



Mitchell
SERVICES

29 January 2025

Mitchell Services Limited (ASX: MSV)

Quarterly Investor Update

Mobilisation activities increase in Q2 in preparation for newly acquired work to start in early Q3

- Quarterly revenue of \$46.7m
- Quarterly EBITDA of \$5.6m
- Quarterly operating cashflow of \$4.8m (86% EBITDA conversion rate)
- PNG mobilisation well underway with drilling expected to commence in mid Q3
- Loop Decarbonisation Solutions to commence drilling in February
- Strong balance sheet – net debt of \$6.2m

Dear Shareholder

I am pleased to provide the following investor update for the quarter ended 31 December 2024 (**FY25 Q2**) for Mitchell Services Limited (**the Company**) based on the Company's un-audited consolidated management accounts.

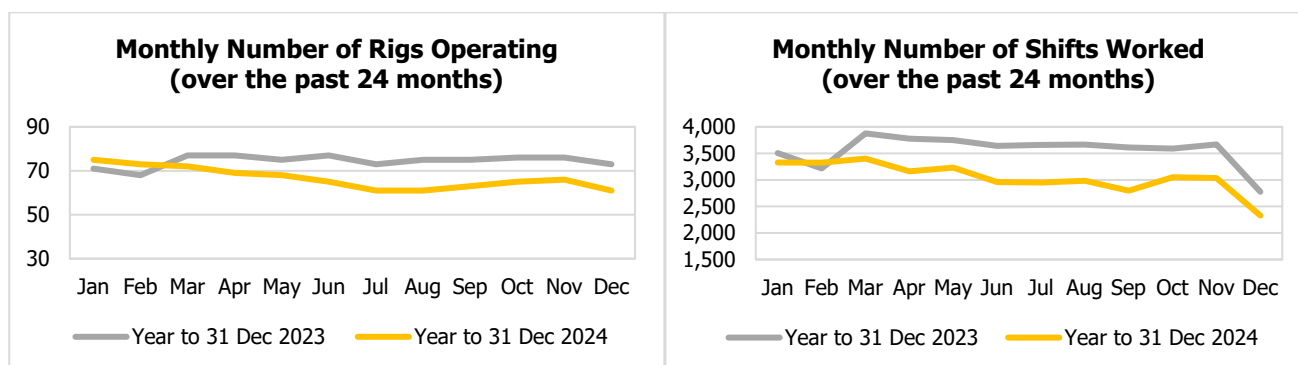
Quarterly results

As previously advised, the Company has recently experienced a temporary reduction in utilisation levels. This was most noticeable in the previous quarter (FY25 Q1) where the rig count dropped to 61 in August 2024. Since then, the rig count has steadily increased with the operating rigs reaching 66 in November 2024 prior to the usual Christmas break in December. We expect the operating rig count will continue to increase into FY25 Q3 as rigs are deployed across recently awarded jobs.

As the table below demonstrates, the lower levels of utilisation as well as the costs associated with the ramp up and mobilisation activities have impacted revenue and EBITDA which are both lower than the corresponding quarter in the previous financial year. The most notable examples of this type of ramp up investment and other factors that drove the softer result include:

- While anticipated, we experienced accelerated levels of mobilisation costs in relation to the Company's entry into the PNG market with the first rig already in country and drilling expected to commence in February. The opportunity in PNG is a multi-rig, multi-year project with a global gold mining major undertaking highly technical drilling.
- Loop Decarbonisation Solutions (Loop) has gathered momentum faster than originally anticipated. After a successful consultation phase that focused largely on feasibility, drilling is expected to commence in early February. Whilst this is extremely exciting, it did mean that there was a significant amount of preparation work undertaken over November and December which came at a cost. Loop remains hopeful of securing a second client in Q3 to begin feasibility studies in advance of potential drilling.
- FY25 has seen the Company enter the highly technical, SIS (surface to in-seam) drilling market following a successful contract award. As is sometimes the case with new service offerings developed organically, there is a cost and investment required to bring this offering to market. This investment in service delivery will ultimately be in the best long-term interests of the Company.
- The Grosvenor mine remains shut following the underground fire event that took place approximately six months ago

	FY25 Q2	FY24 Q2	Movement	Movement %
Average operating rigs	64.0	75.0	(11.0)	(14.7)
Number of shifts	8,415	10,036	(1,621)	(16.2)
Revenue (\$'000s)	46,658	56,804	(10,146)	(17.9)
EBITDA (\$'000s)	5,620	8,401	(2,781)	(33.1)
EBITDA margin (%)	12.0	14.8		
Operating cash flow (\$'000s)	4,813	14,100	(9,287)	(65.9)
Operating cash conversion ratio (%)	85.6	167.8		



Half Year Results

The table below summarises the un-audited financial and operating results for the six months ended 31 December 2024 (1H25) and the corresponding six months ended 31 December 2023 (1H24).

	1H25	1H24	Movement	Movement %
Average operating rigs	62.8	74.7	(11.9)	(15.9)
Number of shifts	17,149	20,972	(3,823)	(18.2)
Revenue (\$'000s)	99,365	121,644	(22,279)	(18.3)
EBITDA (\$'000s)	12,652	20,009	(7,357)	(36.8)
EBITDA margin (%)	12.7	16.4	(3.7)	(22.6)
EBT (\$'000's)	(499)	6,202	(6,701)	(108.0)
Annualised ROIC* (%)	(0.1)	13.7		
Operating cash flow (\$'000s)	10,566	24,374	(13,808)	(56.7)
Operating cash conversion ratio (%)	83.5	121.8		

*defined as annualised EBIT divided by (net PPE plus intangibles plus working capital)

In summary, 1H25 represented a transition period for the Company as rig count temporarily decreased with ramp up spend and activities increasing in advance of the commencement of replacement projects and in relation to new service offerings. Although, based on its un-audited management accounts, the Company expects to report a 1H25 post-tax loss of approximately \$0.5m, I maintain my view that the business is in the best position it has been with a

significantly strengthened balance sheet providing optionality including the ability to comfortably navigate these periods of lower utilisation.

The overall strategy of the Company is to optimise the long term-term growth of the business and returns to shareholders by:

- Maintaining, and where possible, improving the profitability of the existing business
- Identifying opportunities in the domestic mining sector to provide new services to Tier 1 clients
- Identifying drilling opportunities offshore for existing clients

To date, we've made some significant progress in relation to this strategy. We've entered the PNG market (offshore opportunity) off the back of a new multi-rig, multi-year project with an existing global client. We have also expanded our service offering (new services in the domestic mining sector) which now includes SIS drilling and, through our investment in Loop, we are at the forefront of providing innovative decarbonisation drilling techniques. Loop was recently incorporated to offer end to end decarbonisation solutions to a broad market of clients who are required to reduce fugitive emissions following reforms to the Safeguard Mechanism Legislation in Australia. Loop is a 50/50 joint venture between the Company and specialist mining advisory firm, Talisman Partners.

The Company remains committed to its current capital management policy noting the on-market share buyback that is currently on foot.

In closing, I would like to again thank all employees for their hard work and dedication and all shareholders for their ongoing support.

Yours faithfully,



Andrew Elf
Chief Executive Officer
Mitchell Services Limited