ASX RELEASE

(ASX: MSV)

2022 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS

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 had 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 acquired out of receivership and later through earnings accretive acquisitions of other operating drilling companies. This growth journey has seen Mitchell transform from an 8 rig business that generated annual revenue of $15m into a business that today owns 100 rigs and that generated FY22 revenue of over $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 its ongoing fleet management, Mitchell entered into a sale agreement to dispose of two older rigs that it had acquired in 2014 at the bottom of the market.

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These rigs were purchased for a combined purchase price of $0.4m and under the terms of the sale agreement were sold for $2.5m.

FY22 saw the continuation of strong commodity prices which drove increased demand from existing and potential clients across all commodities and geographies. This increase in demand was 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.

These increased demand levels translated into a greater number of operating rigs and higher revenue, EBITDA and profit in FY22 when compared to FY21.

Conversely, supply side constraints continued to tighten and we continued 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.

The Mitchell Services Board have emphasised a structured approach to capital deployment to support future growth with a view to delivering long-term sustainable returns to shareholders whilst ensuring prioritisation and allocation of capital to the balance sheet and shareholder returns through dividends and buy-backs. As such, I am very pleased to outline the following summary of the recently implemented capital management policy.

Under the guidelines of a formal capital management policy, Mitchell will prioritise a portion of free cashflows to reduce leverage and has no present intention to raise equity to reduce leverage or for any other reason. The Board has recently set a net debt target of $15.0m by the end of FY24.

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 a recently implemented divided policy, up to 75% of Mitchell's reported post tax profits will be paid to shareholders in the form of a dividend. Under the proposed policy, 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 back will not exceed 10% of the total fully paid shares. The proceeds from the recent sale of the two rigs will contribute towards the funding of the buy-back which is intended to be in place until at least July 2023 and the Company has currently bought back approximately 3.2m shares for a combined consideration of approximately $1.2m.

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

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