



ANNUAL REPORT 2017

**THE LEADER
IN MINERAL DRILLING
INNOVATION**



CORPORATE DIRECTORY

Directors

Andrew Simpson -
Non-Executive Chairman

Kent Swick -
Managing Director

David Nixon -
Non-Executive Director

Phillip Lockyer -
Non-Executive Director

Ian McCubbing -
Non-Executive Director

Company Secretary

Frank Campagna

Registered and Operations Office

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Perth, Western Australia, 6000

Solicitors

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16 Milligan Street
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Bankers

National Australia Bank Ltd

ASX Code: SWK (fully paid shares)

Listed on the Australian Securities Exchange

ABN: 20 112 917 905

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2017 MILESTONES

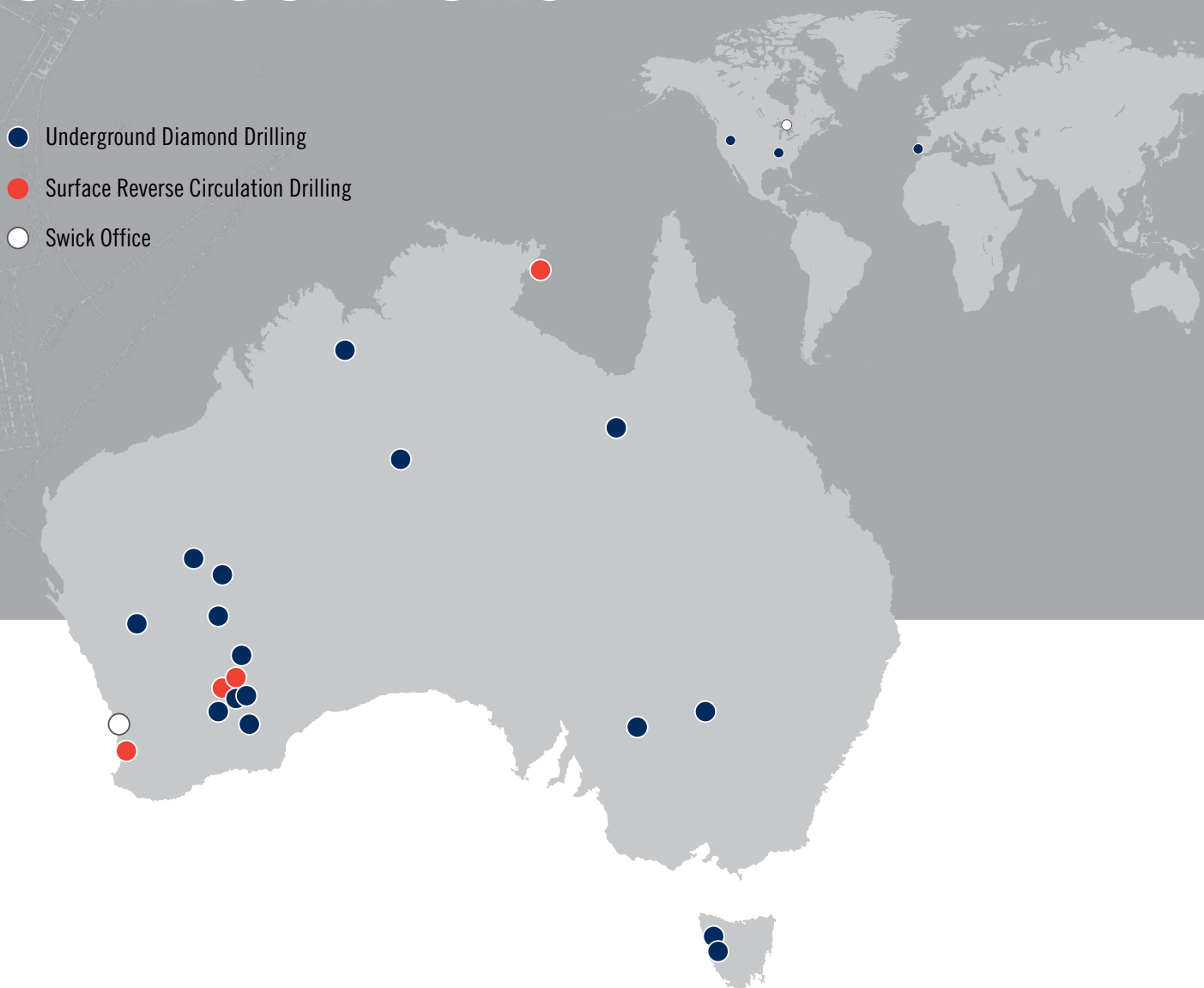
- Commissioned a dedicated purpose built testing, training and induction facility at the Company's South Guildford headquarters.
- Record Underground Diamond Drilling metres drilled (1,122,144 metres), an increase of 12.8% on the previous year.
- Underground Diamond Drilling metres per shift and metres per man-hour increased by 7% and 8% respectively over the year.
- Successful on-site core testing of the Orexplore product undertaken in Europe. First non-prototype machines expected in Australia 1H18.



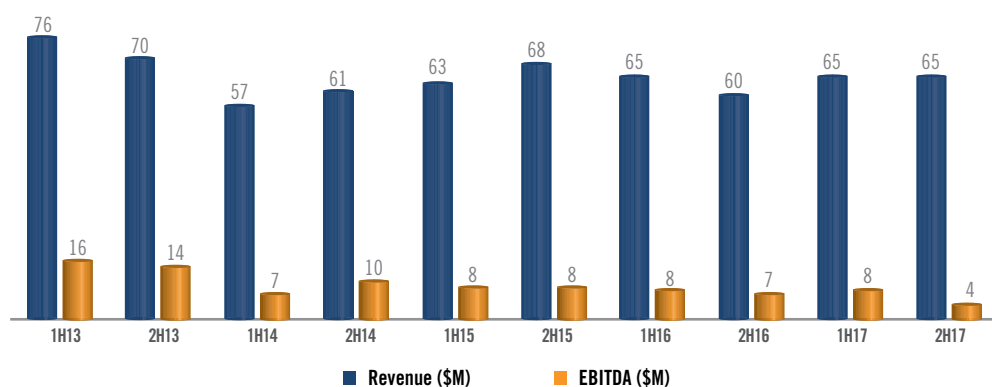


OUR LOCATIONS

- Underground Diamond Drilling
- Surface Reverse Circulation Drilling
- Swick Office



Consolidated - Half Yearly Revenue and EBITDA (excluding significant items)
1 July 2013 to 30 June 2017





CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Board of Directors of Swick Mining Services Ltd ("Swick" or the "Company"), I am pleased to present the Company's 2017 Annual Report.

Our Company has managed to maintain a high level of drilling activity through the difficult market conditions which has been evident in the wider mining sector. Our continued focus on customer service and providing quality drilling safely has resulted in a high rig utilisation at the end of the 2017 financial year, which will enable us to build into the future.

The core Underground Diamond (UD) drilling division has again achieved a record number of metres drilled for the year.

Safety

Safety continues to be an integral part of the Swick brand. Our safety improvements achieved over the 4 years to 2016 have been stabilised over 2017, with a Total Recordable Injury Frequency Rate (TRIFR) of 11.1 at year end, a 79% reduction over a five year period. This is a pleasing result which shows our systems and processes can withstand a high level of disruption as evidenced by the introduction of a large volume of new employees in a safe manner in the second half.

New employees now get inducted through our purpose built training and testing facility at the Company's head office. Swick is now looking at biomechanical studies and increasing its early intervention on site to achieve the next step change in safety improvement.

Strategic Focus

Swick continues to minimise its risk exposure by focusing on providing drilling services to strategic clients, on a number of operating sites, across a wide range of commodities. With the ongoing market conditions, Swick is increasing its focus on the largest area of expertise, being underground diamond coring.

While the financial results for the year are disappointing, they reflect our willingness to work with our clients to support them through the downturn in the commodity prices. This has enabled Swick to keep together a critical level of activity to maintain its processes and systems and be in a good position to respond to the market upturn. With the underlying UD division having a high utilisation rate, the near term focus will be on improving margins to return the Company to a suitable level of profitability.

The strategic focus on step change research and development on the rigs is reaching its natural conclusion with a small number of projects left to be finalised. The next phase of this process is to maximise the productivity gains from this investment that has been completed over a number of years.

During the year, Swick made the decision to exit the Underground Production (Longhole) drilling division. For the Reverse Circulation (RC) drilling division, utilisation is highly variable with Swick continuing to take advantage of opportunities for short and medium term drilling programs.

The Company's near term strategy is to improve the return on existing capital invested by leveraging the high utilisation to challenge customers for improved drilling rates and selectively tendering as the market recovers and demand continues to increase, to ensure we get appropriately rewarded for our efforts.

During the year the Company completed 100% acquisition of Orexplore AB ("Orexplore"), the Swedish research and development company which underpins our long-term strategy of providing a full suite mineral analysis service to mining clients. The completion of this acquisition allows the Company full control of ongoing product development and the move towards commercialisation.



Our Company has managed to maintain a high level of drilling activity through difficult market conditions which has been evident in the wider mining sector.

Maintained Our Market Position

During the year Swick was able to renew one of its key contracts, with the renewal of the Northern Star Resources Jundee contract, where there has been 8-10 rigs working throughout the year. The signing and subsequent mobilisation in the second half of the Kirkland Gold contract (9 rigs operating at year end) has taken the rig utilisation up to record levels at the end of the year in the core UD division.

At the end of the year, Swick had 5 clients that had 5 or more rigs in operation providing a strong client base and risk diversification away from reliance on one or two key clients.

Results

A significant standby event at the Newmont Tanami mine, the disruption and skill dilution from the large increase in rigs in work in the second half of the 2017 financial year and increasing spend in the Mineral Technology division all impacted profitability. The Company recorded \$130 million in revenue and other income, with an EBITDA of \$12.1 million (EBITDA margin of 9%) which was \$2.7 million below the 2016 financial year result. Non-cash de-recognition of carried forward tax losses contributed to a reported loss after tax of \$4.6 million.

The capital required to start up the new rigs resulted in a negative free cash flow during the year of \$1.7 million. Strong financial discipline in earlier years enabled the company to draw down on available debt facilities to manage this transition.

In June 2017 Swick raised net \$4.7 million in equity to fund the purchase of the remaining minority interests in Orexplore, which was also completed in June 2017.

Research & Development

Swick now has a dedicated training and testing facility at its South Guildford premises to assist in the ongoing development of its drill rigs. This facility will allow a higher level of testing of developments to ensure value is maximised on all past and future developments.

The Swick research and development focus is shifting to the Mineral Technology division, with Orexplore at the centre of this project. 2017 saw the completion of several on-site trials in Scandinavia. During 2018, the scanning technology will be introduced to the Australian market as the company moves towards commercialisation.

The Future

Swick enters financial year 2018 with a record utilisation in its core UD division and signs that market demand is continuing to increase. The combination of these factors will allow Swick to selectively bid for work where the financial returns meet our targeted margins and steadily exit contracts that are underperforming.

The purpose built training facility allows us to continue the research and development gains that have been a significant part of Swick's success in the past and ensure maximum return is achieved for this investment. This development will focus more on the people and process side going forward with rig development nearing the end of its cycle.

The progress made in the new Mineral Technology division during 2017 and specifically the full acquisition and ongoing development of Orexplore brings us to an exciting point in the development of the Company. The first fully operational machines are expected to arrive in Australia in the first half of the 2018 financial year and is a major step towards commercialising this world leading technology.

On behalf of the Board, I would like to thank the Managing Director, the Chief Executive Officer and the Executive Leadership Team for developing and implementing the strategies that have moved the Company forward in difficult macro-economic conditions. I would also like to recognise the broader Swick team – a committed group of people passionate about living the values of an industry leading company.

I would also like to thank Swick's clients, partners and suppliers for the continued support of our business and their shared vision of further improving safety and productivity.

We look forward to further developing our market leading position in Australia and to sharing our innovations and values across the globe.

Yours faithfully,



Andrew Simpson
Chairman



MANAGING DIRECTOR'S REPORT ON OPERATIONS

2017 Financial Year Overview

The second half of the 2017 financial year saw a general improvement in market conditions with increasing requests for additional rigs from the existing customer base as well as opportunities to tender new projects presenting themselves. The increased demand from existing customers and some new tender awards saw a total of 21 rigs deployed in the second half of the financial year, taking the utilisation rate at year-end to record highs. Over the last year, Swick has seen a steady progression away from customers reducing rigs and delaying drill spend and moving to increasing rig numbers and invest in deep exploration drilling which is an indicator that capital expenditure is returning to the drilling segment. This increased activity resulted in a new record for metres drilled by the Underground Diamond (UD) drilling division of 1,122,444 metres, a 12.8% increase on the prior year.

Swick maintained its focus on executing its internal strategies and continued to invest in continuous improvement and research and development initiatives that result in increasing productivity. With the mechanical upgrade cycle approaching maturity, focus is moving towards maximising implemented initiatives and investing in training to upskill operators and biomechanical studies to improve ergonomics and reduce fatigue as the individual crew members are exposed to higher productivity.

Swick continued the development of its Mineral Technology division by completing the 100% acquisition of Orexplore AB, providing greater certainty of funding and direction as this new technology moves towards commercialisation. The purchase of the remaining 29.5% minority shareholders was completed at a cost of \$3.1 million, which was funded by a share capital issue of \$4.7 million (net of transaction costs), with the balance of funds to assist the ongoing development.

I would like to thank the Board of Directors for its guidance and support over the past twelve months, as well as the Executive and Management Teams, which were able to successfully implement many components of the strategic plan throughout our business during the year. The efforts of the team to minimise risk and to maximise performance has improved the Company's market position and placed our Company in good stead for the future.

“The Directors believe the Group has now passed the worst of the tough market conditions and the increased utilisation at the back end of the second half will lead to improved profitability in the future.”

MANAGING DIRECTOR'S REPORT ON OPERATIONS

Operating results and review of operations for the year

Review of result

2017 FINANCIAL RESULTS (UNAUDITED NON-IFRS)	2017	2016	Change
	\$000	\$000	%
Profit & Loss			
Revenue and other income	130,010	124,885	4.1%
EBITDA	12,066	14,761	(18.3%)
EBIT (reported)	(3,602)	(1,076)	(234.8%)
EBIT (before significant items)	(3,602)	(416)	(765.9%)
NPAT (reported)	(4,559)	(2,806)	(62.5%)
NPAT (before significant items)	(3,270)	(1,319)	(147.9%)
Cash Flow			
Net cash from operating activities	16,255	18,488	(12.1%)
Net cash used in investing activities	(17,933)	(13,842)	29.6%
Free cash flow	(1,678)	4,646	(136.1%)
Operating cash flow before interest and taxes	15,512	17,790	(12.8%)
At Balance Date			
Cash	8,810	4,690	87.8%
Debt	26,000	20,116	29.3%
Net Debt	17,190	15,426	11.4%
Ratios			
EBITDA margin	9.3%	11.8%	
EBIT margin (before significant items)	(2.8%)	(0.3%)	
Basic EPS (reported) – cents per share	(2.0)	(1.2)	
EBITDA cash conversion (%)	128.6%	120.5%	
Gearing (Net debt/equity) (%)	20.5%	17.5%	

	2017 Consolidated Results			2016 Consolidated Results		
	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax
	\$000	\$000	\$000	\$000	\$000	\$000
Significant items						
1. Impairment of assets	-	-	-	660	(115)	545
2. Derecognition of deferred tax assets	-	1,289	1,289	-	942	942
Significant items impacting EBIT & NPAT	-	1,289	1,289	660	827	1,487

MANAGING DIRECTOR'S REPORT ON OPERATIONS

The net assets of the group decreased by \$4.2 million to \$83.7 million at 30 June 2017. This reduction was primarily the result of the net loss from operations. Working capital investment (trade receivables plus inventories plus prepayments less trade payables) reduced by \$4.7 million while net borrowings (net debt) increased by \$1.8 million.

The Directors believe the Group has now passed the worst of the tough market conditions and the increased utilisation at the back end of the second half will lead to improved profitability in the future.

The underlying result for the 2017 financial year was one that showed changing economic conditions with activity increasing in the core UD division, with prices expected to follow in future years as capacity constraints impact the industry. A significant standby event occurred at Newmont Tanami mine during the year. The losses from this event were exacerbated by the effects of an increase in rig utilisation rates in the second half, which resulted in higher than normal costs per metre being incurred as new sites were established and rig mobilisation costs adversely impacted the bottom line. By year end this work had been largely completed and production rates returned to similar levels to those of the first half.

The underlying result was impacted by de-recognition of deferred tax assets in international operations totalling \$1.3 million after tax.

Free cash flow was negative for the year, due to the increased capital spend on mobilising additional rigs.

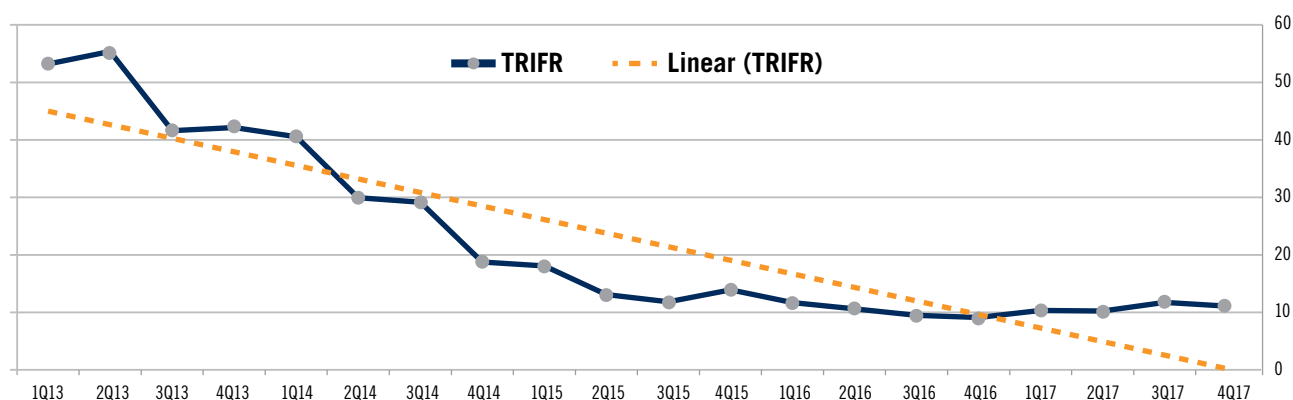
Safety and Training

The 2017 financial year has seen the continued investment in people and training help maintain the risk profile for Swick, with the June 2017 TRIFR achieved of 11.1. A great result when considering the Company put an additional 21 rigs in work in the second half, with the resultant site disruptions and dilution of experience. A major factor in keeping the safety performance so high was an investment in a dedicated purpose built testing, training and induction facility at the Company's South Guildford headquarters. Since its inception in December, new hires have been trained over a four day practical induction which has contributed to the continued industry leading safe production levels.

For new employees, the benefits from this facility assist in ensuring they are fit for work when they arrive and have already become accustomed to underground working conditions and the 12 hour shifts undertaken.

The facility allows for Swick to continue to progress its engineering development and ongoing science based people training and development such as the Industry first biomechanics study aligning best training practice to all tasks undertaken throughout the drilling process.

Safety Performance



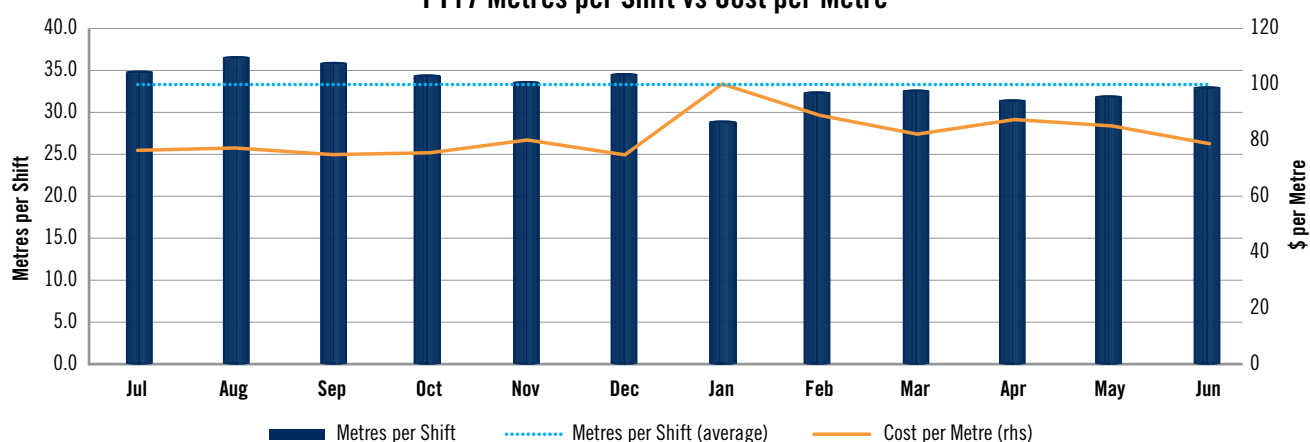
Operationally, the safety and training organizational structure includes technical trainers, product specialists and safety advisors which enables Swick to maintain its safe, high quality service provision. The technical training at Swick focuses on improving technical aspects of drilling knowledge as more challenging ground conditions and wider client requirements are now being encountered with a broader geographical spread and client base.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

Production and Revenue

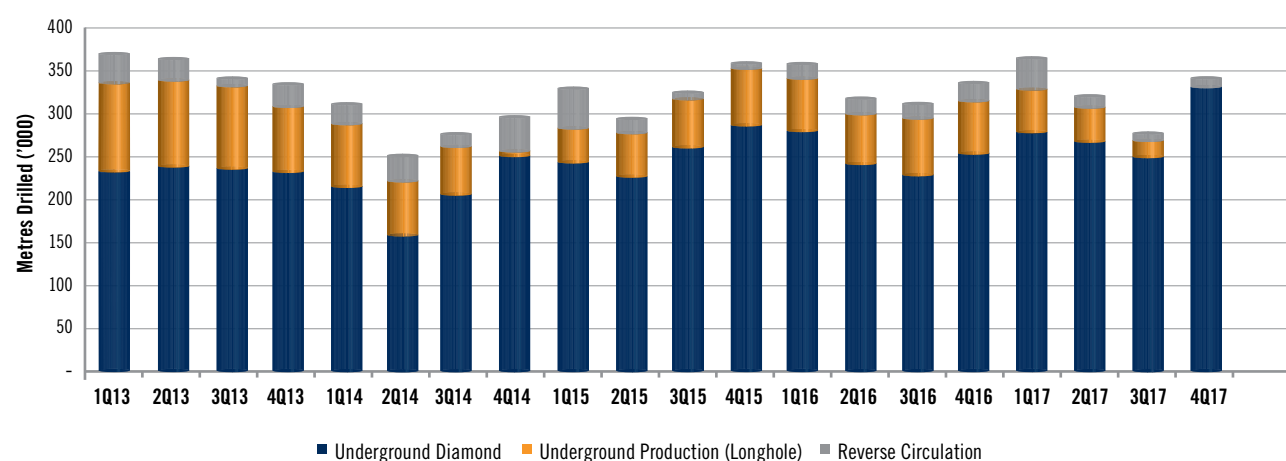
The 2017 production for the UD business started strongly following on from the gains established in 2016. The graph below shows the disruption to production caused firstly by the standby event at Newmont Tanami leading to an unexpected six week shutdown of our largest individual site. The lower than average production from February onwards reflect the high volume of mobilisations, which invariably have a period of establishment and bedding down before optimising production. Production then began recovering in May with the rigs mobilised, crews stabilising and normal operations renewing. Production is expected to rise to 1H17 levels over the coming months as the crews become more familiar with the new sites and new employees gain experience. Lower productivity has a direct relationship to unit costs with labour being a major component of costs, and a largely fixed cost.

FY17 Metres per Shift vs Cost per Metre



Despite the standby event at Newmont Tanami, Swick's UD division drilled a record 1,122,444 metres in the 2017 financial year, an increase of 12.8% on the previous year.

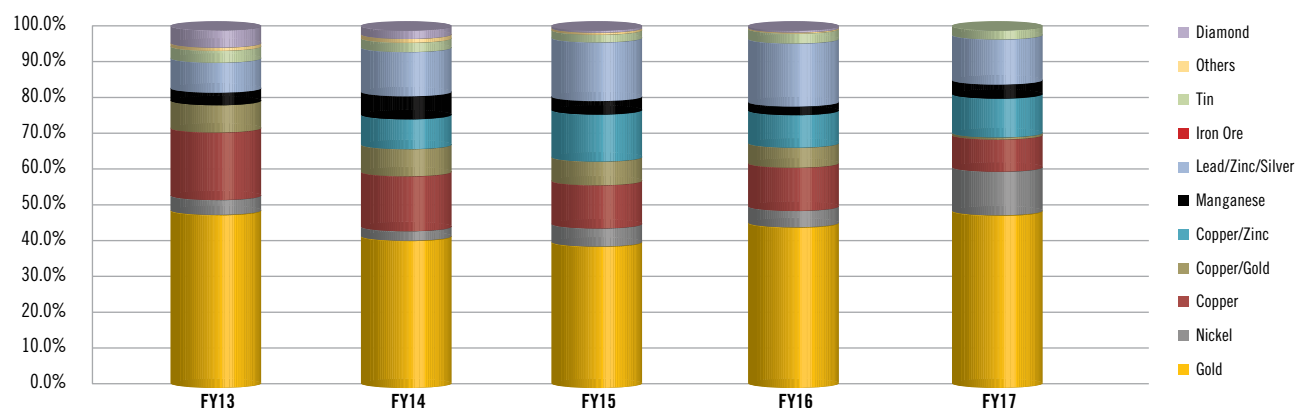
Metres Drilled by Quarter



MANAGING DIRECTOR'S REPORT ON OPERATIONS

The revenue mix of the Company by type of commodity is shown below. The increased reliance on Gold is predominantly driven by winning the Kirkland Gold contract, which had 9 rigs in operation at year end.

Revenue by Commodity



Underground Diamond (UD) Drilling

The 2017 financial year ended with total UD metres drilled of 1,122,444, a 12.8% increase from the prior year's total, with metres drilled in APAC operations increasing 10.2% to 1,035,523 metres and international operations increasing 60.7% to 86,921 metres.

The increased metres drilled led to a revenue increase of 7.7% to \$118.3 million compared to prior year. This increase in revenue was driven by the mobilisation of rigs to new contracts in the second half, with second half revenue of \$62.5 million being 11.8% higher than the first half. This increase was achieved despite the weather related standby event at the Newmont Tanami site which resulted in 10 rigs not working for 41 days in the second half.

2017 was a successful tendering year for Swick, commencing with the Northern Star Resources renewal at Jundee Gold Mine (8-10 rigs over the year), and then further improved with the announcement of the Kirkland Gold Australia contract win in November (9 rigs operating at year end). In addition to these significant wins, Swick saw a general increase in demand from existing clients.

During the year the roll-out of the new rig technology continued following the successful implementation at the Newmont Tanami project in 2016, with approximately 90% of the UD fleet now completed. With only a small number of projects to finish testing and roll out, greater focus is being put on maximising the benefits from existing technology with the research and development team working with the technical trainers and product specialists to maximise these benefits.

To complement the UD drilling business, Swick undertook its first operations of underground reverse circulation drilling at one of its North American sites during the year. This was achieved by designing a new style of boom for its rig. Reverse circulation drilling provides significantly faster drilling speeds than underground core drilling. Where early hole tomography and solid core is not required on deeper exploration holes, this provides the opportunity to get to required depth significantly faster, providing greater value for money to our clients, before returning to traditional core drilling at depth.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

Reverse Circulation (RC) Drilling

The 2017 financial year saw the RC division report revenue of \$7.4 million which was an increase of 37% from prior year. Revenue was boosted by increased drilling requirements at the Groote Island contract and completing the additional scope at Boddington mine with Newmont.

Underground Production (Longhole) Drilling

The Longhole division closed in 3Q17 with revenue decreasing by 53% to \$3.8 million. All assets relating to this division had been written down to nil in prior years.

Orexpire

In June 2017, Swick achieved 100% ownership of Orexplore AB by purchasing the remaining 29.5% of the company from the minority shareholders. Swick has been involved with Orexplore since the initial investment in 2013. The move to 100% ownership allows a clear path forward for funding the commercial release of Orexplore's world first ore scanning technology.

The Orexplore product uses an innovative and powerful Attenuation and X-ray fluorescence combined Measurement (AXM) technology to quickly assess element concentrations through the core and provide structural high-resolution 3D imaging. Client benefits from the Orexplore technology will include updating drill plans immediately to reduce redundant drilling, ability to gain a better understanding of structural information to assist mine planning and overall more accurate resource calculations with whole of core analysis, a simpler process than the current destructive testing processes.

On site mine core testing has been successfully undertaken in Europe with the first non-prototype machines currently being manufactured for transport to Australia to begin the commercialisation phase.

Outlook for the 2018 Financial Year

Swick expects the current market demand for underground core drilling to remain high throughout 2018. Swick will focus on negotiations on some underperforming legacy contracts through the first half of the new year. With the current positive market sentiment, Swick is confident it can obtain new work at better margins if these negotiations are unsuccessful. With utilisation high and margins improving, Swick will review the option of expanding the fleet if appropriate opportunities arise.

The company will continue to use its continuous improvement approach to all facets of drilling operations with the near term focus on maximising value from research and development initiatives already implemented and focusing on maximising drill time within shifts.

Concurrently, the exciting development that is the Orexplore mineral analysis technology will continue to progress towards commercialisation, with the establishment of a Perth based facility and instruments available for use by the end of 1H18.

Yours faithfully,



Kent Swick

Managing Director

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of Swick Mining Services Ltd (the "Parent" or the "Company") and its controlled entities (collectively referred to as "Swick Mining Services Group" or the "Group") for the financial year ended 30 June 2017. The names and particulars of the directors of the company during or since the end of the financial year are:

Information on directors

Andrew Simpson		Non-executive chairman
Qualifications	Grad Dip (Bus), MAICD	
Experience	Mr Simpson is a senior marketing executive with extensive global marketing experience in the resource and mining industry, including more than 30 years of international marketing and distribution of minerals and metals. He is currently the Managing Director of Resource & Technology Marketing Services Pty Ltd, a company providing specialist marketing and business assessment advisory services to the mineral resources and technology industries, both in Australia and internationally. Mr Simpson graduated from Curtin University holding a Graduate Diploma in Business and Administration (majoring in Marketing and Finance). He has also completed the Advanced Management Program at the University of Western Australia and is a Member of the Australian Institute of Company Directors. Mr Simpson was appointed as a Director of the Company on 24 October 2006.	
Interest in shares at the date of this report	605,000 Fully Paid Ordinary Shares	
Special responsibilities	Mr Simpson is a member of the Board's Remuneration and Nomination Committee (Committee Chairman).	
Directorships held in other listed entities during the three years prior to the current year	Vital Metals Ltd non-executive director - 23 February 2005 to present India Resources Ltd non-executive director - 21 August 2006 to 7 October 2016	
Kent Swick		Managing director
Qualifications	B.Eng (Mech)	
Experience	Mr Swick is a Mechanical Engineer with over 25 years experience in civil construction, mining maintenance and surface and underground mineral drilling. He was previously employed by Atlas Copco Australia as a Maintenance Engineer managing underground maintenance, where he developed a strong understanding of underground mining methods and equipment. Mr Swick was the driving technical force behind the design of the Company's innovative underground diamond drill rig and award winning surface reverse circulation drill rig. He graduated from the University of Western Australia holding a Bachelor of Engineering (majoring in Mechanical Engineering) and has completed the Owner/President Management program at Harvard Business School. Mr Swick was appointed as a Director of the Company on 24 October 2006.	
Interest in shares at the date of this report	33,322,182 Fully Paid Ordinary Shares 6,452,114 Unlisted Share Options	
Special responsibilities	Nil	
Directorships held in other listed entities during the three years prior to the current year	Nil	

DIRECTORS' REPORT

David Nixon	Non-executive director
Qualifications	B.Sc. Eng (Mech), MAICD
Experience	Mr Nixon is a Mechanical Engineer with over 40 years experience in the mining and construction industries in Southern Africa, Australia, New Zealand, Canada and Indonesia. He was a founding executive of Signet Engineering in 1990 and a director until its acquisition by Fluor Australia in 1996. Mr Nixon is a past non-executive chairman of Atlas Iron and past non-executive director of Brockman Resources and Moly Mines. Mr Nixon graduated from the University of Natal (South Africa) holding a Bachelor of Science (Mechanical Engineering) and is a member of the Australian Institute of Company Directors. Mr Nixon was appointed as a Director of the Company on 1 January 2007.
Interest in shares at the date of this report	300,000 Fully Paid Ordinary Shares
Special responsibilities	Mr Nixon is a member of the Board's Audit and Corporate Governance Committee and the Remuneration and Nomination Committee.
Directorships held in other listed entities during the three years prior to the current year	Nil
Phillip Lockyer	Non-executive director
Qualifications	Dip Met, Assoc Min Eng, M.Min Econs
Experience	Mr Lockyer is a Mining Engineer and Metallurgist who has over 50 years experience in the mineral industry, with a focus on gold and nickel in both underground and open pit operations. He was employed by WMC Resources for 20 years and as General Manager for Western Australia was responsible for WMC's nickel division and gold operations. Mr Lockyer also held the position of Director Operations for Dominion Mining Ltd and Resolute Ltd. He holds a Diploma of Metallurgy from the Ballarat School of Mines, an Associateship of Mining Engineering from the Western Australian School of Mines and a Masters of Minerals Economics from Curtin University. Mr Lockyer was appointed as a Director of the Company on 11 February 2008.
Interest in shares at the date of this report	200,000 Fully Paid Ordinary Shares
Special responsibilities	Mr Lockyer is a member of the Board's Audit and Corporate Governance Committee and the Remuneration and Nomination Committee.
Directorships held in other listed entities during the three years prior to the current year	GR Engineering Services Ltd non-executive director – 7 October 2016 to present (non-executive chairman – 16 October 2016 to present) RTG Mining Inc. non-executive director - 26 March 2013 to present Western Desert Resources Ltd non-executive director - 1 June 2010 to present
Ian McCubbing	Non-executive director
Qualifications	B.Com (Hons), MBA (Ex), CA, GAICD
Experience	Mr McCubbing is a Chartered Accountant with more than 30 years experience, principally in the areas of accounting, corporate finance and mergers and acquisition. He spent more than 15 years working with ASX200 and other listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in mining and industrial companies. Mr McCubbing was appointed as a Director of the Company on 1 August 2010.
Interest in shares at the date of this report	150,000 Fully Paid Ordinary Shares
Special responsibilities	Mr McCubbing is a member of the Board's Audit and Corporate Governance Committee (Committee Chairman).
Directorships held in other listed entities during the three years prior to the current year	Sun Resources NL non-executive chairman – 25 October 2016 to present Rimfire Pacific Ltd non-executive chairman – 25 July 2016 to present Avenira Ltd non-executive director - 20 December 2012 to present Kasbah Resources Ltd non-executive director - 1 March 2011 to 19 December 2016

DIRECTORS' REPORT

Company Secretary

Mr Frank Campagna held the position of company secretary at the end of the financial year:

Qualifications	B.Bus (Acc), CPA
Experience	Company Secretary of Swick Mining Services Ltd since June 2014. Mr Campagna is a Certified Practicing Accountant with over 25 years' experience as Company Secretary, Chief Financial Officer and Commercial Manager for listed resources and industrial companies. He presently operates a corporate consultancy practice which provides corporate secretarial and advisory services to both listed and unlisted companies.

Board committees

At the date of this report, the committees and their current membership are as follows:

Audit and Corporate Governance Committee - Ian McCubbing (non-executive director and committee chairman), David Nixon (non-executive director) and Phillip Lockyer (non-executive director).

Remuneration and Nomination Committee - Andrew Simpson (non-executive chairman and committee chairman), David Nixon (non-executive director) and Phillip Lockyer (non-executive director).

Meetings of directors

During the financial year, 18 meetings of directors (including committees of directors) were held.

Attendances by each director during the year were as follows:

	Directors' meetings		Audit and Corporate Governance		Remuneration and Nomination	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Andrew Simpson	12	11	-	-	2	2
Kent Swick	12	12	-	-	-	-
David Nixon	12	10	4	4	2	1
Phillip Lockyer	12	12	4	4	2	2
Ian McCubbing	12	12	4	4	-	-

Principal activities and significant changes in nature of activities

The principal activity of the Group during the 2017 financial year was the provision of mineral drilling services to the mining industry in the Asia Pacific and other international regions, primarily in the areas of underground diamond drilling and surface reverse circulation drilling. The Group also carries out research and development activities in mineral analysis technologies. There were no significant changes in the nature of the principal activities during the year.

DIRECTORS' REPORT

Operating results and review of operations for the year

Review of operations

Refer to commentary in the Managing Director's Report on Operations.

Significant changes in state of affairs

During the 2017 financial year the Company issued 20,000,000 shares for net proceeds of \$4.7 million to fund the purchase of the remaining non-controlling interest in Orexplora AB.

There have been no other significant changes in the state of affairs of the Company and/or Group during the financial year.

Dividends paid or recommended

Final ordinary dividend of 0.4 cents per share

Paid on 19 October 2016 out of retained profits at 30 June 2016 \$847,595

There were no dividends declared in relation to the 2017 financial year.

Events after the reporting period

In August 2017 the company extended the maturity of \$4.0 million borrowings sub facility from 31 October 2017 to align with the maturity of its overall facility on 31 January 2019.

The directors are not aware of any other significant events since the end of the reporting period.

Future developments and operational outlook

Future developments and prospects for operations of the consolidated entity in future financial years and the expected results of those operations have been included generally within the financial reports and the Managing Director's Report on Operations.

Environmental regulation

In the course of its drilling activities, the Group is required to adhere to environmental regulations imposed on it by various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. From time to time, compliance with these environmental regulations is audited by client personnel, where deemed necessary.

The Group has not received any notification from any regulatory authority or client of any breaches of environmental regulations and to the best of its knowledge has complied with all material environmental requirements up to the date of this report.

Indemnifying officers

During the financial year, the Company paid a premium of \$42,350 (2016: \$38,500) to insure all the directors and officers against liabilities for any costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors and officers of the Company, other than conduct which might be a wilful breach of duty in relation to the Company.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Options

At the date of this report, the unissued ordinary shares of Swick Mining Services Limited under Options are as follows:

Grant date	Vesting date	Expiry date	Exercise price	Number under options
11 November 2016	30 June 2019	30 June 2020	\$0.37	6,452,114
				6,452,114

DIRECTORS' REPORT

During the year ended 30 June 2017, the following share options were granted:

Executive	Number of options granted during 2017	Grant date	Vesting date	Expiry date	Exercise price
Kent Swick	6,452,114	11 November 2016	30 June 2019	30 June 2020	\$0.37
	6,452,114				

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

Performance rights

At the date of this report, the unvested Performance Rights of Swick Mining Services Limited are as follows:

Grant date	Vesting date	Expiry date	Number under rights
25 November 2016	25 November 2018	25 November 2018	1,939,893
2 June 2017 ¹	30 June 2022	31 December 2022	627,451
			2,567,344

Note 1 Performance rights issued on 2 June 2017 are to employees of Oreplore AB. The above number of performance rights is based on current valuation. Final number issued will be based on valuations at the time of vesting and may differ from the above value.

Right holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

For details of performance rights issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2017, the following ordinary shares of Swick Mining Services Limited were issued for no consideration on vesting of Performance Rights granted under the Company's Performance Rights Plan:

Executive	Number of shares issued during 2017	Vesting condition	Grant date	Vesting date
Vahid Haydari	100,000	Service condition	17 January 2012	17 October 2016
Will Gove	100,000	Service condition	17 January 2012	17 October 2016
	200,000			

During the year ended 30 June 2017, the following ordinary shares of Swick Mining Services Limited were purchased on market by the employee share trust for vesting of performance rights granted under the Company's Performance Rights Plan:

Executive	Number of shares issued during 2017	Vesting condition	Grant date	Vesting date
Vahid Haydari	1,267,345	Service condition	25 November 2016	25 November 2016
Jitu Bhudia	242,340	Service condition	25 November 2016	25 November 2016
Tony Tamlin	200,000	Service condition	25 November 2016	25 November 2016
	1,709,685			

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-audit services provided by Auditor

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in Note 6.7 to the financial statements.

DIRECTORS' REPORT

The Board, in accordance with advice from the Audit and Corporate Governance Committee, is satisfied that the provision of non-audit services, when provided, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors use the principles set out below to judge whether the external auditor's independence is compromised:

- ✦ All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- ✦ The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 30 June 2017 has been received.

ASIC Corporations Instrument 2016/191

The company is of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

Remuneration policy

The remuneration policy of the Group is designed to align the interests of directors and management with the interests of shareholders and the Company's objectives by providing a fixed remuneration component and, where appropriate, offering specific short-term (cash bonuses) and long-term (equity schemes) incentives linked to performance. The Board considers that the remuneration policy is appropriate and effective in its ability to attract, retain and motivate suitably qualified and experienced directors and management to direct and manage the Group's business and corporate activities, as well as to create goal congruence with the Company's shareholders.

Specifically, the remuneration policy has been put in place with the following aims in mind:

- ✦ remuneration practices and systems should support the Company's wider objectives and strategies;
- ✦ remuneration of directors and management should be aligned to the long-term interests of shareholders within an appropriate control framework;
- ✦ remuneration of directors and management should reflect their duties and responsibilities;
- ✦ remuneration of directors and management should be comparative and competitive, thereby allowing the Company to attract, retain and motivate suitably qualified and experienced people; and
- ✦ there should be a clear relationship between performance and remuneration.

Relationship between remuneration policy and Company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators (KPI's), and the second being the issue of performance rights and share options to Key Management Personnel to encourage the alignment of personal and shareholder interests, as well as a longer term retention strategy. The Company believes this policy will be effective in increasing shareholder wealth over time.

The following table shows the gross revenue, profits and dividends for the last five years for the Company, as well as the share price at the end of the respective financial year. Analysis of the figures show profit in 2013 before the impact of the tough operating environment was felt in financial years 2014, 2015 and 2016. 2017 shows an increase in activity and market sentiment, with return to profitability expected to follow in coming years. The Board is of the opinion that, after considering the significant non-cash impairments recognised in 2015, 2016 and 2017, the financial results are a result of the tough macro-economic market conditions and hence are satisfied with the current positioning of the remuneration policy.

DIRECTORS' REPORT

	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and other income	130,010	124,885	131,981	117,615	146,535
Net profit/(loss) before tax	(4,633)	(2,243)	(24,549)	1,815	14,680
Net profit/(loss) after tax	(4,559)	(2,806)	(19,607)	1,535	11,310
Share price at start of year	\$0.14	\$0.13	\$0.26	\$0.29	\$0.27
Share price at end of year	\$0.24	\$0.14	\$0.13	\$0.26	\$0.29
Basic earnings/(loss) per share	(2.0 cps)	(1.2 cps)	(9.1 cps)	0.7 cps	4.9 cps
Dividends declared	-	0.4 cps	0.2 cps	0.4 cps	1.2 cps

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee to assist the Board in fulfilling its responsibilities in relation to developing and assessing the Group's remuneration policies to ensure that remuneration is sufficient and reasonable and that its relationship to performance is clear. The primary objectives of the Remuneration and Nomination Committee is to develop remuneration policies for the Group that are appropriate to the organisation with respect to its size, peers and market conditions, and to recommend remuneration packages and incentive schemes for directors and management, and remuneration packages for non-executive directors, that motivate and reward performance, attract and retain quality people, and align interests with those of shareholders.

Remuneration structure - non-executive directors

Objective

The Board seeks to set remuneration for non-executive directors at a level which provides the Company with the ability to attract and retain suitably qualified and experienced directors, whilst incurring a cost which is acceptable to shareholders. Non-executive directors should be adequately remunerated for their time and effort and the risks inherently involved with holding such a position.

Structure

Remuneration levels for non-executive directors are reviewed at least annually by the Remuneration and Nomination Committee. The maximum aggregate fee pool for non-executive directors is \$500,000, as approved at the Annual General Meeting in November 2012. The Remuneration and Nomination Committee provides recommendations for the remuneration of non-executive directors, including the Chairman, and the Board is then responsible for ratifying the recommendations, if appropriate. As at the date of this report, remuneration for non-executive directors was set at \$66,950 per annum plus superannuation, with remuneration for the non-executive chairman set at \$100,425 per annum plus superannuation.

The Remuneration and Nomination Committee has also set an additional amount payable to the chairman of the Audit and Corporate Governance Committee of \$10,300 per annum plus superannuation.

Remuneration structure - executive directors & management

Objective

The remuneration for executive directors and management is designed to promote superior performance and long-term commitment to the Company. The Board aims to reward executive directors and management with a level and mix of remuneration commensurate with their position and responsibilities within the Group.

The Company's remuneration policy for executive directors and management reflects its commitment to align remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group.

The principles of the policy are:

- ✦ to provide rewards that reflect the competitive market in which the Company operates;
- ✦ individual reward should be linked to performance criteria; and
- ✦ executives should be rewarded for both financial and non-financial performance.

DIRECTORS' REPORT

Structure

Remuneration for executive directors and management may comprise fixed and variable remuneration components. Remuneration is reviewed at least annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee provides recommendations for the remuneration of executive directors and management and the Board is then responsible for ratifying the recommendations, if appropriate. Remuneration packages for executive directors and management currently comprise a base salary and superannuation (fixed components), and may also include cash bonuses and securities (variable, performance based components).

In determining individual remuneration packages, the Remuneration and Nomination Committee reviews the individual's annual performance, specific roles and responsibilities, and remuneration relative to their position within the Group and with positions in comparable companies through the use of market data and surveys. Where appropriate, a package may be adjusted to reflect the role, responsibilities and importance of that position and to keep pace with market trends and ensure continued remuneration competitiveness. In conducting a comparative analysis, the Group's expected performance for the year is considered in the context of the Group's capacity to fund remuneration budgets. From time to time, a review of the total remuneration package by an independent remuneration consultant may be undertaken to provide an independent reference point.

Fixed remuneration

The components of the fixed remuneration of executive directors and management are determined individually and may include:

- + cash remuneration;
- + superannuation;
- + accommodation and travel benefits;
- + motor vehicle; and
- + other benefits.

Variable remuneration

The components of the variable remuneration of executive directors and management are determined individually and may include:

- + Short term incentives (non-salary cash based incentives) – executive directors and management are eligible to participate in a cash bonus if so determined by the Remuneration and Nomination Committee and the Board: and
- + Long term incentives – executive directors and management are eligible to receive share options and performance rights if so determined by the Remuneration and Nomination Committee and the Board.

Director and senior management details

The following table provides employment details of persons who were Directors or Key Management Personnel (KMP) of the Group during the financial year:

Directors	
Andrew Simpson	Non-executive chairman
Kent Swick	Managing director
David Nixon	Non-executive director
Phillip Lockyer	Non-executive director
Ian McCubbing	Non-executive director
Executives	
Vahid Haydari	Chief Executive Officer
Jitu Bhudia	Chief Financial Officer
Tony Tamlin	General Manager Operations Australia Pacific (APAC)
Will Gove	General Manager North America

DIRECTORS' REPORT

Employment contracts

As at the date of this report, the Group had entered into employment contracts with the following executive directors and management personnel:

Kent Swick - Managing Director

- ✦ The service arrangement commenced on 1 July 2006 and continues until terminated.
- ✦ If the service agreement is terminated without cause by the Company, Mr Swick must be paid one month's remuneration for each full year, or pro rata for each part year, of service to the Group from 1 July 2006.
- ✦ If the service agreement is terminated as a result of a change in control, Mr Swick must be paid twelve month's remuneration (provided that any such additional amount shall, at all times, be limited to the maximum extent permitted by the Corporations Act).

There are no other contracts to which a director is a party or under which a director is entitled to a benefit other than as disclosed in the Directors' Report.

Executive service contracts

Remuneration and terms of employment for Executives are formalised in employment contracts. Major provisions of the contracts relating to the Executives are set out below:

Executive	Appointment to KMP	Notice period for contract cessation
Vahid Haydari Chief Executive Officer	Appointed on 27 January 2012. Contract is ongoing and has no fixed term.	The Contract can be terminated by either party with 6 months' notice or payment in lieu.
Jitu Bhudia Chief Financial Officer	Appointed on 8 April 2015. Contract is ongoing and has no fixed term.	The Contract can be terminated by either party with 8 weeks' notice or payment in lieu.
Tony Tamlin General Manager APAC	Appointed on 10 December 2013. Contract is ongoing and has no fixed term.	The Contract can be terminated by either party with 8 weeks' notice or payment in lieu.
Will Gove General Manager North America	Appointed on 15 July 2008. Contract is ongoing and has no fixed term.	The Contract can be terminated by either party with 3 months' notice or payment in lieu.

All contracts contain redundancy/severance benefits in accordance with the applicable legislation.

Performance rights plan

The Company has adopted a Performance Rights Plan (PRP). The objective of the PRP is to provide the Company with a remuneration mechanism through the granting of rights for securities in the capital of the Company to motivate and retain employees.

Details of performance rights issued during the year can be found under the Performance rights heading in the Remuneration details for year ended 30 June 2017.

Share options plan

The Company has adopted a Share Options Plan (SOP) that provides the Company with a remuneration mechanism for executive directors through the granting of "premium priced" options for securities in the capital of the Company to motivate and retain executive directors.

DIRECTORS' REPORT

Performance based remuneration

The table below outlines the theoretical split between fixed and performance based remuneration for the directors and Key Management Personnel. The estimated percentage splits are based on 100% compliance with any relevant performance criteria:

	Proportions of elements of remuneration related to performance		Proportions of elements of remuneration not related to performance	
	Non-salary cash based incentives %	Performance rights or options %	Fixed salary/fees %	Total %
Non-executive directors				
Andrew Simpson	0%	0%	100%	100%
David Nixon	0%	0%	100%	100%
Phillip Lockyer	0%	0%	100%	100%
Ian McCubbing	0%	0%	100%	100%
Executives				
Kent Swick	28%	17%	55%	100%
Vahid Haydari	28%	17%	55%	100%
Jitu Bhudia	24%	17%	59%	100%
Tony Tamlin	27%	7%	66%	100%
Will Gove	27%	7%	66%	100%

Remuneration details for the year ended 30 June 2017

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for the Key Management Personnel of the Group:

Table of benefits and payments for the year ended 30 June 2017

	Short-term benefits			Long-term benefits	Post-employment		Equity-settled share-based payments	Total	Performance based %
	Salary, fees and leave \$	Profit share and bonuses \$	Non-monetary ¹ \$	Long service leave \$	Pension and superannuation \$	Termination benefits \$	Options and performance rights \$	Total \$	
2017									
Andrew Simpson	100,425	-	-	-	9,540	-	-	109,965	0%
David Nixon	73,310	-	-	-	-	-	-	73,310	0%
Phillip Lockyer	66,950	-	-	-	6,360	-	-	73,310	0%
Ian McCubbing	77,250	-	-	-	7,339	-	-	84,589	0%
Total non-executive directors	317,935	-	-	-	23,239	-	-	341,174	0%
Kent Swick	589,057	53,533	3,118	10,458	25,000	-	55,523	736,689	15%
Vahid Haydari	566,937	51,459	1,225	4,696	25,000	-	61,525	710,842	16%
Jitu Bhudia	319,753	28,023	3,302	843	30,000	-	36,688	418,609	15%
Tony Tamlin	291,286	26,072	12,900	1,222	25,000	-	34,133	390,613	15%
Will Gove	270,320	22,924	42,051	-	24,817	-	10,097	370,209	9%
Total executives	2,037,353	182,011	62,596	17,219	129,817	-	197,966	2,626,962	14%
Total payments and benefits	2,355,288	182,011	62,596	17,219	153,056	-	197,966	2,968,136	13%

¹ Note: 1) Non-monetary benefits include motor vehicle and travel allowances.

DIRECTORS' REPORT

Table of benefits and payments for the year ended 30 June 2016

	Short-term benefits			Post-employment benefits		Equity-settled share-based payments	Total	
2016	Salary, fees and leave \$	Profit share and bonuses \$	Non-monetary \$	Pension and superannuation \$	Termination benefits \$	Performance rights \$	Total \$	Performance based %
Andrew Simpson ¹	104,288	-	-	9,907	-	-	114,195	0%
David Nixon	73,143	-	-	-	-	-	73,143	0%
Phillip Lockyer ¹	69,525	-	-	6,605	-	-	76,130	0%
Ian McCubbing ¹	80,221	-	-	7,621	-	-	87,842	0%
Total non-executive directors	327,177	-	-	24,133	-	-	351,310	0%
Kent Swick	609,369	48,822	-	25,000	-	19,591	702,782	10%
Vahid Haydari	584,758	46,930	1,303	25,000	-	336,253	994,244	39%
Jitu Bhudia	333,538	-	3,784	28,610	-	58,162	424,094	14%
Tony Tamlin	303,739	23,778	10,605	27,023	-	24,000	389,145	12%
Will Gove	280,792	-	29,068	28,058	-	13,258	351,176	4%
Total executives	2,112,196	119,530	44,760	133,691	-	451,264	2,861,441	20%
Total payments and benefits	2,439,373	119,530	44,760	157,824	-	451,264	3,212,751	18%

Note: 1) Amounts differ to the amount in the structure because the year had 27 fortnightly pays, not the usual 26.

Securities received that are not performance related

KMP are entitled to receive securities which are not performance based as part of their remuneration. Conditions attached to performance based remuneration is continuity of service.

Bonuses

The KPIs used for the short term incentive consider a balanced approach to measuring performance, having regard to the company's core values and shareholder returns. Metrics cover the area of safety (TRIFR) and financial (revenue, gross profit and overhead ratio) outcomes. During the year cash bonuses totalling \$182,011 (2016: \$119,530) were paid in relation to the 2016 results in accordance with employment contracts. These bonus payments were made in October 2016 to eligible employees still employed by the company, relate to the safety component of the short term incentives and were paid for achieving the safety component. For 2017, two of the four measures were achieved, however given the overall financial performance no payment has been approved.

Options and performance rights

During the year the following share-based payment arrangements were in existence:

Series	Grant date	Expiry date	Grant date fair value	Exercise price	Vesting date
Issued 17 January 2012	17 January 2012	Note 1	\$0.28	-	Note 1
Issued 11 November 2016	11 November 2016	Note 2	\$0.04	\$0.37	Note 2
Issued 25 November 2016	25 November 2016	Note 3	\$0.27	-	Note 3
Issued 25 November 2016	25 November 2016	Note 4	\$0.26	-	Note 4

DIRECTORS' REPORT

The terms and conditions relating to Options and Performance Rights in operation during the year for KMP are as follows:

	Grant date	Vesting conditions	Vested/paid during year	Forfeited during year	Remaining as unvested	Vesting date
Executive						
Kent Swick	11 November 2016	Note 2	-	-	100%	Note 2
Vahid Haydari	17 January 2012	Note 1	20%	-	-	Note 1
	25 November 2016	Note 3	100%	-	-	Note 3
	25 November 2016	Note 4	-	-	100%	Note 4
Jitu Bhudia	25 November 2016	Note 3	100%	-	-	Note 3
	25 November 2016	Note 4	-	-	100%	Note 4
Tony Tamlin	25 November 2016	Note 3	100%	-	-	Note 3
	25 November 2016	Note 4	-	-	100%	Note 4
Will Gove	17 January 2012	Note 1	20%	-	-	Note 1
	25 November 2016	Note 4	-	-	100%	Note 4

Note 1 The performance rights with Swick Mining Services Limited vest in equal amounts of 100,000 annually subject to completion of each year of service. The performance rights vest evenly on 31 August of each year.

Note 2 The options with Swick Mining Services Limited vest 100% on 30 June 2019 and expire on 30 June 2020.

Note 3 The performance rights with Swick Mining Services Limited vested 100% on issue.

Note 4 The performance rights with Swick Mining Services Limited vest 100% on 25 November 2018.

Note 5 The dollar value of the percentage vested/paid during the period has been reflected in the table of benefits and payments.

For all long-term incentive plans, it is a requirement that the employee is still employed by the Company on vesting date and the award is for performance over the prior year and over the vesting period. The performance rights do not have entitlement to dividends and are not entitled to vote at a meeting of the Company.

Rights issued prior to 2016 were issued by Swick Mining Services Limited and entitle the holder to one ordinary share in Swick Mining Services Limited upon vesting. Rights issued from 2016 were issued as units in the employee share trust and entitle the holder to one ordinary share in Swick Mining Services Limited upon vesting.

The following share-based payment compensation to KMP relate to the current financial year:

Executive	Grant date	Number granted during the year	Number forfeited during the year	Number vested and exercised during year	Value on grant date ² \$	Value on date of exercise \$	Financial year in which grants vest 2019
Kent Swick	11 November 2016	6,452,114	-	-	230,986	-	6,452,114
Vahid Haydari	17 January 2012	-	-	(100,000)	-	22,000	-
	25 November 2016	1,267,345 ¹	-	(1,267,345)	335,846	335,846	-
	25 November 2016	800,046	-	-	206,972	-	800,046
Jitu Bhudia	25 November 2016	242,340 ¹	-	(242,340)	64,220	64,220	-
	25 November 2016	477,075	-	-	123,419	-	477,075
Tony Tamlin	25 November 2016	200,000 ¹	-	(200,000)	53,000	53,000	-
	25 November 2016	443,857	-	-	114,826	-	443,857
Will Gove	17 January 2012	-	-	(100,000)	-	22,000	-
	25 November 2016	131,299	-	-	33,967	-	131,299
		10,014,076	-	(1,909,685)	1,163,236	497,066	8,304,391

Note 1 These performance rights issued were in relation to the previous financial year as disclosed in the 2016 annual report.

Note 2 The value of the share-based payment granted is calculated using the Black-Scholes model and is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards. Share based payments for Kent Swick are options, all other payments are performance rights.

DIRECTORS' REPORT

KMP rights holdings

The number of options and performance rights over ordinary shares held during the financial year by each KMP of the Group is as follows:

	Balance at beginning of year	Granted during the year	Vested and exercised during the year ¹	Forfeited during the year	Balance at end of year	Exercisable	Not exercisable
Non-executive directors							
Andrew Simpson	-	-	-	-	-	-	-
David Nixon	-	-	-	-	-	-	-
Phillip Lockyer	-	-	-	-	-	-	-
Ian McCubbing	-	-	-	-	-	-	-
Executives							
Kent Swick	-	6,452,114	-	-	6,452,114	-	6,452,114
Vahid Haydari	100,000	2,067,391	(1,367,345)	-	800,046	-	800,046
Jitu Bhudia	-	719,415	(242,340)	-	477,075	-	477,075
Tony Tamlin	-	643,857	(200,000)	-	443,857	-	443,857
Will Gove	100,000	131,299	(100,000)	-	131,299	-	131,299
	200,000	10,014,076	(1,909,685)	-	8,304,391	-	8,304,391

Note 1 On exercise of rights no amount was paid

KMP shareholdings

The number of ordinary shares in Swick Mining Services Limited held by each KMP of the Group during the financial year is as follows:

	Balance at beginning of year	Issued on exercise of rights during the year	Other changes during the year	Balance at end of year
Non-executive directors				
Andrew Simpson	605,000	-	-	605,000
David Nixon	300,000	-	-	300,000
Phillip Lockyer	200,000	-	-	200,000
Ian McCubbing	150,000	-	-	150,000
Other executives				
Kent Swick	33,322,182	-	-	33,322,182
Vahid Haydari	1,170,710	1,367,345	-	2,538,055
Jitu Bhudia	-	242,340	-	242,340
Tony Tamlin	100,000	200,000	-	300,000
Will Gove	1,000,000	100,000	(700,000)	400,000
	36,847,892	1,909,685	(700,000)	38,057,577

DIRECTORS' REPORT

Other key management personnel transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

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



Kent Swick

Dated: 30 August 2017

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's independence declaration to the Directors of Swick Mining Services Limited

As lead auditor for the audit of Swick Mining Services Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Swick Mining Services Limited and the entities it controlled during the financial year.

Ernst & Young

Gavin Buckingham
Partner
30 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	CONSOLIDATED GROUP	
		2017 \$000	2016 \$000
Revenue	2.2	129,453	123,178
Other income	2.2	557	1,707
Raw materials and consumables used		(26,782)	(24,925)
Employee benefits expense		(72,005)	(68,012)
Depreciation and amortisation expense	3.4, 3.5	(15,668)	(15,177)
Impairment of assets		-	(660)
Finance costs		(1,031)	(1,167)
Other expenses	2.3	(19,157)	(17,187)
Loss before income tax		(4,633)	(2,243)
Income tax benefit/(expense)	2.4	74	(563)
Net loss after tax		(4,559)	(2,806)
Loss for the year attributable to:			
Owners of the Company		(4,275)	(2,675)
Non-controlling interests		(284)	(131)
		(4,559)	(2,806)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign controlled entities		(408)	201
Net fair value gain/(loss) on available-for-sale financial assets		70	(84)
Other comprehensive (loss)/income for the year, net of tax		(338)	117
Total comprehensive loss for the year		(4,897)	(2,689)
Comprehensive loss for the year attributable to:			
Owners of the Company		(4,581)	(2,549)
Non-controlling interests		(316)	(140)
		(4,897)	(2,689)
Earnings per share			
Basic loss per share (cents)	2.6	(2.0)	(1.2)
Diluted loss per share (cents)	2.6	(2.0)	(1.2)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	CONSOLIDATED GROUP		
		2017 \$000	2016 Restated \$000	1 July 2015 Restated \$000
Assets				
Current assets				
Cash	3.1	8,810	4,690	5,729
Trade and other receivables	3.2	16,726	19,127	21,779
Inventories	3.3	15,132	12,967	14,951
Prepayments		2,060	1,797	1,165
Current tax assets		-	1,225	2,036
Total current assets		42,728	39,806	45,660
Non-current assets				
Property, plant and equipment	3.4	77,750	77,636	79,748
Intangible assets	3.5	12,168	10,079	9,851
Other financial assets	3.6	1,380	1,280	1,280
Net deferred tax assets	3.9	473	265	1,766
Total non-current assets		91,771	89,260	92,645
Total assets		134,499	129,066	138,305
Liabilities				
Current liabilities				
Trade and other payables		19,319	14,602	15,483
Current tax liability		32	-	-
Borrowings	3.7	3,000	116	904
Provisions	3.8	4,819	4,822	5,321
Total current liabilities		27,170	19,540	21,708
Non-current liabilities				
Borrowings	3.7	23,000	20,000	24,116
Provisions	3.8	599	1,567	1,128
Other financial liabilities		-	-	18
Total non-current liabilities		23,599	21,567	25,262
Total liabilities		50,769	41,107	46,970
Net assets		83,730	87,959	91,335
Equity				
Issued capital	4.1	79,446	75,036	75,841
Reserved shares	4.2	(453)	-	-
Reserves	4.3	1,960	2,604	2,360
Retained earnings		2,777	7,917	10,788
Equity attributable to owners of the Company		83,730	85,557	88,989
Non-controlling interests		-	2,402	2,346
Total equity		83,730	87,959	91,335

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Issued capital	Reserved shares	Retained earnings	Reserves	Non-controlling interest	Total
		\$000	\$000's	\$000	\$000	\$000	\$000
Consolidated Group							
Balance at 1 July 2015 – previously stated		75,841	-	12,862	2,360	2,346	93,409
Adjustment on correction of error	1.8	-	-	(2,074)	-	-	(2,074)
Balance at 1 July 2015 - restated		75,841	-	10,788	2,360	2,346	91,335
Comprehensive income							
Loss for the year		-	-	(2,675)	-	(131)	(2,806)
Other comprehensive income for the year		-	-	-	126	(9)	117
Total comprehensive income/(loss) for the year		-	-	(2,675)	126	(140)	(2,689)
Transactions with owners, in their capacity as owners, and other transfers							
Change of interest in Oreplore		-	-	(196)	-	196	-
Share-based payments	4.3	-	-	-	118	-	118
Shares bought back during the year		(803)	-	-	-	-	(803)
Transaction costs on share buy back		(2)	-	-	-	-	(2)
Total transactions with owners and other transfers		(805)	-	(196)	118	196	(687)
Balance at 30 June 2016		75,036	-	7,917	2,604	2,402	87,959
Comprehensive income							
Loss for the year		-	-	(4,275)	-	(284)	(4,559)
Other comprehensive loss for the year		-	-	-	(306)	(32)	(338)
Total comprehensive loss for the year		-	-	(4,275)	(306)	(316)	(4,897)
Transactions with owners, in their capacity as owners, and other transfers							
Share-based payments	4.3	-	-	-	667	-	667
Shares issued		4,960	-	-	-	-	4,960
Transaction costs on share issue		(273)	-	-	-	-	(273)
Shares bought back during the year		(276)	-	-	-	-	(276)
Transaction costs on share buy back		(1)	-	-	-	-	(1)
Reserved shares purchased	4.2	-	(453)	-	-	-	(453)
Dividends recognised for the year	2.5	-	-	(848)	-	-	(848)
Acquisition of non-controlling interest	4.3	-	-	(17)	(1,005)	(2,086)	(3,108)
Total transactions with owners and other transfers		4,410	(453)	(865)	(338)	(2,086)	668
Balance at 30 June 2017		79,446	(453)	2,777	1,960	-	83,730

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	CONSOLIDATED GROUP	
		2017 \$000	2016 \$000
Cash flows from operating activities			
Receipts from customers		148,832	142,156
Payments to suppliers and employees		(133,320)	(124,366)
Income tax refund		1,725	1,856
Net interest paid		(982)	(1,158)
Net cash provided by operating activities	3.1	16,255	18,488
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		325	97
Purchase of property, plant and equipment		(15,882)	(11,033)
Payments for development costs		(2,484)	(3,035)
Investment income		108	129
Net cash used in investing activities		(17,933)	(13,842)
Cash flows from financing activities			
Proceeds from borrowings		6,000	-
Repayment of borrowings		(116)	(4,904)
Dividends paid by parent entity		(848)	-
Proceeds from issue capital		4,960	-
Transaction costs on share issue		(273)	-
Acquisition of non-controlling interest	4.3	(3,108)	-
Share buy-back payment		(276)	(803)
Transaction costs on share buy back		(1)	(2)
Purchase of own shares		(453)	-
Net cash used in/(provided by) financing activities		5,885	(5,709)
Net increase/(decrease) in cash		4,207	(1,063)
Cash at beginning of financial year		4,690	5,729
Effects of exchange rate changes on cash		(87)	24
Cash at end of financial year	3.1	8,810	4,690

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 General Notes

1.1 General Information

Swick Mining Services Ltd (the “Parent” or the “Company”) (ASX: SWK) is a public company listed on the Australian Securities Exchange (“ASX”) and is incorporated in Australia. Swick Mining Services Ltd and its subsidiaries (collectively referred to as “Swick Mining Services Group” or the “Group”) operate extensively throughout Australia and internationally.

The address for its registered office and principal place of business is as follows:

64 Great Eastern Highway
South Guildford, Western Australia 6055, Australia
Tel: +61 8 9277 8800

The financial report of the Company and its controlled entities for the year ended 30 June 2017 was authorised for issue on 30 August 2017 by the directors of the Company.

1.2 Basis of Preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. 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 comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at 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.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors’ Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

1.3 Functional currency

Each entity in the Group determines its own functional currency based on the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated into Australian dollars, which is the functional currency of the Parent entity, and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- ✦ exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- ✦ exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- ✦ exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

1.4 Principles of consolidation

The consolidated financial statements incorporate the financial statements of Swick Mining Services Limited and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- + has power over the investee;
- + is exposed, or has rights, to variable returns from its involvement with the investee; and
- + has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- + the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- + potential voting rights held by the Company, other vote holders or other parties;
- + rights arising from other contractual arrangements; and
- + any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

1.5 Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant in understanding of the financial statements are provided throughout the notes to the financial statements to which it relates.

Trade and other payables

Trade and other payables are carried at amortised cost. They represent unsecured liabilities for goods and services procured by the Group prior to the financial period end that remain unpaid and occur when the Group becomes obligated to make future payments. The amounts are unsecured and are usually paid within 30-60 days of recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1.6 Changes to accounting standards and interpretations

New and revised accounting standards and interpretations adopted

The consolidated entity has adopted the following new standards and amendments to standards issued by the Australian Accounting Standards Board ('AASB'), including any consequential amendments to other standards, with a date of initial application of 1 July 2016.

- + AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'
- + AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'
- + AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012 – 2014 Cycle'
- + AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'
- + AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'

The application of these amendments did not have any material impact on the amounts recognised in the financial statements nor resulted in any additional disclosures upon adoption.

New standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The standards and interpretations that were issued but not yet effective are set out below. The Group is in the process of considering the impact of the new standards. Unless stated otherwise below, the potential effects of the following standards and interpretations have not yet been fully determined.

Reference	Summary	Application date of standard	Application date for Group
2016-1 <i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i> [AASB 112]	This Standard amends AASB 112 <i>Income Taxes (July 2004)</i> and AASB 112 <i>Income Taxes (August 2015)</i> to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	This Standard amends AASB 107 <i>Statement of Cash Flows (August 2015)</i> to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
AASB 9 <i>Financial Instruments</i>	AASB 9 contains accounting requirement for financial instruments, replacing AASB 139. The standard: <ul style="list-style-type: none"> (a) contains a simpler model for classification and measurement of financial assets; (b) a single, forward looking 'expected loss' impairment model that will require more timely recognition of expected credit losses; (c) a substantially reformed approach to hedge accounting including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. 	1 January 2018	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Reference	Summary	Application date of standard	Application date for Group
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	AASB 2014-10 amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2018	1 July 2018
AASB 2016-5 <i>Classification and Measurement of Share-based Payment Transactions</i>	<p>This standard amends to IFRS 2 <i>Share-based Payment</i>, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> ✦ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ✦ Share-based payment transactions with a net settlement feature for withholding tax obligations ✦ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. 	1 January 2018	1 July 2018
AASB 16 <i>Leases</i>	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> ✦ Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. ✦ A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. ✦ Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. ✦ AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> ✦ AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. ✦ AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>The Group has not yet commenced its review of the application of this Standard.</p>	1 January 2019	1 July 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Reference	Summary	Application date of standard	Application date for Group
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>The Group will continue to carry out a systematic review of the impact of AASB 15 on existing contracts and new contracts as they are awarded. At the date of this report, Management has assessed the impact of AASB 15 and believes the impact is unlikely to be material.</p>	1 January 2018	1 July 2018

1.7 Critical accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

- + Net realisable value of inventories (Note 3.3)
- + Impairment of assets (Note 3.4)
- + Useful lives of property, plant & equipment (Note 3.4)
- + Recoverability of internally generated intangible assets (Note 3.5)
- + Recoverability of recognised tax losses (Note 3.9)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1.8 Correction of error

As part of the year end deferred tax calculation it was identified that a number of assets had been given a tax base where the cost had previously been claimed for tax and that the Research and Development tax credit had been carried forward from the 2015 year incorrectly. The amounts below have been reconciled back to the opening 2016 and 2017 financial year balances.

The errors have been corrected by restating the affected financial statement line items for the prior periods, as follows:

Impact at 30 June (decrease in equity)

	30 June 2015 \$000
Deferred tax assets	(2,074)
Total assets	(2,074)
Retained earnings	(2,074)
Net impact on equity	(2,074)
	30 June 2016 \$000
Deferred tax assets	(2,074)
Total assets	(2,074)
Retained earnings	(2,074)
Net impact on equity	(2,074)

The correction of error had no impact on the Consolidated Statement of Profit and Loss and Other Comprehensive Income or Earnings per Share for the years ended 30 June 2016 and 2017.

2. Financial performance

2.1 Operating segments

General information

Identification of reportable segments

For management purposes, the Group is organised into business units based on type of activities and regions. The Group's chief operating decision maker for the purpose of resource allocation and assessment of performance of segments is specifically focused on three (2016: two) reportable segments, as follows:

- ✦ Drilling Services in Asia Pacific, which provides mineral drilling services to mining industry in the Asia Pacific region.
- ✦ Drilling Services International, which provides mineral drilling services to mining industry in the International region.
- ✦ Mineral Technology, which carries out research and development activities in mineral analysis technology.

To introduce the third reportable segment this year, comparatives have been adjusted to reflect this change.

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

The Group's revenue from continuing operations and information about its assets and liabilities by reportable segments are detailed below:

Year ended 30 June 2017 \$'000	Drilling services – Asia Pacific	Drilling services – International	Mineral Technology	Other/ elimination	Total
Revenue	112,877	16,576	-	-	129,453
Other income	289	205	63	-	557
Inter-segment revenue	1,319	-	-	(1,319)	-
Total revenue and other income	114,485	16,781	63	(1,319)	130,010
EBITDA	11,774	1,581	(1,289)	-	12,066
Depreciation and amortisation	(14,067)	(1,595)	(6)	-	(15,668)
Segment result - EBIT	(2,293)	(14)	(1,295)	-	(3,602)
Finance costs					(1,031)
Loss before tax					(4,633)
Total assets	130,830	18,635	7,603	(22,569)	134,499
Total liabilities	(48,528)	(22,788)	(641)	21,188	(50,769)
Total net assets	82,302	(4,153)	6,962	(1,381)	83,370
Additions to property, plant and equipment	13,542	2,340	-	-	15,882
Additions to intangible assets	879	-	1,605	-	2,484
Total additions to non-current assets	14,421	2,340	1,605	-	18,366

Year ended 30 June 2016 \$'000	Drilling services – Asia Pacific	Drilling services – International	Mineral Technology	Other/ elimination	Total
Revenue	110,647	12,531	-	-	123,178
Other income	1,391	115	201	-	1,707
Inter-segment revenue	1,298	-	-	(1,298)	-
Total revenue and other income	113,336	12,646	201	(1,298)	124,885
EBITDA	14,547	658	(444)	-	14,761
Depreciation and amortisation	(13,613)	(1,555)	(9)	-	(15,177)
Impairment losses	(382)	(278)	-	-	(660)
Segment result - EBIT	552	(1,175)	(453)	-	(1,076)
Finance costs					(1,167)
Loss before tax					(2,243)
Total assets	125,504	13,964	6,288	(16,690)	129,066
Total liabilities	(39,665)	(17,865)	(221)	16,644	(41,107)
Total net assets	85,839	(3,901)	6,067	(46)	87,959
Additions to property, plant and equipment	9,401	1,632	-	-	11,033
Additions to intangible assets	1,607	-	1,428	-	3,035
Total additions to non-current assets	11,008	1,632	1,428	-	14,068

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

- (a) Segment result represents the loss incurred by each segment after allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, and gains and losses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.
- (b) The main items in Other/eliminations is inter-segment loans and charges.
- (c) Included in the revenue arising from provision of drilling contract services of \$129.5 million (2016: \$123.2 million) are revenues of \$66.4 million (2016: \$62.1 million) which arose from sales to the Group's three (2016: three) largest customers. No other single customer contributed 10% or more to the Group's revenue for 2017. These customers provided \$24.0 million, \$21.8 million and \$20.6 million (2016: \$25.8 million, \$20.4 million and \$15.9 million) respectively, and are all contained within the Drilling Services – Asia Pacific segment.

2.2 Revenue and other income

CONSOLIDATED GROUP	
	2017 \$000
	2016 \$000
Revenue	
Sales revenue	
- Provision of services	129,453
	129,453
Other income	
- Gain on disposal of property, plant and equipment	131
- Interest received	49
- Government grants received	168
- Investment income	108
- Other income	101
Total other income	557
	1,707

Revenue from provision of services

Revenue from the provision of services is measured at the fair value of the consideration received or receivable, net of goods and services tax or other sales taxes. Revenue is recognised as the service has been delivered to the client and the recovery of the consideration is probable.

Interest received

Interest income is recognised as it accrues using the effective interest rate method.

Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Investment income

Investment income is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

2.3 Other expenses

Other expenses

Accommodation and travel
Repairs and maintenance
Administration costs
Insurance
Recruitment and training
Rental expense on operating leases
- minimum lease payments

Total other expenses

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
4,533	3,706
6,773	6,049
4,018	3,268
1,685	2,052
617	625
1,531	1,487
19,157	17,187

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.4 Income tax expense

(a) Income tax recognised in profit or loss:

Current tax

Current year tax expense
Adjustments recognised in the current year for prior years income tax expense

Deferred tax

Relating to origination and reversal of temporary differences
Adjustments in respect of previously deferred income tax
Derecognition of overseas losses

Net income tax benefit/(expense) reported in profit or loss

(b) The benefit/(expense) for the year can be reconciled to accounting profit as follows:

Accounting loss before income tax

Prima facie tax benefit on loss from ordinary activities before income tax at 30%
- Non-deductible expenses
- Share-based payments expense
- Effect of foreign tax rate
- Research and development tax offsets
- Derecognition of overseas losses
- Carry forward losses not recognised
- Adjustments in respect of previous deferred income tax

Income tax benefit/(expense) attributable to entity

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
(138)	(188)
(59)	1,125
(197)	937
1,582	936
(22)	(1,494)
(1,289)	(942)
271	(1,500)
74	(563)

(4,633)	(2,243)
1,390	673
(16)	(20)
(35)	-
42	(162)
85	642
(1,289)	(942)
(22)	(385)
(81)	(369)
74	(563)

(i) The tax rate used for the reconciliations above is the corporate tax rate of 30% (2016: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

(ii) The decrease in the weighted average effective consolidated tax rate for 2017 of 1.6% (2016: minus 25.1%) is a result of derecognition of overseas losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 1 July 2009 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Swick Mining Services Limited. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the 'separate taxpayer within Group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated Group are recognised by the Company (as head entity in the tax-consolidated Group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated Group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated Group in accordance with the arrangement.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant tax authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the statement of financial position.

2.5 Dividends

	Cents per Share	CONSOLIDATED GROUP	
		2017 \$000	2016 \$000
Distributions paid/payable			
2016 final fully franked ordinary dividend franked at the tax rate of 30%	0.4	848	-
Total dividends		848	-
(a) Final 2016 ordinary dividend of 0.4 cents per share fully franked at the tax rate of 30%		-	849
(b) Franking account balance:			
Closing balance		1,298	3,425
Subsequent to year-end, the franking account would be (decreased)/increased by income tax refunds as follows:		-	(1,763)
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:		-	(364)
Adjusted franking account balance		1,298	1,298

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

2.6 Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Earnings used to calculate basic earnings per share

Loss after income tax expense attributable to owners of the Company

Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share

Weighted average number of dilutive rights outstanding (i)

Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share

Basic loss per share (cents)

Diluted loss per share (cents)

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
(4,275)	(2,675)
(4,275)	(2,675)
CONSOLIDATED GROUP	
2017 No.	2016 No.
213,078,010	216,030,553
-	-
213,078,010	216,030,553
(2.0)	(1.2)
(2.0)	(1.2)

(i) The impact of performance rights and options in 2017 and 2016 has not been factored into the calculation of the diluted earnings per share as the Group is in a loss position. The number of options and performance rights not included in diluted earnings per share calculation is 8,392,007 (2016: 200,000)

Basic earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- + costs of servicing equity (other than dividends) and preference share dividends;
- + the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as an expense; and
- + other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares;
- + divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

The dilutive effect, if any, of outstanding options and performance rights is reflected as additional share dilution in the computation of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

3. Assets and Liabilities

3.1 Cash

Cash at bank and in hand

The cash balance primarily consists of cash and on-call bank deposit.

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
8,810	4,690

Reconciliation of cash flow from operations with loss after income tax

Loss after income tax	(4,559)	(2,806)
Non-cash flows in loss		
Depreciation and amortisation	15,668	15,177
Net loss on foreign exchange	(20)	248
Net gain on disposal of property, plant and equipment	(131)	(53)
Share options/performance rights expensed	667	118
Investment income classified as investing cash flow	(108)	(129)
Impairment of assets	-	660
Change in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease in trade and other receivables	2,401	2,652
Increase in prepayments	(263)	(632)
(Increase)/decrease in inventories	(2,165)	1,984
Increase/(decrease) in trade payables and accruals	4,717	(881)
Decrease in current tax assets	1,257	811
(Increase)/decrease in deferred tax assets	(238)	1,417
Decrease in other liabilities	-	(18)
Decrease in provisions	(971)	(60)
Cash flow from operations	16,255	18,488

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

3.2 Trade and other receivables

CURRENT

Trade receivables

Accrued income

Rebates and credit offsets

Total current trade and other receivables

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
16,306	18,677
266	215
154	235
16,726	19,127

Trade receivables are carried at amortised cost less an allowance for impairment. The Group reviews the collectability of trade receivables on an ongoing basis and makes an objective judgement concerning amounts considered not collectible. The amount of the loss is recognised in the statement of profit or loss within operating expenses and classified as doubtful debts. Any subsequent recovery of amounts previously written off, are recorded as other income in the statement of profit or loss.

Fair values and credit risk

Due to the short term nature of these receivables their carrying value is assumed to approximate their fair values.

Current

Past due 0 to 30 days

Past due 31+ days

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
16,440	18,854
266	-
20	273
16,726	19,127

Trade debtors are non-interest bearing and generally on 30-60 day terms.

Amounts are considered as 'past due' when the debt has not been settled with the terms & conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality. None of the receivables past due are considered impaired as these amounts had either been collected, are expected to be collected or payment arrangements agreed prior to the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

3.3 Inventories

CURRENT

At cost

Raw materials and consumables

Allowance for obsolescence

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
18,086	15,799
(2,954)	(2,832)
15,132	12,967

The Group maintains an inventory of drilling consumables and parts & spares for use in the rendering of drilling services. Inventory is measured at the lower of cost and net realisable value. Costs incurred in bringing inventory to its present location and condition are accounted for as purchase cost on a first-in/first-out basis. An on-going review is conducted in order to ascertain whether items are obsolete or damaged, and if so determined, the carrying amount of the item is written down to its net realisable value.

Significant accounting estimates and assumptions

Net realisable value of inventories

The Group reviews the net realisable value of inventory at the end of each reporting period. An increase of \$0.1 million (2016: decrease of \$2.1 million) in allowance for obsolescence was recognised during the year.

3.4 Property, plant and equipment

Plant and equipment

Gross carrying value – at cost

Accumulated depreciation and impairment

Net carrying value - plant and equipment

Leasehold improvements

Gross carrying value – at cost

Accumulated amortisation

Net carrying value - leasehold improvements

Office furniture and equipment

Gross carrying value – at cost

Accumulated depreciation

Net carrying value - office furniture and equipment

Motor vehicles

Gross carrying value – at cost

Accumulated depreciation

Net carrying value - motor vehicles

Net carrying value - total property, plant and equipment

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
196,126	184,662
(124,904)	(114,557)
71,222	70,105
3,256	3,230
(2,355)	(2,080)
901	1,150
7,650	7,415
(6,161)	(5,350)
1,489	2,065
18,758	18,966
(14,620)	(14,650)
4,138	4,316
77,750	77,636

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	Plant and equipment \$'000	Leasehold improvements \$'000	Office furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Consolidated group					
Balance at 1 July 2015	68,374	1,428	1,275	8,671	79,748
Additions (i)	11,444	-	1,694	580	13,718
Reclassification	3,281			(3,281)	-
Disposals	-	-	-	(44)	(44)
Impairment (see below)	(660)	-	-	-	(660)
Exchange rate revaluation	(69)	1	-	12	(56)
Depreciation expense	(12,265)	(279)	(904)	(1,622)	(15,070)
Balance at 30 June 2016	70,105	1,150	2,065	4,316	77,636
Additions (i)	14,065	27	241	1,727	16,060
Disposals	(37)	-	-	(157)	(194)
Exchange rate revaluation	(170)	-	(1)	(43)	(214)
Depreciation expense	(12,741)	(276)	(816)	(1,705)	(15,538)
Balance at 30 June 2017	71,222	901	1,489	4,138	77,750

(i) Additions include \$0.2 million (2016: \$2.7 million) of development costs capitalised to plant and equipment.

Items of plant and equipment are measured at cost less accumulated depreciation and impairment. Cost includes acquisition, being the fair value of the consideration provided, plus incidental costs directly attributable to the acquisition.

Subsequent costs directly related to an item of plant and equipment, which enhances the functionality of the asset, are recognised in the carrying amount of that item of property, plant and equipment only when it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are recognised in the statement of comprehensive income as an expense.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit and loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Depreciation

Depreciation is recognised in profit and loss on a straight-line or usage basis over the estimated useful life of each part of an item of property plant and equipment. The depreciation method reflects the pattern in which the future economic benefit is expected to be consumed for each asset giving consideration to the estimated working life of each asset. The estimated working life and idle time for each asset is assessed annually. Those items of property, plant and equipment undertaking construction are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

The following useful lives are used in the calculation of depreciation for each class of property, plant and equipment:

Class of fixed asset	Useful life
Plant and equipment	5 - 20 years
Leasehold improvements	10 - 15 years
Office furniture & equipment	5 - 10 years
Motor vehicles	3 - 10 years

Significant accounting estimates and assumptions

Useful lives and residual values

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. No changes to useful lives have been made for the financial year ending 30 June 2017.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial 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). Where 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. Where 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.

The carrying value of intangible assets not yet available for use are tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Recoverable amount is the higher of fair value less costs of disposal 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 the cash generating unit (or group of cash generating units) is less than the carrying amount of the cash generating unit (or groups of cash generating units), the impairment loss is allocated to the assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash generating unit (or groups of cash generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

In assessing any potential impairment of assets, management have identified two separate functional divisions as being the cash generating units (CGUs) within the Group:

- + Underground Diamond (UD) drilling; and
- + Reverse Circulation (RC) drilling.

Intangible assets have been allocated for impairment purposes to Underground Diamond drilling.

According to AASB 136 Impairment of Assets, impairment testing is required when there is an indication of possible impairment. The Group considers the relationship between its market capitalisation and the carrying value of its net assets, among other factors, when reviewing for indicators of impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Significant accounting estimates and assumptions

Determining whether the assets of the Group are impaired requires an estimation of the value-in-use of the cash generating units to which the assets have been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Where the calculated future cash flows are less than expected, a material impairment loss may arise. In supporting the assumptions behind the value-in-use calculations, the directors have referenced externally available data and engaged independent advice as appropriate.

Impairment assumptions

The recoverable amount of each cash generating unit is determined based on a value-in-use calculation. Value-in-use is calculated based on the present value of cash flow projections over a five year period with a terminal value. The cash flow projections are based on next year's financial budget approved by the directors extended to the following 4 years using a combination of growth at management estimates and external market research, with a terminal value growth rate of 2.5%.

During the year ending 30 June 2016, Swick recognised impairment losses of \$0.7 million on specific old Skid Rigs in the Underground Diamond drilling CGU. Swick currently has no plans to re-commission these rigs and therefore there are no indicators to suggest a reversal of the previously recorded impairment loss.

The post-tax discount rate for both CGU's, based on the weighted average cost of capital of the company, has been maintained at 9.0% per annum (2016: 9.0% per annum) to reflect the market cost of both debt and equity capital.

Based on the testing performed, no impairment expense has been recognised at the CGU level (2016: \$0.7 million).

The table below shows the movements required in key assumptions to result in a break even position for the UD drilling CGU which is identified as most sensitive to changes in assumptions.

	Changes in key assumptions	
	Underground Diamond Drilling	Reverse Circulation Drilling
Post-tax discount rate	+0.98%	+1.08%
Revenue	-6.5%	-17.3%
EBITDA margin	-0.8%	-4.5%

3.5 Intangible assets

	CONSOLIDATED GROUP	
	2017 \$000	2016 \$000
Development costs		
Drilling Services: amortising		
Gross carrying value – at cost	8,864	6,512
Accumulated amortisation	(4,884)	(4,754)
Net carrying value – drilling services: amortising	3,980	1,758
Drilling Services: non-amortising	858	2,509
Mineral Technology: non-amortising	7,330	5,812
Total intangibles	12,168	10,079

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated group

Balance at 1 July 2015

	Drilling Services Development amortising \$000	Drilling Services Development non- amortising \$000	Mineral Technology Development non- amortising \$000	Total \$000
Internal development	425	1,182	1,428	3,035
Transfers to plant and equipment	-	(2,685)	-	(2,685)
Amortisation expense	(107)	-	-	(107)
Exchange revaluation	-	-	(15)	(15)

Balance at 30 June 2016

	Drilling Services Development amortising \$000	Drilling Services Development non- amortising \$000	Mineral Technology Development non- amortising \$000	Total \$000
Internal development	-	879	1,605	2,484
Transfers to plant and equipment	-	(178)	-	(178)
Transfers within intangibles	2,352	(2,352)	-	-
Amortisation expense	(130)	-	-	(130)
Exchange revaluation	-	-	(87)	(87)

Balance at 30 June 2017

	Drilling Services Development amortising \$000	Drilling Services Development non- amortising \$000	Mineral Technology Development non- amortising \$000	Total \$000
	3,980	858	7,330	12,168

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assets other than goodwill is as follows:

Useful life

Drilling Services

Finite

Amortisation method used

Amortised over the period of between 5 and 15 years on a straight-line basis.

Mineral Technology

Not yet determined as still in development.

Significant accounting estimates and assumptions

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period. The amortisation method is reviewed at each financial year-end.

Recoverability of internally generated intangible assets

Drilling Services

During the year, the directors considered the recoverability of the Group's capitalised development costs included in the consolidated statement of financial position at 30 June 2017 of \$4.8 million (2016: \$4.3 million).

Development projects continue to progress in accordance with the Group's project management plans. Research and development is conducted for the purpose of improved efficiency in the business' operations. Sensitivity analysis has been carried out and directors are confident the carrying amount of the assets will be recovered in full.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Mineral Technology

During the year, the directors considered the recoverability of the Group's capitalised development costs included in the consolidated statement of financial position at 30 June 2017 of \$7.3 million (2016: \$5.8 million).

Development projects continue to progress in accordance with the Group's project management plans. The company has completed on site testing of the first stage of development and is now looking at moving to commercial development of the first phase product.

Impairment of intangible assets

Drilling Services

The value of the amortising development intangibles in the UD drilling CGU are included as appropriate under impairment testing for property, plant and equipment. Other intangibles are still in development and each item is tested for expected completion and expected recoverable value.

Management has conducted a review of the current development projects which have been capitalised to determine the expected future cash flows to be generated from future use under impairment testing for property, plant and equipment. The modelling undertaken showed the book value of these assets will be recovered through future use and therefore no impairment is required (2016: nil).

Mineral Technology

Management has conducted a review of the current intangible assets related to the Mineral Technology business. Product development during the year has involved a number of successful in field trials, with steps towards commercialisation to be progressed through 2018. Indicative valuations from the recent third party transactions both in purchasing the shareholding of the non-controlling shareholders, plus the ability to raise equity funds on the open market to enable this purchase provide valuations that support the values and therefore no impairment is required (2016: nil).

3.6 Other financial assets and liabilities

Other financial assets

Units in unlisted property trust

CONSOLIDATED GROUP	
2017 \$'000	2016 \$'000
1,380	1,280

The Group has an investment in an unlisted unit trust that is not traded in an active market but is classified as an available-for-sale (AFS) financial asset and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the asset revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the asset revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

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 investment have been affected.

Fair value

Fair value is the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. The fair values of financial assets and financial liabilities are determined as follows:

- ✦ the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- ✦ the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- ✦ Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- ✦ Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- ✦ Level 3 inputs are unobservable inputs for the asset or liability.

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a qualitative sensitivity analysis as at 30 June 2017 and 2016 are as shown below:

Financial asset	Fair value as at		Valuation technique	Significant unobservable input(s)	Sensitivity of the input to fair value
	30/06/17 \$'000	30/06/16 \$'000			
Investment in unlisted property trust (i)(ii)	1,380	1,280	Comparable Sales Method	Sales of sites within similar areas taking into account the location, size and condition of improvements to determine a rate per square metre of \$425 - \$450 (2016: \$425).	A \$25 per square metre increase in price would increase the value by \$94,000, and vice versa.

(i) A gain of \$100,000 (2016: nil) resulting from the revaluation of the underlying property in the unit trust is recognised in other comprehensive income and accumulated in the asset revaluation reserve.

(ii) Investment income of \$108,000 (2016: \$129,000) received during the financial year from the investment in the unlisted property trust has been included in other income.

3.7 Borrowings

CURRENT

Secured liabilities

Hire purchase liabilities (i)

Bank loans (ii)

Total current borrowings

NON-CURRENT

Secured liabilities

Bank loans (ii)

Total non-current borrowings

Total borrowings

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
-	116
3,000	-
3,000	116
23,000	20,000
23,000	20,000
26,000	20,116

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

- (i) Hire purchase liabilities generally have a term of between 3 and 5 years with the financier having an interest in the asset until the final payment is made. The average interest rate is 7.0% (2016: 6.6%). Financiers secure their interest by registering a charge over the financed assets. Hire purchase liabilities are secured by the asset for which the agreement relates. During the 2017 financial year, hire purchase liabilities have been repaid in full.
- (ii) Bank loans and overdraft are secured by fixed and floating charges over the Group's Asia Pacific assets. During the 2017 year, the Company increased its bank facility limit from \$25.5 million to \$29.5 million. The additional facility of \$4.0 million had an initial expiry date of 31 October 2017. In August 2017 the company extended the maturity of \$4.0 million borrowings sub facility from 31 October 2017 to align with the maturity of its overall facility on 31 January 2019. Details of the Group's exposure to interest rate changes on interest bearing liabilities are set out in Note 5.

Loans and borrowings are initially recognised at fair value, net of transaction costs. Borrowing costs are recognised in statement of profit or loss in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Available borrowing facilities

Bank and other loan facilities

Total facilities

Used at balance date

Unused at balance date

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
29,500	25,500
(26,430)	(20,430)
3,070	5,070

Banking covenants

The Company complied with and continues to comply with all banking covenants specified in the finance agreement with its financier.

Fair values

Due to the variable interest rate for the majority of these borrowings their carrying value is assumed to approximate their fair values. The borrowings are categorised as Level 2 of the fair value hierarchy.

3.8 Provisions

CURRENT

Short-term employee benefits

Total current provisions

NON-CURRENT

Long-term employee benefits

Total non-current provisions

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
4,819	4,822
4,819	4,822
599	1,567
599	1,567

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities or employees as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation. Provision for employee benefits represents amounts accrued for annual leave and long service leave.

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 using the projected unit credit valuation method in respect of services provided by employees up to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

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3.9 Net deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

Recognised deferred tax assets

Provisions and accrued expenses
Borrowing costs
Tax deductibility for capital raising
Research and development credit
Tax losses

Deferred tax assets

Set off of deferred tax liability

Net deferred tax assets

Recognised deferred tax liabilities

Consumables
Property, plant and equipment
Tax on asset revaluation
Prepayments

Deferred tax liabilities

Set off to deferred tax asset

Net deferred tax liabilities

Movements:

Opening balance 1 July
Debit/(credit) to the income statement
Debit/(credit) to equity
Exchange rate revaluation

Closing balance at 30 June

CONSOLIDATED GROUP	
2017 \$000	2016 Restated \$000
2,724	1,865
2	7
3	-
1,705	1,038
1,143	459
5,577	3,369
(5,104)	(3,104)
473	265
(1,967)	(1,929)
(3,023)	(1,027)
(114)	(84)
-	(64)
(5,104)	(3,104)
5,104	3,104
-	-
265	1,766
271	(1,500)
(30)	-
(33)	(1)
473	265

Note: Balances for 2016 have been restated in accordance with note 1.8.

As at 30 June 2017 the Company had \$2,636,000 (2016: \$1,327,000) unrecognised tax losses, with time limits on utilisation between 12 and 20 years from the year of the loss.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities 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 & deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where it arises from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Significant accounting estimates and assumptions

Recoverability of tax losses

The Group is subject to income taxes in Australia and foreign jurisdictions, significant estimates are required in determining the recoverability of deferred tax assets in these locations. The assumptions regarding future realisation, and therefore the recognition of deferred tax assets, may change due to future operating performance and other factors.

The directors have considered the recoverability of international tax losses as included in deferred tax balances at 30 June 2017 of \$0.4 million (2016: \$1.1 million). Tax losses have been recognised where they are available to be recovered over a period of not less than 10 years and the company recouping the losses has shown recent history of ability to earn profits. As part of this review the directors had decided to de-recognise \$1.3 million because of restructuring of parts of the organisation.

4. Capital Structure

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 3.7, cash and equity attributable to equity holders of the Parent, comprising issued capital as disclosed in Note 4.1, reserved shares in Note 4.2, reserves as disclosed in Note 4.3, other equity and retained earnings.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio (net debt/equity) remains below 30%. The gearing ratios at year end are as follows:

	Note	CONSOLIDATED GROUP	
		2017 \$'000	2016 \$'000
Total borrowings	3.7	26,000	20,116
Less cash	3.1	(8,810)	(4,690)
Net debt		17,190	15,426
Total equity		83,730	87,959
Total capital		100,920	103,385
Gross gearing ratio (gross debt/equity)		31.1%	22.9%
Net gearing ratio (net debt/equity)		20.5%	17.5%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

4.1 Issued capital

Movement in ordinary shares on issue

Balance at 1 July 2015

Issue of shares under the Company's Performance Rights Plan

Shares bought back during the year

Transaction costs on share buy back

Balance at 30 June 2016

Issue of shares under the Company's Performance Rights Plan

Issue of shares through share placement

Transaction cost on share issue

Shares bought back during the year

Transaction costs on share buy back

Balance at 30 June 2017

CONSOLIDATED GROUP	
No.	\$000
217,643,703	75,841
601,439	-
(5,986,045)	(803)
-	(2)
212,259,097	75,036
200,000	-
20,246,938	4,960
-	(273)
(1,255,210)	(276)
-	(1)
231,450,825	79,446

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Where the Group issues new equity instruments, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

4.2 Reserved Shares

Movement in reserved shares

Balance at 1 July 2015

Balance at 30 June 2016

Shares bought back during the year

Transaction costs on share buy back

Shares allocated to exercised performance rights

Balance at 30 June 2017

CONSOLIDATED GROUP	
No.	\$000
-	-
-	-
1,709,685	(452)
-	(1)
(1,709,685)	-
-	(453)

Reserve for own shares

The reserve for the Company's own shares comprises the cost (net of tax) of the Company's shares held by the trustee of the consolidated entity's equity compensation plans which were purchased on-market in anticipation of vesting of share-based payment awards under the equity compensation plans. During the year 1,709,685 shares (2016: nil) were purchased by the employee share trust for a total cost of \$452,000 (2016: nil) at an average price of \$0.265 per share. As at 30 June 2017, there are nil (2016: nil) unallocated Swick shares held in trust.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

4.3 Reserves

	Foreign currency translation reserve \$000	Asset revaluation reserve \$000	Share-based payments reserve \$000	Transactions with NCI reserve \$000	Total \$000
Consolidated Group					
Balance at 1 July 2015	631	280	1,449	-	2,360
Other comprehensive income/(loss) for the year	210	(84)	-	-	126
Share-based payments	-	-	118	-	118
Balance at 30 June 2016	841	196	1,567	-	2,604
Other comprehensive income/(loss) for the year	(376)	70	-	-	(306)
Share-based payments	-	-	667	-	667
Transactions with NCI	-	-	-	(1,005)	(1,005)
Balance at 30 June 2017	465	266	2,234	(1,005)	1,960

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

Asset revaluation reserve

The asset revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Share-based payments reserve

The share-based payments reserve records items recognised as expenses on valuation of employee share options or issue of performance rights. Details of share-based payments can be found in the Remuneration Report and below.

Transactions with non-controlling interest (NCI) reserve

This reserve is used to record the differences between the amount of the adjustment to non-controlling interests and any consideration paid as a result of transactions with non-controlling interests that do not result in a loss of control.

On 1 June 2017 the group acquired all of the non-controlling shareholders (17.6% held by passive shareholders, 11.9% by executive shareholders) in Orexplore AB for a consideration of \$3,108,000. Immediately prior to the purchase, the carrying amount of the existing 29.5% non-controlling interest in Orexplore AB was \$2,103,000. The group recognised a decrease in non-controlling interests of \$2,103,000 and a decrease in equity attributable to owners of the parent of \$1,005,000. The effect on the equity attributable to the owners of Swick Mining Services Limited during the year is summarised as follows:

	CONSOLIDATED GROUP	
	2017 \$000	2016 \$000
Carrying amount of non-controlling interest acquired	2,103	-
Consideration paid to non-controlling interests	(3,108)	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(1,005)	-

There were no transactions with non-controlling interests in 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Share-based payments

Share Options

Each share option converts into one ordinary share of Swick Mining Services Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry.

The weighted average fair value of the share options granted during the financial year is \$0.04 (2016: nil). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options immediately after the vesting date.

A summary of the movements of all Company options on issue is as follows:

	CONSOLIDATED GROUP			
	2017		2016	
	No.	Weighted average exercise price	No.	Weighted average exercise price
Balance at the beginning of the year	-	-	-	-
Granted*	6,542,114	\$0.37	-	-
Forfeited	-	-	-	-
Balance at year end	6,542,114	\$0.37	-	-
Exercisable at year end	-	-	-	-

* Details of options issued during the year are shown below.

Performance rights plan

The Company has established the Swick Mining Services Limited Performance Rights Plan. The rights were granted at no cost to the executives and will convert into ordinary shares on completion of specified periods of service. Performance rights granted in 2017 were issued as units in the employee share trust.

A summary of the movements of all Company performance rights on issue is as follows:

	CONSOLIDATED GROUP	
	2017 No.	2016 No.
Balance at the beginning of the year	200,000	801,439
Granted*	3,756,645	-
Vested and exercised	(1,909,685)	(601,439)
Forfeited	(107,067)	-
Expired	-	-
Balance at year end	1,939,893	200,000
Exercisable at year end	-	-

* Details of performance rights issued during the year are shown below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Performance rights vested on meeting the continuing service vesting condition. Further information relating to the Group's Performance Rights, including details of issued, exercised, and lapsed Performance Rights is set out in the Directors Remuneration Report.

Share based payments

The Group provides benefits to employees of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, the company uses the price of the shares of the Company. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

MD LTI plan

Under the MD LTI plan, awards are made to Managing Director, which are delivered in the form of options over shares which vest over a period of three years subject to continuous employment with the Group. The fair value of share options granted is estimated at the date of grant using a Black-Scholes simulation model, taking into account the terms and conditions upon which the share options were granted.

The exercise price of the share options is equal to 143% of the 20 day volume weighted average share price of a share up to and including the date of the 2016 annual general meeting.

Executive LTI plan

Under the Executive LTI plan, awards are made to executives and other key talent who have an impact on the Group's performance. LTI awards are delivered in the form of performance rights, which vest two years from the start of the year in which they are granted and the employee continues to be employed by the Group at the vesting date. The fair value of the performance rights is measured at the grant date of the performance rights and amortised over the vesting period.

The following table list the inputs to the models used for the plans for the year ended 2017, as there were no issues in 2016. During 2017 there were two issues to executive management, one under the 2016 plan, which vested immediately, and another under the 2017 plan.

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FOR THE YEAR ENDED 30 JUNE 2017

	MD LTI plan 2017	Executive LTI plan 2016	Executive LTI plan 2017
	Options	Performance Rights	Performance Rights
Weighted average fair value (\$)	0.0358	0.265	0.2587
Share price (\$)	0.265	0.265	0.265
Grant date	11/11/2016	25/11/2016	25/11/2016
Vesting Date	30/06/2019	25/11/2016	30/06/2018
Expiry date	30/06/2020	30/06/2016	30/06/2018
Share price volatility	32.90%	33.29%	33.29%
Interest rate	1.93%	1.755%	1.755%
Dividend yield	1.33%	1.51%	1.51%
Model Used	Black-Scholes	Black-Scholes	Black-Scholes

Orexlore shadow equity plan

Following the purchase of non-controlling interest shares in Orexplore AB, shareholders who were also employees of the company were offered warrants entitling them to Swick shares based on changes in the value of Orexplore over a period of up to five years, and in line with their percentage ownership of Orexplore prior to the share transaction. Under the terms of the agreement, the final number of Swick shares the participants are entitled to will be determined by the increase in value of the Orexplore business. At the date of this report, details of this agreement were not yet finalised.

5. Financial Risk Management

Financial risk management objectives

The Group's corporate finance function provides services to the business, coordinates access to domestic and financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks, where deemed appropriate.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price 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 period.

(a) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

As disclosed in Note 2.1, the Group has three customers which individually contribute more than 10% of the revenue. Other than these three customers the Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with management and the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 3.7 is a listing of undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group has entered into fixed and floating rate funding agreements with one financial institution to manage its exposure to interest rate risk. The Group is not exposed materially to financial risks of changes in foreign currency exchange rates.

(d) Interest rate risk

The Parent and the Group are exposed to interest rate risk as entities within the Group borrow funds at fixed and variable interest rates. The interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2017 approximately 11.5% (2016: 15%) of Group debt is fixed. A one percentage point increase/decrease in interest rates would result in a net profit after tax decrease/increase of approximately \$161,000 (2016: \$119,000).

The following table sets out the maturity analysis for financial liabilities based on contractual cash flows:

	WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Consolidated Group								
Financial liabilities:								
Trade and other payables	19,319	14,602	-	-	-	-	19,319	14,602
Bank and other loans including payable interest	4,026	-	23,552	20,000	-	-	27,578	20,000
Hire purchase liabilities	-	116	-	-	-	-	-	116
Total	23,345	14,718	23,552	20,000	-	-	46,897	34,718

At the end of the reporting period, the details of fixed rate borrowings and the respective interest rates are as follows:

	CONSOLIDATED GROUP			
	Effective average fixed interest rate payable		Notional principal	
	2017 %	2016 %	2017 \$000	2016 \$000
Fixed rate instruments				
Less than 1 year	3.68	6.64	3,000	116
1 to 2 years	-	4.05	-	3,000
			3,000	3,116

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

The net effective variable interest rate borrowings expose the Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	CONSOLIDATED GROUP			
	Effective average variable interest rate payable		Notional principal	
	2017 %	2016 %	2017 \$000	2016 \$000
Floating rate instruments				
Bank loans	3.26	3.41	23,000	17,000

The Group cash balance at 30 June 2017 was \$8.8 million (2016: \$4.7 million). These funds attract interest up to 0.73% (2016: 0.17%) per annum.

(e) Foreign exchange risk

The Group is exposed to currency fluctuations through its subsidiary operations carried on in USA, Canada and Europe.

The following table details the Group's sensitivity to a 10% increase in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to Key Management Personnel and represents management's assessment of the reasonably possible change in foreign exchange rates in a single year. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in equity.

	CONSOLIDATED GROUP					
	Exposure to foreign currency		Impact of movement			
	Net financial assets/(liabilities)		Post tax profit higher/lower		Other comprehensive income	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Australian Dollar increases 10%						
Canadian dollar	(9,490)	(9,864)	(9)	(7)	(865)	(855)
US dollar	(821)	1,657	38	(6)	(81)	150
Euro	(7,993)	(5,690)	(26)	(46)	(726)	(517)
Swedish krona	(393)	(73)	50	11	(35)	(7)
Australian Dollar decreases 10%						
Canadian dollar	(9,490)	(9,864)	11	8	1,057	1,045
US dollar	(821)	1,657	(47)	8	98	(184)
Euro	(7,993)	(5,690)	33	57	888	632
Swedish krona	(393)	(73)	(61)	(13)	43	8

(f) Equity price risk

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. At the reporting date, the exposure to unlisted equity securities at fair value was \$1.4 million. Sensitivity analysis of this investment has been provided in Note 3.6.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

6. Other Notes

6.1 Leasing and other commitments

	Note	CONSOLIDATED GROUP	
		2017 \$000	2016 \$000
(a) Hire purchase commitments			
Payable – minimum lease payments			
Not later than 12 months		-	119
Minimum lease payments		-	119
Less future finance charges		-	(3)
Present value of minimum lease payments		-	116
Comprising:			
Current liability	3.7	-	116
Total financial liability		-	116
(b) Operating lease commitments			
Payments recognised as an expense	2.3	1,531	1,487
Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable minimum lease payments			
Not later than 12 months		1,398	1,378
Between 12 months and 5 years		4,110	5,583
Later than 5 years		7,915	12,531
		13,423	19,492

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. Operating leases relate to leases of business premises with terms of between 1 to 15 years. All operating lease contracts contain clauses for yearly rental review in line with the Consumer Price Index (CPI) or a yearly fixed 3% increase. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

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.

6.2 Contingent liabilities

Bank guarantees

CONSOLIDATED GROUP	
2017 \$000	2016 \$000
430	430

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

6.3 Parent information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	PARENT	
	2017 \$000	2016 \$000
Statement of financial position		
Assets		
Current assets	19	1,431
Non-current assets	66,018	59,493
Total assets	66,037	60,924
Liabilities		
Current liabilities	882	3
Non-current liabilities	-	-
Total liabilities	882	3
Equity		
Issued capital	92,995	88,585
Accumulated losses	(30,074)	(29,231)
Reserves	2,234	1,567
Total equity	65,155	60,921
Statement of comprehensive income/(loss)		
Total income/(loss)	(843)	1,450
Total comprehensive income/(loss)	(843)	1,450
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Guarantee provided under the deed of cross guarantee	48,528	39,665

On 28 June 2016, Swick Mining Services Limited entered into a deed of cross guarantee with a number of its subsidiaries listed in Note 6.4.

There are no commitments or contingent liabilities in the Parent Entity at 30 June 2017 (2016: nil).

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 1 July 2009 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Swick Mining Services Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

6.4 Controlled entities

(a) Controlled entities consolidated

	Country of incorporation	PERCENTAGE OWNED (%)	
		2017	2016
Parent entity:			
Swick Mining Services Ltd	Australia	100	100
Incorporated subsidiaries:			
Subsidiaries who are parties to a deed of cross guarantee:			
SMS Operations Pty Ltd	Australia	100	100
SMS Asset Holdings Pty Ltd	Australia	100	100
Swick Engineering Pty Ltd	Australia	100	100
Other Subsidiaries of Swick Mining Services Ltd:			
Swick Mining Services (Indonesia) Pty Ltd	Australia	100	100
Swick Mining Services (Canada) Inc	Canada	100	100
Swick Mining Services (USA) Inc	USA	100	100
Swick Drilling Portugal Unipossal Lda	Portugal	100	100
Swick Drilling Europe Ltd	United Kingdom	100	100
Orexlore AB	Sweden	100*	60.4
Interest in trusts:			
Swick Mining Services Ltd Employee Share Trust	Australia	100	N/A

* The Group acquired the remaining interest in Orexplore AB during the 2017 financial year. Cash consideration of \$2.0 million was transferred to the subsidiary for the acquisition of additional interest and \$3.1 million was paid for the acquisition of non-controlling interest (Note 4.3).

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

(b) Deed of cross guarantee

On 28 June 2016, the Company and a number of its wholly owned Australian subsidiaries entered into a deed of cross guarantee. Pursuant to ASIC Instrument 2016/785, the wholly-owned subsidiaries listed above as parties to a deed of cross guarantee are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of Financial Reports and Directors' Reports.

The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. Swick Mining Services Limited acts as the trustee for the closed group who are parties to the Class Order.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

The Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position of the Company and controlled entities party to the deed of cross guarantee are:

Statement of Profit or Loss and Other Comprehensive Income

Continuing operations

	2017 \$000	2016 \$000
Revenue	112,877	110,647
Other income	1,608	2,699
Raw materials and consumables used	(22,979)	(24,077)
Employee benefits expense	(64,288)	(59,987)
Depreciation and amortisation expense	(14,067)	(13,613)
Impairment of assets	-	(382)
Impairment of intercompany receivables	(8,928)	-
Finance costs	(1,021)	(1,165)
Other expenses	(16,028)	(14,735)
Loss before income tax	(12,826)	(613)
Income tax benefit	1,193	168
Net loss from continuing operations after tax	(11,633)	(445)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Net fair value gain on available-for-sale financial assets	70	(84)
Other comprehensive income/(loss) for the year, net of tax	70	(84)
Total comprehensive loss for the year	(11,563)	(529)

Summary of movements in retained earnings

	2017 \$000	2016 \$000
Retained earnings at the beginning of the year	12,969	15,488
Adjustment on correction of error (net of tax)	-	(2,074)
	12,969	13,414
Loss for the year	(11,633)	(445)
Dividends recognised for the year	(848)	-
Retained earnings at the end of the year	488	12,969

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Statement of Financial Position

Assets

Current assets

	2017 \$'000	2016 Restated \$'000
Cash	6,505	3,103
Trade and other receivables	14,485	23,217
Inventories	13,111	11,484
Prepayments	1,819	1,759
Current tax assets	-	1,071
Total current assets	35,920	40,634

Non-current assets

Intercompany receivables	13,738	10,457
Property, plant and equipment	65,972	69,987
Intangible assets	4,837	4,267
Other financial assets	10,519	5,288
Net deferred tax assets	53	-
Total non-current assets	95,119	89,999
Total assets	131,039	130,633

Liabilities

Current liabilities

Trade and other payables	10,296	13,548
Borrowings	3,000	116
Provisions	4,633	4,437
Total current liabilities	17,929	18,101

Non-current liabilities

Intercompany payables	6,999	-
Borrowings	23,000	20,000
Provisions	599	1,567
Net deferred tax liabilities	-	1,119
Total non-current liabilities	30,598	22,686

Total liabilities

Total liabilities	48,527	40,787
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Net assets

Equity

Issued capital	79,490	75,080
Reserves	2,534	1,797
Retained earnings	488	12,969
Total equity	82,512	89,846

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

6.5 Related party transactions

Ultimate parent

The ultimate parent entity that exercises control over the Group is Swick Mining Services Limited, which is incorporated in Australia.

There were no related party transactions other than those related to Key Management Personnel.

For details of disclosures relating to Key Management Personnel, refer to Note 6.6 and the Remuneration Report.

6.6 Key management personnel compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

The total remuneration paid to KMP of the Company and the Group during the year is as follows:

	CONSOLIDATED GROUP	
	2017 \$	2016 \$
Short-term employee benefits	2,599,895	2,603,663
Long-term employee benefits	17,219	-
Post-employment benefits	153,056	157,824
Share-based payments	197,966	451,264
Total KMP compensation	2,968,136	3,212,751

6.7 Auditor's remuneration

	CONSOLIDATED GROUP	
	2017 \$	2016 \$
Remuneration of the auditor for:		
- Audit and review of the financial report	95,000	111,000
- Audit of subsidiary	-	21,000
- Tax and related matters	94,417	-
- Other services	66,466	-
	255,883	132,000

The auditor of Swick Mining Services Limited is Ernst & Young.

6.8 Events after the reporting period

In August 2017 the company extended the maturity of \$4.0 million borrowings sub facility from 31 October 2017 to align with the maturity of its overall facility on 31 January 2019.

The directors are not aware of any other significant events since the end of the reporting period.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Swick Mining Services Limited, I state that:

1. In the opinion of the directors:
 - (a) the financial statements and notes of Swick Mining Services Limited for the financial year ended 30 June 2017 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.2; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

On behalf of the Directors



Kent Swick

Managing Director

Dated this 30th day of August 2017

INDEPENDENT AUDITOR'S REPORT



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Independent auditor's report to the members of Swick Mining Services Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Swick Mining Services Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

INDEPENDENT AUDITOR'S REPORT



Impairment assessment of property, plant and equipment and drilling rig development costs

Why significant

As at 30 June 2017 the Group had non-current assets totaling \$82,588,000 comprising property, plant and equipment, leasehold and improvements, office furniture and equipment, motor vehicles and drilling rig development intangible assets (refer to notes 3.4 and 3.5 to the financial report).

At the end of each reporting period, the Directors exercise judgment in determining whether there is any indication of impairment. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

Impairment indicators were identified by the Group and impairment tests were performed for all of the Group's Cash Generating Units (CGUs) at 30 June 2017. No impairment was recognised by the Group as a result of this assessment. Refer to Notes 3.4 and 3.5 to the financial report for further details relating to the Group's impairment assessment.

We focused on this matter because of the significant judgment and estimates involved in the determination of the recoverable amount of the Underground Diamond Drilling and Reverse Circulation Drilling CGUs including assumptions relating to the discount rates, revenue, contract margin (EBITDA), capital expenditure, terminal value and expected future market or economic conditions

How our audit addressed the key audit matter

As an indication of impairment existed at 30 June 2017 for each of the Group's CGUs, we assessed the appropriateness of the recoverable amount determined by the Group. In doing so we:

- Evaluated the assumptions and methodologies used by the Group, in particular, those relating to forecast cash flows and inputs used to formulate them. This included assessing, with involvement from our valuation specialists, the discount rates, terminal value and historical performance.
- Checked the mathematical accuracy of the Group's cash flow impairment models and agreed relevant data, including assumptions relating to future revenue and EBITDA margins from drilling contracts and cash outflows from operating expenses and capital expenditure to the latest Board approved budget and the historical financial performance of the Group.
- Assessed the Board of Directors' minutes throughout the year, the Group's currently contracted business and various operational reports and plans in order to understand the future plans of the Group and assess consistency with the assumptions applied in the impairment models.
- Compared the 2017 revenue and margin actual results to the Board approved 2017 budget to identify areas where actual results were materially different to budgeted results and understand how these differences were considered and factored into the current year impairment assessment.
- Performed sensitivity analyses to ascertain the extent changes in assumptions could lead to alternative conclusions.
- Assessed the adequacy of the disclosure in Notes 3.4 and 3.5 to the financial report.

INDEPENDENT AUDITOR'S REPORT



Recognition and recoverability of the Orexplore mineral analysis and measurement technology intangible asset

Why significant

As disclosed in Note 3.5, the Group has capitalised development costs of \$7,330,000 as at 30 June 2017 relating to the development of the Orexplore mineral analysis and measurement technology intangible asset.

As required by Australian Accounting Standards, the Group assesses annually and throughout the reporting period whether there is any indication that an intangible asset not yet ready for use may be impaired. The analysis of the recognition and recoverability of internally developed intangible assets was significant to our audit because it is judgmental and is based on assumptions and estimates that are affected by expected future performance and market conditions. The costs of development are capitalised as intangible assets where the investment they represent has demonstrable value and the technical and commercial feasibility is probable. The Group exercises judgment in determining which costs meet the Australian Accounting Standard - AASB 138 *Intangible Assets* criteria for capitalisation and when performing an annual impairment assessment.

The Group performed an impairment assessment on the capitalised costs relating to the Group's Orexplore technology and concluded based on this assessment that no impairment was required at 30 June 2017. Refer to note 3.5 to the financial report for further details.

How our audit addressed the key audit matter

We assessed the eligibility and allocation of the development costs for capitalisation as an intangible asset by testing a sample of expenditure capitalised during the year.

We assessed the appropriateness of the impairment assessment and methodology for the Orexplore mineral analysis and measurement technology intangible asset determined by the Group. In doing so:

- ▶ With the involvement of our valuation specialists we evaluated the appropriateness of the assumptions and methodologies used by the Group to test the impairment of the Orexplore technology asset and outlook on market technology.
- ▶ We assessed external factors including the market's support of the technology via the Group's share issue to acquire the non-controlling interest of the Orexplore mineral analysis and measurement technology. This included assessing the implied fair value of the intangible asset by comparing the consideration provided to the non-controlling interest shareholders to the carrying value of the intangible asset.
- ▶ Assessed the Board of Directors minutes and management's external expert reports in order to understand the future plans for the asset and whether there was any potential contradictory information within these reports. We also assessed the independence, objectivity, qualifications and experience of management's expert.
- ▶ Assessed the adequacy of the disclosure in Note 3.5 to the financial report.

INDEPENDENT AUDITOR'S REPORT



Information other than the financial report and auditor's report

The Directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT



- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- ▶ Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Swick Mining Services Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT



Responsibilities

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*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham
Partner
Perth
30 August 2017

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GB:EH:SWK:009

CORPORATE GOVERNANCE STATEMENT

AS AT 30 AUGUST 2017

The Board and management of the Company are committed to high standards of corporate governance practices. Copies of relevant corporate governance policies and charters are available in the corporate governance section of the Company's web-site at www.swickmining.com.

Board composition

Details of the skills, experience and expertise relevant to the position of each director and Board committee member and their term of office and membership of each board committee and attendance at committee meetings, are set out in the Directors' Report section of the annual report.

The Board sets out below details of those corporate governance matters where the Company's practices depart from Corporate Governance Recommendations. Unless otherwise stated, corporate governance practices were in place for the entire financial year.

Recommendation	Current practice
1.1 Disclose the respective roles and responsibilities of the board and management; and those matters expressly reserved to the board and those delegated to management.	The Board's primary role is to formulate the strategic direction of the Company and to oversee the Company's business activities and management. The Board Charter sets out the functions reserved for the Board and those delegated to senior management. A copy of the Board Charter is available on the Company's web-site.
1.2 Companies should undertake appropriate checks before appointing a person as a director; and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Prior to a candidate being considered for appointment as a director of the Company, relevant enquiries are made as to the person's character, experience, education, criminal record and bankruptcy history. Biographical details and other relevant information of directors standing for re-election are provided to shareholders in the notice of meeting. These requirements are contained in the Remuneration and Nomination Committee Charter, a copy of which is available on the Company's web-site.
1.3 Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.	Each director and senior executive of the Company has an agreement in writing with the Company, which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities. These requirements are contained in the Remuneration and Nomination Committee Charter.
1.4 The company secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Board is responsible for the appointment and removal of the Company Secretary. The Board Charter sets out that the company secretary is accountable to the Board on all matters relating to the proper functioning of the Board.
1.5 Companies should have a diversity policy.	<p>A copy of the Company's Diversity Policy is available on the web-site. The Company aims to achieve an appropriate mix of diversity on its Board, in senior management and throughout the organisation.</p> <p>Measurable diversity objectives have not yet been established as the Board is continuing to assess the merits of setting achievable targets. The proportion of female employees in the whole organisation is 4.9%. There are no females in senior executive positions and on the Board.</p> <p>The appropriate mix of skills and diversity for membership of the Board is considered by the Remuneration and Nomination Committee as part of ongoing nomination and succession planning and which recognises the value of balanced gender representation.</p>
1.6 Disclose the process for periodically evaluating the performance of the board, its committees and individual directors; and whether a performance evaluation was undertaken in the reporting period.	The Board has adopted a formal process for an annual self-assessment of its collective performance, the performance of individual directors and of Board committees. The Board is required to meet annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. A formal assessment was last undertaken in May 2016, using a self-assessment checklist as the basis for evaluation of performance against the requirements of the Board charter.

CORPORATE GOVERNANCE STATEMENT

AS AT 30 AUGUST 2017

Recommendation	Current practice																				
1.7 Companies should have and disclose a process for periodically evaluating the performance of its senior executives; and whether a performance evaluation was undertaken in the reporting period.	The performance of senior executives is reviewed annually by the chief executive officer through a formal performance appraisal meeting, incorporating measurement against key performance indicators which are based on business plan initiatives. Formal appraisals of senior management were conducted during the year in accordance with performance evaluation policies. An annual performance appraisal of the managing director is undertaken by the chairman and the managing director conducts a performance review of the chief executive officer. The formal evaluation procedures are set out in the Board Charter.																				
2.1 The Board should establish a nomination committee.	The Board has established a Remuneration and Nomination Committee which comprises a majority of independent directors and is chaired by an independent director. A copy of the charter is available on the Company's web-site. Details of membership of the Committee are set out in the Directors' Report.																				
2.2 Companies should have and disclose a board skills matrix.	<p>Requirements for the appropriate mix of skills and experience on the Board are contained in the Board Charter. The current skills matrix for the Board is as follows:</p> <table> <tr> <th>Experience and skills</th><th>Number of directors</th></tr> <tr> <td>Accounting and finance</td><td>4</td></tr> <tr> <td>Business development and marketing</td><td>2</td></tr> <tr> <td>Research and development</td><td>1</td></tr> <tr> <td>Strategic planning and risk management</td><td>5</td></tr> <tr> <td>Mining and drilling industries</td><td>5</td></tr> <tr> <td>Public company directorship and management</td><td>5</td></tr> <tr> <td>Geographical</td><td></td></tr> <tr> <td>Australia</td><td>5</td></tr> <tr> <td>North America</td><td>3</td></tr> </table>	Experience and skills	Number of directors	Accounting and finance	4	Business development and marketing	2	Research and development	1	Strategic planning and risk management	5	Mining and drilling industries	5	Public company directorship and management	5	Geographical		Australia	5	North America	3
Experience and skills	Number of directors																				
Accounting and finance	4																				
Business development and marketing	2																				
Research and development	1																				
Strategic planning and risk management	5																				
Mining and drilling industries	5																				
Public company directorship and management	5																				
Geographical																					
Australia	5																				
North America	3																				
2.3 Disclose the names of directors who are considered to be independent.	The independent directors of the Company are Andrew Simpson, David Nixon, Phillip Lockyer and Ian McCubbing. The Board has adopted ASX recommended principles in relation to the assessment of directors' independence, other than the Board does not believe that length of service is a potential indicator that independence may have been compromised.																				
2.4 A majority of the board should be independent directors.	The Board comprises five directors, four of whom are independent.																				
2.5 The chair should be an independent director and should not be the same person as the CEO.	Andrew Simpson is an independent director. The roles of chairman and chief executive officer are not combined.																				
2.6 Companies should have a program for inducting new directors and provide appropriate professional development opportunities.	<p>New directors are provided with an induction including comprehensive briefings with the Chairman and senior executives, visits to operating sites and provision of information on the Company including Company and Board policies and other relevant corporate documents. Induction requirements are included in the Remuneration and Nomination Committee charter.</p> <p>All directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake professional development programs to develop and maintain the skills and knowledge needed to perform their role as directors of the Company.</p> <p>Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior written approval of the Chairman, which will not be unreasonably withheld.</p>																				
3.1 Companies should have a code of conduct.	A Code of Conduct has been established and applies to all directors and employees, to guide compliance with the legitimate interests of all stakeholders. A copy of the Code of Conduct is available on the Company's web-site.																				

CORPORATE GOVERNANCE STATEMENT

AS AT 30 AUGUST 2017

Recommendation	Current practice
4.1 The Board should have an audit committee.	The Board has established an Audit and Corporate Governance Committee which comprises a majority of independent directors and is chaired by an independent director. A copy of the charter is available on the Company's web-site. Details of membership of the Committee are set out in the Directors' Report.
4.2 The board should receive a declaration from the CEO and CFO that financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The Board requires that the chief executive officer and chief financial officer provide a declaration prior to the approval of the Company's financial statements for each financial period.
4.3 Ensure that the external auditor attends the AGM and is available to answer questions.	The external auditor is requested to attend annual general meetings and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.
5.1 Have a written policy for complying with its continuous disclosure obligations under the Listing Rules.	The Board recognises the obligations of continuous disclosure and the Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. A copy of the Continuous Disclosure Policy is available on the Company's web-site.
6.1 Provide information about itself and its corporate governance policies via its web-site.	Information relating to the Company and its governance practices is available on the Company's web-site.
6.2 Design and implement an investor relations program to facilitate effective two-way communication with investors.	The Board has adopted a written policy covering arrangements to promote communications with shareholders. A copy of the Shareholder Communications policy is available on the web-site.
6.3 Disclose the policies and processes the company has in place to facilitate and encourage participation at meetings of security holders.	The Shareholder Communications Policy sets out policies to encourage effective participation by shareholders at general meetings of the Company.
6.4 Give security holders the option to receive communications from and send communications to the Company and its security registry electronically.	The Company and the share registry offer mechanisms for electronic communication by shareholders, including an e-mail alert facility available through the Company's web-site. Requirements are contained in the Shareholder Communications Policy.
7.1 The board should have a committee or committees to oversee risk.	<p>No separate risk committee has been established. The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for internal control and risk management is delegated to the appropriate level of management within the Company with the chief executive officer having ultimate responsibility to the Board for the risk management and control framework. The Audit and Corporate Governance Committee is responsible for oversight of risks relating to the finance functions of the Company, specifically in relation to managing exposure to credit, liquidity and market risks.</p> <p>A risk register has been developed which details material business risks arising from the Company's operations. The risk register is presented to the Board annually and is reviewed and updated on a regular basis.</p> <p>The Company has procedures in place covering the oversight and management of material business risks arising within the minerals drilling industry. These policies and standards include management of hazards and exposures inherent in the Company's business operations.</p> <p>Details of risk management practices are set out in the Risk Management Statement in the corporate governance section of the web-site.</p>

CORPORATE GOVERNANCE STATEMENT

AS AT 30 AUGUST 2017

Recommendation	Current practice
7.2 The board or a committee of the board should review the Company's risk management framework at least annually and disclose, in relation to each reporting period, whether such a review has taken place.	<p>The Board conducts an annual review of the risk management framework. These reviews cover the process for the identification, assessment and management of material business risks. Management is required to report to the Board on the Company's risk register and risk mitigation strategies on a regular basis. The Board has reviewed the risk register and risk management framework during the reporting period.</p>
7.3 Disclose whether the Company has an internal audit function.	<p>The Company does not have a separate internal audit function as the Board believes that existing internal controls and management systems provide sufficient assurance that the Company's risk management, governance and internal control processes are operating effectively. Senior management periodically undertake internal reviews of financial and operating systems and processes. External reviews of specific business activities or processes are undertaken as required.</p> <p>Operational, financial, legal, compliance, strategic and reputational risks are managed primarily by senior executives as part of the day-to-day management of the Company's affairs. The support of relevant external professional advisers is engaged as required.</p>
7.4 Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and how it manages those risks.	<p>The Company undertakes minerals drilling and related activities and faces risks inherent in its business operations, including economic, environmental and social sustainability risks, which may materially impact the Company's ability to create or preserve value for shareholders.</p> <p>Material risks associated with economic, environmental and social sustainability are included in the Company's risk register to ensure that they are form part of a robust risk assessment and management process.</p> <p>One of the Company's core values is safety and it prioritises safety and health to people, the environment and community. The Company views sustainable and responsible business practices as an important long term driver of performance and shareholder value and is committed to transparency, fair dealing, responsible treatment of employees and partners and positive interaction with the community.</p> <p>The systems and processes implemented to manage material risks include clearly defined management responsibilities and organisational structure; delegated limits of authority; treasury and accounting controls and reconciliations; comprehensive management reporting systems; budgeting and strategic planning processes; segregation of duties; appropriate policies and procedures that are widely disseminated to employees; and specific work health and safety policies and procedures.</p> <p>The Company has in place policies and procedures to identify, report and manage business risks as part of its management information and reporting systems.</p>
8.1 The Board should establish a remuneration committee.	<p>The Board has established a Remuneration and Nomination Committee which comprises a majority of independent directors and is chaired by an independent director. A copy of the charter is available on the Company's web-site. Details of membership of the Committee are set out in the Directors' Report.</p>

CORPORATE GOVERNANCE STATEMENT

AS AT 30 AUGUST 2017

Recommendation	Current practice
8.2 Disclose the Company's policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>The Company's remuneration policies are designed to align the interests of executive directors and management with the interests of shareholders and the Company's objectives by providing a fixed remuneration component and where appropriate, offering specific short-term (cash bonuses) and long-term (equity schemes) incentives linked to performance.</p> <p>The structure for the remuneration of non-executive directors and senior executives is separate and distinct. Non-executive directors do not participate in remuneration schemes designed for executive directors or receive bonus payments or retirement benefits other than statutory superannuation.</p> <p>The remuneration policy statement is available in the corporate governance section of the web-site.</p>
8.3 If a company has an equity-based remuneration scheme it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy.	<p>Under the Company's Securities Trading Policy, directors, officers and employees of the Company are prohibited from entering into arrangements for the hedging, or otherwise limiting their exposure to risk in relation to unvested shares, options or rights issued or acquired under the Company's employee equity scheme.</p>

Further information about the Company's corporate governance practices is set out on the Company's web-site at www.swickmining.com.au.

The Corporate Governance Statement was approved by the Board on 30 August 2017.

ASX ADDITIONAL INFORMATION

The additional information set out below is current as at 14 August 2017 and is provided in accordance with the ASX Listing Rules.

1. Substantial shareholders

The following shareholders have lodged a notice of substantial shareholding in the Company.

SHAREHOLDER	NUMBER OF SHARES	%
Kent Jason Swick	33,117,498	14.31
Hercules International Pty Ltd	29,053,502	12.55
I00F Holdings Limited	23,563,534	10.18
Vanshap Capital LLC	21,739,586	9.39
Rosanne Thelma Swick	13,924,524	6.02

2. Distribution schedule of equity security holders

	NUMBER OF HOLDERS	
	Fully paid shares	Unlisted options
1 – 1,000	343	-
1,001 – 5,000	532	-
5,001 – 10,000	277	-
10,001 – 100,000	603	-
100,001 and over	101	1
Total number of holders	1,856	1

3. Holders of unmarketable parcels

There are 466 shareholders holding less than a marketable parcel of ordinary shares (based on a market price of \$0.31 per share).

4. Classes of shares and voting rights

At meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or attorney or representative. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and on a poll, every person present in person or by proxy has one vote for each ordinary share held.

5. Register of securities

The register of securities is kept at the office of the Company's share registry, Security Transfer Australia Pty Ltd at 770 Canning Highway, Applecross, Western Australia.

6. Stock Exchange listing

The Company's securities are quoted on the Australian Securities Exchange (Trading code: SWK).

7. On-market buy-back

There is currently an on-market share buy-back being undertaken by the Company.

ASX ADDITIONAL INFORMATION

8. Twenty largest holders of fully paid shares

SHAREHOLDER	SHARES	%
1. Hercules International Pty Ltd	28,396,537	12.27
2. HSBC Custody Nominees (Australia) Limited <GSCO ECA>	21,739,586	9.39
3. JP Morgan Nominees Australia Limited	17,144,642	7.41
4. HSBC Custody Nominees (Australia) Limited	16,381,578	7.08
5. Kent Jason Swick	13,182,410	5.70
6. Tanya Michelle Swick	13,182,410	5.70
7. Rosanne Thelma Swick	12,774,524	5.52
8. BNP Paribas Noms Pty Ltd <DRP>	9,388,890	4.06
9. National Nominees Limited	5,894,542	2.55
10. Kent Swick & Tanya Swick	5,748,698	2.48
11. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	5,642,264	2.44
12. BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	4,921,691	2.13
13. BNP Paribas Noms (NZ) Limited <DRP>	4,845,104	2.09
14. RBC Investor Services Australia Nominees Pty Ltd	4,700,000	2.03
15. Citicorp Nominees Pty Ltd	3,888,239	1.68
16. Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	2,602,309	1.12
17. Zero Nominees Pty Ltd	2,471,540	1.07
18. CVC Limited	2,000,000	0.86
19. Jared Lawrence & Kathryn Zaccaria	1,821,478	0.79
20. SmartEquity EIS Pty Ltd	1,699,685	0.73
	178,426,127	77.10

9. Unquoted securities

The following classes of unquoted securities are on issue:

Security	Number on issue	Holders of greater than 20% of each class of security		
		Name of holder	Number	%
Options over fully paid shares exercisable:				
- at 37 cents each on or before 30.06.20	6,452,114	K & T Swick Pty Ltd	6,452,114	100.00







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