MITCHELL SERVICES LIMITED
ABN: 31 149 203 333
112 Bluestone Circuit, Seventeen Mile Rocks, Qld 4073
P.O. Box 3250 Darra, Qld, 4076
Tel 07 3722 7222 Fax 07 3722 7256
Email info@mitchellservices.com.au

Appendix 4D

Half Year ended 31st December 2016

Name of entity

Mitchell Services Limited

ABN or equivalent company reference	Half year ended ('current reporting period')	'Previous corresponding period'
31 149 206 333	31 December 2016	31 December 2015

Results for Announcement to the Market

		Current period 31 December 2016	Previous period 31 December 2015	Change
		$A'000	**$A'000**	**$A'000**
Revenue from continuing operations	Up 13%	20,843	18,472	2,371
EBITDA	Up 1853%	2,559	131	2,428
Loss after tax attributable to members	77% improvement	(719)	(3,116)	2,397

Dividends

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

Net Tangible Assets per Security

	31 December 16	30 June 16	31 December 15
Net tangible asset backing per ordinary security	1.24 cents	1.27 cents	1.47 cents

Review of Operations

Whilst market conditions in the mining and resources industry remain challenging, there was a marked increase in drilling activities during the six months ended 31 December 2016, particularly in the final quarter as improved pricing in key commodities resulted in increases to existing client's drilling programs.

The Group's average monthly operating rig count for the half-year increased from 20 in 2015 to 23.5 in 2016. More importantly, the average number of monthly operating shifts for the half-year increased by 45% from 2015 to 2016.

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This increase in activity levels has driven a 13% increase in revenues, with the Group recording $20.8 million revenue for the half-year ended 31 December 2016 compared to $18.5 million in 2015.

This increase was almost exclusively attributable to Tier 1 clients that operated at or near existing mines as opposed to junior explorers, with 92% of the Group's half-year revenue attributed to Tier 1 clients in 2016 as opposed to 85% in 2015. Revenue from underground drilling was the main contributor to this increase in Tier 1 revenue. Revenues from underground drilling accounted for 30% of total December 2016 half-year revenue as opposed to 13% in 2015. As underground drilling is generally performed all year around and not subject to adverse weather conditions, it provides a natural hedge to the businesses' seasonal reduction in revenue that usually occurs from January to March during the traditional wet season in Queensland.

Despite the Group not incurring material levels of ramp up costs associated with new projects (as it did in 2015), the cost base of the business for the half-year ended 31 December 2016 remained in line with that of 2015 due to the increased activity levels.

The Group recorded a December 2016 half-year EBITDA of $2.6 million compared to $0.1 million in 2015. Depreciation and interest charges for the 31 December 2016 half-year remained consistent with 2015 levels resulting in a 31 December 2016 half-year loss before tax of $0.7 million compared to a loss of $3.1 million in 2015.

This increase in EBITDA has resulted in a material improvement in operating cash flows. Cash flows from operating activities were $2.4 million for the half-year ended 31 December 2016 compared to $0.2 million in 2015.

The overall liquidity position of the Group has also improved as a result of this increase in EBITDA and operating cash flows with the Group's current ratio improving from 1.01 at 30 June 2016 to 1.08 at 31 December 2016.

Other Disclosures

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

Greg Switala
Company Secretary

27 February 2017

Mitchell SERVICES

HALF-YEAR REPORT

MITCHELL SERVICES LTD ACN 149 206 333

FOR THE HALF-YEAR ENDED

31 DECEMBER 2016

CONTENTS

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 2016. 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

Grant Moyle (Alternate Director)

The above named Directors have held office throughout the six months ended 31 December 2016.

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 specialises in various segments of the drilling market and has a history of innovation in the drilling industry. The Group's offerings include coal exploration, mineral exploration, mine services, large diameter, coal seam gas, directional drilling services, coal mine gas drainage and wireline services.

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

REVIEW OF OPERATIONS

Whilst market conditions in the mining and resources industry remain challenging, there was a marked increase in drilling activities during the six months ended 31 December 2016, particularly in the final quarter as improved pricing in key commodities resulted in increases to existing client's drilling programs.

The Group's average monthly operating rig count for the half-year increased from 20 in 2015 to 23.5 in 2016. More importantly, the average number of monthly operating shifts for the half-year increased by 45% from 2015 to 2016.

This increase in activity levels has driven a 13% increase in revenues, with the Group recording $20.8 million revenue for the half-year ended 31 December 2016 compared to $18.5 million in 2015.

This increase was almost exclusively attributable to Tier 1 clients that operated at or near existing mines as opposed to junior explorers, with 92% of the Group's half-year revenue attributed to Tier 1 clients in 2016 as opposed to 85% in 2015. Revenue from underground drilling was the main contributor to this increase in Tier 1 revenue. Revenues from underground drilling accounted for 30% of total December 2016 half-year revenue as opposed to 13% in 2015. As underground drilling is generally performed all year around and not subject to adverse weather conditions, it provides a natural hedge to the businesses' seasonal reduction in revenue that usually occurs from January to March during the traditional wet season in Queensland.

DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Despite the Group not incurring material levels of ramp up costs associated with new projects (as it did in 2015), the cost base of the business for the half-year ended 31 December 2016 remained in line with that of 2015 due to the increased activity levels.

The Group recorded a December 2016 half-year EBITDA of $2.6 million compared to $0.1 million in 2015. Depreciation and interest charges for the 31 December 2016 half-year remained consistent with 2015 levels resulting in a 31 December 2016 half-year loss before tax of $0.7 million compared to a loss of $3.1 million in 2015.

This increase in EBITDA has resulted in a material improvement in operating cash flows. Cash flows from operating activities were $2.4 million for the half-year ended 31 December 2016 compared to $0.2 million in 2015.

The overall liquidity position of the Group has also improved as a result of this increase in EBITDA and operating cash flows with the current ratio improving from 1.01 at 30 June 2016 to 1.08 at 31 December 2016.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 4 of the Half-Year Report.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

N. Mitchell

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 24th day of February 2017

AUDITOR'S INDEPENDENCE DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Auditors 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, during the half-year ended 31 December 2016 there have been no contraventions of:

(i) independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Jessups

Rodger Dunstan
Director

Dated this day 15th day of February 2017
Level 1, 19 Stanley Street
TOWNSVILLE QLD 4810

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31 Dec 16	31 Dec 15
		$	$
Continuing operations			
Revenue		20,843,168	18,472,041
Loss/(gain) on sale of assets		(24,612)	20,444
Advertising		(10,505)	(10,764)
Drilling consumables		(3,170,214)	(3,483,736)
Employee and contract labour expenses		(9,590,861)	(8,653,515)
Fuel and oil		(495,316)	(814,891)
Freight and couriers		(290,416)	(389,629)
Hire of plant and equipment		(1,042,536)	(895,156)
Insurances		(324,006)	(401,921)
Legal, professional and consultant fees		(232,910)	(342,613)
Rent		(310,702)	(289,525)
Service and repairs		(1,203,436)	(1,274,435)
Travel expenses		(918,490)	(1,090,766)
Other expenses		(670,243)	(714,761)
Earnings before interest, tax, depreciation and amortisation		**2,558,921**	**130,773**
Depreciation expense		(2,672,652)	(2,597,888)
Loss before interest and tax		**(113,731)**	**(2,467,115)**
Finance expenses		(604,769)	(648,995)
Loss before tax		**(718,500)**	**(3,116,110)**
Income tax benefit		-	-
Loss for the period from continuing operations		**(718,500)**	**(3,116,110)**
Loss for the period from discontinued operations		-	-
Loss for the period		**(718,500)**	**(3,116,110)**
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		(718,500)	(3,116,110)
Loss attributable to:			
Owners of the parent		(718,500)	(3,116,110)
Total comprehensive income attributable to:			
Owners of the parent		(718,500)	(3,116,110)
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		(0.05)	(0.22)
Diluted (cents per share)		(0.05)	(0.22)
From continuing operations			
Basic (cents per share)		(0.05)	(0.22)
Diluted (cents per share)		(0.05)	(0.22)

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31 Dec 16 $	30 Jun 16 $
ASSETS			
Current assets			
Cash and cash equivalents		488,128	468,973
Trade and other receivables		6,793,941	6,107,742
Other financial assets		13,351	981
Other assets		1,001,017	461,808
Inventories		1,175,273	1,335,189
Total current assets		9,471,710	8,374,693
Non-current assets			
Other financial assets		150	281
Property, plant and equipment	2	26,269,678	27,275,611
Investment property		2,975,000	2,975,000
Other assets		18,000	18,000
Total non-current assets		29,262,828	30,268,892
Total assets		38,734,538	38,643,585
LIABILITIES			
Current liabilities			
Bank overdraft		-	600,088
Trade and other payables		5,586,447	4,795,263
Other financial liabilities	3	2,436,074	2,154,437
Provisions		741,032	726,271
Total current liabilities		8,763,553	8,276,059
Non-current liabilities			
Other financial liabilities	3	11,596,411	12,274,422
Provisions		146,463	121,534
Total non-current liabilities		11,742,874	12,395,956
Total liabilities		20,506,427	20,672,015
Net assets		18,228,111	17,971,570
EQUITY			
Issued capital		49,454,378	48,604,378
Share issue costs		(2,521,167)	(2,514,522)
Contingent option reserve		2,122,402	2,122,402
Retained earnings		(30,827,502)	(30,240,688)
Total equity		18,228,111	17,971,570

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 2016

	Note	Issued Capital	Contingent Option Reserve	Retained Earnings	Attributable to Owners of the Parent	Total
		$	$	$	$	$
Balance at 1 July 2015		37,296,410	2,122,402	(24,164,384)	15,254,428	15,254,428
Comprehensive income						
Loss for the period		-	-	(3,116,110)	(3,116,110)	(3,116,110)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(3,116,110)	(3,116,110)	(3,116,110)
Issue of ordinary shares		9,385,244	-	-	9,385,244	9,385,244
Share issue costs		(592,256)	-	-	(592,256)	(592,256)
Recognition of share-based payments		-	-	(36,747)	(36,747)	(36,747)
Balance at 31 December 2015		**46,089,398**	**2,122,402**	**(27,317,241)**	**20,894,559**	**20,894,559**
Balance at 1 July 2016		46,089,856	2,122,402	(30,240,688)	17,971,570	17,971,570
Comprehensive income						
Loss for the period		-	-	(718,500)	(718,500)	(718,500)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(718,500)	(718,500)	(718,500)
Issue of ordinary shares		843,355	-	-	843,355	843,355
Share issue costs		-	-	-	-	-
Recognition of share-based payments		-	-	131,686	131,686	131,686
Balance at 31 December 2016		**46,933,211**	**2,122,402**	**(30,827,502)**	**18,228,111**	**18,228,111**

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31 Dec 16 $	31 Dec 15 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		20,486,084	18,454,482
Payments to suppliers and employees		(17,895,768)	(18,022,029)
Interest received		1,546	1,715
Interest paid		(191,974)	(197,672)
Income tax paid		-	-
Net cash provided by operating activities		2,399,888	236,496
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		15,000	5,986,012
Payment for other property, plant and equipment		(709,538)	(16,714,890)
Net cash used in investing activities		(694,538)	(10,728,878)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	8,535,244
Payments for share issue costs		(6,645)	(589,266)
Proceeds from borrowings		-	8,500,000
Repayment of borrowings		(1,079,462)	(2,644,227)
Net cash (used in)/provided by financing activities		(1,086,107)	13,801,751
Net increase in cash and cash equivalents		619,243	3,309,369
Cash and cash equivalents at the beginning of the period		(131,115)	(614,334)
Cash and cash equivalents at the end of the period		488,128	2,695,035

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 2016

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New or revised Standards and Interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

Impact of the application of AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements* to Australian Accounting Standards 2012-2014 Cycle

The Group has applied these amendments for the first time in the current year. The Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle include a number of amendments to various Accounting Standards, which are summarised below:

- The amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued
- The amendments to AASB 7 Financial Instruments: Disclosures remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets
- The amendments to AASB 119 Employee Benefits clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead

- The amendments to AASB 134 Interim Financial Reporting make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The application of these amendments has had no material effect on the Group's consolidated financial statements.

Impact of the application of AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments* to AASB 101

The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other Accounting Standards:

(a) Will not be reclassified subsequently to profit or loss
(b) Will be reclassified subsequently to profit or loss when specific conditions are met.

With regards to the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not had a material presentation impact on the financial performance or financial position of the Group.

2. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Motor vehicles	Furniture and fittings	Total
	$	$	$	$	$
At 1 July 2016					
Cost or fair value	33,900	31,037,599	14,329,331	220,433	45,621,263
Accumulated depreciation	(14,568)	(9,063,431)	(9,115,224)	(152,429)	(18,345,652)
Net book amount	19,332	21,974,168	5,214,107	68,004	27,275,611
Half-year ended 31 December 2016					
Opening net book amount	19,332	21,974,168	5,214,107	68,004	27,275,611
Additions	67,572	1,503,596	5,404	129,759	1,706,331
Disposals	-	(27,053)	-	(12,559)	(39,612)
Depreciation	(7,340)	(2,077,628)	(571,354)	(16,330)	(2,672,652)
	79,564	21,373,083	4,648,157	168,874	26,269,678
At 31 December 2016					
Cost or fair value	101,473	32,475,898	14,334,735	236,412	47,148,518
Accumulated depreciation	(21,909)	(11,102,815)	(9,686,578)	(67,538)	(20,878,840)
Net book amount	79,564	21,373,083	4,648,157	168,874	26,269,678

3. BORROWINGS AND FINANCIAL INSTRUMENTS

Vendor Finance Facility
In order to meet demand levels for drill rigs with large diameter drilling capabilities, the Company entered into a Vendor Finance Asset Sale Agreement (the Agreement) with related party MEH Equipment Hire Pty Ltd (MEH). Under the Agreement, MEH provided necessary funding that allowed the Group to complete the purchase of a second-hand Schramm T685 drill rig. The rig was acquired on 5 October 2016 at a cost of $726,000 and financed through a vendor finance facility provided by MEH under the Agreement. The finance facility extends for a period of 12 months with a further 12-month extension option. Under the finance facility, interest is levied at 5% per annum and the lender is granted a security interest over the purchased asset.

With the exception of the above Vendor Finance Facility, the nature of the Group's borrowings at 31 December 2016 remained unchanged from 30 June 2016. The table below shows the outstanding principle amount per class of borrowing.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 Dec 16	30 Jun 16
	$	$
Current		
Equipment finance leases	2,217,369	1,651,354
Working capital loan	218,705	211,572
Insurance premium funding	-	291,511
	2,436,074	2,154,437
Non-current		
Equipment finance leases	2,980,621	3,547,466
Working capital loan	115,790	226,956
Shareholder loan	8,500,000	8,500,000
	11,596,411	12,274,422

4. ISSUES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

Shares issued in lieu of interest under Shareholder Loans
During the half-year, the Company issued 21,875,000 new fully paid ordinary shares to Mitchell Family Investments (Qld) Pty Ltd as trustee for the Mitchell Family Investments Trust and 31,250,000 new fully paid ordinary shares to Washington H Soul Pattinson & Company Limited at an issue price of $0.016 in lieu of interest payable for the second 12 month period in accordance with the terms of the shareholder loan that was provided in 2015 to partially fund the Nitro Drilling acquisition.

The above share based payments have been recognised in the current period as a finance expense to the extent that they relate to periods between 1 July 2016 and 31 December 2016.

Shares and options issued under the Executive Share and Option Plan
During the half-year, Mitchell Services Limited issued 4,915,099 new fully paid ordinary shares to Mitchell Services Share Plan Pty Ltd to hold as plan trustee for the Mitchell Service Executive Share and Option Plan (ESOP). The shares are held by the plan trustee for the benefit of eligible participants and are subject to vesting conditions. As of the date of this report no shares or options under the ESOP have vested or been exercised.

Under AASB132, the Group recognises these shares held by the plan trustee as 'treasury shares' and accordingly has eliminated them for consolidation purposes.

5. 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.

Transactions with 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 $55,720 excluding GST. Amounts were billed on normal market rates for such services and were due and payable under normal payment terms. An amount of $16,293 remains owing to this related entity at the end of the reporting period.
Transactions with Mitchell Group private entities

MEH Equipment Hire Pty Ltd
MEH Equipment Hire Pty Ltd is an entity controlled by Nathan Mitchell. In order to satisfy specific contract requirements, the Group hired plant and equipment not available in its fleet from MEH Equipment Hire. Hire of plant and equipment from this related entity for the reporting period amounted to $237,250 excluding GST and was based on normal market rates and under normal payment terms. An amount of $103,675 remains owing to this related entity at the end of the reporting period.

As outlined in note 3, on 5 October 2016, the Group entered into a vendor finance and asset sale agreement with MEH Equipment Hire to purchase a Schramm T685 drill rig for $726,000.

Mitchell Family Investments (QLD) Pty Ltd
Mitchell Family Investments (QLD) Pty Ltd is an entity controlled by Nathan Mitchell. The Group leases part of the office building located at 112 Bluestone Circuit, Seventeen Mile Rocks Brisbane, which is owned by Mitchell Family Investments (QLD) Pty Ltd. Rental charges associated with this lease for the six months ended 31 December 2016 were $56,521 and an amount of $31,781 remains owing to this related entity at the end of the reporting period.

As outlined in note 4, on 6 July 2015, the Group entered into a 5 year debt facility agreement of $3.5million with Mitchell Family Investments (QLD) Pty Ltd at an interest rate of 10%. Interest accruing on the loan for the first two years is payable in MSV shares. 21,875,000 MSV shares were issued to Mitchell Family Investments (QLD) Pty Ltd on 6 July 2016 as settlement for the second years' interest.

6. 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 (Board of Directors). On this basis, the financial results of the reportable operating and geographic segments are equivalent to the financial statements of the Group as a whole and no separate segment reporting is disclosed in these financial statements.

7. EVENTS AFTER THE REPORTING DATE

No matter or circumstance has arisen since the reporting date that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial periods.

DIRECTORS' DECLARATION

The Directors declare that:

(a) 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; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 24th day of February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF MITCHELL SERVICES LTD ACN 149 206 333
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Mitchell Services Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of Mitchell Services Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, 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 entity's financial position as at 31 December 2016 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. As the auditor of Mitchell Services Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Mitchell Services Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 Ltd is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the entity's financial position as at 31 December 2016 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.

Roger Dunstan
Jessups
Dated this 24th day of February 2017

Level 1 19 Stanley Street
TOWNSVILLE QLD 4810