Mitchell
SERVICES




ANNUAL REPORT

2023

Mitchell Services is Australia's most diverse drilling company. Our world class fleet is located in key exploration and mining centres throughout Australia, providing a range of drilling services and innovations.

Mitchell
SERVICES

MITCHELL SERVICES LTD
ACN 149 206 333

CHAIRMAN'S REPORT

For the year ended 30 June 2023

Nathan Andrew Mitchell
Executive Chairman

Dear Fellow Shareholders

On behalf of the Board of Mitchell Services Limited, I am delighted to present the FY23 Annual Report and to reflect on another positive and successful year.

VISION

The success of the organisation and our FY23 achievements were underpinned by our vision of finding a better way to unlock resources for our customers, for the benefit of our shareholders, our people and the community.

A key aspect of this year's financial and operational success was the completion of the organic growth strategy. In late 2021 we foresaw the resources upcycle and invested to expand our fleet in advance of supply constraints and before those constraints impacted on supply costs, lead times and funding costs.

The organic growth strategy has positioned the business to capitalise on increased demand for specialist drilling services across a range of different commodities. The success of this initiative has ensured that our fleet remains world class and that we retain our position as Australia's leading provider of drilling services across a broad range of drilling types and commodities.

SAFETY PERFORMANCE

From an already industry leading position, pleasingly, the overall safety performance of the Group continued to improve year-on-year with traditional/custom safety measures and ratios all significantly improved in FY23 vs FY22.

We are continually reminded of the safety risks associated with our business and the importance of robust systems and controls to manage and mitigate those risks. The Board and Management remain proud of the safety performance and culture within the business that is driven by an industry leading critical risk control verification program.

A key aspect of this year's **success** was the **vision** to undertake an **organic growth strategy**

We remain committed to our strategy with a focus to **deliver strong shareholder returns** whilst reducing net debt to $15m

FINANCIAL PERFORMANCE

FY23 benefited from the hard work and heavy lifting that was undertaken in FY22 in the execution of the organic growth strategy. The strategy is now complete and has delivered a substantial and expanding contract base which has translated into significant improvements in financial performance when comparing FY23 to FY22.

Profit and Loss

The Group generated post tax profits and earnings per share in FY23 of $7.6m and 3.4c respectively which represents a significant and fundamental improvement on the FY22 break-even position.

Cash flow

The Company's cash balance increased from $3.8m on 30 June 2022 to $11.1m on 30 June 2023 with the material improvement driven by a combination of strong EBITDA performance and increasing operating cash conversion rates.

Balance Sheet

The Group's net assets increased by nearly 9% from $61.7m at 30 June 2022 to $67.1m at 30 June 2023. Given the significant improvement in profitability and cashflow, Group net debt decreased by over 50% to $17.6m at 30 June 2023 whilst the Group's net current ratio improved by approximately 25% to 1.2 times.

CAPITAL MANAGEMENT

We intend to continue to return surplus cash to shareholders under the Capital Management Policy announced in June 2022. Below is a summary of the implementation of the capital management strategy measured against our previously stated objectives.

Shareholder returns

I am delighted to confirm that the Board has declared a partially franked final FY23 dividend of 2.08cps which represents a payout ratio of approximately 61%. The payment date for the dividend is 15 September 2023 and the total estimated dividend is $4.5m.

The Company will continue to explore opportunities to dispose of non-core or surplus equipment, and apply proceeds towards the on market share buyback that is currently active. To date the Company has purchased approximately 10.6m shares at a total cost of approximately $4.0m ($0.38 per share). On the basis that there were 224.9m ordinary shares on issue at the time the buyback was implemented, the 10.0m shares bought back represents a capital reduction of approximately 4.3%.

The aggregate of the share buy back payments to date and the FY23 dividend payment represents funds returned to shareholders of $8.5m which, when considering the current MSV market capitalisation, is an outstanding result.

Leverage

Net debt peaked at $39.2m on 30 June 2022 following the completion of the FY22 capital investment program. After the substantial reduction in net debt during FY23, and allowing for the continuation of shareholder returns, the Company remains on track to meet its net debt target of $15.0m by June 2024.

FY24 STRATEGY

Given the broader economic environment in which we currently operate, with rising interest costs and a level of geopolitical uncertainty, our short-term strategy heading into FY24 is to remain committed to the current capital management strategy with a focus on operational excellence to deliver strong shareholder returns and achieve our net debt target of $15.0m. We believe the targeted reduction in leverage will position us to take advantage of potential growth opportunities should they arise during the coming uncertain economic conditions.

In closing, I would once again like to thank all staff, customers, suppliers and shareholders for your continued support.

On behalf of the Board, thank you.

Nath Mitchell

Nathan Andrew Mitchell
Executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

For the year ended 30 June 2023

Andrew Michael Elf
Chief Executive Officer

Dear Shareholders

I am pleased to provide the following CEO report for Mitchell Services Limited (the Company) for the financial year ended 30 June 2023 (FY23). Operationally, whilst not without its challenges, FY23 represented another extremely successful year for the Company.

The first quarter of FY23 saw the finalisation of the organic growth strategy, with all 12 state of the art LF160 drill rigs operational for the first time across a diverse range of projects with global mining majors. This strategy resulted in record revenue and strong EBITDA generation whilst ensuring that the Company's fleet remained world class and industry leading across a range on commodities and drilling types.

Whilst revenue continued to grow on a year-on-year basis in the second and third quarters of FY23 (underpinned by an expanded and substantial contract book), the business had to navigate a series of unexpected challenges that temporarily restricted operating margins and further revenue growth. These challenges included unplanned variations to several contracts as well as significant wet weather events that impacted operations and led to longer than anticipated seasonal shutdowns in some locations. Demobilisation and ramp up costs associated with re-locating rigs temporarily diluted earnings after unplanned contract changes.

II could not be prouder of our operational teams for the manner in which they responded to these challenges. I remain very proud of our culture and in particular our safety culture and performance which is industry leading. Our safety function is comprised of passionate industry professionals who possess some of the most innovative minds with regard to all aspects of operational health and safety. The team is a finalist in the HSE Team of the Year award at the prestigious Australian Workplace Health & Safety awards.

I could not be **prouder** of our teams for the manner in which they **responded to** these challenges

FY23 saw the company record its **highest ever revenue and EBITDA**

It was wonderful to end the financial year in a safe and productive manner. The fourth quarter performance was outstanding. It was a quarter that saw the Company deliver several financial and operational records. EBITDA of $15.0m was the highest ever quarterly result for the Company, as were revenue, cashflow and debt reduction. The fourth quarter result was driven by various factors including:

- The absence of unplanned contract variations and associated mobilisations and demobilisations.
- The absence of significant wet weather events
- The favourable shift in the mix of revenue by drilling type with a larger portion of the fleet providing highly technical specialist drilling services
- The successful way operational teams responded to the unplanned challenges in the second and third quarters.

Stepping back and looking at the full year's results it is pleasing to note FY23 saw the Company record its highest ever annual revenue and EBITDA. Revenue and EBITDA for FY23 were $243.1m and $41.2m respectively which represents increases of 14% and 28% when compared to FY22 figures.

These increases were driven by a combination of increased utilisation and pricing. The average operating rig count in FY23 was 77.5 compared to 74.8 in FY22, with the increase largely due to new or expanding contracts. The material increase to revenue and earnings was also driven by a favourable shift in the mix of revenue by drilling type.

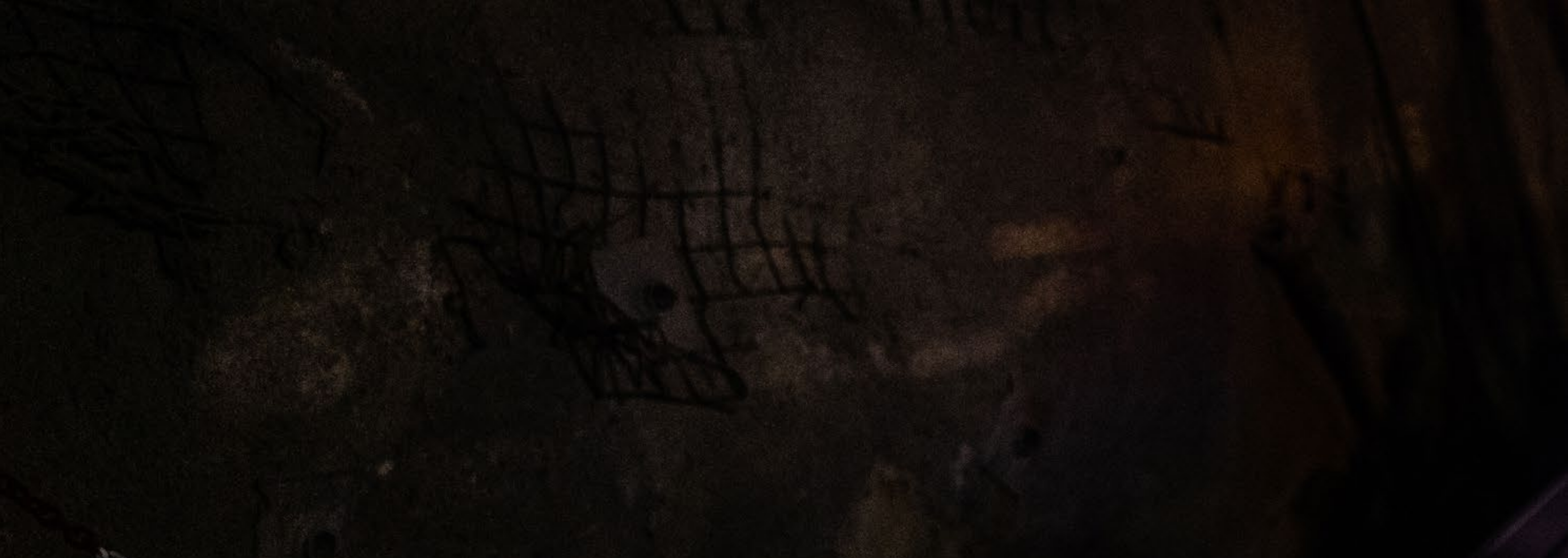
Acknowledging that the capital management strategy is extensively addressed in the Chairman's letter, it would be remiss of me not to comment on the significant FY23 highlights which included a record year on year net debt reduction of $21.6m (or 55%) as well as a record dividend of 2.08 cents per share. Total capital expenditure for FY23 was $12.6m which represented a reduction of 71% when compared to the FY22 figure of $44.0m. Maintenance capex continues to support high levels of availability across all equipment with breakdown rates remaining negligible.

In closing, I would like to again thank our employees for their hard work and dedication and shareholders for their continued support. As I reflect on what a challenging but successful year FY23 has been, I am extremely excited to enter the new financial year. Underpinned by a highly skilled workforce of over 750 valued employees and boasting one of Australia's largest, most diverse and highest quality fleets, the Company is extremely well placed to increase earnings year on year.

Thank you

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."

RECORD REVENUE
$243.1m

↑ 14%

FROM FY22

OPERATING CASHFLOW
$35.6m

↑ 60%

FROM FY22

RECORD EBITDA
$41.2m

↑ 28%

FROM FY22

PROFIT AFTER TAX
$7.6m

↑ 100%

FROM FY22

SAFETY PERFORMANCE

INDUSTRY LEADING

DRIVEN BY CRITICAL RISK CONTROL VERIFICATION PROGRAM

RETURN ON INVESTED CAPITAL **12.5%**

↑ 941%

FROM FY22

DIRECTORS' REPORT

For the year ended 30 June 2023

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 2023 (**FY23**). 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.

At the date of this report, Mr Mitchell has relevant interests in 41,858,408 shares.

Scott David Tumbridge
(Executive/Non-Executive Director)

Mr Tumbridge was appointed as Executive Director on 29 November 2019 following the acquisition of Deepcore Drilling by the Company. He remained an Executive Director until 31 January 2023 and became a Non-Executive Director on 1 February 2023.

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 25 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 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 16 years' experience in audit and commercial finance roles.

Over the past eight 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.

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.

DIRECTORS' REPORT

For the year ended 30 June 2023

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.

The Board is proud of the Group's safety performance and culture which remains industry leading despite the continued growth across the business.

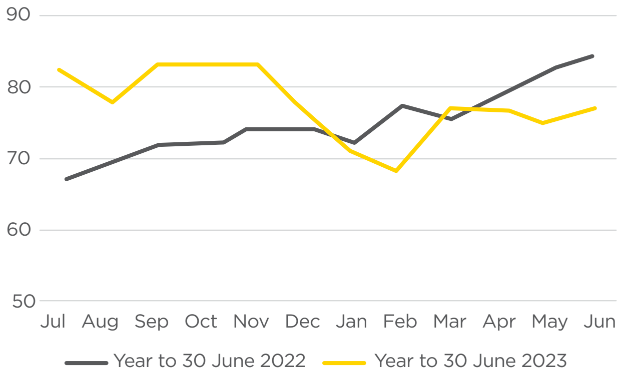
Completion of organic growth strategy

The organic growth strategy of pre-ordering 12 new, state of the art drill rigs was completed early during the financial year ended 30 June 2023. This was delivered by the Group ahead of global supply constraints and was also debt funded at fixed rates which were substantially locked in before the appreciation in interest rates over the last 18 months. The strategy has delivered a substantial and expanding contract base with the investment returning a substantial increase in earnings relative to the previous financial year.

Activity levels

General market conditions remained strong throughout FY23 and the Group has been able to capitalise on this especially in the second half of the year. The average operating rig count in FY23 was 77.5 compared to 74.8 in FY22 with a corresponding increase in shifts to 45,569, up 1,483 (3.4%) on FY22. These increases in activity levels as well as favourable pricing, productivity and revenue mix has seen reported revenue increase by approximately 13.9% from $213.4m in FY22 to $243.1m in FY23.

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, productivity, pricing and revenue mix over the past 24 months.

	FY23	FY22	MOVEMENT	MOVEMENT %
Average operating rigs	77.5	74.8	2.7	3.6%
Number of shifts	45,569	44,086	1,483	3.4%
Revenue ($'000s)	243,144	213,369	29,775	14.0%

Customer base and revenue break-down

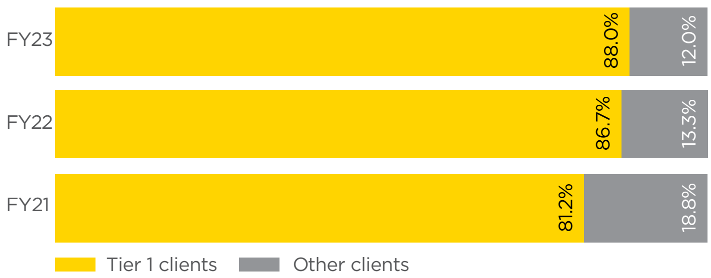
As the chart to the right demonstrates, the Group's revenue continues to be derived from large, multinational mining clients (Tier 1 clients). The drilling services that were provided to these Tier 1 clients were generally at producing mine sites and were linked to the resource definition, development 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 50.2% and 49.7% respectively) remained well balanced in FY23. The increased weighting of revenue towards surface operations during FY23 is due mainly to a full year's revenue being earned on the twelve LF160 drill rigs acquired on a progressive basis over FY22.

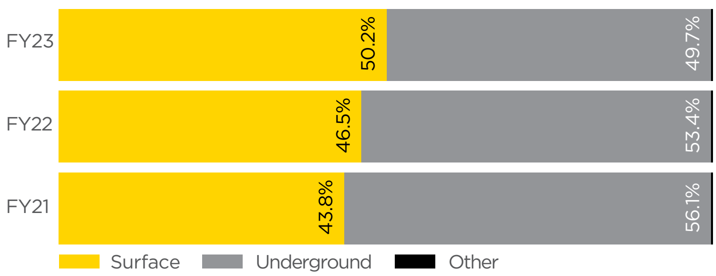
From a commodity perspective, the revenue mix in FY23 remains well balanced with the increased weighting towards coking coal consistent with the increased level of highly technical specialist drilling services that were delivered in that sector in FY23. Revenue from gold, coking coal and other base metals comprises 41.1%, 39.1% and 19.8% respectively (FY22 55.8%, 32.1% and 12.1%).

The geographical diversity of revenue generated in FY23 is more weighted towards Queensland in FY23, consistent with the utilisation of the LF160 drill rigs acquired in FY22 and utilised during the whole of FY23. Revenue from Queensland, Victoria and New South Wales comprised 56.4%, 23.4% and 11.1% respectively (FY22 49.0%, 28.4% and 14.1%).

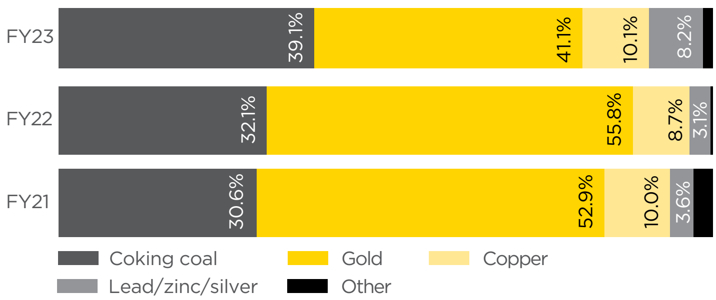
Revenue by Client Type



Revenue by Drilling Type



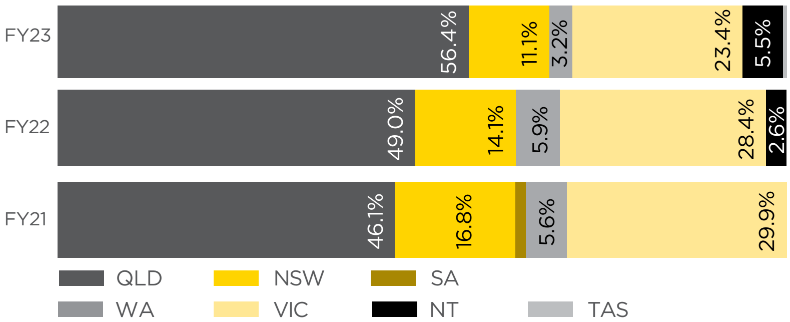
Revenue by Commodity



DIRECTORS' REPORT

For the year ended 30 June 2023

Revenue by Geography



Profitability

The table below summarises the key profitability metrics for FY23 versus the prior corresponding period (FY22).

	FY23 $M	FY22 $M	MOVEMENT $M	MOVEMENT %
Revenue [1]	243.1	213.4	29.7	13.9%
Operating expenses	(201.9)	(181.2)	(20.7)	(11.4%)
EBITDA [2]	41.2	32.2	9.0	28.0%
Depreciation and amortisation [3]	(28.6)	(30.8)	2.2	7.1%
EBIT	12.6	1.4	11.2	800.0%
Finance costs [4]	(2.3)	(1.9)	(0.4)	(21.1%)
EBT	10.3	(0.6)	10.9	n.m
Taxation (expense)/benefit	(2.7)	0.6	(3.3)	(550%)
Profit after tax	7.6	0.0	7.6	100.0%

1 As reflected earlier in this Directors' Report, revenue increased by approximately 13.9% from $213.4m in FY22 to $243.1m in FY23 and was driven by a combination of increased productivity and pricing as well as the continuation of a favourable shift in the mix of revenue by drilling type, complemented by the benefit of having a fleet which has a number of rigs able to provide highly technical specialist drilling services. The average operating rig count in FY23 was 77.5 compared to 74.8 in FY22

2 FY23 has seen the Group achieve a materially increased EBITDA of $41.2m, up 28.0% on FY22 which recorded $32.2m. Driven by the substantially increased revenues, the final third of FY23 delivered outstanding earnings, underpinned by favourable operating conditions and a lack of material mobilisations, demobilisations and excessive adverse weather events

3 Depreciation and amortisation in FY23 of $28.6m was 7.1% lower than the FY22 figure of $30.8m with the decrease largely attributable to lower amortisation of $1.1m (FY22: $3.2m) on the now fully amortised customer contract intangible assets acquired per the Deepcore acquisition in FY20. Depreciation in FY23 is relatively flat, down $0.2m on FY22, with additional FY23 depreciation on the LF160 fleet delivered on a staggered basis throughout FY22, partially offset by lower depreciation on certain assets which were depreciated down to nil in the current year

4 Finance costs in FY23 of $2.3m were 21.1% greater than the FY22 figure of $0.4m with the increase mainly attributable to a full-year's interest expense being recognised on debt incurred in FY22 pertaining to the Group's organic growth strategy, noting that debt associated with capital acquisitions in FY22 was drawn down on a staggered basis and weighted towards the second half of FY22

Cash flow

The table below summarises the key cashflow metrics for FY23 versus the prior corresponding period (FY22).

	FY23 $M	FY22 $M	MOVEMENT $	MOVEMENT %
Cash flows from operating activities[1]	35.6	22.2	13.4	60.4%
Payments for PPE (net of proceeds from sales)[3]	(7.8)	(17.3)	9.5	54.9%
Deepcore earnout payment	(0.2)	(2.1)	1.9	90.5%
Proceeds from issue of shares (net of costs)[2]	–	9.8	(9.8)	(100.0%)
Payments for shares bought back[3]	(2.5)	–	(2.5)	100.0%
Net repayment of borrowings[3]	(17.7)	(13.1)	(4.6)	(35.1%)
Increase/(decrease) in cash and cash equivalents	**7.4**	**(0.5)**	**7.9**	**n.m**

1 Cash flows from operating activities in FY23 of $35.6m was 60.4% greater than the FY22 figure of $22.2m, benefiting from the materially increased earnings reported by the Group. On a full-year basis and relative to EBITDA, this equates to a pleasing cash conversion ratio of 86.4%, or 100.2% for the second half of the financial year

2 To support the funding of the FY22 organic growth strategy, the Group completed a fully underwritten accelerated non-renounceable entitlement offer, raising approximately $9.8m in FY22

3 Payments for PPE are materially lower than FY22 which was focused on implementing the Group's organic growth strategy. Capital expenditure in FY23 was reduced and in line with the Group's focus of leveraging off the substantial operating cashflow generation to fund debt reductions coupled with the emphasis on shareholder returns through dividends and share buy backs (refer discussion on Capital Management on page 14)

Financial position

The following table summarises the Group's financial position at 30 June 2023 and 2022.

	2023 $M	2022 $M	MOVEMENT $	MOVEMENT %
Current assets	56,782,037	49,207,524	7,574,513	15.4%
Non-current assets	77,822,718	94,077,586	(16,254,868)	(17.3%)
Total assets	134,604,755	143,285,110	(8,680,355)	(6.1%)
Current liabilities	47,453,836	51,005,641	3,551,805	7.0%
Non-current liabilities	20,050,517	30,532,818	10,482,301	34.3%
Total liabilities	67,504,353	81,538,459	14,034,106	17.2%
Net assets	**67,100,402**	**61,746,651**	**5,353,751**	**8.7%**

The Group's current ratio improved significantly to 1.20 from 0.96 at 30 June 2022, in particular attributable to a much greater cash balance of $11.1m at 30 June 2023 (2022: $3.7m) driven by the substantial EBITDA generation in particular during the final quarter of the financial year.

Strong operating cashflow generation (refer cash flow commentary) has also assisted in funding a significant reduction in Gross Debt. At 30 June 2023 this sits at $28.8m (comprising $24.2m equipment hire purchase facilities and a term loan of $4.6m), down $14.2m (33.1%) on the balance at 30 June 2022 of $42.9m (which comprised $35.2m equipment hire purchase facilities and a term loan of $7.7m). This latter balance represented an expected peak in gross debt and was largely attributable to new equipment hire purchase facilities settled in FY22 to assist in the funding of the material capital investment program pursuant to the Group's organic growth strategy.

Taking into account the improved cash balance at 30 June 2023, Net Debt (defined as Gross debt less cash and cash equivalents) has reduced by approximately 55% to $17.6m at 30 June 2023 from $39.2m at 30 June 2022.

DIRECTORS' REPORT

For the year ended 30 June 2023

Capital management

Following the success of the organic growth strategy, 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.

Shareholder returns

The Board's position on shareholder returns is that a portion of free cashflows generated from earnings/profits should be returned to shareholders via a dividend. The current dividend policy allows dividends of up to 75% of post-tax profits.

The Company will continue to apply proceeds from any equipment sales towards the on market buy back that is active as at the date of this report. As at 30 June 2023 the Company had purchased approximately 6.8m shares at a total cost of approximately $2.5m ($0.37 per share).

EVENTS AFTER THE REPORTING DATE

On-market share buy back

As referred above, the Group is undergoing an on-market share buy back with 6.8m shares having been bought back for a combined consideration of $2.5m, net of transaction costs, by 30 June 2023.

Subsequent to 30 June 2023, the Group has bought back an additional 3.8m shares for a combined consideration of $1.6m meaning, to date, the number of shares bought back total 10.6m shares for a combined consideration of $4.0m net of transaction costs.

Dividends

On 23 August 2023, the Board declared a partially franked dividend of 2.08 cents per share to holders of fully paid ordinary shares on 30 August 2023 (Record Date). The payment date for the dividend is 15 September 2023 and the total estimated dividend is $4.5m.

DIVIDENDS

No dividends were paid during the year ended 30 June 2023 (2022: nil). Refer details in note directly above with respect to the declaration of a dividend post reporting date.

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	1,367,898
4 August 2017	7 years after vesting	$0.539	841,360
14 June 2018	7 years after vesting	$0.703	811,312
14 June 2019	7 years after vesting	$1.100	617,489
1 June 2020	7 years after vesting	$0.910	812,462
31 May 2021	7 years after vesting	$0.690	1,048,870
23 June 2022	7 years after vesting	$0.630	1,549,788
31 May 2023	7 years after vesting	$0.620	1,606,007
			8,655,186

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 2023, there were no shares in Mitchell Services Limited issued on the exercise of options (2022: nil).

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 $270,515.

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, 12 Board meetings, 3 Remuneration and Nomination Committee meetings and 2 Audit and Risk Committee meetings were held.

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	11	11	–	–	–	–
P. Miller	11	9	–	–	–	–
R. Douglas	11	10	2	2	3	3
N. O'Connor	11	10	2	2	3	3
S. Tumbridge	11	11	–	–	–	–
P. Hudson	11	11	2	2	3	3

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' REPORT

For the year ended 30 June 2023

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 2023. 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 until 31 January 2023; Non-executive Director from 1 February 2023)
- **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 2023, 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; and
- **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 was 10.5% 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 2023 and 2022 financial years is set out below:

EXECUTIVE KMP		SHORT TERM EMPLOYEE BENEFITS	POST-EMPLOYMENT BENEFITS	LONG-TERM MONETARY BENEFITS	NON-MONETARY BENEFITS	TOTAL FIXED REMUNERATION
		Salary $	Superannuation $	Long Service Leave[2] $	Motor Vehicles[3] $	Total $
Nathan Andrew Mitchell	**2023**	**200,000**	**21,000**	**–**	**–**	**221,000**
Executive Chairman	2022	200,000	20,000	–	–	220,000
Scott David Tumbridge[1]	**2023**	**112,154**	**11,776**	**–**	**–**	**123,930**
Executive Director	2022	180,000	18,000	–	–	198,000
Andrew Michael Elf	**2023**	**430,961**	**45,251**	**9,213**	**14,438**	**499,863**
Chief Executive Officer	2022	433,333	43,333	19,994	14,438	511,048
Gregory Michael Switala	**2023**	**324,167**	**31,786**	**11,926**	**9,934**	**377,813**
Chief Financial Officer and Company Secretary	2022	300,000	30,000	6,478	9,934	346,412

1 Effective 1 February 2023, Scott Tumbridge's directorship appointment was amended from being executive to non-executive in nature with his salary being revised to $70,000 from the previous $180,000 (both exclusive of superannuation). The amounts disclosed above relate solely to earnings in his executive capacity

2 These amounts were not actually provided to KMP during the financial year. This is the change in accrued long service leave and is measured in accordance with AASB 119 *Employee benefits*

3 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 2023 and 2022 financial years, the following cash-based, short-term performance bonuses were paid to executive KMP.

EXECUTIVE KMP		PERFORMANCE BONUS $	PERCENTAGE OF FIXED REMUNERATION %
Andrew Michael Elf	**2023**	**168,750**	**34.39%**
Chief Executive Officer	2022	200,000	40.72%
Gregory Michael Switala	**2023**	**112,500**	**30.75%**
Chief Financial Officer and Company Secretary	2022	150,000	44.13%

The performance bonuses paid during the 2023 and 2022 financial year were based on the financial results and safety performance of the Group during the 2022 and 2021 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, EBITDA, earnings per share, share price and safety performance between 30 June 2019 and 30 June 2023.

	30 JUN 19	30 JUN 20	30 JUN 21	30 JUN 22	30 JUN 23
Revenue ($000's)	120,205	175,555	191,384	213,369	243,144
EBITDA ($000's)	24,112	34,951	25,875	32,153	41,167
Earnings per share (cents per share)	10.0	3.8	(3.0)	0.0	3.4
Share price (closing)*	$0.57	$0.54	$0.40	$0.32	$0.39
Lost Time Injury Frequency Rate (LTIFR)	1.08	2.44	0.66	1.23	1.18

* 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).

These performance conditions are detailed on page 20.

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
  - (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 2023 and 2022

The table below summarises the shares and options offered to KMP pursuant to the ESOP during the 2023 and 2022 financial years.

Using a Black-Scholes pricing model for the options and closing market price 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 2023 and 2022 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 23 June 2024 for offers made in 2022 and on 31 May 2025 for offers made in 2023.

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	31 May 2023	414,552	$0.0723	$29,951	$0.62	31 May 2025
	Shares	31 May 2023	124,528	$0.3850	$47,943	na	31 May 2025
Gregory Michael Switala	Options	31 May 2023	304,047	$0.0723	$21,967	$0.62	31 May 2025
	Shares	31 May 2023	91,333	$0.3850	$35,163	na	31 May 2025
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

* For purposes of the above table, the fair value of the shares was determined with reference to the closing market price of a fully paid ordinary MSV share. 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

With respect to the 2022 comparatives above, the fair values attributed reflect the valuations disclosed in the 2022 Remuneration Report based on valuations at that time and have not been updated to reflect the change in market values as at 30 June 2023.

	PROVISIONALLY GRANTED DURING YEAR ENDED 30 JUNE 2023	PROVISIONALLY GRANTED DURING YEAR ENDED 30 JUNE 2022
Share price	$0.3850	$0.3150
Exercise price	$0.62	$0.63
Expected volatility	47%	56%
Expected life (after vesting)	3.5 years	3.5 years
Risk-free interest rate	4.01%	3.21%
Dividend yield	3.24%	0%
Fair value per option	$0.0723	$0.0668

DIRECTORS' REPORT

For the year ended 30 June 2023

The vesting conditions in relation to the 2022 and 2023 offers are as follows:

(a) Reported profit after tax performance of the Company having regard to respective prior years profit performance and performance against budget over the vesting period.

(b) The Company's share price performance between the date of the offer and vesting date

(c) The Company's safety performance across all operations as determined on a financial year annual LTIFR (Lost Time Injury Frequency Rate) basis having regard to the respective prior year's LTIFR performance, and

(d) EBITDA performance of the Company having regard to respective prior years EBITDA performance and performance against budget over the vesting period.

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%

Vesting of 2021 and 2020 ESOP instruments in 2023 and 2022

The table below summarises the equity instruments offered to KMP pursuant to the ESOP during the 2021 and 2020 financial years and the extent of vesting of those instruments in 2023 and 2022. 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 FY2023	VESTED IN FY2022	FAIR VALUE PER INSTRUMENT AT VESTING DATE*	EXERCISABLE AT 30 JUNE 2023	OPTION STRIKE PRICE
Andrew Michael Elf	Options	31 May 2021	258,366	180,856	–	$0.0530	180,856	$0.69
	Shares	31 May 2021	103,481	72,437	–	$0.35	na	na
Gregory Michael Switala	Options	31 May 2021	167,710	117,397	–	$0.0530	117,397	$0.69
	Shares	31 May 2021	77,610	54,327	–	$0.35	na	na
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

* 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 2023	VESTED DURING YEAR ENDED 30 JUNE 2022
Share price	$0.3475	$0.30
Exercise price	$0.69	$0.91
Expected volatility	50%	55%
Expected life (after vesting)	3.5 years	3.5 years
Risk-free interest rate	3.37%	2.97%
Dividend yield	3.60%	0%
Fair value per option	$0.0530	$0.0408

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 Group's performance against the following applicable vesting conditions:

(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 2019 and 30 June 2023.

	30 JUN 2019	30 JUN 2020	30 JUN 2021	30 JUN 2022	30 JUN 2023
EBITDA ($000's)	24,112	34,951	25,875	32,153	41,167
Share price (30-day VWAP)	63.2c	48.5c	40.5c	29.8c	34.3c
Total Recordable Injury Frequency Rate (TRIFR)	14.09	11.62	7.34	9.20	4.30
Revenue ($000's)	120,205	175,554	191,364	213,369	243,144

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 during FY23 was 10.5% 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).

	FY23 $	FY22 $
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 INCEN-TIVES	NON-MONETARY BENEFITS	POST-EMPLOY-MENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS			PERFORMANCE RELATED %
		Salary $	Bonus $	Motor Vehicles[2] $	Super-annuation $	Long Service Leave[4] $	Shares[3] $	Options[3] $	
Nathan Andrew Mitchell	**2023**	**200,000**	–	–	**21,000**	–	–	–	–
Executive Chairman	2022	200,000	–	–	20,000	–	–	–	–
Scott David Tumbridge	**2023**	**135,487**	–	–	**14,226**	–	–	–	–
Non-Executive Director[1]	2022	180,000	–	–	18,000	–	–	–	–
Peter Richard Miller	**2023**	**70,000**	–	–	**7,350**	–	–	–	–
Non-Executive Director	2022	70,000	–	–	7,000	–	–	–	–
Robert Barry Douglas	**2023**	**80,000**	–	–	**8,400**	–	–	–	–
Non-Executive Director	2022	80,000	–	–	8,000	–	–	–	–
Neal Macrossan O’Connor	**2023**	**85,000**	–	–	**8,925**	–	–	–	–
Non-Executive Director	2022	85,000	–	–	8,500	–	–	–	–
Peter Geoffrey Hudson	**2023**	**85,000**	–	–	**8,925**	–	–	–	–
Non-Executive Director	2022	85,000	–	–	8,500	–	–	–	–
Andrew Michael Elf	**2023**	**430,961**	**168,750**	**14,438**	**45,251**	**9,213**	**34,449**	**16,395**	**30.5%**
Chief Executive Officer	2022	433,333	200,000	14,438	43,333	19,944	19,814	8,381	30.1%
Gregory Michael Switala	**2023**	**324,167**	**112,500**	**9,934**	**31,786**	**11,926**	**23,991**	**10,993**	**28.1%**
Chief Financial Officer and Company Secretary	2022	300,000	150,000	9,934	30,000	6,478	13,442	5,052	32.7%

1 Effective 1 February 2023, Scott Tumbridge’s directorship appointment was amended from being executive to non-executive in nature with his salary being revised to $70,000 from the previous $180,000 (both exclusive of superannuation). The disclosures above combine his amounts earned in both capacities over the year ended 30 June 2023.

2 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.

3 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 pages 18-21 of this Remuneration Report for information on awards during the financial year and the vesting status of previous year’s awards.

4 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 2023

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 2022	SHARES RECEIVED PURSUANT TO ESOP	NET OTHER CHANGES*	HOLDING AT 30 JUNE 2023
Executive KMP				
Nathan Andrew Mitchell	41,413,695	–	444,713	41,858,408
Scott David Tumbridge	16,184,612	–	–	16,184,612
Andrew Michael Elf	584,756	72,436	–	657,192
Gregory Michael Switala	77,502	54,372	(77,502)	54,372
Non-Executive KMP				
Peter Richard Miller	2,412,505	–	–	2,412,505
Robert Barry Douglas	248,686	–	–	248,686
Neal Macrossan O'Connor	131,499	–	–	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 2022	OPTIONS GRANTED PURSUANT TO ESOP	OPTIONS THAT LAPSED UPON VESTING DETERMINATION	HOLDING AT 30 JUNE 2023	EXERCISABLE AT 30 JUNE 2023*
Executive KMP					
Nathan Andrew Mitchell	–	–	–	–	–
Scott David Tumbridge	–	–	–	–	–
Andrew Michael Elf	2,341,644	414,552	(77,510)	2,678,686	1,838,567
Gregory Michael Switala	1,610,401	304,047	(50,313)	1,864,135	1,275,803
Non-Executive KMP					
Peter Richard Miller	–	–	–	–	–
Robert Barry Douglas	–	–	–	–	–
Neal Macrossan O'Connor	–	–	–	–	–

* Options granted pursuant to the 2022 and 2023 ESOP offers remain subject to the determination of vesting conditions and as such are not exercisable at 30 June 2023. The strike prices of options that are exercisable at 30 June 2023 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 23rd day of August 2023

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2023

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 2023.

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 2023, the Board consisted of 4 Non-executive Directors (being Peter Miller, Robert Douglas, Neal O'Connor and Peter Hudson), Scott Tumbridge (Executive Director from 1 July 2022 to 31 January 2023 and Non-executive Director from 1 February 2023 to 30 June 2023) and Executive Chairman, Nathan Mitchell. Throughout the 12 months ended 30 June 2023, three of the six board members were 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 two 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 2023

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 2023 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; and
- 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 2023

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;
- The period from 1 January until the first trading day after the release of the Company's half yearly result to the ASX;
- 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; and
- Monitoring and evaluation.

Workplace Bullying Policy

The Group is committed to preventing workplace bullying. Pursuant to the Workplace Bullying Policy, all staff have the right to a workplace that is free from bullying. The policy sets out:

- Behaviours that constitute bullying;
- The reporting procedures;
- The investigation procedures; and
- Outcomes of the reporting and investigation process.

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 2023

- 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:

	Number	2023 %	Number	2022 %
Women on the Board	–	–	–	–
Women in senior management roles[1]	–	–	–	–
Women in head office roles	23	42.59	26	41.94
Women employees in the Group	39	5.17	34	4.49

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 financial year ended 30 June 2023 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
23 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	NOTE	2023 $	2022 $
Revenue	2	243,144,281	213,368,663
Other income		149,679	15,545
Gain on sale of assets		3,213,495	1,239,728
Drilling consumables	6	(25,841,847)	(24,124,936)
Employee and contract labour expenses		(127,416,774)	(114,937,855)
Fuel and oil		(2,967,394)	(2,192,817)
Freight and couriers		(3,322,705)	(3,188,242)
Hire of plant and equipment		(11,376,630)	(12,082,459)
Insurances		(1,233,779)	(1,053,032)
Legal and consultant fees		(1,141,921)	(1,721,537)
Rent	8	(455,327)	(462,013)
Service and repairs		(14,327,221)	(13,416,907)
Travel expenses		(11,459,890)	(9,349,816)
(Impairment)/reversal of impairment of trade receivables	4	(2,007,782)	2,420,445
Fair value decrease to contingent consideration liability		1,652,235	2,413,817
Depreciation expense		(27,430,668)	(27,644,500)
Amortisation of intangibles		(1,100,491)	(3,157,377)
Finance costs		(2,355,265)	(1,913,755)
Other expenses		(5,441,234)	(4,775,134)
Profit/(loss) before tax		**10,280,762**	**(562,182)**
Income tax (expense)/benefit	14	(2,672,147)	577,739
Profit for the year		**7,608,615**	**15,557**
Other comprehensive income, net of income tax			
Other comprehensive income for the year, net of income tax		–	–
Total comprehensive income for the year		**7,608,615**	**15,557**
Profit attributable to:			
Owners of the parent		**7,608,615**	**15,557**
Total comprehensive income attributable to:			
Owners of the parent		**7,608,615**	**15,557**
Earnings per share			
Basic (cents per share)	25	3.4	0.0
Diluted (cents per share)	25	3.4	0.0

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2023

	NOTE	30 JUNE 2023 $	30 JUNE 2022 $
ASSETS			
Current assets			
Cash and cash equivalents	3	11,107,630	3,742,395
Trade and other receivables	4	34,545,642	36,002,961
Other assets	5	2,283,570	2,224,676
Inventories	6	8,845,195	7,237,492
Total current assets		**56,782,037**	**49,207,524**
Non-current assets			
Right-of-use assets	8	1,460,979	1,772,390
Property, plant, and equipment	12	70,606,167	85,424,134
Intangible assets	7	5,755,572	6,856,063
Other assets	5	–	24,999
Total non-current assets		**77,822,718**	**94,077,586**
Total assets		**134,604,755**	**143,285,110**
LIABILITIES			
Current liabilities			
Trade and other payables	9	19,004,911	22,130,522
Financial liabilities	10	16,960,996	18,537,821
Provisions	11	11,487,929	10,337,298
Total current liabilities		**47,453,836**	**51,005,641**
Non-current liabilities			
Financial liabilities	10	15,323,901	28,742,314
Deferred tax liabilities	14	3,460,752	788,605
Provisions	11	1,265,864	1,001,899
Total non-current liabilities		**20,050,517**	**30,532,818**
Total liabilities		**67,504,353**	**81,538,459**
NET ASSETS		**67,100,402**	**61,746,651**
EQUITY			
Issued capital		77,772,294	80,241,766
Retained earnings		(10,671,892)	(18,495,115)
Total equity		**67,100,402**	**61,746,651**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	NOTE	ISSUED CAPITAL $	RETAINED EARNINGS $	TOTAL $
BALANCE AT 1 JULY 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**
Comprehensive income/(loss)				
Profit for the year		–	7,608,615	7,608,615
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		–	7,608,615	7,608,615
Transactions with owners of the Company				
Shares bought back on-market and transaction costs	**15**	(2,469,472)		(2,469,472)
Recognition of share-based payments	**17**	–	214,608	214,608
Total transactions with owners of the Company		(2,469,472)	214,608	(2,254,864)
BALANCE AT 30 JUNE 2023		**77,772,294**	**(10,671,892)**	**67,100,402**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	NOTE	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		266,840,854	232,494,902
Payments to suppliers and employees		(228,965,152)	(210,161,946)
Interest paid		(2,247,674)	(1,655,876)
Income tax refunded		–	1,538,898
Net cash provided by operating activities	**18**	**35,628,028**	**22,215,978**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		3,706,604	2,434,620
Payment for property, plant and equipment		(11,517,355)	(19,740,612)
Earn out payment related to purchase of Deepcore		(247,377)	(2,123,697)
Net cash used in investing activities		**(8,058,128)**	**(19,429,689)**
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
Repayment of borrowings		(17,735,193)	(14,601,234)
Share buy-back	**15**	(2,469,472)	–
Net cash used in financing activities		**(20,204,665)**	**(3,280,113)**
Net increase/(decrease) in cash and cash equivalents		7,365,235	(493,824)
Cash and cash equivalents at the beginning of the year		3,742,395	4,236,219
Cash and cash equivalents at the end of the year	**3**	**11,107,630**	**3,742,395**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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 metres 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).

Invoices for drilling services are issued pursuant to the terms of the contracts with customers. These are generally issued on a monthly basis and payable within a period of between 30 and 60 days. The timing of revenue recognition may differ from the timing of invoicing and may result in a contract asset or liability being presented in the consolidated statement of financial position.

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. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions 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%
Plant & Equipment	6.67% – 40%
Motor Vehicles	12.50% – 50%
Furniture & Fittings	10% – 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; and
- 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.

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 Goodwill. While the contingent consideration liability related to the acquisition has now been extinguished, discussion on the effect of this on income during the year is shown below as well as its relationship to an impaired trade receivable at 30 June 2023.

(i) 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% (2022: 12.4%)
- Terminal value growth rate: 2% (2022: 2%)
- Budgeted EBITDA growth rate (average of next five years): 2% (2022: 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.

(ii) Fair valuation of contingent consideration liability/ Impairment of trade receivable

Under the terms of the acquisition, Deepcore operated under an earnout arrangement applicable to the first three calendar years post acquisition subject to outperformance against pre-agreed Deepcore EBITDA targets. This entitled 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 2023, all three of the earn-out years have been completed with the third finalised on 31 December 2022. Throughout the duration of this earnout arrangement, the Group 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 2022, the Group had decreased the fair value by $2,413,817. During the year ended 30 June 2023, the Group has reduced the fair value by a further $1,652,235 resulting in a benefit of $1,652,235 being recognised in profit or loss (2022: benefit of $2,413,817 recognised in profit or loss). This reduction was necessary due to Deepcore's EBITDA performance over the second half of the 2022 calendar year which was impacted by various operational challenges beyond the Group's expectations, including excessive adverse weather events and unplanned contract variations. A final payment of $247,377 was made in relation to the third (and final) earn out year and subject to the following impairment of trade receivables commentary, there is no longer any fair valuation requirement at 30 June 2023.

Impairment of trade receivable and potential impact on contingent consideration liability

Notwithstanding the above, reference should be made to commentary in Note 4 which addresses the Group's recognition of a trade receivables impairment relating to amounts invoiced to one of Deepcore' long term customers, Balmaine Gold Pty Ltd (Balmaine), which entered voluntary administration in March 2023. With the Group being uncertain as to the quantum and timing of any potential recovery, an impairment loss has been recognised of $2,007,782, net of GST, being the full amount receivable from Balmaine at the date of entering voluntary administration.

The impairment loss recognised includes a GST exclusive amount of $754,373 relating to amounts invoiced up to and including 31 December 2022 which falls within the third earn out year and which was taken into account in calculating the Deepcore EBITDA for purposes of the final earn out payment. Under a mutual agreement between the Group and the Deepcore vendors, if any amounts are subsequently recovered as part of the administration process and to the extent that such amounts are allocated to any pre 31 December 2022 invoices, the Deepcore vendors would be entitled to a 50 per cent share of any such amount which could result in an additional earn out payment. The quantum of any potential payment is capped at approximately $377,187.

(t) Standards issued by not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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); and
- 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.

2. REVENUE

	2023 $	2022 $
2(a) Revenue from continuing operations		
Revenue from contracts with customers	243,144,281	213,368,663
	243,144,281	**213,368,663**

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.

	2023 $	2022 $
Commodity		
Coking Coal	94,951,195	68,418,691
Gold	99,925,713	119,025,962
Copper	24,441,739	18,608,323
Lead/zinc/silver	19,968,887	6,670,630
Other	3,856,747	645,057
	243,144,281	**213,368,663**
Drilling type		
Surface drilling	122,006,081	99,213,720
Underground drilling	120,886,426	113,937,625
Other revenue	251,774	217,318
	243,144,281	**213,368,663**
Geography by state		
Queensland	137,047,916	104,479,073
New South Wales	27,036,923	30,154,011
Western Australia	7,734,311	12,683,586
Victoria	56,963,019	60,534,590
Northern Territory	13,290,669	5,517,403
Tasmania	1,071,443	–
	243,144,281	**213,368,663**
Timing of revenue recognition		
Services transferred over time	207,003,474	180,044,822
Goods transferred at a point in time	36,140,807	33,323,841
	243,144,281	**213,368,663**

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.

	2023 $	2022 $
Bank balances	11,107,630	3,742,395
	11,107,630	3,742,395

4. TRADE AND OTHER RECEIVABLES

	2023 $	2022 $
Trade debtors	19,244,542	21,115,464
Accrued income	15,255,111	14,849,173
Bonds and deposits	45,989	38,324
	34,545,642	36,002,961

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.

During the year ended 30 June 2023, the Group recognised a trade receivables impairment relating to one of its long-term customers, Balmaine Gold Pty Ltd (Balmaine). The impairment was recognised due to Balmaine being placed into voluntary administration in March 2023. With the quantum and timing of any potential recovery uncertain, the Group has recognised an impairment loss of $2,007,782, net of GST, being the full amount receivable from Balmaine at the date of entering voluntary administration.

The table below details gross and net receivables at 30 June 2023.

	2023 $	2022 $
Gross trade debtors	21,252,324	21,115,464
Impairment loss allowance	(2,007,782)	–
Net trade debtors	19,244,542	21,115,464

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

	2023 $	2022 $
Balance at beginning of the year	–	6,624,899
Impairment loss recognised during the year	2,007,782	–
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	2,007,782	–

* 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:

	2023 $	2022 $
< 1 month	15,589,690	19,631,685
1 to 3 months	3,455,827	1,483,779
> 3 months*	2,206,807	–
	21,252,324	21,115,464

* All amounts in the >3 months category at 30 June 2023 related to Balmaine (Refer to discussion earlier in Note 4).

5. OTHER ASSETS

	2023 $	2022 $
Current		
Borrowing costs	25,000	77,690
Prepayments	2,258,570	2,146,986
	2,283,570	2,224,676
Non-current		
Borrowing costs	–	24,999
	–	24,999

6. INVENTORIES

	2023 $	2022 $
Spare parts and consumables	8,845,195	7,237,492
	8,845,195	7,237,492

The cost of inventories recognised as an expense during the year in respect of continuing operations was $25,841,847 (2022: $24,124,936).

7. INTANGIBLE ASSETS

	GOODWILL $	CUSTOMER CONTRACTS $	TOTAL $
At 1 July 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 2023			
Opening net book amount	5,755,572	1,100,491	6,856,063
Amortisation	–	(1,100,491)	(1,100,491)
Closing net book amount	5,755,572	–	5,755,572
At 30 June 2023			
Cost or fair value	5,755,572	17,129,163	22,884,735
Accumulated amortisation	–	(17,129,163)	(17,129,163)
Net book amount	5,755,572	–	5,755,572
At 1 July 2021			
Cost or fair value	5,755,572	17,129,163	22,884,735
Accumulated amortisation	–	(12,871,295)	(12,871,295)
Net book amount	5,755,572	4,257,868	10,013,440
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
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

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

As at 30 June 2023, Customer Contract Intangible Assets were fully amortised, with the last contract having expired in February 2023.

8. RIGHT-OF-USE ASSETS

The Group's property lease portfolio relates to leased premises with the date of expiry ranging from May 2024 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

	2023 $	2022 $
Right-of-use assets		
Cost	3,583,066	3,414,313
Accumulated depreciation	(2,122,087)	(1,641,923)
	1,460,979	1,772,390
Movements in carrying amounts		
Opening net book amount	1,772,390	2,703,752
Adjustment to carrying value of right-of-use asset*	218,053	(403,964)
Depreciation expense for the year	(529,464)	(527,398)
Net book amount	**1,460,979**	**1,772,390**

* During the year ended 30 June 2023, the Group exercised an option to renew the property lease on premises in Toronto, New South Wales for a further 12 months through to May 2024 with it being deemed probable this would also be extended for a further 12 months beyond that date. This adjustment also saw an immaterial reversal of the previous cost base and accumulated depreciation on that asset of $49,300 each which had nil impact on the net carrying value of the asset and profit or loss.

Amounts recognised in profit or loss relating to lease liabilities

	2023 $	2022 $
Depreciation charge related to right-of-use assets	529,464	527,398
Interest expense on lease liabilities (under finance costs)	121,913	139,524
Short term leases expense	455,327	462,013

Amounts recognised in statement of cash flows relating to lease liabilities

	2023 $	2022 $
Total cash outflows for leases including interest expense	640,119	478,763

9. TRADE AND OTHER PAYABLES

	2023 $	2022 $
Trade creditors	11,117,160	15,193,876
Accrued expenses	6,096,284	6,243,284
GST payable	1,791,467	693,362
	19,004,911	22,130,522

9(a) Ageing of trade payables

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

< 1 month	6,801,222	8,914,696
1 to 3 months	4,315,938	6,233,931
> 3 months	–	45,249
	11,117,160	15,193,876

10. OTHER FINANCIAL LIABILITIES

	2023 $	2022 $
Current		
Borrowings[1]	3,200,000	3,200,000
Equipment Hire Purchase Facilities[2]	11,345,770	12,735,958
Lease liability[3]	597,383	260,930
Insurance premium and vehicle registration funding	1,817,843	441,321
Contingent consideration liability[4]	–	1,899,612
	16,960,996	18,537,821
Non-current		
Borrowings[1]	1,333,329	4,533,333
Equipment Hire Purchase Facilities[2]	12,871,314	22,453,116
Lease liability[3]	1,119,258	1,755,865
	15,323,901	28,742,314

1 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.

2 The Group finances certain items of equipment under hire purchase agreements with an average term of 3.3 years (2022: 3.0 years) with these obligations secured by the lessor's title to goods under the contract. During the year ended 30 June 2022, a significant number of new arrangements were entered into, mainly being the financing of all but one of the newly acquired LF160 surface drill rigs and related assets in line with the Group's organic growth strategy. New facilities entered into during the year ended 30 June 2023 were not significant by comparison with the previous year and related mainly to the final LF160 under the growth strategy, support trucks for rigs and a number of motor vehicles.

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 7.22% (2022: 3.34% and 6.79%). The fair value of the finance lease liabilities is approximately equal to the carrying amount.

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

4 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.

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 20(d).

YEAR ENDED 30 JUNE 2023	AT 1 JULY 2022 $	CASH PROCEEDS $	NON-CASH FUNDING RECEIVED $	RIGHT-OF-USE LEASE LIABILITY ADJUSTMENT $	CASH REPAYMENTS $	AT 30 JUNE 2023 $
Borrowings	7,733,333	–	–	–	(3,200,004)	4,533,329
Equipment Hire Purchase Facilities	35,189,074	–	1,058,992	–	(12,030,982)	24,217,084
Lease liability	2,016,795	–	–	218,052	(518,206)	1,716,641
Insurance premium and vehicle registration funding	441,321	–	3,362,523	–	(1,986,001)	1,817,843
Total	45,380,523	–	4,421,515	218,052	(17,735,193)	32,284,897

YEAR ENDED 30 JUNE 2022	AT 1 JULY 2021 $	CASH PROCEEDS $	NON-CASH FUNDING RECEIVED $	RIGHT-OF-USE LEASE LIABILITY ADJUSTMENT $	CASH REPAYMENTS $	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

10(b) Equipment hire purchase facilities

	2023 $	2022 $
Minimum future lease payments		
Not later than 1 year	12,317,445	14,022,166
Later than 1 year and not later than 5 years	13,412,642	23,999,789
Minimum future lease payments	25,730,087	38,021,955
Less future finance charges	(1,513,003)	(2,832,881)
	24,217,084	35,189,074

10(c) Lease liabilities

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.

	2023 $	2022 $
Minimum future lease liability payments		
Later than 1 year and not later than 5 years	689,345	587,333
Minimum future lease payments	1,130,144	1,706,423
Less future finance charges	1,819,489	2,293,756
Not later than 1 year	(102,848)	(276,961)
	1,716,641	2,016,795

10(d) Loans

A summary of borrowing arrangements applicable to all loans is included in Note 10(i) through to 10(iv). Security pledged under these borrowing arrangements is detailed in Note 13.

10(e) Credit standby arrangements with banks

The major facilities at year end are summarised below:

	TOTAL $	USED $	UNUSED $
NAB business overdraft facility*	15,000,000	–	15,000,000
NAB hire purchase facility	30,000,000	21,608,151	8,391,849

* During the year ended 30 June 2023, the available overdraft facility was increased to $15,000,000 from the previous available amount of $10,000,000.

11. PROVISIONS

	2023 $	2022 $
Current		
Employee benefit provisions	11,487,929	10,337,298
	11,487,929	10,337,298
Non-current		
Employee benefit provisions	1,265,864	1,001,899
	1,265,864	1,001,899

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For the year ended 30 June 2023

12. PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD IMPROVEMENTS $	PLANT AND EQUIPMENT $	MOTOR VEHICLES $	FURNITURE AND FITTINGS $	CAPITAL WIP $	TOTAL $
At 1 July 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
Year ended 30 June 2023						
Opening net book amount	136,094	77,561,931	4,783,628	273,761	2,668,720	85,424,134
Additions	–	4,916,077	1,431,059	–	6,229,210	12,576,346
Transfers	369,846	4,952,682	1,627,946	167,713	(7,118,187)	–
Disposals	–	(436,482)	(55,701)	(926)	–	(493,109)
Depreciation	(68,695)	(25,092,859)	(1,569,745)	(169,905)	–	(26,901,204)
Closing net book amount	437,245	61,901,349	6,217,187	270,643	1,779,743	70,606,167
At 30 June 2023						
Cost or fair value	669,113	158,356,415	21,975,892	1,507,761	1,779,743	184,288,924
Accumulated depreciation	(231,868)	(96,455,066)	(15,758,705)	(1,237,118)	–	(113,682,757)
Net book amount	437,245	61,901,349	6,217,187	270,643	1,779,743	70,606,167
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

Depreciation expense recognised of $26,901,204 and $27,117,012 during the years ended 30 June 2023 and 30 June 2022 respectively, excludes depreciation of $529,464 and $527,398 on right-of-use assets recognised during those corresponding years (refer Note 8).

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 $15m 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 2023, 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 hire purchase arrangements 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

	2023 $	2022 $
Income tax expense/(benefit) recognised in profit/(loss)		
Income tax expense comprises		
Current tax on profit/(loss) for the year	5,444,280	(12,583,915)
Deferred tax expense/(benefit)	(2,721,800)	11,845,458
Adjustments recognised in current year in relation to tax of prior years	(50,333)	172,768
Other	–	(12,050)
Income tax expense/(benefit)	2,672,147	(577,739)
The income tax expense/(benefit) for the year can be reconciled to the accounting profit/(loss) as follows		
Profit/(loss) before tax from continuing operations	10,280,762	(562,182)
Income tax expense/(benefit) calculated at 30%	3,084,228	(168,655)
Tax effect of fair value decrease to contingent consideration liability	(495,671)	(724,145)
Tax effect of other expenses that are not deductible in determining taxable profit	133,923	154,343
Adjustments recognised in current year in relation to tax of prior years	(50,333)	172,768
Other	–	(12,050)
Income tax expense/(benefit)	2,672,147	(577,739)

The tax rate used for 2023 and 2022 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 2023

14(a) Deferred tax balances

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

DEFERRED TAX ASSETS	2023 $	2022 $
Accrued expenses	428,671	636,769
Employee benefit and other provisions	3,826,138	3,161,387
Impairment loss on trade receivables	602,335	–
Right-of-use lease liabilities	515,226	605,272
Other	173,817	235,671
Deferred tax assets on temporary differences	5,546,187	4,639,099
Deferred tax asset on tax losses	8,179,875	13,573,822
Total deferred tax assets	13,726,062	18,212,921

DEFERRED TAX LIABILITIES	2023 $	2022 $
Intangible assets – Customer contracts	–	(330,147)
Right of-use lease assets	(438,294)	(531,717)
Property, plant and equipment	(15,681,027)	(17,338,120)
Consumable inventories	(884,585)	(649,594)
Prepayments	(176,115)	(148,431)
Other	(6,793)	(3,517)
Total deferred tax liabilities	(17,186,814)	(19,001,526)
Set-off of deferred tax assets pursuant to set-off provisions	13,726,062	18,212,921
Net deferred tax liabilities	(3,460,752)	(788,605)

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 30 June 2021	586,072	2,516,133	1,987,470	869,502	96,919	6,056,096
Credited/(charged) to current tax	153,823	–	–	234	21,593	175,650
Credited/(charged) 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
Credited/(charged) to current tax	–	–	–	–	–	–
Credited/(charged) to profit or loss	(208,098)	664,751	602,335	(155,462)	(61,854)	841,672
Increase in carrying value of lease liability	–	–	–	65,416	–	65,416
Balance at 30 June 2023	428,671	3,826,138	602,335	515,226	173,817	5,546,187

TAX LOSSES	OPENING BALANCE $	RELATED TO PRIOR YEARS $	UTILISED IN FY2023 $	RECOGNISED ON FY2022 TAX LOSS $	CLOSING BALANCE $
30 June 2023	13,573,822	50,333	(5,444,280)	–	8,179,875
30 June 2022	1,119,519	(129,612)	–	12,583,915	13,573,822

As at 30 June 2023, the Group has recognised deferred tax assets of $8,179,875, being available tax losses per the lodged tax return for the year ended 30 June 2023, representing an opening deferred tax asset of $13,595,462, partially reversed by the utilisation of a portion of those assets based on estimated taxable income for the year ended 30 June 2023.

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 2021	(1,277,360)	(5,783,509)	(672,327)	(811,126)	(138,388)	(82,314)	(8,765,024)
Credited/(charged) to current tax	–	(288,619)	(5,568)	–	–	75,381	(218,806)
Credited/(charged) 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)
Credited/(charged) to current tax	–	–	–	–	–	–	–
Credited/(charged) to profit or loss	330,147	1,657,093	(234,991)	158,839	(27,684)	(3,276)	1,880,128
Increase in carrying value of right-of-use lease asset	–	–	–	(65,416)	–	–	(65,416)
Balance at 30 June 2023	–	(15,681,027)	(884,585)	(438,294)	(176,115)	(6,793)	(17,186,814)

14(b) Unrecognised amounts

	2023 $	2022 $
Unused tax losses	–	–
Franking account balance	1,069,022	1,069,022

15. ISSUED CAPITAL

The tables below reconcile movement in the number of shares and payments for shares bought back during the years ended 30 June 2022 and 30 June 2023 respectively.

	NUMBER OF SHARES	$
Fully paid ordinary shares		
Balance at 1 July 2021*	199,238,740	72,995,137
Shares issued pursuant to Executive Share and option plan	1,168,414	–
"Entitlement Offer" during year (i)	24,994,615	10,497,738
Balance at 30 June 2022*	225,401,769	83,492,875
Shares bought back on-market and cancelled, including transaction costs (ii)	(6,762,066)	(2,469,472)
Balance at 30 June 2023*	218,639,703	81,023,403

* Balance is gross of share issue costs (refer Note 16).

(i) Equity raise during year ended 30 June 2022

To support the funding of the Group's organic growth strategy which included the purchase of up to 12 LF160 drill rigs, 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.

(ii) On-market share buy back

On 14 July 2022, the Group commenced an 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).

At 30 June 2023, the Group had bought back 6,762,066 shares for a combined consideration of $2,465,404 net of transaction costs.

Subsequent to 30 June 2023, the Group has bought back an additional 3,848,043 shares for a combined consideration of $1,557,343 meaning, to date, the number of shares bought back total 10,610,109 shares for a combined consideration of $4,022,747 net of transaction costs.

16. SHARE ISSUE COSTS

	2023 $	2022 $
Balance at the beginning of the year	(3,251,109)	(2,745,932)
Share issue costs[1]	–	(721,682)
Recognition of deferred tax asset	–	216,505
Balance at end of the year	(3,251,109)	(3,251,109)

1 During the year ended 30 June 2022, 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 were adjusted for tax with a deferred tax asset of $216,505 being recognised on these amounts which is deductible for income tax.

17. SHARE BASED PAYMENT TRANSACTIONS

	2023 $	2022 $
Equity-settled share-based payment transactions		
Executive share and option plan	214,608	127,691
Total expense recognised for equity-settled share-based payment	214,608	127,691

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; 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).

The Group accounts for instruments that are still in their vesting period issued under the 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 2023

(i) Measurement of fair values – Employee Option Plan

Set out below are summaries of options granted under ESOP:

	YEAR ENDED 30 JUNE 2023		YEAR ENDED 30 JUNE 2022	
	AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS
As at 1 July	0.668	8,079,729	0.682	6,471,713
Granted during the year	0.620	1,606,007	0.630	1,720,360
Exercised during the year	–	–	–	–
Forfeited during the year	0.688	(1,030,550)	0.910	(112,344)
As at 30 June	**0.656**	**8,655,186**	**0.668**	**8,079,729**
Vested and exercisable at 30 June	0.674	5,499,391	0.674	5,028,561

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 2023	OPTIONS AT 30 JUNE 2022
23 May 2016	23 May 2025	0.395	1,367,898	1,526,614
4 August 2017	4 August 2026	0.539	841,360	933,983
14 June 2018	14 June 2027	0.703	811,312	905,557
14 June 2019	14 June 2028	1.100	617,489	705,621
1 June 2020	1 June 2029	0.910	812,462	956,789
31 May 2021	31 May 2030	0.690	1,048,870	1,330,805
23 June 2022	23 June 2031	0.630	1,549,788	1,720,360
31 May 2023	31 May 2032	0.620	1,606,007	–
Total			**8,655,186**	**8,079,729**
Weighted average remaining contractual life of options outstanding at end of year			5.82 years	6.13 years

Fair value of shares and options not yet vested at 30 June 2023

Options

The calculated fair value at 30 June 2023 of the options provisionally granted during the years ended 30 June 2022 and 30 June 2023 was $98,683 and $104,431 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 2023 of the equity-settled share-based payment plans granted during the years ended 30 June 2022 and 30 June 2023 were as follows:

	PROVISIONALLY GRANTED[1] DURING YEAR ENDED 30 JUNE 2022	PROVISIONALLY GRANTED[1] DURING YEAR ENDED 30 JUNE 2023
Share price (at 30 June 2023)	$0.3850	$0.3850
Exercise price	$0.63	$0.62
Expected volatility	47%	47%
Time to maturity	3.5 years	3.5 years
Risk-free interest rate	4.01%	4.01%
Dividend yield	3.24%	3.24%
Fair value per option	$0.0708	$0.0723
Number of options	1,549,788	1,606,007
Total fair value of options	$98,683	$104,431

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.

Relating to the above issues, expenses of $49,341 (2022 issue) and $4,351 (2023 issue) have been recognised on a life to date basis (issue date through to 30 June 2023) 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 2022 and 30 June 2023 under the ESOP was $161,309 and $167,162 respectively at 30 June 2023 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 $80,655 (2022 issue) and $6,965 (2023 issue) have been recognised on a life to date basis (issue date through to 30 June 2023) 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 2023

Options

The calculated fair value of the options that vested under the ESOP during the year ended 30 June 2023 (which were granted under the ESOP in 2021) was $55,538 as at the vesting date of 31 May 2023 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	$0.3475
Exercise price	$0.69
Expected volatility	50%
Time to maturity	3.5 years
Risk-free interest rate	3.37%
Dividend yield	3.60%
Fair value per option	$0.0530
Number of options	1,048,870
Total fair value of options	**$55,538**

Shares

The calculated fair value of the shares that vested under the ESOP during the year ended 30 June 2023 (which were issued under the ESOP in 2021) was $122,404 as at the vesting date of 31 May 2023 and has been determined with reference to the closing price of the Company's fully paid ordinary shares.

18. RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2023 $	2022 $
Profit for the year	7,608,615	15,557
Adjustments for:		
Depreciation and amortisation	28,531,159	30,801,877
Net gain on disposal of property, plant and equipment	(3,213,495)	(1,239,728)
Income tax benefit	2,672,147	(577,739)
Finance costs – unwind of discount on contingent consideration	–	139,466
Fair value (decrease)/increase to contingent consideration liability	(1,652,235)	(2,413,817)
Change in trade and other receivables	1,457,319	(4,474,332)
Change in other assets	(381,485)	(262,910)
Change in inventories	(1,607,703)	(1,965,539)
Change in trade payables and accruals	(2,778,021)	(2,973,140)
Change in insurance premium funding balance	3,362,523	1,336,850
Change in employee benefit provisions	1,414,596	2,162,844
Recognition of share-based payments	214,608	127,691
Net income tax receipts/(payments)	–	1,538,898
Net cash inflow from operating activities	**35,628,028**	**22,215,978**

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

ENTITY NAME	ACN	OWNERSHIP INTEREST HELD BY THE GROUP
Notch Holdings Pty Ltd	009 271 461	100%
Well Drilled Pty Ltd[1]	123 980 343	100%
Mitchell Operations Pty Ltd[1]	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[1]	137 688 227	100%
Radco Group Australia Pty Ltd	137 688 745	100%
Deepcore Holdings Pty Ltd[1]	155 701 885	100%
Deepcore Australia Pty Ltd[1]	115 967 809	100%
Deepcore Drilling Pty Ltd[1]	115 935 941	100%

1 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.

	2023 $	2022 $
Closed Group – Income Statement		
Revenue	243,293,960	213,404,208
Gain/(loss) on sale of assets	939,822	(43,024)
Drilling consumables	(25,841,847)	(24,124,936)
Employee and contract labour expenses	(127,416,774)	(114,937,855)
Fuel and oil	(2,967,394)	(2,192,817)
Freight and couriers	(3,322,705)	(3,188,242)
Hire of plant and equipment	(11,376,630)	(12,082,459)
Insurances	(1,233,779)	(1,053,032)
Legal and consultant fees	(1,139,490)	(1,721,537)
Rent	(455,327)	(462,013)
Service and repairs	(14,327,221)	(13,416,907)
Travel expenses	(11,459,890)	(9,349,816)
(Impairment)/reversal of impairment of trade receivables	(2,007,782)	2,420,445
Fair value decrease to contingent consideration liability	1,652,235	2,413,817
Depreciation expense	(14,627,559)	(15,450,545)
Amortisation of intangibles	(1,100,491)	(3,157,377)
Finance costs	(967,019)	(1,148,985)
Other expenses	(5,441,405)	(4,899,251)
Profit before tax	**22,200,704**	**11,009,674**
Income tax expense	6,248,631	2,932,191
Profit for the year	**15,952,073**	**8,077,483**

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CLOSED GROUP – BALANCE SHEET	2023 $	2022 $
Current assets		
Cash and cash equivalents	9,839,155	3,712,702
Trade and other receivables	34,545,642	36,002,961
Other assets	1,835,798	2,224,676
Inventories	8,845,195	7,237,492
Other financial assets	50,305,951	36,349,736
Total current assets	105,371,741	85,527,567
Non-current assets		
Investments in controlled entities	15,478,503	15,478,503
Right-of-use assets	1,460,979	1,772,390
Property, plant and equipment	20,063,977	28,954,739
Intangibles at cost	5,755,572	6,856,062
Deferred tax assets	8,433,080	11,937,893
Other assets	–	25,000
Total non-current assets	51,192,111	65,024,587
Total assets	156,563,852	150,552,154
Current liabilities		
Trade and other payables	18,544,588	19,894,800
Other financial liabilities	11,111,744	12,401,220
Provisions	11,487,929	11,740,273
Total current liabilities	41,144,261	44,036,293
Non-current liabilities		
Other financial liabilities	2,791,104	7,633,940
Provisions	1,265,864	1,001,899
Total non-current liabilities	4,056,968	8,635,839
Total liabilities	45,201,229	52,672,132
Net assets	111,362,623	97,880,022
EQUITY		
Issued capital	76,506,433	78,975,905
Retained earnings	34,856,190	18,904,117
Total equity	111,362,623	97,880,022

PARENT ENTITY

Summarised financial information for the parent entity is as follows:

	2023 $	2022 $
Loss for the year	(4,148,217)	(2,942,048)
Other comprehensive income	–	
Total comprehensive income for the year	(4,148,217)	(2,942,048)
Current assets	731,009	3,799,014
Total assets	60,348,747	68,814,885
Current liabilities	7,901,778	7,375,302
Total liabilities	10,011,028	12,074,085
Total equity of the parent entity comprising of:		
Issued capital	76,506,433	78,975,905
Retained earnings	(26,168,714)	(22,235,105)
Total equity	50,337,719	56,740,800

Parent entity contingent liabilities

There are no contingent liabilities required to be disclosed as at 30 June 2023 (2022: nil).

Parent entity capital commitments

There are no capital commitments as at 30 June 2023 (2022: 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 $42,931 (2022: $54,133).

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					
2023	CARRYING AMOUNT	WITHIN 1 YEAR	1–2 YEARS	2–3 YEARS	3–5 YEARS	MORE THAN 5 YEARS	TOTAL
	$	$	$	$		$	$
Trade payables	19,004,911	19,004,911	–	–	–	–	19,004,911
Borrowings	4,533,329	3,407,411	1,356,566	–	–	–	4,763,977
Equipment hire purchase facilities	24,217,084	12,317,445	13,169,994	168,456	74,192	–	25,730,087
Lease liability	1,716,641	689,345	695,145	343,149	91,850	–	1,819,489
Insurance premium and vehicle registration funding	1,817,843	1,880,013	–	–	–	–	1,880,013
Contingent consideration liability	–	–	–	–	–	–	–
	51,289,808	37,299,125	15,221,705	511,605	166,042	–	53,198,477

		CONTRACTUAL CASH FLOWS					
2022	CARRYING AMOUNT	WITHIN 1 YEAR	1–2 YEARS	2–3 YEARS	3–5 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

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 related to the acquisition of Deepcore during the year ended 30 June 2020 and was measured using Level 3. The valuation technique utilised was a discounted cash flow model which considered 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 2023 financial year.

The following tables present changes in the contingent consideration liability:

YEAR ENDED 30 JUNE 2023	CURRENT $	NON-CURRENT $	TOTAL $
Balance at 1 July 2022	1,899,612	–	1,899,612
Fair value decrease to liability during year ended 30 June 2023	(1,652,235)	–	(1,652,235)
Earn out payment to Deepcore vendors during year ended 30 June 2023	(247,377)	–	(247,377)
Balance at 30 June 2023	–	–	–

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

(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 2023 $	JUNE 2022 $	UNOBSERVABLE INPUTS	FY2023	FY2022	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
–	1,899,612	Risk-adjusted pre-tax discount rate	–	18.0%	A change in the discount rate by 200 bps would have increased/decreased the comparative FV by approx. $0.1 million.
		Anticipated annual growth rate in Deepcore profits	–	2.0%	If estimated annual profit growth rate had beens 1% higher or lower, the comparative FV would have increased/decreased by approx. $0.1 million.

With the three year earn out period being complete, there is nil liability requiring recognition at 30 June 2023 and therefore no flexing of the fair value at that date with respect to unobservable inputs.

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 $81,919 including GST. There were nil amounts payable to this related entity at the end of the reporting year.

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 year amounted to $281,191 including GST. In addition, during the year, the Group also engaged Equipment Hub as a broker to sell a drilling rig to a third party. Commission of $44,000 was paid to Equipment Hub per this arrangement. An amount of $70,125 remains owing to this related entity at the end of the year.

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 $5,886,798. All amounts are inclusive of GST and were based on normal market rates and under normal payment terms. An amount of $1,060,731 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 year amounted to $302,500 including GST. There are also ancillary utilities charges of $49,562 (including GST) reflected in the year. Amounts owing to this related entity at the end of the year is $51,658.

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 $104,447, inclusive of GST, were issued to the Group by the related entity during the year with an amount of $10,893 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 $8,143 to reimburse for the cost of council rates. There were nil amounts payable to this related entity at the end of the year.

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:

	2023 $	2022 $
Short-term employee benefits	1,691,865	1,783,333
Post-employment benefits	145,863	143,333
Non-monetary benefits	24,372	24,372
Other long-term benefits	21,139	26,422
Share-based payments	85,828	46,688
	1,969,067	2,024,148

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. AUDITOR'S REMUNERATION

	2023 $	2022 $
During the year, the following fees were paid or payable for services provided by the auditor or its related practices:		
Audit and review of financial statements – KPMG (current auditors)	172,845	146,426
Audit and review of financial statements – Jessup's (previous auditors)	–	68,528
	172,845	214,954

24. CAPITAL COMMITMENTS

As at 30 June 2023, the Group had capital commitments of $868,840 (2022: $2,008,806), mainly relating to certain items of drilling equipment and a motor vehicle.

25. EARNINGS PER SHARE

	2023 $	2022 $
Basic earnings per share		
From continuing operations (cents per share)	3.4	0.0
Diluted earnings per share		
From continuing operations (cents per share)	3.4	0.0

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

	2023 $	2022 $
Profit/(loss) for the year attributable to owners	7,608,615	15,557
Weighted average number of ordinary shares	221,688,800	221,428,148

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

	2023 $	2022 $
Profit/(loss) for the year attributable to owners	7,608,615	15,557
Weighted average number of ordinary shares	221,688,800	221,428,148

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 $10,785,296 (2022: $8,651,166) 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 $963,764 due in respect of the 2023 financial year (2022: $889,326) had not been paid over to the plans. These amounts were paid subsequent to the end of the 2023 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.

	2023 %	2022 %
External Customer 1	28.51%	25.66%
External Customer 2	13.00%	17.57%
External Customer 3	12.25%	13.82%

28. EVENTS AFTER THE REPORTING DATE

On-market share buy back

Refer Note 15 which discusses details of shares bought back subsequent to 30 June 2023.

Dividend declaration

On 23 August 2023 a final partially franked dividend of 2.08 cents per share was declared for the year ended 30 June 2023. The total estimated dividend is $4,477,349 and is payable on 15 September 2023 to Mitchell Services Limited shareholders on the share register at 30 August 2023.

Other than the matters 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.

DIRECTORS' DECLARATION

For the year ended 30 June 2023

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 73 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 2023 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:

Nathan Andrew Mitchell

Executive Chairman

Dated at Brisbane this 23rd day of August 2023

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 2023 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 2023;
- 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.

KPMG

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.

<table>
<tr><th colspan="2">Revenue recognition ($243,144,281)</th></tr>
<tr><td colspan="2">Refer to Note 2 to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>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.</td><td>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 respective contract and subsequent receipt from the customer; and
    • The timing and completion of performance obligations against underlying evidence of daily drilling reports and the Group’s revenue recognition policies.</td></tr>
</table>

Key Audit Matters (continued)

Revenue recognition ($243,144,281) (continued)	
	• Testing a sample of revenue recognised by the Group during the period under audit, and one month subsequent to period end, 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.

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 2023, 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 2023.

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
23 August 2023

ADDITIONAL AUSTRALIAN STOCK EXCHANGE INFORMATION

Current as at 14 August 2023

MSV QUOTED ORDINARY SHARES

SPREAD OF HOLDINGS	NUMBER OF HOLDERS	SHARES	% OF TOTAL CAPITAL ISSUED
1 – 1,000	114	44,476	0.02%
1,001 – 5,000	281	759,948	0.35%
5,001 – 10,000	170	1,365,718	0.63%
10,001 – 100,000	608	24,794,593	11.48%
Greater than 100,000	250	189,013,315	87.52%
Total	**1,423**	**215,978,050**	**100.00**
Holding less than a marketable parcel	138	72,243	0.03%

THE TWENTY LARGEST LISTED SECURITY HOLDERS COMPRISE:

RANK	SHAREHOLDER	ORDINARY SHARES	% OF TOTAL CAPITAL ISSUED
1	Mitchell Group Holdings Pty Ltd	22,374,442	10.36
2	Mitchell Family Investments (Qld) Pty Ltd	18,033,603	8.35
3	Dream Challenge Pty Ltd	14,354,068	6.65
4	HSBC Custody Nominees (Australia) Limited	11,062,686	5.12
5	Washington H Soul Pattinson And Company Limited	10,000,000	4.63
6	Skye Alba Pty Ltd	6,459,331	2.99
7	HSBC Custody Nominees (Australia) Limited	6,399,589	2.96
8	Farjoy Pty Ltd	6,312,905	2.92
9	Rudie Pty Ltd	3,987,549	1.85
10	Glengallan Investments Pty Ltd	3,000,000	1.39
11	Australian Executor Trustees Limited	2,842,522	1.32
12	Banjo Superannuation Fund Pty Ltd	2,438,094	1.13
13	Judykaye Investments Pty Ltd	2,105,264	0.97
14	Peter Miller	1,981,681	0.92
15	Oceanwave Asset Pty Ltd	1,830,544	0.85
16	Sonya Miller	1,761,681	0.82
17	Hancroft Pty Ltd	1,747,906	0.81
18	Mr Simon Robert Evans & Mrs Kathryn Margaret Evans	1,650,000	0.76
19	Certane Ct Pty Ltd	1,648,439	0.76
20	Mr Sean Patrick Martin	1,356,927	0.63
Total		**125,830,228**	**56.08**

ADDITIONAL AUSTRALIAN STOCK EXCHANGE INFORMATION

Current as at 14 August 2023

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	8,655,186

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	41,413,695	18.84%
Dream Challenge Pty Ltd	29 Nov 2019	14,354,068	7.20%

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

Non-Executive Directors
Peter Richard Miller
Robert Barry Douglas
Neal Macrossan O'Connor
Peter Geoffrey Hudson
Scott David Tumbridge

Chief Executive Officer
Andrew Michael Elf

Chief Financial Officer and Company Secretary
Gregory Michael Switala

REGISTERED OFFICE

Mitchell Services Ltd
ABN 31 149 206 333

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Seventeen Mile Rocks Qld 4073

PRINCIPAL PLACE OF BUSINESS

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Mitchell
SERVICES