

24 October 2016

**MITCHELL SERVICES LIMITED**  
**(ASX: MSV)**

**Appendix 4C Quarterly Report and Investor Update**

Dear Shareholder,

Mitchell Services Limited (**the Company**) is pleased to provide the following Investor Update for the quarter ended 30 September 2016.

The September 2016 quarter just past has seen the Company continue its growth path with the average operating rig count increasing to 21 rigs during the quarter ended 30 September 2016 from 18 rigs during the same quarter in 2015. More significantly, the average number of monthly operating shifts has increased by 45% during the quarter ending 30 September 2016 when compared to September 2015.

This growth was driven in part by an increased number of Tier One contracts but also by an increase in the scope of work from existing clients following recent increases in key commodity prices. The Company's revenue mix by commodity remains well balanced whilst revenue from our underground division continues to grow.

It is pleasing to note that this operational growth has translated into cashflows, with the Company generating positive operating cash flows of \$1.34 million for the quarter. This operating cash flow result, less financing payments (\$544k) and capital expenditure (\$337k) have resulted in the Company's cash balance increasing from a net overdraft of \$131k at 30 June 2016 to a positive balance of \$330k at 30 September 2016.

Importantly, the Company's safety performance has continued to improve during this period despite a significant increase in the number of employees.

I am looking forward to Wednesday's Annual General Meeting which will provide an opportunity to meet face to face with those shareholders who will be attending. Thank you to those shareholders who have cast their votes via proxy.

Yours Faithfully



Andrew Elf  
Chief Executive Officer

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

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

**Name of entity**

Mitchell Services Limited

**ABN**

31 149 206 333

**Quarter ended ("current quarter")**

30 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,038	9,038
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,697)	(2,697)
(c) advertising and marketing	(4)	(4)
(d) leased assets	-	-
(e) staff costs	(4,402)	(4,402)
(f) administration and corporate costs	(505)	(505)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(89)	(89)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,342</b>	<b>1,342</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(352)	(352)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	15	15
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(337)</b>	<b>(337)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(7)	(7)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(537)	(537)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(544)</b>	<b>(544)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	(131)	(131)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,342	1,342
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(337)	(337)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(544)	(544)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>330</b>	<b>330</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	371	468
5.2	Call deposits	1	1
5.3	Bank overdrafts	(42)	(600)
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>330</b>	<b>(131)</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
55
-

The transactions included in 6.1 above relate to directors fees and associated superannuation payments.

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

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
113
-

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

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	8,500	8,500
8.2 Credit standby arrangements	2,500	42
8.3 Other (equipment finance facilities)	5,101	5,101
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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

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


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

9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs	5,375
9.3 Advertising and marketing	5
9.4 Leased assets	-
9.5 Staff costs	4,680
9.6 Administration and corporate costs	500
9.7 Other (repayment of borrowings)	610
<b>9.8 Total estimated cash outflows</b>	<b>11,170</b>

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

### Compliance statement

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

Sign here: .....  
(Company secretary)

Date: 24 October 2016

Print name: Greg Switala

### Notes

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