Mitchell Services Limited
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112 Bluestone Circuit
Seventeen Mile Rocks QLD 4073

ASX Appendix 4E
Preliminary final report
30 June 2014

Lodged with the ASX under Listing Rule 4.3A

Contents

Reporting Period

The reporting period for this report is the financial year ended 30 June 2014.

The previous corresponding period is the financial year ended 30 June 2013.

MITCHELL SERVICES LTD

CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 JUNE 2014

The year ended 30 June 2014 has been a disappointing year financially for Mitchell Services Limited. It has been a transformational year which has come at a cost; however the business is now positioned to deliver on our vision of being Australia's leading provider of drilling services to the exploration, mining and energy industries. I am pleased with the progress the company has made since the merger of Mitchell Services with Drill Torque and the key points below demonstrate the considerable work undertaken and achievements following the merger.

- The company has won approximately $30m worth of contracts by revenue since the merger including contracts with three "Tier 1" clients.
- Rig utilisation has increased from four to twelve rigs.
- 14 rigs are under tender at the current time with Tier 1 clients and enquiry levels continue to grow.
- A review and implementation of industrial relations strategy to increase flexibility across the business has been completed.
- The company has relocated its operational base to new Emerald premises and its corporate office to new Brisbane premises.
- The company has rented its Townsville facility to a major global defence contractor creating a valuable standalone property investment that can potentially be divested in the medium term.
- An auction of surplus equipment has been undertaken.
- The company has negotiated access to $3.4m worth of equipment with an attractive buyout agreement through rental agreement.
- Importantly, the company has achieved ISO 14001, ISO 9001, OHSAS 18001 and AS/NZS 4801 safety, environment and quality certifications

In addition to general market conditions in the exploration and mining industries Mitchell Services Limited's financial performance for the year ended 30 June 2014 incorporates many one off costs associated with the transformation of the business.

On 22 August 2014 the company announced to the market that it had entered into a sale agreement to acquire 29 drill rigs and ancillary equipment from the receivers of Tom Browne Drilling Services and had commenced a capital raising of circa $20.2m (fully underwritten) to fund the proposed acquisition and provide additional working capital. The acquisition of Tom Browne Drilling Services assets will double our rig count to 58 significantly increasing Mitchell Services capability which will be advantageous when general market conditions improve.

In conclusion, I would like to thank current shareholders for their ongoing support and look forward to welcoming new shareholders that participate in the upcoming capital raise.

N. Mitchell

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Nathan Andrew Mitchell
Executive Chairman

Results for Announcement to the Market

		Current period 30 June 2014 $'000	Previous period 30 June 2013 $'000	Change $'000
Revenue from ordinary activities	**Down 42% to**	**15,015**	**26,321**	**(11,306)**
Profit/(loss) after tax before significant item*	**Down 1,060% to**	**(4,607)**	**(397)**	**(4,210)**
Profit/(loss) after tax and significant item*	**Down 141% to**	**(4,607)**	**(1,912)**	**(2,695)**

***Significant item referred to above comprises impairment of the Group's Goodwill recognised in the financial year ended 30 June 2013**

Earnings per share

	2014	2013
From continuing operations Basic Earnings per Share Diluted Earnings per Share	**(1.86c)** **(1.86c)**	**(1.09c)** **(1.09c)**
From discontinued operations Basic Earnings per Share Diluted Earnings per Share	**NA** **NA**	**NA** **NA**
Profit/(loss) after tax and significant item	**(1.86c)**	**(1.09c)**

The weighted number of ordinary shares for the period ended 30 June 2013 has been restated for the rights issue on 8 November 2013. An adjustment factor of 1.41 has been used. This adjustment factor is calculated as the fair value per share before exercise of rights divided by the theoretical ex-rights value per share.

Net tangible assets per security

	2014	2013
Net tangible asset backing per ordinary security	**$0.02**	**$0.08**

Consolidated Statement of Profit or Loss

For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Revenue from continuing operations		**14,069**	**25,904**
Other income		**946**	**418**
Change in inventory		**-**	**(189)**
Employee benefit expense		**(8,076)**	**(12,763)**
Depreciation and amortisation		**(2,598)**	**(3,313)**
Repairs and maintenance		**(1,055)**	**(1,097)**
Other expenses		**(8,955)**	**(8,651)**
Finance costs		**(617)**	**(858)**
Impairment of goodwill		**-**	**(1,515)**
Profit/(Loss) before income tax		**(6,286)**	**(2,064)**
Income tax (expense)		**1,679**	**152**
Profit/(Loss) after tax from continuing operations		**(4,607)**	**(1,912)**
Profit/(Loss) after tax for the year		**(4,607)**	**(1,912)**
Profit/(Loss) after tax attributable to members of Mitchell Services Limited		**(4,607)**	**(1,912)**

Earnings per share	**2014**	**2013**
Basic and diluted earnings per share to ordinary equity holders of the company		
Continuing operations	**(1.86c)**	**(1.09c)**
Earnings per share from all operations	**(1.86c)**	**(1.09c)**
		No. of shares
Weighted average number of shares used in calculating basic and diluted earnings per share	**247,184,940**	**176,250,007**

The weighted number of ordinary shares for the period ended 30 June 2013 has been restated for the rights issue on 8 November 2013. An adjustment factor of 1.41 has been used. This adjustment factor is calculated as the fair value per share before exercise of rights divided by the theoretical ex-rights value per share.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	2014 $'000	2013 $'000
Profit/Loss after tax for the year	**(4,607)**	**(1,912)**
Other comprehensive income	**-**	**-**
Total comprehensive income for the year	**(4,607)**	**(1,912)**
Total comprehensive income attributable to members of Mitchell Services Limited	**(4,607)**	**(1,912)**

Consolidated Statement of Financial Position

As at 30 June 2014

	30 June 2014 $'000	30 June 2013 $'000
Current assets		
Cash and cash equivalents	**125**	**528**
Trade and other receivables	**2,348**	**1,924**
Inventories	**1,605**	**1,560**
Other financial asset	**8**	**10**
Current tax asset	**-**	**7**
Other assets	**298**	**272**
Total current assets	**4,384**	**4,301**
Non-current assets		
Other financial assets	**6**	**13**
Other assets	**20**	**63**
Property, plant and equipment	**14,009**	**15,976**
Deferred tax assets	**3,398**	**1,262**
Intangible assets	**4,481**	-
Total non-current assets	**21,914**	**17,314**
Total assets	**26,298**	**21,615**
Current liabilities		
Bank overdraft	**2,252**	**1,853**
Trade and other payables	**3,690**	**1,510**
Other financial liabilities	**2,449**	**2,583**
Current tax payable	**-**	**9**
Provisions	**352**	**405**
Total current liabilities	**8,743**	**6,360**
Non-current liabilities		
Provisions	**45**	**77**
Other financial liabilities	**4,699**	**4,298**
Total non-current liabilities	**4,744**	**4,375**
Total liabilities	**13,487**	**10,735**
Net assets	**12,811**	**10,880**
Equity		
Retained earnings	**(7,135)**	**(2,594)**
Issued capital	**19,024**	**14,524**
Contingent option reserve	**2,122**	**-**
Share issue costs	**(1,200)**	**(1,050)**
Total equity	**12,811**	**10,880**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital	Option Reserve	Retained Earnings	Attributable to Owners of the Parent	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	**13,474**	**-**	**(682)**	**12,792**	**12,792**
Comprehensive income					
Profit/(loss) for the year	-	-	**(1,912)**	**(1,912)**	**(1,912)**
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	**(1,912)**	**(1,912)**	**(1,912)**
Shares issued during the year	-	-	-	-	-
Share issue costs	-	-	-	-	-
Balance at 30 June 2013	**13,474**	**-**	**(2,594)**	**10,880**	**10,880**
Comprehensive income					
Profit/(loss) for the year	-	-	**(4,607)**	**(4,607)**	**(4,607)**
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	**(4,607)**	**(4,607)**	**(4,607)**
Rights issue	**2,500**	-	-	**2,500**	**2,500**
Shares issued in business combination	**2,000**	-	-	**2,000**	**2,000**
Share issue costs	**(150)**	-	-	**(150)**	**(150)**
Contingent options	-	**2,122**	-	**2,122**	**2,122**
Recognition of share based payment	-	-	**66**	**66**	**66**
Balance at 30 June 2014	**17,824**	**2,122**	**(7,135)**	**(12,811)**	**(12,811)**

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	30 June 2014	30 June 2013
	$'000	$'000
Cash flows from operating activities:		
Receipts from customers	14,471	29,617
Payments to suppliers and employees	(15,918)	(26,592)
Interest received	1	38
Interest and borrowing costs paid	(599)	(752)
Income tax	(160)	(4)
Net cash provided by (used in) operating activities	**(2,205)**	**2,307**
Cash flows from investing activities:		
Proceeds from sale of plant and equipment	1,010	281
Purchase of property, plant and equipment	(922)	(902)
Net cash provided by (used in) investing activities	**88**	**(621)**
Cash flows from financing activities:		
Proceeds from the share issue	2,500	-
Payment for share issue cost	(214)	-
Proceeds from borrowings	1,906	1,196
Repayment of financial liabilities	(2,876)	(3,749)
Costs associated with borrowing	(1)	(5)
Net cash provided by (used in) financing activities	**1,315**	**(2,558)**
Net increase (decrease) in cash held	**(802)**	**(872)**
Cash at beginning of financial year	(1,325)	(453)
Cash at end of financial year	**(2,127)**	**(1,325)**

Notes to the Consolidated Financial Statements

1. Basis of Preparation

This preliminary financial report for the year ended 30 June 2014 has been prepared in accordance with ASX listing rule 4.3A and has been derived from the unaudited financial report. The financial report has been prepared in accordance with Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

This report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this report be read in conjunction with the annual report for the year ended 30 June 2013, the half-yearly report for the period ended 31 December 2013 and any public announcements made by Mitchell Services Limited during the reporting period in accordance with continuous disclosure requirements of the ASX listing rules.

The accounting policies are consistent with those of the previous financial year.

2. Segment Information

Business segment

The Group is engaged in providing Drilling Services to the Mining Industry. Services include Exploration Drilling, Development Drilling, Production Drilling and mine closure Drilling.

Geographic Segment

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 consolidated entity as a whole and no separate segment reporting is disclosed in these financial statements.

NOTE: At the date of this report there is a presence in PNG which is immaterial as it relates to the group's financial statements.

3. Profit for the year

(i) Profit before income tax expense

Profit from continuing operations for the year includes the following items that are significant because of their size, nature or incidence:

	2014 $'000	**2013 $'000**
Expenses		
Impairment of goodwill	-	(1,515)

The goodwill referred to above arose during the 2011 reporting period and was allocated to a cash generating unit comprising the assets acquired during the business combination associated with Well Drilled Pty Ltd. Following a review of this cash generating unit at 30 June 2013, goodwill suffered an impairment charge of $1.515m in the financial year ended 30 June 2013.

Notes to the Consolidated Financial Statements

4. Dividends

The Directors have determined that there will be no dividend payment for the full financial year ended 30 June 2014.

5. Controlled entities acquired or disposed

On 29 November 2013 the Group acquired 100% of the shares in Mitchell Services Pty Ltd. As consideration for the acquisition, the Group issued 40 million ordinary shares and granted 198,660,000 performance based options subject to EBITDA and share price hurdles.

6. Contingent liabilities

NIL

7. Events occurring after the balance sheet date

Acquisition of Tom Browne Drilling Services assets

On 21 August 2014 Mitchell Services Limited entered into an agreement to acquire the drilling rigs and associated assets from the Receivers and Managers of Tom Browne Drilling Services Pty Ltd for $9.5 million.

Mitchell Services Limited has commenced a $20.2 million equity raising (fully underwritten) via a placement to institutional investors in two tranches to raise approximately $8.5 million (Institutional Placement) and a one-for-one non-renounceable Entitlement Offer of fully paid ordinary shares in Mitchell Services (New Shares) to raise approximately $11.7 million.

Lease of 133-137 Crocodile Crescent.

On 21 July 2014 Mitchell Services Pty Ltd entered into a five year lease agreement to lease its building situated at 133-137 Crocodile Crescent, Mount St John. Under the lease agreement Mitchell Services will receive rental income of $265,000 per annum.

Loan from Mitchell Family Holdings Pty Ltd (Related Party)

On 27 June 2014, the group received approval for a working capital loan of $2m on commercial terms.
The first draw of this loan took place on 15 July 2014.

8. Other significant information

NIL

9. Audit

This report is based on financial statements that are in the process of being audited.

Bob Witty
Company Secretary 28 August 2014