



**Mitchell**  
SERVICES

**MITCHELL SERVICES LIMITED**

ABN: 31 149 203 333

112 Bluestone Circuit, Seventeen Mile Rocks, Qld 4073

P.O. Box 3250 Darra, Qld, 4076

Tel 07 3722 7222 Fax 07 3722 7256

Email [info@mitchellservices.com.au](mailto:info@mitchellservices.com.au)

25 February 2015

The Manager  
Company Announcement Office  
Australian Stock Exchange

**Mitchell Services Limited (ASX – MSV)**  
**ASX Appendix 4D and Half Yearly Report 31 December 2014**

Please find attached completed Appendix 4D and Interim Financial Report for the Half-Year ended 31 December 2014.

Yours Faithfully

Greg Switala  
Company Secretary



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## Appendix 4D

### Half Year ended 31<sup>st</sup> December 2014

Name of entity

**Mitchell Services Limited**

ABN or equivalent company reference

31 149 206 333

Half year ended  
(‘current reporting period’)

31 December 2014

‘Previous corresponding period’

31 December 2013

### Results for Announcement to the Market

		Current period 31 December 2014	Previous period 31 December 2013	Change
		\$A'000	\$A'000	\$A'000
Revenue from continuing operations	Up 105%	9,867	4,812	5,055
Profit after tax attributable to members	Down 54%	(2,106)	(1,369)	(737)
<b>Dividends</b>				
The company has determined that no interim dividend will be declared.				

### Net Tangible Assets per Security

Net tangible asset backing per ordinary security

Current Period	Previous Period
2.43 cents	3.97 cents

# HALF YEAR REPORT

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**MITCHELL SERVICES LTD**  
**ACN 149 206 333**

**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2014**



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## DIRECTOR'S REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

The directors of Mitchell Services Limited submit herewith the financial report of Mitchell Services Limited and its subsidiaries (the Group) for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### DIRECTORS

The names of the directors of the company during or since the end of the half-year are:

#### Name

Nathan Andrew Mitchell

Peter Richard Miller

Robert Barry Douglas

Ralph Howard Craven (resigned 20 November 2014)

Grant Moyle (alternate director)

The above named directors (except where noted) have held office during and since the end of the half-year.

### PRINCIPAL ACTIVITIES

The consolidated entity's principal activities during the course of the financial year were the provision of exploration and mine site drilling services to the mining industry.

There were no significant changes in the nature of the activities of the consolidated entity during the period.

### REVIEW OF OPERATIONS

With the resources sector remaining subdued, the directors are pleased to report a 105% increase in revenue for the 6 month period. This increase was driven by a significant contribution from Tier 1 clients (global mining and energy companies) and a subsequent increase in rig utilisation that peaked at 15 operating rigs in September. While this growth rate is encouraging, the Group's long-term strategy is to continue to grow in a measured and sustainable way.

The Group purchased 29 drill rigs and ancillary equipment from Tom Browne Drilling Services Pty Ltd ACN 003 022 455 (receivers and managers appointed: in liquidation). The Tom Browne purchase has led to a substantial increase in rig count, with the fleet size increasing to 52 rigs. The purchase was funded by an equity raise which was finalised in September 2014, raising \$20.2 million and allowing the Group to improve its financial position and reduce debt.

Substantial costs associated with the asset integration, associated equity raise and restructuring costs have contributed significantly to the after tax loss of \$2,105,993 (2013: \$1,369,650 loss) for the 6 months ended 31 December 2014. These integration and restructure costs have built a strong foundation for future growth and increased the Group's client base to include several Tier 1 clients.

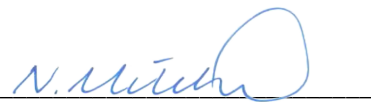
## **DIRECTOR'S REPORT CONTINUED FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

### **Auditor's independence declaration**

The auditor's independence declaration is included on page 4 of the half-year report.

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

On behalf of the Directors



Nathan Mitchell  
Executive Chairman

Dated at Brisbane this 23<sup>rd</sup> day of February 2015

## AUDITOR'S INDEPENDENCE DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Mitchell Services Limited

As lead engagement auditor for the review of Mitchell Services Limited for the period ended 31<sup>st</sup> December 2014, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Jessups



Ian Jessup  
Partner

Dated this day the 14<sup>th</sup> January 2015  
Level 1, 19 Stanley Street  
TOWNSVILLE QLD 4810

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

		31 Dec 14	31 Dec 13
	Note	\$	\$
<b>Continuing operations</b>			
Revenue		9,866,549	4,812,643
Changes in inventories of finished goods		(21,476)	36,684
Advertising		(29,220)	(1,925)
Drilling consumables		(1,344,039)	(270,172)
Employee and contract labour expenses		(4,927,893)	(2,336,691)
Fuel and oil		(923,881)	(290,286)
Hire of plant and equipment		(583,449)	(104,372)
Insurances		(220,894)	(291,215)
Legal and consultant fees		(368,333)	(246,233)
Loss on sale of assets		(86,788)	(145,129)
Provision for redundancy and associated legal costs		-	(414,485)
Provision for restructure costs		-	(50,000)
Rent		(183,992)	(79,113)
Service and repairs		(752,230)	(259,648)
Travel expenses		(688,115)	(125,912)
Other expenses		(849,088)	(436,932)
<b>EBITDA</b>		(1,112,849)	(202,786)
Depreciation expense		(1,494,052)	(1,237,224)
<b>EBIT</b>		(2,606,901)	(1,440,010)
Finance expenses		(309,808)	(334,953)
<b>Profit/(loss) before tax</b>		(2,916,709)	(1,774,963)
Income tax benefit	4	810,716	405,313
<b>Profit/(loss) for the period</b>		(2,105,993)	(1,369,650)
<b>Other comprehensive income, net of income tax</b>			
Other comprehensive income for the period, net of income tax		-	-
<b>Total comprehensive income for the period</b>		(2,105,993)	(1,369,650)
<b>Profit attributable to:</b>			
Owners of the parent		(2,105,993)	(1,369,650)
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		(2,105,993)	(1,369,650)
<b>Earnings per share</b>			
<b>From continuing and discontinued operations</b>			
Basic (cents per share)		(0.35)	(0.62)
Diluted (cents per share)		(0.35)	(0.62)
<b>From continuing operations</b>			
Basic (cents per share)		(0.35)	(0.62)
Diluted (cents per share)		(0.35)	(0.62)

The accompanying notes are an integral part of these financial statements



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

		31 Dec 14	30 Jun 14
	Note	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		4,455,444	125,004
Trade and other receivables		1,693,516	2,348,514
Other financial assets		4,634	7,708
Other assets		192,829	298,212
Current tax asset	5	-	-
Inventories		2,048,491	1,604,952
<b>Total current assets</b>		<b>8,394,914</b>	<b>4,384,390</b>
<b>Non-current assets</b>			
Other financial assets		4,883	5,572
Property, plant and equipment	3	21,692,510	14,009,330
Other assets		18,000	20,000
Deferred tax asset	5	4,580,691	3,397,802
Goodwill		4,481,519	4,481,519
<b>Total non-current assets</b>		<b>30,777,603</b>	<b>21,914,223</b>
<b>Total assets</b>		<b>39,172,517</b>	<b>26,298,613</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft		-	2,251,701
Trade and other payables		2,314,765	3,689,775
Other financial liabilities	2	2,111,911	2,449,305
Provisions		415,814	352,163
<b>Total current liabilities</b>		<b>4,842,490</b>	<b>8,742,944</b>
<b>Non-current liabilities</b>			
Other financial liabilities	2	4,115,243	4,699,250
Provisions		69,255	45,107
<b>Total non-current liabilities</b>		<b>4,184,498</b>	<b>4,744,357</b>
<b>Total liabilities</b>		<b>9,026,988</b>	<b>13,487,301</b>
<b>Net assets</b>		<b>30,145,529</b>	<b>12,811,312</b>
<b>EQUITY</b>			
Issued capital	6	39,219,134	19,024,100
Share issue costs	7	(1,922,724)	(1,199,944)
Contingent option reserve		2,122,402	2,122,402
Retained earnings	8	(9,273,283)	(7,135,246)
<b>Total equity</b>		<b>30,145,529</b>	<b>12,811,312</b>

The accompanying notes are an integral part of these financial statements

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Issued Capital	Contingent Option Reserve	Retained Earnings	Attributable to Owners of the Parent	Total
		\$	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>		13,474,320	-	(2,594,390)	10,879,930	10,879,930
<b>Comprehensive income</b>						
Profit/(loss) for the period		-	-	(1,369,650)	(1,369,650)	(1,369,650)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(1,369,650)	(1,369,650)	(1,369,650)
Issue of ordinary shares related to rights issue		2,500,000	-	-	2,500,000	2,500,000
Issue of ordinary shares related to business combination		2,000,000	-	-	2,000,000	2,000,000
Share issue costs		(150,164)	-	-	(150,164)	(150,164)
Contingent options		-	2,122,402	-	2,122,402	2,122,402
Recognition of share-based payments		-	-	9,485	9,485	9,485
<b>Balance at 31 December 2013</b>		17,824,156	2,122,402	(3,954,555)	15,992,003	15,992,003
<b>Balance at 1 July 2014</b>		17,824,156	2,122,402	(7,135,246)	12,811,312	12,811,312
<b>Comprehensive income</b>						
Profit/(loss) for the period	8	-	-	(2,105,993)	(2,105,993)	(2,105,993)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(2,105,993)	(2,105,993)	(2,105,993)
Issue of ordinary shares	6	20,195,034	-	-	20,195,034	20,195,034
Share issue costs	7	(722,780)	-	-	(722,780)	(722,780)
Recognition of share-based payments		-	-	(32,044)	(32,044)	(32,044)
<b>Balance at 31 December 2014</b>		<b>37,296,410</b>	<b>2,122,402</b>	<b>(9,273,283)</b>	<b>30,145,529</b>	<b>30,145,529</b>

The accompanying notes are an integral part of these financial statements

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

		31 Dec 14	31 Dec 13
	Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		10,030,653	5,032,158
WorkCover Queensland refund		-	310,941
Payments to suppliers and employees		(11,895,549)	(5,263,944)
Interest received		28,808	107
Interest paid		(297,043)	(365,660)
Income tax paid		(62,411)	(60,477)
<b>Net cash provided by/(used in) operating activities</b>		<b>(2,195,542)</b>	<b>(346,875)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		545,610	690,977
Payment for Tom Browne assets (refer note 3)		(9,617,678)	-
Payment for other property, plant and equipment		(604,291)	(32,289)
Acquisition of Mitchell Operations Pty Ltd, net of cash acquired		-	1,438
<b>Net cash provided by/(used in) investing activities</b>		<b>(9,676,359)</b>	<b>660,126</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		20,195,034	2,500,000
Payments for share issue costs		(1,032,542)	(214,520)
Proceeds from borrowings		1,244,951	1,000,000
Repayment of borrowings		(1,953,401)	(2,006,057)
Costs associated with borrowing		-	(702)
<b>Net cash provided by/(used in) financing activities</b>		<b>18,454,042</b>	<b>1,278,721</b>
Net increase/(decrease) in cash and cash equivalents		6,582,141	1,591,972
Cash and cash equivalents at the beginning of the period		(2,126,697)	(1,324,908)
<b>Cash and cash equivalents at the end of the period</b>		<b>4,455,444</b>	<b>267,064</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

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

#### (b) Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

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

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

- AASB 1031 'Materiality' (2013)
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part C: 'Materiality'

#### **Impact of the application of AASB 1031 'Materiality' (2013)**

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

#### **Impact of the application of AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'**

This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, at the same time it makes various editorial corrections to Australian Accounting Standards as well. The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

#### **Impact of the application of AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'**

The Group has applied the amendments to AASB 132 for the first time in the current year. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

#### **Impact of the application of AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'**

The Group has applied the amendments to AASB 136 for the first time in the current year. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.

The application of these amendments does not have any material impact on the disclosures in the Group's condensed consolidated financial statements.

#### **Impact of the application of AASB 2014-1 'Amendments to Australian Accounting Standards'**

##### ***Part A: 'Annual Improvements 2010-2012'***

The Annual Improvements 2010-2012 Cycle include a number of amendments to various AASBs, which are summarised below.

The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

#### Part C – 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031, which historically has been referenced in each Australian Accounting Standard.

The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements

	31 Dec 14	30 Jun 14
	\$	\$
<b>2. OTHER FINANCIAL LIABILITIES</b>		
<b>Current</b>		
Equipment finance leases	1,515,699	1,716,344
Equipment line loan	216,610	207,966
Working capital loan 1	81,589	20,091
Working capital loan 2	191,539	185,480
Insurance premium funding	106,474	319,424
	<u>2,111,911</u>	<u>2,449,305</u>
<b>Non-current</b>		
Equipment finance leases	2,625,264	2,939,474
Equipment line loan	332,415	443,514
Working capital loan 1	618,411	679,909
Working capital loan 2	539,153	636,353
	<u>4,115,243</u>	<u>4,699,250</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### 3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Motor vehicles	Furniture and fittings	Total
	\$	\$	\$	\$	\$
<b>At 1 July 2014</b>					
Cost or fair value	3,625,070	12,600,751	12,868,490	146,047	29,240,358
Accumulated depreciation	(182,684)	(5,221,932)	(9,746,429)	(79,983)	(15,231,028)
Net book amount	3,442,386	7,378,819	3,122,061	66,064	14,009,330
<b>Half-year ended 31 December 2014</b>					
Opening net book amount	3,442,386	7,378,819	3,122,061	66,064	14,009,330
Additions	-	9,096,250	238,250	5,789	9,340,289
Disposals	-	(121,288)	(41,769)	-	(163,057)
Depreciation	(35,840)	(1,098,294)	(348,371)	(11,547)	(1,494,052)
	3,406,546	15,255,487	2,970,171	60,306	21,692,510
<b>At 31 December 2014</b>					
Cost or fair value	3,625,070	21,386,342	12,771,865	151,836	37,935,113
Accumulated depreciation	(218,524)	(6,130,855)	(9,801,694)	(91,530)	(16,242,603)
Net book amount	3,406,546	15,255,487	2,970,171	60,306	21,692,510

#### Acquisition of Tom Browne Drilling Services assets

On 30 September 2014, the Group purchased 29 drill rigs and ancillary equipment from Tom Browne Drilling Services Pty Ltd ACN 003 022 455 (receivers and managers appointed: in liquidation) for \$9,481,933. The purchase price (plus associated stamp duty of 135,745) was allocated to the following asset categories:

##### Current assets

Inventory	467,046
Assets held for sale*	414,637
	<b>881,683</b>

##### Non-current property, plant and equipment

Motor vehicles	168,013
Plant and equipment	8,567,982
	<b>8,735,995</b>
	<b>9,617,678</b>

\* On 21 October 2014 the Group held an auction for excess assets that were acquired as part of the Tom Browne asset purchase. These assets were sold for their carrying value of \$414,637.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	31 Dec 14	31 Dec 13
	\$	\$
<b>4. INCOME TAX BENEFIT</b>		
<b>Income tax benefit recognised in profit/(loss)</b>		
Income tax benefit comprises		
Current tax	62,411	77,924
Deferred tax	(873,127)	(483,237)
	<u>(810,716)</u>	<u>(405,313)</u>
The income tax benefit for the half-year can be reconciled to the accounting profit as follows:		
Profit/(loss) before tax from continuing operations	(2,916,709)	(1,774,963)
Income tax benefit calculated at 30%	(875,013)	(532,489)
Effect of expenses that are not deductible in determining taxable profit	1,886	49,252
Effect of tax rates in foreign jurisdictions (PNG)	62,411	77,924
Adjustments recognised in current year in relation to current tax of prior years	-	-
	<u>(810,716)</u>	<u>(405,313)</u>

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

	31 Dec 14	30 Jun 14
	\$	\$
<b>5. TAX ASSETS AND LIABILITIES</b>		
<b>Tax assets - current</b>		
Income tax receivable	-	-
<b>Tax assets - non-current</b>		
Deferred tax asset	<u>4,580,691</u>	<u>3,397,802</u>
<b>Tax liabilities - current</b>		
Provision for foreign contractor withholding tax PNG	-	-



	Opening balance 01/07/14	Recognised in profit/ (loss)	Acquired in business combination	Recognised in equity	30%	Closing balance 31/12/14
	\$	\$	\$	\$	\$	\$
<b>Temporary differences</b>						
Annual & long service leave provision	(84,646)	(2,916)	-	-	(875)	(85,521)
Superannuation provision	(48,191)	(23,067)	-	-	(6,920)	(55,111)
Provision for contract costs	(34,535)	(84,885)	-	-	(25,466)	(60,001)
Provision for doubtful debts	(63,617)	182,218	-	-	54,665	(8,952)
Other accrued expenses	(48,256)	116,054	-	-	34,816	(13,440)
Property, plant and equipment	(1,272)	(257,352)	-	-	(77,206)	(258,762)
Accrued income	102,218	(227,117)	-	-	(68,135)	34,083
Foreign exchange gains/(losses)	91	352	-	-	106	197
Rights issue costs	(56,039)	24,225	-	-	7,268	(48,771)
Share issue costs	(206,504)	243,389	-	(1,032,542)	(236,746)	(443,250)
	(440,751)	(29,099)	-	(1,032,542)	(318,492)	(939,527)
<b>Unused tax losses</b>						
Losses carried forward	(2,957,051)	(2,881,325)	-	-	(864,397)	(3,641,164)
	(3,397,802)	(2,910,423)	-	(1,032,542)	(1,182,889)	(4,580,691)

	31 Dec 14	30 Jun 14
	\$	\$
<b>6. ISSUED CAPITAL</b>		
<b>Fully paid ordinary shares</b>		
Balance at the beginning of the period	19,024,100	14,524,100
Issue of shares - rights issue	11,672,504	2,500,000
Issue of shares - acquisition of Mitchell Operations Pty Ltd	-	2,000,000
Issue of shares - first tranche	1,522,500	-
Issue of shares - second tranche	7,000,000	-
Issue of shares - option conversion	30	-
	39,219,134	19,024,100

#### Issue of shares

The following shares were issued during the half-year ended 31 December 2014:

- On 28 August 2014, 43,500,001 fully paid ordinary shares were issued at a price of \$0.035 by way of a first tranche placement to institutional and sophisticated investors.
- On 26 September 2014, 333,500,111 fully paid ordinary shares were issued at a price of \$0.035 by way of a 1 for 1 non-renounceable rights issue.
- On 26 September 2014, 200,000,000 fully paid ordinary shares were issued at a price of \$0.035 by way of a second tranche placement to institutional and sophisticated investors.

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 7).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	31 Dec 14	30 Jun 14
	\$	\$
<b>7. SHARE ISSUE COSTS</b>		
Balance at the beginning of the period	(1,199,944)	(1,049,780)
Share issue costs	(1,032,542)	(214,520)
Tax benefit	309,762	64,356
	<u>(1,922,724)</u>	<u>(1,199,944)</u>
<b>8. RETAINED EARNINGS</b>		
Balance at the beginning of the period	(7,135,246)	(2,594,390)
Profit/(loss) attributable to owners of the company	(2,105,993)	(4,607,258)
Share based payment transactions	(32,044)	66,402
	<u>(9,273,283)</u>	<u>(7,135,246)</u>

## 9. OPERATING SEGMENTS

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

#### 10. RELATED PARTY TRANSACTIONS

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

##### ***Transactions with Manutech Engineering and Maintenance***

The Group engages Manutech Engineering and Maintenance to perform repair and maintenance type services. Manutech Engineering and Maintenance is an entity controlled by Peter Richard Miller. The amount incurred during the reporting period in relation to these services was \$81,404 including GST. Amounts were billed on normal market rates for such services and were due and payable under normal payment terms. An amount of \$4,136 remains owing to this related entity at the end of the reporting period.

##### **Transactions with Mitchell Group private entities**

##### ***Mitchell Equipment Hire Pty Ltd***

Mitchell Equipment Hire Pty Ltd is an entity controlled by Nathan Andrew Mitchell. The Group hired plant and equipment from Mitchell Equipment Hire Pty Ltd. Hire of plant and equipment from this related entity for the reporting period amounted to \$247,260 including GST and was based on normal market rates and under normal payment terms. An amount of \$42,985 remains owing to this related entity at the end of the reporting period.

##### ***Mitchell Family Holdings Pty Ltd***

Mitchell Family Holdings Pty Ltd is an entity controlled by Nathan Andrew Mitchell. On 27 June 2014, the Group obtained funding via a \$2,000,000 loan facility from Mitchell Family Holdings. The loan was unsecured and interest was charged at 14% per annum. The facility was fully repaid on 26 September 2014 and interest paid was \$17,874. The purpose of the loan was to fund working capital on a short term basis until the successful completion of the equity raise in late September 2014.

##### ***Mitchell African Holdings Pty Ltd***

Mitchell African Holdings Pty Ltd is an entity controlled by Nathan Andrew Mitchell. Under an existing general services agreement, the Group provides management and administrative support services, and other service activities conducted from time to time. Under this general services arrangement the Group charges Mitchell African Holdings a management fee of approximately \$10,000 per month. Management fee income for the year amounted to \$65,660. \$63,374 remains owing to the Group at the end of the reporting period.

##### ***Mitchell Family Investments (QLD) Pty Ltd***

Mitchell Family Investments (QLD) Pty Ltd is an entity controlled by Nathan Andrew Mitchell. The Group leases part of the office building located at 112 Bluestone Circuit, Seventeen Mile Rocks Brisbane, which is owned by Mitchell Family Investments (QLD) Pty Ltd. The rental associated with this lease is \$9,489 plus GST per month and an amount of \$44,685 remains owing to this related entity at the end of the reporting period.

##### ***VMW Engineering Pty Ltd***

VMW Engineering Pty Ltd is an entity controlled by Nathan Andrew Mitchell. VMW Engineering supplies the Group with equipment and rig components to be used in the day to day operations of the business. Amounts were billed on normal market rates for such goods and were due and payable under normal payment terms. Total purchases amounted to \$658 including GST; no amounts were outstanding at the end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

#### 11. CANCELLATION OF OPTIONS

44,415,000 class A and 64,155,000 class B options were cancelled in the period as part of the equity raising that took place in September 2014.

The breakdown of the cancelled options is detailed below:

	Tranche A	Tranche B
Senior management	1,845,000	2,665,000
Mitchell Group Holdings	42,570,000	61,490,000
	44,415,000	64,155,000

#### 12. EVENTS AFTER THE REPORTING DATE

No matter or circumstance has arisen since the reporting date that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial periods.

## DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



Nathan Mitchell  
Executive Chairman

Dated at Brisbane this 23rd day of February 2015

## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE MEMBERS OF MITCHELL SERVICES LTD ACN 149 206 333 FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

#### Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Mitchell Services Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a note outlining the accounting policies, other selected explanatory notes and the directors' declaration.

#### Directors' responsibility for the half-year financial report

The directors of Mitchell Services Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Mitchell Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

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

#### Auditor's Opinion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Dated this 23<sup>rd</sup> day of February 2015

Level 1 19 Stanley Street  
TOWNSVILLE QLD 4810



Ian Jessup  
Jessups