Appendix 4D

Mitchell Services Limited (ABN 31 149 206 333)

Current reporting period	Previous reporting period
1 July 2018 to 31 December 2018	1 July 2017 to 31 December 2017

Results for Announcement to the Market

		Current reporting period	Previous reporting period	Change
		$A'000's	$A'000's	$A'000's
Revenue from continuing operations	Up 91%	63,291	33,215	30,076
EBITDA	Up 431%	14,229	2,678	11,551
Profit / (loss) after tax attributable to members	Up 1,081%	11,728	(1,195)	12,923

Dividends

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

Net Tangible Assets per Security

	31 Dec 18	30 Jun 18	31 Dec 17
Net tangible asset backing per ordinary security	1.90 cents	1.10 cents	1.24 cents

Other Disclosures

Additional Appendix 4D disclosure requirements and further information including commentary on significant features of the operating performance, trends in performance and other factors affecting the results for the current period are contained in the attached Half-Year Report and Investor Presentation released 26 February 2018.

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

Greg Switala
Company Secretary

26 February 2019

Mitchell Services Limited
ABN 31 149 206 333

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Mitchell
SERVICES

HALF-YEAR REPORT

MITCHELL SERVICES LTD ACN 149 206 333

FOR THE HALF-YEAR ENDED

31 DECEMBER 2018

CONTENTS

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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 2018. 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

Grant Moyle (Alternate Director)

The above named Directors have held office throughout the six months ended 31 December 2018.

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 provides drilling solutions at all stages of the mining lifecycle, in both Energy and Minerals. The diversity in operations allows for better management of the cyclical nature of commodity prices, as well as giving employees exposure to various forms of drilling as part of their career development.

The various stages of the project lifecycle that the Group can provide its drilling services are:

- Greenfield exploration
- Project feasibility
- Mine site exploration and resource definition
- Development
- Production

There were no significant changes in the Group's nature of activities during the year.

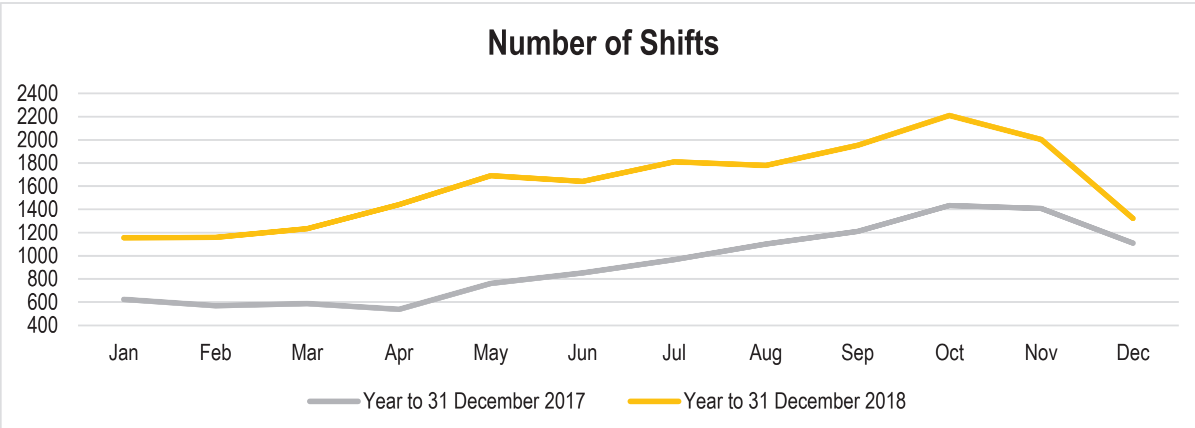
REVIEW OF OPERATIONS

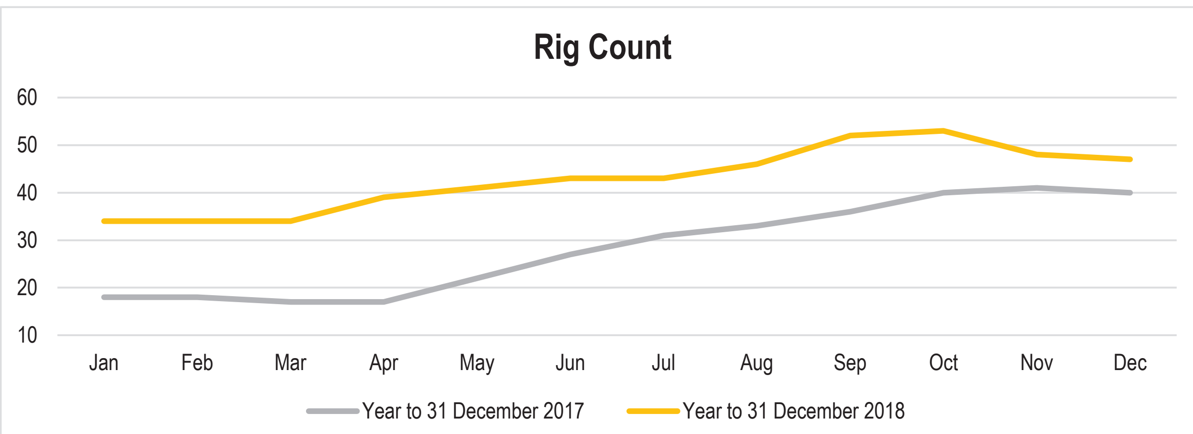
Activity levels

The six months ending 31 December 2018 (1H19) were financially transformational for the Group. Revenue for 1H19 was $63.2m representing a 90% increase from the previous corresponding period of $33.2m. This significant revenue improvement was driven by a combination of increased utilisation, productivity and pricing levels as industry activity levels and general market conditions continued to improve.

DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

The charts below illustrate the sustained increase in utilisation (rig count) and productivity (number of shifts) over the past 24 months.





The table below illustrates the revenue impact of the increased utilisation and productivity over the past 18 months.

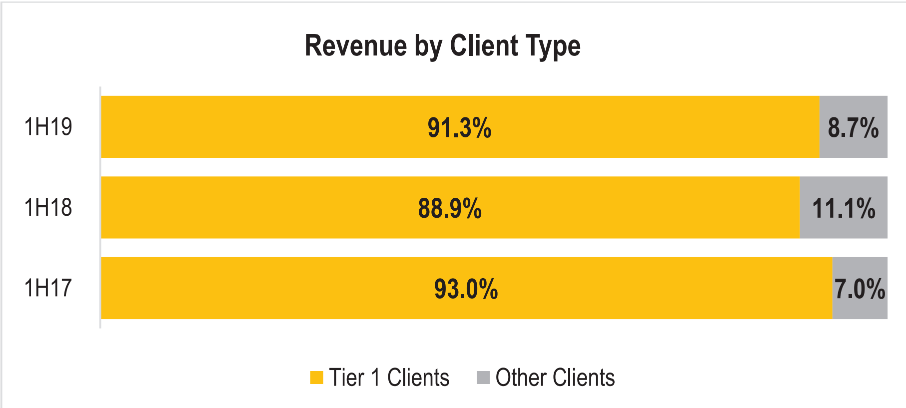
	1H18	2H18	1H19
Average operating rigs	36.7	37.5	48.1
Number of shifts	7,423	8,332	11,078
Revenue ($'000s)	33,215	39,485	63,153
Annualised revenue per rig ($'000s)	1,810	2,106	2,626

Customer base and revenue break-down

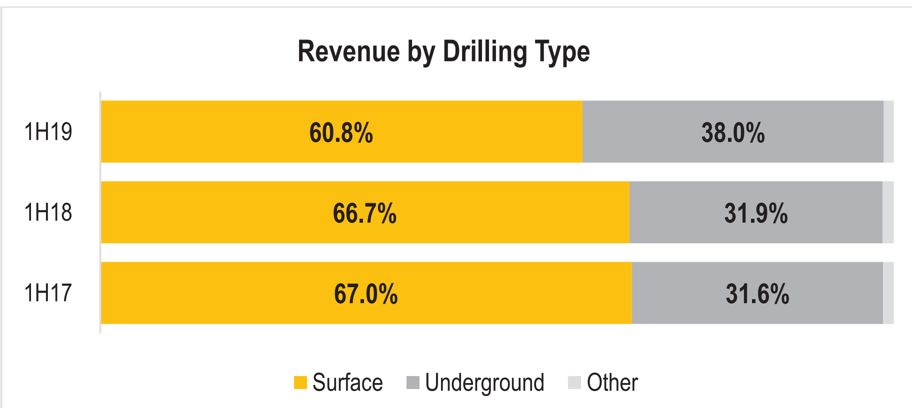
As the chart below demonstrates, the Group's revenue was predominantly derived from large, multinational mining clients (Tier 1 clients). The drilling services that were provided to these Tier 1 clients were generally at producing mine sites and were linked to the resource definition, development and production stages within the mine life cycle as opposed to greenfield exploration.

DIRECTORS' REPORT **CONTINUED**

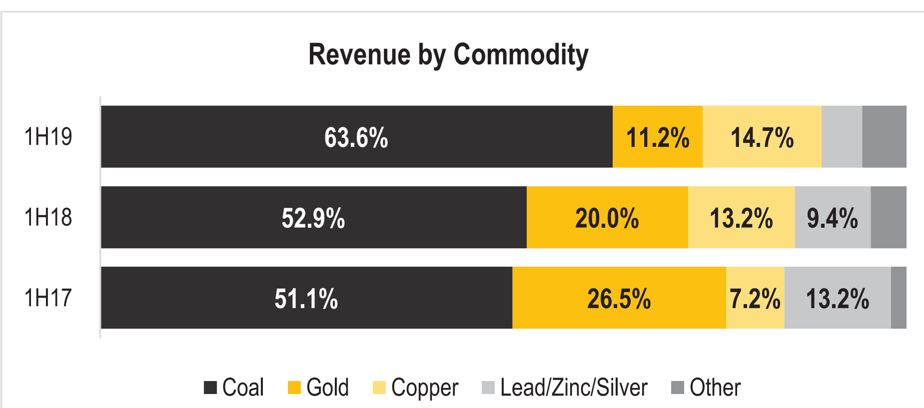
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018



The Board and management remain mindful of the importance of diversification in revenue streams including the mix between surface and underground drilling and the mix between different commodity types. Underground drilling is generally performed on a double shift basis and is generally not subjected to seasonal fluctuations. 1H19 Revenue from underground drilling has grown by 127% compared to 1H18 and now accounts for 38% of the Group's total revenue.



The Group's revenue mix by commodity remains well balanced with exposures across coal (predominately coking coal) and a range of precious metals and other minerals.



DIRECTORS' REPORT **CONTINUED**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Safety

Despite significant growth in the number of shifts and operating rigs, the frequency and severity of recordable injuries has reduced across the organisation. During the six months ended 31 December 2018 the Group implemented numerous award-winning initiatives across its safety and risk management systems. The Group is committed to the health and safety of all employees and this focus was rewarded in 1H19 with several safety accolades including:

- Winner – 2018 Australian Mining Prospect Awards (Safety Advocate Award)
- Finalist – 2018 Australian Mining Prospect Awards (Excellence in Mine Safety, OH&S)
- Finalist – 2018 Safe Work and Return to Work QLD Awards (Most Significant Improvement to Work Health and Safety Performance and Best Demonstrated Leadership in Work Health and Safety)

Profitability

The Group recorded 1H19 earnings before interest, depreciation and amortisation (EBITDA) of $14.2m representing a 431% increase from the previous corresponding period of $2.7m. 1H18 EBITDA was impacted by material levels of ramp up associated with major project wins and the significant EBITDA improvement was driven by far lower impact of this type of ramp up in 1H19 in addition to increases in utilisation, productivity and pricing.

After deducting depreciation and amortisation of $5.7m, the Group recorded 1H19 earnings before interest and tax (EBIT) of $8.5m, representing an $8.9m improvement compared to the 1H18 loss of $0.4m.

The Group recorded a 1H19 net profit before tax (NPBT) of $7.7m representing an $8.9m improvement compared to the 1H18 loss of $1.2m.

After adding a $4.0m tax credit to the reported NPBT (due to the recognition of a deferred tax asset pertaining to historical tax losses not previously recognised), the Group recorded a 1H19 net profit after tax of $11.7m, representing a $12.9m improvement compared to the 1H18 loss of $1.2m.

Cash flow

As reported above, the Group recorded 1H19 EBITDA of $14.2m. After adding approx. $2.3m (representing a reduction in working capital requirements from 30 June 2018 to 31 December 2018), the Group generated $16.5m in cash flow from operations. After deducting interest payments of $0.7m and income tax payments of $0.5m, the Group's cash flow from operating activities was $15.3m for 1H19 representing a $17.6m improvement from 1H18 and a 1H19 cash conversion ratio of 108%. After deducting approx. $2.7m in net payments for capital expenditure, the Group generated free cash flows of $12.6m in 1H19 which it has used (in addition to the proceeds received from the sale of its Townsville investment property) to reduce net debt from $17.7m at 30 June 2018 to $2.6m at 31 December 2018.

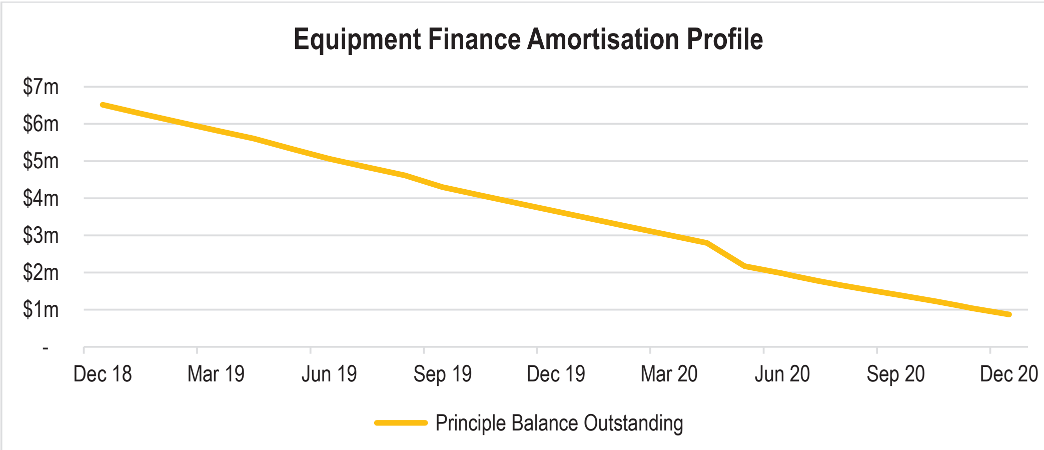
Balance sheet

The strong profitability and free cash generation in 1H19 has allowed the Group to significantly reduce its debt balance which has led to a significantly stronger, more flexible 31 December 2018 balance sheet.

In December 2018 the Group repaid $8.5m in loans that were provided in 2015 by major shareholders Washington. Soul Pattinson and Company Limited and Mitchell Family Investments (QLD) Pty Ltd. These loans were repaid in full approximately 18 months earlier than the expiry date of July 2020 with no fees or penalties associated with the early repayment.

Gross debt at 31 December 2018 (of approx. $6.6m) comprised entirely of traditional equipment finance facilities with relatively short amortisation profiles (as the chart below demonstrates).

DIRECTORS' REPORT **CONTINUED**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018



The Group's current ratio (current assets: current liabilities) has reduced by 5% from 1.2 at 30 June 2018 to 1.14 at 31 December 2018.

EVENTS AFTER THE REPORTING DATE

There has not been any matter or circumstance occurring subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in the future.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under s 307C of the Corporations Act 2001 is set out on page 7 for the half-year ended 31 December 2018.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 25th day of February 2019

Jessups
Accountants & Business Advisors

MITCHELL SERVICES LTD
AUDITOR'S INDEPENDENCE DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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Other Office
Cairns

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of Mitchell Services Ltd

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2018 there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

JESSUPS

Rodger Dunstan
Director

Dated this 25th day of February 2019

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 2018

	Note	31 Dec 18 $	31 Dec 17 $
Continuing operations			
Revenue	3	63,291,294	33,215,477
Gain on sale of assets		7,337	134,298
Advertising		(141,708)	(38,468)
Drilling consumables		(9,860,892)	(4,516,775)
Employee and contract labour expenses		(27,215,326)	(17,561,244)
Fuel and oil		(947,842)	(758,639)
Freight and couriers		(664,877)	(565,813)
Hire of plant and equipment		(2,090,528)	(1,675,695)
Insurances		(796,693)	(501,515)
Legal, professional and consultant fees		(388,844)	(331,031)
Rent		(543,630)	(491,040)
Service and repairs		(2,689,558)	(1,690,885)
Travel expenses		(2,235,518)	(1,546,123)
Other expenses		(1,493,789)	(994,649)
Earnings before interest, tax, depreciation and amortisation		14,229,426	2,677,898
Depreciation expense		(3,990,387)	(3,051,829)
Amortisation of intangibles		(1,780,742)	-
Profit / (loss) before interest and tax		8,458,297	(373,931)
Finance expenses		(733,036)	(820,694)
Profit / (loss) before tax		7,725,261	(1,194,625)
Income tax benefit	7	4,002,463	-
Profit / (loss) for the period from continuing operations		11,727,724	(1,194,625)
Discontinued operations			
Profit / (loss) for the period from discontinued operations		-	-
Profit / (loss) for the period		11,727,724	(1,194,625)
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		11,727,724	(1,194,625)
Profit / (loss) attributable to:			
Owners of the parent		11,727,724	(1,194,625)
Total comprehensive income attributable to:			
Owners of the parent		11,727,724	(1,194,625)
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		0.68	(0.08)
Diluted (cents per share)		0.67	(0.08)
From continuing operations			
Basic (cents per share)		0.68	(0.08)
Diluted (cents per share)		0.67	(0.08)

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 18 $	30 Jun 18 $
ASSETS			
Current assets			
Cash and cash equivalents		3,924,787	1,863,738
Trade and other receivables		16,120,454	17,608,675
Assets held for sale	6	-	2,560,050
Intangibles at cost		208,888	1,989,629
Other assets		1,456,189	1,222,328
Inventories		2,068,257	2,274,563
Total current assets		23,778,575	27,518,983
Non-current assets			
Property, plant and equipment	4	29,975,261	30,740,385
Deferred tax asset	7	4,254,813	-
Other assets		29,111	33,278
Total non-current assets		34,259,185	30,773,663
Total assets		58,037,760	58,292,646
LIABILITIES			
Current liabilities			
Trade and other payables		13,679,338	13,163,681
Financial liabilities	5	3,672,020	6,071,669
Current tax liability	7	681,155	1,164,958
Provisions		2,907,033	2,724,543
Total current liabilities		20,939,546	23,124,851
Non-current liabilities			
Financial liabilities	5	3,606,207	13,877,025
Provisions		318,578	256,306
Total non-current liabilities		3,924,785	14,133,331
Total liabilities		24,864,331	37,258,182
Net assets		33,173,429	21,034,464
EQUITY			
Issued capital		58,245,137	58,245,137
Share issue costs		(2,818,225)	(3,070,575)
Retained earnings		(22,253,483)	(34,140,098)
Total equity		33,173,429	21,034,464

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 2018

	Note	Issued Capital	Retained Earnings	Attributable to Owners of the Parent	Total
		$	$	$	$
Balance at 1 July 2017		46,933,211	(32,288,242)	14,644,969	14,644,969
Comprehensive income					
Profit/(loss) for the period		-	(1,194,625)	(1,194,625)	(1,194,625)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	(1,194,625)	(1,194,625)	(1,194,625)
Issue of ordinary shares		8,790,759	-	8,790,759	8,790,759
Share issue costs		(549,408)	-	(549,408)	(549,408)
Recognition of share-based payments		-	351,573	351,573	351,573
Balance at 31 December 2017		55,174,562	(33,131,294)	22,043,268	22,043,268
Balance at 1 July 2018		55,174,562	(34,140,098)	21,034,464	21,034,464
Comprehensive income					
Profit/(loss) for the period		-	11,727,724	11,727,724	11,727,724
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	11,727,724	11,727,724	11,727,724
Issue of ordinary shares		-	-	-	-
Share issue costs		-	-	-	-
Recognition of deferred tax asset	7	252,350	-	-	252,350
Recognition of share-based payments		-	158,891	158,891	158,891
Balance at 31 December 2018		**55,426,912**	**(22,253,483)**	**33,173,429**	**33,173,429**

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 18	31 Dec 17
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		63,807,444	28,740,514
Payments to suppliers and employees		(47,342,323)	(30,174,297)
Interest received		71	11,312
Interest paid		(671,425)	(867,392)
Income tax paid		(483,803)	-
Net cash provided by operating activities		15,309,964	(2,289,863)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		95,850	284,700
Payment for purchase of property, plant and equipment		(2,772,641)	(3,955,661)
Net cash used in investing activities		(2,676,791)	(3,670,961)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	8,790,759
Payments for share issue costs		-	(549,408)
Proceeds from borrowings		-	-
Repayment of borrowings		(10,572,124)	(1,116,436)
Net cash (used in)/provided by financing activities		(10,572,124)	7,124,915
Net increase in cash and cash equivalents		2,061,049	1,164,091
Cash and cash equivalents at the beginning of the period		1,863,738	281,511
Cash and cash equivalents at the end of the period		3,924,787	1,445,602

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 2018

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Mitchell Services Limited and its controlled entities (referred to as the **Group**). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 25 February 2019.

(b) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for those as described in Note 1(c) below.

(c) New or revised standards and interpretations adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the respective accounting policies are disclosed in Note 2.

(d) Impact of standards issued but not yet applied by the Group

AASB 16 Leases (issued February 2016) will supersede the existing lease accounting requirements in AASB 117 Leases and the related Interpretations. It introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership.

The key requirements of AASB 16 are summarised as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116 Property Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components, instead accounting for all components as a lease;
- inclusion of additional disclosure requirements; and
- accounting for lessors will not significantly change.

AASB 16 will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $1,591,753. The Group is currently assessing to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit, financial position and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The Standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the Standard before its effective date.

2. CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 9: Financial Instruments and AASB 15: Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The impact of the changes in the entity's accounting policies were minimal and therefore prior year financial statements were not required to be restated.

(a) AASB 9: Financial Instruments – Accounting Policies

Financial Instruments
Initial recognition and measurement
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement
Financial liabilities
Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability; that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.
A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial assets
Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;

- it is in accordance with the documented risk management or investment strategy and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments
At initial recognition, as long as the equity instrument is not held for trading or not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: Business Combinations applies, the Group may make an irrevocable election to measure any subsequent changes in fair value of the equity instrument in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

Derecognition
Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities
A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets
A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial assets:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in of equity which was elected to be classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment
The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach; and
- the simplified approach;

General approach
Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach
The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used, taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience etc).

Recognition of expected credit losses in financial statements
At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

(b) AASB 15: Revenue from Contracts with Customers – Accounting Policies

In the comparative period
Revenue was measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from sale of goods was recognised at the point of delivery, as this corresponds to the transfer of significant risks and rewards of ownership of goods and the cessation of all involvement in those goods.

Revenue from rendering of services was recognised in proportion to the stage of completion of the work performed at the reporting date.

Revenue was categorised based on major business activities as follows:

- Drilling revenue
- Interest Income
- Rental Income

In the current period
The Group has adopted AASB 15: Revenue from Contracts with Customers with an initial application date of 1 January 2018. Following the adoption of AASB 115, the Group's total revenue can now be categorised as follows:

- Revenue from contracts with customers
- Interest Income
- Rental Income

Revenue from contracts with customers relates to those revenue sources previously classified as drilling revenue. The revised accounting policy is detailed below.

The group provides drilling services to the exploration, mining and energy industries pursuant to service contracts with a variety of clients in those sectors. The revenue associated with these drilling contracts is recognised in accordance with AASB15, that is in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue from customer contracts is recognised upon satisfaction of a performance obligation under those contracts either over time in accordance with specified units of production (for example meters drilled or hours worked) or at a point in time when risks and rewards pass to the customer under those contracts (for example the sale or hire of certain items including consumables).

(c) Initial Application of AASB 9: Financial instruments

The Group has adopted AASB 9 with a date of initial application of 1 January 2018. As a result, the Group has changed its financial instruments accounting policies as follows.

There were no financial assets/liabilities which the Group had previously designated as fair value through profit or loss under AASB 139: Financial Instruments: Recognition and Measurement that were subject to reclassification/elected reclassification upon the application of AASB 9. There were no financial assets/liabilities which the Group has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

The Group applied AASB 9 and the related consequential amendments to other Standards. New requirements were introduced for the classification and measurement of financial assets and financial liabilities as well as for impairment. The date of initial application was 1 July 2018.

The Directors of the Group determined the existing financial assets as at 1 July 2018 based on the facts and circumstances that were present, and determined that the initial application of AASB 9 had the following effects:

- Financial assets as loans and receivables that were measured at amortised cost continue to be measured at amortised cost under AASB 9, as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment
As per AASB 9, an expected credit loss model is applied and not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss model requires the group to account for expected credit loss since initial recognition.

A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

The Group reviewed and assessed the existing financial assets on 1 July 2018. The assessment was undertaken to test the impairment of these financial assets using reasonable and supportable information that is available to determine the credit risk of the respective items at the date they were initially recognised and compared that to the credit risk as at 1 July 2017 and 1 July 2018. The assessment was performed without undue cost or effort in accordance with AASB 9.

The Group's financial assets only comprise trade and other receivables. The Group applied the expected credit loss model using a provision matrix which resulted in an insignificant expected credit loss allowance which has not been brought to account on the basis of materiality.

Financial assets to which the impairment provisions apply	Attributes of credit risk	Loss allowance recognised on 1 Jul 17	1 Jul 18
1 July 2018			
Trade and other receivables	The Group uses the simplified approach and recognises lifetime expected credit loss.	-	-

The following table represents the classification and measurement of financial assets and financial liabilities under AASB 9 and AASB 139 at the date of initial application, 1 July 2018.

	Financial instrument category		Carrying amount		
	AASB 139 Original	AASB 9 New	AASB 139 Original	AASB 9 recognition of additional loss allowance	AASB 9 New
			$	$	$
Financial assets					
Current and non-current					
Trade and other receivables	Loans and receivables (amortised cost)	Financial assets at amortised cost	17,608,675	-	17,608,675
Cash and cash equivalents	Loans and receivables (amortised cost)	Financial assets at amortised cost	1,863,738	-	1,863,738
Financial liabilities					
Current and non-current					
Trade and other payables	Amortised cost	Financial liabilities at amortised cost	13,163,681	-	13,163,681
Equipment finance and loans	Amortised cost	Financial liabilities at amortised cost	19,948,694	-	19,948,694

(d) Initial application of AASB 15: Revenue from Contracts with Customers

The Group has adopted AASB 15: Revenue from Contracts with Customers with an initial application date of 1 January 2018. The Group has reviewed its accounting for revenue from contracts with customers in light of the new standard and has concluded that the impact on its existing practices was minimal. The comparative information continues to be reported under AASB 118: Revenue while current period revenues have been accounted for in accordance with AASB 15: Revenue from Contracts with Customers. Further details on the accounting policies adopted by the Group in relation to AASB 15: Revenue from Contracts with Customers has been included in Note 2(b).

3. REVENUE

(a) Income from continuing operations

	31 Dec 18	31 Dec 17
	$	$
Revenue from contracts with customers	62,984,203	32,876,570
Interest received	71	11,312
Rental income	138,724	151,631
Other	168,296	175,964
	63,291,294	33,215,477

(b) Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from contracts with customers by commodity, drilling type and client type, as this appropriately depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Commodity		
Coal	40,182,573	17,568,753
Gold	7,069,650	6,649,587
Copper	9,283,927	4,393,290
Lead/zinc/silver	3,190,439	3,136,139
Other	3,257,614	1,128,801
	62,984,203	32,876,570
Drilling type		
Surface drilling	38,455,013	22,154,938
Underground drilling	24,054,013	10,601,372
Other revenue	475,177	120,260
	62,984,203	32,876,570
Client type		
Tier-1 clients	57,801,787	29,516,879
Other clients	5,182,416	3,359,691
	62,984,203	32,876,570
Timing of revenue recognition		
Services transferred over time	53,427,528	27,900,360
Goods transferred at a point in time	9,556,675	4,976,210
	62,984,203	32,876,570

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Motor vehicles	Furniture and fittings	Total
	$	$	$	$	$
At 1 July 2018					
Cost or fair value	101,473	41,212,515	14,241,390	578,693	56,134,071
Accumulated depreciation	(50,628)	(15,395,839)	(9,680,939)	(266,280)	(25,393,686)
Net book amount	50,845	25,816,676	4,560,451	312,413	30,740,385
Half-year ended 31 December 2018					
Opening net book amount	50,845	25,816,676	4,560,451	312,413	30,740,385
Additions	-	3,065,217	222,247	77,621	3,365,085
Disposals	-	(112,322)	(27,500)	-	(139,822)
Depreciation	(8,150)	(3,324,597)	(594,723)	(62,917)	(3,990,387)
	42,695	25,444,974	4,160,475	327,117	29,975,261
At 31 December 2018					
Cost or fair value	101,472	44,142,077	14,376,986	656,314	59,276,849
Accumulated depreciation	(58,777)	(18,697,103)	(10,216,511)	(329,197)	(29,301,588)
Net book amount	42,695	25,444,974	4,160,475	327,117	29,975,261

5. FINANCIAL LIABILITIES

	31 Dec 18	30 Jun 18
	$	$
Current		
Equipment finance leases	2,884,028	2,968,319
Property loan	-	2,713,115
Premium funding	787,992	390,235
	3,672,020	6,071,669
Non-current		
Equipment finance leases	3,606,207	5,377,025
Shareholder loan	-	8,500,000
	3,606,207	13,877,025

Equipment finance leases
The Group leases certain items of equipment under finance leases. The average term of each lease is 3.72 years. The Group's obligations under finance leases are secured by lessor's title to goods under those finance leases.

The Group's exposure to interest rate risk has been mitigated in that interest rates have been fixed for the duration of the finance period. Effective interest rates payable under finance leases are between 4.09% and 8.33% per annum.

The fair value of the finance lease liabilities is approximately equal to the carrying amount.

Property loan facility
On 20 August 2018, the Group fully repaid the $2.7m loan which was provided in April 2018 by National Australia Bank. This loan facility was originally obtained to assist in funding the Group's acquisition of Radco Drilling. The loan, which was secured by way of a registered mortgage over the Group's Townsville investment property was repaid following the sale of that property in August 2018 (see Note 6).

Shareholder loan facility
On 11 December 2018, the Group fully repaid the $8.5m loans that were provided in 2015 by major shareholders Washington H. Soul Pattinson and Company Limited and Mitchell Family Investments (QLD) Pty Ltd. These loans were repaid 18 months earlier than their original expiry date of July 2020 with no fees or penalties applicable for the early repayment.

6. INVESTMENT PROPERTY HELD FOR SALE

On 20 August 2018, the Group sold its investment property located in Townsville for $2.62m. The investment property previously generated cash flows through rental income and was not used for core business activities. In April 2018 the property was offered as security as part of a $2.7m property loan obtained from National Australia Bank and proceeds from the sale were used to repay this loan (see Note 5).

7. INCOME TAX

Deferred tax asset
At 30 June 2018, the Group had material levels of unused income tax losses and had not recognised a deferred tax asset at that time due to the level of probability that existed regarding the extent of future taxable profits and the Group's ability to utilise those unused tax losses. Since that time, the Group has revised its assessment of the probability and extent of future taxable profits. Based on this revised assessment the Group has concluded that the level of probability concerning future taxable profits is sufficient to justify the recognition of its deferred tax assets. Accordingly, a deferred tax asset of $4,254,813 has been recognised at 31 December 2018.The interim period tax benefit was accrued using the tax rate that would be applicable to expected total full year annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Current tax liability
On 4 April 2018 the Group acquired 100% of the shares of Radco Technologies Pty Ltd and Radco Group Australia Pty Ltd (collectively Radco Drilling). Radco Drilling joined the Mitchell Services Limited income tax consolidated group immediately following the acquisition and as such is grouped for income tax purposes with effect from 4 April 2018. The current tax liability of $681,155 relates to Radco Drilling income tax liabilities that existed on acquisition. The liability is due to be paid in March 2019.

8. 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 purchase parts and in some instances perform repair and maintenance type services. Manutech Engineering and Maintenance is an entity controlled by Peter Miller. The amount incurred during the reporting period in relation to these services was $173,146 including GST. Amounts were billed on normal market rates for such services and were due and payable under normal payment terms. An amount of $64,763 remains owing to this related entity at the end of the reporting period.

Equipment Hub Pty Ltd
Nathan Mitchell is a significant shareholder of Equipment Hub Pty Ltd. In order to satisfy specific contract requirements, the Group hired plant and equipment not available in its fleet from Equipment Hub. Hire of plant and equipment from this related entity for the reporting period amounted to $588,514 including GST and was based on normal market rates and under normal payment terms. An amount of $187,684 remains owing to this related entity at the end of the reporting period.

MEH Equipment Hire Pty Ltd
On 5 October 2016, the Group entered into a vendor finance asset sale agreement with MEH Equipment Hire Pty Ltd for the purchase of a Schramm T685 truck-mounted drill rig for $798,600 including GST. The purchase price was determined based on normal market rates and the interest rate on outstanding amounts is 5% per annum. On 5 October 2018, the Group fully repaid the loan.

Mitchell Family Investments (QLD) Pty Ltd

Mitchell Family Investments (QLD) Pty Ltd is an entity controlled by Nathan Mitchell. The Group leases the majority of the premises located at 112 Bluestone Circuit, Seventeen Mile Rocks Brisbane, which is owned by Mitchell Family Investments (QLD) Pty Ltd. The rental associated with this property for the reporting period amounted to $152,280 net of applied rental reductions associated with the revised lease. An amount of $66,541 remains owing to this related entity at the end of the reporting period.

On 6 July 2015, the Group entered into a 5 year debt facility agreement of $3.5million with Mitchell Family Investments (QLD) Pty Ltd at an interest rate of 10%. On 11 December 2018, the Group fully repaid the loan with no fees or penalties for early repayment.

Mitchell Group Pty Ltd

Mitchell Group Pty Ltd is an entity controlled by Nathan Mitchell. On 30 November 2016, the Group entered into a licence deed with Mitchell Group for the use by Mitchell Group of a designated area within 112 Bluestone Circuit, Seventeen Mile Rocks Brisbane. There are no rental charges associated with this property.

Mitchell Family Superannuation Fund

Mitchell Family Superannuation Fund is an entity controlled by Nathan Mitchell. On 30 November 2016, the Group entered into a licence deed with Mitchell Family Superannuation Fund for the use by the Group of 119 Thomas Mitchell Drive, Muswellbrook to facilitate the Group's expansion into NSW. There are no rental charges associated with this property and no amount remains owing to this related entity at the end of the reporting period.

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. 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.

10. FINANCIAL COMMITMENTS

As at 31 December 2018 the Group had outstanding capital expenditure commitments of approximately $3.5m relating to the acquisition of three drilling rigs.

11. EVENTS AFTER THE REPORTING DATE

There has not been any matter or circumstance occurring subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in the future.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Mitchell Services Limited, the Directors declare that:

1) the financial statements and notes, as set out on pages 8-22, are in accordance with the Corporations Act 2001, including:

   a) complying with Accounting Standard AASB 134 Interim Financial Reporting; and

   b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.

2) 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

On behalf of the Directors

N. Mitchell

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 25th day of February 2019

Jessups
Accountants & Business Advisors

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MITCHELL SERVICES LTD ACN 149 206 333
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Report on the Half-year financial report
We have reviewed the accompanying half-year financial report of Mitchell Services Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the Half-year financial report
The directors of Mitchell Services Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Mitchell Services Ltd's financial position as at 31 December 2018 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 Ltd, 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 Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Conclusion
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 Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of Mitchell Services Ltd's financial position as at 31 December 2018 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*.

JESSUPS

Rodger Dunstan
Director

Dated this 25th day of February 2019

Level 1, 19 Stanley Street
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