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

Appendix 4D

Half Year ended 31st December 2015

Name of entity

Mitchell Services Limited

ABN or equivalent company reference	Half year ended ('current reporting period')	'Previous corresponding period'
31 149 206 333	31 December 2015	31 December 2014

Results for Announcement to the Market

		Current period 31 December 2015 $A'000	Previous period 31 December 2014 $A'000	Change $A'000
Revenue from continuing operations	Up 88%	18,472	9,808	8,664
EBITDA	Up 112%	131	(1,113)	1,244
Profit after tax attributable to members	Down 48%	(3,116)	(2,106)	(1,010)

Dividends

The Company has determined that no interim dividend will be declared.

Net Tangible Assets per Security

	31 December 15	30 June 15	31 December 14
Net tangible asset backing per ordinary security	1.47 cents	1.76 cents	2.43 cents

Review of Operations

Despite challenging market conditions, revenue for the Group grew by 88% to $18.5 million for the six months ended 31 December 2015 compared to $9.8 million for the corresponding period in 2014. This substantial increase in revenue was due to a significant increase in contract wins with Tier 1 mining clients. Revenue from Tier 1 clients made up 84% of total revenue for the current period compared to 57% in the corresponding 2014 period.

The Group generated positive EBITDA of $0.1 million during the current period compared to a negative EBITDA of $1.1 million during the prior period. Included in the current period EBITDA is $1.4 million worth of upfront, ramp up costs relating to the recently awarded Evolution contract that are expected to be recovered over the life of the contract.

On 6 July 2015, the Group acquired assets from Nitro Drilling Pty Ltd (Receivers and Managers appointed) (In Liquidation) for $16.1 million, funded by a combination of $8.4 million in equity raised and $8.5 million debt 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.

The acquisition further strengthened the Group's position as a leading provider in the eastern Australian drilling market and provided capacity to fulfil the Group's tender pipeline for Tier 1 contracts. The acquired assets included 25 drilling rigs and an extensive array of other support equipment and inventory.

The increased depreciation and interest costs relating to the Nitro asset purchase and associated funding have resulted in the loss after tax for the Group increasing by 45% to $3.1 million.

Following the Nitro asset acquisition, the Group has completed a successful asset sales and rationalisation process. During the course of this process assets with a book value of $6.29 million were sold for $6.32 million. The Group has used these asset sales proceeds to reduce legacy debt and fund necessary capital expenditure following the award of significant underground drilling contracts.

The Group's liquidity position has improved during the six months ended 31 December 2015 with the current ratio improving from 0.92 at 30 June 2015 to 1.21 as at 31 December 2015.

Whilst the Group remains reliant on major clients and the general strengthening of the mining and commodities sectors, it is well positioned to take advantage of its strong position in the drilling market following recent increases in Tier 1 contracts, asset rationalisation and debt reduction.

Other Disclosures

This report is based on financial statements which have been subject to independent review by the auditor, Jessups.

Mitchell SERVICES

HALF-YEAR REPORT

MITCHELL SERVICES LTD ACN 149 206 333

FOR THE HALF-YEAR ENDED

31 DECEMBER 2015

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DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

The Directors of Mitchell Services Limited submit herewith the financial report of Mitchell Services Limited (**Company**) and its subsidiaries (**Group**) for the half-year ended 31 December 2015. 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
Neal Macrossan O'Connor (appointed 21 October 2015)

Grant Moyle (Alternate Director)

The above named Directors (except where noted) have held office throughout the six months ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group provides exploration and mine site drilling services to the exploration, mining, and energy industries, primarily in Australia. The Group 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.

REVIEW OF OPERATIONS

Despite challenging market conditions, revenue for the Group grew by 88% to $18.5 million for the six months ended 31 December 2015 compared to $9.8 million for the corresponding period in 2014. This substantial increase in revenue was due to a significant increase in contract wins with Tier 1 mining clients. Revenue from Tier 1 clients made up 84% of total revenue for the current period compared to 57% in the corresponding 2014 period.

The Group generated positive EBITDA of $0.1 million during the current period compared to a negative EBITDA of $1.1 million during the prior period. Included in the current period EBITDA is $1.4 million worth of upfront, ramp up costs relating to the recently awarded Evolution contract that are expected to be recovered over the life of the contract.

On 6 July 2015, the Group acquired assets from Nitro Drilling Pty Ltd (Receivers and Managers appointed) (In Liquidation) for $16.1 million, funded by a combination of $8.4 million in equity raised and $8.5 million debt 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.

The acquisition further strengthened the Group's position as a leading provider in the eastern Australian drilling market and provided capacity to fulfil the Group's tender pipeline for Tier 1 contracts. The acquired assets included 25 drilling rigs and an extensive array of other support equipment and inventory.

DIRECTORS' REPORT CONTINUED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

The increased depreciation and interest costs relating to the Nitro asset purchase and associated funding have resulted in the loss after tax for the Group increasing by 45% to $3.1 million.

Following the Nitro asset acquisition, the Group has completed a successful asset sales and rationalisation process. During the course of this process assets with a book value of $6.29 million were sold for $6.32 million. The Group has used these asset sales proceeds to reduce legacy debt and fund necessary capital expenditure following the award of significant underground drilling contracts.

The Group's liquidity position has improved during the six months ended 31 December 2015 with the current ratio improving from 0.92 at 30 June 2015 to 1.21 as at 31 December 2015.

Whilst the Group remains reliant on major clients and the general strengthening of the mining and commodities sectors, it is well positioned to take advantage of its strong position in the drilling market following recent increases in Tier 1 contracts, asset rationalisation and debt reduction.

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

N. Mitchell

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 26th day of February 2016

AUDITOR'S INDEPENDENCE DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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 31st December 2015, 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 22nd day of January 2016
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 2015

	Note	31 Dec 15	31 Dec 14
		$	$
Continuing operations			
Revenue	2	18,472,041	9,808,178
Gain/(loss) on sale of assets	2	20,444	(28,417)
Advertising		(10,764)	(29,220)
Drilling consumables		(3,483,736)	(1,344,039)
Employee and contract labour expenses		(8,653,515)	(4,927,893)
Fuel and oil		(814,891)	(923,881)
Freight and couriers	2	(389,629)	(285,738)
Hire of plant and equipment		(895,156)	(583,449)
Insurances		(401,921)	(220,894)
Legal and consultant fees		(342,613)	(368,333)
Rent		(289,525)	(183,992)
Service and repairs		(1,274,435)	(752,230)
Travel expenses		(1,090,766)	(688,115)
Other expenses	2	(714,761)	(584,826)
EBITDA		130,773	(1,112,849)
Depreciation expense		(2,597,888)	(1,494,052)
EBIT		(2,467,115)	(2,606,901)
Finance expenses		(648,995)	(309,808)
Loss before tax		(3,116,110)	(2,916,709)
Income tax benefit	6	-	810,716
Loss for the period from continuing operations		(3,116,110)	(2,105,993)
Loss for the period from discontinued operations		-	-
Loss for the period		(3,116,110)	(2,105,993)
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		(3,116,110)	(2,105,993)
Loss attributable to:			
Owners of the parent		(3,116,110)	(2,105,993)
Total comprehensive income attributable to:			
Owners of the parent		(3,116,110)	(2,105,993)
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		(0.22)	(0.33)
Diluted (cents per share)		(0.22)	(0.33)
From continuing operations			
Basic (cents per share)		(0.22)	(0.33)
Diluted (cents per share)		(0.22)	(0.33)

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	31 Dec 15 $	30 Jun 15 $
ASSETS			
Current assets			
Cash and cash equivalents	3(a)	3,294,950	515,679
Trade and other receivables		5,514,125	7,148,908
Other financial assets		1,380	3,724
Right to purchase assets		-	16,125,000
Other assets		737,725	440,156
Inventories		1,537,731	1,869,518
Total current assets		11,085,911	26,102,985
Non-current assets			
Other financial assets		546	3,195
Property, plant and equipment	5	26,534,360	18,286,816
Investment property		2,975,000	2,975,000
Other assets		18,000	18,000
Deferred tax asset		-	-
Total non-current assets		29,527,906	21,283,011
Total assets		40,613,817	47,385,996
LIABILITIES			
Current liabilities			
Bank overdraft	3(b)	599,915	1,130,013
Trade and other payables		6,810,978	24,587,154
Other financial liabilities	4	1,326,125	2,293,225
Provisions		404,490	367,360
Total current liabilities		9,141,508	28,377,752
Non-current liabilities			
Other financial liabilities	4	10,467,569	3,655,853
Provisions		110,181	97,963
Total non-current liabilities		10,577,750	3,753,816
Total liabilities		19,719,258	32,131,568
Net assets		20,894,559	15,254,428
EQUITY			
Issued capital	7	48,604,378	39,219,134
Share issue costs	8	(2,514,980)	(1,922,724)
Contingent option reserve		2,122,402	2,122,402
Retained earnings	9	(27,317,241)	(24,164,384)
Total equity		20,894,559	15,254,428

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 2015

	Note	Issued Capital	Contingent Option Reserve	Retained Earnings	Attributable to Owners of the Parent	Total
		$	$	$	$	$
Balance at 1 July 2014		17,824,156	2,122,402	(7,135,246)	12,811,312	12,811,312
Comprehensive income						
Loss for the period		-	-	(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		20,195,034	-	-	20,195,034	20,195,034
Share issue costs		(722,780)	-	-	(722,780)	(722,780)
Recognition of share-based payments		-	-	(32,044)	(32,044)	(32,044)
Balance at 31 December 2014		**37,296,410**	**2,122,402**	**(9,273,283)**	**30,145,529**	**30,145,529**
Balance at 1 July 2015		37,296,410	2,122,402	(24,164,384)	15,254,428	15,254,428
Comprehensive income						
Loss for the period	9	-	-	(3,116,110)	(3,116,110)	(3,116,110)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(3,116,110)	(3,116,110)	(3,116,110)
Issue of ordinary shares	7	9,385,244	-	-	9,385,244	9,385,244
Share issue costs	8	(592,256)	-	-	(592,256)	(592,256)
Recognition of share-based payments		-	-	(36,747)	(36,747)	(36,747)
Balance at 31 December 2015		**46,089,398**	**2,122,402**	**(27,317,241)**	**20,894,559**	**20,894,559**

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		31 Dec 15	31 Dec 14
	Note	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		18,454,482	10,030,653
Payments to suppliers and employees		(18,022,029)	(11,895,549)
Interest received		1,715	28,808
Interest paid		(197,672)	(297,043)
Income tax paid		-	(62,411)
Net cash from operating activities		236,496	(2,195,542)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		5,986,012	545,610
Payment for Tom Browne assets		-	(9,617,678)
Payment for Nitro Drilling assets		(15,836,208)	-
Payment for other property, plant and equipment		(878,682)	(604,291)
Net cash used in investing activities		(10,728,878)	(9,676,359)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		8,535,244	20,195,034
Payments for share issue costs		(589,266)	(1,032,542)
Proceeds from borrowings		8,500,000	1,244,951
Repayment of borrowings		(2,644,227)	(1,953,401)
Costs associated with borrowing		-	-
Net cash provided by financing activities		13,801,751	18,454,042
Net increase in cash and cash equivalents		3,309,369	6,582,141
Cash and cash equivalents at the beginning of the period		(614,334)	(2,126,697)
Cash and cash equivalents at the end of the period	3(c)	2,695,035	4,455,444

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 2015

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 2015 annual financial report for the financial year ended 30 June 2015, 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 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'.

Impact of the application of AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'
Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations.

2. RECLASSIFICATION OF OTHER EXPENSES

Items reported in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income in the 2015 Half-Year Report have been reclassified in this report as management believe providing more detailed disclosure is relevant to an understanding of the entity's financial performance. Details of this reclassification is provided in the table below.

	Previous Classification	Current Classification
	$	$
Revenue	9,866,549	9,808,178
Changes in inventories of finished goods	(21,476)	-
Freight and couriers	-	(285,738)
Loss on sale of assets	(86,788)	(28,417)
Other expenses	(849,088)	(584,826)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

3. CASH AND CASH EQUIVALENTS

For the purposes of the Condensed 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 period shown in the Condensed Consolidated Statement of Cash Flows can be reconciled to the related items in the consolidated statement of financial position as follows.

		31 Dec 15	30 Jun 15
		$	$
3(a)	**In funds accounts**		
	Bank balances	1,865,194	515,679
	Funds held in trust	1,429,756	-
3(b)	**Bank overdraft**		
	Bank overdraft	(599,915)	(1,130,013)
3(c)	**Net cash at bank**	2,695,035	(614,334)

4. OTHER FINANCIAL LIABILITIES

	31 Dec 15	30 Jun 15
Current		
Equipment finance leases	1,121,453	1,483,169
Equipment line loan	-	224,949
Working capital loan 1	-	124,882
Working capital loan 2	204,672	198,875
Insurance premium funding	-	261,350
	1,326,125	2,293,225
Non-current		
Equipment finance leases	1,633,073	2,426,634
Equipment line loan	-	216,451
Working capital loan 1	-	575,118
Working capital loan 2	334,496	437,650
Shareholder loans	8,500,000	-
	10,467,569	3,655,853

Shareholder loans

On 6 July 2015, the Group acquired assets from Nitro Drilling Pty Ltd (Receivers and Managers appointed) (In Liquidation) partially funded by $8.5 million debt provided by major shareholders, Washington H. Soul Pattinson & Company Limited (WHSP) and Mitchell Family Investments (Qld) Pty Ltd as trustee for the Mitchell Family Investment Trust (Mitchell Group).

The terms of the loans provided by major shareholders WHSP and Mitchell Group are as follows:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Mitchell Group Loan

Facility amount	$3.5 million
Term	5 years
Interest rate	10%
Initial two years interest	The interest accruing on the Mitchell Group Loan during the first two years of the five year term will be paid at the start of each year by way of issuing MSV shares as follows: ▪ Year One – Interest paid by way of issuing MSV shares with an assumed issue price of $0.017 per share; and ▪ Year Two – Interest paid by way of issuing MSV shares with an assumed issue price equal to the volume weighted average price (VWAP) of MSV shares over the 30 trading days prior to the issue of the new shares in year two (that is, 12 months from the first drawdown date, which is 6 July 2016). In the event that the VWAP falls below $0.005 the shares will be issued at $0.005 with the difference between interest charged and the value of those shares issued being payable in cash.
Security	The Mitchell Group Loan is secured by the grant of a General Security Agreement over the Nitro assets.

WHSP Loan

Facility amount	$5 million
Term	5 years
Interest rate	10%
Initial two years interest	The interest accruing on the WHSP Loan during the first two years of the five year term will be paid at the start of each year by way of issuing MSV shares as follows: ▪ Year One – Interest paid by way of issuing MSV shares with an assumed issue price of $0.017 per share; and ▪ Year Two – Interest paid by way of issuing MSV shares with an assumed issue price equal to the volume weighted average price (VWAP) of MSV shares over the 30 trading days prior to the issue of the new shares in year two (that is, 12 months from the first drawdown date, which is 6 July 2016).
Security	The WHSP loan is secured by the grant of a General Security Agreement over the Nitro assets.

The terms of the Mitchell Group Loan are the same as the terms of the WHSP Loan, but for the year two share issue price floor of $0.005 and the requirement to obtain shareholder approval in relation to the grant of the General Security Agreement and the issue of MSV shares in lieu of paying interest during the first two year period. Shareholder approval in this regard was obtained at the Annual General Meeting held on 20 October 2015.

On 6 July 2015, MSV issued 29,411,765 new ordinary shares in MSV to WHSP as consideration for interest payable under the facility.

On 23 October 2015, MSV issued 20,588,235 new ordinary shares in MSV to Mitchell Group as consideration for interest payable under the facility.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant and Equipment	Motor Vehicles	Furniture and Fittings	Total
	$	$	$	$	$
At 1 July 2015					
Cost or fair value	33,900	22,874,594	13,273,131	182,981	36,364,606
Accumulated depreciation	(2,224)	(7,724,484)	(10,242,001)	(109,081)	(18,077,790)
Net book amount	31,676	15,150,110	3,031,130	73,900	18,286,816
Half-year ended 31 December 2015					
Opening net book amount	31,676	15,150,110	3,031,130	73,900	18,286,816
Additions	-	12,115,538	5,015,099	6,267	17,136,904
Disposals	-	(4,464,302)	(1,827,170)	-	(6,291,472)
Depreciation	(635)	(1,978,296)	(602,472)	(16,485)	(2,597,888)
	31,041	20,823,050	5,616,587	63,682	26,534,360
At 31 December 2015					
Cost or fair value	33,900	27,922,972	14,099,080	189,248	42,245,200
Accumulated depreciation	(2,859)	(7,099,922)	(8,482,493)	(125,566)	(15,710,840)
Net book amount	31,041	20,823,050	5,616,587	63,682	26,534,360

Acquisition of Nitro Drilling assets

On 6 July 2015, the Group acquired assets from Nitro Drilling Pty Ltd (Receivers and Managers appointed) (In Liquidation) for $16.1 million. The acquired assets include 25 drilling rigs and an extensive array of other support equipment and inventory.

Other significant transactions

Following the Nitro asset acquisition, the Group has completed a successful asset rationalisation process. During the course of this process assets with a book value of $6.29 million were sold for $6.32 million. The Group has used these asset sales proceeds to reduce legacy debt and fund necessary capital expenditure following the award of significant underground drilling contracts.

As at 31 December 2015, the Group had made capital expenditure commitments of $2.1 million for new underground rigs required following the award of a significant underground drilling contract. This additional capital expenditure will be funded through a combination of traditional long term equipment finance with a commercial lender and by using proceeds from the abovementioned asset sales. As at 31 December 2015, $1.43 million in asset sales proceeds had been earmarked for this required capital expenditure and were placed in trust until settlement thereof (refer note 3).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	31 Dec 15	31 Dec 14
	$	$
6. INCOME TAX BENEFIT		
Income tax benefit recognised in profit/(loss)		
Income tax benefit comprises		
Current tax	-	62,411
Deferred tax	(932,221)	(873,127)
Tax losses not recognised in current year	932,221	-
	-	(810,716)
The income tax benefit for the half-year can be reconciled to the accounting profit as follows:		
Profit/(loss) before tax from continuing operations	(3,116,110)	(2,916,709)
Income tax expense calculated at 30%	(934,833)	(875,013)
Effect of expenses that are not deductible in determining taxable profit	2,612	1,886
Tax losses not recognised in current year	932,221	-
Effect of tax rates in foreign jurisdictions (PNG)	-	62,411
Adjustments recognised in current year in relation to current tax of prior years	-	-
	-	(810,716)

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 15	30 Jun 15
	$	$
7. ISSUED CAPITAL		
Fully paid ordinary shares		
Balance at the beginning of the period	39,219,134	39,219,134
Issue of shares - entitlement issue	8,422,288	-
Issue of shares - share based payments	962,956	-
	48,604,378	39,219,134

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Issue of shares

The following shares were issued during the half-year ended 31 December 2015:

- On 3 July 2015, 495,428,698 fully paid ordinary shares were issued at a price of $0.017 by way of a 4 for 7 non-renounceable entitlement offer.
- On 6 July 2015, 29,411,765 fully paid ordinary shares were issued at a price of $0.017 as part of a share based payment (refer note 10).
- On 23 October 2015, 20,588,235 fully paid ordinary shares were issued at a price of $0.017 as part of a share based payment (refer note 10).
- On 7 December 2015, 5,945,053 fully paid ordinary shares were issued at a price of $0.019 as consideration for commission payable as part of a share based payment (refer note 10).

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 8).

	31 Dec 15	30 Jun 15
	$	$
8. SHARE ISSUE COSTS		
Balance at the beginning of the period	(1,922,724)	(1,922,724)
Share issue costs	(592,256)	-
	(2,514,980)	(1,922,724)
9. RETAINED EARNINGS		
Balance at the beginning of the period	(24,164,384)	(9,273,283)
Profit/(loss) attributable to owners of the company	(3,116,110)	(14,893,490)
Share based payment transactions	(36,747)	2,389
	(27,317,241)	(24,164,384)

10. SHARE BASED PAYMENT TRANSACTIONS

Payment in lieu of interest

On 6 July 2015, major shareholders Washington H. Soul Pattinson & Company Limited (WHSP) and Mitchell Family Investments (Qld) Pty Ltd as trustee for the Mitchell Family Investment Trust (Mitchell Group) provided $8.5 million to the Group in the form of long term shareholder loans in order to fund the Nitro asset purchase (refer note 4 for further details).

On 6 July 2015, 29,411,765 new ordinary shares were issued to WHSP at an issue price of $0.017 per share in lieu of interest payable for the first 12 month period in accordance with the terms of the of the shareholder loan.

Following the required shareholder approval granted at the Company's Annual General Meeting held on 20 October 2015, 20,588,235 new ordinary shares were issued to Mitchell Group on 23 October 2015 in lieu of interest payable for the first 12 month period in accordance with the terms of the shareholder loan.

The above share based payments have been recognised in the current period as a finance expense to the extent that they relate to periods between 1 July 2015 and 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Payment in lieu of commission

On 7 December 2015, 5,945,053 fully paid ordinary shares were issued at $0.019 in lieu of payment of 50% of the commission payable for asset sales under an agency agreement with Pickles Auctions Pty Ltd. This share based payment has been recognised in the current period as an expense to the extent that the commission payable related to services performed before 31 December 2015.

11. 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.

12. 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
Manutech Engineering and Maintenance is an entity controlled by Peter Richard Miller. The Group engages Manutech Engineering and Maintenance to perform repair and maintenance type services and supply drilling consumables. The amount incurred during the reporting period in relation to these services was $215,266 including GST. Amounts were billed on normal market rates for such services and were due and payable under normal payment terms. An amount of $11,055 remains owing to this related entity at the end of the reporting period. Manutech Engineering and Maintenance purchased $7,700 worth of equipment (including GST) from the Group, there is nil outstanding for these purchases.

Transactions with Mitchell Group private entities

MEH Equipment Hire Pty Ltd
MEH Equipment Hire Pty Ltd is an entity controlled by Nathan Andrew Mitchell. In order to satisfy specific contract requirements the Group hired plant and equipment not available in its fleet from MEH Equipment Hire. Hire of plant and equipment from this related entity for the reporting period amounted to $357,797 including GST and was based on normal market rates and under normal payment terms. An amount of $51,436 remains owing to this related entity at the end of the reporting period. MEH Equipment Hire purchased $90,200 worth of equipment (including GST) from the Group, there is nil outstanding for these purchases.

Mitchell African Holdings Pty Ltd
Mitchell African Holdings Pty Ltd is an entity controlled by Nathan Andrew Mitchell. The Group provided management and administrative support services, and other service activities conducted from time to time. The Group charged Mitchell African Holdings a management fee of approximately $13,000 per month and at times paid for expenses on their behalf to be recharged back. Management fee income for the half-year amounted to $52,794. $80,112 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 $9,420 plus GST per month and an amount of $34,913 remains owing to this related entity at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

On 6 July 2015, the Group entered into a debt arrangement with Mitchell Family Investments (QLD) Pty Ltd in the amount of $3,500,000 over a term of 5 years at an interest rate of 10%. Interest accruing on the loan for the first two years is payable in MSV shares. 20,588,235 MSV shares were issued to Mitchell Family Investments (QLD) Pty Ltd on 23 October 2015 as settlement for the first years' interest. Shareholder approval in relation to the grant of a General Security Agreement over asset owned by Notch No. 2 Pty Ltd and the issue of MSV shares in lieu of paying interest during the first two year period was obtained at the Annual General Meeting on 20 October 2015.

VMW Engineering Pty Ltd
VMW Engineering Pty Ltd supplies the Group with equipment and rig components to be used in the day to day operations of the business. Nathan Mitchell is a substantial shareholder of VMW Engineering and served on its board of Directors until 28 August 2015. Amounts were billed on normal market rates for such goods and were due and payable under normal payment terms. Total purchases amounted to $30,035 including GST; no amounts were outstanding at the end of the reporting period.

13. 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

N. Mitchell

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 26th day of February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MITCHELL SERVICES LTD ACN 149 206 333
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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 2015, 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 2015 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 2015 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 26th day of February 2016

Level 1 19 Stanley Street
TOWNSVILLE QLD 4810

Ian Jessup
Jessups