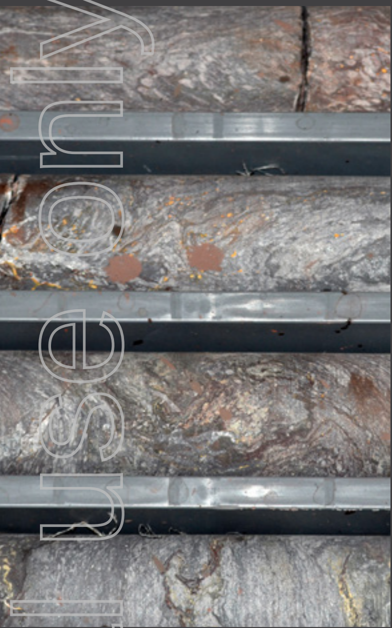
Mitchell
SERVICES




ANNUAL REPORT
2015

Mitchell
SERVICES

MITCHELL SERVICES LTD
ACN 149 206 333
ANNUAL REPORT
30 JUNE 2015

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ANNUAL REPORT 2015

CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 JUNE 2015

Nathan Andrew Mitchell
Executive Chairman

The 2015 financial year, although challenging, was a busy and exciting year for Mitchell Services with a number of key achievements.

In September 2014 the Company purchased 29 drill rigs and support equipment from Tom Browne Drilling Services (in liquidation), increasing both its fleet size and ability to service its Tier 1 client base of major mining companies.

In March 2015 the Company was awarded a significant contract with global mining company Anglo American. The award of this contract is further evidence of strengthened relationships among Tier 1 clients.

In June 2015 the Company announced to the market that it had entered into an agreement to acquire the assets of Nitro Drilling Pty Ltd (In liquidation). The assets acquired include 25 drilling rigs and a wide array of support equipment and inventory. These assets provide capacity for Mitchell Services to fulfil a strong Tier 1 tender pipeline. Similar to the Tom Browne assets acquisition, this is a compelling bottom-of-the market investment of the highest quality assets that will allow Mitchell Services Limited to further extend its service offering with Tier 1 clients.

The Company has made significant progress towards delivering on its vision of being Australia's leading provider of drilling services. Delivering on this vision has been a three phase process.

Phase 1 (to 30 June 2014) was about getting the business ready. This involved restructuring, gaining ISO certifications and implementing the business systems and structures synonymous with the Mitchell brand over its forty plus year history. Phase 2 (to 30 June 2015) was about ramping the business up and building on the strong foundation that the team had built, whilst demonstrating to the market that we were capable of winning and delivering on Tier 1 contracts in a supressed market.

'Phase 1 was about getting business ready and Phase 2 was about ramping up'

Ramping up through to 30 June 2015, although costly, has led to a material increase in revenue primarily from Tier 1 clients. The work of the management and operational teams has positioned Mitchell Services to capitalise on any improvement in general market conditions. It is pleasing to note that revenue from Tier 1 clients has increased from $5.5m in 2014 to $16.3m in 2015 which represents an increase year on year of 195%.

Given the strong emphasis that the Board places on safety it is also pleasing to note that safety statistics during this period of growth have continued to improve.

This ramp up, combined with ongoing subdued general market conditions, and a number of one off costs associated with the Tom Browne asset acquisition have resulted in Mitchell Services recording an EBITDA loss of $4.3 million ($3.1million loss in 2014).

Combined write downs to previously recognised Goodwill and Deferred Tax assets of $10.8 million have resulted in the Group recording an after tax loss of $17mil ($4.6 million in 2014). I acknowledge that this result was unsatisfactory and that we are taking the right actions to manage the business through this protracted downturn in our industry.

With the business ready and ramp up phases and the associated costs now completed, phase 3 is the process of taking advantage of our strong position in the drilling market and capitalising on long term revenue streams from high quality Tier 1 clients. This phase also involves a strong focus on reducing costs in the business, delivering efficient, safe and quality services to our clients and identifying appropriate levels of surplus assets that could potentially be sold to reduce debt levels.

'Mitchell Services has the opportunity to sell assets, reduce debt and increase the overall quality of the entire fleet'

We will continue to be heavily reliant on the general strengthening of our sector, however the broader strategy of the business remains; that upon return to normal market conditions with a significantly diminished competitor base, we will be well placed to deliver strong returns to our shareholders.

Thank you to all shareholders who took part in the September 2014 and June 2015 capital raisings. We thank you for your ongoing support and patience. I would also like to thank the Senior Executive team for their efforts over the last year. I would also like to recognise the broader team that enables Mitchell Services to be recognised for its operational excellence across a wide range of commodities and market sectors.

Nathan Andrew Mitchell
Executive Chairman

THE RECENT ACQUISITION OF NITRO DRILLING ASSETS WILL **SIGNIFICANTLY INCREASE** MITCHELL SERVICES' CAPABILITY.

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Andrew Michael Elf
Chief Executive Officer

It has been a year of ramping the business up and this has come at a cost. However, the business is starting to deliver on our vision of being Australia's leading provider of drilling services to the global exploration, mining and energy industries.

The Company now has all of the systems, structures, procedures and certifications that you would expect under the Mitchell brand given its forty-plus years' experience in the drilling industry. The business is strengthening and extending its relationship with its Tier 1 client base.

'Mitchell Services Limited is strengthening and extending its relationship with its Tier 1 client base'

I am pleased with the progress the Company has made given the continued challenges we face as a mining services provider under the current general market conditions. The key points below demonstrate the considerable work undertaken and achievements of the team over the last year.

- Even though rig utilisation has increased the incidence and severity of safety incidents has continued to decrease.
- Rig utilisation has increased from twelve to nineteen rigs.
- Revenue is spread more widely across geography, commodities and drilling type.
- Tier 1 client revenue has increased significantly as a percentage of overall income.
- Material growth in the size of our tender pipeline.
- The integration of the Tom Browne assets was completed safely and efficiently.
- Announcement to acquire the assets of Nitro drilling.
- The Company has retained ISO-14001, ISO-9001, OHSAS-18001 and AS/NZS 4801 safety, environment and quality certifications.

THE FUTURE

In the year ahead the team's top priorities are listed below:

1. Continue to improve the standards of the health and safety of our people.
2. Meet and exceed the high standard of service that our clients expect from Mitchell Services.
3. Integrate the Nitro Drilling assets and inventory.
4. Sell surplus assets to reduce debt and increase the overall quality of the fleet accordingly.
5. Increase rig utilisation with a view to increasing shareholder value in the medium to long term.

I would like to thank the Board for their on-going support and guidance, my senior executive and all of our teams that have gone above and beyond in the hardest of times in the mining services industry. I look forward to a safe and productive year ahead.

Andrew Michael Elf
Chief Executive Officer

RIG UTILISATION HAS INCREASED FROM

12 TO 19 RIGS

TIER 1 REVENUE HAS INCREASED FROM

$5.5M TO $16.3M

AN INCREASE OF

195%

CURRENT BUSINESS SUMMARY

VISION

TO BE AUSTRALIA'S LEADING PROVIDER OF DRILLING SERVICES TO THE GLOBAL EXPLORATION, MINING AND ENERGY INDUSTRIES

REVENUE FOR 2014/15 FULL YEAR

$25.3M

SAFETY PERFORMANCE CONTINUES TO IMPROVE WITH A REDUCTION IN OCCURRENCE AND SEVERITY

RIG UTILISATION INCREASED FROM **12** RIGS TO **19** RIGS

120+ EXPERIENCED EMPLOYEES

INCREASE IN TIER 1 REVENUE FROM **$5.5M** IN 2014 TO **$16.3M** IN 2015

ASSET SALES TO REDUCE DEBT AND INCREASE OVERALL FLEET QUALITY


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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015

The Directors of Mitchell Services Limited submit herewith the financial report of Mitchell Services Limited (**Company**) and its subsidiaries (**Group**) for the year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Nathan Andrew Mitchell ***(Executive Chairman)***
Mr Mitchell has been involved in the drilling industry for virtually his entire life. With a career spanning almost 30 years, he has a proven track record as an industry leader in technical development and business growth.

Mr Mitchell is currently Executive Chairman of Mitchell Group Holdings Pty Ltd including Ports, Energy, and Equipment. Previously, as CEO for Mitchell Drilling Contractors the company doubled in size and Mr Mitchell directed an international expansion expanding into India, China, Indonesia, the United States and various countries in southern Africa. Other directorships include Tlou Energy Limited (ASX:TOU), VMW Engineering Pty Ltd and Tom Browne International Pty Ltd.

At the date of this report, Mr Mitchell has relevant interests in 272,299,942 shares and 94,607,500 options.

Peter Richard Miller ***(Non-executive Director)***
Mr Miller was appointed as Director on 8 February 2011 and continues in office at the date of this report. Mr Miller stepped down from his senior management position on 17 May 2013 but continued on as a Non-executive Director.
Mr Miller founded Drill Torque in 1992 with 1 drill rig which grew to 29 rigs. Mr Miller has been involved in all aspects of the drilling industry for the past 29 years. His experience encompasses working with all types of drilling rigs, building rigs and managing drilling companies.

Having worked in most exploration areas in Australia he is intimately familiar with drilling conditions, equipment requirements and pricing structure to maximise fleet productivity. Mr Miller is widely known and well regarded in the industry.

At the date of this report, Mr Miller has relevant interests in 43,721,854 shares and 4,208,362 options.

Robert Barry Douglas BCom, LLB ***(Non-executive Director)***
Mr Douglas was appointed a Non-executive Director on 29 November 2013. Mr Douglas has over 15 years of experience in finance and investment banking and is currently an Executive Director of Morgans Financial.

Mr Douglas has experience in all aspects of corporate advisory and equity capital raising for listed public companies and companies seeking to list, including offer structure, prospectus preparation, due diligence, accounts and forecasting, risk management, sales and marketing, logistics and legal requirements. During his time Mr Douglas has worked extensively with energy and resource companies. Mr Douglas is Chairman of the Audit and Risk Committee and the Remuneration and Nomination Committee and has served on both Committees since 20 March 2014.

At the date of this report, Mr Douglas has relevant interests in 1,964,921 shares and 2,500 options.

Ralph Howard Craven ***(Non-executive Director)***
Dr Craven was appointed as Director on 27 May 2011 and ceased to be a Director following his retirement on 20 November 2014. Dr Craven was also the Chairman of the Audit and Risk Committee and the Remuneration and Nomination Committee.

As at 30 November 2014 Dr Craven had relevant interests in 3,000,001 shares and 10,000 options.

Grant Eric Moyle
Mr Moyle was appointed as an Alternate Director for Mr Nathan Mitchell on 30 May 2014.

Mr Moyle is the Chief Executive Officer of Mitchell Group Holdings in Brisbane. He brings to the Group his management and board experience in International Mining Services, Governance and Strategic Business Growth.

At the date of this report, Mr Moyle has relevant interests in 2,369,143 shares.

COMPANY SECRETARY

The names and particulars of the Company Secretaries of the Company during or since the end of the financial year are:

Robert Ian Witty
Robert Ian Witty was appointed to the position of Company Secretary on 8 February 2011 and retired from the position on 28 November 2014. Mr Witty also held the position of Chief Financial Officer.

Mr Witty joined the Group in August 2009 after 38 years' experience in retail and business banking and 2 years' experience as a senior manager with PricewaterhouseCoopers.

Gregory Michael Switala
Gregory Michael Switala was appointed to the position of Company Secretary and Chief Financial Officer on 1 December 2014 following the retirement of Mr Witty.

Mr Switala joined the Group in April 2014 as Financial Controller. Prior to joining the Group Mr Switala had six years' financial accounting and reporting experience in the property and gaming industries and three years' experience in audit with KPMG Inc. Mr Switala holds a BCom (Hons) (CTA) Accounting Sciences Degree and is a member of the South African Institute of Chartered Accountants.

PRINCIPAL ACTIVITIES

The Group provides exploration and mine site drilling services to the exploration, mining, and energy industries, primarily in Australia. The Group (in its current form) evolved from the acquisition of Mitchell Services Pty Ltd by Drill Torque Ltd (DTQ) in December 2013. 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 the activities during the year.

REVIEW OF OPERATIONS

The Group recorded an EBITDA loss of $4.3million for the year ended 30 June 2015 compared to an EBITDA loss of $3.1million in the prior year. Factors that contributed to this EBITDA loss included difficult trading conditions, upfront one off spend to facilitate certain long term contracts, and various other integration and restructuring costs.

Combined write downs to Investment Property and Goodwill of $4.9million resulted in the Group recording an EBIT loss of $12.6million compared to $5.7 million in 2014.
The Group also derecognised its Deferred Tax Asset of $6.3m comprising mainly of tax losses carried forward. This has resulted in the Group recording an after tax loss of $17million compared to $4.6million in 2014.

Further detailed comments on operations and financial performance are included in the Chairman's Report, Chief Executive Officer's Report and Financial Statements included in this Annual Report.

CHANGES IN STATE OF AFFAIRS

Acquisition of Assets from Tom Browne Drilling Services Pty Ltd (In Liquidation)
On 30 September 2014, the Group purchased 29 drill rigs and ancillary equipment from Tom Browne Drilling Services Pty Ltd (receivers and managers appointed) (in liquidation) ('TBDS') for $9.5million, increasing both its fleet size and Tier 1 client base of major mining and energy companies. The purchase was funded by a $20.2million equity raising, which was completed in September 2014. The equity raising also allowed the Group to improve its financial position and reduce debt.

Further details on the acquisition and associated equity raise are included in the Financial Statements included in this Annual Report.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

SUBSEQUENT EVENTS

Acquisition of Assets from Nitro Drilling Pty Ltd (in Liquidation) and its related entities
On 6 July 2015, the Group acquired assets from Nitro Drilling Pty Ltd (Receivers and Managers appointed) (In Liquidation) for $16.1million, funded by a combination of $8.4million in equity raised and $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 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 include 25 drilling rigs and an extensive array of other support equipment and inventory.

The Group raised $8.4 million in equity to fund the acquisition through a fully underwritten non-renounceable entitlement offer of 4 new shares for 7 existing shares held in Mitchell Services Limited ('MSV') at an offer price of $0.017 per share. The issue of the new shares settled on 3 July 2015 bringing the total number of shares on hand at 3 July 2015 to 1,362,428,920.
The terms of the loans provided by major shareholders WHSP and Mitchell Group are as follows:

Mitchell Group Loan

Facility Amount	$3.5million
Term	5 years
Interest rate	10%
Initial Two Years Interest	Subject to MSV shareholder approval, 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 will be secured by the grant of a General Security Agreement over the Nitro assets, subject to shareholder approval.

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, subject to shareholder approval.

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. If shareholder approval for the security transaction is not obtained, the Mitchell Group Loan is repayable within 90 days and the interest for the first two years of the five year term is payable upfront on the day following the shareholder meeting.

On 6 July 2015 MSV issued 29,411,765 new ordinary shares in MSV to WHSP as consideration for interest payable under the facility bringing the total number of shares on hand on 6 July 2015 to 1,391,840,685.

LIKELY DEVELOPMENTS

The Group will continue to pursue its principal activities during the next financial year.

ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. However, the Group does provide services to entities that are licensed or otherwise subject to conditions for the purposes of environmental legislation or regulation. In these instances, the Group undertakes its compliance duties in accordance with the contractor regime implemented by the licensed or regulated entity.

DIVIDENDS

There were no dividends paid in respect of the year ended 30 June 2015.

SHARES UNDER OPTION

Details of unissued shares or interests under option as at the date of this report are:

Grant Date	Date of Expiry	Exercise Price	Number under Option
28 July 2011	2 August 2016	$0.30	12,499,900
29 November 2013	5 August 2017*	$0.000005	48,800,000
29 November 2013	5 August 2017*	$0.000005	48,800,000
			110,099,900

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity in relation to those options.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since the end of the reporting period.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

During the year ended 30 June 2015, there were 100 shares in Mitchell Services Limited issued on the exercise of options granted.

*Options expire 5 days after the end of the relevant 12 month period during which the VWAP vesting condition applying to that class of options may be satisfied. These VWAP conditions are outlined on page 17 of the Remuneration Report.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Group has paid premiums to insure each of the Directors and company officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director or officer of the Group other than conduct involving a wilful breach of duty in relation to the Group. The total premiums paid in this regard amounted to $39,256.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group against a liability incurred as such an officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member). During the financial year, 20 Board meetings, 1 Remuneration and Nomination Committee meetings and 3 Audit and Risk Committee meetings were held.

Directors	Board of Directors		Remuneration and Nomination Committee		Audit and Risk Committee	
	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended
N.A. Mitchell	20	19	-	-	-	-
R.H. Craven	9	9	1	1	2	2
P.R. Miller	20	17	-	-	-	-
R.B. Douglas	20	19	1	1	3	3
G.E. Moyle	1	1	-	-	-	-

NON-AUDIT SERVICES

There were no amounts paid or payable to the auditor for non-audit services provided during the year by the auditor. Refer to note 27 to the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 25 of the Annual Report.

REMUNERATION REPORT

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Mitchell Services Ltd's Key Management Personnel for the financial year ended 30 June 2015. The term "Key Management Personnel" (KMP) refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Key Management Personnel

The Directors and other KMP of the Group during or since the end of the financial year were:

Nathan Andrew Mitchell (Executive Chairman)
Peter Richard Miller (Non-executive Director)
Robert Barry Douglas (Non-executive Director)
Grant Eric Moyle (Non-executive Alternate Director to Nathan Andrew Mitchell)
Ralph Howard Craven (Former Non-executive Director – retired 20 November 2014)
Andrew Michael Elf (Chief Executive Officer)
Gregory Michael Switala (Chief Financial Officer and Company Secretary – appointed 1 December 2014)
Robert Ian Witty (Former Chief Financial Officer and Company Secretary – retired 28 November 2014)
Gary Raymond Salter (Chief Commercial Officer)
Aaron Francis Short (Former Operations Manager and General Manager Drilling – resigned 23 June 2015)

Remuneration Policy

The remuneration policy of Mitchell Services Ltd has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Mitchell Services Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high quality KMP to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

- The remuneration policy is to be developed by the Remuneration and Nomination Committee and approved by the Board. Professional advice may be sought from independent external consultants if required;
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, and may receive fringe benefits, options and performance incentives;
- Any performance incentives will generally only be paid once predetermined key performance indicators have been met;
- The performance criteria relating to incentives paid in the form of options or rights are intended to align with the interests of the Company and therefore shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means;
- The Remuneration and Nomination Committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value.

Any bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Remuneration and Nomination Committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

KMP receive a superannuation guarantee contribution required by the government, which is currently 9.5% (to a maximum of $30,000 per annum) of the individual's average weekly ordinary times earnings, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. KMP will receive redundancy benefits if applicable. Any options not exercised before or on the date of termination will lapse.

All remuneration paid to KMP is valued at the cost to the Group and expensed.

The Board's policy is to remunerate Non-executive Directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination Committee determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting.

KMP participate in the employee share and option arrangements to align Directors' and management's interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into ordinary shares once the attaching conditions are satisfied.

KMP or closely related parties are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

Relationship between the remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. To achieve this aim, options have been issued to specific executive Directors and executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth in forthcoming years.

Employment details of members of Key Management Personnel

The employment terms and conditions of KMP are formalised in contracts of employment. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least four weeks' notice. If the executive does not provide the required period of notice in writing or the executive leaves employment during the period of notice, the Group is entitled to withhold (to the fullest extent permitted by law) from any monies owing to the executive an amount representing the base salary the executive would have earned for the number of months, weeks or days of the notice period that the executive did not work. Termination payments are not payable under the circumstances of unsatisfactory performance.

Remuneration of Key Management Personnel

The compensation of each member of the KMP of the Group is set out below:

Fixed remuneration paid		**2015**			**2014**	
	Short-term employee benefits Salary $	Post-employment benefits Super annuation $	Termination benefits $	Short-term employee benefits Salary $	Post-employment benefits Super annuation $	Termination benefits $
Nathan Andrew Mitchell - Executive Chairman	80,000	7,599	-	33,300	3,079	-
Peter Richard Miller - Non-Executive Director	36,000	3,419	-	37,500	3,467	-
Robert Barry Douglas - Non – Executive Director	36,000	3,419	-	21,000	1,942	-
Ralph Howard Craven -Former Non – Executive Director	20,367	1,935	-	44,000	4,069	-
Guy Hamish Drummond - Former Non – Executive Director	-	-	-	15,000	1,387	-
David John Fairfull - Former Non – Executive Director	-	-	-	57,634	5,331	-
Andrew Michael Elf - Chief Executive Officer	254,604	24,187	-	151,667	14,028	-
Gregory Michael Switala - Chief Financial Officer and Company Secretary[1]	104,999	9,974	-	-	-	-
Robert Ian Witty - Former Chief Financial Officer and Company Secretary	96,611	9,392	129,179	201,176	18,608	-
Gary Raymond Salter - Chief Commercial Officer	260,000	24,699	-	151,667	14,028	-
Aaron Francis Short - Former Operations Manager and General Manager Drilling	187,336	17,796	22,276	104,999	9,712	-
Martin James McIver - Former Chief Financial Officer Mitchell Services Pty Ltd	-	-	-	33,231	3,074	160,002
William Arthur Fisher - Former Operations Manager	-	-	-	6,093	563	24,922
Simon Morrell Morgan - Former Operations Manager	-	-	-	88,755	8,209	58,153
	1,075,917	**102,420**	**151,455**	**946,022**	**87,497**	**243,077**

1. Appointed to the position 1 December 2014, remuneration included from appointment date

- Ralph Howard Craven retired as Non-executive Director on 20 November 2014.
- Robert Ian Witty resigned as Chief Financial Officer and Company Secretary on 28 November 2014
- Gregory Michael Switala was appointed Chief Financial Officer and Company Secretary on 1 December 2014.

On 23 June 2015 Aaron Francis Short resigned from his position as Operations Manager and General Manager Drilling. Following Mr Short's resignation, Cameron John Wright was appointed Interim General Manager Drilling until 1 July 2015 upon which date the Group appointed Philip Anthony Spence as General Manager Drilling.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

Options

The following management options issued during the 2014 financial year to KMP still exist at the date of this report:

	C Class	D Class	Total
Andrew Michael Elf	650,000	650,000	1,300,000
Gary Raymond Salter	650,000	650,000	1,300,000
Total	**1,300,000**	**1,300,000**	**2,600,000**

These options were issued under the following major terms:

- Each option entitles the holder to subscribe for one share upon payment of the exercise price prior to the expiry date. Each option will be either a Class A option, a Class B option, a Class C option or a Class D option.
- The options may only be exercised if they have vested.
- The options will vest in the case of 2,500,000 Class C options if:
  - the Group has an audited EBITDA for its financial year ending 30 June 2016 of at least $7,000,000; and
  - the company's shares have a 10 day VWAP of at least 7 cents per share at any time during the 12 month period commencing on the day of release to the ASX of the Group's final results for the financial year ending 30 June 2016.
- The options will vest in the case of 2,500,000 Class D options if:
  - the Group has an audited EBITDA for its financial year ending 30 June 2016 of at least $9,000,000; and
  - the company's shares have a 10 day VWAP of at least 8 cents per share at any time during the 12 month period commencing on the day of release to the ASX of the Group's final results for the financial year ending 30 June 2016.
- The options may be exercised at any time from when they vest until on or before 5pm (Sydney time) on the date that is 5 business days after the end of the relevant 12 month period during which the VWAP vesting condition applying to that class of options may be satisfied ("expiry date"). Options not exercised by the expiry date will lapse.
- The exercise price of each option is $0.000005.
- The options will not be quoted on the ASX and are not transferrable.
- There are no participation rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of securities offered to shareholders during the currency of the options.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

Nathan Andrew Mitchell
Executive Chairman

Dated at Brisbane this 27th day of August 2015

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

The Board considers there to be a clear and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness amongst and between the Board members, management, employees, customers and suppliers.

Unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council for the entire financial year ended 30 June 2015.

1. Board of Directors

1.1. Role of the Board
The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Group to the Chief Executive Officer and executive management. Responsibilities are delineated by formal authority delegations.

1.2. Board processes
To assist in the execution of its responsibilities, the Board has established 2 board committees which include Remuneration and Nomination Committee and an Audit and Risk Committee. Both committees have written charters which are reviewed on a regular basis. The Board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds not less than 10 scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared by the Company Secretary in conjunction with the Chairperson. Standing items include the Managing Directors' report, Operations reports, Financial reports, Commercial and Business Development report and Training and Safety reports. The Board package is provided to all concerned in advance of meetings. Executives are regularly involved in board discussions and Directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

1.3. Director and executive education
The Group has an informal induction process to educate new Directors about the nature of the business, current issues, the corporate strategy, the culture and values of the Group, and the expectations of the Group concerning performance of Directors. In addition, Directors are also educated regarding meeting arrangements and Director interaction with each other, senior executives and other stakeholders. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has an informal process to educate new senior executives upon taking such positions. This involves reviewing the Group's structure, strategy, operations, financial position and risk management policies.

1.4. Independent professional advice and access to Group information
Each Director has the right of access to all relevant Group information and to the Group's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The Directors must consult with an adviser suitably qualified in the relevant field, and obtain the Chairman's

approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Directors is made available to all other members of the Board.

1.5. Composition of the Board

The names of the Directors of the Company in office at the date of this report together with their respective mix of skills, experience and length of service are set out in the Directors' Report on page 9 and 10 of this report.

The Group believes it is in its best interests to maintain a small but efficient Board. During the reporting period, the Board consisted of 3 Non-executive Directors (being Peter Richard Miller, Ralph Howard Craven and Robert Barry Douglas) and an Executive Chairman, Nathan Andrew Mitchell. Before Ralph Howard Craven retired on 20 November 2014, two of the four Directors were considered independent under the guidelines and as at the date of this report one of the three board members is considered independent. As at the date of this report Robert Barry Douglas is considered independent. Given the challenging market conditions in the mining services industry and the resulting financial constraints to appoint additional Non-executive Directors, the mix of independent and non-independent Directors following the retirement of Dr Ralph Craven is not ideal. The Board is actively pursuing the appointment of an additional highly skilled independent Non-executive Director.

The Chairman is Mr Nathan Andrew Mitchell. Under the guidelines, Mr Mitchell does not meet the criteria for independence as he is a Director of a substantial shareholder. Peter Richard Miller is also a substantial shareholder and does not meet the criteria for independence. All Directors are committed to bringing their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, must inform the Board if they have any interest that could conflict with those of the Group. Where the Board considers that a significant conflict exists, it may exercise its discretion to determine whether the Director concerned may be present at the meeting while the item is considered. For these reasons, the Board believes that each of these Directors may be considered to be acting independently in the execution of their duties.

The Board considers the mix of skills and the diversity of board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have appropriate industry expertise in the Group's business operations. The board undertakes appropriate checks before appointing a person as a director and provides security holders with all material information relevant to a decision on whether or not to elect a director. No new directors were appointed during the year ended 30 June 2015. The Board's policy is to seek a diverse range of Directors who have a range of skills, ages, genders and ethnicity that complements the environment in which the Group operates (refer section 8 below on skills and diversity).

2. Remuneration and Nomination Committee

Under the principles and recommendations of the ASX Corporate Governance Council, the Remuneration and Nomination Committee must consist of at least 3 members, each of whom must be Non-executive Directors. The Directors are of the opinion that 2 members will be sufficient to properly discharge the duties of the committee. The Chairman of the Committee should be an independent Director. The Committee has 2 distinct roles as follows:

- Remuneration related matters; and
- Nomination related matters.

The members of the remuneration and nomination committee during the year were:

- Mr Robert Barry Douglas – Chairman and Non-executive Director
- Dr Ralph Howard Craven – Former Chairman and Non-executive Director;

Ralph Howard Craven retired on 20 November 2014 and Robert Barry Douglas was subsequently appointed Chairman.

Given the challenging market conditions in the mining services industry and the resulting financial constraints to appoint additional non-executive directors and committee members, the size of the Remuneration and Nomination Committee was smaller than ideal following the retirement of Dr Ralph Craven in November 2014. The board is actively pursuing the appointment of an additional highly skilled independent non-executive director to sit on both the Audit and Risk Committee and the Remuneration and Nomination Committees.

CORPORATE GOVERNANCE STATEMENT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

All Directors are invited to Remuneration and Nomination Committee meetings at the discretion of the Committee. The Committee met once during the year and Committee members' attendance record is disclosed in the table of Directors' meetings on page 13 of this report.

Remuneration related matters

The Committee assists the Board in the general application of the remuneration policy. In doing so, the Committee is responsible for:

- Developing remuneration policies for Directors and Key Management Personnel;
- Reviewing Key Management Personnel packages annually and, based on these reviews, making recommendations to the Board on remuneration levels for Key Management Personnel; and
- Assisting the Board in reviewing Key Management Personnel performance annually.

Executive Directors and senior executives are remunerated by way of salary, non-monetary benefits and statutory superannuation in accordance with written agreements that set out the terms of their appointments. Non-executive Directors are remunerated by way of salary and statutory superannuation. There are no schemes for retirement benefits for Directors other than statutory superannuation arrangements for Non-executive Directors. Further disclosure on the policies and practices regarding remuneration is contained in the remuneration report of this annual report.

Nomination related matters

The committee assists the Board in ensuring that the Board comprises Directors with a range and mix of attributes appropriate for achieving its objective. The Committee does this by:

- Overseeing the appointment and induction process for Directors;
- Reviewing the skills and expertise of Directors and identifying potential deficiencies;
- Identifying suitable candidates for the Board;
- Overseeing Board and Directors reviews on an annual basis; and
- Establishing succession planning arrangements for the executive team.

3. Audit and Risk Committee

The Audit and Risk Committee has a documented charter, approved by the Board. Under the principles and recommendations of the ASX Corporate Governance Council, the Committee must consist of at least 3 members, each of whom must be Non-executive Directors. The Directors are of the opinion that 2 members will be sufficient to properly discharge the duties of the Committee for the present time. At least one of the members must have significant expertise in financial reporting, accounting or auditing. The Chairman of the Committee should be an independent Director and must not be Chairman of the Board. The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities in relation to the external audit function, accounting policies, financial reporting, funding, financial risk management, business risk monitoring and insurance.

The members of the Audit and Risk Committee during the year were:

- Mr Robert Barry Douglas – Chairman and Non-executive Director
- Dr Ralph Howard Craven – Former Chairman and Non-executive Director;

Ralph Howard Craven retired on 20 November 2014 and Robert Barry Douglas was subsequently appointed Chairman.

Given the challenging market conditions in the mining services industry and the resulting financial constraints to appoint additional non-executive directors and committee members, the size of the Audit and Risk Committee was smaller than ideal following the retirement of Dr Ralph Craven in November 2014. The board is actively pursuing the appointment of an additional highly skilled independent non-executive director to sit on both the Audit and Risk Committee and the Remuneration and Nomination Committees.

The Company Secretary also sits on this committee; Robert Ian Witty sat on the committee until his retirement on 28 November 2014 and was replaced by Gregory Michael Switala on his

appointment to the role on 1 December 2014.
The external auditors and the Managing Director are invited to Audit and Risk Committee meetings at the discretion of the Committee. The Committee met 3 times during the year and Committee members' attendance record is disclosed in the table of Directors' meetings on page 13 of this report.

The Chief Executive Officer and the Chief Financial Officer declared in writing to the Board that the financial records of the Group for the financial year have been properly maintained, the Group's financial reports for the financial year ended 30 June 2015 comply with accounting standards and present a true and fair view of the Group's financial condition and operational results and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. This statement is required annually.

4. Performance evaluation

The Remuneration and Nomination Committee is required to annually review the effectiveness of the functioning of the Board, its committees, individual Directors and senior executives through internal peer review.

Given the challenging market conditions in the mining services industry and the resulting financial constraints to appoint additional Non-executive Directors and Committee members, the sizes of both the Remuneration and Nomination Committee and Audit and Risk committee were smaller than ideal following the retirement of Dr Ralph Craven in November 2014. The Board is actively pursuing the appointment of an additional highly skilled independent Non-executive Director to sit on both the Audit and Risk Committee and the Remuneration and Nomination Committee. For this reason the performance evaluation process for the year ended 30 June 2015 was an informal one conducted by all Board members.

5. Risk management

The Board considers identification and management of key risks associated with the business as vital to creating and delivering long-term shareholder value.
The main risks that could negatively impact on the performance of the Group's business activities include:

- Safety of our people and our contractors;
- Seasonal conditions and business interruptions;
- Dependence on key personnel and labour shortages;
- Customer demand and outlook for the resources industry;
- High regulation in relation to health, safety and the environment.

An assessment of the business's risk profile is undertaken and reviewed by the Board annually, covering all aspects of the business from the operational level through to strategic level risks. Executive management has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly by management. Executive management has reported on an ongoing basis (via monthly board meetings) to board as to whether the Group's business risks have been effectively managed.

In addition to their regular reporting on business risks, risk management and internal control systems, the Chief Executive Officer and Chief Financial Officer have provided assurance, in writing to the Board:

- That the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively; and
- The Group's financial reports are founded on a sound system of risk management and internal compliance and control.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. In the absence of an internal audit function, comprehensive practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled;
- Health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel;
- Financial reporting accuracy and compliance with the financial reporting regulatory framework. Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared

CORPORATE GOVERNANCE STATEMENT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

regularly; and
- Environmental regulation compliance. The Group's health, safety, environment and sustainability committee consists of all members of the Board and focuses on ensuring compliance with these various areas.

6. Ethical standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews its Code of Conduct and Ethics regularly and processes are in place to promote and communicate these policies.

Conflict of interest

Directors must keep the Board advised, on an on-going basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.
Where the Board believes that a significant conflict exists for a Director on a board matter, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Group are set out in note 25 to the financial statements.

Code of conduct

The Group has advised each Director, manager and employee that they must comply with the Group's Code of Conduct and Ethics. The code requires all Directors, management and employees to at all times with all relevant stakeholders:
- Act honestly and in good faith;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflict of interest;
- Comply with both the letter and spirit of the law;
- Encourage the reporting and investigation of unlawful and unethical behaviour; and
- Comply with the share trading policy.

Share trading policy

The share trading policy restricts Directors and employees from acting on price sensitive information (which is not available to the public) until it has been released to the market and adequate time has been given for this to be reflected in the company's share price.

Directors and other Key Management Personnel are also prohibited from trading during closed periods. Closed periods are periods other than 6 weeks commencing from:

- The release of the Group's annual result to the ASX;
- The release of the Group's half-yearly result to the ASX; and
- The date of the Annual General Meeting.

7. Communication with shareholders

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy and investor relations program which includes identifying matters that may have a material effect on the price of the company's shares and notifying them to the ASX.

In summary, the Continuous Disclosure Policy operates as follows:

- The Company Secretary (also the Chief Financial Officer) and the managing Director are responsible for interpreting the Group's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered but are referred to the Board in the first instance.
- The full Annual Report is provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy or not to receive the document). It provides relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments.
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the ASX and sent to any shareholder who requests it.
- Proposed major changes in the Group which may impact

on share ownership rights are submitted to a vote of shareholders.
- All announcements made to the market can be accessed via the company's website after they have been released to the ASX.
- The external auditor attends the Annual General Meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

8. Skills and diversity

Diversity

The Board has an established Diversity Policy relating to its board members, senior executives and across the whole organisation with an objective to recruit and manage on the basis of qualification for the position and performance; regardless of gender, age, nationality, race, religious beliefs, cultural background or sexuality.

In summary, the Diversity Policy operates as follows:
- Discrimination, harassment, vilification and victimisation cannot and will not be tolerated with regard to any aspect of the Company's operations.
- The Company will conduct regular programs to familiarise each employee with the objectives and content this Diversity Policy in order to promote greater awareness and positive workplace culture.
- Recruitment and selection practices at all levels (from the Board downwards) are to be structured to ensure that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain types of candidates.
- Identify and implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees and that, over time, will prepare them for senior management and Board positions.
- Where practicable, recognise that employees (female and male) at all levels may have domestic responsibilities and adopt flexible work practices that will assist them to meet those responsibilities

The proportion of women employees in the whole organisation is detailed below:

	2015		2014	
	No.	**%**	**No.**	**%**
Women on the board	-	-	-	-
Women in senior management roles	-	-	-	-
Women employees in the Group	4	3.33	5	7.05

Skills matrix

Mitchell Services aims to maintain a diverse, multi-skilled Board with a range of different skills and expertise. At a minimum, these skills and expertise include:
- Capital management and corporate finance experience
- Experience at both executive and non-executive levels
- An understanding of the drilling industry and mining services sector
- Exceptional leadership skills
- Experience in workplace health and safety
- An understanding of technological advances in the mining services industry
- Financial acumen and strategic capabilities
- Environment and sustainability experience
- An understanding of risk management

AUDITOR'S INDEPENDENCE DECLARATION
FOR THE YEAR ENDED 30 JUNE 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 30 June 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 20th August 2015

Level 1, 19 Stanley Street
TOWNSVILLE QLD 4810

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $	2014 $
Continuing operations			
Revenue	2	25,290,974	15,015,003
Advertising		(67,229)	(8,752)
Drilling consumables		(4,495,425)	(2,086,171)
Employee and contract labour expenses		(13,254,828)	(8,076,800)
Fuel and oil		(1,975,127)	(1,100,711)
Freight and couriers		(913,405)	(890,825)
Hire of plant and equipment		(1,608,672)	(1,165,773)
Insurances		(499,588)	(529,566)
Legal and consultant fees		(829,597)	(575,905)
Loss on sale of assets		(146,249)	(366,916)
Rent		(392,253)	(307,074)
Service and repairs		(2,860,539)	(1,054,542)
Travel expenses		(1,367,977)	(531,694)
Other expenses	3	(1,202,532)	(1,390,773)
EBITDA		(4,322,447)	(3,070,499)
Change in fair value of investment property	15	(414,282)	-
Impairment of goodwill	10	(4,481,519)	-
Depreciation expense		(3,429,323)	(2,598,051)
EBIT		(12,647,571)	(5,668,550)
Finance expenses		(526,579)	(617,095)
Profit/(loss) before tax		(13,174,150)	(6,285,645)
Income tax (expense)/benefit	16	(3,825,333)	1,678,387
Profit/(loss) for the period from continuing operations		(16,999,483)	(4,607,258)
Profit/(loss) for the period from discontinued operations		-	-
Profit/(loss) for the period		(16,999,483)	(4,607,258)
Other comprehensive income, net of income tax			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		(16,999,483)	(4,607,258)
Profit attributable to:			
Owners of the parent		(16,999,483)	(4,607,258)
Total comprehensive income attributable to:			
Owners of the parent		(16,999,483)	(4,607,258)
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)	29	(2.32)	(1.73)
Diluted (cents per share)	29	(2.32)	(1.73)
From continuing operations			
Basic (cents per share)	29	(2.32)	(1.73)
Diluted (cents per share)	29	(2.32)	(1.73)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $	2014 $
ASSETS			
Current assets			
Cash and cash equivalents	4(a)	515,679	125,004
Trade and other receivables	5	7,148,908	2,348,514
Other financial assets	6	3,724	7,708
Right to purchase assets	7	16,125,000	-
Other assets	8	440,156	298,212
Inventories	9	1,869,518	1,604,952
Total current assets		26,102,985	4,384,390
Non-current assets			
Other financial assets	6	3,195	5,572
Property, plant and equipment	14	18,286,816	14,009,330
Investment property	15	2,975,000	-
Other assets	8	18,000	20,000
Deferred tax asset	17	-	3,397,802
Goodwill	10	-	4,481,519
Total non-current assets		21,283,011	21,914,223
Total assets		47,385,996	26,298,613
LIABILITIES			
Current liabilities			
Bank overdraft	4(b)	1,130,013	2,251,701
Trade and other payables	11	24,587,154	3,689,775
Other financial liabilities	12	2,293,225	2,449,305
Provisions	13	367,360	352,163
Total current liabilities		28,377,752	8,742,944
Non-current liabilities			
Other financial liabilities	12	3,655,853	4,699,250
Provisions	13	97,963	45,107
Total non-current liabilities		3,753,816	4,744,357
Total liabilities		32,131,568	13,487,301
Net assets		15,254,428	12,811,312
EQUITY			
Issued capital	18	39,219,134	19,024,100
Share issue costs	19	(1,922,724)	(1,199,944)
Contingent option reserve		2,122,402	2,122,402
Retained earnings	20	(24,164,384)	(7,135,246)
Total equity		15,254,428	12,811,312

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Note	Issued Capital	Contingent Option Reserve	Retained Earnings	Attributable to Owners of the Parent	Total
		$	$	$	$	$
Balance at 1 July 2013		13,474,320	-	(2,594,390)	10,879,930	10,879,930
Comprehensive income						
Profit/(loss) for the period	20	-	-	(4,607,258)	(4,607,258)	(4,607,258)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(4,607,258)	(4,607,258)	(4,607,258)
Issue of ordinary shares related to rights issue		2,500,000	-	-	2,500,000	2,500,000
Issue of ordinary shares related to business combination		2,000,000	-	-	2,000,000	2,000,000
Share issue costs		(150,164)	-	-	(150,164)	(150,164)
Contingent options		-	2,122,402	-	2,122,402	2,122,402
Recognition of share-based payments		-	-	66,402	66,402	66,402
Balance at 30 June 2014		17,824,156	2,122,402	(7,135,246)	12,811,312	12,811,312
Comprehensive income						
Profit/(loss) for the period	20	-	-	(16,999,483)	(16,999,483)	(16,999,483)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(16,999,483)	(16,999,483)	(16,999,483)
Issue of ordinary shares	18	20,195,034	-	-	20,195,034	20,195,034
Share issue costs	19	(722,780)	-	-	(722,780)	(722,780)
Recognition of share-based payments	21	-	-	(29,655)	(29,655)	(29,655)
Balance at 30 June 2015		**37,296,410**	**2,122,402**	**(24,164,384)**	**15,254,428**	**15,254,428**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		21,669,432	14,471,061
Payments to suppliers and employees		(25,822,159)	(15,917,753)
Interest received		52,706	691
Interest paid		(498,287)	(599,238)
Income tax paid		(117,767)	(160,214)
Net cash provided by/(used in) operating activities	22	(4,716,075)	(2,205,453)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		551,916	1,010,895
Payment for Tom Browne assets		(9,617,678)	-
Payment for Nitro Drilling assets		(1,499,550)	-
Payment for other property, plant and equipment		(875,535)	(922,355)
Net cash provided by/(used in) investing activities		(11,440,847)	88,540
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		20,195,034	2,500,000
Payments for share issue costs		(1,032,542)	(214,520)
Proceeds from borrowings		1,282,532	1,906,567
Repayment of borrowings		(2,775,739)	(2,876,221)
Costs associated with borrowing		-	(702)
Net cash provided by/(used in) financing activities		17,669,285	1,315,124
Net increase/(decrease) in cash and cash equivalents		1,512,363	(801,789)
Cash and cash equivalents at the beginning of the period		(2,126,697)	(1,324,908)
Cash and cash equivalents at the end of the period	4(c)	(614,334)	(2,126,697)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General information
Mitchell Services Ltd (**the Company**) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the Corporate Directory of this Annual Report. The principal activities of the Company and its subsidiaries (**the Group**) involve the provision of exploration and mine site drilling services to the mining industry.

(b) Statement of compliance
These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on the date shown in the Directors' Declaration.

(c) Basis of preparation
The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at re-valued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

(d) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interest's and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at re-valued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial

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FOR THE YEAR ENDED 30 JUNE 2015

recognition of an investment in an associate or jointly controlled entity.

(e) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date (i.e. when control is transferred to the Group). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

(f) Goodwill and impairment

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measureable until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

Drilling revenue

Drilling revenue is derived from the depth and type of drilling and the hours worked on the specific site.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(j) Income taxes

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Mitchell Services Ltd.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
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to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(k) Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. On-going repairs and maintenance are expensed as incurred.

Depreciation
Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment using the diminishing value basis (excluding buildings which are depreciated on a straight-line basis) over their estimated useful lives. Depreciation is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The depreciation rates used for the current and comparative years of significant items of property, plant and equipment are as follows:

Classes of Fixed Asset	
Buildings	2.5%
Plant & Equipment	6.67% - 40%
Motor Vehicles	18.75% - 40%
Office Equipment, Furniture & Fittings	10% - 67%

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment of property, plant and equipment
At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible

to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Financial instruments

Financial assets

The only category of financial assets held by the Group relates to “loans and receivables”.

Loans and receivables

Loans and receivables comprise cash and cash equivalents and, trade and other receivables. The Group initially recognises loans and receivables on the date that they are originated.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal

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repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Impairment of financial assets
The Group's financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For financial assets carried at amortised cost, objective evidence of impairment may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

De-recognition of financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities
The only category of financial liabilities owed by the Group relates to "other financial liabilities".

Other financial liabilities
Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables. The Group initially recognises other financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

De-recognition of financial liabilities
The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in profit or loss.

(o) Trade and other receivables
Trade and other receivables include amounts due from customers for goods and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to note 1(n) for further discussion on the determination of impairment losses.

(p) Trade and other payables
Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days after the end of the month in which they were initially recognised as a liability.

(q) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified within operating cash flows.

(r) Investment property
Investment property is property held to earn rentals or for capital appreciation or both, rather than for either use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

The Group uses the fair value model for investment property.

The Group's investment property is assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected. An impairment loss is recognised immediately in profit or loss, unless the investment property is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, but so that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the investment property in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(s) Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are

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FOR THE YEAR ENDED 30 JUNE 2015

recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates – impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(t) Application of new and revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)
There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

Standards and Interpretations in issue not yet adopted
At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1-Jul-18	30-Jun-19
AASB 15 'Revenue from Contracts with Customers'	1-Jul-17	30-Jun-18
AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1-Jul-17	30-Jun-18
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1-Jan-16	30-Jun-17
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1-Jan-16	30-Jun-17
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1-Jan-16	30-Jun-17
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1-Jan-16	30-Jun-17

2. REVENUE

	2015	2014
	$	$
From continuing operations		
Income from operations	24,691,591	14,068,518
Government subsidy	-	10,000
Interest received	52,706	696
Management fees	204,515	89,436
Profit on sale of assets	116,287	126,454
Recoveries	67,182	703,423
Rental income	158,193	5,854
Other	500	10,622
	599,383	946,485
Total income from continuing operations	25,290,974	15,015,003

3. RECLASSIFICATION OF OTHER EXPENSES

Items reported as other expenses in the 2014 Annual Report have been reclassified into separate categories 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
	$	$
From continuing operations		
Changes in inventories of finished goods	38	-
Freight and couriers	-	(890,825)
Legal and consultant fees	-	(575,905)
Loss on sale of assets	-	(366,916)
Other expenses	(3,224,457)	(1,390,773)

4. CASH AND CASH EQUIVALENTS

For the purposes of the 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 year shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows.

		2015	2014
		$	$
4(a)	**In funds accounts**		
	Bank balances	515,679	125,004
4(b)	**Bank overdraft**		
	Bank overdraft	(1,130,013)	(2,251,701)
4(c)	**Net cash at bank**	(614,334)	(2,126,697)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
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	2015	2014
	$	$
5. TRADE AND OTHER RECEIVABLES		
Trade debtors	5,569,827	2,546,851
Less provision for doubtful debts	(34,258)	(212,058)
Bonds and deposits	2,000	13,721
GST receivable	1,611,339	-
	7,148,908	2,348,514

5(a) CREDIT RISK AND AGEING OF TRADE DEBTORS

The class of assets described as "trade debtors" is considered to be the main source of credit risk related to the Group. In determining the recoverability of a trade receivable, the Group has raised a provision for doubtful debts of $34,258 at 30 June 2015 (2014: $212,085). This amount represents a balance owing from a customer over which a sufficient level of uncertainty exists regarding its recoverability. The Group does not hold any collateral over these balances. A single counterparty made up of 24.41% of the total trade receivables at 30 June 2015. All invoices to this counterparty included in the total trade and other receivables at 30 June 2015 have been received as at the date of this report. The ageing of trade debtors (financial assets) is as follows:

	2015	2014
< 1 month	4,551,084	2,038,053
1 to 3 months	863,514	508,798
3 to 6 months	155,229	-
	5,569,827	2,546,851

6. OTHER FINANCIAL ASSETS

	2015	2014
Current		
Borrowing costs	3,724	7,708
	3,724	7,708
Non-current		
Borrowing costs	3,195	5,572
	3,195	5,572

6(a) AGEING OF OTHER FINANCIAL ASSETS

	2015	2014
The ageing of other financial assets – current is as follows:		
< 1 year	3,724	7,708
	3,724	7,708
The ageing of other financial assets - non-current is as follows:	3,195	5,572
1 to 5 years	3,195	5,572

	2015	2014
	$	$

7. RIGHT TO PURCHASE ASSETS

On 5 June 2015 the Group entered into an agreement to acquire the drilling rigs and associated assets of Nitro Drilling Pty Ltd (Receivers and Managers appointed) (In Liquidation) for an agreed purchase price of $16,125,000. Under the terms of the agreement the Group was required to pay a 10% deposit within 2 business days and the balance of the agreed purchase price within 30 business days at which time all risks and rewards associated with the assets passed to the Group. Given the fact that such risks and regards did not pass until after 30 June 2015, the Group has classified the purchase as a right as opposed to Property Plant and Equipment. Upon settlement of the transaction (6 July 2015) the Group reclassified the purchase price to Property Plant and Equipment. For further notes on the purchase refer note 32 – Events After the Reporting Date.

	2015 $	2014 $
Right to purchase the assets of Nitro Drilling Pty Ltd	16,125,000	-
	16,125,000	-

8. OTHER ASSETS

	2015 $	2014 $
Current		
Prepayments	440,156	298,212
	440,156	298,212
Non-current		
Property held for sale	18,000	18,000
Shares in listed company	-	2,000
	18,000	20,000

9. INVENTORIES

	2015 $	2014 $
Finished goods	1,869,518	1,604,952
	1,869,518	1,604,952

The cost of inventories recognised as an expense during the year in respect of continuing operations was $4,495,425 (2014: $2,086,171)

10. GOODWILL

	2015 $	2014 $
Balance at the beginning of the period	4,481,519	-
Impairment loss	(4,481,519)	-
Amount recognised as result of business combination	-	4,481,519
	-	4,481,519

The goodwill arose as a result of the Group's acquisition of Mitchell Operations Pty Ltd (previously Mitchell Services Pty Ltd) on 29 November 2013.

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Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating division which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

In June 2015, the Group reassessed the recoverable amount of each Cash Generating Unit (**CGU**) resulting in goodwill being fully impaired.

The recoverable amount of each CGU is based on its value in use and is determined by discounting the future cash flows to be generated from continuing operations of the CGUs. The calculation used actual results for the 12 months ending 30 June 2015 extended over five years based on management's estimate of future growth rates. Cash flows into perpetuity were extrapolated using a terminal growth factor relevant to the sector and business plan. A pre-tax discount rate was applied and adjusted for the industry in which each CGU operates.

EBITDA growth, capital expenditure, terminal value growth rate, discount rate and revenue security were key drivers for determining cash flows. These assumptions were projected based on past experience, actual operating results and management's outlook for future years taking into account forecast industry growth rates.

Growth rates were determined after considering a number of factors including the nature of the industry, the overall market including competition, past performance and the economic outlook. A long term growth rate into perpetuity of 2% was used.

A pre-tax discount rate of 17% was applied to the Group's operating division to discount the forecast future attributable pre-tax cash flows. The discount rates have been calculated after assessing the relevant risks applicable to each CGU, the current risk free rate of return and the volatility of the Group's performance compared to the sectors in which it operates.

	2015	2014
	$	$
11. TRADE AND OTHER PAYABLES		
Current		
Trade creditors [1]	21,393,159	2,627,043
Other creditors [2]	1,300,000	23,900
Accrued expenses	1,893,995	1,038,832
	24,587,154	3,689,775

1. Includes $16,237,950 payable for the purchase of Nitro Drilling Pty Limited (Receivers and Managers Appointed). See Note 7.
2. Comprises $1,300,000 for the purchase of a 2010 Schramm T130XD rig. See note 14.

11(a) AGEING OF TRADE AND OTHER PAYABLES

	2015	2014
The ageing of trade creditors (financial liabilities) is as follows:		
< 1 month	18,989,048	2,184,300
1 to 3 months	2,383,258	38,179
> 3 months	20,853	404,564
	21,393,159	2,627,043

	2015	2014
	$	$
12. OTHER FINANCIAL LIABILITIES		
Current		
Equipment finance leases	1,483,169	1,716,344
Equipment line loan	224,949	207,966
Working capital loan 1	124,882	20,091
Working capital loan 2	198,875	185,480
Insurance premium funding	261,350	319,424
	2,293,225	2,449,305
Non-current		
Equipment finance leases	2,426,634	2,939,474
Equipment line loan	216,451	443,514
Working capital loan 1	575,118	679,909
Working capital loan 2	437,650	636,353
	3,655,853	4,699,250

12(a) FINANCE LEASES

	2015	2014
Current	1,483,169	1,716,344
Non-current	2,426,634	2,939,474
	3,909,803	4,655,818
Minimum future lease payments		
Not later than 1 year	1,665,107	1,967,742
Later than 1 year and not later than 5 years	2,618,474	3,205,499
Minimum future lease payments	4,283,581	5,173,241
Less future finance charges	(373,778)	(517,423)
	3,909,803	4,655,818
Present value of minimum future lease payments		
Not later than 1 year	1,469,260	1,716,344
Later than 1 year and not later than 5 years	2,440,543	2,939,474
	3,909,803	4,655,818

The Group leases certain items of equipment under finance leases. The average term is 3.32 years (2014: 3.6 years). The Group's obligations under finance leases are secured by lessor's title to goods under finance lease.

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 4.45% and 9.61% (2014: 5.25% to 10.52%).

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

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12(b) LOANS

A summary of borrowing arrangements applicable to all loans is included in Note 23(a). Security pledged in respect of the equipment line loan and working capital loan 1 is detailed in Note 14(a).

	2015	2014
	$	$
13. PROVISIONS		
Annual leave provision - current		
Opening balance	213,391	361,576
Movement	153,969	(148,185)
Closing balance	367,360	213,391
Long service leave provision - current		
Opening balance	23,657	43,328
Movement	(23,657)	(19,671)
Closing balance	-	23,657
Provision for contract costs		
Opening balance	115,115	-
Movement	(115,115)	115,115
Closing balance	-	115,115
Total current provisions	367,360	352,163
Long service leave provision - non-current		
Opening balance	45,107	76,804
Movement	52,856	(31,697)
Closing balance	97,963	45,107
Total non-current provisions	97,963	45,107

The above provisions represent annual leave and long service leave entitlements accrued by the Group's employees.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Motor vehicles	Furniture and fittings	Total
	$	$	$	$	$
At 1 July 2014					
Cost or fair value	3,625,070	12,600,751	12,868,490	146,047	29,240,358
Accumulated depreciation	(182,684)	(5,221,932)	(9,746,429)	(79,983)	(15,231,028)
Net book amount	3,442,386	7,378,819	3,122,061	66,064	14,009,330
Year ended 30 June 2015					
Opening net book amount	3,442,386	7,378,819	3,122,061	66,064	14,009,330
Additions	-	10,540,700	704,847	36,934	11,282,481
Disposals	-	(121,288)	(65,103)	-	(186,391)
Depreciation	(36,500)	(2,633,050)	(730,675)	(29,098)	(3,429,323)
Transfer to investment property	(3,374,210)	(15,071)	-	-	(3,389,281)
	31,676	15,150,110	3,031,130	73,900	18,286,816
At 30 June 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
At 1 July 2013					
Cost or fair value	3,591,170	12,702,440	14,459,339	93,061	30,846,010
Accumulated depreciation	(111,412)	(4,559,108)	(10,145,393)	(53,910)	(14,869,823)
Net book amount	3,479,758	8,143,332	4,313,946	39,151	15,976,187
Year ended 30 June 2014					
Opening net book amount	3,479,758	8,143,332	4,313,946	39,151	15,976,187
Acquired in business combination	33,791	832,711	-	50,446	916,948
Additions	-	862,969	59,386	-	922,355
Disposals	-	(852,690)	(355,419)	-	(1,208,109)
Depreciation	(71,163)	(1,607,503)	(895,852)	(23,533)	(2,598,051)
	3,442,386	7,378,819	3,122,061	66,064	14,009,330
At 30 June 2014					
Cost or fair value	3,625,070	12,600,751	12,868,490	146,047	29,240,358
Accumulated depreciation	(182,684)	(5,221,932)	(9,746,429)	(79,983)	(15,231,028)
Net book amount	3,442,386	7,378,819	3,122,061	66,064	14,009,330

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

Plant and equipment and motor vehicles comprise mainly of drilling rigs and associated equipment. Directors and management continually monitor both domestic and overseas markets on new and used drill rig pricing and availability and as a result are of the opinion that the net written down book value of the Group's property, plant and equipment is less than its recoverable amount. Remaining mindful of the volatility of the mining industry, Directors and management do not intend to change the current depreciation and amortisation rates.

Acquisition of Tom Browne Drilling Services assets

On 30 September 2014, the Group purchased 29 drill rigs and ancillary equipment from Tom Browne Drilling Services Pty Ltd (receivers and managers appointed: in liquidation) for $9,481,933. The purchase price (plus associated stamp duty of $135,745) was allocated to the following asset categories:

Current assets	
Inventory	467,046
Assets held for sale*	414,637
	881,683
Non-current property, plant and equipment	
Motor vehicles	168,013
Plant and equipment	8,567,982
	8,735,995
	9,617,678

* On 21 October 2014 the Group held an auction for excess assets that were acquired as part of the Tom Browne asset purchase. These assets were sold for their carrying value of $414,637.

Other significant additions

In June 2015 the Group purchased a 2010 Schramm T130XD rig previously held under a hire agreement for $1,300,000. Extended payment terms were agreed under the terms of the sale. Under these terms payment of the purchase price is required to be made in full by March 2016. An unconditional bank guarantee has been provided in favour of the Vendor as security for the payment. The Group has obtained pre approval from Suncorp bank to enter into a five year equipment finance facility in March 2016 in order to fund the required payment.

Assets held for sale

Following the acquisition of Nitro Drilling Pty Limited (Receivers and Managers Appointed) assets (for further details refer to Note 32 Events After the Reporting Date) management and Board have identified appropriate surplus assets to be sold with a view to deliver on its strategy of reducing debt levels post 30 June 2015. These assets include a combination of tier 2 drilling rigs and large number of assets not specific to the drilling industry including light vehicles, support trucks, trailers and other items of plant & equipment. An active program to locate buyers has been initiated and the assets have been actively marketed, the sale of these assets is expected to be completed by the end of December 2015.

14(a) ASSETS PLEDGED AS SECURITY

The following has been pledged as security in relation to the Group's bank overdraft and other financial liabilities.

Bank overdraft and working capital loan 1

The following securities will secure the repayment of the above facilities:

- An existing registered mortgage given by Mitchell Services Ltd over the property situated at 133-137 Crocodile Crescent, Mount St John, Qld (carrying amount of $2,975,000).
- Registered general security agreement given by Notch Holdings Pty Ltd as grantor, over all of its present and after acquired personal and real property including, the goodwill of its business, uncalled and unpaid capital and proceeds.
- Existing registered company charge given by Mitchell Services Ltd over all the assets and undertakings of the company including uncalled and unpaid capital.
- Guarantee and indemnity given by Mitchell Services Limited, Well Drilled Pty Ltd, Notch Holdings Pty Ltd and Mitchell Operations Pty Ltd.

Bank guarantee

The following rigs have been pledged as security:

- 2010 Schramm T130XD drill rig and loadsafe (carrying amount of $1,175,851.27)

Equipment line loan

The following rigs have been pledged as security:

- 2006 Schramm T130XD drill rig (carrying amount of $272,562)
- 2005 Schramm T130XD drill rig (carrying amount of $312,975)

Working capital loan 2

The following rigs have been pledged as security:

- 2008 UDR1200 Rotadrill drill rig (carrying amount of $361,217)
- 2007 Schramm T685WS Rotadrill drill rig (carrying amount of $180,287)

15. INVESTMENT PROPERTY

On 1 January 2015, the Group reclassified its building and land situated at 133-137 Crocodile Crescent, Mount St John to investment property and subsequently revalued to fair value. This is in line with the Group's accounting policies, given that this property is held to generate rental income as opposed to owner occupation. Management have valued the property on a rental yield basis using an annual yield of 8.75% which it deems appropriate.

	2015	2014
	$	$
Balance at the beginning of the period	-	-
Transfer from land and buildings	3,389,282	-
Revaluation to fair value	(414,282)	
	2,975,000	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
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	2015	2014
	$	$
16. INCOME TAX EXPENSE		
Income tax expense recognised in profit/(loss)		
Income tax expense comprises		
Current tax	117,769	157,821
Deferred tax	(2,603,381)	(1,836,208)
Derecognised tax losses and tax losses not recognised in current year	6,310,945	-
	3,825,333	(1,678,387)
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit/(loss) before tax from continuing operations	(13,174,150)	(6,285,645)
Income tax expense calculated at 30%	(3,952,245)	(1,885,693)
Effect of expenses that are not deductible in determining taxable profit	1,348,864	49,485
Derecognised tax losses and tax losses not recognised in current year	6,310,945	-
Effect of tax rates in foreign jurisdictions (PNG)	117,769	157,821
Adjustments recognised in current year in relation to current tax of prior years	-	-
	3,825,333	(1,678,387)

The tax rate used for 2015 and 2014 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

	2015	2014
17. TAX ASSETS AND LIABILITIES		
Tax assets - current		
Income tax receivable	-	-
Tax assets - non-current		
Deferred tax asset	-	3,397,802
Tax liabilities - current		
Provision for foreign contractor withholding tax PNG	-	-

2015	**Opening balance 01/07/14**	**Recognised in profit/ (loss)**	**Acquired in business combination**	**Recognised in Equity**	**30%**	**Closing balance 30/06/15**
Temporary differences						
Annual & long service leave provision	(84,646)	(183,170)	-	-	(54,951)	(139,597)
Superannuation provision	(48,191)	(133,104)	-	-	(39,931)	(88,122)
Provision for contract costs	(34,535)	115,117	-	-	34,535	-
Provision for doubtful debts	(63,617)	(34,259)	-	-	(10,278)	(73,895)
Other accrued expenses	(48,256)	84,370	-	-	25,311	(22,945)
Prepaid expenses	-	(123,502)	-	-	37,051	37,051
Fixed assets	(1,272)	(636,253)	-	-	(190,876)	(372,432)
Asset acquisition costs & initial repairs	-	(1,466,807)	-	-	(440,042)	(440,042)
Accrued income	102,218	(186,566)	-	-	(55,970)	46,248
Foreign exchange gains/(losses)	91	(3,469)	-	-	(1,041)	(950)
Rights issue costs	(56,039)	48,451	-	-	14,535	(41,504)
Share issue costs	(206,504)	527,073	-	(1,032,542)	(151,641)	(358,145)
	(440,751)	(1,745,115)	-	(1,032,542)	(833,297)	(1,454,332)
Unused tax losses						
Losses carried forward	(2,957,051)	(6,932,820)	-	-	(2,079,846)	(4,856,613)
	(3,397,802)	(8,677,935)	-	(1,032,542)	(2,913,143)	(6,310,945)
Deferred tax asset derecognised						6,310,945
	(3,397,802)	(8,677,935)	-	(1,032,542)	(2,913,143)	-

2014	**Opening balance 01/07/13**	**Recognised in profit/ (loss)**	**Acquired in business combination**	**Recognised in Equity**	**30%**	**Closing balance 30/06/14**
Temporary differences						
Annual & long service leave provision	(144,512)	315,800	(116,247)	-	59,866	(84,646)
Superannuation provision	(53,733)	45,734	(27,262)	-	5,542	(48,191)
Provision for contract costs	-	(115,115)	-	-	(34,534)	(34,534)
Provision for doubtful debts	-	(212,058)	-	-	(63,617)	(63,617)
Other accrued expenses	(16,349)	(106,355)	-	-	(31,907)	(48,256)
Fixed assets	(240)	(3,439)	-	-	(1,032)	(1,272)
Accrued income	12,541	298,924	-	-	89,677	102,218
Foreign exchange gains/(losses)	(2,162)	5,661	1,849	-	2,253	91
Rights issue costs	(8,407)	48,451	-	(207,223)	(47,632)	(56,039)
Share issue costs	(310,155)	352,801	-	(7,297)	103,651	(206,504)
	(523,017)	630,404	(141,660)	(214,520)	82,267	(440,750)
Unused tax losses						
Losses carried forward	(738,961)	(6,751,096)	-	-	(2,218,091)	(2,957,052)
	(1,261,978)	(6,120,692)	(141,660)	(214,520)	(2,135,824)	(3,397,802)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	$	$
17(b) UNRECOGNISED AMOUNTS		
Franking account balance	872,635	870,635

As at 30 June 2015, the Group has not recognised deferred tax assets of $6,310,945 predominantly in relation to income tax losses.

18. ISSUED CAPITAL

Fully paid ordinary shares		
Balance at the beginning of the period	19,024,100	14,524,100
Issue of shares - rights issue	11,672,504	2,500,000
Issue of shares - acquisition of Mitchell Operations Pty Ltd	-	2,000,000
Issue of shares - first tranche	1,522,500	-
Issue of shares - second tranche	7,000,000	-
Issue of shares - option conversion	30	-
	39,219,134	19,024,100

Fully paid ordinary shares	Number of Shares	Number of Shares
Balance at the beginning of the period	290,000,005	125,000,005
Issue of shares - rights issue	333,500,111	125,000,000
Issue of shares - acquisition of Mitchell Operations Pty Ltd	-	40,000,000
Issue of shares - first tranche	43,500,001	-
Issue of shares - second tranche	200,000,000	-
Issue of shares - option conversion	100	-
	867,000,217	290,000,005

The following shares were issued during the year ended 30 June 2015:

- On 28 August 2014, 43,500,001 fully paid ordinary shares were issued at a price of $0.035 by way of a first tranche placement to institutional and sophisticated investors.
- On 26 September 2014, 333,500,111 fully paid ordinary shares were issued at a price of $0.035 by way of a 1 for 1 non-renounceable rights issue.
- On 26 September 2014, 200,000,000 fully paid ordinary shares were issued at a price of $0.035 by way of a second tranche placement to institutional and sophisticated investors.

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 19).

	2015	2014
	$	**$**
19. SHARE ISSUE COSTS		
Balance at the beginning of the period	(1,199,944)	(1,049,780)
Share issue costs	(1,032,542)	(214,520)
Tax benefit	309,762	64,356
	(1,922,724)	(1,199,944)
20. RETAINED EARNINGS		
Balance at the beginning of the period	(7,135,246)	(2,594,390)
Profit/(loss) attributable to owners of the company	(16,999,483)	(4,607,258)
Share based payment transactions (refer note 21)	(29,655)	66,402
	(24,164,384)	(7,135,246)

21. SHARE BASED PAYMENT TRANSACTIONS

Replacement awards (equity-settled)
Prior to the acquisition of Mitchell Operations Pty Ltd (formerly Mitchell Services Pty Ltd), Mitchell Operations Pty Ltd had granted 11,340,000 options to a number of its senior executives. In consideration for the senior executives agreeing to cancel these options and agreeing to become employees of Mitchell Services Limited on terms acceptable to both parties, Mitchell Services Limited granted 11,340,000 options (replacement awards) to those senior executives.

During the year ended 30 June 2015, 8,340,000 senior management options were cancelled due to a combination of:

- requirement as part of the September 2014 equity raise
- resignation of Aaron Short during the year

As at 30 June 2015 3,000,000 management options were on issue.

Measurement of fair values
The fair value of Tranche C and D options was $83,550 as at 30 June 2015 and has been determined using the Black-Scholes option pricing model. Expected volatility is estimated by considering historical volatility of comparable company share prices.

The inputs used in the measurement of the fair value at grant date of the equity-settled share-based payment plans were as follows:

	Tranche A	Tranche B	Tranche C	Tranche D	Total
Share price at grant date			$0.0495	$0.0495	
Exercise price			$0.000005	$0.000005	
Expected volatility			50%	50%	
Time to maturity			3.6 years	3.6 years	
Risk-free interest rate (based on government bonds)			3.13%	3.13%	
Dividend yield (assumed no dividends paid)			0%	0%	
Fair value at grant date per option			$0.0292	$0.0265	
Number of options			1,500,000	1,500,000	3,000,000
Total fair value of options			$43,800	$39,750	$83,550

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	2015	2014
	$	$
Expense recognised in profit or loss		
Equity-settled share-based payment transactions		
Replacement awards granted on 29 November 2013	(29,655)	66,402
Total expense recognised for equity-settled share-based payment	(29,655)	66,402

22. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2015	2014
Profit/(loss) for the year	(16,999,483)	(4,607,258)
Adjustments for:		
Depreciation and amortisation	3,429,323	2,598,051
Fair value adjustment	414,282	-
Goodwill impairment	4,481,519	-
Profit on sale of assets	(116,287)	(126,454)
Loss on sale of assets	146,249	366,919
Income tax expense	3,825,333	(1,678,387)
Change in trade and other receivables	(4,800,394)	(423,964)
Change in other assets	(133,583)	(17,182)
Change in inventories	202,480	(45,082)
Change in trade payables and accruals	4,971,929	2,179,379
Change in insurance premium funding balance	(58,074)	35,345
Change in provisions	68,053	(84,438)
Working capital acquired in business combination	-	(308,570)
Recognition of share based payment	(29,655)	66,402
Income tax paid	(117,767)	(160,214)
	(4,716,075)	(2,205,453)

23. FINANCIAL RISK MANAGEMENT

The Group's financial instruments mainly consist of deposits with banks, trade receivables and payables and borrowings and leases from financial institutions. The Board of Directors are responsible for monitoring and managing the financial risks. They monitor these risks through regular meetings with the Group's management. The Group does not enter into derivative financial instruments and does not speculate in any type of financial instrument.

Specific financial risk exposures and management thereof

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous reporting period.

23(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The following tables set out the Group's exposure to interest rate risk.

2015		Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
		Expected duration until repayment				
		$	$	$	$	$
Bank overdraft	(a)	1,130,013	-	-	-	1,130,013
Equipment finance leases	(b)	1,469,260	1,224,777	543,779	671,987	3,909,803
Premium insurance	(c)	261,350	-	-	-	261,350
Equipment line loan	(d)	225,712	215,688	-	-	441,400
Working capital loan 1	(e)	144,972	132,650	140,901	281,477	700,000
Working capital loan 2	(f)	197,996	211,512	227,017	-	636,525
		3,429,303	1,784,627	911,697	953,464	7,079,091

a. Interest rates have varied between 5.48% and 6.12% per annum.
b. Interest rates are commercial lease finance rates and are fixed for the duration of the loan period.
c. Interest rate is fixed at a flat rate of 2.3273% of the amount initially financed.
d. Interest is variable with rates varying between 7.74% and 8.25% per annum.
e. Interest is variable with rates varying between 5.24% and 5.88% per annum.
f. Interest is fixed at a commercial lease finance rate of 6.6546% for the duration of the loan period.

2014		Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
		Expected duration until repayment				
		$	$	$	$	$
Bank overdraft	(a)	2,251,701	-	-	-	2,251,701
Equipment finance leases	(b)	1,716,344	1,171,192	967,999	800,283	4,655,818
Premium insurance	(c)	319,424	-	-	-	319,424
Equipment line loan	(d)	207,966	225,664	217,850	-	651,480
Working capital loan 1	(e)	20,091	124,882	132,649	422,378	700,000
Working capital loan 2	(f)	185,480	198,005	211,581	226,767	821,833
		4,701,006	1,719,743	1,530,079	1,449,428	9,400,256

a. Interest rates have varied between 6.01% and 6.28% per annum.
b. Interest rates are commercial lease finance rates and are fixed for the duration of the loan period.
c. Interest rate is fixed at a flat rate of 3.81% of the amount initially financed.
d. Interest is variable with rates varying between 8.195% and 8.5817% per annum.
e. Interest is variable with rates varying between 6.01% and 6.03% per annum.
f. Interest is fixed at a commercial lease finance rate of 6.6546% for the duration of the loan period

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23(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure , as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages this risk through the following mechanisms:

- ensuring that there is access to adequate capital;
- preparing forward looking cash flow analyses in relation to its operational, investing and financial activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- investing surplus cash only with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities, compared with financial assets. Bank overdrafts have been excluded from the analysis below as management does not consider that there is any material risk that the bank will terminate such facilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward. The deficiency identified in the table will be met from cash flows generated by the Group's normal operations.

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 7 Years		Total	
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $
Financial liabilities due for payment						
Trade and other payables (excluding estimated employee entitlements)	24,587,154	3,689,775	-	-	24,587,154	3,689,775
Financial liabilities	2,299,290	2,449,305	3,649,788	4,699,250	5,949,078	7,148,555
Total contractual outflows	26,886,444	6,139,080	3,649,788	4,699,250	30,536,232	10,838,330
Total expected outflows	26,886,444	6,139,080	3,649,788	4,699,250	30,536,232	10,838,330
Financial assets - cash flows realisable						
Cash and cash equivalents	515,679	125,004	-	-	515,679	125,004
Trade and other receivables	7,148,908	2,348,514	-	-	7,148,908	2,348,514
Total anticipated inflows	7,664,587	2,473,518	-	-	7,664,587	2,473,518
Net (outflow)/inflow on financial instruments	(19,221,857)	(3,665,562)	(3,649,788)	(4,699,250)	(22,871,645)	(8,364,812)

23(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables from customers. The Group has adopted a policy of only dealing with creditworthy counterparties and uses publicly available financial information and its own trading records to rate its customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored to mitigate financial loss. The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Consolidated Statement of Financial Position.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables is provided in note 5(a).

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at note 5(a).

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

24. NET FAIR VALUES

Fair value estimation
The carrying values of financial assets and financial liabilities as detailed in the Consolidated Statement of Financial Position and these notes approximate their fair values at reporting date.

25. RELATED PARTY TRANSACTIONS

25(a) Related parties

The Group's main related parties are as follows.

(i) Entities exercising control over the Group
The ultimate parent entity that exercises control over the Group is Mitchell Services Ltd ACN 149 206 333. The subsidiary companies in the Group are Notch Holdings Pty Ltd ACN 009 271 461, Well Drilled Pty Ltd ACN 123 980 343, Mitchell Operations Pty Ltd ACN 165 456 066 and Notch No. 2 Pty Ltd ACN 606 170 138.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(ii) Key management personnel
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity are considered KMP.

Disclosures relating to Key Management Personnel are set out in the remuneration report.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

(iii) Other related parties

Other related parties include entities over which KMP have control or joint control.

25(b) Transactions with related parties

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 perform repair and maintenance type services. Manutech Engineering and Maintenance is an entity controlled by Peter Richard Miller. The amount incurred during the reporting period in relation to these services was $271,776 excluding GST. Amounts were billed on normal market rates for such services and were due and payable under normal payment terms. An amount of $57,311 remains owing to this related entity at the end of the reporting period.

Transactions with Mitchell Group private entities

MEH Equipment Hire Pty Ltd

MEH Equipment Hire Pty Ltd is an entity controlled by Nathan Andrew Mitchell. The Group hired plant and equipment from MEH Equipment Hire Pty Ltd. Hire of plant and equipment from this related entity for the reporting period amounted to $1,046,188 excluding GST and was based on normal market rates and under normal payment terms. An amount of $452,965 remains owing to this related entity at the end of the reporting period.

MEH Equipment Hire Pty Ltd hired plant and equipment from the Group. Hire of plant and equipment to this related entity for the reporting period amounted to $21,802 excluding GST and was based on normal market rates and under normal payment terms. There are no amounts outstanding as at the end of the reporting period.

Mitchell Family Holdings Pty Ltd

Mitchell Family Holdings Pty Ltd is an entity controlled by Nathan Andrew Mitchell. On 27 June 2014, the Group obtained funding via a $2,000,000 loan facility from Mitchell Family Holdings. The loan was unsecured and interest was charged at 14% per annum. The facility was fully repaid on 26 September 2014 and interest paid was $17,874. The purpose of the loan was to fund working capital on a short term basis until the successful completion of the equity raise in late September 2014.

Mitchell African Holdings Pty Ltd

Mitchell African Holdings Pty Ltd is an entity controlled by Nathan Andrew Mitchell. Under an existing general services agreement, the Group provides management and administrative support services, and other service activities conducted from time to time. Under this general services arrangement the Group charges Mitchell African Holdings a management fee of approximately $10,000 per month and at times pays for expenses on their behalf to be recharged back. Management fee income for the year amounted to $204,515. $279,102 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 $9,916 plus GST per month and an amount of $50,198 remains owing to this related entity at the end of the reporting period.

Mitchell Family Superannuation Fund

Mitchell Family Superannuation Fund is an entity controlled by Nathan Andrew Mitchell. The Group entered into a short term General Tenancy Agreement for rental of a section of 112 Ebbern Street, Darra Brisbane, which is owned by Mitchell Family Superannuation Fund. The agreement ended on 8 May 2015. The rental expense associated with this lease amounted to $36,750 plus GST and an amount of $31,341 remains owing to this related entity at the end of the reporting period.

VMW Engineering Pty Ltd

VMW Engineering Pty Ltd is an entity controlled by Nathan Andrew Mitchell. VMW Engineering supplies the Group with equipment and rig components to be used in the day to day operations of the business. Amounts were billed on normal market rates for such goods and were due and payable under normal payment terms. Total purchases amounted to $36,699 excluding GST; $3,487 remains owing to this related entity at the end of the reporting period.

26. KEY MANAGEMENT PERSONNEL

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2015.

	2015	2014
	$	$
27. AUDITORS REMUNERATION		
Audit and review of financial statements	84,208	57,971
Other		-
	84,208	57,971

28. OPERATING LEASE COMMITMENTS

Operating leases relate to leases of land and buildings with varying lease terms not exceeding five (2014: five) years. Some lease contracts contain provision for market rental reviews within the remaining lease term.

Non-cancellable operating lease commitments:

	2015	2014
Not later than 1 year	241,496	230,195
Between 1 and 3 years	281,157	227,736
Later than 3 years	22,632	132,846
	522,098	590,777

29. EARNINGS PER SHARE

	2015	2014
Basic earnings per share		
From continuing operations	(2.32)	(1.73)
Diluted earnings per share		
From continuing operations	(2.32)	(1.73)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

Basic earnings per share and diluted earnings per share are calculated using earnings and weighted average number of ordinary shares as follows:

	2015	2014
Profit/(loss) for the year attributable to owners ($)	(16,999,483)	(4,607,258)
Weighted average number of ordinary shares	731,344,015	266,699,541

The weighted number of ordinary shares for the period ended 30 June 2014 has been restated for the rights issue on 26 September 2014. An adjustment factor of 1.079 has been used. This adjustment factor is calculated as the fair value per share before exercise of rights divided by the theoretical ex-rights value per share.

30. DEFINED CONTRIBUTION RETIREMENT BENEFIT OBLIGATIONS

The Group contributes superannuation on behalf of qualifying employees to defined contribution retirement benefit plans. The assets of the funds are held separately from those of the Group in funds under the control of trustees. The only obligation of the Group is to make specified contributions in accordance with contractual employment and statutory obligations. The total expense recognised in the statement of profit or loss and other comprehensive income of $843,568 (2014: $448,538) represents the contributions payable by the Group to these plans in accordance with contractual employment and statutory obligations. As at 30 June 2015, contributions of $293,744 due in respect of the 2015 reporting period (2014: $160,640) had not been paid over to the plans. These amounts were paid subsequent to the end of the 2015 reporting period.

31. 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.

32. EVENTS AFTER THE REPORTING DATE

Acquisition of Assets from Nitro Drilling Pty Ltd (in Liquidation) and its related entities

On 6 July 2015, the Group acquired assets from Nitro Drilling Pty Ltd (Receivers and Managers appointed) (In Liquidation) for $16.1million, funded by a combination of $8.4million in equity raised and $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 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 include 25 drilling rigs and an extensive array of other support equipment and inventory.

The Group raised $8.4 million in equity to fund the acquisition through a fully underwritten non-renounceable entitlement offer of 4 new shares for 7 existing shares held in Mitchell Services Limited ('MSV') at an offer price of $0.017 per share. The issue of the new shares settled on 3 July 2015 bringing the total number of shares on hand at 3 July 2015 to 1,362,428,920.

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

Mitchell Group Loan

Facility Amount	$3.5million
Term	5 years
Interest rate	10%
Initial Two Years Interest	Subject to MSV shareholder approval, 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 will be secured by the grant of a General Security Agreement over the Nitro assets, subject to shareholder approval.

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, subject to shareholder approval.

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. If shareholder approval for the security transaction is not obtained, the Mitchell Group Loan is repayable within 90 days and the interest for the first two years of the five year term is payable upfront on the day following the shareholder meeting.

On 6 July 2015 MSV issued 29,411,765 new ordinary shares in MSV to WHSP as consideration for interest payable under the facility bringing the total number of shares on hand on 6 July 2015 to 1,391,840,685.

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;

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1(b) to the financial statements;

(c) 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; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Nath Mitchell

Nathan Mitchell
Executive Chairman

Dated at Brisbane this 27th day of August 2015

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MITCHELL SERVICES LTD ACN 149 206 333
FOR THE YEAR ENDED 30 JUNE 2015

Report on the Financial Report

I have audited the accompanying financial report of Mitchell Services Ltd, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on our audit. I conducted our audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 2001, which has been given 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 report.

Auditor's Opinion

In my opinion the financial report of Mitchell Services Ltd is in accordance with the Corporations Act 2001, including:
(a) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF MITCHELL SERVICES LTD ACN 149 206 333
FOR THE YEAR ENDED 30 JUNE 2015

Report on the Remuneration Report

I have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. My responsibility is to express an opinion on the Remuneration Report, based on my audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In my opinion, the Remuneration Report of Mitchell Services Ltd for the year ended 30 June 2015 complies with section 300A of the Corporations Act 2001.

Ian Jessup
Jessups

Level 1 19 Stanley Street
TOWNSVILLE QLD 4810

Dated this 27th day of August 2015

ADDITIONAL AUSTRALIAN STOCK EXCHANGE INFORMATION

The following information is current as at 13 August 2015.

MSV Quoted Ordinary Shares

Spread of holdings	Number of holders	Shares	% of total capital issued
1 - 1,000	8	1,390	0.00%
1,000 - 5,000	22	66,062	0.01%
5,000 - 10,000	38	334,398	0.02%
10,001 - 100,000	263	13,533,238	0.97%
Greater than 100,000	426	1,377,905,597	99.00%
Total	**757**	**1,391,840,685**	**100%**
Holding less than a marketable parcel	120	n/a	n/a

MSVO Quoted Options

Spread of holdings	Number of holders	Shares	% of total capital issued
1 - 1,000	44	44,000	0.35%
1,000 - 5,000	199	612,475	4.90%
5,000 - 10,000	47	383,875	3.08%
10,001 - 100,000	46	1,675,480	13.40%
Greater than 100,000	19	9,784,070	78.27%
Total	**355**	**12,499,900**	**100.00%**

ADDITIONAL AUSTRALIAN STOCK EXCHANGE INFORMATION CONTINUED

MSVO Quoted Ordinary Shares

The twenty largest listed security holders comprise:

Rank	Shareholder	Ordinary Shares	% of total capital issued
1	Mitchell Group Holdings Pty Ltd	176,785,715	12.70%
2	Washington H Soul Pattinson and Company Ltd	149,177,561	10.72%
3	CVC Limited	100,696,309	7.23%
4	Mitchell Family Investments Pty Ltd	94,285,715	6.77%
5	National Nominees Limited	81,463,151	5.85%
6	J P Morgan Nominees Australia	61,158,682	4.39%
7	Farjoy Pty Ltd	56,114,711	4.03%
8	Mirrabooka Investments Limited	51,366,930	3.69%
9	Jumani Pty Ltd	26,705,037	1.92%
10	Citicorp Nominees Pty Limited	24,175,716	1.74%
11	Pybar Holdings Pty Limited	23,803,771	1.71%
12	CVC Private Equity Limited	21,843,076	1.57%
13	Sonya Miller	19,816,810	1.42%
14	Peter Miller	19,816,809	1.42%
15	Pacific Development Corporation Pty Ltd	15,000,001	1.08%
16	Australian Executor Trustees Limited	14,754,693	1.06%
17	Clapsy Pty Ltd	12,004,233	0.86%
18	Netherfield Nominees Pty Ltd	9,500,000	0.68%
19	Carinda Pty Ltd	9,249,793	0.66%
20	Richvale Pty Ltd	8,485,715	0.61%
Total		**976,204,428**	**70%**

MSVO Quoted Options

The twenty largest listed security holders comprise:

Rank	Shareholder	Ordinary Shares	% of total quoted options
1	Sonya Miller	1,981,681	15.85%
2	Peter Miller	1,981,681	15.85%
3	Washington H Soul Pattinson and Company Ltd	1,274,638	10.20%
4	Mr Alfredo Varela	1,126,250	9.01%
5	Jumani Pty Ltd	698,520	5.59%
6	Oztech Pty Ltd	485,500	3.88%
7	Farjoy Pty Ltd	445,617	3.56%
8	Hamergin Pty Ltd	250,000	2.00%
9	Mr Peter Richard Miller & Mrs Sonya Margaret Miller	245,000	1.96%
10	Hancroft Pty Ltd	200,000	1.60%
11	Mr William May	183,600	1.47%
12	Mr Simon Hammer	163,000	1.30%
13	Richvale Pty Ltd	135,000	1.08%
14	D J Fairfull Pty Ltd	135,000	1.08%
15	Mr Anthony Hewett	122,500	0.98%
16	Mr Diarmuid Joseph Galway	120,000	0.96%
17	Mr Vincent Gordon Reibelt & Mrs Cecily Reibelt	120,000	0.96%
18	Glenprice Pty Ltd	116,083	0.93%
19	Mrs Diane Jeanette Harrison-Bialas	100,000	0.80%
20	Mr Andrew Petrie & Mrs Edwina Petrie	100,000	0.80%
Total		**9,984,070**	**80%**

ADDITIONAL AUSTRALIAN STOCK EXCHANGE INFORMATION CONTINUED

Unquoted Securities

Class	Number of options	Substantial holder	Units held by substantial holder
Class C performance options	48,800,000	Mitchell Group Holdings Pty Ltd	47,300,000
Class D performance options	48,800,000	Mitchell Group Holdings Pty Ltd	47,300,000

Substantial Shareholders

Rank	Shareholder	Ordinary Shares	% of total capital issued
1	Mitchell Group Holdings Pty Ltd and associates	272,299,942	19.56%
2	Washington H Soul Pattinson and Company Limited	149,177,561	10.72%
3	Acorn Capital Limited	134,744,220	9.68%
4	CVC Limited	122,539,385	8.80%

Voting Rights

Ordinary shares
The voting rights attached to ordinary shares is set out below:

On a show of hands, every member present at a meeting in person, or by proxy, shall have one vote, and upon a poll, each share shall have one vote.

No other classes of securities have voting rights.

Restricted Securities

The following performance options are on issue. These options may only be exercised upon the Group achieving certain EBITDA targets.

	C Class	D Class	Total
Performance options	1,300,000	1,300,000	2,600,000
Total	**1,300,000**	**1,300,000**	**2,600,000**

Recently listed entities

For the period from 1 July 2014 to 30 June 2015, the Group has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way that is consistent with its business objectives.

CORPORATE DIRECTORY

Board of Directors

Executive Chairman
Nathan Andrew Mitchell

Directors
Peter Richard Miller
Robert Barry Douglas

Chief Executive Officer
Andrew Michael Elf

Chief Financial Officer and Company Secretary
Gregory Michael Switala

Registered Office
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