

31 July 2015

MITCHELL SERVICES LIMITED
(ASX: MSV)

Appendix 4C Quarterly Report and Investor Update

Dear Shareholder,

Mitchell Services Limited (MSV) is pleased to provide the following Investor Update for the quarter ended 30 June 2015. The quarter was an exciting and busy one for MSV, with a number of key transactions and activities undertaken. These activities include:

Mobilisation and commencement of drilling activities at Anglo American

The mobilisation process was both safe and efficient over a phased rollout that lasted more than three months. Revenue from this job has steadily increased over the rollout period with further increases anticipated in July. The rollout did require significant 'ramp up spend' during the three months ended 30 June 2015. This one off upfront expenditure facilitates a three year contract with Anglo and has had a negative cash flow impact of approximately \$1.8m for the quarter ended 30 June 2015.

Nitro Acquisition and associated capital raising

MSV successfully completed the acquisition of 25 drill rigs and ancillary equipment from the receivers of Nitro Drilling Pty Ltd on 6 July 2015. Cash flows from investing activities for the quarter ended 30 June 2015 include a \$1.5m deposit that was paid on 9 June 2015 as part of the Nitro acquisition. The deposit was funded from short term available cash and was effectively recovered after 30 June 2015 following settlement of the share issue and drawdown of the debt facilities that took place on 6 July 2015.

The acquisition has consolidated MSV's position as a leading provider in the Eastern States drilling market and has increased our fleet of "Tier 1" drill rigs from 23 to 43.

The acquisition was funded through a combination of:

- \$8.42 million fully underwritten non-renounceable Entitlement Offer of 4 shares for 7 existing shares at an offer price of \$0.017 and
- \$8.5 million debt facility provided by major shareholders, Mitchell Group and Washington H. Soul Pattinson & Company. Interest payments for the first two years are payable in shares.

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Mitchell
SERVICES

With the Nitro asset integration process now well underway, management and board are focused on identifying appropriate surplus assets that could potentially be sold to deliver on our strategy of reducing debt levels following the successful Nitro acquisition.

Thank you to all shareholders who took part in the recent rights issue. With a fleet that has significantly improved in both quality and size, we are well positioned to take advantage of our strong position in the drilling services market. We look forward to keeping investors informed with our progress over coming months.

Yours Faithfully

Andrew Elf
Chief Executive Officer

Mitchell Services Limited

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

MITCHELL SERVICES LIMITED

ABN

31 149 206 333

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Curent quarter \$A'ooo	Year to date (12 months) \$A'ooo
1.1	Receipts from customers	8,204	21,669
1.2	Payments for (a) staff costs	(2,981)	(9,720)
	(b) advertising and marketing	-	-
	(c) research and development	-	-
	(d) leased assets	-	-
	(e) other working capital	(6,074)	(15,115)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	4	53
1.5	Interest and other costs of finance paid	(106)	(498)
1.6	Income taxes paid	(49)	(124)
1.7	Other	-	-
Net operating cash flows		(1,002)	(3,735)

+ See chapter 19 for defined terms.

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admitted on the basis of commitments

	Current quarter \$A'ooo	Year to date (12 months) \$A'ooo
1.8 Net operating cash flows (carried forward)	(1,002)	(3,735)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(1,728)	(12,941)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	6	552
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(1,722)	(12,389)
1.14 Total operating and investing cash flows	(2,724)	(16,124)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	20,195
1.16 Payment for share issue costs	-	(1,027)
1.17 Proceeds from borrowings	-	1,245
1.18 Repayment of borrowings	(488)	(2,776)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	(488)	17,637
Net increase (decrease) in cash held	(3,212)	1,513
1.21 Cash at beginning of quarter/year to date	2,598	(2,127)
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	(614)	(614)

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'ooo
1.24	Aggregate amount of payments to the parties included in item 1.2	44
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'ooo	Amount used \$A'ooo
3.1 Loan facilities	1,337	1,337
3.2 Credit standby arrangements	2,500	1,130

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	509	174
4.2	Deposits at call	7	2,424
4.3	Bank overdraft	(1,130)	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		(614)	2,598

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	-	-
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 

 (Company Secretary)

Date: 31 July 2015

Print name: Greg Switala

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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