Mitchell SERVICES

Appendix 4D

Mitchell Services Limited (ABN 31 149 206 333)

Current reporting period	Previous reporting period
1 July 2022 to 31 December 2022	1 July 2021 to 31 December 2021

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 17%	120,231	102,884	17,347
EBITDA	Down 5%	16,609	17,545	(936)
Profit after tax attributable to members	Down 83%	186	1,091	(905)

Net Tangible Assets per Security

	31 Dec 22	30 Jun 22	31 Dec 21
Net tangible asset backing per ordinary security	24.7 cents	24.4 cents	24.5 cents

Dividends

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

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 23 February 2023.

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

Greg Switala
Company Secretary

23 February 2023

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 2022

HALF-YEAR REPORT

CONTENTS

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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 2022 (1H23). 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 2022.

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. 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 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 (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.

DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

The 1H23 safety performance was impacted by a safety incident involving an employee who sustained a serious hand injury. Thankfully, the employee is expected to make a full recovery. Whilst the occurrence of this isolated incident was disappointing, the Board and management remain proud of the Group's safety performance and culture which remains industry leading despite the continued growth across the business (with Group headcount increasing from 773 in June 2022 to 791 in December 2022).

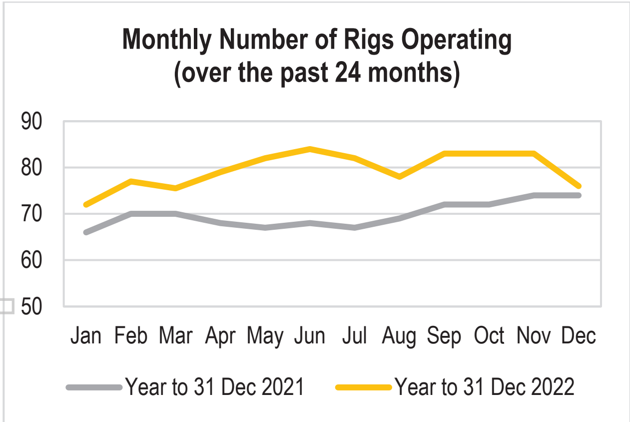
Implementation of organic growth strategy

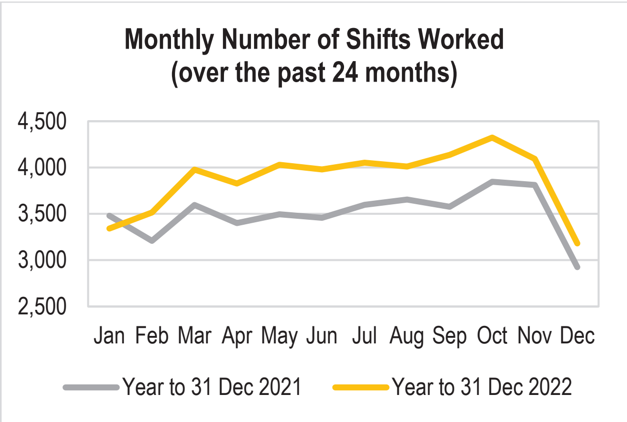
In late 2021, the Group implemented an organic growth strategy that was designed to capitalise on continuing strong growth in demand for specialised drilling services across a range of commodities to deliver a substantial and expanding contract base. Pursuant to its organic growth strategy, the Group undertook a material capital investment program which included the purchase of 12 new, state of the art LF160 drill rigs. 1H23 saw the completion of the capital investment program and deployment of all new LF160 rigs commissioned and operational across a diverse range of projects with global mining majors.

Activity levels

General market conditions remained strong throughout 1H23 and the average operating rig count has continued to increase as a result. The average operating rig count in 1H23 was 80.8 compared to 71.3 in 1H22. This increase in activity levels has seen reported revenue increase by approximately 17% from $102.9m in 1H22 to $120.2m in 1H23. The decrease in activity levels in December was largely due to the seasonal reduction in scope that typically takes place towards the end of the second quarter. In addition to these scheduled contract variations, changes in certain client requirements also led to unplanned variations to a number of contracts which resulted in lower than expected utilisation levels in December.

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





DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

The table below illustrates the revenue impact of the increased utilisation and productivity over the past 18 months

	1H22	2H22	1H23
Average operating rigs	71.3	78.3	80.8
Number of shifts	21,414	22,672	23,798
Revenue ($'000s)	102,884	110,485	120,231

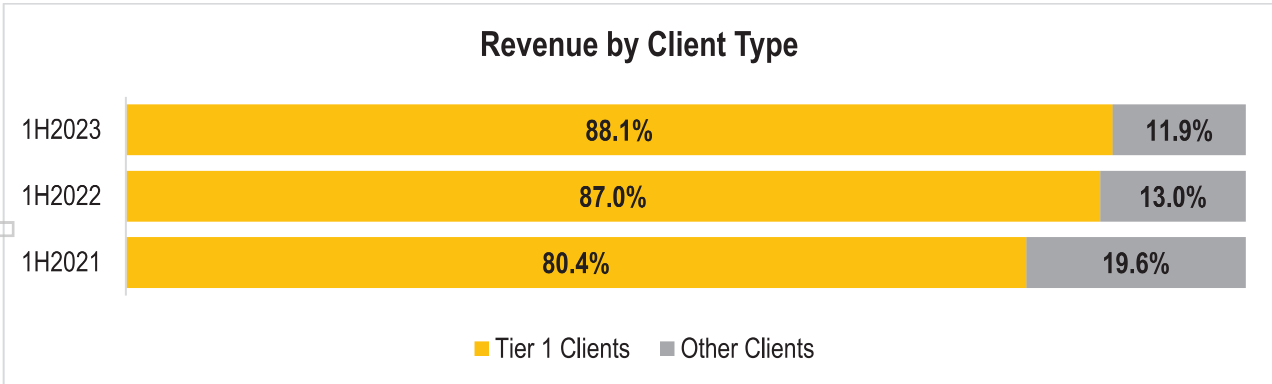
Customer base and revenue break-down

As the charts below demonstrate, 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 linked to the resource definition, development and production stages within the mine life cycle as opposed to greenfield exploration.

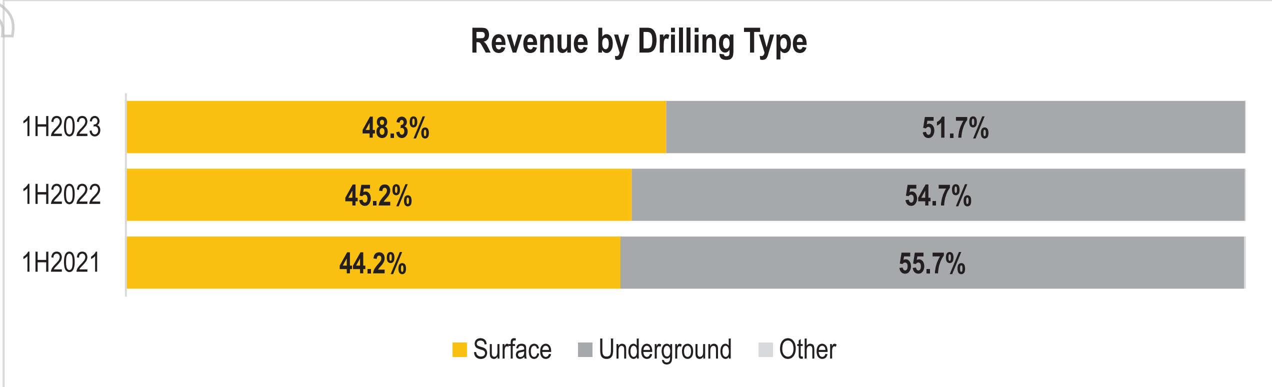
The Board and management remain mindful of the importance of diversification in revenue streams including the mix between surface and underground drilling and the mix between different commodity types. The relevant proportions of revenue derived from underground drilling and surface drilling (of 51.7% and 48.3% respectively) remained well balanced in 1H23. The staggered introduction of the new LF160 drill rigs saw revenue from surface drilling increase marginally from 45.2% in 1H22 to 48.3% in 1H23.

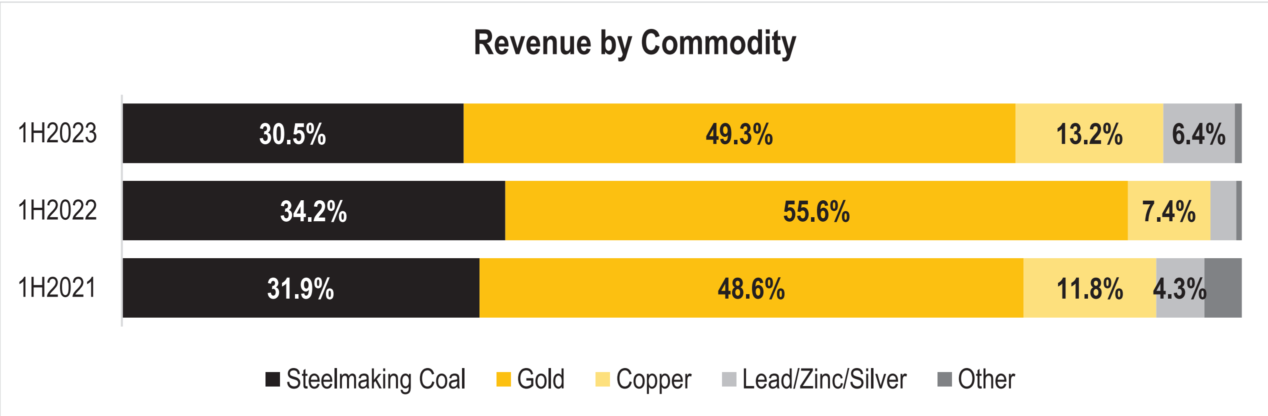
From a commodity perspective the revenue mix in 1H23 was very similar to that in 1H22 and remains well balanced with revenue from gold, steelmaking coal and other base metals comprising 49.3%, 30.5% and 20.2% respectively (1H22 55.6%, 34.2% and 10.2% respectively).

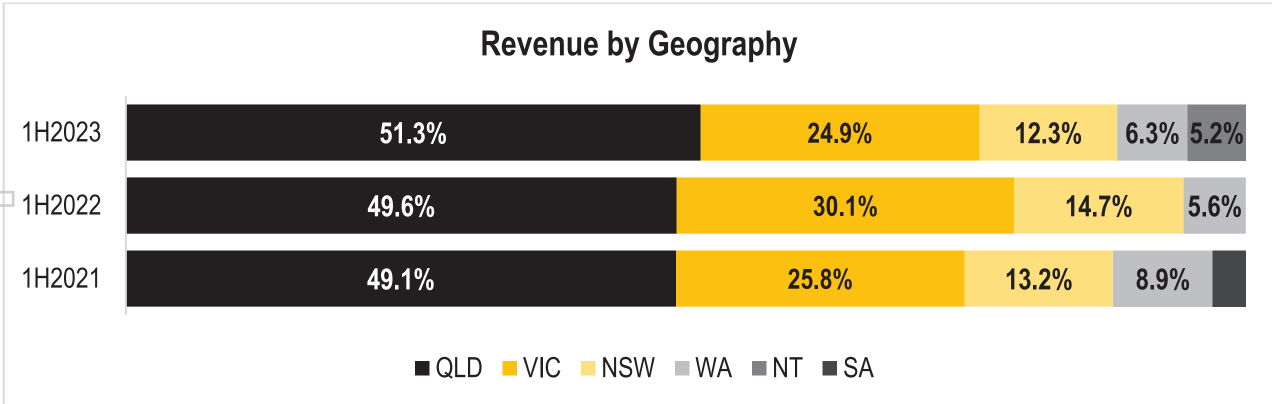
The geographical diversity of revenue generated in 1H23 remained similar to that in 1H22 with revenue from Queensland, Victoria and New South Wales comprising 51.3%, 24.9% and 12.3% respectively (1H22 49.6%, 30.1% and 14.7%).



DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022







DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Profitability

The table below summarises the key profitability metrics for the half-year ended 31 December 2022 (1H23) versus the corresponding half-year ended 31 December 2021 (1H22).

	1H23	1H22	Movement	Movement
	$m	$m	$m	%
Revenue (1)	120.3	102.9	17.4	16.9%
Operating expenses	(103.6)	(85.4)	18.2	(21.3%)
EBITDA* (2)	16.6	17.5	(0.9)	(5.1%)
Depreciation and amortisation (3)	(15.1)	(15.2)	0.1	0.7%
EBIT*	1.5	2.3	(0.8)	(34.8%)
Finance costs (4)	(1.2)	(0.8)	(0.4)	(50.0%)
EBT	0.3	1.5	(1.2)	(80.0%)
Taxation expense	(0.1)	(0.4)	0.3	75.0%
Profit after tax	0.2	1.1	0.9	81.8%

*These figures are not subject to audit or review.

(1) As reflected earlier in this Directors' Report, revenue increased by approximately 16.9% from $102.9m in 1H22 to $120.3m in 1H23, driven by a combination of increased utilisation and pricing, with the current period benefiting from the operational roll-out of the 12 new LF-160 rigs acquired in FY22. The average operating rig count in 1H23 was 80.8 compared to 71.3 in 1H22 with the significant increase largely attributable to new or expanding contracts (predominantly with Tier 1 global mining majors).

(2) The increases in revenue as highlighted above did not translate to an increase in EBITDA due to overall inflation pressures and three key factors:

Wet Weather
Significant wet weather events impacted operations throughout 1H23 and led to longer than anticipated seasonal shutdowns in some locations particularly over the Christmas period.

Contracts
In addition to the normal scheduled variations to certain contracts, changes in client requirements led to unplanned variations to a number of contracts which was pronounced in December 2022. While demand remains strong and whilst the majority of these rigs were assigned to new or expanding contracts, utilisation was lower than expected in December. Demobilisation and ramp up costs associated with this re-assignment of rigs were brought forward, negatively impacting EBITDA in the short term.

Heath and safety
As reflected earlier in this Director's Report, the 1H23 result was impacted by the safety incident that took place on a site where the Company currently operates pursuant to a multi-year, multi-rig contract. As a result of the injury and associated investigation, operations of five drill rigs were suspended for approximately one month resulting in a temporary reduction in the Group's capacity to generate EBITDA.

(3) Depreciation and amortisation in 1H23 of $15.1m was largely in line with the corresponding figure of $15.2m. Lower amortisation on the customer contract intangible assets acquired per the Deepcore acquisition in FY20 was largely offset by an increase in depreciation expense charged on the new LF160 fleet.

(4) Finance costs in 1H23 of $1.2m were 50.0% greater than the 1H22 figure of $0.8m with the increase mainly attributable to a greater average gross debt balance over 1H23 compared to 1H22 following the completion of the organic growth strategy and associated capital investment program.

Cash flow

The table below summarises the key cashflow metrics for 1H23 versus the prior corresponding period (1H22).

	1H23	1H22	Movement	Movement
	$m	$m	$m	%
Cash flows from operating activities (1)	11.0	12.7	(1.7)	(13.4%)
Payments for PPE (net of sales proceeds) (3)	(6.1)	(11.2)	5.1	45.5%
Proceeds from issue of shares (net of costs) (2)	-	9.8	(9.8)	(100.0%)
Payments for shares bought back (3)	(1.5)	-	(1.5)	100.0%
Reduction in borrowings (3)	(8.6)	(5.2)	(3.4)	65.4%
Dividends paid	-	-	-	-
(Decrease)/increase in cash and cash equivalents	**(5.2)**	**6.1**	**(11.3)**	**(185.2%)**

(1) Cash flows from operating activities in 1H23 of $11.0m were 13.4% lower than the 1H22 figure of $12.7m with the decrease largely attributable to an increase in working capital requirements. 1H23 saw an increase in trade receivables due to temporary delays in payments from one of the Group's larger clients. This global mining major experienced delays as part of a global upgrade to its accounts payable processes. The significant majority of these unpaid invoices have been collected as at the date of this report. 1H23 also saw an increase in inventory levels associated with the new LF160 fleet and to ramp up for new projects that mobilised in the later part of the half-year period.

(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 during 1H22.

(3) Following the completion of the organic growth strategy, the Group implemented a formal capital management policy including a focus on debt and capital expenditure reductions with an emphasis on shareholder returns through dividends and share buy-backs (refer discussion on Capital Management on page 8).

Financial position

The following table summarises the Group's financial position at 31 December 2022 and 30 June 2022.

	31 Dec 2022	30 June 2022	Movement	Movement
	$	$	$	%
Current assets	46,433,071	49,207,524	(2,774,453)	(5.6%)
Non-current assets	87,664,849	94,077,586	(6,412,737)	(6.8%)
Total assets	134,097,920	143,285,110	(9,187,190)	(6.4%)
Current liabilities	48,282,302	51,005,641	(2,723,339)	(5.3%)
Non-current liabilities	25,215,269	30,532,818	(5,317,549)	(17.4%)
Total liabilities	73,497,571	81,538,459	(8,040,888)	(9.9%)
Net assets	60,600,349	61,746,651	(1,146,302)	(1.9%)

The Group's current ratio remained steady 0.96 at 31 December 2022 compared to 0.96 at 30 June 2022.

DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

At 31 December 2022, Gross Debt (defined as the total of the NAB Corporate Loan, all drawn Equipment Hire Purchase facilities and the bank overdraft) was $37.2m, comprising $29.6m equipment hire purchase facilities, a term loan of $6.1m and a bank overdraft balance of $1.5m. The bank overdraft facility is used to finance intra month working capital requirements and may vary from time to time depending on the magnitude of those requirements.

The gross debt balance of $37.2m was down $5.7m on the balance of $42.9m at June 2022, having peaked at that date on substantial completion of the capital investment program pursuant to the organic growth strategy.

Capital management

Following the success of the organic growth strategy which has delivered a substantial and expanding contract base, 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 share buy-backs.

Dividends
The Group has introduced a formal dividend policy effective from 1 July 2022. Pursuant to the terms of the dividend policy, up to 75% of the Group's reported post tax profits are intended to be paid to shareholders in the form of a dividend. The Group expects to pay a full year dividend this year, with the intention in the following years to pay both interim and full year dividends.

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.

As at 31 December 2022, the Group had purchased back 4,052,573 shares at a combined cost of $1,517,947 ($0.375 per share, net of transaction costs of $2,505).

EVENTS AFTER THE REPORTING DATE

As referred above, the Group is undergoing an on-market share buy back with 4,052,573 shares having been bought back for a combined consideration of $1,517,947, net of transaction costs, by 31 December 2022.

Subsequent to 31 December 2022, the Group has bought back an additional 758,662 shares for a combined consideration of $297,306 meaning, to date, the number of shares bought back total 4,811,235 shares for a combined consideration of $1,815,253 net of transaction costs.

Other than the matter 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 2022

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 2022.

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 22nd day of February 2023

KPMG

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 2022, 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.

KPMG

KPMG

M J Jeffery
Partner

Brisbane
22 February 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	31 Dec 22	31 Dec 21
		$	$
Continuing operations			
Revenue	2	120,231,369	102,883,540
Other income		30,211	11,171
Gain/(loss) on sale of assets		1,703,498	(14,766)
Drilling consumables		(13,373,554)	(10,973,024)
Employee and contract labour expenses		(64,880,232)	(54,126,098)
Fuel and oil		(1,590,710)	(953,264)
Freight and couriers		(1,686,713)	(1,837,243)
Hire of plant and equipment		(6,547,971)	(5,910,416)
Insurances		(1,862,722)	(1,546,434)
Legal, professional and consultant fees		(641,940)	(682,590)
Rent		(470,866)	(591,169)
Service and repairs		(7,057,293)	(6,413,163)
Travel expenses		(5,894,062)	(4,253,073)
Reversal of impairment of trade receivables		-	2,000,000
Fair value decrease to contingent consideration liability	6	1,275,049	1,898,819
Depreciation expense		(14,328,625)	(12,874,834)
Amortisation of intangibles		(825,368)	(2,332,010)
Finance costs		(1,202,188)	(857,858)
Other expenses		(2,625,042)	(1,947,571)
Profit before tax		252,841	1,480,017
Income tax expense	7	(66,839)	(388,860)
Profit for the period		186,002	1,091,157
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		186,002	1,091,157
Profit attributable to:			
Owners of the parent		186,002	1,091,157
Total comprehensive income attributable to:			
Owners of the parent		186,002	1,091,157
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		0.08	0.50
Diluted (cents per share)		0.08	0.50

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 Dec 22 $	30 June 22 $
ASSETS			
Current assets			
Cash and cash equivalents		-	3,742,395
Trade and other receivables	3	34,990,627	36,002,961
Other assets		1,868,076	2,224,676
Inventories		9,574,368	7,237,492
Total current assets		**46,433,071**	**49,207,524**
Non-current assets			
Right-of-use assets		1,740,876	1,772,390
Intangible assets	4	6,030,695	6,856,063
Property, plant, and equipment	5	79,880,780	85,424,134
Other assets		12,498	24,999
Total non-current assets		**87,664,849**	**94,077,586**
Total assets		**134,097,920**	**143,285,110**
LIABILITIES			
Current liabilities			
Bank overdraft		1,463,883	-
Trade and other payables		20,845,358	22,130,522
Financial liabilities	6	15,183,514	18,537,821
Provisions		10,789,547	10,337,298
Total current liabilities		**48,282,302**	**51,005,641**
Non-current liabilities			
Financial liabilities	6	23,170,900	28,742,314
Deferred tax liabilities	7	855,444	788,605
Provisions		1,188,925	1,001,899
Total non-current liabilities		**25,215,269**	**30,532,818**
Total liabilities		**73,497,571**	**81,538,459**
Net assets		**60,600,349**	**61,746,651**
EQUITY			
Issued capital	8	78,721,314	80,241,766
Retained earnings		(18,120,965)	(18,495,115)
Total equity		**60,600,349**	**61,746,651**

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 2022

	Note	Issued Capital	Retained Earnings	Total
		$	$	$
Balance at 1 July 2021		70,249,205	(18,638,363)	51,610,842
Comprehensive income				
Profit for the period		-	1,091,157	1,091,157
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	1,091,157	1,091,157
Issue of ordinary shares		10,497,738	-	10,497,738
Share issue costs, net of tax		(505,177)	-	(505,177)
Recognition of share-based payments		-	107,917	107,917
Balance at 31 December 2021		**80,241,766**	**(17,439,289)**	**62,802,477**
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
Shares bought back on-market and transaction costs	8	(1,520,452)	-	(1,520,452)
Recognition of share-based payments		-	188,148	188,148
Balance at 31 December 2022		**78,721,314**	**(18,120,965)**	**60,600,349**

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	31 Dec 22 $	31 Dec 21 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		133,491,666	110,642,568
Payments to suppliers and employees		(121,336,788)	(97,111,489)
Interest paid		(1,139,776)	(873,812)
Net cash provided by operating activities		11,015,102	12,657,267
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,038,780	156,930
Payments for purchase of property, plant and equipment		(8,091,500)	(11,338,456)
Net cash used in investing activities		(6,052,720)	(11,181,526)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	10,497,738
Payments for share issue costs		-	(721,682)
Payments for shares bought back	8	(1,520,452)	-
Proceeds from borrowings		-	1,545,065
Repayment of borrowings	6	(8,648,208)	(6,669,617)
Net cash (used in) / provided by financing activities		(10,168,660)	4,651,504
Net (decrease)/increase in cash and cash equivalents		(5,206,278)	6,127,245
Cash and cash equivalents at the beginning of the period		3,742,395	4,236,219
Cash and cash equivalents at the end of the period		**(1,463,883)**	**10,363,464**

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 2022

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2022 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 2022, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 22 February 2023.

(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 22	31 Dec 21
	$	$
Revenue from contracts with customers	120,231,369	102,883,540
	120,231,369	102,883,540

(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	36,699,142	35,234,120
Gold	59,241,721	57,183,036
Copper	15,859,683	7,579,325
Lead/zinc/silver	7,665,105	2,360,862
Other	765,718	526,197
	120,231,369	102,883,540
Drilling type		
Surface drilling	58,017,197	46,475,900
Underground drilling	62,124,113	56,309,182
Other revenue	90,059	98,458
	120,231,369	102,883,540
Geography		
Queensland	61,706,768	51,010,105
Victoria	29,920,168	30,992,754
New South Wales	14,791,735	15,157,677
Western Australia	7,570,405	5,723,004
Northern Territory	6,242,293	-
	120,231,369	102,883,540
Timing of revenue recognition		
Services transferred over time	101,884,922	87,070,592
Goods transferred at a point in time	18,346,447	15,812,948
	120,231,369	102,883,540

	31 Dec 22	30 June 22
	$	$

3. TRADE AND OTHER RECEIVABLES

	31 Dec 22 $	30 June 22 $
Trade debtors	21,807,261	21,115,464
Accrued income	13,141,823	14,849,173
Bonds and deposits	41,543	38,324
	34,990,627	36,002,961

4. INTANGIBLE ASSETS

	Goodwill	Customer Contracts	Total
	$	$	$
At 31 December 2022			
Cost or fair value	5,755,572	17,129,163	22,884,735
Accumulated amortisation	-	(16,854,040)	(16,854,040)
Net book amount	5,755,572	275,123	6,030,695
Half-year ended 31 December 2022			
Opening net book amount	5,755,572	1,100,491	6,856,063
Amortisation	-	(825,368)	(825,368)
	5,755,572	275,123	6,030,695

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.

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	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
Half-year ended 31 December 2022						
Opening net book amount	136,094	77,561,931	4,783,628	273,761	2,668,720	85,424,134
Additions	-	2,898,498	74,017	-	5,898,470	8,870,985
Transfers	-	1,333,937	2,323,103	89,096	(3,746,136)	-
Disposals	-	(330,791)	(3,565)	(926)	-	(335,282)
Depreciation	(22,405)	(13,201,691)	(786,166)	(68,795)	-	(14,079,057)
Closing net book amount	113,689	68,261,884	6,391,017	293,136	4,821,054	79,880,780
At 31 December 2022						
Cost or fair value	299,267	153,796,843	21,815,847	1,429,144	4,821,054	182,162,155
Accumulated depreciation	(185,578)	(85,534,959)	(15,424,830)	(1,136,008)	-	(102,281,375)
Net book amount	113,689	68,261,884	6,391,017	293,136	4,821,054	79,880,780

Depreciation expense reflected above of $14,079,057 does not include depreciation of $249,568 on right-of-use assets recognised during the half-year ended 31 December 2022.

6. FINANCIAL LIABILITIES

	31 Dec 22	30 Jun 22
	$	$
Current		
Borrowings	3,200,000	3,200,000
Equipment Hire Purchase Facilities	10,788,749	12,735,958
Lease liability	570,202	260,930
Insurance premium and vehicle registration funding	-	441,321
Contingent consideration liability (i)	624,563	1,899,612
	15,183,514	18,537,821
Non-current		
Borrowings	2,933,331	4,533,333
Equipment Hire Purchase Facilities	18,812,037	22,453,116
Lease liability	1,425,532	1,755,865
	23,170,900	28,742,314

A reconciliation of movement in financial liabilities during the half-year ended 31 December 2022 is shown below:

Half-year ended 31 December 2022	At 1 July 2022	Non-cash funding received	Fair value adjustment	New Right-of-use lease liability	Cash Repayments	At 31 December 2022
	$	$	$	$	$	$
Borrowings	7,733,333	-	-	-	(1,600,002)	6,133,331
Equipment Hire Purchase Facilities	35,189,074	779,484	-	-	(6,367,772)	29,600,786
Lease liabilities – right-of-use assets	2,016,795	-	-	218,052	(239,113)	1,995,734
Contingent consideration liability (i)	1,899,612	-	(1,275,049)	-	-	624,563
Insurance premium and vehicle registration funding	441,321	-	-	-	(441,321)	-
Total	47,280,135	779,484	(1,275,049)	218,052	(8,648,208)	38,354,414

(i) Contingent consideration liability

The contingent consideration liability is payable to the vendors of the Deepcore business, which was acquired by the Group in November 2019. Under the terms of the acquisition, the Deepcore business continued to operate under an earnout arrangement applicable to the first three calendar years post acquisition subject to outperformance against pre-agreed EBITDA targets. This entitles the Deepcore vendors to an annual earnout payment being 50% of that portion of calendar year EBITDA that is greater than $12,500,000. The earnouts for the years ended 31 December 2020 and 31 December 2021 were $2,344,468 and $2,123,697 respectively and these were settled during the 2021 and 2022 financial years.

The contingent consideration liability recognised at 31 December 2022 of $624,563 has been calculated based on a known earnout payment for the calendar year ended 31 December 2022 given the final calendar year in the earn-out period has now expired. This required a fair value reduction in the carrying value of the liability of $1,275,049 during the period which has been recognised in profit or loss. The reduction in fair value was attributable to Deepcore EBITDA performance over the half-year ended 31 December 2022 being below forecast expectation due to a number of operational factors affecting utilisation including adverse weather events and COVID related absences.

7. 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 2022 was 26.4% (half-year ended 31 December 2021: 26.3%).

(ii) Net deferred tax liabilities

Net deferred tax liabilities of $855,444 (30 June 2022: $788,605) comprise deferred tax liabilities on temporary differences partially offset by deferred tax assets on temporary differences and losses. At 31 December 2022, net deferred tax liabilities on temporary differences total $13,981,273 (30 June 2022: $14,362,427) largely offset by deferred tax assets on losses of $13,125,829 (30 June 2022: $13,573,822). The movement during the half-year ended 31 December 2022 is largely attributable to the recognition of a taxable profit of approximately $1,493,308 due mainly to the partial reversal of temporary differences on intangible assets and certain items of property, plant, and equipment.

8. ISSUED CAPITAL

On-market share buy back
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 (approximately 24 million shares).

Refer table below which reconciles movement in the number of shares and payments for shares bought back during the half-year ended 31 December 2022.

	Period ended 31 December 2022	
	No of shares	**$**
Fully paid ordinary shares		
Balance at the beginning of the period	225,401,769	83,492,875
Shares bought back on-market and cancelled, including transaction costs	(4,052,573)	(1,520,452)
Balance at end of the period	221,349,196	81,972,423

The Group reserves the right to suspend or terminate the buy-back at any time and there is no commitment or guarantee that the Group will purchase the full 24 million shares. The timing and number of shares purchased will depend on the prevailing share price and other considerations, and all shares purchased under the buy-back will be cancelled.

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 $61,446 including GST. An amount of $32,638 remains 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 $123,728 including GST. An amount of $6,183 remains owing to this related entity at the end of the reporting period.

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 reporting period, the Group was supplied plant items, parts and consumables and also hired ancillary equipment with amounts charged totalling $2,709,817. All amounts are inclusive of GST and were based on normal market rates and under normal payment terms. An amount of $884,046 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 $151,250 net of applied rental reductions associated with the revised lease. There are also ancillary utilities charges of $37,247 reflected in the period. Amounts owing to this related entity at the end of the reporting period is $56,421.

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 $8,789 to reimburse for the cost of council rates. 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 $51,078, inclusive of GST, were issued to the Group by the related entity during the period with an amount of $13,119 remaining owing at the end of the reporting period.

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 2022 the Group had capital commitments of approximately $1,408,846 mainly relating to rod feeder systems for drill rigs, drilling pipe, certain light vehicles and sundry other items of plant and equipment.

12. EVENTS AFTER THE REPORTING DATE

As discussed in Note 8, the Group is undergoing an on-market share buy back process with 4,052,573 shares having been bought back for a combined consideration of $1,517,947, net of transaction costs, by 31 December 2022.

Subsequent to 31 December 2022, the Group has bought back an additional 758,662 shares for a combined consideration of $297,306 meaning, to date, the number of shares bought back total 4,811,235 shares for a combined consideration of $1,815,253 net of transaction costs.

Other than the matter 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 11-22, 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 2022 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

N. Mitchell

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 22nd day of February 2023

KPMG

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 2022 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 2022;
- 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 12 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.

KPMG

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 2022 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

KPMG

M J Jeffery
Partner

Brisbane
22 February 2023