Mitchell
SERVICES


ANNUAL REPORT
2018

Mitchell
SERVICES

MITCHELL SERVICES LTD
ACN 149 206 333
ANNUAL REPORT
30 JUNE 2018

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CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Nathan Andrew Mitchell
Executive Chairman

Dear Shareholders

The 2018 financial year saw unprecedented growth for Mitchell Services Limited with significant increases across all key metrics including operating rig numbers, shift numbers, revenue and EBITDA.

This growth was fuelled by a variety of different factors including:

- an increased demand for near mine, production related drilling services across our existing client base amid improvements to general market conditions within the resources sector
- the award of multi rig contracts with new Tier 1 clients, most notably the seven rig Olympic Dam project in South Australia with BHP, and
- the significant growth within our underground energy division following the acquisition of Radco Drilling.

Despite the growth in the number of operating rigs, I am pleased to inform shareholders that continued improvements and initiatives across our safety and risk management systems have resulted in both the frequency and severity of injuries reducing across the business.

Having experienced several industry cycles previously, current indicators would suggest that we are in the early stages of the growth phase within the mining services cycle. Of our $72.7 million revenue in 2018, 92% was brownfield related predominantly on long life Tier 1 mine sites.

We are seeing an increase in demand for brownfield drilling services and the early signs of increased demand for greenfield drilling services.

I have written previously about the significant leverage within this organisation as utilisation, productivity, pricing and contract terms begin to improve. Increases in utilisation (from 35% FY17 to 57% FY18), productivity and pricing resulted in an 80% increase in revenue year on year and an increase in FY18 EBITDA to 279% of FY17 EBITDA.

Recognising that we are in the early stages of this cycle and that the organisation has idle rig capacity to meet growing demand, we are well positioned to take advantage of further anticipated improvements in general market conditions. Looking at the year ahead, the business anticipates material increases in revenues, EBITDA and NPAT in FY19. The Board's near term focus is to utilise anticipated surplus cash to reduce debt and is also considering capital management options such as a share buyback or a dividend.

I mentioned earlier that I have experienced several industry cycles. One noticeable characteristic of the current cycle is that the growth appears to be measured, deliberate and steady. This may be a function of past lessons learned by the resources industry or the geopolitical uncertainty facing global markets affecting expectations for longer term commodities demand. Whatever the reason, steady and measured growth will serve Mitchell Services and its shareholders well. The recent downturn saw numerous competitors exit the market (forced or voluntarily) and the barriers to entry for new competitors remain high.

Measured growth in early stages of the cycle will create favourable conditions to take advantage of growth opportunities. Price expectations are realistic, making attractive returns possible in an improving market, and this was certainly the case with the recent acquisition of Radco Drilling at a price representing approximately 2 times EBITDA. I am pleased to inform shareholders that the Radco Drilling business is performing safely and in line with expectations. Radco Drilling is a specialist in the market of underground coal drilling and gas drainage which is linked to production and required by long life underground coking coal mines. The acquisition (which is anticipated to be materially EPS accretive into the foreseeable future) has further strengthened our diversity across different drilling types and commodities, making Mitchell Services one of the most diverse drilling companies in Australia.

'making Mitchell Services one of the most diverse drilling companies in Australia'

In closing I would once again like to thank all shareholders for your continued patience and support. Thank you to all those shareholders who participated in the $8.8million capital raising that took place during the 2018 financial year which ensured that the business is adequately funded to mobilise additional rigs and take advantage of improving general market conditions.

On behalf of the Board, thank you.

Nathan Andrew Mitchell
Executive Chairman

MEASURED GROWTH IN **EARLY STAGES OF THE CYCLE** CREATES FAVOURABLE CONDITIONS TO TAKE ADVANTAGE OF **GROWTH OPPORTUNITIES**

CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Andrew Michael Elf
Chief Executive Officer

I am exceptionally proud of what our teams have achieved during the past year.

With a strong base of long term, high quality Tier 1 client contracts, increased utilisation across all divisions and early signs of pricing increases, the business is well positioned to take advantage of the positive industry outlook.

The growth that the business has experienced in 2018 was significant across all key metrics. As at 30 June 2018 the business employed over 350 experienced staff compared to 200 in 2017. Our average operating rig count was 37 rigs in 2018 (76% greater than in 2017) and collectively our people worked over 15,000 shifts, compared to approximately 9,000 shifts in 2017. Average revenue per rig of $1.95 million in 2018 was 5% greater than in 2017.

I am proud of our safety culture and would like to acknowledge everyone's efforts in once again ensuring that despite significant growth in the organisation, the frequency and severity of safety incidents year on year continued to decrease. We are a people business and the quality of our people is what underpins our vision, which is to be Australia's leading provider of drilling services to the global exploration, mining and energy industries. Our people have a clear mandate to "find a better way" in everything they do and I attribute our positive culture to a number of key initiatives that were rolled out during the year including:

Operation "Home stretch" – A campaign based on a "safety differently" approach that recognises what we do well thus creating a positive culture and strong teamwork.This campaign has been nominated for an Australian safety award and we will run it again in FY19.

Journey management system – Mitchell Services, in collaboration with a third-party technology provider has created an end-to-end journey management mobile and web application to reduce risk and facilitate safer travel across the organisation.

As has always been the case (but particularly now in an improving market), we are focusing on training to attract, retain and further develop our own drillers to ensure that our service level remains high. In 2018 we partnered with the Australasian Drilling Institute and were the first drilling company in Australia to roll out an electronic app-based competency assessment process. This app has delivered outstanding results in a short space of time.

The acquisition and integration of earnings accretive Radco Drilling has been hugely successful. The business continues to perform safely, efficiently and in line with expectations. The integration process has allowed Radco to benefit from our sophisticated, streamlined shared services support functions whilst at the same time maintaining their own identity, brand and ability to be nimble in decision-making to service customers with whom sound relationships have been built.

The increased utilisation levels from FY17 to FY18 (35% to 57%) have driven an 80% increase in revenue ($72.7m FY18 vs $40.3m FY17), with FY18 EBITDA 2.8 times that of FY17 ($2.2m in FY17 to $6.3m in FY18) demonstrating the significant leverage in the business. FY18 EBITDA was impacted by material levels of ramp up associated with major project wins and we expect further material increases in FY19 as EBITDA begins to normalise.

Our ability to secure and retain long term, multi rig contracts with Tier 1 clients across a range of different drilling types, commodities and geographies has provided a solid base to take advantage of further anticipated market improvements. I see FY19 as a breakthrough year for the organisation in terms of financial results with EBITDA anticipated to increase materially versus FY18 which should translate into a positive NPAT.

The outlook remains positive with continued improvements expected across all metrics, and our focus is to:

- Continue to operate safely across all operations
- Leverage off the successful integration of Radco and increase its operating rig count
- Generate strong operational cash flow
- Pay down debt.

I would like to thank the Board for their ongoing support and guidance, my senior executive and all our teams that have truly gone above and beyond to deliver improving performance and prospects for our shareholders.

Thank you.

Andrew Michael Elf
Chief Executive Officer

WE ARE A **PEOPLE** BUSINESS

I ATTRIBUTE OUR **POSITIVE CULTURE** TO A NUMBER OF KEY **INITIATIVES**

I SEE FY19 AS A **BREAK-THROUGH YEAR** FOR THE ORGANISATION **FINANCIALLY**

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CURRENT BUSINESS SUMMARY

VISION

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

REVENUE FOR 2017/18 FULL YEAR

$72.7M

UP 80%

SUCCESSFUL ACQUISITION AND INTEGRATION OF EARNINGS ACCRETIVE **RADCO DRILLING FURTHER IMPROVES REVENUE DIVERSITY**

TOTAL RECORDABLE INJURY FREQUENCY RATE **LESS THAN 15** AT 30 JUNE 2018

350+

EXPERIENCED EMPLOYEES

INDUSTRY OUTLOOK POSITIVE WITH PRICING EXPECTED TO IMPROVE

$6.3M EBITDA IN 2018 IS **2.8 TIMES** 2017 EBITDA

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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 2018. 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 over 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 354,108,575 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 30 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 24,005,045 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 19 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 2,210,537 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.

Mr O'Connor currently serves on the board of Stanmore Coal Limited (ASX: SMR).

At the date of this report, Mr O'Connor has relevant interests in 1,168,875 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 2,665,286 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.

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the Group during the financial year.

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

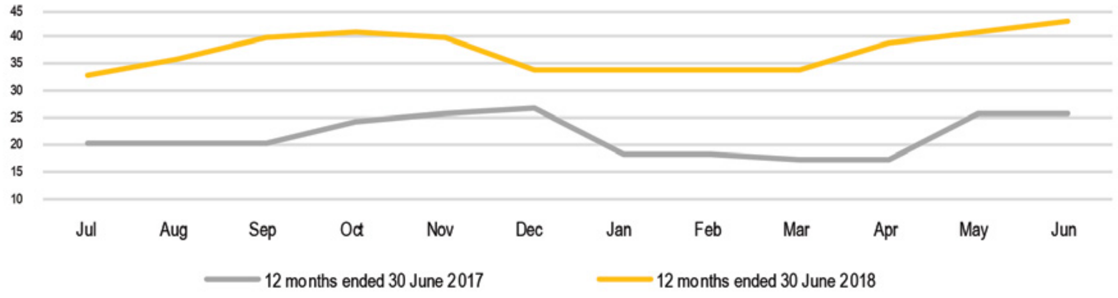
The Group's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. However, the Group does provide services to entities that are licensed or otherwise subject to conditions for the purposes of environmental legislation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

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

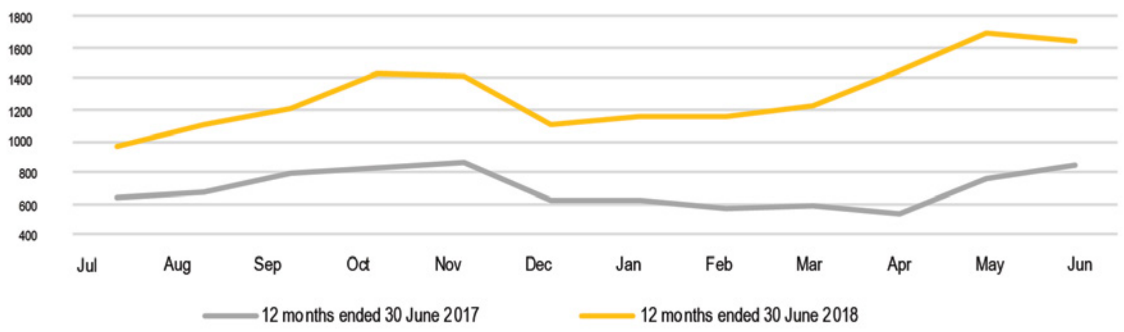
REVIEW OF OPERATIONS

Rig utilisation and productivity increased significantly in 2018 compared to 2017 as general market conditions continued to improve. These improvements have led to a material increase in rig utilisation and number of shifts as the below charts demonstrate.

Operating Rig Count

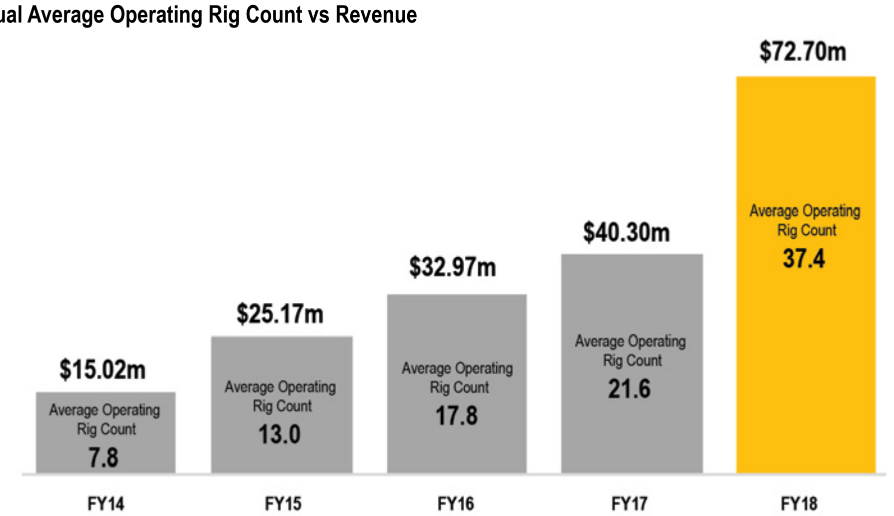


Number of Shifts



The continual increase in both operating rig count and number of shifts has driven a significant increase in revenue, with a 380% increase since 2014.

Annual Average Operating Rig Count vs Revenue



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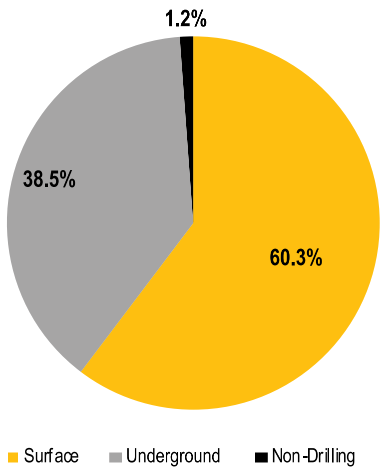
The table below outlines a number of key six-monthly utilisation metrics and the impact of those utilisation levels on financial results.

	FY16		FY17		FY18	
	1H	2H	1H	2H	1H	2H
Average operating rigs	20	15	23	20	37	37
Number of shifts	3,036	3,471	4,528	4,029	7,423	8,332
Revenue ($000's)	18,472	14,498	20,843	19,460	33,215	39,485
EBITDA ($000's)	131	391	2,559	(321)	2,678	3,576
Operating cash flow ($000's)	236	(302)	2,400	1,907	(2,290)	1,016
Annualised revenue per rig ($000's)	1,847	1,933	1,797	1,946	1,795	2,106

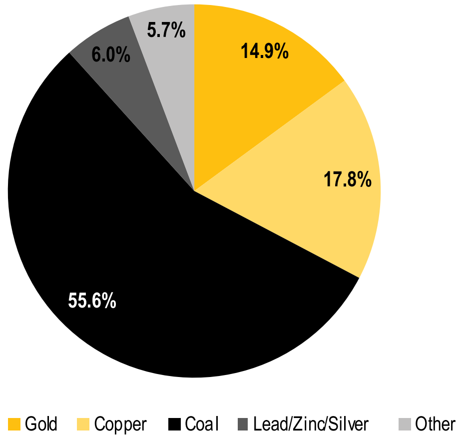
EBITDA in FY18 was impacted by material levels of ramp up associated with major project wins. In October 2017 the Group completed an $8.8million equity raising, the proceeds of which were applied to fund the preparation and mobilisation of un-utilised rigs and associated equipment at the time, procurement of consumables and recruitment of personnel to fulfil contract pipeline requirements and additional working capital. EBITDA in FY18 was, as such, impacted by material levels of ramp up associated with major project wins. EBITDA in the 4th quarter of FY18 began to normalise and the Group anticipates further material increases in revenue and EBITDA during FY19.

On 4 April 2018 the Group completed the acquisition of Radco Technologies Pty Ltd and Radco Group Australia Pty Ltd (collectively **Radco Drilling**) for a cash consideration purchase price of approximately 2 times historic EBITDA. Radco Drilling operate in the market of underground coal drilling and gas drainage which is linked to production and required by long life underground coking coal mines. The acquisition (which is anticipated to be materially EPS and EBITDA accretive) further strengthens the Group's overall revenue diversity as the below two charts demonstrate:

FY18 revenue by drilling type



FY18 revenue by commodity



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.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

DIVIDENDS

There were no dividends paid in respect of the year ended 30 June 2018.

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	$0.03950	16,362,395
4 August 2017	7 years after vesting	$0.05390	11,353,565
14 June 2018	7 years after vesting	$0.07035	13,337,370
			41,053,330

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 14 to 18.

During the year ended 30 June 2018, there were no shares in Mitchell Services Limited issued on the exercise of options exercised.

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 $98,505.

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, 17 Board meetings, 2 Remuneration and Nomination Committee meetings and 3 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	17	17	-	-	-	-
P.R Miller	17	14	-	-	-	-
R.B Douglas	17	16	2	2	3	3
N.M O'Connor	17	17	2	2	3	3

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 25 to the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 25 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 2018. 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)

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:

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

- 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 table below sets out summary information about the Group's earnings and movements in share price for the five years to 30 June 2018.

	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Revenue ($'000s)	72,700	40,303	32,970	25,175	15,015
EBITDA ($'000s)	6,254	2,238	522	(4,322)	(3,071)
Profit/(loss) after tax ($'000s)	(2,340)	(4,407)	(6,049)	(16,999)	(4,607)
Share price	3.9c	3.3c	1.7c	2.2c	2.1c

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 Total Recordable Injury Frequency Rate (**TRIFR**) basis, having regard to respective prior years' TRIFR performance
(d) the Company's operational performance, having particular regard to key operational metrics

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%

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

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 table below summarises the shares and options offered to KMP's pursuant to the ESOP during the 2018 and 2017 financial years. The table also shows the shares and options that vested during the 2018 financial year pertaining to instruments that were offered under the ESOP in the 2016 financial year.

KMP	Award	Offer date	Number of Instruments	Fair value per instrument at offer date*	Vested in FY2018	Exercisable at 30 June 2018	Date award may vest
Andrew Michael Elf	Options	1 March 2016	6,643,133	0.0074	6,643,133	6,643,133	
	Shares	1 March 2016	1,995,531	0.0140	1,995,531	na	
Gregory Michael Switala	Options	1 March 2016	4,581,471	0.0074	4,581,471	4,581,471	
	Shares	1 March 2016	1,376,228	0.0140	1,376,228	na	
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
Andrew Michael Elf	Options	4 May 2018	3,208,350	0.0209	-	-	4 May 2020
	Shares	4 May 2018	963,755	0.0390	-	-	4 May 2020
Gregory Michael Switala	Options	4 May 2018	2,406,260	0.0209	-	-	4 May 2020
	Shares	4 May 2018	722,820	0.0390	-	-	4 May 2020

*In the case of shares, the fair value was determined with reference to the ASX quoted price on the last trading day of the financial year. In the case of the options, fair value was determined using a Black-Scholes pricing model. Further details on the inputs in the measurement of the fair value of the options are provided in note 19 of the financial statements.

The shares and options per the table above were offered pursuant to the ESOP 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 $0.07035 for each option offered under the ESOP in the 2018 financial year (2017: $0.05339 and 2016: $0.0395)
(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.

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

		Short-term employee benefits	Post-employment benefits	Short-term incentives	Non-monetary benefits	Long-term employee benefits[2]	
		Salary	Superannuation	Bonus	Motor Vehicles[1]	Shares	Options
		$	$	$	$	$	$
Nathan Andrew Mitchell	**2018**	**80,000**	**7,600**	**-**	**-**	**-**	**-**
Executive Chairman	2017	80,000	7,599	-	-	-	-
Peter Richard Miller	**2018**	**36,000**	**3,420**	**-**	**-**	**-**	**-**
Non-Executive Director	2017	36,000	3,419	-	-	-	-
Robert Barry Douglas	**2018**	**36,000**	**3,420**	**-**	**-**	**-**	**-**
Non-Executive Director	2017	36,000	3,419	-	-	-	-
Neal Macrossan O'Connor	**2018**	**52,000**	**3,534**	**-**	**-**	**-**	**-**
Non-Executive Director	2017	52,000	2,039	-	-	-	-
Andrew Michael Elf	**2018**	**320,000**	**30,400**	**64,000**	**14,861**	**73,495**	**109,527**
Chief Executive Officer	2017	319,998	30,399	-	14,861	25,339	70,864
Gregory Michael Switala	**2018**	**240,000**	**22,800**	**-**	**4,189**	**51,079**	**76,239**
Chief Financial Officer and Company Secretary	2017	179,998	17,099	-	4,189	17,475	48,871

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. These amounts were not actually provided to KMP during FY18. The figures are calculated in accordance with the Australian Accounting Standards and are the amortised AASB fair values of equity instruments (whether vested or not) that have been granted to KMP. Refer to page 17 of this Remuneration Report for information on awards during FY18 and the vesting status of previous year's awards.

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 28th day of August 2018

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

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 2018.

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, Asset 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 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 has a material shareholding 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 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 14 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

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 3 times during the year and Committee members' attendance record is disclosed in the table of Directors' meetings on page 14 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 2018 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;
- Obsolescence of certain machinery due to technological advancements or client requirements;
- Customer demand and outlook for the resources industry.

An assessment of the Group's business 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 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 the 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 23 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

CORPORATE GOVERNANCE STATEMENT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

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.
- 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 assist with any workplace issues that may arise.

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

	2018		2017	
	No.	%	No.	%
Women on the Board	-	-	-	-
Women in senior management roles[1]	1	11.11	1	14.29
Women employees in the Group	19	5.28	11	5.37

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

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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 2018 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.

JESSUPS

Rodger Dunstan
Director

Level 1, 19 Stanley Street, Townsville QLD 4810

Dated this 28th day of August 2018

A.B.N.: 99 194 967 950

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Continuing operations			
Revenue	2	72,700,410	40,302,633
Gain/(loss) on sale of assets		862,024	(24,612)
Gain on bargain purchase	30	350,663	-
Advertising		(93,798)	(33,230)
Drilling consumables		(10,618,674)	(6,847,191)
Employee and contract labour expenses		(38,593,882)	(19,800,102)
Fuel and oil		(1,432,915)	(964,309)
Freight and couriers		(1,062,070)	(697,353)
Hire of plant and equipment		(3,230,693)	(1,953,855)
Insurances		(1,054,585)	(663,694)
Legal and consultant fees		(739,970)	(463,150)
Rent		(992,045)	(694,809)
Service and repairs		(3,823,823)	(2,701,575)
Travel expenses		(3,202,602)	(1,762,854)
Change in fair value of asset held for sale	12	(419,312)	-
Other expenses		(2,394,500)	(1,457,622)
EBITDA		6,254,228	2,238,277
Depreciation expense		(6,724,594)	(5,434,817)
Amortisation of intangibles		(890,371)	-
EBIT		(1,360,737)	(3,196,540)
Finance expenses		(1,687,257)	(1,210,369)
Profit/(loss) before tax		(3,047,994)	(4,406,909)
Income tax benefit	14	708,217	-
Profit/(loss) for the period from continuing operations		(2,339,777)	(4,406,909)
Discontinued operations			
Profit/(loss) for the period from discontinued operations		-	-
Profit/(loss) for the period		(2,339,777)	(4,406,909)
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		(2,339,777)	(4,406,909)
Profit attributable to:			
Owners of the parent		(2,339,777)	(4,406,909)
Total comprehensive income attributable to:			
Owners of the parent		(2,339,777)	(4,406,909)
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)	27	(0.14)	(0.24)
Diluted (cents per share)	27	(0.14)	(0.24)
From continuing operations			
Basic (cents per share)	27	(0.14)	(0.24)
Diluted (cents per share)	27	(0.14)	(0.24)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	3(a)	1,863,738	816,511
Trade and other receivables	4	17,608,675	7,120,015
Other financial assets	5	68,251	46,740
Other assets	6	1,154,077	823,162
Inventories	7	2,274,563	1,293,200
Intangibles	8	1,989,629	-
Assets held for sale	12	2,560,050	-
Total current assets		27,518,983	10,099,628
Non-current assets			
Other financial assets	5	15,278	11,652
Property, plant and equipment	13	30,740,385	26,932,379
Investment property	12	-	2,975,000
Other assets	6	18,000	18,000
Total non-current assets		30,773,663	29,937,031
Total assets		58,292,646	40,036,659
LIABILITIES			
Current liabilities			
Bank overdraft	3(b)	-	535,000
Trade and other payables	9	13,163,681	8,035,875
Other financial liabilities	10	6,071,669	2,326,838
Current tax liability	15	1,164,958	-
Provisions	11	2,724,543	1,241,178
Total current liabilities		23,124,851	12,138,891
Non-current liabilities			
Other financial liabilities	10	13,877,025	13,071,624
Provisions	11	256,306	181,175
Total non-current liabilities		14,133,331	13,252,799
Total liabilities		37,258,182	25,391,690
Net assets		21,034,464	14,644,969
EQUITY			
Issued capital	16	58,245,137	49,454,378
Share issue costs	17	(3,070,575)	(2,521,167)
Retained earnings	18	(34,140,098)	(32,288,242)
Total equity		21,034,464	14,644,969

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Issued Capital $	Contingent Option Reserve $	Retained Earnings $	Attributable to Owners of the Parent $	Total $
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	18	-	-	(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	18	-	(2,122,402)	2,122,402	-	-
Issue of ordinary shares	16	850,000	-	-	850,000	850,000
Share issue costs	17	(6,645)	-	-	(6,645)	(6,645)
Recognition of share-based payments	19	-	-	236,953	236,953	236,953
Balance at 30 June 2017		**46,933,211**	**-**	**(32,288,242)**	**14,644,969**	**14,644,969**
Comprehensive income						
Profit/(loss) for the period	18	-	-	(2,339,777)	(2,339,777)	(2,339,777)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(2,339,777)	(2,339,777)	(2,339,777)
Issue of ordinary shares	16	8,790,759	-	-	8,790,759	8,790,759
Share issue costs	17	(549,408)	-	-	(549,408)	(549,408)
Recognition of share-based payments	19	-	-	487,921	487,921	487,921
Balance at 30 June 2018		**55,174,562**	**-**	**(34,140,098)**	**21,034,464**	**21,034,464**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		64,342,703	40,438,132
Payments to suppliers and employees		(63,696,562)	(35,737,360)
Interest received		13,378	4,477
Interest paid		(1,712,393)	(398,387)
Income tax paid		(221,444)	-
Net cash provided by/(used in) operating activities	20	(1,274,318)	4,306,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,339,325	15,000
Payment for property, plant and equipment		(5,660,946)	(1,939,903)
Payment for purchase of Radco, net of cash acquired		(4,251,263)	-
Net cash provided by/(used in) investing activities		(7,572,884)	(1,924,903)
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		7,000,000	120,120
Repayment of borrowings		(4,811,922)	(2,082,808)
Net cash provided by/(used in) financing activities		10,429,429	(1,969,333)
Net increase/(decrease) in cash and cash equivalents		1,582,227	412,626
Cash and cash equivalents at the beginning of the period		281,511	(131,115)
Cash and cash equivalents at the end of the period	3(c)	1,863,738	281,511

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

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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) Intangibles
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.

Customer contracts
Customer contracts acquired are initially recognised at fair value and are subsequently carried at fair value less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straightline method over the contract period or estimated useful life, whichever is shorter.

(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 measurable 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.

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

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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 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

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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 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

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

(t) Assets held for sale
The Group recognises assets as held for sale when the sale of the asset is approved by the Board and is actively marketed at a reasonable price for immediate sale that is probable within 12 months.

After these conditions are met, the Group measures the assets held for sale at the lower of carrying amount and fair value less costs to sell and are not depreciated.

Any reduction in value on initial recognition or any reduction in fair value less costs to sell after initial recognition shall be recognised as impairment in the profit and loss. A gain for any subsequent increase in fair value less costs to sell shall be recognised in the profit or loss to the extent that it is not in excess of the cumulative impairment loss.

(u) 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.

(v) 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 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Impact of the application of AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and noncash changes.

The Group's liabilities arising from financing activities consist of borrowings and certain other financial liabilities (note 10). A reconciliation between the opening and closing balances of these items is provided in note 10(c). Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 10(c), the application of these amendments has had no impact on the Group's consolidated financial statements.

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 7 Insurance Contracts	1-Jan-21	30-Jun-22
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128], AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards –Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1-Jan-22 (Editorial corrections in AASB 2017-5 apply from 1-Jan-18)	30-Jun-23
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share Based Payment Transactions	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 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1-Jan-19	30-Jun-20
AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	1-Jan-19	30-Jun-20
AASB 2008-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1-Jan-19	30-Jun-20
AASB 2008-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1-Jan-19	30-Jun-20
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1-Jan-18	30-Jun-19
Interpretation 23 Uncertainty over Income Tax Treatments	1-Jan-19	30-Jun-20

The Directors anticipate that the adoption of AASB 9 and AASB 15 will not have a material impact on the Group's financial statements. The adoption of AASB 16 at 30 June 2018 would result in the recognition of a right of use asset and a lease liability of approximately $934,000.

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	2018	2017
	$	$
2. REVENUE		
From continuing operations		
Income from operations	72,383,718	40,003,304
Interest received	13,378	4,477
Rental income	303,314	288,577
Other	-	6,275
	316,692	299,329
Total income from continuing operations	72,700,410	40,302,633

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.

	2018	2017
3(a) In funds accounts		
Bank balances	1,863,738	816,511
3(b) Bank overdraft		
Bank overdraft	-	(535,000)
3(c) Net cash at bank	1,863,738	281,511

4. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade debtors	17,596,306	6,939,895
Less provision for doubtful debts	-	-
Bonds and deposits	12,369	180,120
	17,608,675	7,120,015

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 28.03% of the total trade receivables at 30 June 2018. $1,897,250 remains outstanding from this counterparty included in the total trade and other receivables at 30 June 2018 has not been received as at the date of this report, all outstanding amounts are within payment terms. The ageing of trade debtors (financial assets) is as follows:

	2018	2017
< 1 month	13,244,810	5,450,529
1 to 3 months	4,273,715	1,489,366
3 to 6 months	77,781	-
	17,596,306	6,939,895

	2018	2017
	$	$
5. OTHER FINANCIAL ASSETS		
Current		
Borrowing costs	68,251	46,740
	68,251	46,740
Non-current		
Borrowing costs	15,278	11,652
	15,278	11,652

5(a) AGEING OF OTHER FINANCIAL ASSETS

	2018	2017
The ageing of other financial assets – current is as follows:		
< 1 year	68,251	46,740
	68,251	46,740
The ageing of other financial assets - non-current is as follows:		
1 to 5 years	15,278	11,652
	15,278	11,652

6. OTHER ASSETS

	2018	2017
Current		
Prepayments	1,154,077	823,162
	1,154,077	823,162
Non-current		
Property held for sale	18,000	18,000
	18,000	18,000

7. INVENTORIES

	2018	2017
Finished goods	2,274,563	1,293,200
	2,274,563	1,293,200

The cost of inventories recognised as an expense during the year in respect of continuing operations was $10,618,674 (2017: $6,847,191).

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	2018	2017
	$	$
8. INTANGIBLES		
Customer Contracts		
Opening balance	-	-
Acquired in business combination (see note 30)	2,880,000	-
Amortisation	(890,371)	-
Closing balance	1,989,629	-

The customer contracts expire on 31 December 2018 and 30 April 2019 and have been amortised on a straight-line basis.

9. TRADE AND OTHER PAYABLES

	2018	2017
Current		
Trade creditors	7,889,377	5,525,567
Accrued expenses	3,482,965	1,938,985
GST payable	1,791,339	571,323
	13,163,681	8,035,875

9(a) AGEING OF TRADE AND OTHER PAYABLES

The ageing of trade creditors (financial liabilities) is as follows:

	2018	2017
< 1 month	5,982,408	2,638,134
1 to 3 months	1,893,043	2,881,342
> 3 months	13,926	6,091
	7,889,377	5,525,567

10. OTHER FINANCIAL LIABILITIES

	2018	2017
Current		
Equipment finance leases	2,968,319	1,696,498
Property loan	2,713,115	-
Working capital loan	-	207,806
Premium funding	390,235	422,534
	6,071,669	2,326,838
Non-current		
Equipment finance leases	5,377,025	4,552,475
Working capital loan	-	19,149
Shareholder loan	8,500,000	8,500,000
	13,877,025	13,071,624

10(a) FINANCE LEASES

	2018	2017
Current	2,968,319	1,696,498
Non-current	5,377,025	4,552,475
	8,345,344	6,248,973

	2018	2017
	$	$
Minimum future lease payments		
Not later than 1 year	3,304,383	1,975,159
Later than 1 year and not later than 5 years	5,691,709	4,826,907
Minimum future lease payments	8,996,092	6,802,066
Less future finance charges	(650,748)	(553,093)
	8,345,344	6,248,973
Present value of minimum future lease payments		
Not later than 1 year	2,968,319	1,684,066
Later than 1 year and not later than 5 years	5,377,025	4,564,907
	8,345,344	6,248,973

The Group leases certain items of equipment under finance leases. The average term is 3.67 years (2017: 3.77 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 4.09% and 8.50% (2017: 4.45% and 8.33%).

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

Temporary working capital facility
In order to fund an increase in working capital requirements associated with new contracts, the Company secured a $2.6 million 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 $2.5 million facility and the $2.6 million 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 $9 million.
- 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 30 June 2018 this trade finance facility was undrawn.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

10(b) LOANS

A summary of borrowing arrangements applicable to all loans is included in note 21(a). Security pledged under these borrowing arrangements is detailed in note 13(a).

10(c) RECONCILIATION OF OTHER FINANCIAL LIABILITIES

	2017	Cash Flows	Non Cash Changes New Leases	Non Cash Changes Accrued Interest	2018
Equipment finance leases	6,248,973	(284,967)	2,381,338	-	8,345,344
Property loan	-	2,700,000	-	13,115	2,713,115
Working capital loan	226,955	(226,955)	-	-	-
Premium funding	422,534	(625,753)	593,454	-	390,235
Shareholder loan	8,500,000	-	-	-	8,500,000
	15,398,462	1,562,325	2,974,792	13,115	19,948,694

11. PROVISIONS

	2018 $	2017 $
Annual leave provision - current		
Opening balance	1,213,220	607,893
Movement	1,437,431	605,327
Closing balance	2,650,651	1,213,220
Long service leave provision - current		
Opening balance	27,958	9,708
Movement	45,934	18,250
Closing balance	73,892	27,958
Provision for relocation costs		
Opening balance	-	108,670
Movement	-	(108,670)
Closing balance	-	-
Total current provisions	2,724,543	1,241,178
Long service leave provision - non-current		
Opening balance	181,175	121,534
Movement	75,131	59,641
Closing balance	256,306	181,175
Total non-current provisions	256,306	181,175

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

12. ASSETS 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 will be used to extinguish the $2.7 million property loan. During the reporting period, management have reviewed the fair value less costs to sell of the asset and have recognised an impairment of $419,312.

13. 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
Year ended 30 June 2018					
Opening net book amount	68,999	22,144,340	4,438,108	280,932	26,932,379
Additions	-	7,121,038	1,506,085	122,493	8,749,616
Acquired in Radco Acquisition	-	3,936,883	79,500	5,453	4,021,836
Transfer from Inventory	-	163,773	-	-	163,773
Disposals	-	(2,187,820)	(214,805)	-	(2,402,625)
Depreciation	(18,154)	(5,361,538)	(1,248,437)	(96,465)	(6,724,594)
	50,845	25,816,676	4,560,451	312,413	30,740,385
At 30 June 2018					
Cost or fair value	101,473	41,212,515	14,241,390	578,693	56,134,071
Accumulated depreciation	(50,628)	(15,395,839)	(9,680,939)	(266,280)	(25,393,686)
Net book amount	50,845	25,816,676	4,560,451	312,413	30,740,385
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

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

13(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 / trade finance facility

The advances made under this facility are secured against the trade receivables balance of wholly owned subsidiary, Mitchell Operations Pty Ltd, a first ranking general security interest in Mitchell Operations Pty Ltd and a guarantee provided by the Company.

Property loan

A registered mortgage given by Mitchell Services Ltd over the property situated at 133-137 Crocodile Crescent, Mount St John, Qld (carrying amount of $2,560,050).

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 in 2015. 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 $8,989,871.

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.

	2018	2017
	$	$
14. INCOME TAX EXPENSE		
Income tax expense recognised in profit/(loss)		
Income tax expense comprises		
Current tax	-	-
Deferred tax	(712,068)	(1,311,764)
Derecognition of deferred tax relating to Radco Drilling acquisition	708,217	-
Derecognised tax losses and tax losses not recognised in current year	712,068	1,311,764
	708,217	-
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit/(loss) before tax from continuing operations	(3,047,994)	(4,406,909)
Income tax expense calculated at 30%	(914,398)	(1,322,073)
Effect of expenses that are not deductible in determining taxable profit	202,330	10,308
Derecognition of deferred tax relating to Radco Drilling acquisition	708,217	-
Derecognised tax losses and tax losses not recognised in current year	712,068	1,311,765
	708,217	-

The tax rate used for 2018 and 2017 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

	2018	2017
	$	$
15. TAX ASSETS AND LIABILITIES		
Tax assets - current		
Income tax receivable	-	-
Tax assets - non-current		
Deferred tax asset	-	-
Tax liabilities - current		
Current tax liability	1,164,958	-
15(a) UNRECOGNISED AMOUNTS		
Unused tax losses	28,006,427	27,136,337
Other unrecognised temporary differences	3,848,283	3,832,210
Franking account balance	1,196,734	872,635
16. ISSUED CAPITAL		
Fully paid ordinary shares		
Balance at the beginning of the period	49,454,378	48,604,378
Issue of shares - rights issue	6,274,759	-
Issue of shares - placement	2,516,000	-
Issue of shares - share based payments	-	850,000
	58,245,137	49,454,378
Fully paid ordinary shares	**Number of Shares**	**Number of Shares**
Balance at the beginning of the period	1,471,498,968	1,418,373,968
Issue of shares - rights issue	184,551,759	-
Issue of shares - placement	74,000,000	-
Vesting of ESOP shares	4,915,099	-
Issue of shares - in lieu of interest on shareholder loans	-	53,125,000
	1,734,965,826	1,471,498,968

Issue of shares

The following shares were issued during the year ended 30 June 2018

Placement and Entitlement Offer Capital Raising

The following shares were issued pursuant to a capital raising during reporting period:

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

- 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.

Proceeds from the capital raising were used to fund the preparation and mobilisation of unutilised rigs and associated equipment, procurement of consumables and recruitment of personnel to fulfil contract pipeline requirements and additional working capital.

The transaction costs directly attributable to the above issue of shares that otherwise would have been avoided have been accounted for as a deduction from equity, net of income tax benefit (refer Note 17).

Shares issued under the Executive Share and Option Plan
During the reporting period, Mitchell Services Limited issued 3,410,515 new fully paid ordinary shares under 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. Under AASB132, the Group recognises unvested shares held by the plan trustee as 'treasury shares' and accordingly has eliminated them for consolidation purposes. During the reporting period, 4,915,099 shares that were issued to the plan trustee in 2016 (pursuant to offers made under the ESOP) vested. Upon vesting, these 4,915,099 shares were transferred from the plan trustee to the individual ESOP participants. These shares were recognised as "treasury shares" during previous reporting periods and were accordingly eliminated for consolidated reporting purposes at 30 June 2017. Please see page 16 of the Remuneration Report for further details pertaining to the ESOP.

	2018	2017
	$	$
17. SHARE ISSUE COSTS		
Balance at the beginning of the period	(2,521,167)	(2,514,522)
Share issue costs	(549,408)	(6,645)
	(3,070,575)	(2,521,167)
18. RETAINED EARNINGS		
Balance at the beginning of the period	(32,288,242)	(30,240,688)
Profit/(loss) attributable to owners of the company	(2,339,777)	(4,406,909)
Transfer from contingent option reserve	-	2,122,402
Share based payment transactions (refer Note 19)	487,921	236,953
	(34,140,098)	(32,288,242)
19. SHARE BASED PAYMENT TRANSACTIONS		
Expense recognised in profit or loss		
Equity-settled share-based payment transactions		
Executive share and option plan	487,921	236,953
Shareholder loan interest	-	850,000
Total expense/(income) recognised for equity-settled share-based payment	487,921	1,086,953

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.

Measurement of fair values
The calculated fair value of the shares issued during the years ended 30 June 2017 and 30 June 2018 under the ESOP was $133,010 and $156,247 respectively at 30 June 2018 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 2018 of the Options granted during the years ended 30 June 2017 and 30 June 2018 was $238,425 and $278,751 respectively 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 2018 of the equity-settled share-based payment plans granted during the years ended 30 June 2017 and 30 June 2018 were as follows:

	Granted during year ended 30 June 2017	Granted during year ended 30 June 2018
Share price	$0.03900	$0.03900
Exercise price	$0.05390	$0.07035
Expected volatility	76%	76%
Time to maturity	8 years	9 years
Risk-free interest rate	2.79%	2.79%
Dividend yield (assumed no dividends paid)	0%	0%
Fair value per option	$0.0210	$0.0209
Number of options	11,353,565	13,337,370
Total fair value of options	$238,425	$278,751

The calculated fair value of the shares that vested under the ESOP during the year ended 30 June 2018 (which were issued under the ESOP in 2016) was $196,604 as at the vesting date of 20 April 2018 and has been determined with reference to the closing price of the Company's fully paid ordinary shares.

The calculated fair value of the options that vested under the ESOP during the year ended 30 June 2018 (which were granted under the ESOP in 2016) was $359,972 as at the vesting date of 20 April 2018 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 vesting date of the options were as follows:

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Share price	$0.0400
Exercise price	$0.0395
Expected volatility	76%
Time to maturity	7 years
Risk-free interest rate	2.79%
Dividend yield (assumed no dividends paid)	0%
Fair value per option	$0.0220
Number of options	16,362,395
Total fair value of options	$359,973

	2018	2017
	$	$
20. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	(2,339,777)	(4,406,909)
Adjustments for:		
Depreciation and amortisation	7,614,965	5,434,817
Profit on sale of assets	(996,254)	(314)
Loss on sale of assets	134,230	24,926
Gain on Bargain Purchase	(350,663)	-
Change in fair value of asset held for sale	419,312	-
Income tax expense	(708,217)	-
Change in trade and other receivables	(10,565,660)	(1,012,273)
Change in other assets	(356,052)	(418,484)
Change in inventories	(981,363)	41,989
Change in trade payables and accruals	4,953,692	2,850,586
Change in insurance premium funding balance	76,496	131,023
Change in provisions	1,558,496	574,548
Recognition of share based payment	487,921	1,086,953
Income tax paid	(221,444)	-
	(1,274,318)	4,306,862

21. 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.

21(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.

2018		Expected duration until repayment				
		Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
		$	$	$	$	$
Bank overdraft	(a)	-	-	-	-	-
Equipment finance leases	(b)	2,968,319	3,393,685	1,808,376	174,965	8,345,344
Premium insurance	(c)	390,235	-	-	-	390,235
Shareholder loan	(d)	-	-	8,500,000	-	8,500,000
Property loan	(e)	2,713,115	-	-	-	2,713,115
		6,071,669	3,393,685	10,308,376	174,965	19,948,694

(a) Interest rates is fixed at a flat rate of 6.30% of drawn funds.
(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 rates of 3.30% and 2.69% of the amount initially financed.
(d) Interest is fixed at 10.00% for the duration of the loan period
(e) Interest rates have varied between 6.050% and 6.085% per annum..

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

2017		Expected duration until repayment 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 2.2592% 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.

21(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.

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Financial liability and financial asset maturity analysis

	Within 1 year 2018 $	Within 1 year 2017 $	1 to 7 Years 2018 $	1 to 7 Years 2017 $	Total 2018 $	Total 2017 $
Financial liabilities due for payment						
Trade and other payables (excluding estimated employee entitlements)	13,163,681	8,035,875	-	-	13,163,681	8,035,875
Financial liabilities	6,071,669	2,326,838	13,877,025	13,071,624	19,948,694	15,398,462
Total contractual outflows	19,235,350	10,362,713	13,877,025	13,071,624	33,112,375	23,434,337
Total expected outflows	19,235,350	10,362,713	13,877,025	13,071,624	33,112,375	23,434,337
Financial assets - cash flows realisable						
Cash and cash equivalents	1,863,738	816,511	-	-	1,863,738	816,511
Trade and other receivables	17,608,675	7,120,015	-	-	17,608,675	7,120,015
Total anticipated inflows	19,472,413	7,936,526	-	-	19,472,413	7,936,526
Net (outflow)/inflow on financial instruments	237,063	(2,426,187)	(13,877,025)	(13,071,624)	(13,639,962)	(15,497,811)

21(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.

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.

22. 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.

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FOR THE YEAR ENDED 30 JUNE 2018

23. RELATED PARTY TRANSACTIONS

23(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:

Entity Name	ACN
Notch Holdings Pty Ltd	009 271 461
Well Drilled Pty Ltd	123 980 343
Mitchell Operations Pty Ltd	165 456 066
Notch No. 2 Pty Ltd	606 170 138
Mitchell Services Share Plan Pty Ltd	610 901 221
Radco Technologies Pty Ltd	137 688 227
Radco Group Australia Pty Ltd	137 688 745

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.

23(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.

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 $135,647 including GST. Amounts were billed on normal market rates for such services and were due and payable under normal payment terms. An amount of $20,130 remains owing to this related entity at the end of the reporting period.

Equipment Hub Pty Ltd
Nathan Mitchell is a significant shareholder of Equipment Hub Pty Ltd. In order to satisfy specific contract requirements, the Group hired plant and equipment not available in its fleet from Equipment Hub. Equipment Hub also provide other ancillary services to the Group from time to time. Hire of plant and equipment from this related entity for the reporting period amounted to $597,860 including GST and was based on normal market rates and under normal payment terms. Fees for other services amounted to $74,250 including GST. An amount of $118,719 remains owing to this related entity at the end of the reporting period.

MEH Equipment Hire Pty Ltd
MEH Equipment Hire Pty Ltd is an entity controlled by Nathan Mitchell. 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 $407,300 remained outstanding and is fully repayable in July 2019.

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. The rental associated with this property for the reporting period amounted to $201,000 net of applied rental reductions associated with the revised lease. An amount of $83,676 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 paid to Mitchell Family Investments (QLD) Pty Ltd during the reporting period in relation to this debt facility was $350,000.

In order to facilitate the completion of the Radco Drilling acquisition, the Group obtained a temporary, $2,000,000 facility from Mitchell Family Investments (Qld) Pty Ltd on 28 March 2018. Interest was levied at 12% per annum on the facility which was unsecured. This facility was repaid in full on 5 April 2018 following the completion of the acquisition which took place on 4 April 2018.

As part of an asset optimisation strategy (that included a comprehensive public sales and marketing campaign), the Group sold surplus assets during the reporting period including assets with a written down value of $870,465 sold to Mitchell Family Investments for $1,000,000, representing current market value. As part of the same asset optimisation strategy, the Group purchased an asset from Mitchell Family Investments for $102,800 excluding GST, representing current market value.

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 Mitchell Group used the designated area under the licence deed for the duration 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 The Group used occupied this property under the licence deed for the duration of the reporting period.

Adaman Resources Pty Ltd
Adaman Resources Pty Ltd is an entity over which Nathan Mitchell has significant influence. During the reporting period, the Group provided drilling services based on normal market rates and under normal payment terms to Adaman Resources Pty Ltd. Revenue relating to these services was $216,160 excluding GST during the reporting and no amount remains outstanding from this related entity at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

24. 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 2018.

25. AUDITORS REMUNERATION

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

	2018	2017
	$	$
Audit and review of financial statements	96,825	57,210
Other	-	-
	96,825	57,210

26. OPERATING LEASE COMMITMENTS

Operating leases relate to leases of land and buildings with varying lease terms not exceeding five (2017: five) years. Some lease contracts contain provision for market rental reviews within the remaining lease term.

Non-cancellable operating lease commitments:

Not later than 1 year	495,436	366,283
Between 1 and 3 years	734,587	821,101
Later than 3 years	155,950	471,910
	1,385,973	1,659,294

27. EARNINGS PER SHARE

Basic earnings per share		
From continuing operations	(0.14)	(0.24)
Diluted earnings per share		
From continuing operations	(0.14)	(0.24)

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

Profit/(loss) for the year attributable to owners	(2,339,777)	(4,406,909)
Weighted average number of ordinary shares	1,640,334,238	1,816,655,252

28. SUPERANNUATION CONTRIBUTIONS

The Group contributes superannuation on behalf of qualifying employees to superannuation funds. The Group is required 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 $2,937,554 (2017: $1,448,168) represents the contributions payable by the Group to these plans in accordance with contractual employment and statutory obligations. As at 30 June 2018, contributions of $842,568 due in respect of the 2018 reporting period (2017: $421,739) had not been paid over to the plans. These amounts were paid subsequent to the end of the 2018 reporting period.

29. OPERATING SEGMENTS

29(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.

29(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.

	2018	2017
	$	$
External Customer 1	23.30%	10.78%
External Customer 2	22.05%	23.61%
External Customer 3	16.36%	0.42%
External Customer 4	8.42%	16.30%
External Customer 5	7.67%	17.82%
External Customer 6	5.06%	12.99%
External Customer 7	4.04%	11.00%

30. BUSINESS COMBINATION

On 4 April 2018 the Group acquired 100% of the issued share capital of Radco Technologies Pty Ltd and Radco Group Australia Pty Ltd (Radco Drilling). Radco Drilling operates in Queensland and New South Wales and is a specialist in the market of underground coal drilling and gas drainage which is linked to production and required by long life underground coking coal mines. The acquisition (which is expected to be materially earnings accretive into the foreseeable future) has further strengthened the Group's diversity across different drilling types and commodities.

The fair value of the purchase consideration as at the date of acquisition was $7,633,502 and was paid in cash.

To the extent that that the fair value of the purchase consideration is greater than the fair values of the assets and liabilities acquired, goodwill is recognised on acquisition. Conversely, to the extent that that the fair values of the assets and liabilities acquired exceed the fair value of the purchase consideration, a resultant discount/gain on bargain purchase is recognised and included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The fair values of the assets and liabilities recognised as at the date of the acquisition (and the comparison of those values with the purchase consideration of $7,633,502) are set out in the following page.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018

	$
Cash assets	3,382,239
Current receivables	1,240,811
Other current assets	113,173
Property, plant and equipment	4,021,835
Intangible assets - customer contracts	2,880,000
Deferred tax asset	155,783
Payables	(1,175,921)
Current tax liabilities	(1,386,402)
Provisions	(374,358)
Deferred tax liabilities	(864,000)
Financial liabilities	(8,995)
Net Assets	**7,984,165**
Gain on bargain purchase	350,663

Acquisition related costs of $80,342 are included in Legal and consultant fees in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and in Cashflows from operating activities in the Consolidated Statement of Cash Flows.

Radco Drilling contributed revenues of $4,910,544 and net profit of $1,192,568 to the Group for the period from 4 April 2018 to 30 June 2018.

If the acquisition had occurred on 1 July 2017, consolidated pro-forma revenue and loss for the year ending 30 June 2018 would have been $85,019,904 and $2,241,978 respectively. These amounts have been calculated using the Radco Drilling results and adjusting them for differences in the accounting policies between the Group and Radco Drilling.

Purchase consideration – cash outflow:

Cash consideration	(7,633,502)
Cash acquired	3,382,239
Net outflow of cash - investing activities	(4,251,263)

31. 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

In accordance with a resolution of the directors of Mitchell Services Limited, the Directors of the company declare that:

1. the financial statements and notes, as set out on pages 26 to 57, are in accordance with the Corporations Act 2001 and:

   (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

   (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated group;

2. 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

3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 28th day of August 2018

Jessups
Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF MITCHELL SERVICES LIMITED (ABN 31 149 206 333) AND CONTROLLED ENTITIES

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 2018, 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 comprising a summary of significant accounting policies and other explanatory information, 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 2018 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. 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.

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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 2018. 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.

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.

Radco Acquisition

During the year, the Group completed the acquisition of 100% of the Radco Group as disclosed in Note 30. The Group has determined this acquisition to be a business combination in accordance with AASB 3 Business Combinations and has applied the acquisition method to account for the transaction. The acquisition method requires the recognition and measurement of the identifiable assets acquired, the liabilities assumed and any goodwill or gain from a bargain purchase. The identification of such assets and liabilities and their measurement at fair value is inherently judgemental and we therefore considered this to be a key audit matter.

Our audit procedures to address the risk of material misstatement relating to the Radco business combination included, amongst others:

- We reviewed the Share Sale Deed to obtain a high level understanding of the business combination.
- We checked the calculation of the fair value of the purchase consideration and the relevant amounts paid from the Group's bank account.
- We performed testing on the fair value of the net tangible assets acquired (other than plant and equipment). These items included cash at bank, trade receivables, trade payables, provision for income tax and provision for employee entitlements.
- We reviewed management's assessment of the fair value of the plant and equipment acquired which was based on an independent valuation of those assets.
- We performed testing on the discounted cash flows and contributory asset charges included within the multi-period excess earnings method used to determine the fair value of customer contracts.

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- We ensured that any deferred tax assets or liabilities at acquisition date were identified and measured properly. A deferred tax liability in relation to the customer contracts was initially recorded and subsequently taken to the statement of profit or loss and other comprehensive income based on the Group's current approach to deferred tax accounting.
- We checked the accuracy of the resulting gain from bargain purchase which represented the difference between the fair value of the purchase consideration and the fair value of the identifiable assets and liabilities acquired.

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 2018, 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.

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.

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REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in pages 14 – 18 of the directors' report for the year ended 30 June 2018. 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 2018, complies with s 300A of the *Corporations Act 2001.*

JESSUPS

Rodger Dunstan
Director

Level 1, 19 Stanley Street, Townsville QLD 4810

Dated this 28th day of August 2018

ADDITIONAL AUSTRALIAN STOCK EXCHANGE INFORMATION

The following information is current as at 9 August 2018.

MSV Quoted Ordinary Shares

Spread of holdings	Number of holders	Shares	% of total capital issued
1 - 1,000	17	1,785	0.00%
1,001 - 5,000	22	68,902	0.00%
5,001 - 10,000	33	296,724	0.02%
10,001 - 100,000	674	35,898,151	2.07%
Greater than 100,000	911	1,702,110,784	97.91%
Total	**1,657**	**1,738,376,346**	**100%**
Holding less than a marketable parcel	74	n/a	n/a

The twenty largest listed security holders comprise:

Rank	Shareholder	Ordinary Shares	% of total capital issued
1	Mitchell Group Holdings Pty Ltd	198,883,930	11.44%
2	Washington H Soul Pattinson And Company Limited	172,725,354	9.94%
3	Mitchell Family Investments (QLD) Pty Ltd	153,842,569	8.85%
4	CVC Limited	106,664,147	6.14%
5	HSBC Custody Nominees (Australia) Limited	96,610,448	5.56%
6	Bond Street Custodians Limited	85,894,515	4.94%
7	J P Morgan Nominees Australia Limited	69,593,010	4.00%
8	Farjoy Pty Ltd	63,129,050	3.63%
9	National Nominees Limited	32,061,096	1.84%
10	Jumani Pty Ltd	29,100,279	1.67%
11	Banjo Superannuation Fund Pty Ltd	20,907,500	1.20%
12	Sonya Miller	19,816,810	1.14%
13	Peter Miller	19,816,809	1.14%
14	Pacific Development Corporation Pty Ltd	19,000,000	1.09%
15	Berne No 132 Nominees Pty Ltd	17,348,034	1.00%
16	BNP Paribas Noms Pty Ltd	14,966,320	0.86%
17	Douglas Financial Consultants Pty Ltd	14,823,552	0.85%
18	Poal Pty Ltd	13,504,763	0.78%
19	Patricia Property Investments Pty Ltd	13,000,000	0.75%
20	Carinda Pty Ltd	13,000,000	0.75%
Total		**1,174,688,186**	**67.57%**

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	41,053,330

Substantial Shareholders

The following is a summary of the current substantial shareholders pursuant to notices lodged with the ASX in accordance with section 671B of the Corporations Act:

Name	Date of notice	Ordinary shares (1)	% of total capital issued (2)
Mitchell Group Holdings Pty Ltd and associates	26 Oct 2015	292,888,177	20.74%
Washington H Soul Pattinson and Company Limited	16 Oct 2017	187,192,267	10.79%
Brickworks Limited and subsidiaries	17 Oct 2017	187,192,267	10.79%
CVC Limited	26 Apr 2018	102,644,147	5.92%
Mason Stevens Limited	18 Jun 2018	91,632,024	5.28%
Macquarie Group Limited	10 Aug 2018	87,069,222	5.00%

1. As disclosed in the most recent notice lodged with the ASX by the substantial shareholder
2. The percentage set out in the notice lodged with the ASX is based on the total share capital at the date of interest

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.

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

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Fax: 02 9287 0309
Website: www.linkmarketservices.com.au

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Fax: 07 4721 4513
Website: www.jessupsnq.com.au

Taxation Advisors
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Brisbane QLD 4000

Ph: 07 3257 5000
Fax: 07 3257 5999
Website: www.pwc.com.au

Bankers
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