Mitchell
SERVICES

ANNUAL REPORT
2017

Mitchell
SERVICES

MITCHELL SERVICES LTD
ACN 149 206 333
ANNUAL REPORT
30 JUNE 2017

CONTENTS

CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Nathan Andrew Mitchell
Executive Chairman

Dear Shareholders

Each year as I begin to write the annual Chairman's Report, I am amazed that another financial year has passed so quickly. This year is no different. What is different compared to previous years, is the state of the market in which we find ourselves operating. There has been a material improvement in general market conditions in recent times. These improved market conditions have given rise to an increased level of optimism across the resources sector and we are seeing demand for our services increase accordingly.

'Improved market conditions have given rise to an increased level of optimism across the resources sector'

The business recorded a positive EBITDA for the year ending 30 June 2017 at an average utilisation level of approximately 35%. This demonstrates that Mitchell Services is well positioned to take advantage of improved market conditions in the resource sector and that there is significant leverage within the business that can be capitalised on as utilisation, productivity, pricing and contract terms continue to improve.

The growth within the organisation over the past financial year has been significant, particularly during the final quarter. In April, the Company announced a material underground drilling contract award with BHP Billiton at its Olympic Dam mine in South Australia. In May, the Company announced a three-year contract with Glencore Coal Assets Australia (GCAA) across several of their Queensland coal operations. In June, the Company announced a two-year contract with Glencore at its Oaky Creek Coal mine in Central Queensland for the provision of highly technical large diameter drilling and also announced its material expansion into the New South Wales Hunter Valley region with the award of multiple contracts and establishment of an operating support facility in Muswellbrook from which it will service contracts in the region.

These significant contract awards continue to demonstrate the Company's ability to secure and service long term, multi rig contracts with Tier 1 clients at large, long life mines. These awards have increased overall utilisation with approximately 40 rigs (or 63%) expected to be operational during Q1 of FY18.

ANNUAL REPORT **2017** MITCHELL SERVICES LTD

'The growth within the organisation has been significant'

It has always been Mitchell Services' vision to become Australia's leading provider of drilling services across multiple drilling types, commodities and geographies and it is pleasing to note that these key contract awards span across a range of different drilling types, commodities and geographies and go a long way to forming the foundations of this vision.

It is also extremely pleasing to note that despite a marked increase in operating rig count and the number of new employees that have joined our business, our continually improving safety and risk management systems and importantly our culture have resulted in both the frequency and severity of injuries reducing across the business.

In closing I would like to thank all shareholders for your continued patience and support. I would also like to thank all employees for their huge efforts during the past year – a year that has seen truly remarkable growth in the organisation. On behalf of the Board, thank you.

Nathan Andrew Mitchell
Executive Chairman

SIGNIFICANT LEVERAGE AS UTILISATION, PRODUCTIVITY, PRICING AND CONTRACT TERMS BEGIN TO **IMPROVE**

CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Andrew Michael Elf
Chief Executive Officer

There was a marked increase in drilling activities during the financial year ended 30 June 2017 as the resources sector continued to improve. The general strengthening of the sector amid improved commodity prices and general market conditions was the catalyst for increased drilling programs across most of the Group's major Tier 1 clients.

Despite this significant increase in activity levels our key safety statistics continue to improve with the Total Recordable Injury Frequency Rate (TRIFR) decreasing to less than 15 as at 30 June 2017. I'm proud of our safety culture and our team's achievement in this area and thank everyone for their efforts in this regard.

The Group's average monthly operating rig count for the year ended 30 June 2017 was 21.67 compared to 17.75 in 2016, whilst the number of shifts increased by 28% over the same period.

This increase in activity levels has driven a 22% increase in revenues, with the Group recording $40 million in revenue for the year ended 30 June 2017 compared to $33 million in 2016. This increase was almost exclusively attributable to Tier 1 clients that operated at or near existing mines as opposed to junior explorers, with 93% of the Group's 2017 revenue attributed to Tier 1 clients as opposed to 88% in 2016. Revenues from underground drilling was the a primary contributor to the increase in Tier 1 revenue.

Revenues from underground drilling accounted for 34% of total revenue as opposed to 23% during the previous year. 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 during the traditional wet season in Queensland.

The Board and management remain mindful of the importance of revenue diversity which includes diversity in commodity mix, drilling type and geography. The Group's revenue mix by commodity remains well balanced with 51% derived from coal based clients and 49% derived from minerals based clients. Diversity levels with respect to drilling types continues to increase with 65% of revenue derived from surface drilling and 34% from underground.

The Group has recently made significant progress in regards to its longer-term goal of geographical diversity with the following representing important strategic steps:

- In April 2017 the Group announced a material contract award in South Australia with major miner BHP at its Olympic Dam operation.
- In June 2017 the Group announced expansion into NSW with multiple contract awards and the establishment of an operating yard in Muswellbrook.
- The Group is currently in the process of establishing operating yards in Port Headland and Kalgoorlie with a view to establish a physical presence in Western Australia.

The Group generated EBITDA of $2.2 million for the year ended 30 June 2017 compared to $0.5million in 2016. EBITDA during the second half of the 2017 financial year was impacted by significant contract ramp up costs and interstate transportation and mobilisation costs associated with the recently awarded major contracts in South Australia and New South Wales.

30 June 2017 EBITDA has increased by $1.7 million compared to 2016 EBITDA of $0.5million. Despite the dilution to EBITDA associated with ramp up costs, EBITDA as a percentage of revenue has increased from 1.6% in the previous financial year to 5.6% at 30 June 2017.

This increase in EBITDA has resulted in a material improvement in operating cash flows. Cash flows from operating activities were $4.3 million for the year ended 30 June 2017 compared to negative $0.1 million in 2016.

In FY18 our goal is to further build on this strong foundation by expanding geographically and taking advantage of our strong position in the market underpinned by long term Tier 1 contracts whilst still servicing junior exploration companies.

I would like to thank the Board for their on-going support and guidance, my senior executive and all of our teams that have gone above and beyond in another very challenging year in the mining services industry.

I look forward to a safe, exiting and extremely busy year ahead.

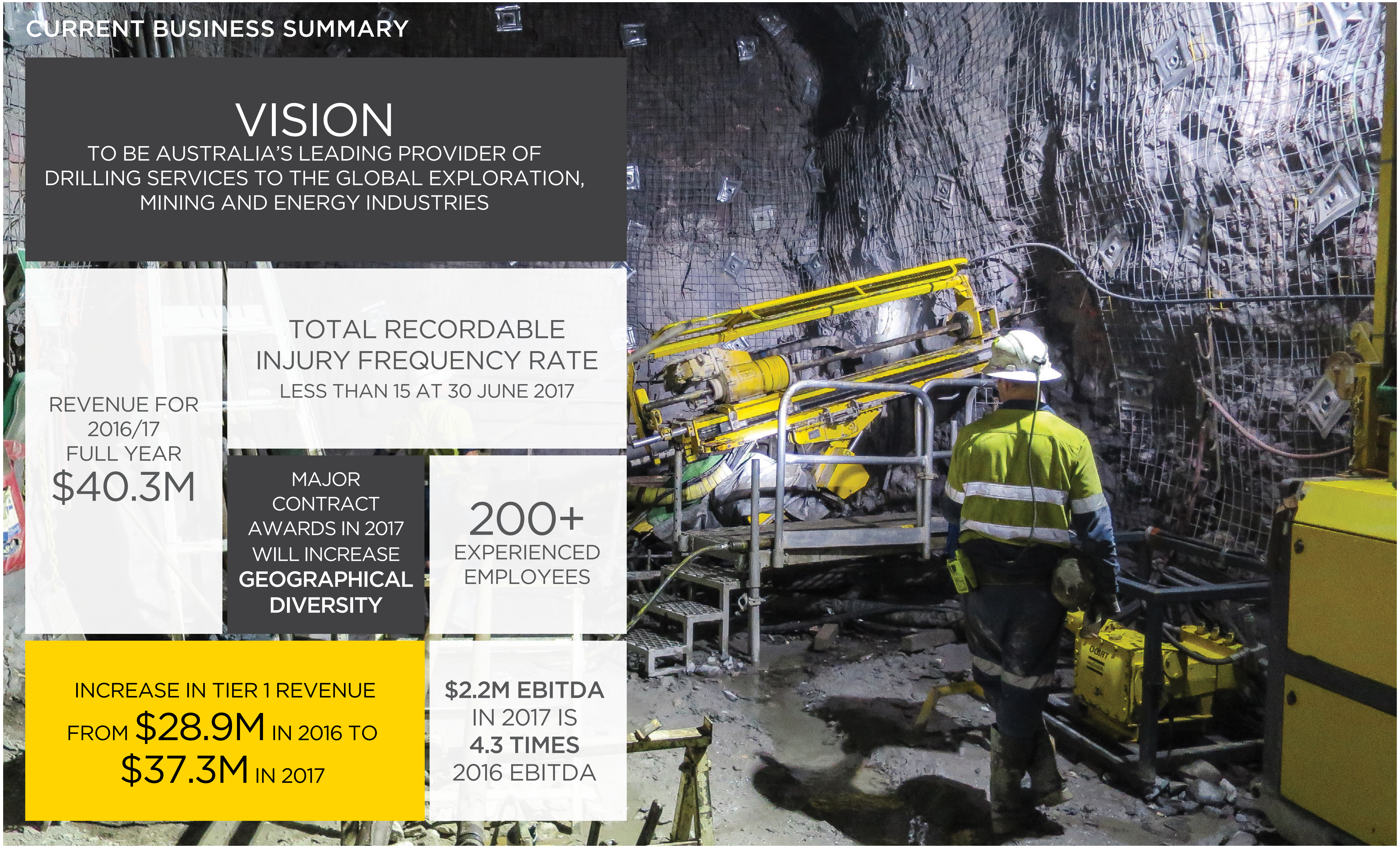
Andrew Michael Elf
Chief Executive Officer

INCREASE IN ACTIVITY LEVELS HAVE DRIVEN A **22% INCREASE** IN REVENUE.

MATERIAL IMPROVEMENT IN OPERATING CASH FLOWS.

ANNUAL REPORT **2017** MITCHELL SERVICES LTD

CURRENT BUSINESS SUMMARY



VISION

TO BE AUSTRALIA'S LEADING PROVIDER OF DRILLING SERVICES TO THE GLOBAL EXPLORATION, MINING AND ENERGY INDUSTRIES

REVENUE FOR 2016/17 FULL YEAR

$40.3M

TOTAL RECORDABLE INJURY FREQUENCY RATE

LESS THAN 15 AT 30 JUNE 2017

MAJOR CONTRACT AWARDS IN 2017 WILL INCREASE **GEOGRAPHICAL DIVERSITY**

200+

EXPERIENCED EMPLOYEES

INCREASE IN TIER 1 REVENUE FROM $28.9M IN 2016 TO $37.3M IN 2017

$2.2M EBITDA IN 2017 IS **4.3 TIMES** 2016 EBITDA

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The Directors of Mitchell Services Limited submit herewith the financial report of Mitchell Services Limited **(Company)** and its subsidiaries **(Group)** for the year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Nathan Andrew Mitchell *(Executive Chairman)*
Mr Mitchell was appointed to the Board on 29 November 2013 and appointed as Executive Chairman on 19 March 2014.

Mr Mitchell has been involved in the drilling industry for virtually his entire life. With a career spanning almost 30 years, he has a proven track record as an industry leader in technical development and business growth.

Mr Mitchell is currently Executive Chairman of Mitchell Group including Energy and Equipment. Previously, as CEO of Mitchell Drilling Contractors, Mr Mitchell led the Company through a period of rapid local growth and directed an international expansion into India, China, Indonesia, the United States and southern Africa. Other directorships include Mitchell Drilling International Pty Ltd and Sub 161 Pty Ltd. Mr Mitchell also previously served on the board of Tlou Energy Limited (ASX:TOU) from June 2009 to February 2016.

At the date of this report, Mr Mitchell has relevant interests in 314,763,177 shares.

Peter Richard Miller *(Non-Executive Director)*
Mr Miller was appointed as Director on 8 February 2011.

Mr Miller has been involved in all aspects of the drilling industry for the past 29 years and founded Drill Torque in 1992. His experience encompasses working with all types of drilling rigs, building rigs and managing drilling companies. Having worked in most exploration areas in Australia he is intimately familiar with drilling conditions, equipment requirements and pricing structures to maximise fleet productivity. Mr Miller is widely known and well regarded in the industry.

At the date of this report, Mr Miller has relevant interests in 23,905,045 shares.

Robert Barry Douglas BCom, LLB *(Non-Executive Director)*
Mr Douglas was appointed as Non-Executive Director on 29 November 2013. Mr Douglas has over 18 years of experience in finance and investment banking and is currently an Executive Director of Morgans Financial.

Mr Douglas has experience in all aspects of corporate advisory and equity capital raising for listed public companies and companies seeking to list, including offer structure, prospectus preparation, due diligence, accounts and forecasting, risk management, sales and marketing, logistics and legal requirements. During his time Mr Douglas has worked extensively with energy and resource companies. Mr Douglas has served on both the Audit and Risk Committee and the Remuneration and Nomination Committee since 20 March 2014 and was Chairman of both Committees between 21 November 2014 and 20 October 2015.

At the date of this report, Mr Douglas has relevant interests in 1,964,921 shares.

Neal Macrossan O'Connor LLB, GAICD *(Non-Executive Director)*
Mr O'Connor was appointed as Non-Executive Director on 21 October 2015 and is also Chairman of the Audit and Risk and Remuneration and Nomination Committees.

Mr O'Connor was formerly General Counsel and Company Secretary and an Executive Committee member of the global Xstrata Copper. He has extensive experience in the resource industry and brings an added focus on Corporate Governance and Risk Management to the Board.

At the date of this report, Mr O'Connor has relevant interests in 1,039,000 shares.

Grant Eric Moyle
Mr Moyle was appointed as Alternate Director for Mr Nathan Mitchell on 30 May 2014.

Mr Moyle is the Chief Executive Officer of the Mitchell Group in Brisbane. He brings to the Group his management and board experience in International Mining Services, Governance and Strategic Business Growth.

At the date of this report, Mr Moyle has relevant interests in 2,369,143 shares.

CHIEF EXECUTIVE OFFICER

Andrew Michael Elf BCom, FCPA, MBA, GAICD
Andrew was appointed as Chief Executive Officer on 20 March 2014.

Andrew has over 15 years finance, commercial and operational experience working in various senior roles both in Australia and overseas and was a Financial Director in Indonesia for a top 100 ASX listed company before transitioning into the drilling industry in early 2004. Andrew held several senior roles with Boart Longyear before joining Mitchell Group in March 2010, where he spearheaded the growth of the African business to an annual turnover in excess of $30 million.

Andrew has extensive experience in managing drilling companies in various regions around the world which have worked for global Tier 1 mining and energy houses.

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Gregory Michael Switala BCom (Hons), CA
Gregory Michael Switala was appointed to the position of Chief Financial Officer and Company Secretary on 1 December 2014.

Greg joined Mitchell Services in 2014 and has lead the finance team through a period of substantial growth. Greg has over 10 years' experience in audit and commercial finance roles.

PRINCIPAL ACTIVITIES

The Group provides exploration and mine site drilling services to the exploration, mining, and energy industries, primarily in Australia and 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

Revenue grew by 22% to $40.3million for the year ended 30 June 2017 compared to $32.9million in 2016.This increase was almost exclusively attributable to Tier 1 clients that operated at or near existing mines as opposed to junior explorers. Revenue from underground drilling was the main contributor to this increase in Tier 1 revenue.

The Group generated EBITDA of $2.2 million for the year ended 30 June 2017 compared to $0.5million in 2016.

This increase in EBITDA has resulted in a material improvement in operating cash flows. Cash flows from operating activities were $4.3 million for the year ended 30 June 2017 compared to negative $0.1 million in 2016.

The Group's operating result after income tax for the year ended 30 June 2017 was a loss of $4.4million (2016: $6.0 million loss).

Further detailed comments on operations and financial performance are included in the Chairman's Report, Chief Executive Officer's Report and Financial Statements included in this Annual Report.

CHANGES IN STATE OF AFFAIRS

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS

The Group will continue to pursue its principal activities during the next financial year.

ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. However, the Group does provide services to entities that are licensed or otherwise subject to conditions for the purposes of environmental legislation or regulation. In these instances, the Group undertakes its compliance duties in accordance with the contractor regime implemented by the licensed or regulated entity.

DIVIDENDS

There were no dividends paid in respect of the year ended 30 June 2017.

SHARES UNDER OPTION

Details of unissued shares or interests under option as at the date of this report are:

Grant Date	Expiry Date	Exercise Price	Number under Option
23 May 2016	7 years after vesting	$0.0395	16,362,395
4 August 2017	7 years after vesting	$0.0539	11,353,565
			27,715,960

Options per the above table were granted under the Company's Executive Share and Option Plan (ESOP).

Further details with regards to the ESOP are provided as part of the Remuneration Report on pages 12 to 17.

During the year ended 30 June 2017, there were no shares in Mitchell Services Limited issued on the exercise of options granted.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the Directors and Company Officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director or Officer of the Company other than conduct involving a wilful breach of duty in relation to the Company. The total premiums paid in this regard amounted to $46,158.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an Officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member). During the financial year, 12 Board meetings, 2 Remuneration and Nomination Committee meetings and 4 Audit and Risk Committee meetings were held.

Directors	Board of Directors		Remuneration and Nomination Committee		Audit and Risk Committee	
	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended
N.A. Mitchell	12	12	-	-	-	-
P.R Miller	12	11	-	-	-	-
R.B Douglas	12	12	2	2	4	4
N.M O'Connor	12	11	2	2	4	4
G.E. Moyle	-	-	-	-	-	-

NON-AUDIT SERVICES

There were no amounts paid or payable to the auditor for non-audit services provided during the year by the auditor. Refer to note 23 to the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 24 of the Annual Report.

REMUNERATION REPORT

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of the Group's Key Management Personnel **(KMP)** for the financial year ended 30 June 2017. The term Key Management Personnel refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Key Management Personnel
The Directors and other KMP of the Group during or since the end of the financial year were:

Nathan Andrew Mitchell (Executive Chairman)
Peter Richard Miller (Non-Executive Director)
Robert Barry Douglas (Non-Executive Director)
Neal Macrossan O'Connor (Non-Executive Director)
Andrew Michael Elf (Chief Executive Officer)
Gregory Michael Switala (Chief Financial Officer and Company Secretary)

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

Remuneration Policy
The Remuneration Policy of the Group has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives to key employees based on key performance areas affecting the Group's financial results. The Board believes the Remuneration Policy to be appropriate and effective in its ability to attract and retain high quality KMP to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

- The remuneration policy is to be developed by the Remuneration and Nomination Committee and approved by the Board. Professional advice may be sought from independent external consultants if required;
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, and may receive fringe benefits and performance incentives;
- Any performance incentives will generally only be paid once predetermined key performance indicators have been met;
- The performance criteria relating to incentives are aligned with the interests of the Group and therefore shareholders;
- The Remuneration and Nomination Committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of executive KMP is measured against criteria agreed annually based predominantly on the growth of the Group's profits and shareholder's value and take into account critical safety and operational metrics.

Any bonuses and incentives awarded must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, and can recommend changes to the Remuneration and Nomination Committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and Senior Managers and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's ordinary earnings, and do not receive any other retirement benefits. Some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. KMP will receive redundancy benefits if applicable.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Relationship between the Remuneration Policy and Group performance
The Remuneration Policy has been tailored to align the pursuit of growth and success of the Group between shareholders, Directors and Executives. The tables below set out summary information about the Group's earnings and movements in share price for the five years to 30 June 2017.

	30 Jun 17 $'000	30 Jun 16 $'000	30 Jun 15 $'000	30 Jun 14 $'000	30 Jun 13 $'000
Revenue	40,303	32,970	25,175	15,015	25,904
EBITDA	2,238	522	(4,322)	(3,071)	2,107
Loss after tax	4,407	6,049	16,999	4,607	1,912

	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14	30 Jun 13
Share price	3.3c	1.7c	2.2c	2.1c	1.0c

Employment details of members of Key Management Personnel
The employment terms and conditions of KMP are formalised in contracts of employment. A contracted person deemed employed on a permanent basis may terminate their employment by providing the relevant notice period as outlined below.

	Notice Period
Andrew Michael Elf	3 months
Gregory Michael Switala	4 weeks

Long-term employee benefits
Mitchell Services Limited operates an Executive Share and Option Plan (ESOP) for executives and senior employees of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, the Board may designate a Director or employee of the Company as an eligible participant of the ESOP (Eligible Participant). The Board may offer rights, options or shares to an Eligible Participant under the ESOP. A participant is not required to pay for the grant of any rights or options or for the issue of shares.

The objectives of the ESOP are to:

- Attract and retain a high standard of managerial and technical personnel for the benefit of the Group
- Establish a method by which Eligible Participants can participate in future growth and profitability of the Group
- Provide an incentive and reward for Eligible Participants for their contributions to the Group

Equity instruments issued under the ESOP are subject to satisfaction of certain vesting conditions, being:

(a) EBITDA performance of the Company having regard to respective prior years EBITDA performance, performance against budgets and general market conditions between the date of the offer and the vesting date
(b) the Company's share price performance between the date of the offer and the vesting date
(c) the Company's safety performance across all operations as determined on a financial year annual TRIFR basis, having regard to respective prior years' TRIFR performance
(d) the Company's operational performance, having particular regard to key operational metrics

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

The proportion of the vesting conditions listed above varies according to each Eligible Participant's role, with the following table providing indicative guidelines:

Role	(a)	(b)	(c)	(d)
Chief Executive Officer	30%	30%	30%	10%
Corporate Management	40%	40%	20%	
Operational Management			50%	50%

The Board may, at its absolute discretion, vary, add, remove or alter the vesting conditions and indicative proportional allocation for respective Eligible Participant roles in circumstances in which the Board considers that such a change is appropriate to ensure that the vesting conditions and proportional allocation of them continue to represent a fair measure of performance. The vesting conditions are tested two years after the relevant securities are offered to an Eligible Participant.

The following shares and options offered pursuant to the ESOP during the 2017 financial year to KMP still exist at the date of this report:

KMP	Award	Offer date	Number of Instruments	Fair value per instrument at offer date	Vested in FY2017	Exercisable at 30 June 2017	Date award may vest
Andrew Michael Elf	Options	29 June 2017	3,824,355	0.0273	-	-	29 June 2019
	Shares	29 June 2017	1,148,805	0.0330	-	-	29 June 2019
Gregory Michael Switala	Options	29 June 2017	2,688,992	0.0273	-	-	29 June 2019
	Shares	29 June 2017	807,754	0.0330	-	-	29 June 2019

Pursuant to offers made under the ESOP, options were granted and shares were issued under the following major terms.

In the case of the options:

(a) Subject to the satisfaction of vesting conditions, each option entitles the holder to purchase one fully paid ordinary share.
(b) The options will expire on a date that is the earlier of:
 (i) the date upon which it is deemed that the vesting conditions have not been met
 (ii) the date upon which the employee ceases employment
 (iii) seven years after vesting date.
(c) The exercise price is $0.0539 for each option.
(d) Options granted do not carry dividend or voting rights.

In the case of the shares:

(a) Shares issued under the ESOP are held by a designated Corporate Trustee subject to the satisfaction of vesting conditions.
(b) Upon satisfaction of vesting conditions, shares will be issued for nil consideration.

The following shares issued and options offered pursuant to the ESOP during the 2016 financial year to KMP still exist at the date of this report:

KMP	Award	Offer date	Number of Instruments	Fair value per instrument at offer date	Vested in FY2017	Exercisable at 30 June 2017	Date award may vest
Andrew Michael Elf	Options	23 May 2016	6,643,133	0.0074	-	-	01 May 2018
	Shares	23 May 2016	1,995,531	0.0140	-	-	01 May 2018
Gregory Michael Switala	Options	23 May 2016	4,581,471	0.0074	-	-	01 May 2018
	Shares	23 May 2016	1,376,228	0.0140	-	-	01 May 2018

Pursuant to offers made under the ESOP, options were granted and shares were issued under the following major terms.

In the case of the options:

(a) Subject to the satisfaction of vesting conditions, each option entitles the holder to purchase one fully paid ordinary share.
(b) The options will expire on a date that is the earlier of:
 (i) the date upon which it is deemed that the vesting conditions have not been met
 (ii) the date upon which the employee ceases employment
 (iii) seven years after vesting date.
(c) The exercise price is $0.0395 for each option.
(d) Options granted do not carry dividend or voting rights.

In the case of the shares:

(a) Shares issued under the ESOP are held by a designated Corporate Trustee subject to the satisfaction of vesting conditions.
(b) Upon satisfaction of vesting conditions, shares will be issued for nil consideration.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

Remuneration of Key Management Personnel
The compensation of each member of the KMP of the Group is set out below:

Fixed remuneration paid		**Short-term employee benefits**	**Post-employment benefits**	**Termination benefits**	**Non-monetary benefits**	**Long-term employee benefits[2]**	
		Salary	**Superannuation**		**Motor Vehicles[1]**	**Shares**	**Options**
		$	**$**	**$**	**$**	**$**	**$**
Nathan Andrew Mitchell	**2017**	**80,000**	**7,599**	**-**	**-**	**-**	**-**
Executive Chairman	2016	80,000	7,599	-	-	-	-
Peter Richard Miller	**2017**	**36,000**	**3,419**	**-**	**-**	**-**	**-**
Non-Executive Director	2016	36,000	3,419	-	-	-	-
Robert Barry Douglas	**2017**	**36,000**	**3,419**	**-**	**-**	**-**	**-**
Non-Executive Director	2016	36,000	3,419	-	-	-	-
Neal Macrossan O'Connor	**2017**	**52,000**	**2,039**	**-**	**-**	**-**	**-**
Non-Executive Director	2016	36,344	1,806	-	-	-	-
Andrew Michael Elf	**2017**	**319,998**	**30,399**	**-**	**14,861**	**25,339**	**70,864**
Chief Executive Officer	2016	260,000	24,699	-	14,902	1,414	2,353
Gregory Michael Switala	**2017**	**179,998**	**17,099**	**-**	**4,189**	**17,475**	**48,871**
Chief Financial Officer and Company Secretary	2016	180,000	17,099	-	4,200	975	1,623

1. The figures in this column relate to use of a Company motor vehicle to carry out duties as well as reasonable personal use. The amount included in the above remuneration table is the value attributable to such personal use calculated in accordance with the statutory requirements of the Fringe Benefits Tax Act 1986.
2. The figures in these columns for share-based payments are calculated in accordance with the Accounting Standards and are the amortised AASB fair values of equity and equity-related instruments that have been granted to KMP. Refer to note 17 in the Notes to the Financial Statements.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

Nathan Andrew Mitchell
Executive Chairman

Dated at Brisbane this 30th day of August 2017

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

The Board considers there to be a clear and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness amongst and between the Board members, management, employees, customers and suppliers.

Unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council for the entire financial year ended 30 June 2017.

1. Board of Directors

1.1. Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and Senior Executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Group to the Chief Executive Officer and Executive Management. Responsibilities are delineated by formal authority delegations.

1.2. Board processes

To assist in the execution of its responsibilities, the Board has established 2 board committees which include a Remuneration and Nomination Committee and an Audit and Risk Committee. Both committees have written charters which are reviewed on a regular basis. The Board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds not less than 10 scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared by the Company Secretary in conjunction with the Chairman. Standing items include the Chief Executive Officer report, People and Risk report, General Manager's reports, Financial reports and Commercial and Business Development reports. The Board package is provided to all concerned in advance of meetings. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

1.3. Director and executive education

The Group has an informal induction process to educate new Directors about the nature of the business, current issues, the corporate strategy, the culture and values of the Group, and the expectations of the Group concerning performance of Directors. In addition, Directors are also educated regarding meeting arrangements and Director interaction with each other, senior executives and other stakeholders. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has an informal process to educate new senior executives upon taking such positions. This involves reviewing the Group's structure, strategy, operations, financial position and risk management policies.

1.4. Independent professional advice and access to Group information

Each Director has the right of access to all relevant Group information and to the Group's Executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The Directors must consult with an adviser suitably qualified in the relevant field and obtain the Chairman's

CORPORATE GOVERNANCE STATEMENT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Directors is made available to all other members of the Board.

1.5. Composition of the Board
The names of the Directors of the Company in office at the date of this report together with their respective mix of skills, experience and length of service are set out in the Directors' Report on page 9 and 10 of this report.

The Group believes it is in its best interests to maintain a small but efficient Board. The Board consists of 3 Non-executive Directors (being Peter Miller, Robert Douglas and Neal O'Connor) and Executive Chairman, Nathan Mitchell. As at the date of this report two of the four board members are considered independent, being Robert Douglas and Neal O'Connor.

The Executive Chairman is Mr Nathan Mitchell. Under the guidelines, Mr Mitchell does not meet the criteria for independence as he is a Director of a substantial shareholder. Peter Richard Miller is also a substantial shareholder and does not meet the criteria for independence. Under the guidelines, the majority of the Board should be independent as should the Chair. All Directors are committed to bringing their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, must inform the Board if they have any interest that could conflict with those of the Group. Where the Board considers that a conflict exists, the Director concerned will not be present at the meeting while the item is considered. For these reasons, the Board believes that each of these Directors may be considered to be acting independently in the execution of their duties.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have appropriate industry expertise in the Group's business operations. The Board undertakes appropriate checks before appointing a person as a Director and provides security holders with all material information relevant to a decision on whether or not to elect a Director. The Board's policy is to seek a diverse range of Directors who have a range of skills, ages, genders and ethnicity that complements the environment in which the Group operates and having due regard to the current size of the Group (refer section 8 below on skills and diversity).

2. Remuneration and Nomination Committee

Under the principles and recommendations of the ASX Corporate Governance Council, the Remuneration and Nomination Committee should consist of at least 3 members, each of whom should be Non-Executive Directors. Given the relatively small size of the Board, the Directors are of the opinion that 2 members are sufficient to properly discharge the duties of the Committee. The Chairman of the Committee should be an independent Director. The Committee has 2 distinct roles as follows:

- Remuneration related matters; and
- Nomination related matters.

The members of the Remuneration and Nomination Committee during the year were:

- Mr Neal Macrossan O'Connor – Chairman and Non-Executive Director
- Mr Robert Barry Douglas – Non-Executive Director

All Directors are invited to Remuneration and Nomination Committee meetings at the discretion of the Committee. The Committee met twice during the year and Committee members' attendance record is disclosed in the table of Directors' meetings on page 12 of this report.

Remuneration related matters
The Committee assists the Board in the general application of the remuneration policy. In doing so, the Committee is responsible for:

- Developing remuneration policies for Directors and Key Management Personnel;
- Reviewing Key Management Personnel packages annually and, based on these reviews, making recommendations to the Board on remuneration levels for Key Management Personnel; and
- Assisting the Board in reviewing Key Management Personnel performance annually.

Executive Directors and Senior Executives are remunerated by way of salary, non-monetary benefits and statutory superannuation in accordance with written agreements that set out the terms of their appointments. Non-Executive Directors are remunerated by way of salary and statutory superannuation. There are no schemes for retirement benefits for Directors other than statutory superannuation arrangements. Further disclosure on the policies and practices regarding remuneration is contained in the Remuneration Report of this Annual Report

Nomination related matters
The Committee assists the Board in ensuring that the Board comprises Directors with a range and mix of attributes appropriate for achieving its objective. The Committee does this by:

- Overseeing the appointment and induction process for Directors;
- Reviewing the skills and expertise of Directors and identifying potential deficiencies;
- Identifying suitable candidates for the Board;
- Overseeing Board and Directors reviews on an annual basis; and
- Establishing succession planning arrangements for the Executive team.

3. Audit and Risk Committee

The Audit and Risk Committee has a documented charter, approved by the Board. Under the principles and recommendations of the ASX Corporate Governance Council, the Committee should consist of at least 3 members, each of whom should be Non-Executive Directors. Given the relatively small size of the Board, the Directors are of the opinion that 2 members are sufficient to properly discharge the duties of the Committee for the present time. The Chairman of the Committee should be an independent Director and should not be Chairman of the Board. The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities in relation to the external audit function, accounting policies, financial reporting, funding, financial risk management, business risk monitoring and insurance.

The members of the Audit and Risk Committee during the year were:

- Mr Neal Macrossan O'Connor – Chairman and Non-Executive Director
- Mr Robert Barry Douglas – Non-Executive Director

The external auditors and the Chief Executive Officer are invited to Audit and Risk Committee meetings at the discretion of the Committee. The Committee met 4 times during the year and Committee members' attendance record is disclosed in the table of Directors' meetings on page 12 of this report.

The Chief Executive Officer and the Chief Financial Officer declared in writing to the Board that the financial records of the Group for the financial year have been properly maintained, the Group's financial reports for the financial year ended 30 June 2017 comply with accounting standards and present a true and fair view of the Group's financial condition and operational results and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. This statement is required annually.

4. Performance evaluation

The Remuneration and Nomination Committee is required to annually review the effectiveness of the functioning of the Board, its committees, individual Directors and Senior Executives through internal peer review.

5. Risk management

The Board considers identification and management of key risks associated with the business as vital to creating and delivering long-term shareholder value.

The main risks that could negatively impact on the performance of the Group's business activities include:

- Safety of our people and our contractors;
- Seasonal conditions and business interruptions;
- Dependence on key personnel and labour shortages;
- Customer demand and outlook for the resources industry.

An assessment of the business's risk profile is undertaken and reviewed by the Board annually, covering all aspects of the business from the operational level through to strategic level risks. Executive management has been delegated the task of

CORPORATE GOVERNANCE STATEMENT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly by management. Executive management has reported on an ongoing basis (via monthly board meetings) to board as to whether the Group's business risks have been effectively managed.

In addition to their regular reporting on business risks, risk management and internal control systems, the Chief Executive Officer and Chief Financial Officer have provided assurance, in writing to the Board:

- That the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively; and
- The Group's financial reports are founded on a sound system of risk management and internal compliance and control.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. In the absence of an internal audit function, comprehensive practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled;
- Health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel;
- Financial reporting accuracy and compliance with the financial reporting regulatory framework. Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly; and
- Regulation compliance. The Group's health, safety, environment and sustainability obligations are monitored by all members of the Board.

6. Ethical standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews its Code of Conduct and Ethics regularly and processes are in place to promote and communicate these policies.

Conflict of interest

Directors must keep the Board advised, on an on-going basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

Where the Board believes that a conflict exists the Director concerned will not be present at the meeting while the item is considered. Details of Director related entity transactions with the Group are set out in note 21 to the financial statements.

Code of conduct

The Group has advised each Director, manager and employee that they must comply with the Group's Code of Conduct and Ethics. The code requires all Directors, management and employees to at all times with all relevant stakeholders:

- Act honestly and in good faith;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflict of interest;
- Comply with both the letter and spirit of the law;
- Encourage the reporting and investigation of unlawful and unethical behaviour; and
- Comply with the share trading policy.

Share trading policy

The Share Trading Policy restricts Directors and employees from acting on price sensitive information (which is not available to the public) until it has been released to the market and adequate time has been given for this to be reflected in the company's share price.

Directors and other Key Management Personnel are also prohibited from trading during closed periods. Closed periods are periods other than 6 weeks commencing from:

- The release of the Group's annual result to the ASX;
- The release of the Group's half-yearly result to the ASX; and
- The date of the Annual General Meeting.

7. Communication with shareholders

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy and investor relations program which includes identifying matters that may have a material effect on the price of the Company's shares and notifying them to the ASX.

In summary, the Continuous Disclosure Policy operates as follows:

- The Company Secretary (also the Chief Financial Officer) and the Chief Executive Officer are responsible for interpreting the Group's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX after they are discovered but are referred to the Board in the first instance.
- The full Annual Report is provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy or not to receive the document). It provides relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments.
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the ASX and sent to any shareholder who requests it.
- Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders.
- All announcements made to the market can be accessed via the company's website after they have been released to the ASX.
- The external auditor attends the Annual General Meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

8. Skills and diversity

Diversity

The Company has an established Equity and Diversity Policy relating to its Board Members, Senior Executives and across the whole organisation with an objective to recruit and manage on the basis of qualification for the position and performance; regardless of gender, age, nationality, race, religious beliefs, cultural background or sexuality.

In summary, the Equity and Diversity Policy operates as follows:

The Company has zero tolerance toward discrimination.

To achieve this, we are committed to:

- Ensuring a working environment that is free of all forms of harassment.
- Valuing the diversity among our employees, and all those with whom we do business.
- Conducting business activities such as the hiring, promotion, and compensation of employees without regard to race, colour, religion, gender, gender identity or expression, sexual orientation, national origin, genetics, disability, or age.
- The employment and development of Indigenous employees in all the countries where we operate.
- Complying with all applicable legislative requirements.

To achieve this, we will:

- Adhere to the Company Code of Conduct and be guided by the Company's Values.
- Recruit a diverse range of people with a diverse range of talents to help us achieve our goals.
- Employ the best person for the job regardless of race, colour, religion, gender, gender identity or expression, sexual orientation, national origin, genetics, disability, or age.
- Select on the principles of merit and fairness in all employment practices.

CORPORATE GOVERNANCE STATEMENT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

- Ensure that all reports of workplace discrimination are treated seriously, promptly and fairly with due regard to the principals of procedural fairness, natural justice and confidentiality.
- Take appropriate action against individuals engaging in discriminatory conduct.
- Build relationships and promote opportunities for Indigenous peoples throughout all of our operations, while encouraging cultural awareness and respect amongst our staff.
- Make confidential counselling and support available to employees to as assist with any workplace issues that may arise.

The proportion of women employees in the whole organisation is detailed below:

	2017		2016	
	No.	%	No.	%
Women on the Board	-	-	-	-
Women in senior management roles[1]	1	14.29	1	14.29
Women employees in the Group	11	5.37	7	4.76

1. The Company has defined senior management roles as those roles which are responsible for a key business function and that report directly to either the Chief Executive Officer or Chief Financial Officer.

Skills matrix
The Company aims to maintain a diverse, multi-skilled Board with a range of different skills and expertise. At a minimum, these skills and expertise include:

- Capital management and corporate finance experience
- Experience at both executive and non-executive levels
- An understanding of the drilling industry and mining services sector
- Exceptional leadership skills
- Experience in workplace health and safety
- An understanding of technological advances in the mining services industry
- Financial acumen and strategic capabilities
- Environment and sustainability experience
- An understanding of risk management

Jessups
Accountants & Business Advisors

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 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 year ended 30 June 2017 there have been no contraventions of:

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

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

Rodger Dunstan
Director
Jessups Accountants & Business Advisors

Level 1, 19 Stanley Street, Townsville QLD 4810

Dated this 25th day of August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Continuing operations			
Revenue	2	40,302,633	32,970,247
Gain/(loss) on sale of assets		(24,612)	(31,279)
Advertising		(33,230)	(31,583)
Drilling consumables		(6,847,191)	(5,624,283)
Employee and contract labour expenses		(19,800,102)	(16,810,104)
Fuel and oil		(964,309)	(1,056,296)
Freight and couriers		(697,353)	(603,461)
Hire of plant and equipment		(1,953,855)	(1,422,765)
Insurances		(663,694)	(707,452)
Legal and consultant fees		(463,150)	(551,150)
Rent		(694,809)	(590,090)
Service and repairs		(2,701,575)	(1,946,706)
Travel expenses		(1,762,854)	(1,801,799)
Other expenses		(1,457,622)	(1,270,881)
EBITDA		2,238,277	522,398
Depreciation expense		(5,434,817)	(5,317,026)
EBIT		(3,196,540)	(4,794,628)
Finance expenses		(1,210,369)	(1,254,203)
Profit/(loss) before tax		(4,406,909)	(6,048,831)
Income tax expense	12	-	-
Profit/(loss) for the period from continuing operations		(4,406,909)	(6,048,831)
Discontinued operations			
Profit/(loss) for the period from discontinued operations		-	-
Profit/(loss) for the period		(4,406,909)	(6,048,831)
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		(4,406,909)	(6,048,831)
Profit attributable to:			
Owners of the parent		(4,406,909)	(6,048,831)
Total comprehensive income attributable to:			
Owners of the parent		(4,406,909)	(6,048,831)
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)	25	(0.30)	(0.43)
Diluted (cents per share)	25	(0.30)	(0.43)
From continuing operations			
Basic (cents per share)	25	(0.30)	(0.43)
Diluted (cents per share)	25	(0.30)	(0.43)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	3(a)	816,511	468,973
Trade and other receivables	4	7,120,015	6,107,742
Other financial assets	5	46,740	981
Other assets	6	823,162	461,808
Inventories	7	1,293,200	1,335,189
Total current assets		10,099,628	8,374,693
Non-current assets			
Other financial assets	5	11,652	281
Property, plant and equipment	11	26,932,379	27,275,611
Investment property		2,975,000	2,975,000
Other assets	6	18,000	18,000
Total non-current assets		29,937,031	30,268,892
Total assets		40,036,659	38,643,585
LIABILITIES			
Current liabilities			
Bank overdraft	3(b)	535,000	600,088
Trade and other payables	8	8,035,875	4,795,263
Other financial liabilities	9	2,326,838	2,154,437
Provisions	10	1,241,178	726,271
Total current liabilities		12,138,891	8,276,059
Non-current liabilities			
Other financial liabilities	9	13,071,624	12,274,422
Provisions	10	181,175	121,534
Total non-current liabilities		13,252,799	12,395,956
Total liabilities		25,391,690	20,672,015
Net assets		14,644,969	17,971,570
EQUITY			
Issued capital	14	49,454,378	48,604,378
Share issue costs	15	(2,521,167)	(2,514,522)
Contingent option reserve		-	2,122,402
Retained earnings	16	(32,288,242)	(30,240,688)
Total equity		14,644,969	17,971,570

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	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						
Profit/(loss) for the period	16	-	-	(6,048,831)	(6,048,831)	(6,048,831)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(6,048,831)	(6,048,831)	(6,048,831)
Issue of ordinary shares related to rights issue		9,385,244	-	-	9,385,244	9,385,244
Share issue costs		(591,798)	-	-	(591,798)	(591,798)
Recognition of share-based payments		-	-	(27,473)	(27,473)	(27,473)
Balance at 30 June 2016		46,089,856	2,122,402	(30,240,688)	17,971,570	17,971,570
Comprehensive income						
Profit/(loss) for the period	16	-	-	(4,406,909)	(4,406,909)	(4,406,909)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(4,406,909)	(4,406,909)	(4,406,909)
Transfer contingent option reserve	16	-	(2,122,402)	2,122,402	-	-
Issue of ordinary shares	14	850,000	-	-	850,000	850,000
Share issue costs	15	(6,645)	-	-	(6,645)	(6,645)
Recognition of share-based payments	17	-	-	236,953	236,953	236,953
Balance at 30 June 2017		**46,933,211**	**-**	**(32,288,242)**	**14,644,969**	**14,644,969**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		40,438,132	32,142,839
Payments to suppliers and employees		(35,737,360)	(31,852,086)
Interest received		4,477	4,426
Interest paid		(398,387)	(360,900)
Income tax paid		-	-
Net cash provided by/(used in) operating activities	18	4,306,862	(65,721)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		15,000	6,251,012
Payment for other property, plant and equipment		(1,939,903)	(18,811,975)
Net cash provided by/(used in) investing activities		(1,924,903)	(12,560,963)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	8,535,244
Payments for share issue costs		(6,645)	(591,798)
Proceeds from borrowings		120,120	8,500,000
Repayment of borrowings		(2,082,808)	(3,333,543)
Net cash provided by/(used in) financing activities		(1,969,333)	13,109,903
Net increase/(decrease) in cash and cash equivalents		412,626	483,219
Cash and cash equivalents at the beginning of the period		(131,115)	(614,334)
Cash and cash equivalents at the end of the period	3(c)	281,511	(131,115)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General information
Mitchell Services Ltd **(Company)** is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the Corporate Directory of this Annual Report. The principal activities of the Company and its subsidiaries **(Group)** involve the provision of exploration and mine site drilling services to the mining industry.

(b) Statement of compliance
These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on the date shown in the Directors' Declaration.

(c) Basis of preparation
The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at re-valued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

(d) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interest's and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at re-valued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(e) Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date (i.e. when control is transferred to the Group). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

(f) Goodwill and impairment
Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measureable until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

Drilling revenue
Drilling revenue is derived from the depth and type of drilling and the hours worked on the specific site.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(h) Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(j) Income taxes

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Mitchell Services Ltd.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(k) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. On-going repairs and maintenance are expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment using both the diminishing value basis or straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The depreciation rates used for the current and comparative years of significant items of property, plant and equipment are as follows:

Classes of Fixed Asset	
Buildings	2.5%
Plant & Equipment	6.67% - 40%
Motor Vehicles	12.50% - 50%
Office Equipment, Furniture & Fittings	10% - 67.67%

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment of property, plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable

ANNUAL REPORT 2017 MITCHELL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Financial instruments

Financial assets

The only category of financial assets held by the Group relates to "loans and receivables".

Loans and receivables

Loans and receivables comprise cash and cash equivalents and, trade and other receivables. The Group initially recognises loans and receivables on the date that they are originated.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Impairment of financial assets

The Group's financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For financial assets carried at amortised cost, objective evidence of impairment may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

De-recognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

The only category of financial liabilities owed by the Group relates to "other financial liabilities".

Other financial liabilities

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables. The Group initially recognises other financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

financial liability de-recognised and the consideration paid and payable is recognised in profit or loss.

(o) Trade and other receivables
Trade and other receivables include amounts due from customers for goods and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to note 1(n) for further discussion on the determination of impairment losses.

(p) Trade and other payables
Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days after the end of the month in which they were initially recognised as a liability.

(q) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified within operating cash flows.

(r) Investment property
Investment property is property held to earn rentals or for capital appreciation or both, rather than for either use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

The Group uses the fair value model for investment property.

The Group's investment property is assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected. An impairment loss is recognised immediately in profit or loss, unless the investment property is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, but so that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the investment property in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(s) Capital management
Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital, and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by

management to control the capital of the Group since the prior year.

(t) Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates – impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(u) Application of new and revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation and AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

Impact of the application of AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The adoption of these amendments has not had a material impact on the Group.

Impact of the application of AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

The adoption of these amendments has not had a material impact on the Group.

Standards and Interpretations in issue not yet adopted
At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	1-Jan-18	30-Jun-19
AASB 15 Revenue from Contracts with Customers	1-Jan-18	30-Jun-19
AASB 16 Leases	1-Jan-19	30-Jun-20
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1-Jan-18	30-Jun-19
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1-Jan-18	30-Jun-19
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1-Jan-18	30-Jun-19
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	1-Jan-17	30-Jun-18
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1-Jan-17	30-Jun-18
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1-Jan-17	30-Jun-18
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1-Jan-18	30-Jun-19
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share Based Payment Transactions	1-Jan-18	30-Jun-19
AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1-Jan-18	30-Jun-19
AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1-Jan-18	30-Jun-19
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1-Jan-17	30-Jun-18
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1-Jan-18	30-Jun-19

Although the Directors anticipate that the adoption of AASB9, AASB15 and AASB16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

	2017	2016
	$	$
2. REVENUE		
From continuing operations		
Income from operations	40,003,304	32,630,989
Interest received	4,477	4,426
Management fees	-	52,794
Rental income	288,577	282,038
Other	6,275	-
	299,329	339,258
Total income from continuing operations	40,302,633	32,970,247

3. CASH AND CASH EQUIVALENTS

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows.

	2017	2016
3(a) In funds accounts		
Bank balances	816,511	468,973
3(b) Bank overdraft		
Bank overdraft	(535,000)	(600,088)
3(c) Net cash at bank	281,511	(131,115)

4. TRADE AND OTHER RECEIVABLES

	2017	2016
Trade debtors	6,939,895	6,102,542
Less provision for doubtful debts	-	-
Bonds and deposits	180,120	5,200
	7,120,015	6,107,742

4(a) CREDIT RISK AND AGEING OF TRADE DEBTORS

The class of assets described as "trade debtors" is considered to be the main source of credit risk related to the Group. The Group does not hold any collateral over these balances. A single counterparty made up of 20.50% of the total trade receivables at 30 June 2017. All invoices to this counterparty included in the total trade and other receivables at 30 June 2017 have been received as at the date of this report. The ageing of trade debtors (financial assets) is as follows:

	2017	2016
< 1 month	5,450,529	5,866,056
1 to 3 months	1,489,366	233,674
3 to 6 months	-	2,812
	6,939,895	6,102,542

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	$	$
5. OTHER FINANCIAL ASSETS		
Current		
Borrowing costs	46,740	981
	46,740	981
Non-current		
Borrowing costs	11,652	281
	11,652	281

5(a) AGEING OF OTHER FINANCIAL ASSETS

The ageing of other financial assets – current is as follows:		
< 1 year	46,740	981
	46,740	981
The ageing of other financial assets - non-current is as follows:	11,652	281
1 to 5 years	11,652	281

6. OTHER ASSETS

Current		
Prepayments	823,162	461,808
	823,162	461,808
Non-current		
Property held for sale	18,000	18,000
Shares in listed company	-	-
	18,000	18,000

7. INVENTORIES

Finished goods	1,293,200	1,335,189
	1,293,200	1,335,189

The cost of inventories recognised as an expense during the year in respect of continuing operations was $6,847,191 (2016: $5,624,283)

ANNUAL REPORT 2017 MITCHELL SERVICES LTD

	2017	2016
	$	$
8. TRADE AND OTHER PAYABLES		
Current		
Trade creditors	5,525,567	2,896,084
Accrued expenses	1,938,985	1,490,024
GST payable	571,323	380,191
Income received in advance	-	28,964
	8,035,875	4,795,263

8(a) AGEING OF TRADE AND OTHER PAYABLES

The ageing of trade creditors (financial liabilities) is as follows:		
< 1 month	2,638,134	1,280,501
1 to 3 months	2,881,342	1,513,021
> 3 months	6,091	102,562
	5,525,567	2,896,084

9. OTHER FINANCIAL LIABILITIES

Current		
Equipment finance leases	1,696,498	1,651,354
Working capital loan	207,806	211,572
Insurance premium funding	422,534	291,511
	2,326,838	2,154,437
Non-current		
Equipment finance leases	4,552,475	3,547,466
Working capital loan	19,149	226,956
Shareholder loan	8,500,000	8,500,000
	13,071,624	12,274,422

9(a) FINANCE LEASES

Current	1,696,498	1,651,354
Non-current	4,552,475	3,547,466
	6,248,973	5,198,820

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	$	$
Minimum future lease payments		
Not later than 1 year	1,975,159	1,893,043
Later than 1 year and not later than 5 years	4,826,907	3,860,500
Minimum future lease payments	6,802,066	5,753,543
Less future finance charges	(553,093)	(554,723)
	6,248,973	5,198,820
Present value of minimum future lease payments		
Not later than 1 year	1,684,066	1,862,926
Later than 1 year and not later than 5 years	4,564,907	3,335,894
	6,248,973	5,198,820

The Group leases certain items of equipment under finance leases. The average term is 3.77 years (2016: 3.83 years). The Group's obligations under finance leases are secured by lessor's title to goods under finance lease.

The Group's exposure to interest rate risk has been mitigated in that interest rates have been fixed for the duration of the finance period. Effective interest rates payable under finance leases are between 4.45% and 8.33% (2016: 4.45% and 8.33%).

The fair value of the finance lease liabilities is approximately equal to the carrying amount.

9(b) LOANS

A summary of borrowing arrangements applicable to all loans is included in Note 19(a). Security pledged under these borrowing arrangements is detailed in Note 11(a).

10. PROVISIONS

	2017	2016
	$	$
Annual leave provision - current		
Opening balance	607,893	367,360
Movement	605,327	240,533
Closing balance	1,213,220	607,893
Long service leave provision - current		
Opening balance	9,708	-
Movement	18,250	9,708
Closing balance	27,958	9,708
Provision for relocation costs		
Opening balance	108,670	-
Movement	(108,670)	108,670
Closing balance	-	108,670
Total current provisions	1,241,178	726,271

	2017	2016
	$	$
Long service leave provision - non-current		
Opening balance	121,534	97,963
Movement	59,641	23,571
Closing balance	181,175	121,534
Total non-current provisions	181,175	121,534

The above provisions represent annual leave and long service leave entitlements accrued by the Group's employees.

11. 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
Year ended 30 June 2017					
Opening net book amount	19,332	21,974,168	5,214,107	68,004	27,275,611
Additions	67,573	4,439,269	362,905	261,451	5,131,198
Disposals	-	(24,897)	-	(14,716)	(39,613)
Depreciation	(17,906)	(4,244,200)	(1,138,904)	(33,807)	(5,434,817)
	68,999	22,144,340	4,438,108	280,932	26,932,379
At 30 June 2017					
Cost or fair value	101,473	35,418,170	14,692,236	361,506	50,573,385
Accumulated depreciation	(32,474)	(13,273,830)	(10,254,128)	(80,574)	(23,641,006)
Net book amount	68,999	22,144,340	4,438,108	280,932	26,932,379
At 1 July 2015					
Cost or fair value	33,900	22,874,594	13,273,131	182,981	36,364,606
Accumulated depreciation	(2,224)	(7,724,484)	(10,242,001)	(109,081)	(18,077,790)
Net book amount	31,676	15,150,110	3,031,130	73,900	18,286,816
Year ended 30 June 2016					
Opening net book amount	31,676	15,150,110	3,031,130	73,900	18,286,816
Additions	-	15,381,215	5,245,348	37,452	20,664,015
Disposals	-	(4,531,024)	(1,827,170)	-	(6,358,194)
Depreciation	(12,344)	(4,026,133)	(1,235,201)	(43,348)	(5,317,026)
	19,332	21,974,168	5,214,107	68,004	27,275,611
At 30 June 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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

Plant and equipment and motor vehicles comprise mainly of drilling rigs and associated vehicles and equipment. Directors and management continually monitor both domestic and overseas markets on new and used drill rig pricing and availability and as a result are of the opinion that the net written down book value of the Group's property, plant and equipment is less than its recoverable amount.

11(a) ASSETS PLEDGED AS SECURITY

The following has been pledged as security in relation to the Group's bank overdraft and other financial liabilities.

Bank overdraft

The following securities will secure the repayment of the above facilities:

- An existing registered mortgage given by Mitchell Services Ltd over the property situated at 133-137 Crocodile Crescent, Mount St John, Qld (carrying amount of $2,975,000).
- Registered general security agreement given by Notch Holdings Pty Ltd as grantor, over all of its present and after acquired personal and real property including, the goodwill of its business, uncalled and unpaid capital and proceeds.
- Existing registered company charge given by Mitchell Services Ltd over all the assets and undertakings of the company including uncalled and unpaid capital.
- Guarantee and indemnity given by Mitchell Services Limited, Well Drilled Pty Ltd, Notch Holdings Pty Ltd and Mitchell Operations Pty Ltd.

Working capital loan

The following rigs have been pledged as security:

- 2008 UDR1200 Rotadrill drill rig (carrying amount of $163,590).
- 2007 Schramm T685WS Rotadrill drill rig (carrying amount of $293,849).

Shareholder loan

These loans were provided by major shareholders Washington H Soul Pattinson Limited and Mitchell Family Investments (Qld) Pty Ltd as trustee for the Mitchell Family Investments Trust to partly fund the Nitro asset acquisition. These assets are held by a wholly owned subsidiary of the Company, Notch No 2 Pty Ltd.

The shareholder loans are secured by a grant of a general security agreement over all Notch No 2 Pty Ltd assets. The carrying amount of these assets is $11,345,886.

Equipment finance leases

The Group has entered into a number of equipment finance lease arrangements with a range of lenders. Under the terms of these facilities, security is limited to the assets to which the facility relates.

ANNUAL REPORT 2017 MITCHELL SERVICES LTD

	2017	2016
	$	$
12. INCOME TAX EXPENSE		
Income tax expense recognised in profit/(loss)		
Income tax expense comprises		
Current tax	-	-
Deferred tax	(1,311,764)	(1,809,488)
Derecognised tax losses and tax losses not recognised in current year	1,311,764	1,809,488
	-	-
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit/(loss) before tax from continuing operations	(4,406,909)	(6,048,831)
Income tax expense calculated at 30%	(1,322,073)	(1,814,649)
Effect of expenses that are not deductible in determining taxable profit	10,308	5,161
Derecognised tax losses and tax losses not recognised in current year	1,311,765	1,809,488
Effect of tax rates in foreign jurisdictions (PNG)	-	-
Adjustments recognised in current year in relation to current tax of prior years	-	-
	-	-

The tax rate used for 2017 and 2016 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

13. TAX ASSETS AND LIABILITIES

	2017	2016
Tax assets - current		
Income tax receivable	-	-
Tax assets - non-current		
Deferred tax asset	-	-
Tax liabilities - current		
Provision for foreign contractor withholding tax PNG	-	-

13(a) UNRECOGNISED AMOUNTS

	2017	2016
Unused tax losses	27,136,337	22,596,123
Other unrecognised temporary differences	3,832,210	3,993,230
Franking account balance	872,635	872,635

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
14. ISSUED CAPITAL	**$**	**$**
Fully paid ordinary shares		
Balance at the beginning of the period	48,604,378	39,219,134
Issue of shares - rights issue	-	8,422,288
Issue of shares - share based payments	850,000	962,956
	49,454,378	48,604,378

Fully paid ordinary shares	**Number of Shares**	**Number of Shares**
Balance at the beginning of the period	1,418,373,968	867,000,217
Issue of shares - rights issue	-	495,428,698
Issue of shares - share based payments	53,125,000	55,945,053
	1,471,498,968	1,418,373,968

Issue of shares
The following shares were issued during the year ended 30 June 2017:

- On 6 July 2016, 31,250,000 fully paid ordinary shares were issued to Washington H Soul Pattinson & Company Limited at an issue price of $0.016 per share in lieu of interest payable for the second 12 month period in accordance with the terms of the of the shareholder loan.
- On 6 July 2016, 21,875,000 fully paid ordinary shares were issued to Mitchell Family Investments (Qld) Pty Ltd as trustee for the Mitchell Family Investments Trust at an issue price of $0.016 per share in lieu of interest payable for the second 12 month period in accordance with the terms of the of the shareholder loan.
- On 29 July 2016, 4,915,099 fully paid ordinary shares were issued to Mitchell Services Share Plan Pty Ltd as trustee for Mitchell Services Employee Share Plan Trust at an issue price of $0.026 per share as part of the Employee Share and Option Plan. These shares will be held by Mitchell Services Share Plan Pty Ltd until they vest in accordance with the terms of the plan detailed in the Remuneration Report contained in the Directors' Report.

The transaction costs directly attributable to the above issue of shares that otherwise would have been accounted for as a deduction from equity, net of income tax benefit (refer note 15).

15. SHARE ISSUE COSTS		
Balance at the beginning of the period	(2,514,522)	(1,922,724)
Share issue costs	(6,645)	(591,798)
	(2,521,167)	(2,514,522)

	2017	2016
	$	**$**
16. RETAINED EARNINGS		
Balance at the beginning of the period	(30,240,688)	(24,164,384)
Profit/(loss) attributable to owners of the company	(4,406,909)	(6,048,831)
Transfer from contingent option reserve	2,122,402	-
Share based payment transactions (refer note 20)	236,953	(27,473)
	(32,288,242)	(30,240,688)

Transfer contingent option reserve
The contingent option reserve arose on 29 November 2013, when the Group acquired all of the shares in Mitchell Operations Pty Ltd. As part of the consideration for the purchase, the Group issued 198,660,000 options that were subject to EBITDA and share price vesting conditions. As at 30 June 2017 all of these options had lapsed and consequently the contingent option reserve was de-recognised and transferred to retained earnings.

17. SHARE BASED PAYMENT TRANSACTIONS		
Expense recognised in profit or loss		
Equity-settled share-based payment transactions		
Replacement awards granted on 29 November 2013	-	(36,750)
Executive share and option plan	236,953	9,277
Shareholder loan interest	850,000	850,000
Total expense/(income) recognised for equity-settled share-based payment	1,086,953	822,527

Payment in lieu of interest
On 6 July 2016, 31,250,000 new ordinary shares were issued to Washington H Soul Pattinson & Company Limited at an issue price of $0.016 per share in lieu of interest payable for the second 12 month period in accordance with the terms of the of the shareholder loan.

On 6 July 2016, 21,875,000 new ordinary shares were issued to Mitchell Family Investments (Qld) Pty Ltd as trustee for the Mitchell Family Investments Trust at an issue price of $0.016 per share in lieu of interest payable for the second 12 month period in accordance with the terms of the of the shareholder loan.

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 30 June 2017.

Executive share and option plan
The Group accounts for instruments that are still in their vesting period issued under the Executive Share and Option Plan (ESOP) by recognising the fair value of the relevant equity instruments as an expense over the vesting period.

The fair value of the equity instruments is calculated at each reporting period and vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

Measurement of fair values

The calculated fair value of the Rights granted during the year ended 30 June 2016 under the ESOP was $162,198 at 30 June 2017 and has been determined with reference to the closing price of the Company's fully paid ordinary shares.

The calculated fair value at 30 June 2017 of the Options granted during the year ended 30 June 2016 was $443,905 and has been determined using the Black-Scholes option pricing model. Expected volatility is estimated by considering historical volatility of comparable company share prices.

The inputs in the measurement of the fair value at 30 June 2017 of the equity-settled share-based payment plans granted during the year ended 30 June 2016 were as follows:

Share price	$0.0330
Exercise price	$0.0395
Expected volatility	94%
Time to maturity	8 years
Risk-free interest rate	2.79%
Dividend yield (assumed no dividends paid)	0%
Fair value per option	$0.0271
Number of options	16,362,395
Total fair value of options	$443,905

	2017	2016
	$	$
18. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	(4,406,909)	(6,048,831)
Adjustments for:		
Depreciation and amortisation	5,434,817	5,317,026
Profit on sale of assets	(314)	(1,293,437)
Loss on sale of assets	24,926	1,324,716
Income tax expense	-	-
Change in trade and other receivables	(1,012,273)	(307,846)
Change in other assets	(418,484)	(19,196)
Change in inventories	41,989	534,329
Change in trade payables and accruals	2,850,586	(807,652)
Change in insurance premium funding balance	131,023	30,161
Change in provisions	574,548	382,482
Recognition of share based payment	1,086,953	822,527
Income tax paid	-	-
	4,306,862	(65,721)

19. FINANCIAL RISK MANAGEMENT

The Group's financial instruments mainly consist of deposits with banks, trade receivables and payables and borrowings and leases from financial institutions. The Board of Directors are responsible for monitoring and managing the financial risks. They monitor these risks through regular meetings with the Group's management. The Group does not enter into derivative financial instruments and does not speculate in any type of financial instrument.

Specific financial risk exposures and management thereof

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous reporting period.

19(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The following tables set out the Group's exposure to interest rate risk.

		Expected duration until repayment				
2017		**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**More than 3 years**	**Total**
		$	$	$	$	$
Bank overdraft	(a)	535,000	-	-	-	535,000
Equipment finance leases	(b)	1,696,498	2,346,895	1,703,249	502,331	6,248,973
Premium insurance	(c)	422,534	-	-	-	422,534
Working capital loan	(d)	207,806	19,149	-	-	226,955
Shareholder loan	(e)	-	-	-	8,500,000	8,500,000
		2,861,838	2,366,044	1,703,249	9,002,331	15,933,462

(a) Interest rates have varied between 5.55% and 5.63% per annum.
(b) Interest rates are commercial lease finance rates and are fixed for the duration of the loan period.
(c) Interest rate is fixed at a flat rate of 2.259% of the amount initially financed.
(d) Interest is fixed at a commercial lease finance rate of 6.6546% for the duration of the loan period.
(e) Interest is fixed at 10% for the duration of the loan period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

2016		Expected duration until repayment				
		Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
		$	$	$	$	$
Bank overdraft	(a)	600,088	-	-	-	600,088
Equipment finance leases	(b)	1,651,354	1,167,849	1,137,295	1,242,322	5,198,820
Premium insurance	(c)	291,511	-	-	-	291,511
Working capital loan	(d)	211,572	226,956	-	-	438,528
Shareholder loan	(e)	-	-	-	8,500,000	8,500,000
		2,754,525	1,394,805	1,137,295	9,742,322	15,028,947

(a) Interest rates have varied between 5.43% and 5.78% per annum.
(b) Interest rates are commercial lease finance rates and are fixed for the duration of the loan period.
(c) Interest rate is fixed at a flat rate of 2.2592% of the amount initially financed.
(d) Interest is fixed at a commercial lease finance rate of 6.6546% for the duration of the loan period.
(e) Interest is fixed at 10% for the duration of the loan period.

19(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages this risk through the following mechanisms:

- ensuring that there is access to adequate capital;
- preparing forward looking cash flow analyses in relation to its operational, investing and financial activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- investing surplus cash only with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities, compared with financial assets. Bank overdrafts have been excluded from the analysis below as management does not consider that there is any material risk that the bank will terminate such facilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward. The deficiency identified in the table will be met from cash flows generated by the Group's normal operations.

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 7 Years		Total	
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $
Financial liabilities due for payment						
Trade and other payables (excluding estimated employee entitlements)	8,035,875	4,795,263	-	-	8,035,875	4,795,263
Financial liabilities	2,326,838	2,154,437	13,071,624	12,274,422	15,398,462	14,428,859
Total contractual outflows	10,362,713	6,949,700	13,071,624	12,274,422	23,434,337	19,224,122
Total expected outflows	10,362,713	6,949,700	13,071,624	12,274,422	23,434,337	19,224,122
Financial assets - cash flows realisable						
Cash and cash equivalents	816,511	468,973	-	-	816,511	468,973
Trade and other receivables	7,120,015	6,107,742	-	-	7,120,015	6,107,742
Total anticipated inflows	7,936,526	6,576,715	-	-	7,936,526	6,576,715
Net (outflow)/inflow on financial instruments	(2,426,187)	(372,985)	(13,071,624)	(12,274,422)	(15,497,811)	(12,647,407)

19(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables from customers. The Group has adopted a policy of only dealing with creditworthy counterparties and uses publicly available financial information and its own trading records to rate its customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored to mitigate financial loss. The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Consolidated Statement of Financial Position.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables is provided in note 4(a).

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at note 4(a).

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

20. NET FAIR VALUES

Fair value estimation

The carrying values of financial assets and financial liabilities as detailed in the Consolidated Statement of Financial Position and these notes approximate their fair values at reporting date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

21. RELATED PARTY TRANSACTIONS

21(a) Related parties

The Group's main related parties are as follows.

(i) Entities exercising control over the Group
The ultimate parent entity that exercises control over the Group is Mitchell Services Ltd ACN 149 206 333. The subsidiary companies in the Group are Notch Holdings Pty Ltd ACN 009 271 461, Well Drilled Pty Ltd ACN 123 980 343, Mitchell Operations Pty Ltd ACN 165 456 066, Notch No. 2 Pty Ltd ACN 606 170 138 and Mitchell Services Share Plan Pty Ltd ACN 610 901 221.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(ii) Key management personnel
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity are considered KMP.

Disclosures relating to Key Management Personnel are set out in the remuneration report.

(iii) Other related parties
Other related parties include entities over which KMP have control or joint control.

21(b) Transactions with related parties
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 $108,897 including GST. Amounts were billed on normal market rates for such services and were due and payable under normal payment terms. An amount of $20,834 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 $444,799 including GST and was based on normal market rates and under normal payment terms. An amount of $79,214 remains owing to this related entity at the end of the reporting period.

On 5 October 2016, the Group entered into a vendor finance asset sale agreement with MEH Equipment Hire Pty Ltd for the purchase of a Schramm T685 truck-mounted drill rig for $798,600 including GST. The purchase price was determined based on normal market rates and the interest rate on outstanding amounts is 5% per annum. At the end of the reporting period $622,600 remained outstanding and is fully repayable in October 2018.

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. In order to facilitate the Group's growth and associated requirement for additional office and workshop space, the Group entered into a revised 5 year lease covering an expanded portion of the property. The rental associated with this property for the reporting period amounted to $116,520 net of $81,000 in applied rental reductions associated with the revised lease. An amount of $11,625 remains owing to this related entity at the end of the reporting period.

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 Company shares. 21,875,000 Company shares were issued to Mitchell Family Investments (QLD) Pty Ltd on 6 July 2016 as settlement for the second years' interest.

Mitchell Group Pty Ltd
Mitchell Group Pty Ltd is an entity controlled by Nathan Mitchell. On 30 November 2016, the Group entered into a licence deed with Mitchell Group for the use by Mitchell Group of a designated area within 112 Bluestone Circuit, Seventeen Mile Rocks Brisbane. There are no rental charges associated with this property and no amount remains owing to this related entity at the end of the reporting period.

Mitchell Family Superannuation Fund
Mitchell Family Superannuation Fund is an entity controlled by Nathan Mitchell. On 30 November 2016, the Group entered into a licence deed with Mitchell Family Superannuation Fund for the use by the Group of 119 Thomas Mitchell Drive, Muswellbrook to facilitate the Group's expansion into NSW. There are no rental charges associated with this property and an amount of $1,961 remains owing to this related entity at the end of the reporting period in relation to outgoings.

22. KEY MANAGEMENT PERSONNEL

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2017.

23. AUDITORS REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor or its related practices:

	2017	2016
	$	$
Audit and review of financial statements	69,312	85,796
Other	-	-
	69,312	85,796

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	$	$

24. OPERATING LEASE COMMITMENTS

Operating leases relate to leases of land and buildings with varying lease terms not exceeding five (2016: five) years. Some lease contracts contain provision for market rental reviews within the remaining lease term.

Non-cancellable operating lease commitments:

	2017 $	2016 $
Not later than 1 year	366,283	259,049
Between 1 and 3 years	821,101	170,943
Later than 3 years	471,910	-
	1,659,294	429,992

25. EARNINGS PER SHARE

	2017 $	2016 $
Basic earnings per share		
From continuing operations	(0.30)	(0.43)
Diluted earnings per share		
From continuing operations	(0.30)	(0.43)

Basic earnings per share and diluted earnings per share are calculated using earnings and weighted average number of ordinary shares as follows:

	2017 $	2016 $
Profit/(loss) for the year attributable to owners	(4,406,909)	(6,048,831)
Weighted average number of ordinary shares	1,470,625,680	1,404,763,006

26. SUPERANNUATION CONTRIBUTIONS

The Group contributes superannuation on behalf of qualifying employees to superannuation funds. The only obligation of the Group is to make specified contributions in accordance with contractual employment and statutory obligations. The total expense recognised in the statement of profit or loss and other comprehensive income of $1,448,168 (2016: $1,184,386) represents the contributions payable by the Group to these plans in accordance with contractual employment and statutory obligations. As at 30 June 2017, contributions of $421,739 due in respect of the 2017 reporting period (2016: $332,437) had not been paid over to the plans. These amounts were paid subsequent to the end of the 2017 reporting period.

27. OPERATING SEGMENTS

27(a) 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.

ANNUAL REPORT 2017 MITCHELL SERVICES LTD

27(b) The Group generates revenue from external customers who individually account for greater than 10% of the Groups total revenue. The below table sets out the applicable revenue percentage generated from each of these customers.

	2017	2016
	$	$
External Customer 1	23.61%	23.80%
External Customer 2	17.82%	18.28%
External Customer 3	16.30%	31.49%
External Customer 4	12.99%	0.00%
External Customer 5	11.00%	10.52%
External Customer 6	10.78%	3.47%

28. EVENTS AFTER THE REPORTING DATE

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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;

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1(b) to the financial statements;

(c) 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; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 30th day of August 2017

ANNUAL REPORT **2017** MITCHELL SERVICES LTD

Jessups
Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of Mitchell Services Limited (the Company) and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

(a) the accompanying financial report of Mitchell Services Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*, and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2017. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going Concern

During the second half of the 2017 financial year, the Group was awarded contracts by multiple Tier 1 mining companies. The up-front cash outflows required in relation to capital expenditure and mobilisation will be significant and the Group needs to ensure that it has sufficient access to capital to meet these costs. Accordingly, our review of the going concern assumption was significant to the audit and considered a key audit matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL SERVICES LIMITED (CONTINUED)

Our audit procedures to address the ability of the Group to continue as a going concern included:

- We assessed the Group's forecast cash flow for the period that covers twelve months after the date of this audit report. We checked the mathematical accuracy of the forecast and the reasonableness of the assumptions contained therein. We assessed whether the financial performance within the cash flow was achievable given contracts in place, contracts not yet awarded, prior year and forecast margins and the overhead costs required to operate the business.

- The forecast cash flows on a monthly basis were assessed in light of the Group's current finance facilities to ensure that it has access to sufficient capital during the periods where up-front mobilisation costs and capital expenditure may place a strain on cash flow. We confirm that the Group has access to a $2.5m overdraft facility and a $2.6m working capital facility which support the Group's forecast cash flows.

Revenue Recognition

This is a key audit matter given that it is material to the Group's results and the rates at which revenue is charged to customers is complex and varies depending on the type of drilling service performed and whether the drilling service is coal or minerals based.

Our audit procedures to address the risk of material misstatement relating to the determination and recognition of drilling service revenue included, amongst others:

- We obtained a detailed understanding of the revenue streams and the processes for calculating and recording revenue. We also gained an understanding of the key internal controls in place to ensure that recorded revenue had occurred and was accurate and that revenue had been completely recorded. We tested these controls on a sample basis to ensure that they were operating effectively throughout the year.

- We tested a sample of revenue transactions to the daily drilling reports (which are signed by the customer), to signed contracts (ensuring rates charged were accurate) and to receipt of funds in the Group's bank account.

- We tested a sample of revenue earning activities from the daily drilling reports to customer invoices ensuring that revenue earned had been recorded as revenue.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL SERVICES LIMITED (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in pages 12 - 17 of the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Mitchell Services Limited, for the year ended 30 June 2017, complies with s 300A of the *Corporations Act 2001.*

Rodger Dunstan
Director
Jessups Accountants & Business Advisors

Level 1, 19 Stanley Street, Townsville QLD 4810

Dated this 30th day of August 2017

ADDITIONAL AUSTRALIAN STOCK EXCHANGE INFORMATION

The following information is current as at 14 August 2017.

MSV Quoted Ordinary Shares

Spread of holdings	Number of holders	Shares	% of total capital issued
1 - 1,000	11	2,397	0.00%
1,001 - 5,000	21	63,519	0.01%
5,001 - 10,000	36	317,250	0.02%
10,001 - 100,000	273	14,237,516	0.96%
Greater than 100,000	518	1,461,793,390	99.01%
Total	**859**	**1,476,414,072**	**100%**
Holding less than a marketable parcel	72	n/a	n/a

The twenty largest listed security holders comprise:

Rank	Shareholder	Ordinary Shares	% of total capital issued
1	Washington H Soul Pattinson and Company Ltd	180,427,561	12.22%
2	Mitchell Group Holdings Pty Ltd	176,785,715	11.97%
3	Mitchell Family Investments (QLD) Pty Ltd	136,748,950	9.26%
4	J P Morgan Nominees Australia	64,920,350	4.40%
5	CVC Limited	64,511,561	4.37%
6	RBC Investor Services Australia Nominees Pty Ltd	60,503,771	4.10%
7	Farjoy Pty Ltd	56,114,711	3.80%
8	BNP Paribas Noms Pty Ltd	26,510,623	1.80%
9	Jumani Pty Ltd	25,866,914	1.75%
10	Citicorp Nominees Pty Limited	23,303,523	1.58%
11	National Nominees Limited	19,908,342	1.35%
12	Sonya Miller	19,816,810	1.34%
13	Peter Miller	19,816,809	1.34%
14	Banjo Superannuation Fund Pty Ltd	17,740,000	1.20%
15	Pacific Development Corporation Pty Ltd	15,000,001	1.02%
16	Patricia Property Investments Pty Ltd	13,000,000	0.88%
17	Berne No 132 Nominees Pty Ltd	12,552,941	0.85%
18	Poal Pty Ltd	12,004,233	0.81%
19	Carinda Pty Ltd	11,000,000	0.75%
20	Hancroft Pty Ltd	10,260,000	0.69%
Total		**966,792,815**	**65%**

Unquoted and Restricted Securities

The following options granted as part of the Employee Share and Option Plan are on issue. The exercise of these options is subject to vesting conditions. For more information, refer to the Directors' Report.

Class	Number of options
Management options	27,715,960

Substantial Shareholders

Rank	Shareholder	Ordinary Shares	% of total capital issued
1	Mitchell Group Holdings Pty Ltd and associates	314,763,177	21.32%
2	Washington H Soul Pattinson and Company Limited	180,427,561	12.22%

Voting Rights

Ordinary shares
The voting rights attached to ordinary shares is set out below:

On a show of hands, every member present at a meeting in person, or by proxy, shall have one vote, and upon a poll, each share shall have one vote.

No other classes of securities have voting rights

Recently listed entities

For the period from 1 July 2016 to 30 June 2017, the Group has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way that is consistent with its business objectives.

CORPORATE DIRECTORY

Board of Directors

Executive Chairman
Nathan Andrew Mitchell

Directors
Peter Richard Miller
Robert Barry Douglas
Neal Macrossan O'Connor

Chief Executive Officer
Andrew Michael Elf

Chief Financial Officer and Company Secretary
Gregory Michael Switala

Registered Office
Mitchell Services Ltd
ABN 31 149 206 333
112 Bluestone Circuit
Seventeen Mile Rocks
Qld 4073

Principal Place of Business
112 Bluestone Circuit
Seventeen Mile Rocks
Qld 4073

PO Box 3250
Darra Qld 4076

Ph: 07 3722 7222
Fax: 07 3722 7256
Website: www.mitchellservices.com.au

Share Registry
Advanced Share Registry
110 Stirling Highway
Nedlands Western Australia 6909

Ph: 08 9389 8033
Fax: 08 9262 3723
Website: www.advancedshare.com.au

Auditors
Jessups
Level 1, 19 Stanley Street
Townsville Qld 4810
Ph: 07 4755 3330
Fax: 07 4721 4513
Website: www.jessupsnq.com.au

Taxation Advisors
PricewaterhouseCoopers
123 Eagle Street
Brisbane Qld 4000

Ph: 07 4721 8500
Fax: 07 4721 8599
Website: www.pwc.com.au

Bankers
Suncorp Metway Ltd
61-73 Sturt St
Townsville Qld 4810

Ph: 07 4760 8229
Fax: 07 4771 6348
Website: www.suncorpbank.com.au

Mitchell
SERVICES

www.mitchellservices.com.au