



Mitchell
SERVICES

31 January 2018

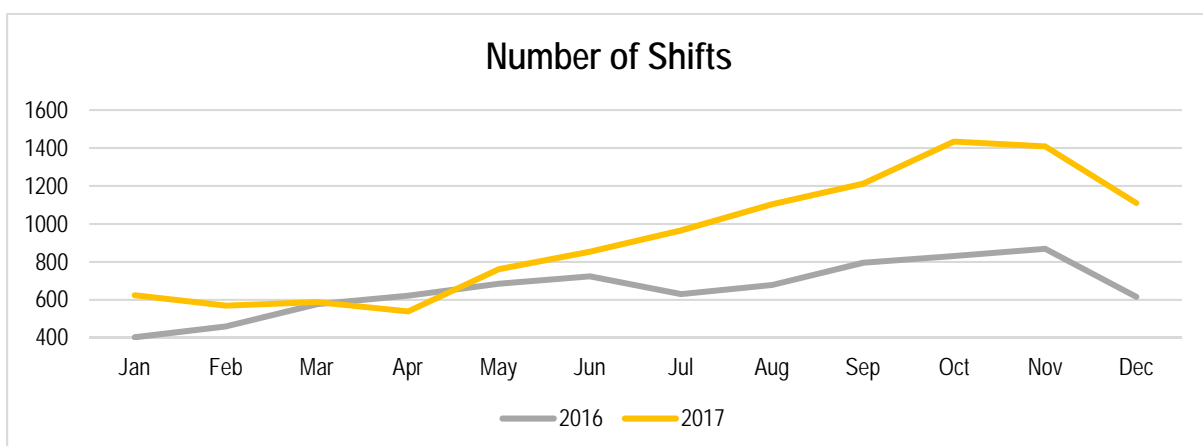
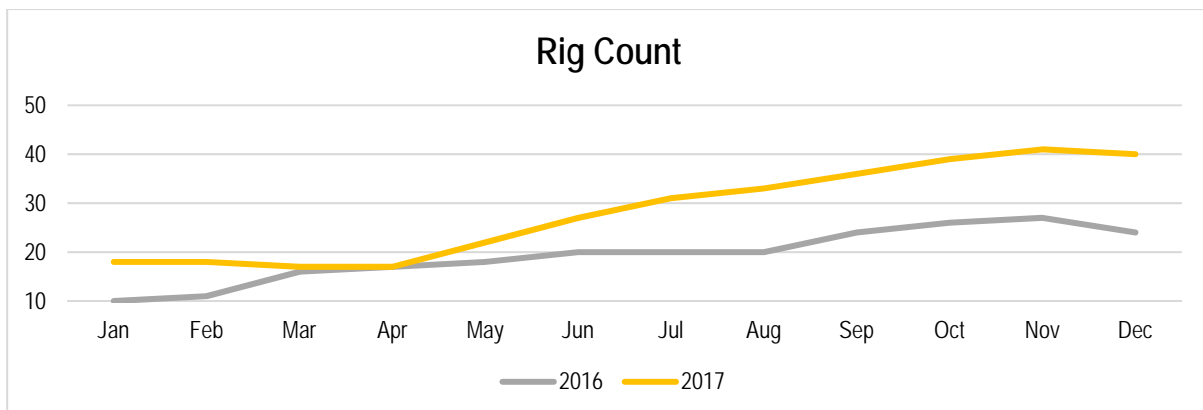
MITCHELL SERVICES LIMITED
(ASX: MSV)

Appendix 4C Quarterly Report and Investor Update

Dear Shareholder,

Mitchell Services Limited (**the Company**) is pleased to provide the following operational Investor Update for the quarter ended 31 December 2017.

As outlined in the September 2017 operational update, there has been a material increase in operating rig count and shift numbers in recent months following numerous contract awards as the below charts demonstrate.



Mitchell Services Limited

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The Company's operating rig count increased from 27 rigs in June 2017 to 40 rigs in December 2017 (peaking at 41 rigs in November 2017) following a period of unprecedented growth. Similarly, the number of shifts also increased materially. The 1,110 shifts worked in December 2017 represents an 80% increase compared to the December 2016 figure of 616 and a 30% increase vs June 2017.

For the second successive quarter an increase in demand for drilling services has resulted in numerous rig mobilisations to either new projects or as part of a scope increase for existing clients. I am pleased to inform shareholders that the Company completed its first contract in Western Australia during the December quarter and that we have since been awarded another contract in Western Australia with a new client.

Operating cashflow in the December 2017 quarter was a positive \$0.3 million versus a negative operating cashflow in the September 2017 quarter of \$2.6 million. Like the September quarter (but to a lesser extent) the costs and general working capital requirements associated with these mobilisations have impacted operating cashflow. The cashflows relating to these new contract wins are expected to normalise over the next quarter.

The demand levels that the Company has experienced in early 2018 suggest that, subject to general market conditions, utilisation rates will remain strong during the 2018 calendar year. As at 31 January 2018 the Company's operating rig count is 32 compared to 18 in January 2017. January to March is traditionally a quieter quarter for the Company given the seasonality of the Queensland surface drilling market. The 77% increase from January 2017 to January 2018 is driven by the Company's strengthening underground drilling division (where drilling generally occurs all year around) and coal clients starting their drilling seasons earlier in 2018 versus 2017.

Safety as always remains a key focus for the entire business and it is pleasing to note that our safety performance has continued to improve. On a rolling 12-month basis there has been a reduction in the number of incidents and a reduction in the severity of incidents even though there has been a material increase in operating rig count and shift numbers.

I am looking forward to another extremely busy quarter ahead where we will seek to consolidate on projects that we have mobilised rigs to whilst striving to further increase our utilisation levels given our strong tender pipeline.

Yours faithfully

Andrew Elf
Chief Executive Officer

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

Mitchell Services Limited

ABN

31 149 206 333

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	17,254	28,740
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(6,897)	(12,344)
	(c) advertising and marketing	(15)	(38)
	(d) leased assets	-	-
	(e) staff costs	(8,953)	(16,563)
	(f) administration and corporate costs	(623)	(1,229)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	11	11
1.5	Interest and other costs of finance paid	(503)	(867)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	274	(2,290)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(2,633)	(3,956)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	285	285
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2,348)	(3,671)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	6,275	8,791
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(406)	(550)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(589)	(1,116)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5,280	7,125
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	(1,760)	282
4.2	Net cash from / (used in) operating activities (item 1.9 above)	274	(2,290)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,348)	(3,671)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,280	7,125

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,446	1,446

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	169
5.2	Call deposits	674
5.3	Bank overdrafts	(2,603)
5.4	Other (provide details)	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(1,760)

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	58
6.2	-
6.3	
The transactions included in 6.1 above relate to director's fees and associated superannuation payments.	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	297
7.2	-
7.3	
The transactions included in 7.1 above relate to payments made to entities that are controlled by certain directors. The nature of these transactions has not changed from those outlined in note 21 of the Group's most recent published Annual Report and include equipment hire, repair and maintenance type services and office rental.	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	8,500	8,500
8.2	Credit standby arrangements	9,000*	2,461
8.3	Other (equipment finance facilities)	7,541	7,541
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
8.1	Secured shareholder loan facility provided by major shareholders Washington H. Soul Pattinson & Company Limited and Mitchell Family Investments (Qld) Pty Ltd as trustee for the Mitchell Family Investment Trust. This loan was provided to partly fund the acquisition of all Nitro Drilling Pty Ltd assets in 2015. Interest is charged at a fixed rate of 10% pa on this facility.		
8.2	In December 2017 the Group completed a refinance of its working capital facilities. The existing Suncorp \$2.5 million and NAB \$2.6 million secured overdraft facilities were fully repaid. Following the repayment of these facilities, the Group entered into a trade finance facility with NAB to replace the working capital facilities that were paid down. The facility is provided under the following key terms:		
	<ul style="list-style-type: none"> • *NAB will advance 75% of the Group's outstanding trade receivables balance (up to a maximum advance of \$9million). • The advances are secured against the Group's trade receivables balance and a first ranking general security interest in Mitchell Operations Pty Ltd (a wholly owned subsidiary of Mitchell Services Limited) and a guarantee provided by Mitchell Services Limited. • Interest is levied at 6.5% per annum plus and annual line fee of 1% applicable to the facility 		
8.3	Secured equipment finance facilities through a range of lenders including Westpac, Commonwealth Bank, Suncorp, Toyota Equipment Finance, Atlas Copco Financial Solutions, National Australia Bank and MEH Equipment Hire, at fixed interest rates between 4.45% and 8.33% pa.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	7,825
9.3	Advertising and marketing	25
9.4	Leased assets	-
9.5	Staff costs	9,127
9.6	Administration and corporate costs	600
9.7	Other (repayment of borrowings and capital expenditure)	2,200
9.8	Total estimated cash outflows	19,777

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

Compliance statement

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

Sign here: 
(Company secretary)

Date: 31 January 2018

Print name: Greg Switala

Notes

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