



Mitchell
SERVICES

Appendix 4D

Mitchell Services Limited (ABN 31 149 206 333)

Current reporting period	Previous reporting period
1 July 2023 to 31 December 2023	1 July 2022 to 31 December 2022

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 1%	121,644	120,231	1,413
EBITDA	Up 20%	20,009	16,609	3,400
Profit after tax attributable to members	Up 2,187%	4,253	186	4,067

Net Tangible Assets per Security

	31 Dec 23	30 Jun 23	31 Dec 22
Net tangible asset backing per ordinary security	27.7 cents	28.1 cents	24.7 cents

Dividends

	Amount per share	Franked amount per share
Interim dividend (cents per share)	2.00 cents	nil
Record date for determining entitlement to interim dividend		29 February 2024
Date dividend is to be paid		18 March 2024

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 22 February 2024.

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

Greg Switala
Company Secretary

22 February 2024

Mitchell Services Limited
ABN 31 149 206 333

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MITCHELL SERVICES LTD ACN 149 206 333

FOR THE HALF-YEAR ENDED
31 DECEMBER 2023



Mitchell
SERVICES

HALF-YEAR REPORT

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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

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 2023 (1H24). 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

The above-named Directors have held office throughout the six months ended 31 December 2023.

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 services at all stages of the mining lifecycle. 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 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 reporting period.

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 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.

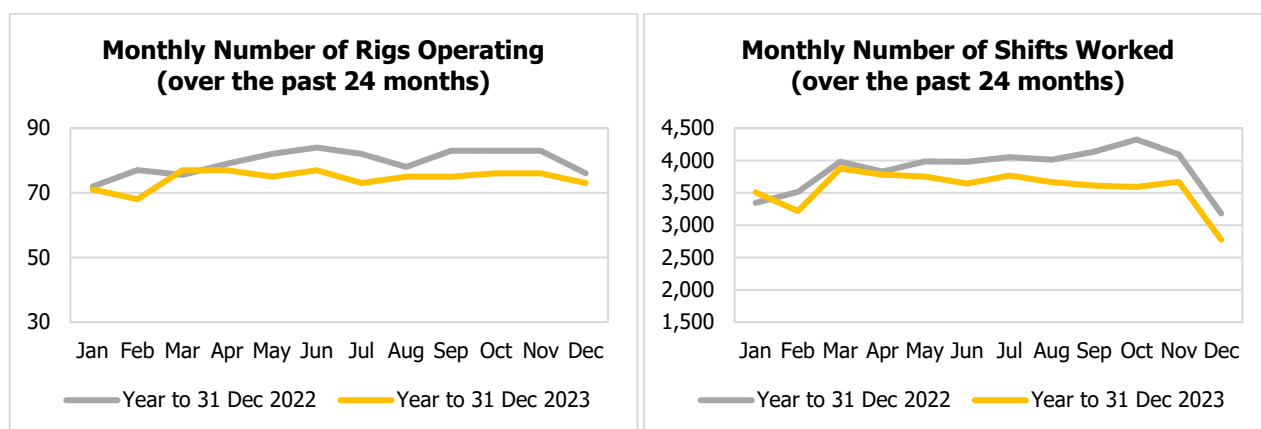
DIRECTORS' REPORT CONTINUED FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

The Group's safety team was named the National Health and Safety Team of the Year in the 2023 Australian Workplace Health and Safety awards held during 1H24 with competition extending across all industries and organisations of all sizes. The Directors of the Company are proud of this achievement and the overall safety performance and culture across the Group which remains industry leading.

Activity levels

Compared to 1H23, utilisation levels have decreased slightly with the average rig and total shift count of 74.7 and 20,972 being down 7.5% and 11.9% respectively on 1H23 (80.8 and 23,798). This decrease in utilisation primarily relates to the underground sector of the business with the largest portion of this reduction coming from the Victorian goldfields. The Group's customer base in Victoria remains strong with drilling contracts in this region remaining on foot albeit with fewer operating rigs in recent times. The number of operating rigs associated with these longer-term contracts will generally increase and decrease in the ordinary course of business throughout the contract term.

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



The table below summarises key utilisation figures (operating rig count and number of shifts) over the past 18 months and demonstrates the impact on revenue over the same period.

	1H23	2H23	1H24
Average operating rigs	80.8	74.2	74.7
Number of shifts	23,798	21,771	20,972
Revenue (\$'000s)	120,231	122,913	121,644

DIRECTORS' REPORT CONTINUED FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

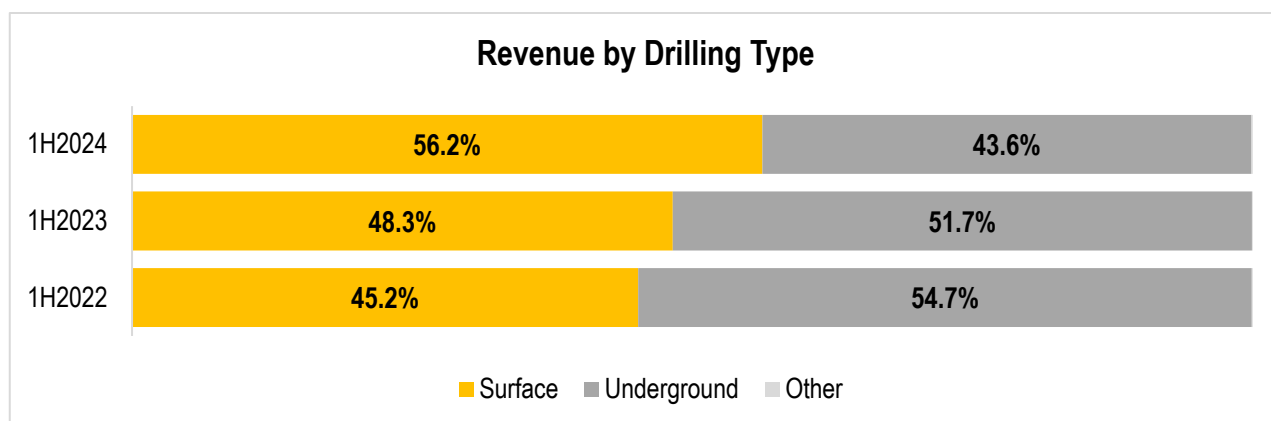
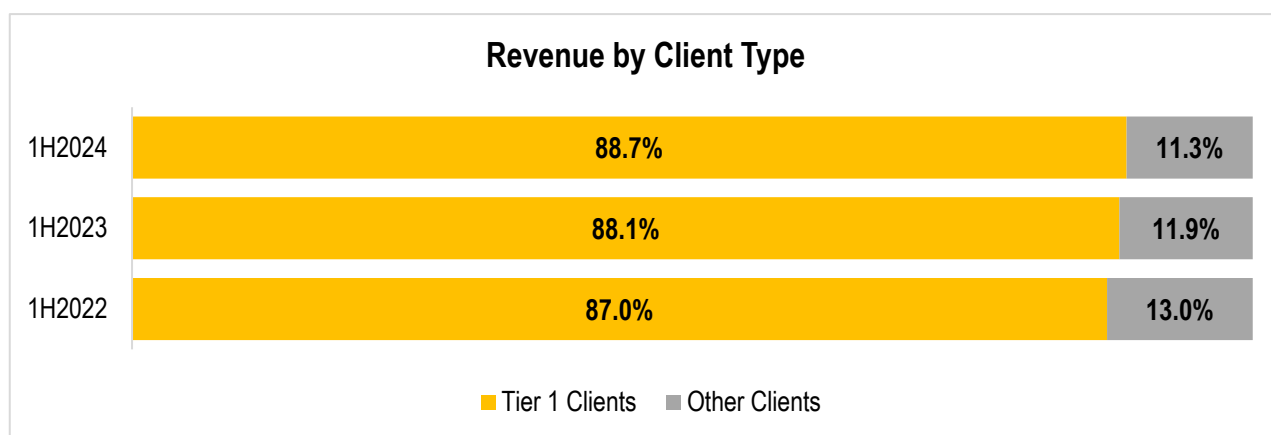
Customer base and revenue break-down

As the charts below demonstrate, the Group's revenue continues to be derived predominantly 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 linked to the resource definition, development and production stages within the mine life cycle as opposed to greenfield exploration.

Diversification in revenue streams including the mix between surface and underground drilling as well as the mix between different commodity types continues to be a focus of the Board and management. The relevant proportions of 1H24 revenue derived from surface drilling and underground drilling of 56.2% and 43.6% respectively, while still reasonably balanced, has changed from 1H23 which had recorded 48.3% and 51.7% by comparison. This is due mainly to decreased utilisation this financial year in the underground Victorian goldfields sector as previously discussed.

By commodity type, a proportionally greater utilisation of surface rigs in Queensland and New South Wales has resulted in a higher share of revenue contributed by steelmaking coal (43.4% compared to 30.5% in 1H23) with a commensurate reduction in the gold mix (39.9% compared to an equivalent of 49.3% in 1H23). Other base metals make up the 1H24 and 1H23 balance of 16.7% and 20.2% respectively.

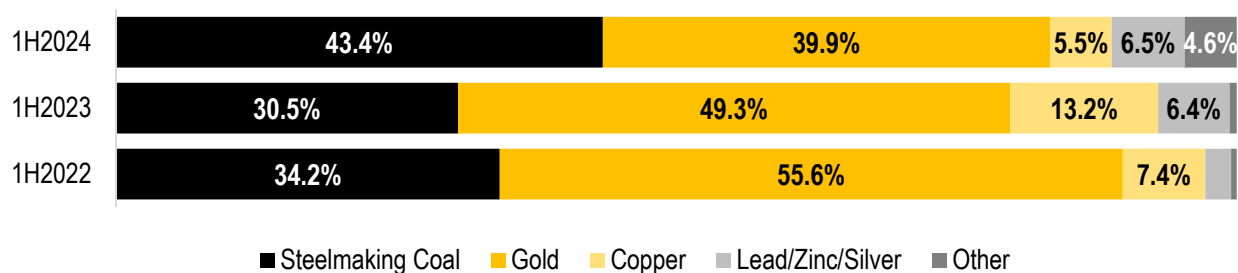
The geographical mix corresponds with drilling and commodity types referenced above, with revenue from Queensland, Victoria and New South Wales comprising 55.4%, 18.8% and 13.8% respectively (1H23 51.3%, 24.9% and 12.3%) while 1H24 operations in the Northern Territory of 11.2% (1H23: 5.2%) are also significant.



DIRECTORS' REPORT CONTINUED

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Revenue by Commodity



Revenue by Geography



DIRECTORS' REPORT CONTINUED FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Profitability

The table below summarises the key profitability metrics for the half-year ended 31 December 2023 (1H24) versus the corresponding half-year ended 31 December 2022 (1H23).

	1H24	1H23	Movement	Movement
	\$m	\$m	\$m	%
Revenue (1)	121.6	120.3	1.3	1.1%
Operating expenses	(101.6)	(103.6)	2.0	1.9%
EBITDA* (2)	20.0	16.6	3.4	20.5%
Depreciation and amortisation (3)	(13.0)	(15.1)	2.1	(13.9%)
EBIT*	7.0	1.5	5.5	366.7%
Finance costs (4)	(0.8)	(1.2)	0.4	33.3%
EBT	6.2	0.3	4.9	1,966.7%
Taxation expense	(1.9)	(0.1)	(1.8)	(1,800.0%)
Profit after tax	4.3	0.2	4.1	2,050.0%

*These figures are not subject to audit or review.

(1) Revenue increased by approximately 1.1% from \$120.3m in 1H23 to \$121.6m in 1H24. This was despite reduced utilisation and reflects the impact of the shift in the mix of work (by drilling type) with drilling from surface rigs accounting for 56.2% of total revenue in 1H24 (48.3% in 1H23).

(2) EBITDA of \$20.0m is up 20.5% on 1H23's reported \$16.6m. This increase was driven by an improvement in EBITDA margins (from 13.8% in 1H23 to 16.4% in 1H24) rather than increases in volume/utilisation.

(3) Depreciation and amortisation in 1H24 of \$13.0m was 13.9% lower than the 1H23 figure of \$15.1m with the decrease largely attributable to nil amortisation on customer contract intangible assets acquired per the Deepcore acquisition in FY20 (1H23: \$0.8m) and lower overall depreciation on property plant and equipment as capital expenditure levels continue to decrease compared to average levels in recent years.

(4) Finance costs in 1H24 of \$0.8m were 33.3% lower than the 1H23 figure of \$1.2m, in line with the reducing level of debt held by the Group.

DIRECTORS' REPORT CONTINUED FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Cash flow

The table below summarises the key cashflow metrics for 1H24 versus the prior corresponding period (1H23).

	1H24	1H23	Movement	Movement
	\$m	\$m	\$m	%
Cash flows from operating activities (1)	24.4	11.0	13.4	121.8%
Payments for PPE (net of sales proceeds) (2)	(3.9)	(6.1)	2.2	36.1%
Payments for shares bought back (2)	(1.8)	(1.5)	(0.3)	(20.0%)
Repayments of borrowings (2)	(8.4)	(8.6)	0.2	2.3%
Dividends paid (3)	(4.5)	-	(4.5)	100.0%
Increase/(decrease) in cash and cash equivalents	5.7	(5.2)	10.9	209.6%

- (1) Cash flows from operating activities in 1H24 of \$24.4m was materially greater than the corresponding period, up 121.8% on the 1H23 figure of \$11.0m. The exceptional cash flow generated from operations was attributable to greater EBITDA performance, a stable operating rig count and the resultant lack of any material increase in working capital requirements.
- (2) Capital expenditure, repayments of borrowings and payments for shares bought back in 1H24 were all largely comparable with 1H23 levels.
- (3) The significant increase in dividends paid was a function of the increase in Group post tax profit in FY23 vs FY22 (\$7.6m in FY23 vs \$nil in FY22).

Financial position

The following table summarises the Group's financial position at 31 December 2023 and 30 June 2023.

	31 Dec 23	30 Jun 23	Movement	Movement
	\$	\$	\$	%
Current assets	55,872,224	56,782,037	(909,813)	(1.60%)
Non-current assets	74,609,396	77,822,718	(3,213,322)	(4.1%)
Total assets	130,481,620	134,604,755	(4,123,135)	(3.1%)
Current liabilities	48,019,573	47,453,836	(565,737)	(1.2%)
Non-current liabilities	17,263,117	20,050,517	2,787,400	13.9%
Total liabilities	65,282,690	67,504,353	2,221,663	3.3%
Net assets	65,198,930	67,100,402	(1,901,472)	(2.8%)

The Group's current ratio remained steady 1.16 at 31 December 2023 compared to 1.20 at 30 June 2023.

At 31 December 2023, Gross Debt was \$25.9m (30 June 2023: \$28.8m), comprising \$23.0m (30 June 2023: \$24.2m) equipment hire purchase facilities and a term loan of \$2.9m (30 June 2023: \$4.6m).

DIRECTORS' REPORT CONTINUED FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Given the substantially improved cash balance at 31 December 2023 of \$16.9m (30 June 2023: \$11.1m), Net Debt (defined as Gross debt less cash and cash equivalents) was \$9.1m at 31 December 2023, down \$8.5m (48%) on the equivalent at 30 June 2023 of \$17.6m.

Capital management

The Company remains committed to maximising cash returns for shareholders, applying sensible limits to growth capital expenditure and operating within a target net debt parameter of no more than \$15.0m by 30 June 2024. These elements, and the 1H24 capital management performance are discussed below:

Dividends

The Group paid a partially franked dividend of \$4.5m during 1H24 (1H23: nil). The dividend was a final dividend in relation to the previous financial year (FY23).

Share buy backs

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

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

The buy-back, initially expected to run till at least 30 June 2023, was extended by a further 12 months during the current financial year, and is intended to be in place until July 2024.

Pursuant to the terms of the on-market share buyback, the Group purchased back 4,627,183 shares in 1H24 for combined consideration of \$1.8m (1H23: 4,052,573 shares for a combined consideration of \$1.5m).

As at 31 December 2023 (and since the inception of the buyback in July 2022), the Group had purchased back 11,389,249 shares at a combined cost of \$4,298,001 (\$0.378 per share) net of transaction costs.

EVENTS AFTER THE REPORTING DATE

On-market share buy back

As referred above, the Group is undergoing an on-market share buy back with 11,389,249 shares having been bought back for a combined consideration of \$4,298,001, net of transaction costs, at 31 December 2023.

Subsequent to 31 December 2023 and as at 19 February 2024, the Group has bought back an additional 469,112 shares for a combined consideration of \$173,447 meaning, to date, the number of shares bought back total 11,858,361 shares for a combined consideration of \$4,471,448 net of transaction costs.

Dividends

On 21 February 2024, the Board declared an un-franked dividend of 2.00 cents per share to holders of fully paid ordinary shares on 29 February 2024 (Record Date). The payment date for the dividend is 18 March 2024 and the total estimated dividend is \$4,280,179.

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' REPORT **CONTINUED** FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under s 307C of the *Corporations Act 2001* is set out on page 10 for the half-year ended 31 December 2023.

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

On behalf of the Directors



Nathan Mitchell
Executive Chairman

Dated at Brisbane this 21st day of February 2024



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 review of Mitchell Services Limited for the half-year ended 31 December 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

The KPMG logo, consisting of the letters 'KPMG' in a bold, blue, sans-serif font, with a stylized graphic of four squares above the 'M'.

KPMG

A handwritten signature in black ink, appearing to read 'M J Jeffery'.

M J Jeffery
Partner

Brisbane
21 February 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

		31 Dec 23	31 Dec 22
	Note	\$	\$
Continuing operations			
Revenue	2	121,643,924	120,231,369
Other income		12,914	30,211
Gain on sale of assets		2,120,352	1,703,498
Drilling consumables		(14,237,329)	(13,373,554)
Employee and contract labour expenses		(62,667,396)	(64,880,232)
Fuel and oil		(1,420,515)	(1,590,710)
Freight and couriers		(1,921,984)	(1,686,713)
Hire of plant and equipment		(5,991,679)	(6,547,971)
Insurances		(1,806,698)	(1,862,722)
Legal and consultant fees		(334,586)	(641,940)
Rent		(417,107)	(470,866)
Service and repairs		(6,978,225)	(7,057,293)
Travel expenses		(5,259,537)	(5,894,062)
Fair value decrease to contingent consideration liability		-	1,275,049
Depreciation expense		(13,006,514)	(14,328,625)
Amortisation of intangibles		-	(825,368)
Finance expenses		(799,836)	(1,202,188)
Other expenses		(2,733,293)	(2,625,042)
Profit before tax		6,202,491	252,841
Income tax expense	6	(1,949,279)	(66,839)
Profit for the period		4,253,212	186,002
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		4,253,212	186,002
Profit attributable to:			
Owners of the parent		4,253,212	186,002
Total comprehensive income attributable to:			
Owners of the parent		4,253,212	186,002
Earnings per share			
Basic (cents per share)		1.97	0.08
Diluted (cents per share)		1.97	0.08

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		31 Dec 23	30 Jun 23
		\$	\$
ASSETS	Note		
Current assets			
Cash and cash equivalents		16,851,764	11,107,630
Trade and other receivables	3	27,340,983	34,545,642
Other current assets		2,323,491	2,283,570
Inventories		9,355,986	8,845,195
Total current assets		55,872,224	56,782,037
Non-current assets			
Right-of-use assets		1,200,313	1,460,979
Property, plant and equipment	4	67,653,511	70,606,167
Intangibles at cost		5,755,572	5,755,572
Total non-current assets		74,609,396	77,822,718
Total assets		130,481,620	134,604,755
LIABILITIES			
Current liabilities			
Trade and other payables		19,474,354	19,004,911
Current other financial liabilities	5	17,139,733	16,960,996
Current provisions		11,405,486	11,487,929
Total current liabilities		48,019,573	47,453,836
Non-current liabilities			
Non-current other financial liabilities	5	10,500,995	15,323,901
Deferred tax liabilities	6	5,410,030	3,460,752
Non-current provisions		1,352,092	1,265,864
Total non-current liabilities		17,263,117	20,050,517
Total liabilities		65,282,690	67,504,353
Net assets		65,198,930	67,100,402
EQUITY			
Issued capital		75,936,673	77,772,294
Retained earnings		(10,737,743)	(10,671,892)
Total equity		65,198,930	67,100,402

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 2023

	Note	Issued Capital	Retained Earnings	Total
		\$	\$	\$
Balance at 1 July 2022		80,241,766	(18,495,115)	61,746,651
Comprehensive income				
Profit for the period		-	186,002	186,002
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	186,002	186,002
Transactions with owners of the company				
Shares bought back on-market and transaction costs		(1,520,452)	-	(1,520,452)
Recognition of share-based payments		-	188,148	188,148
Total transactions with owners of the company		(1,520,452)	188,148	(1,332,304)
Balance at 31 December 2022		78,721,314	(18,120,965)	60,600,349
Balance at 1 July 2023		77,772,294	(10,671,892)	67,100,402
Comprehensive income				
Profit for the period		-	4,253,212	4,253,212
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	4,253,212	4,253,212
Transactions with owners of the company				
Shares bought back on-market and transaction costs	7	(1,835,621)	-	(1,835,621)
Dividend declared		-	(4,477,350)	(4,477,350)
Recognition of share-based payments		-	158,287	158,287
Total transactions with owners of the company		(1,835,621)	(4,319,063)	(6,154,684)
Balance at 31 December 2023		75,936,673	(10,737,743)	65,198,930

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

		31 Dec 23	31 Dec 22
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		142,107,806	133,491,666
Payments to suppliers and employees		(116,952,519)	(121,336,788)
Interest paid		(781,175)	(1,139,776)
Net cash provided by operating activities		24,374,112	11,015,102
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,313,551	2,038,780
Payments for purchase of property, plant and equipment		(6,229,123)	(8,091,500)
Net cash used in investing activities		(3,915,572)	(6,052,720)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for shares bought back	7	(1,835,621)	(1,520,452)
Dividends paid		(4,477,350)	-
Repayment of borrowings	5	(8,401,435)	(8,648,208)
Net cash used in financing activities		(14,714,406)	(10,168,660)
Net (decrease)/increase in cash and cash equivalents		5,744,134	(5,206,278)
Cash and cash equivalents at the beginning of the period		11,107,630	3,742,395
Cash and cash equivalents at the end of the period		16,851,764	(1,463,883)

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 2023

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2023 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 2023, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 21 February 2024.

(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 23	31 Dec 22
	\$	\$
Revenue from contracts with customers	121,643,924	120,231,369
	121,643,924	120,231,369

(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

Steelmaking Coal	52,838,843	36,699,142
Gold	48,575,699	59,241,721
Copper	6,657,303	15,859,683
Lead/zinc/silver	7,921,600	7,665,105
Other	5,650,479	765,718
	121,643,924	120,231,369

Drilling type

Surface drilling	68,418,235	58,017,197
Underground drilling	53,081,177	62,124,113
Other revenue	144,512	90,059
	121,643,924	120,231,369

Geography

Queensland	67,389,198	61,706,768
Victoria	22,874,547	29,920,168
New South Wales	16,755,468	14,791,735
Western Australia	655,874	7,570,405
Northern Territory	13,659,781	6,242,293
Tasmania	309,056	-
	121,643,924	120,231,369

Timing of revenue recognition

Services transferred over time	101,934,838	101,884,922
Goods transferred at a point in time	19,709,086	18,346,447
	121,643,924	120,231,369

	31 Dec 23	30 June 23
	\$	\$
3. TRADE AND OTHER RECEIVABLES		
Trade debtors	16,100,137	19,244,542
Accrued income	11,190,764	15,255,111
Bonds and deposits	50,081	45,989
	<u>27,340,983</u>	<u>34,545,642</u>

4. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant and Equipment	Motor vehicles	Furniture and Fittings	Capital WIP	Total
	\$	\$	\$	\$	\$	\$
At 1 July 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	<u>437,245</u>	<u>61,901,349</u>	<u>6,217,187</u>	<u>270,643</u>	<u>1,779,743</u>	<u>70,606,167</u>
Half-year ended 31 December 2023						
Opening net book amount	437,245	61,901,349	6,217,187	270,643	1,779,743	70,606,167
Additions	-	6,140,897	493,860	-	3,330,800	9,965,557
Transfers	16,647	2,772,291	88,750	44,727	(2,922,415)	-
Disposals	-	(87,834)	(105,365)	-	-	(193,199)
Depreciation	(51,351)	(11,833,002)	(790,576)	(50,085)	-	(12,725,014)
Closing net book amount	<u>402,541</u>	<u>58,893,701</u>	<u>5,903,856</u>	<u>265,285</u>	<u>2,188,128</u>	<u>67,653,511</u>
At 31 December 2023						
Cost or fair value	685,760	165,974,953	21,172,832	1,552,488	2,188,128	191,574,161
Accumulated depreciation	(283,219)	(107,081,252)	(15,268,976)	(1,287,203)	-	(123,920,650)
Net book amount	<u>402,541</u>	<u>58,893,701</u>	<u>5,903,856</u>	<u>265,285</u>	<u>2,188,128</u>	<u>67,653,511</u>

Depreciation expense reflected above of \$12,725,014 does not include depreciation of \$281,500 on right-of-use assets recognised during the half-year ended 31 December 2023.

5. FINANCIAL LIABILITIES

	31 Dec 23	30 Jun 23
	\$	\$
Current		
Borrowings	2,933,333	3,200,000
Equipment Hire Purchase Facilities	13,305,887	11,345,770
Lease liability	629,620	597,383
Insurance premium and vehicle registration funding	270,893	1,817,843
	17,139,733	16,960,996
Non-current		
Borrowings	-	1,333,329
Equipment Hire Purchase Facilities	9,685,366	12,871,314
Lease liability	815,629	1,119,258
	10,500,995	15,323,901

A reconciliation of movement in financial liabilities during the half-year ended 31 December 2023 is shown below:

Half-year ended 31 December 2023	At 1 July 2023	Non-cash funding received	Right-of-use lease liability adjustment	Cash repayments	At 31 December 2023
	\$	\$	\$	\$	\$
Borrowings	4,533,329	-	-	(1,599,996)	2,933,333
Equipment Hire Purchase Facilities	24,217,084	3,736,432	-	(4,962,263)	22,991,253
Lease liability	1,716,641	-	20,834	(292,226)	1,445,249
Insurance premium and vehicle registration funding	1,817,843	-	-	(1,546,950)	270,893
Total	32,284,897	3,736,432	20,834	(8,401,435)	27,640,728

6. TAXATION

(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 2023 was 31.4% (half-year ended 31 December 2022: 26.4%).

(ii) Net deferred tax liabilities

Net deferred tax liabilities of \$5,410,030 (30 June 2023: \$3,460,752) comprise deferred tax liabilities on temporary differences partially offset by deferred tax assets on temporary differences and losses. At 31 December 2023, net deferred tax liabilities on temporary differences total \$9,522,474 (30 June 2023: \$11,640,627) partially offset by deferred tax assets on losses of \$4,112,444 (30 June 2023: \$8,179,875).

The half-year movement in deferred tax balances is largely attributable to the recognition of a taxable profit of approximately \$13,548,537 (reducing the deferred tax asset on losses). Taxable profit was significantly driven by the partial reversal of temporary differences related to property, plant, and equipment, with a consequential decrease to the net deferred tax liabilities on temporary differences.

7. ISSUED CAPITAL

Refer table below which reconciles movement in the number of shares and payments for shares bought back during the half-year ended 31 December 2023.

Period ended 31 December 2023				
	No of shares	Gross of share issue costs	Share issue costs	Issued capital
		\$	\$	\$
Fully paid ordinary shares				
Balance at the beginning of the period	218,639,703	81,023,403	(3,251,109)	77,772,294
Shares issued pursuant to Executive Share and option plan	465,539	-	-	-
Shares bought back on-market and cancelled, including transaction costs	(4,627,183)	(1,835,621)	-	(1,835,621)
Balance at end of the period	214,478,059	79,187,782	(3,251,109)	75,936,673

8. 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 \$14,064 including GST. Nil amounts remain owing to this related entity at the end of the reporting period.

Equipment Hub Pty Ltd

In order to satisfy specific contract requirements, the Group hired plant and equipment not available in its fleet from Equipment Hub Pty Ltd (Equipment Hub). Nathan Mitchell is a significant shareholder of Equipment Hub. Hire of plant and equipment from this related entity for the reporting period amounted to \$296,450 including GST. In addition to equipment hire, the Group also purchased minor parts from this entity during the period, amounting to \$15,103 including GST. An amount of \$92,180 remains owing to this related entity at the end of the reporting period.

The Group also engaged Equipment Hub as a broker to sell two drilling rigs to third parties. Commission of \$97,375 was paid to Equipment Hub per this arrangement. Nil amount remains receivable from the related entity at the end of the period.

Eastwest Drilling and Mining Supplies Pty Ltd

Eastwest Drilling and Mining Supplies Pty Ltd is an entity controlled by Scott Tumbridge and operate as a supplier to the Group in the ordinary course of business. During the reporting period, Eastwest supplied parts, consumables and hire equipment with amounts charged totalling \$3,118,142. All amounts are inclusive of GST and were based on normal market rates and under normal payment terms. An amount of \$1,004,801 remains owing to 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 rent associated with this property for the reporting period amounted to \$174,690 net of applied rental reductions associated with the revised lease. There are also ancillary utilities charges of \$37,543 reflected in the period. Amounts owing to this related entity at the end of the reporting period is \$55,989.

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 majority of the reporting period. There were nil amounts payable to this related entity at the end of the reporting period.

Mitchell Group Pty Ltd

Mitchell Group 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.

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 \$92,546, inclusive of GST, were issued to the Group by the related entity during the period with an amount of \$16,836 remaining owing at the end of the reporting period.

PNG Drilling Trust

PNG Drilling Trust is an entity controlled by Scott Tumbridge. During the period, the Group hired a specialist surface rig from this entity for an amount totalling \$8,800 with the full amount remaining payable at the end of the reporting period.

9. 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.

10. FINANCIAL COMMITMENTS

As at 31 December 2023 the Group had capital commitments of approximately \$2,950,651 mainly relating to a new drill rig and ancillary equipment, drilling pipe, a light vehicle and sundry other items of plant and equipment.

11. EVENTS AFTER THE REPORTING DATE

On-market share buy back

The Group is undergoing an on-market share buy back with 11,389,249 shares having been bought back for a combined consideration of \$4,298,001, net of transaction costs, at 31 December 2023.

Subsequent to 31 December 2023, and as at 19 February 2024, the Group has bought back an additional 469,112 shares for a combined consideration of \$173,447 meaning, to date, the number of shares bought back total 11,858,361 shares for a combined consideration of \$4,471,448 net of transaction costs.

Dividends

On 21 February 2024, the Board declared an un-franked dividend of 2.00 cents per share to holders of fully paid ordinary shares on 29 February 2024 (Record Date). The payment date for the dividend is 18 March 2024 and the total estimated dividend is \$4,280,179.

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

In accordance with a resolution of the Directors of Mitchell Services Limited ("the Company"), the Directors declare that:

- 1) the Condensed consolidated financial statements and notes, as set out on pages 11-20, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - b) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the six-month period 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 21st day of February 2024



Independent Auditor's Review Report

To the shareholders of Mitchell Services Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Mitchell Services Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Mitchell Services Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2023;
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date;
- Note 1 to 11 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

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 these requirements.

Responsibilities of the Directors for the Half-year 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
- 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 Responsibilities for the Review of the Half-year 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 does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Half-Year ended on that date, and complying with *Australian 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.



KPMG



M J Jeffery
Partner

Brisbane
21 February 2024