28 January 2016

MITCHELL SERVICES LIMITED
(ASX: MSV)

Appendix 4C Quarterly Report and Investor Update

Dear Shareholder,

Mitchell Services Limited (**The Company**) is pleased to provide the following Investor Update and 4C for the quarter ended 31 December 2015.

The Company's main focus areas during the past quarter have included:

- Mobilisation and commencement of drilling at the Cracow and Pajingo mine sites under the recently awarded Evolution contract
- Managing the increasing operating rig count that peaked at 23 in November
- The sale of appropriately identified surplus assets within the fleet and the corresponding reduction of company debt
- Pursuing new contract opportunities

As the attached 4C illustrates the Company has generated positive operating cash flows of $236k financial year to date and negative operating cash flows of $288k for the December quarter. Included in this quarter's operating cash flows are payments of approximately $1mil for upfront/ramp up costs relating to the Evolution contract that are expected to be recovered during the life of the contract. The December 2015 quarter saw average operating rig counts of 22 compared to 11 for the quarter ended December 2014.

During the quarter the Company completed a highly successful surplus asset sales process. Proceeds from asset sales for the quarter ending 31 December 2015 were $4.79mil and $5.97mil year to date. The Company has used these proceeds to repay debt and fund the capital expenditure required for Cracow and Pajingo.

I look forward to a safe, busy and challenging quarter ahead.

Yours Faithfully

Andrew Elf
Chief Executive Officer

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Rule 4.7B

Appendix 4C

Quarterly report
for entities admitted
on the basis of commitments

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

Name of entity

MITCHELL SERVICES LIMITED

ABN	Quarter ended ("current quarter")
31 149 206 333	31 December 2015

Consolidated statement of cash flows

	Cash flows related to operating activities	Curent quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from customers	9,338	18,454
1.2	Payments for (a) staff costs	(3,827)	(7,640)
	(b) advertising and marketing	-	-
	(c) research and development	-	-
	(d) leased assets	-	-
	(e) other working capital	(5,709)	(10,382)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	2
1.5	Interest and other costs of finance paid	(91)	(198)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net operating cash flows	(288)	236

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (6 months) $A'000
1.8	Net operating cash flows (carried forward)	(288)	236
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(787)	(16,715)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	4,789	5,986
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	4,002	(10,729)
1.14	**Total operating and investing cash flows**	3,714	(10,493)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	113	8,535
1.16	Payment for share issue costs	(6)	(589)
1.17	Proceeds from borrowings	-	8,500
1.18	Repayment of borrowings	(1,682)	(2,644)
1.19	Dividends paid	-	-
1.20	Other (provide details if material)	-	-
	Net financing cash flows	(1,575)	13,802
	Net increase (decrease) in cash held	2,139	3,309
1.21	Cash at beginning of quarter/year to date	556	(614)
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	**Cash at end of quarter**	2,695	2,695

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	51
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	539	539
3.2	Credit standby arrangements	2,500	600

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
4.1	Cash on hand and at bank	1,862	460
4.2	Deposits at call	3	96
4.3	Bank overdraft	(600)	-
4.4	Other (held in trust)	1,430	-
	Total: cash at end of quarter (item 1.23)	2,695	556

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	-	-
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 28 January 2016
(Company Secretary)

Print name: Greg Switala

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.

3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.