 to 25 of the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

M J Jeffery
Partner

Brisbane
24 August 2022

ADDITIONAL AUSTRALIAN STOCK EXCHANGE INFORMATION

The following information is current as at 17 August 2022.

MSV QUOTED ORDINARY SHARES

SPREAD OF HOLDINGS	NUMBER OF HOLDERS	SHARES	% OF TOTAL CAPITAL ISSUED
1 – 1,000	111	45,126	0.02%
1,001 – 5,000	293	805,299	0.36%
5,001 – 10,000	167	1,344,131	0.60%
10,001 – 100,000	613	23,981,653	10.69%
Greater than 100,000	255	198,215,013	88.33%
Total	**1,439**	**224,391,222**	**100.00**
Holding less than a marketable parcel	150	92,209	0.04%

THE TWENTY LARGEST LISTED SECURITY HOLDERS COMPRISE:

RANK	SHAREHOLDER	ORDINARY SHARES	% OF TOTAL CAPITAL ISSUED
1	Mitchell Group Holdings Pty Ltd	22,374,442	9.97
2	Mitchell Family Investments (Qld) Pty Ltd	18,033,603	8.04
3	Dream Challenge Pty Ltd	14,354,068	6.40
4	Washington H Soul Pattinson And Company Limited	12,000,000	5.35
5	HSBC Custody Nominees (Australia) Limited	10,254,883	4.57
6	HSBC Custody Nominees (Australia) Limited	8,485,188	3.78
7	Skye Alba Pty Ltd	6,459,331	2.88
8	Farjoy Pty Ltd	6,312,905	2.81
9	Rudie Pty Ltd	3,987,549	1.78
10	Australian Executor Trustees Limited	3,098,788	1.38
11	Glengallan Investments Pty Ltd	3,000,000	1.34
12	Banjo Superannuation Fund Pty Ltd	2,438,094	1.09
13	J P Morgan Nominees Australia Pty Limited	2,341,800	1.04
14	Judykaye Investments Pty Ltd	2,105,264	0.94
15	Peter Miller	1,981,681	0.88
16	Oceanwave Asset Pty Ltd	1,830,544	0.82
17	Mr Simon Robert Evans & Mrs Kathryn Margaret Evans	1,825,000	0.81
18	Sonya Miller	1,761,681	0.79
19	Hancroft Pty Ltd	1,610,407	0.72
20	Carinda Pty Ltd	1,575,000	0.70
Total		**125,830,228**	**56.08**

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	8,079,729

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	30 Nov 2020	14,354,068	7.20%
Washington H Soul Pattinson and Company Limited	19 Feb 2020	11,454,228	5.91%

(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
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Mitchell
SERVICES