Appendix 4D

Mitchell Services Limited (ABN 31 149 206 333)

Current reporting period	Previous reporting period
1 July 2020 to 31 December 2020	1 July 2019 to 31 December 2019

Results for Announcement to the Market

		Current reporting period	Previous reporting period	Change
		$A'000's	$A'000's	$A'000's
Revenue from continuing operations	Up 37%	100,035	72,983	27,052
EBITDA	Down 1%	12,465	14,140	(1,675)
(Loss)/Profit after tax attributable to members	Down 173%[1]	(3,131)	4,290	(7,421)

Net Tangible Assets per Security

	31 Dec 20	30 Jun 20	31 Dec 19
Net tangible asset backing per ordinary security	20.8 cents	20.1 cents	18.5 cents

[1] Current reporting period earnings was impacted by the recognition of a $7.3m impairment of trade receivables relating to one of the Company's customers, SMS Innovative Mining Pty Ltd (the Client). On 12 February 2021 the Group terminated a material drilling contract with the Client. The contract (under which the Company provided drill and blast services for the Client at the Kirkalocka gold project in Western Australia), was terminated on grounds of breach of contract following repeated failure by the Client to settle amounts due and payable pursuant to the terms of the contract.

Further, the amortisation expenses in the current reporting period were up $3.6m on the previous reporting period. This increase in amortisation relates to a full period recognition of amortisation on fair valued customer contracts per the Deepcore acquisition in November 2019 (the previous reporting period had only reflected one month's equivalent).

Dividends

The Company has determined that no interim dividend will be declared.

Mitchell Services Limited
ABN 31 149 206 333

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Other Disclosures

Additional Appendix 4D disclosure requirements and further information including commentary on significant features of the operating performance, trends in performance and other factors affecting the results for the current period are contained in the attached Half-Year Report and Investor Presentation released 26 February 2021.

This report is based on financial statements which have been subject to independent review by the auditor, Jessups.

Greg Switala
Company Secretary

26 February 2021

MITCHELL SERVICES LTD ACN 149 206 333

FOR THE HALF-YEAR ENDED

31 DECEMBER 2020

HALF-YEAR REPORT

CONTENTS

Directors' Report	**2**
Auditor's Independence Declaration	**9**
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	**10**
Condensed Consolidated Statement of Financial Position	**11**
Condensed Consolidated Statement of Changes in Equity	**12**
Condensed Consolidated Statement of Cash Flows	**13**
Notes to the Condensed Consolidated Financial Statements	**14**
Directors' Declaration	**21**
Independent Auditor's Review Report	**22**

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

The Directors of Mitchell Services Limited submit herewith the financial report of Mitchell Services Limited (**Company**) and its subsidiaries (**Group**) for the half-year ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The names of the Directors of the Company during or since the end of the half-year are:

Name

Nathan Andrew Mitchell
Peter Richard Miller
Robert Barry Douglas
Neal Macrossan O'Connor
Scott David Tumbridge
Peter Geoffrey Hudson

Other than Mr Peter Geoffrey Hudson (who was appointed as Director on 20 July 2020), the above-named Directors have held office throughout the six months ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group provides exploration and mine site drilling services to the exploration, mining, and energy industries, primarily in Australia. The Group is currently headquartered in Seventeen Mile Rocks, Queensland.

The Group provides drilling solutions at all stages of the mining lifecycle, in both energy and minerals. 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 project lifecycle that the Group can provide its drilling services are:

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

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

REVIEW OF OPERATIONS

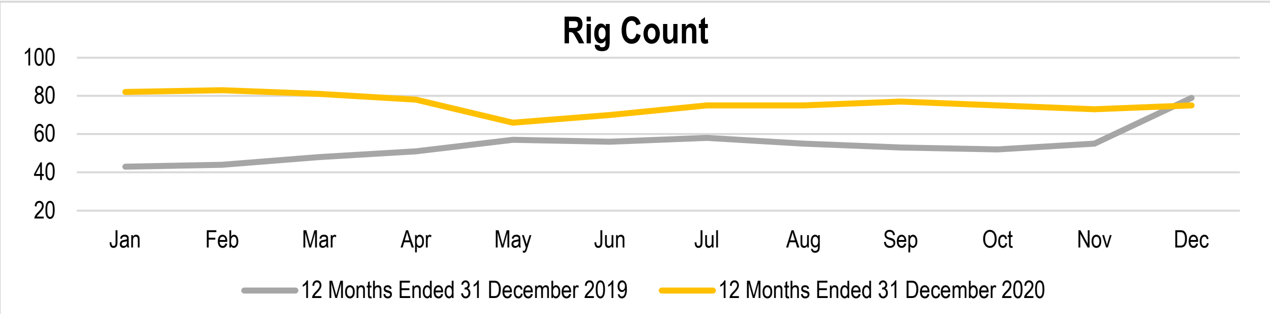
The Board have maintained a clear strategy of targeting multi-year, multi-rig work on established tier one clients and the strength of this business model has seen the Group continue to respond strongly to the COVID-19 pandemic during the half-year ended 31 December 2020 (1H21). Through a combination of well-executed response plans and significant dedication and commitment from field based employees, the Group has maintained strong activity levels as it continues to negotiate COVID-19 related challenges including inter-state border restrictions and reductions in domestic airline capacity.

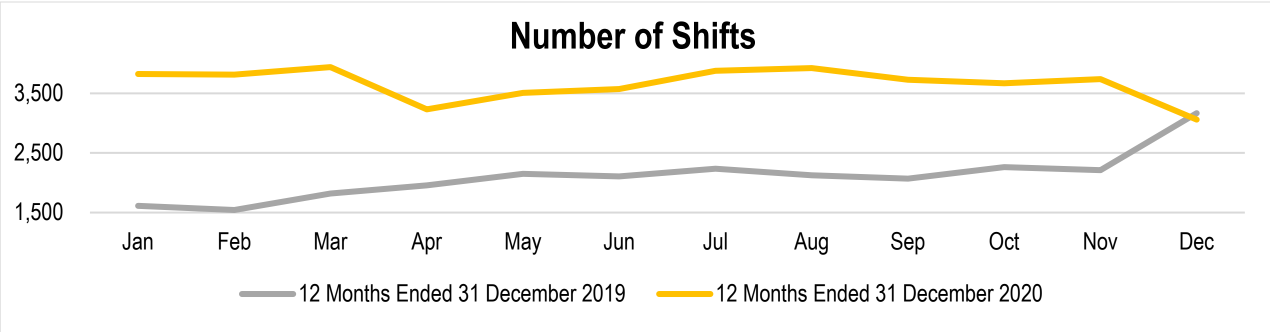
DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Activity levels

The six months ended 31 December 2020 (1H21) have seen the benefits of the Group's acquisition of Deepcore Drilling (Deepcore) in November 2019 with 1H21 containing Deepcore's contribution for the whole term compared to 1H20 which contained the benefit of only one month. This has seen reported revenue for 1H21 of $100.0m representing a 37% increase from the previous corresponding period of $73.0m and a 58% increased on 1H19 which recognised revenue of $63.3m.

The charts below illustrate the utilisation (rig count) and productivity (number of shifts) over the past 24 months with the increased utilisation particularly pronounced when comparing the year ended 31 December 2020 with the year ended 31 December 2019, given the Deepcore acquisition in November 2019.





DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

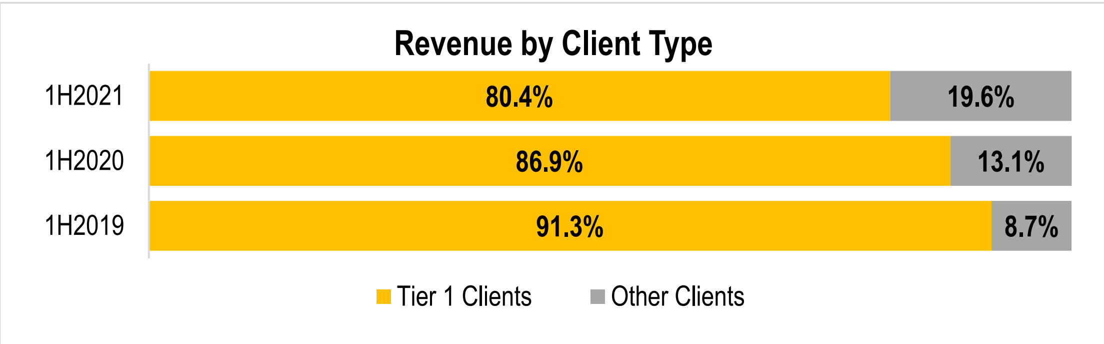
The table below illustrates the revenue impact of the increased utilisation and productivity over the past 30 months.

	FY2019		FY2020		FY2021
	1H19	**2H19**	**1H20***	**2H20**	**1H21**
Average operating rigs	48.1	49.8	58.7	76.7	75.0
Number of shifts	11,078	11,188	14,069	21,887	21,996
Revenue ($'000s)	63,153	57,052	72,983	102,572	99,989
Annualised revenue per rig ($'000s)	2,626	2,291	2,487	2,675	2,666

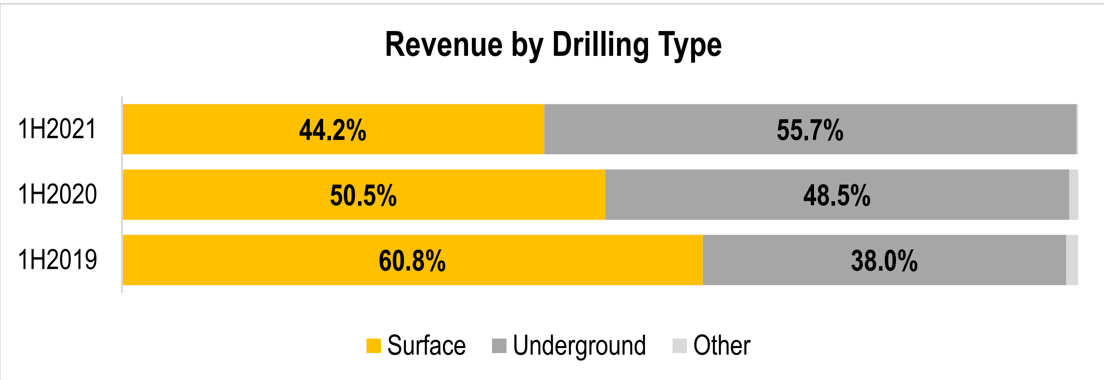
*1H20 reflects one month's contribution from Deepcore and therefore does not reflect the underlying contribution of Deepcore from an average operating rig and number of shifts perspective.

Customer base and revenue break-down

As the chart below demonstrates, the Group's revenue was predominantly derived from large, multinational mining clients (Tier 1 clients). The drilling services that were provided to these Tier 1 clients were generally 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.

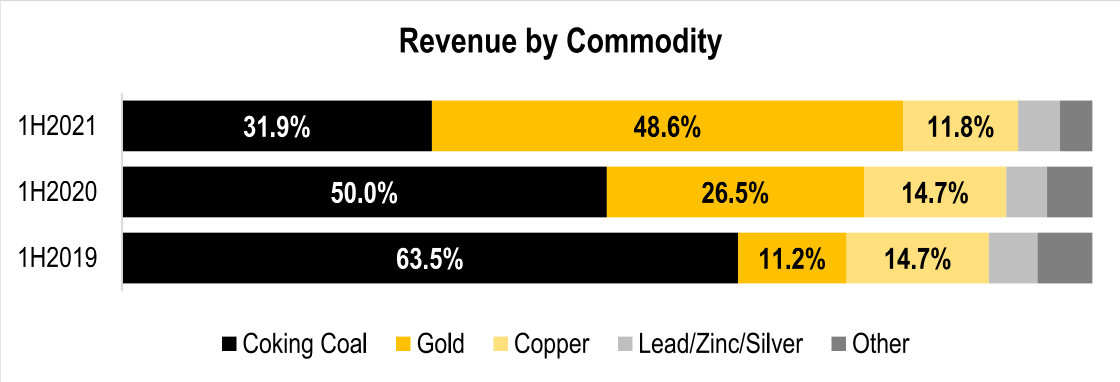


The Board and management remain mindful of the importance of diversification in revenue streams including the mix between surface and underground drilling and the mix between different commodity types. Underground drilling is generally performed on a double shift basis and is generally not subjected to seasonal fluctuations. With the benefit of Deepcore's contribution for the entire period, 1H21 Revenue from underground drilling now represents the majority, being 56% of the Group's total revenue.

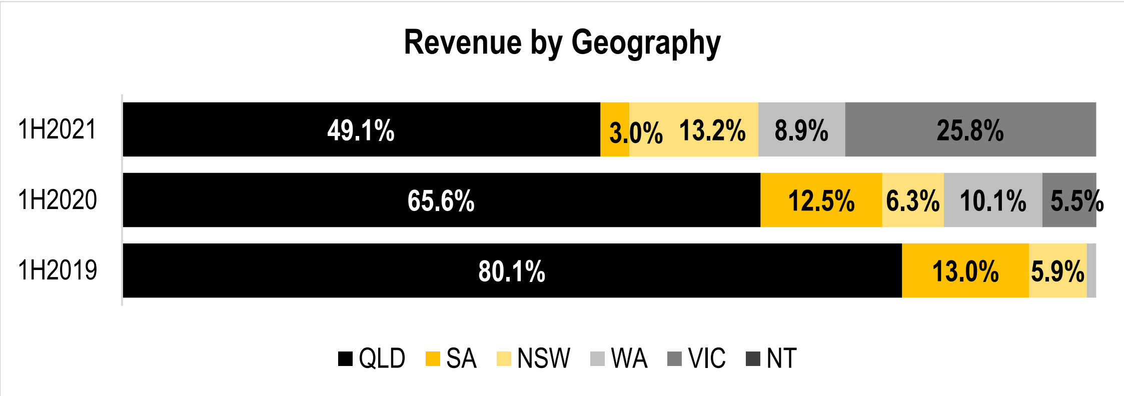


DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Whilst activity levels across the metallurgical coal industry have remained flat in recent times (noting that the Group has no exposure to thermal coal), the Group has seen a significant increase in the demand for drilling services within the gold and base metals sectors. This demand increase and the full six months revenue contribution from Deepcore have resulted in the Group's revenue mix by commodity being more weighted towards gold in 1H21.



The share of revenue derived from Victoria and New South Wales has progressively become a more substantial portion of the geography mix primarily as a result of 1H21 including a full period's contribution from Deepcore.



DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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 improving market conditions) on training to attract, retain and further develop its drillers and support 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 continues to monitor the ongoing risks of the COVID-19 virus, working closely with government, various specialist organisations and all clients and stakeholders in order to limit its spread through active preventative measures.

Profitability

As reflected earlier in this Directors Report, 1H21 has seen significant improvements in most key operating metrics when compared to 1H20. These include stronger operating revenues per rig and greater utilisation and productivity levels across the business and following the Deepcore Drilling acquisition that took place in November 2019. Despite the improvements in these key operating metrics and increases in activity levels across the business, it is disappointing to note that earnings have been materially impacted by the recognition of a $7.3m impairment of trade receivables relating to one of the Group's customers, SMS Innovative Mining Pty Ltd (the Client). On 12 February 2021 the Group terminated a material drilling contract with the Client. The contract (under which the Group provided drill and blast services for the Client at the Kirkalocka gold project in Western Australia), was terminated on grounds of breach of contract following repeated failure by the Client to settle amounts due and payable pursuant to the terms of the contract.

Consequently the Group has recorded 1H21 earnings before interest, depreciation and amortisation (EBITDA) of $12.5m, down $1.6m on the previous corresponding period of $14.1m.

After deducting depreciation and amortisation of $15.5m, the Group recorded a negative 1H21 earnings before interest and tax (EBIT) of ($3.0m), down $10.1m on the positive 1H20 EBIT of $7.1m. This significant variance is largely represented by the $7.3m impairment and by amortisation expenses being up $3.6m on 1H20. The latter is due mainly to a full period recognition of amortisation on fair valued customer contracts per the Deepcore acquisition (the corresponding period had only reflected one month's equivalent).

The negative EBIT flowed down to a 1H21 net loss before tax (NLBT) of $4.4m, down $10.8m on the 1H120 net profit before tax (NPBT) of $6.4m, while the Group recorded a 1H21 net loss after tax (NLAT) of $3.1m, down $7.4m on 1H20 net profit after tax (NPAT) of $4.3m.

Cash flow

Pleasingly, despite the impact of the impairment loss on earnings, strong free cash flows were generated in 1H21 which have been primarily used to reduce debt. The Group generated $18.9m cash flow from operations and, after deducting interest payments of $0.9m and income tax payments of $2.2m, the Group's cash flow from operating activities was $15.7m for 1H21, up $1.7m on 1H20 and representing a strong cash conversion ratio of 81%.

Balance sheet

Despite the unfavourable impact of the impairment loss on the Group's working capital ratio, the Group retains a strong balance sheet with free cash flow generation being used to reduce gross debt over 1H21. The Group has also continued to invest in its fleet, with capex spend of $9.4m resulting in an improved property, plant and equipment base at 31 December 2020.

DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Consolidated net debt at 31 December 2020 of $23.4m is down $4.2m (15%) on 30 June 2020 and represents a reduction of $15.1m (39%) from peak levels at 31 December 2019 following the Deepcore acquisition. The 31 December 2020 net debt balance of $23.4m represents approximately 0.7 times EBITDA on an historic rolling 12-month basis.

Whilst the Group remains strategically focussed on debt reduction in the medium to long term, it considers current debt levels are appropriate based on various factors including the leverage level of 0.7 times as outlined above and the ability to service the debt based on the size and remaining term of its contract book and tender pipeline. Further, at 31 December 2020, the Group held cash and cash equivalents of $9.6m while maintaining a working capital facility of $10m to provide strong liquidity coverage.

The Group's current ratio (current assets: current liabilities) has decreased by 11% from 1.18 at 30 June 2020 to 1.05 at 31 December 2020. This is largely due to the recognition of the impairment loss on trade receivables discussed above.

EVENTS AFTER THE REPORTING DATE

On 12 February 2021 the Group terminated a material drilling contract with SMS Innovative Mining Pty Ltd (SMS). The contract (under which the Group provided drill and blast services for SMS at the Kirkalocka gold project in Western Australia), was terminated on grounds of breach of contract following repeated failure by SMS to settle amounts due and payable pursuant to the terms of the contract. The total amount of all unpaid invoices at the date of this report is approximately $9.3m which the Group is seeking to recover from SMS. A statutory letter of demand was served on SMS on 10 February 2021 for the full amount of all invoices that were due and owing as at the date of the demand, being $6.2m. Since the date of the demand, SMS has made an application to set aside the statutory demand alleging there is a dispute as to the existence of the debt and asserting an offsetting claim. The application will be heard in the Melbourne Supreme Court on 10 March 2021.

There has not been any other matter or circumstance occurring subsequent to the end of the reporting period that has 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' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under s 307C of the Corporations Act 2001 is set out on page 9 for the half-year ended 31 December 2020.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors

N. Mitchell

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 26th day of February 2021

JESSUPS

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF
MITCHELL SERVICES LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

In accordance with section 307C of the *Corporations Act 2001*, I declare that, to the best of my knowledge and belief, in relation to the review of the financial report of Mitchell Services Limited and Controlled Entities for the half-year ended 31 December 2020, there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Jessups

Paul Sapelli
Partner

Level 1, 211 Sturt Street, Townsville QLD 4810

Dated: 26 February 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	31 Dec 20 $	31 Dec 19 $
Continuing operations			
Revenue	2	100,035,276	72,983,343
Gain on sale of assets		1,342,346	1,335,386
Drilling consumables		(9,854,781)	(8,000,709)
Employee and contract labour expenses		(48,719,622)	(35,627,885)
Fuel and oil		(986,023)	(1,562,410)
Freight and couriers		(832,648)	(836,266)
Hire of plant and equipment		(5,339,811)	(3,117,477)
Insurances		(1,488,682)	(795,629)
Legal, professional and consultant fees		(500,006)	(1,135,682)
Rent		(603,626)	(504,829)
Service and repairs		(7,080,892)	(3,535,149)
Travel expenses		(3,724,282)	(3,225,904)
Impairment of trade receivables	3	(7,329,472)	-
Other expenses		(2,452,837)	(1,836,813)
Earnings before interest, tax, depreciation and amortisation		12,464,940	14,139,976
Depreciation expense		(11,039,652)	(6,253,097)
Amortisation of intangibles		(4,436,189)	(823,786)
Profit / (loss) before interest and tax		(3,010,901)	7,063,093
Finance expenses		(1,367,265)	(692,406)
Profit / (loss) before tax		(4,378,166)	6,370,687
Income tax (expense)/benefit		1,247,649	(2,080,758)
Profit / (loss) for the period from continuing operations		(3,130,517)	4,289,929
Discontinued operations			
Profit / (loss) for the period from discontinued operations		-	-
Profit / (loss) for the period		(3,130,517)	4,289,929
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		(3,130,517)	4,289,929
Profit / (loss) attributable to:			
Owners of the parent		(3,130,517)	4,289,929
Total comprehensive income attributable to:			
Owners of the parent		(3,130,517)	4,289,929
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		(1.57)	24.1
Diluted (cents per share)		(1.57)	24.1
From continuing operations			
Basic (cents per share)		(1.57)	24.1
Diluted (cents per share)		(1.57)	24.1

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	31 Dec 20 $	30 Jun 20 $
ASSETS			
Current assets			
Cash and cash equivalents		9,599,388	11,906,383
Trade and other receivables	3	22,019,989	33,076,207
Other assets		1,590,430	2,010,246
Inventories		4,193,192	4,093,648
Intangibles at cost	4	5,362,030	7,466,209
Total current assets		42,765,029	58,552,693
Non-current assets			
Right-of-use assets	5	2,987,649	3,056,584
Property, plant, and equipment	6	69,526,635	70,265,463
Intangibles at cost	4	7,681,430	10,013,440
Deferred tax assets	8	939,660	-
Other assets		73,423	156,066
Total non-current assets		81,208,797	83,491,553
Total assets		123,973,826	142,044,246
LIABILITIES			
Current liabilities			
Trade and other payables		18,043,279	21,698,820
Dividend payable		-	2,191,627
Income tax payable	8	352,159	1,405,158
Other financial liabilities	7	14,318,507	15,822,772
Provisions		8,060,063	8,340,744
Total current liabilities		40,774,008	49,459,121
Non-current liabilities			
Other financial liabilities	7	28,095,563	33,139,005
Deferred tax liabilities	8	-	1,456,276
Provisions		597,169	528,423
Total non-current liabilities		28,692,732	35,123,704
Total liabilities		69,466,740	84,582,825
Net assets		54,507,086	57,461,421
EQUITY			
Issued capital		72,995,137	72,995,137
Share issue costs		(2,745,932)	(2,745,932)
Retained earnings		(15,742,119)	(12,787,784)
Total equity		54,507,086	57,461,421

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Issued Capital	Retained Earnings	Total
		$	$	$
Balance at 1 July 2019		55,518,917	(17,925,553)	37,593,364
Comprehensive income				
Profit for the period		-	4,289,929	4,289,929
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	4,289,929	4,289,929
Issue of ordinary shares		14,750,000	-	14,750,000
Share issue costs, net of tax		(19,712)	-	(19,712)
Income tax related to share issue costs		(35,280)	-	(35,280)
Recognition of share-based payments		-	267,633	267,633
Balance at 31 December 2019		**70,213,925**	**(13,367,991)**	**56,845,934**
Balance at 1 July 2020		70,249,205	(12,787,784)	57,461,421
Comprehensive income				
Loss for the period		-	(3,130,517)	(3,130,517)
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	(3,130,517)	(3,130,517)
Recognition of share-based payments		-	176,182	176,182
Balance at 31 December 2020		**70,249,205**	**(15,742,119)**	**54,507,086**

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	31 Dec 20 $	31 Dec 19 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		104,196,073	74,502,079
Payments to suppliers and employees		(85,332,442)	(59,623,518)
Interest received		90	-
Interest paid		(916,120)	(866,616)
Income tax paid		(2,201,286)	-
Net cash provided by operating activities		15,746,316	14,011,945
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,622,974	1,892,877
Payment for purchase of property, plant and equipment		(9,356,864)	(9,183,362)
Payment for purchase of Deepcore, net of cash acquired		-	(15,680,378)
Net cash used in investing activities		(7,733,890)	(22,970,863)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for share issue costs		-	(28,160)
Proceeds from borrowings		-	19,188,319
Repayment of borrowings		(8,127,794)	(2,980,890)
Dividends paid		(2,191,627)	(1,734,966)
Net cash provided by/ (used in) financing activities		(10,319,421)	14,444,303
Net increase in cash and cash equivalents		(2,306,995)	5,485,385
Cash and cash equivalents at the beginning of the period		11,906,383	1,596,676
Cash and cash equivalents at the end of the period		**9,599,388**	**7,082,061**

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Mitchell Services Limited and its controlled entities (referred to as the **Group**). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 26 February 2021.

(b) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

2. REVENUE

(a) Income from continuing operations

	31 Dec 20	31 Dec 19
	$	$
Revenue from contracts with customers	99,989,102	72,983,343
Other	46,174	-
	100,035,276	72,983,343

(b) Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from contracts with customers by commodity, drilling type and client type, as this appropriately depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Commodity		
Coking Coal	31,941,088	36,467,714
Gold	48,567,215	19,342,415
Copper	11,829,321	10,702,765
Lead/zinc/silver	4,302,886	3,071,504
Other	3,348,593	3,398,945
	99,989,102	72,983,343
Drilling type		
Surface drilling	44,164,841	36,888,474
Underground drilling	55,656,215	35,432,282
Other revenue	168,046	662,587
	99,989,102	72,983,343
Geography		
Queensland	49,121,216	47,848,219
South Australia	2,965,228	9,121,194
New South Wales	13,230,347	4,608,098
Western Australia	8,907,431	7,379,391
Victoria	25,764,880	4,026,441
	99,989,102	72,983,343
Client type		
Tier-1 clients	80,342,178	63,401,029
Other clients	19,646,925	9,582,314
	99,989,102	72,983,343
Timing of revenue recognition		
Services transferred over time	87,443,401	61,836,127
Goods transferred at a point in time	12,545,701	11,147,216
	99,989,102	72,983,343

	31 Dec 20	30 June 20
	$	**$**
3. TRADE AND OTHER RECEIVABLES		
Trade debtors	9,854,844	21,406,957
Accrued income	12,115,618	11,614,842
Bonds and deposits	49,527	54,408
	22,019,989	33,076,207

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. While this has in effect seen the Group consider a provisioning matrix to measure expected credit losses, in practice, the substantially tier one client base and strong collection history means nil expected credit losses had been recognised by 30 June 2020.

At 31 December 2020, the Group has recognised an impairment loss of $7,329,472 relating to one of its clients, SMS Innovative Mining Pty Ltd, on the grounds of its failure to settle amounts due and payable for services rendered during the half-year ended 31 December 2020, as this is considered objective evidence of an impairment event. The allowance for impairment has been measured based on the difference between total amounts receivable at 31 December 2020 and amounts collected subsequent to this date.

The table below details gross receivables at 31 December 2020 adjusted for the impairment loss recognised:

	31 Dec 20	30 June 20
	$	**$**
Gross trade debtors and accrued income*	29,299,934	33,021,799
Impairment loss allowance	(7,329,472)	-
Net trade debtors and accrued income	21,970,462	33,021,799

*The amount receivable from SMS Innovative Mining Pty Ltd at 31 December 2020 was $8,529,472 which is represented by amounts totalling $6,001,157 and $2,528,315 within trade debtors and accrued income respectively. The accrued income component was invoiced subsequent to 31 December 2020 while amounts totalling $1,200,000 have been collected since that date.

The impairment loss has been recognised in profit or loss. If and when a trade receivable for which an impairment loss was recognised becomes uncollectible in a subsequent period, the Group will write off that trade receivable against the allowance account. If and whena receivable is no longer considered to be impaired in a subsequent period, either partially or in full, the Group will reverse the impairment directly to profit or loss.

Refer also note 12 Events After the Reporting Date for details of termination of contract relating to this customer.

4. INTANGIBLE ASSETS

	Goodwill	Customer Contracts	Total
	$	$	$
At 31 December 2020			
Cost or fair value	5,755,572	17,129,163	22,884,735
Accumulated amortisation	-	(9,841,275)	(9,841,275)
Net book amount	5,755,572	7,287,888	13,043,460
Half-year ended 31 December 2020			
Opening net book amount	5,755,572	11,724,077	17,479,649
Amortisation	-	(4,436,189)	(4,436,189)
	5,755,572	7,287,888	13,043,460

Goodwill and customer contracts were initially recognised upon completion of the Group's acquisition of Deepcore Drilling during the year ended 30 June 2020. These recognised customer contracts comprise separate contracts that either will expire, or have expired, at different dates post acquisition, ranging from October 2020 to February 2023 and are amortised on a straight-line basis over the contract periods. The closing carrying amount allocation of customer contracts between current and non-current at 31 December 2020 is $5,362,030 and $1,925,858 respectively.

5. RIGHT-OF-USE ASSETS

	Total
	$
At 31 December 2020	
Cost	3,818,277
Accumulated depreciation	(830,628)
Net book amount	2,987,649
Half-year ended 31 December 2020	
Opening net book amount	3,056,584
Change in assumption around likelihood of option take-up	224,504
Depreciation	(293,439)
	2,987,649

The Group's operating lease portfolio relates only to leased premises with the expiry dates of those leases ranging from November 2022 through to December 2026. During the half-year, it was considered probable that the Group would take up an option to extend one of its leases for an additional two years, resulting in an increase to the right-of-use lease liability present value and a corresponding increase to the cost base of the asset.

6. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant and Equipment	Motor vehicles	Furniture and Fittings	Capital WIP	Total
	$	$	$	$	$	$
At 1 July 2020						
Cost or fair value	121,338	92,272,991	18,468,883	716,283	5,055,291	116,634,786
Accumulated depreciation	(94,884)	(33,480,098)	(12,245,208)	(549,133)	-	(46,369,323)
Net book amount	26,454	58,792,893	6,223,675	167,150	5,055,291	70,265,463
Half-year ended 31 December 2020						
Opening net book amount	26,454	58,792,893	6,223,675	167,150	5,055,291	70,265,463
Additions	-	2,936,463	228,796	-	7,348,551	10,513,810
Transfers	-	3,539,491	313,104	-	(3,852,595)	-
Disposals	-	(207,418)	(299,007)	-	-	(506,425)
Depreciation	(10,314)	(9,555,965)	(1,094,902)	(85,032)	-	(10,746,213)
Closing net book amount	16,140	55,505,464	5,371,666	82,118	8,551,247	69,526,635
At 31 December 2020						
Cost or fair value	121,338	97,773,851	17,825,299	716,283	8,551,247	124,988,018
Accumulated depreciation	(105,198)	(42,268,387)	(12,453,633)	(634,165)	-	(55,461,383)
Net book amount	16,140	55,505,464	5,371,666	82,118	8,551,247	69,526,635

7. FINANCIAL LIABILITIES

	31 Dec 20	30 Jun 20
	$	$
Current		
Borrowings	3,222,653	3,235,190
Equipment finance leases	7,711,334	9,009,083
Right-of-use lease liability	496,393	464,987
Insurance premium and vehicle registration funding	875,485	1,214,038
Contingent consideration liability	2,012,642	1,899,474
	14,318,507	15,822,772
Non-current		
Borrowings	9,333,333	10,933,333
Equipment finance leases	12,710,629	16,313,846
Right-of-use lease liability	2,644,821	2,696,169
Contingent consideration liability	3,406,780	3,195,657
	28,095,563	33,139,005

8. TAX EXPENSE, ASSETS AND LIABILITIES

(i) Income tax expense
Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate for the half-year ended 31 December 2020 was 28.5%.

(ii) Net deferred tax assets
Net deferred tax assets at 31 December 2020 total $939,660 (30 June 2020: nil) compared to net deferred tax liabilities at 30 June 2020 of $1,456,276. The change is largely attributable to the recognition of a deferred tax asset of $2,180,816 on the impairment loss on trade receivables (refer note 3) while deferred tax liabilities have reduced during the half-year due mainly to the recognition of a further $4,436,189 of amortisation on customer contracts.

(iii) Current tax liability
The current tax liability of $352,159 mainly relates to the estimated income tax liability accruing for the half-year ended 31 December 2020 less PAYG instalments during the period.

9. RELATED PARTY TRANSACTIONS

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.

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 $226,458 including GST. Amounts were billed on normal market rates for such services and were due and payable under normal payment terms. An amount of $123,992 remains owing to this related entity at the end of the reporting period.

Equipment Hub Pty Ltd
Nathan Mitchell is a significant shareholder of 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. Hire of plant and equipment from this related entity for the reporting period amounted to $128,205 including GST. The Group also purchased certain items of ancillary equipment during the period which amounted to $93,081 including GST. All of these transactions were based on normal market rates and under normal payment terms.

In addition, during the reporting period, the Group engaged Equipment Hub Pty Ltd as a broker to sell certain items of property, plant and equipment to third parties. Commission of $20,274 (including GST) was paid to Equipment Hub consistent with normal commercial terms for services of this nature.

An amount of $56,714 remains owing to this related entity at the end of the reporting period.

XLM Systems Pty Ltd
XLM Systems Pty Ltd is an entity controlled by Mitchell Group Holdings (a related party of Nathan Mitchell). XLM designs and develops specialist information technology and communication platforms and applications. During the reporting period, the Group was supplied certain communication units for the control room on one of its drill rigs. These amounted to $11,913 inclusive of GST, all of which remained owing to this related entity at the end of the reporting period.

Eastwest Drilling and Mining Supplies Pty Ltd
Eastwest Drilling and Mining Supplies Pty Ltd is an entity controlled by Scott Tumbridge. During the reporting period, the Group was supplied plant items, parts and consumables totalling $3,753,760. All amounts are inclusive of GST and were based on normal market rates and under normal payment terms. An amount of $1,168,702 remains owing to this related entity at the end of the reporting period.

Aquamax Pty Ltd
Aquamax Pty Ltd is an entity controlled by Nathan Mitchell. During the period, the Group sold certain items of equipment to this related entity for $5,500 including GST. Nil amounts remain receivable from this related entity at the end of the reporting period.

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 rental associated with this property for the reporting period amounted to $184,574 net of applied rental reductions associated with the revised lease. There are also ancillary utilities charges of $23,407 reflected in the period. There are nil amounts owing to this related entity at the end of the reporting period.

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 reporting period.

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.

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

10. OPERATING SEGMENTS

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. 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.

11. FINANCIAL COMMITMENTS

As at 31 December 2020 the Group had outstanding capital expenditure commitments of approximately $4.4m relating to the acquisition of four drilling rigs.

12. EVENTS AFTER THE REPORTING DATE

On 12 February 2021 the Group terminated a material drilling contract with SMS Innovative Mining Pty Ltd (SMS). The contract (under which the Group provided drill and blast services for SMS at the Kirkalocka gold project in Western Australia), was terminated on grounds of breach of contract following repeated failure by SMS to settle amounts due and payable pursuant to the terms of the contract. The total amount of all unpaid invoices at the date of this report is approximately $9.3m which the Group is seeking to recover from SMS. A statutory letter of demand was served on SMS on 10 February 2021 for the full amount of all invoices that were due and owing as at the date of the demand, being $6.2m. Since the date of the demand, SMS has made an application to set aside the statutory demand alleging there is a dispute as to the existence of the debt and asserting an offsetting claim. The application will be heard in the Melbourne Supreme Court on 10 March 2021.

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

Directors' Declaration

In accordance with a resolution of the Directors of Mitchell Services Limited, the Directors declare that:

1) the financial statements and notes, as set out on pages 10-20, are in accordance with the Corporations Act 2001, including:

    a) complying with Accounting Standard AASB 134 Interim Financial Reporting; and

    b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.

2) in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

On behalf of the Directors

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 26th day of February 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF MITCHELL SERVICES LIMITED AND CONTROLLED ENTITIES FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

REPORT ON THE HALF-YEAR FINANCIAL REPORT

CONCLUSION

We have reviewed the half-year financial report of Mitchell Services Limited (the Company) and Controlled Entities (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

BASIS FOR CONCLUSION

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity.* Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

RESPONSIBILITY OF THE DIRECTORS FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY FOR THE REVIEW OF THE FINANCIAL REPORT

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Jessups

Paul Sapelli
Partner

Level 1, 211 Sturt Street, Townsville QLD 4810

Dated: 26 February 2021