



**Mitchell**  
SERVICES

31 July 2017

**MITCHELL SERVICES LIMITED**  
**(ASX: MSV)**

**Appendix 4C Quarterly Report and Investor Update**

Dear Shareholder,

Mitchell Services Limited (**the Company**) is pleased to provide the following Investor Update for the quarter ended 30 June 2017.

Average rig utilisation levels increased across the business during the quarter primarily due to increased drilling activity across existing client sites. The average operating rig count for the quarter ending 30 June 2017 was 22, representing a 22% increase when compared to the same quarter in 2016.

More significantly, the Company has won multiple contracts that have been announced to the market in recent times. The increase in operating rig count associated with these contracts is material and as a result the operating rig count during the quarter ending 30 September 2017 will increase by approximately 18 rigs. This should culminate in September quarter utilisation levels of approximately 40 out of 63 rigs or 63%.

From a cash flow perspective, it is pleasing to note that despite the cashflow requirements associated with increasing rig utilisation, the Company recorded positive operating cash flows of \$0.85 million for the quarter. This represents the fourth consecutive quarter of positive operating cash flows resulting in full year positive operating cashflows of \$4.24 million.

Safety as always remains a key focus across the entire business and it is pleasing to note that our safety performance has continued to improve even though rig utilisation has increased. We are looking forward to a safe, exciting and extremely busy quarter ahead.

Yours Faithfully

Andrew Elf  
Chief Executive Officer

**Mitchell Services Limited**

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Mitchell Services Limited

**ABN**

31 149 206 333

**Quarter ended ("current quarter")**

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,930	40,182
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,779)	(15,730)
(c) advertising and marketing	(16)	(33)
(d) leased assets	-	-
(e) staff costs	(4,652)	(17,995)
(f) administration and corporate costs	(508)	(1,787)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	5
1.5 Interest and other costs of finance paid	(127)	(403)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	2	2
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>850</b>	<b>4,241</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(931)	(1,877)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:	-	15
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(931)</b>	<b>(1,862)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(7)
3.5	Proceeds from borrowings	120	120
3.6	Repayment of borrowings	(401)	(2,079)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(281)</b>	<b>(1,966)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	644	(131)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	850	4,241
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(931)	(1,862)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(281)	(1,966)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>282</b>	<b>282</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	817	718
5.2 Call deposits	-	-
5.3 Bank overdrafts	(535)	(74)
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>282</b>	<b>644</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
58
-

The transactions included in 6.1 above relate to director's fees and associated superannuation payments.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
134
-

The transactions included in 7.1 above relate to payments made to entities that are controlled by certain directors. The nature of these transactions has not changed from those outlined in note 24 of the Company's most recent published Annual Report and include equipment hire, repair and maintenance type services and office rental.

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	8,500	8,500
8.2 Credit standby arrangements	2,500	535
8.3 Other (equipment finance facilities)	5,973	5,973
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

**8.1** Secured shareholder loan facility provided by major shareholders Washington H. Soul Pattinson & Company Limited and Mitchell Family Investments (Qld) Pty Ltd as trustee for the Mitchell Family Investment Trust. This loan was provided to partly fund the acquisition of all Nitro Drilling Pty Ltd assets in 2015. Interest is charged at a fixed rate of 10% pa on this facility.

**8.2** Secured overdraft facility with Suncorp at a variable lending rate (currently 5.55% pa).

**8.3** Secured equipment finance facilities through a range of lenders including Westpac, Commonwealth Bank, Suncorp, Toyota Equipment Finance, Atlas Copco Financial Solutions, National Australia Bank and MEH Equipment Hire, at fixed interest rates between 4.45% and 8.33% pa.

**8.4** To fund an increase in working capital requirements associated with new contracts the Company has secured a new \$2.6million working capital facility with the following key terms:

- \$2.6million overdraft provided by National Australia Bank Limited (the Overdraft)
- Current interest on the overdraft is charged at 5.25% per annum
- The overdraft is underpinned by a guarantee in favour of National Australia Bank Limited provided by Export Finance and Insurance Corporation (EFIC) as part of a Working Capital Guarantee Facility (WCGF)
- An EFIC utilisation fee of 4.5% per annum will apply on the balance of the guaranteed amount
- The WCGF will expire on 30 September 2018

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	7,810
9.3 Advertising and marketing	20
9.4 Leased assets	-
9.5 Staff costs	8,425
9.6 Administration and corporate costs	500
9.7 Other (repayment of borrowings)	2,360
<b>9.8 Total estimated cash outflows</b>	<b>19,115</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 31 July 2017

Print name: Greg Switala

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.