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

Appendix 4D

Half Year ended 31st December 2017

Name of entity

Mitchell Services Limited

ABN or equivalent company reference	Half year ended ('current reporting period')	'Previous corresponding period'
31 149 206 333	31 December 2017	31 December 2016

Results for Announcement to the Market

		Current period 31 December 2017 $A'000	Previous period 31 December 2016 $A'000	Change $A'000
Revenue from continuing operations	Up 59%	33,215	20,843	12,372
EBITDA	Up 5%	2,678	2,559	119
Loss after tax attributable to members	Up 66%	(1,195)	(719)	(476)

Dividends

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

Net Tangible Assets per Security

	31 December 17	30 June 17	31 December 16
Net tangible asset backing per ordinary security	1.27 cents	1.00 cents	1.24 cents

Review of Operations

During the six months ending 31 December 2017 there was a material increase in operating rig count and shift numbers following numerous contract awards as the below charts demonstrate.

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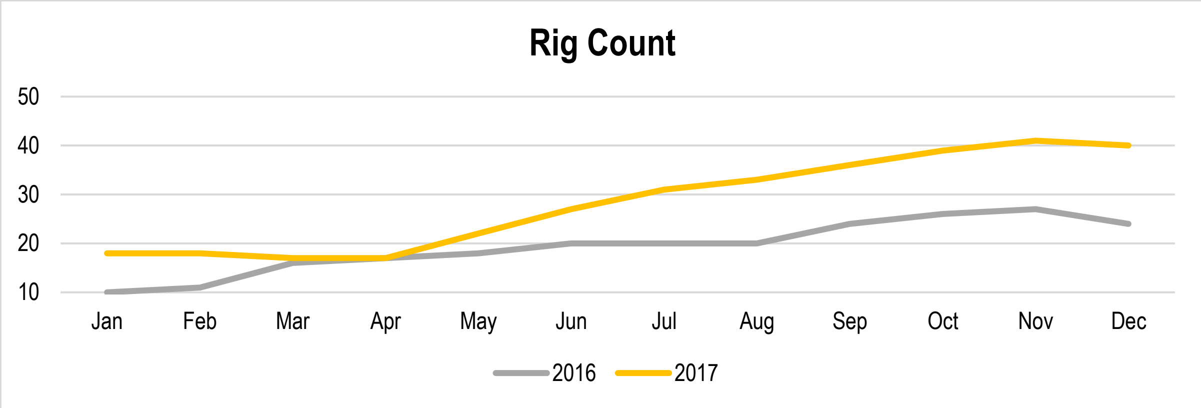

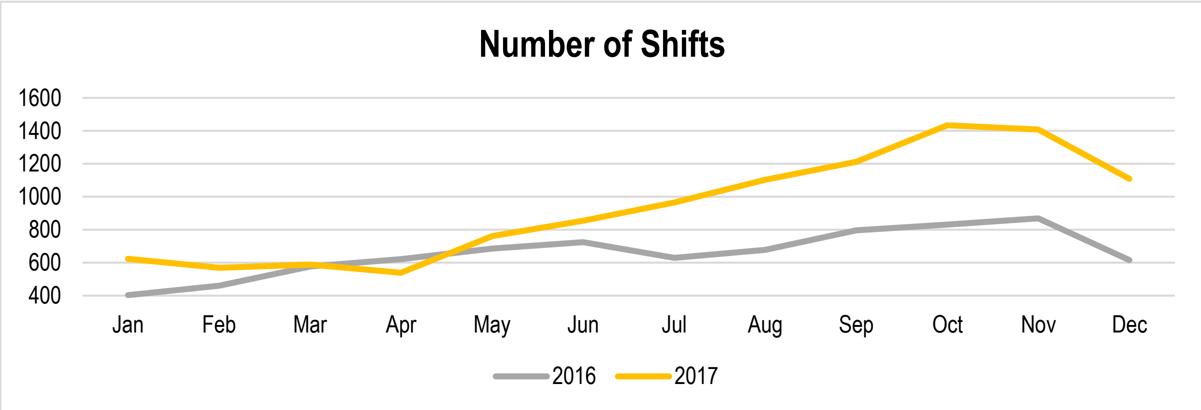

The Group's operating rig count increased from 27 rigs in June 2017 to 40 rigs in December 2017 (peaking at 41 rigs in November 2017) following a period of unprecedented growth. Similarly, the number of shifts also increased materially. The 1,110 shifts worked in December 2017 represents an 80% increase compared to the December 2016 figure of 616 and a 30% increase vs June 2017. This increase in utilisation has driven a 60% increase in revenue for the Group with total revenues increasing from $20.8 million for the half year ending 31 December 2016 to $33.2 million for the corresponding six months ending 31 December 2017.

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. The Group also completed its first contract in Western Australia as part of its broader strategy to diversify into different geographical markets.

The Group generated 31 December 2017 half year earnings before interest, tax, depreciation and amortisation (EBITDA) of $2.7 million compared to $2.6 million for the corresponding six months ending 31 December 2016. The costs and general working capital requirements associated with these mobilisations have impacted both EBITDA and operating cashflows in the short term. Earnings and cashflows relating to these new contract wins are expected to normalise over the next six months.

Safety remains a key focus for the Group. On a rolling 12-month basis to 31 December 2017 there was a reduction in the number of incidents and a reduction in the severity of incidents across the Group's operations despite a material increase in operating rig count, shifts worked and number of employees.

The demand levels that the Group has experienced in early 2018 suggest that, subject to general market conditions, utilisation rates will remain strong during the 2018 calendar year.

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Other Disclosures

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

Greg Switala
Company Secretary

27 February 2018

HALF-YEAR REPORT

MITCHELL SERVICES LTD ACN 149 206 333

FOR THE HALF-YEAR ENDED

31 DECEMBER 2017

CONTENTS

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

The Directors of Mitchell Services Limited submit herewith the financial report of Mitchell Services Limited (**Company**) and its subsidiaries (**Group**) for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The names of the Directors of the Company during or since the end of the half-year are:

Name

Nathan Andrew Mitchell
Peter Richard Miller
Robert Barry Douglas
Neal Macrossan O'Connor

Grant Moyle (Alternate Director)

The above named Directors have held office throughout the six months ended 31 December 2017.

PRINCIPAL ACTIVITIES

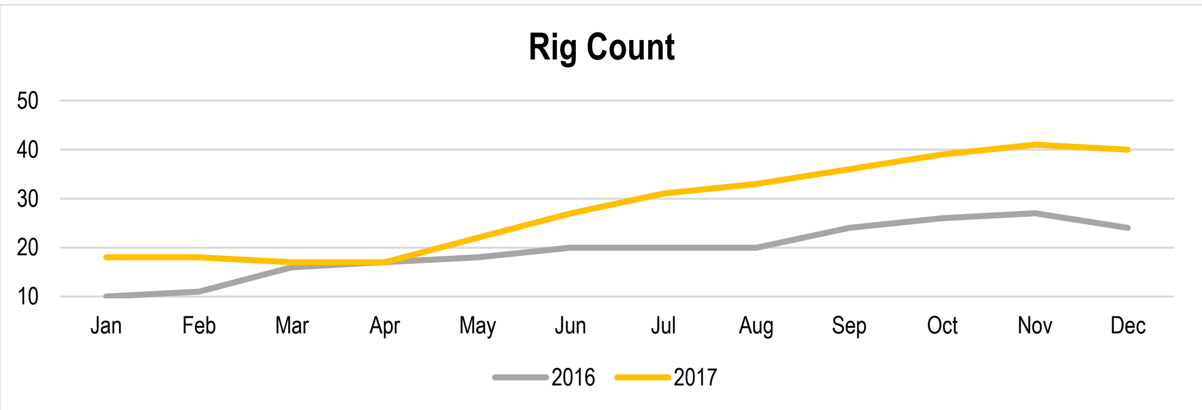
The Group provides exploration and mine site drilling services to the exploration, mining, and energy industries, primarily in Australia. The Group is currently headquartered in Seventeen Mile Rocks, Queensland.

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

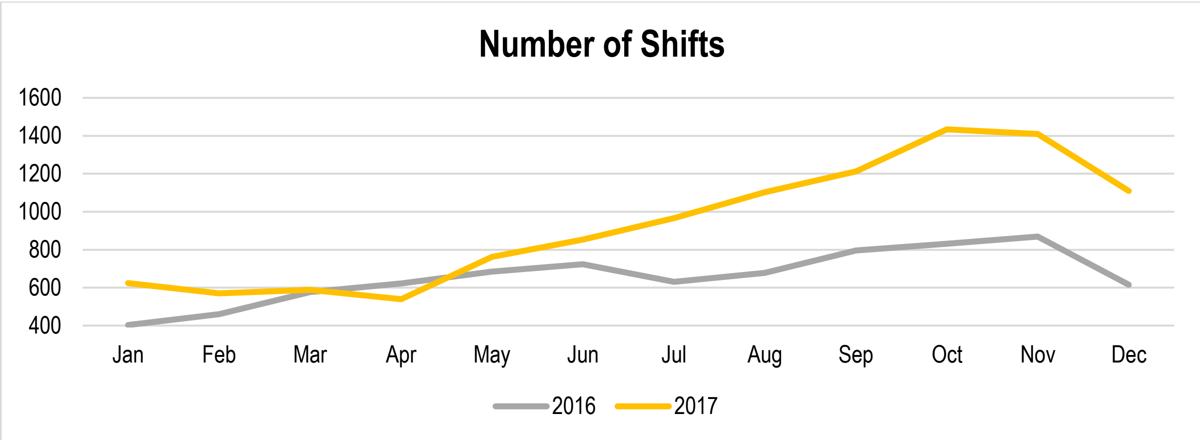
There were no significant changes in the Group's nature of activities during the year.

REVIEW OF OPERATIONS

During the six months ending 31 December 2017 there was a material increase in operating rig count and shift numbers following numerous contract awards as the below charts demonstrate.



DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017



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Safety remains a key focus for the Group. On a rolling 12-month basis to 31 December 2017 there was a reduction in the number of incidents and a reduction in the severity of incidents across the Group's operations despite a material increase in operating rig count, shifts worked and number of employees.

The demand levels that the Group has experienced in early 2018 suggest that, subject to general market conditions, utilisation rates will remain strong during the 2018 calendar year.

EVENTS AFTER THE REPORTING DATE

On 11 February 2018 Well Drilled Pty Ltd (a wholly owned subsidiary of the Company) entered into an agreement to acquire 100% of the shares in Radco Technologies Pty Ltd and Radco Group Pty Ltd (collectively **Radco Drilling**), a privately owned drilling business, for a cash consideration purchase price of $5.3 million (subject to normal working capital and net debt adjustments).

The strategic rationale for the acquisition includes increased revenue diversification though the niche market of underground coal drilling and gas drainage, which is linked to production and required by long life underground mines.

DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Completion of the transaction is subject to several consents and conditions precedent and the transaction is expected to be completed by early Q2 of the 2018 calendar year. Key conditions precedent to the acquisition include:

- The receipt (from existing Radco Drilling clients) of all necessary approvals required under material client contracts
- The Group obtaining sufficient funding to complete the purchase. The Group will be seeking to fund this acquisition through a combination of operating cash flows, proceeds from the sale of idle or non-core assets and through third party debt funding.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 5 of the Half-Year Report.

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

On behalf of the Directors

N. Mitchell

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 27th day of February 2018

MITCHELL SERVICES LTD
AUDITOR'S INDEPENDENCE DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Townsville Office
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Cairns

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of Mitchell Services Ltd

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017 there have been no contraventions of:

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

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

JESSUPS

Rodger Dunstan
Director

Dated this 27th day of February 2018

Level 1, 19 Stanley Street
Townsville QLD 4810

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17	31 Dec 16
		$	$
Continuing operations			
Revenue		33,215,477	20,843,168
Loss/(gain) on sale of assets		134,298	(24,612)
Advertising		(38,468)	(10,505)
Drilling consumables		(4,516,775)	(3,170,214)
Employee and contract labour expenses		(17,561,244)	(9,590,861)
Fuel and oil		(758,639)	(495,316)
Freight and couriers		(565,813)	(290,416)
Hire of plant and equipment		(1,675,695)	(1,042,536)
Insurances		(501,515)	(324,006)
Legal, professional and consultant fees		(331,031)	(232,910)
Rent		(491,040)	(310,702)
Service and repairs		(1,690,885)	(1,203,436)
Travel expenses		(1,546,123)	(918,490)
Other expenses		(994,649)	(670,243)
Earnings before interest, tax, depreciation and amortisation		2,677,898	2,558,921
Depreciation expense		(3,051,829)	(2,672,652)
Loss before interest and tax		(373,931)	(113,731)
Finance expenses		(820,694)	(604,769)
Loss before tax		(1,194,625)	(718,500)
Income tax benefit		-	-
Loss for the period from continuing operations		(1,194,625)	(718,500)
Discontinued operations			
Loss for the period from discontinued operations		-	-
Loss for the period		(1,194,625)	(718,500)
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		(1,194,625)	(718,500)
Loss attributable to:			
Owners of the parent		(1,194,625)	(718,500)
Total comprehensive income attributable to:			
Owners of the parent		(1,194,625)	(718,500)
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		(0.08)	(0.05)
Diluted (cents per share)		(0.08)	(0.05)
From continuing operations			
Basic (cents per share)		(0.08)	(0.05)
Diluted (cents per share)		(0.08)	(0.05)

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 $	30 Jun 17 $
ASSETS			
Current assets			
Cash and cash equivalents		3,906,308	816,511
Trade and other receivables		11,844,411	7,120,015
Other financial assets		105,090	46,740
Assets held for sale	5	2,979,362	-
Other assets		1,055,489	823,162
Inventories		2,528,159	1,293,200
Total current assets		22,418,819	10,099,628
Non-current assets			
Other financial assets		-	11,652
Property, plant and equipment	2	30,011,136	26,932,379
Investment property		-	2,975,000
Other assets		18,000	18,000
Total non-current assets		30,029,136	29,937,031
Total assets		52,447,955	40,036,659
LIABILITIES			
Current liabilities			
Bank overdraft		2,460,706	535,000
Trade and other payables		9,876,740	8,035,875
Other financial liabilities	3	3,223,487	2,326,838
Provisions		1,614,602	1,241,178
Total current liabilities		17,175,535	12,138,891
Non-current liabilities			
Other financial liabilities	3	12,999,616	13,071,624
Provisions		229,536	181,175
Total non-current liabilities		13,229,152	13,252,799
Total liabilities		30,404,687	25,391,690
Net assets		22,043,268	14,644,969
EQUITY			
Issued capital	4	58,245,137	49,454,378
Share issue costs		(3,070,575)	(2,521,167)
Retained earnings		(33,131,294)	(32,288,242)
Total equity		22,043,268	14,644,969

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Issued Capital	Contingent Option Reserve	Retained Earnings	Attributable to Owners of the Parent	Total
		$	$	$	$	$
Balance at 1 July 2016		46,089,856	2,122,402	(30,240,688)	17,971,570	17,971,570
Comprehensive income						
Loss for the period		-	-	(718,500)	(718,500)	(718,500)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(718,500)	(718,500)	(718,500)
Issue of ordinary shares		850,000	-	-	850,000	850,000
Share issue costs		(6,645)	-	-	(6,645)	(6,645)
Recognition of share-based payments		-	-	131,686	131,686	131,686
Balance at 31 December 2016		46,933,211	2,122,402	(30,827,502)	18,228,111	18,228,111
Balance at 1 July 2017		46,933,211	-	(32,288,242)	14,644,969	14,644,969
Comprehensive income						
Loss for the period		-	-	(1,194,625)	(1,194,625)	(1,194,625)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(1,194,625)	(1,194,625)	(1,194,625)
Issue of ordinary shares	4	8,790,759	-	-	8,790,759	8,790,759
Share issue costs		(549,408)	-	-	(549,408)	(549,408)
Recognition of share-based payments		-	-	351,573	351,573	351,573
Balance at 31 December 2017		**55,174,562**	**-**	**(33,131,294)**	**22,043,268**	**22,043,268**

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17	31 Dec 16
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		28,740,514	20,486,084
Payments to suppliers and employees		(30,174,297)	(17,895,768)
Interest received		11,312	1,546
Interest paid		(867,392)	(191,974)
Income tax paid		-	-
Net cash provided by operating activities		(2,289,863)	2,399,888
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		284,700	15,000
Payment for purchase of property, plant and equipment		(3,955,661)	(709,538)
Net cash used in investing activities		(3,670,961)	(694,538)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		8,790,759	-
Payments for share issue costs		(549,408)	(6,645)
Proceeds from borrowings		-	-
Repayment of borrowings		(1,116,436)	(1,079,462)
Net cash (used in)/provided by financing activities		7,124,915	(1,086,107)
Net increase in cash and cash equivalents		1,164,091	619,243
Cash and cash equivalents at the beginning of the period		281,511	(131,115)
Cash and cash equivalents at the end of the period		1,445,602	488,128

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

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

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

- AASB 1048 Interpretation of Standards
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

Impact of the application of AASB 1048 Interpretation of Standards

A new principal version of AASB 1048 providing an up-to-date listing of Australian Interpretations, including Interpretation 22 Foreign Currency Transactions and Advance Consideration and Interpretation 23 Uncertainty over Income Tax Treatments. This service standard ensures there is no difference between the status of Interpretations in the hierarchy between IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Impact of the application of AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

Amends AASB 112 Income Taxes to clarify:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use
- The carrying amount of an asset does not limit the estimation of probable future taxable profits
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Impact of the application of AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
Amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and noncash changes.

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

2. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Motor vehicles	Furniture and fittings	Total
	$	$	$	$	$
At 1 July 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
Half-year ended 31 December 2017					
Opening net book amount	68,999	22,144,340	4,438,108	280,932	26,932,379
Additions	-	4,785,187	1,275,451	48,877	6,109,515
Disposals	-	(142,702)	-	-	(142,702)
Transfer from inventory	-	163,773	-	-	163,773
Depreciation	(9,077)	(2,399,467)	(601,936)	(41,349)	(3,051,829)
	59,922	24,551,131	5,111,623	288,460	30,011,136
At 31 December 2017					
Cost or fair value	101,473	39,984,161	15,967,687	410,383	56,463,704
Accumulated depreciation	(41,551)	(15,433,030)	(10,856,064)	(121,923)	(26,452,568)
Net book amount	59,922	24,551,131	5,111,623	288,460	30,011,136

3. BORROWINGS AND FINANCIAL INSTRUMENTS

	31 Dec 17	30 Jun 17
	$	$
Current		
Equipment finance leases	2,926,738	1,696,498
Working capital loan	114,941	207,806
Insurance premium funding	181,808	422,534
	3,223,487	2,326,838
Non-current		
Equipment finance leases	4,499,616	4,552,475
Working capital loan	-	19,149
Shareholder loan	8,500,000	8,500,000
	12,999,616	13,071,624

During the half-year, the Group obtained new equipment finance leases to fund the purchase of various new items of property, plant and equipment. The repayment terms on these facilities vary between 36 and 48 months with interest ranging between 4.09% and 5.40%.

Temporary working capital facility
In order to fund an increase in working capital requirements associated with new contracts, the Company secured a $2.6million overdraft facility with National Australia Bank (NAB) in July 2017 on the following terms:

- Interest charge at 5.25% per annum
- Secured by a guarantee in favour of NAB provided by Export Finance and Insurance Corporation (EFIC) as part of a Working Capital Guarantee Facility (WCGF)
- An EFIC utilisation fee of 4.5% per annum on the balance of the guarantee amount
- The expiry date of the WCGF was 30 September 2018

This facility (The **$2.6 million facility)** together with the Company's pre-existing $2.5 million Suncorp overdraft facility (**The $2.5 million facility)** provided the Group with $5.1 million in working capital funding.

Working capital facility refinance and trade finance facility
In December 2017, the Group completed a refinance of its working capital facilities. The $2.5million facility and the $2.6million facility were fully repaid. Following the repayment of these facilities, the Group entered into a trade finance facility with NAB under the following terms:

- NAB will advance 75% of the Group's outstanding trade receivables up to a maximum advance of $9million.
- The advances are secured against the Group's trade receivables balance and first ranking general security interest in Mitchell Operations Pty Ltd and a guarantee provided by the Company.
- Interest is levied at 6.5% per annum plus an annual line fee of 1% applicable to the facility limit.

As at 31 December 2017 the drawn balance of this trade finance facility was $2,460,706.

4. ISSUES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

Shares and options issued under the Executive Share and Option Plan
During the half-year, Mitchell Services Limited issued 3,410,515 new fully paid ordinary shares to Mitchell Services Share Plan Pty Ltd to hold as plan trustee for the Mitchell Service Executive Share and Option Plan (ESOP). The shares are held by the plan trustee for the benefit of eligible participants and are subject to vesting conditions. As of the date of this report no shares or options under the ESOP have vested or been exercised.

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

Placement and Entitlement Offer Capital Raising
The following shares were issued during the half-year ended 31 December 2017:

- On 21 September 2017, 74,000,000 fully paid ordinary shares were issued at a price of $0.034 by way of an institutional share placement.
- On 16 October 2017, 184,551,759 fully paid ordinary shares were issued at a price of $0.034 by way of a 1 for 8 pro rata non-renounceable entitlement offer.

5. INVESTMENT PROPERTY HELD FOR SALE

The Company owns an investment property located in Townsville that generates cash flows through rental income as opposed to being used for core business activities. In December 2017, the Company made the strategic decision to actively market this property for sale. The property has been reclassified as a current asset held for sale on the basis that it is expected to be sold within the next 12 months. Proceeds from the sale of this property are expected to be used to partially fund the acquisition of Radco Drilling (as described in note 8).

6. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties.

Transactions with Manutech Engineering and Maintenance

The Group engages Manutech Engineering and Maintenance to purchase parts and in some instances perform repair and maintenance type services. Manutech Engineering and Maintenance is an entity controlled by Peter Miller. The amount incurred during the reporting period in relation to these services was $82,777 including GST. Amounts were billed on normal market rates for such services and were due and payable under normal payment terms. An amount of $13,310 remains owing to this related entity at the end of the reporting period.

Transactions with Mitchell Group private entities

Equipment Hub Pty Ltd

Equipment Hub 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 Equipment Hub. Hire of plant and equipment from this related entity for the reporting period amounted to $349,475 including GST and was based on normal market rates and under normal payment terms. An amount of $114,621 remains owing to this related entity at the end of the reporting period.

MEH Equipment Hire Pty Ltd

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 $627,817 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 $50,000 net of applied rental reductions associated with the revised lease. An amount of $63,891 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 was payable in Company shares and remaining interest is payable quarterly in cash.

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.

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 no amount remains owing to this related entity at the end of the reporting period.

7. OPERATING SEGMENTS

The Group operates primarily within Australia, providing services wholly to a discrete industry segment (provision of drilling services to the mining industry). These geographic and operating segments are considered based on internal management reporting and the allocation of resources by the Group's chief decision makers (Board of Directors). On this basis, the financial results of the reportable operating and geographic segments are equivalent to the financial statements of the Group as a whole and no separate segment reporting is disclosed in these financial statements.

8. EVENTS AFTER THE REPORTING DATE

On 11 February 2018 Well Drilled Pty Ltd (a wholly owned subsidiary of the Company) entered into an agreement to acquire 100% of the shares in Radco Technologies Pty Ltd and Radco Group Pty Ltd (collectively **Radco Drilling**), a privately owned drilling business, for a cash consideration purchase price of $5.3 million (subject to normal working capital and net debt adjustments).

The strategic rationale for the acquisition includes increased revenue diversification though the niche market of underground coal drilling and gas drainage, which is linked to production and required by long life underground mines.

Completion of the transaction is subject to several consents and conditions precedent and the transaction is expected to be completed by early Q2 of the 2018 calendar year. Key conditions precedent to the acquisition include:

- The receipt (from existing Radco Drilling clients) of all necessary approvals required under material client contracts
- The Group obtaining sufficient funding to complete the purchase. The Group will be seeking to fund this acquisition through a combination of operating cash flows, proceeds from the sale of idle or non-core assets and through third party debt funding.

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the Directors

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 27th day of February 2018

Jessups
Accountants & Business Advisors

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MITCHELL SERVICES LTD ACN 149 206 333
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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Report on the half-year financial report
We have reviewed the accompanying half-year financial report of Mitchell Services Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the half-year financial report
The directors of Mitchell Services Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mitchell Services Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mitchell Services Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

JESSUPS

Rodger Dunstan
Director

Dated this 27th day of February 2018

Level 1, 19 Stanley Street
Townsville QLD 4810