



Mitchell
SERVICES

31 January 2017

MITCHELL SERVICES LIMITED
(ASX: MSV)

Appendix 4C Quarterly Report and Investor Update

Dear Shareholder,

Mitchell Services Limited (**the Company**) is pleased to provide the following Investor Update for the quarter ended 31 December 2016.

There was a marked increase in client drilling activity during the quarter ending 31 December 2016 compared to the same quarter in 2015 driven mainly by improved pricing in key commodities towards the end of 2016. This increase in activities saw the quarterly operating rig count increase by 18% and the quarterly number of shifts increase by 46% when compared to December 2015 figures.

Following from the September 2016 quarter (during which the Company recorded positive operating cashflows of \$1.34 million), I am pleased to announce consecutive quarters of positive operating cash flows greater than \$1 million, with the Company recording positive operating cashflows of \$1.06 million for the December 2016 quarter. After deducting \$357k in cashflows from investing activities and \$543k in cashflows from financing activities, the Company's cash balance increased from \$330k at 30 September 2016 to \$488k at 31 December 2016.

As the Company heads into a quarter that is traditionally quieter (due to weather-impacted seasonality in the Queensland drilling industry), it is pleasing to note that our business development pipeline remains strong and that indications suggest that our existing client's 2017 Q1 drilling programs are likely to start earlier than those in 2016.

I am looking forward to another safe, exciting and busy quarter ahead.

Yours Faithfully

Andrew Elf
Chief Executive Officer

Mitchell Services Limited

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

Mitchell Services Limited

ABN

31 149 206 333

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	11,448	20,486
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(5,073)	(7,770)
(c) advertising and marketing	(6)	(10)
(d) leased assets	-	-
(e) staff costs	(4,737)	(9,139)
(f) administration and corporate costs	(472)	(977)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(103)	(192)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,058	2,400

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(357)	(710)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	15
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(357)	(695)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(7)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(543)	(1,079)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(543)	(1,086)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	330	(131)
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,058	2,400
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(357)	(695)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(543)	(1,086)
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	488	488

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	487	371
5.2 Call deposits	1	1
5.3 Bank overdrafts	-	(42)
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	488	330

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	55
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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

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

	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	205
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	8,500	8,500
8.2 Credit standby arrangements	2,500	-
8.3 Other (equipment finance facilities)	5,532	5,532
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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

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

8.3 Secured equipment finance facilities through a range of lenders including Westpac, Commonwealth Bank, ME Bank, Suncorp and Toyota Equipment Finance at fixed interest rates between 4.45% and 8.33% pa.

In order to meet demand levels for drill rigs with large diameter drilling capabilities, the Company entered into a Vendor Finance Asset Sale Agreement (the Agreement) with related party MEH Equipment Hire Pty Ltd (MEH). Under the Agreement, MEH provided necessary funding that allowed the Group to complete the purchase of a second-hand Schramm T685 drill rig. The rig was acquired on 5 October 2016 at a cost of \$726,000 and financed through a vendor finance facility provided by MEH under the Agreement. The finance facility extends for a period of 12 months with a further 12-month extension option. Under the finance facility, interest is levied at 5% per annum and the lender is granted a security interest over the purchased asset.

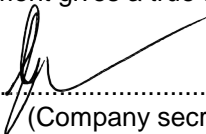
9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	5,100
9.3 Advertising and marketing	6
9.4 Leased assets	-
9.5 Staff costs	4,351
9.6 Administration and corporate costs	500
9.7 Other (repayment of borrowings)	667
9.8 Total estimated cash outflows	10,624

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

Compliance statement

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

Sign here:



 (Company secretary)

Date: 31 January 2017

Print name: Greg Switala

Notes

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