



Mitchell
SERVICES

28 April 2017

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 31 March 2017.

The March 2017 quarter saw an increase in utilisation levels when compared to the same quarter in 2016 with the average operating rig count for the quarter increasing from 12 in March 2016 to 18 in March 2017. This 50% increase was driven in part by the Company's growing underground division where drilling generally occurs all year around and is not subject to the same weather impacted seasonality as surface drilling in Queensland. In addition, surface drilling clients commenced their 2017 drilling programs earlier than in 2016 which has also driven the overall quarterly increase in utilisation levels.

From a cash flow perspective, it is pleasing to note that the increase in utilisation has translated into positive operating cash flows with the Company generating operating cash flows of \$0.99 million for the quarter ended 31 March 2017. This represents the third consecutive quarter of positive operating cash flow and brings year to date operating cash flows to \$3.39 million.

Following our announcement on 20 April 2017 regarding the BHP Billiton Olympic Dam contract win, I am pleased to report that the mobilisation phase for this significant project is underway. Our focus during the next quarter is on the safe, efficient mobilisation of various contracts and winning more multi-rig multi-year projects for our existing surface fleet.

Yours Faithfully

Andrew Elf
Chief Executive Officer

Mitchell Services Limited

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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")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,766	30,252
1.2 Payments for	-	-
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,181)	(11,951)
(c) advertising and marketing	(7)	(17)
(d) leased assets	-	-
(e) staff costs	(4,204)	(13,343)
(f) administration and corporate costs	(302)	(1,279)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	5
1.5 Interest and other costs of finance paid	(84)	(276)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	991	3,391

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(237)	(947)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	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)	-	-
2.6 Net cash from / (used in) investing activities	(237)	(932)

3. Cash flows from financing activities		
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)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(598)	(1,677)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(598)	(1,684)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	488	(131)
4.2 Net cash from / (used in) operating activities (item 1.9 above)	991	3,391
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(237)	(932)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(598)	(1,684)
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	644	644

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	718	487
5.2 Call deposits	-	1
5.3 Bank overdrafts	(74)	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	644	488

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
63
-

The transactions included in 6.1 above relate to director's 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
181
-

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. Financing facilities available <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	74
8.3 Other (equipment finance facilities)	5,135	5,135
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, Toyota Equipment Finance, Atlas Copco Financial Solutions and MEH Equipment Hire, at fixed interest rates between 4.45% and 8.33% pa.

In order to meet increasing demand levels for underground drill rigs, the Company purchased a second-hand underground drill rig for \$200,000 in January 2017. The purchase was financed through a 36-month equipment finance facility with Atlas Copco Financial Solutions Australia Pty Ltd. Under this equipment finance facility interest is levied at 4.9% per annum and the lender is granted a security interest over the purchased asset.

In light of the recent BHP Olympic Dam contract win (as announced on 20 April 2017) which will require new underground rigs, the Company proposes to enter into new equipment finance facilities to fund the required capital expenditure. The Company intends to secure these facilities at commercial interest rates with commercial lenders over a 36-month period. Given the general working capital requirement associated with a contract of this size, the Company also intends to increase its working capital facilities and is in advanced stages of finalising an appropriate funding structure with a commercial lender.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	4,060
9.3 Advertising and marketing	10
9.4 Leased assets	-
9.5 Staff costs	5,131
9.6 Administration and corporate costs	500
9.7 Other	1,530
9.8 Total estimated cash outflows	11,231

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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: 28 April 2017

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.