Innovative • Productive • Safe

Swick Mining Services Ltd and its Controlled Entities

Appendix 4D

Half-Year Financial Report

31 December 2017

Table of Contents

RESULTS FOR ANNOUNCEMENT TO THE MARKET (APPENDIX 4D)

	Period ended
Current Reporting Period	31-Dec-17
Previous Corresponding Period	31-Dec-16

				$'000
Revenue from Ordinary Activities	Up	10%	to	71,120
Net Loss After Tax from Ordinary Activities	Up	170%	to	(1,278)
Net Loss After Tax Attributable to Members	Up	348%	To	(1,278)

Dividends
No dividends have been declared during the period.

	31-Dec-17	31-Dec-16
Net tangible asset backing per ordinary share (cents)	30.07	36.64

Net tangible asset backing per share has been calculated by dividing the net tangible assets by the closing number of ordinary shares on issue.

DIRECTORS' REPORT

The Directors of Swick Mining Services Limited (Swick) are pleased to submit their report for the half-year ended 31 December 2017.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Name	Appointment Date
Andrew Simpson (Chairman) (Non-Executive)	Appointed 24th October 2006
Kent Swick (Managing Director)	Appointed 24th October 2006
David Nixon (Non-Executive)	Appointed 1st January 2007
Phil Lockyer (Non-Executive)	Appointed 11th February 2008
Ian McCubbing (Non-Executive)	Appointed 1st August 2010
Company Secretary	
Frank Campagna	Appointed 19th June 2014

RESULTS AND REVIEW OF OPERATIONS

FINANCIAL RESULTS (UNREVIEWED NON-IFRS)	HY18 $'000	HY17 $'000	Change %
Profit & Loss - Group			
Revenue and other income	71,120	64,841	9.7%
EBITDA	7,181	7,974	(9.9%)
EBITDA margin	10.1%	12.3%	
EBIT	(935)	456	(305.0%)
EBIT margin	(1.3%)	0.7%	
NPAT	(1,278)	(473)	170.2%
Profit & Loss – Drilling Business			
Revenue and other income	71,173	65,619	8.5%
EBITDA	8,064	8,221	(1.9%)
EBITDA margin	11.3%	12.5%	
Cash Flow			
Net cash from operating activities	4,952	12,718	(61.1%)
Net cash used in investing activities	(5,311)	(7,958)	(33.3%)
Free cash flow	(359)	4,760	(107.5%)
Operating cash flow before interest and taxes	5,652	11,850	(52.3%)
At Balance Date			
Cash	9,143	7,839	16.6%
Debt	28,158	20,037	40.5%
Net debt	19,015	12,198	55.9%
Ratios			
Basic EPS – cents per share	(0.55)	(0.13)	
EBITDA cash conversion	78.7%	148.6%	
Gearing (Net debt/equity)	23.0%	13.8%	

Revenue and other income for the six months ending December 31, 2017 was $71.1 million, 9.7% higher than the $64.8 million for the corresponding period a year ago. The Company is operating at 22 mine sites for 15 individual clients, of which 3 sites are international.

EBITDA was $7.2 million (10.1% margin) for the first half, down 9.9% from $8.0 million (12.3% margin) in the corresponding period a year ago. EBITDA for the Drilling business was $8.1 million (11.3% margin), in line with prior corresponding period (pcp) of $8.2 million (12.5% margin). Increased spend in the Mineral Technology business as it approaches its product launch contributed to an EBITDA loss of $0.9 million for the half compared to a loss of $0.2 million in the pcp in this business.

The drilling business EBITDA margins were impacted during the half, primarily in the first quarter demobilisations in the Australian and US business and the subsequent lower rig count. This is improving significantly in the second half as Swick mobilises up to seven rigs into Turquoise Ridge mine in Nevada, with four rigs mobilised in the second half so far.

During the half, a review of the management structure was undertaken to simplify the overall business and reduce overhead costs. A total of six executive and senior management positions were removed from the organisation, with the expected annual savings of approximately $2.1 million. The half-year results were impacted by one-off redundancy and severance payments incurred as part of this restructure.

Swick has a strong order book of around $127 million and operates at a number of world-class operating mine sites. Swick is not actively seeking new work, but working with its clients to ensure that their expanding drilling needs can be met by the current fleet and that renegotiations of contracts as they expire provide an opportunity for Swick to meet its target returns at each site.

During the period, Swick concluded drilling at the Golden Grove (five rigs) and Kensington (four rigs) mines as it focussed on removing rigs from underperforming contracts in the portfolio to better margin contracts by taking advantage of the continuing improvement in market sentiment and rig demand. Subsequent to the period end, Swick has also demobilised from Rosebery mine as of the end of January, where it had four underground rigs operating as our client was unable to come to terms with the revised rates.

In general, the clients of Swick are showing signs of increased drilling budgets and a willingness to work with us on reaching agreeable terms as renewals take place. Swick commenced operations at Olympic Dam in August 2017 with one rig on a trial basis, with the possibility of additional rigs required in the future. An additional eight rigs are projected to be deployed to existing Australian contracts this half, and combined with the increases in the Nevada operations, Swick expects to reach approximately 91% utilisation or 63 out of 69 underground rigs in work by the year end.

Swick continues to be successful in winning campaign style contracts for the Reverse Circulation (RC) business, with 5 of the 9 rigs in work at end of the period. There is a good pipeline of opportunities currently being tendered which is expected to keep this utilisation level relatively stable.

A full time equivalent (FTE) of 56 rigs from a fleet of 75 were operating in the field in the first half of FY18 compared to a FTE of 55 rigs from a fleet of 78 a year ago.

Of the total rigs in work, the Underground Diamond (UD) drilling division represented a FTE of 52 rigs operating from a fleet of 68 (76% utilisation), compared to 45 rigs operating from a fleet of 68 (67% utilisation) a year ago.

Total metres drilled increased by 9.4% after adjusting for the discontinued Long Hole operation, with the underground diamond division increasing metres by 11%, while the RC division reduced 3%. Revenue per metre increased 7.5% over the pcp, with a core component of this improvement due to better rates achieved in new contracts entered in 2H17. Revenue per metre for the RC division reduced by 25% as the work pattern returned to the more traditional RC style work, away from activities such as water bores which are low productivity but high value per metre contracts.

Free cash out flow for the half of $0.4 million was impacted by a delayed receipt from a key customer of $1.7 million which was scheduled to be paid in December 2017 but was delayed and paid in early January 2018. Had this debtor receipt been received as scheduled in December 2017, the free cash flow generated for the half would have been $1.3 million and the EBITDA cash conversion would have been 101.8%. Capital expenditure decreased by $1.4 million compared to the prior corresponding period as the company focuses on stay-in-business capital and low capital intensity R&D projects and rig upgrades.

Second half revenue and margins for the Drilling business are expected to be higher than the first half as the planned increase in rigs in work in Australia and USA are mobilised. Swick's estimate for full year FY18 is revenue of $135 - $145 million and EBITDA of $17.5 - $19.5 million for the Drilling business. These estimates are based on not having any material changes in the expected rig utilisation in Australia and the mobilization of additional rigs to the Turquoise Ridge project in USA going according to plan.

Mineral Technology

In a significant milestone for the Mineral Technology business, the first of two GeoCore X10 scanning machine (for base metals core scanning) arrived in Perth in January 2018. A business launch is being planned for March/April 2018.

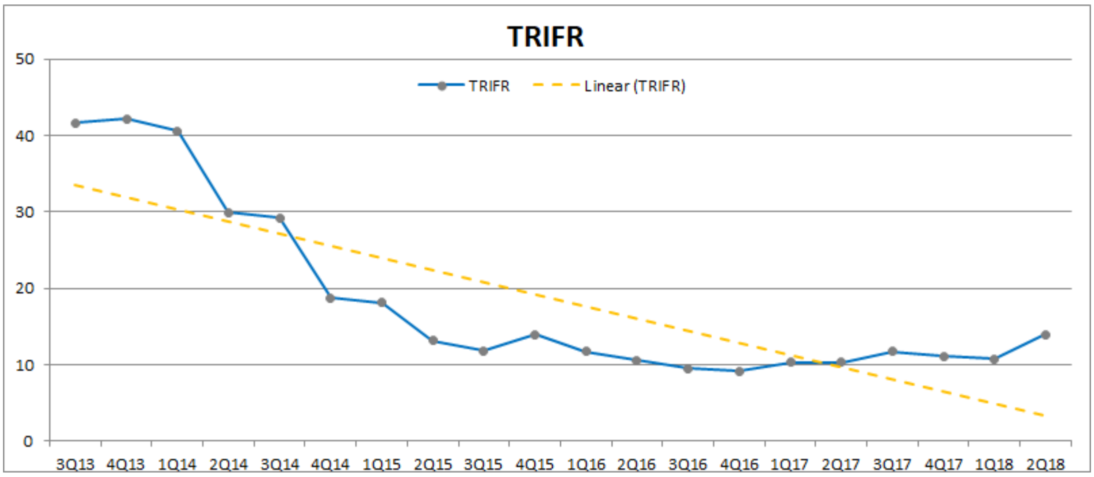
Product development continues with core sent from Australian clients of the drilling business to Orexplore in Sweden for scanning and testing. The core samples are being used to further refine the scanning and analysis process and analytics of Orexplore, and is also working towards having these clients as early adopters of this new technology.

This world first portable mineral scanning technology has the potential to capitalise on the multi-billion-dollar a year minerals analysis industry by providing detailed, non-destructive, on site analysis of drill core, providing assay information, structural 3D tomography, mineralogy, lithology and density information.

Safety and Training

Swick continues to be an industry leader in innovation, production and safety. Swick's award winning training facility has been a success, enabling a rigid selection process that ensures we have the right people for the job. The facility serves multiple functions, it enables us to replicate an underground drill site, complete with a rig and ancillary equipment to prepare our new employees for the rigors of underground drilling, and it also serves as a technical training facility and enables us to test research and development (R&D) projects in a controlled environment.

Safety continues to be an integral part of Swick with engineering solutions being a key focus. Swick's R&D team, in conjunction with a dedicated training team, are constantly reviewing and improving the systems and equipment we use in order to maintain our high production levels in the safest environment possible. Following a sustained period of improvement, the Total Recordable Injury Frequency Rate (TRIFR) has been relatively flat for the past two years. A small group of minor injuries in the last quarter has caused a slight increase in the rate. The Company is reviewing these incidents and will improve equipment and update procedures to reduce the likelihood of recurrence.

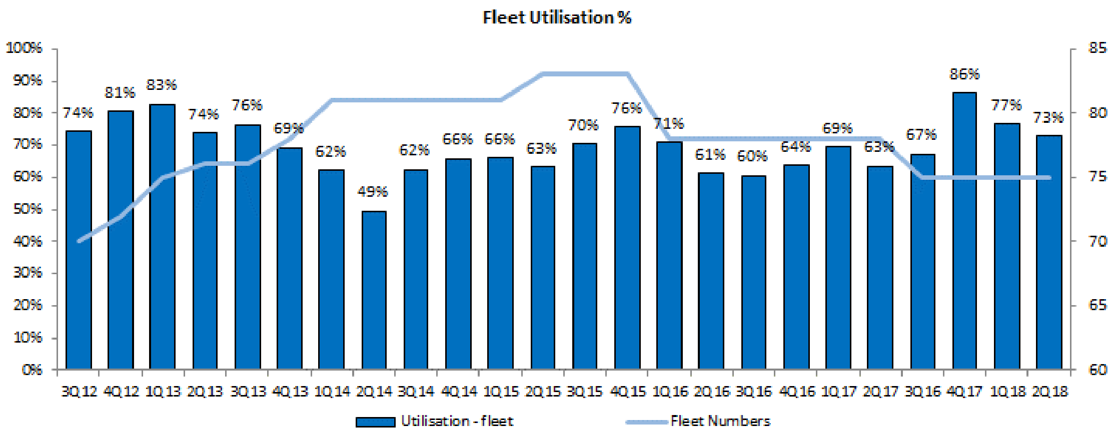


Capital Expenditure

Capital expenditure for the first half was $6.7 million (compared to $8.1 million in the pcp), of which $0.9 million relates to the Mineral Technology business ($0.6 million pcp). The reduction is primarily due to reduced expenditure on productivity improving rig enhancements. The second half capital expenditure is expected to be slightly higher than first half, including the purchase of a new underground diamond rig for the USA contract, the first rig number increase for the business since early 2014.

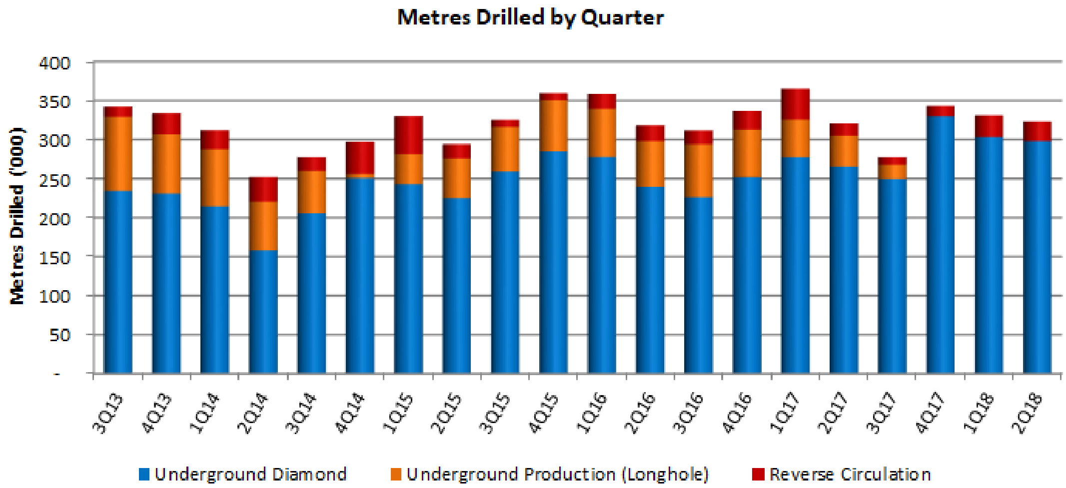
Fleet Utilisation

A full-time-equivalent (FTE) average of 56 rigs from a fleet total of 75 operated in the first half. The reduction in utilisation in 1Q18 was predominantly due to demobilising from the Golden Grove contract (five rigs). The reduction in 2Q18 was more seasonal as many clients choose to cease drilling during the month of December and the Christmas period. Utilisation is expected to increase in 2H18 as a result of the increased demand for rigs from existing clients in Australia and the Turquoise Ridge project in USA. The Company's rig utilisation based on FTE rigs as at 31 December 2017 is shown below:



Metres Drilled

Total metres drilled for HY18 increased 9% to 654,451 metres from 598,104 metres (adjusted for Long Hole) in HY17. The quarterly metres drilled by division is shown in the graph below with UD up 11%, and RC down 3% compared to the corresponding half last year.



Interim Dividend

Due to the loss result for the period, the Company has decided not to declare an interim dividend for the half year.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, which is included on page 9.

Signed in accordance with a resolution of the directors

Kent Swick
Managing Director
Dated: 26 February 2018

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Auditor's Independence Declaration to the Directors of Swick Mining Services Limited

As lead auditor for the review of Swick Mining Services Limited for the half-year ended 31 December 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
26 February 2018

GB:EH:SWK:015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	Consolidated 31-Dec-17 $'000	31-Dec-16 $'000
Revenue		70,346	64,229
Other income		774	612
Total revenue and other income	2.2	**71,120**	**64,841**
Expenses			
Finance costs		640	504
Other expenses	2.2	72,055	64,385
Total expenses		**72,695**	**64,889**
Loss before income tax expense		**(1,575)**	**(48)**
Income tax benefit/(expense)		297	(425)
Net loss after tax for the period		**(1,278)**	**(473)**
Loss for the period attributable to:			
Owners of the Company		(1,278)	(285)
Non-controlling interests		-	(188)
		(1,278)	**(473)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign-controlled entities:		245	(257)
Other comprehensive income/(loss) for the period, net of tax		**245**	**(257)**
Total comprehensive loss for the period		**(1,033)**	**(730)**
Comprehensive loss for the period attributable to:			
Owners of the Company		(1,033)	(494)
Non-controlling interests		-	(236)
		(1,033)	**(730)**
Earnings per share			
- Basic loss per share (cents)	2.4	(0.55)	(0.13)
- Diluted loss per share (cents)	2.4	(0.55)	(0.13)

The Condensed 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 31 DECEMBER 2017

	Note	Consolidated 31-Dec-17 $'000	Consolidated 30-Jun-17 $'000
Current assets			
Cash and cash equivalents		8,205	8,810
Restricted cash		938	-
Trade and other receivables		16,883	16,726
Inventories		14,340	15,132
Other assets		1,108	2,060
Total current assets		**41,474**	**42,728**
Non-current assets			
Property, plant and equipment		75,427	77,750
Intangible assets		13,057	12,168
Other financial assets	3.3	1,380	1,380
Net deferred tax assets		798	473
Total non-current assets		**90,662**	**91,771**
Total assets		**132,136**	**134,499**
Current liabilities			
Trade and other payables		15,043	19,319
Current tax liability		-	32
Deferred revenue liability		938	-
Borrowings	3.1	294	3,000
Provisions		4,746	4,819
Total current liabilities		**21,021**	**27,170**
Non-current liabilities			
Borrowings	3.1	27,864	23,000
Provisions		586	599
Total non-current liabilities		**28,450**	**23,599**
Total liabilities		**49,471**	**50,769**
Net assets		**82,665**	**83,730**
Equity			
Issued capital	4.1	79,446	79,446
Reserved shares	4.2	(667)	(453)
Reserves	4.3	2,387	1,960
Retained earnings		1,499	2,777
Total equity attributable to owners of the Company		**82,665**	**83,730**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Issued capital $'000	Reserved shares $'000	Retained earnings $'000	Reserves $'000	Non-controlling interest $'000	Total equity $'000
CONSOLIDATED							
At 1 July 2017		**79,446**	**(453)**	**2,777**	**1,960**	**-**	**83,730**
Loss for the period		-	-	(1,278)	-	-	**(1,278)**
Other comprehensive income		-	-	-	245	-	**245**
Total comprehensive loss for the period		**-**	**-**	**(1,278)**	**245**	**-**	**(1,033)**
Share-based payments		-	-	-	182	-	**182**
Reserved shares purchased		-	(214)	-	-	-	**(214)**
At 31 December 2017		**79,446**	**(667)**	**1,499**	**2,387**	**-**	**82,665**
At 1 July 2016		**75,036**	**-**	**9,991**	**2,604**	**2,402**	**90,033**
Loss for the period		-	-	(285)	-	(188)	**(473)**
Other comprehensive loss		-	-	-	(209)	(48)	**(257)**
Total comprehensive loss for the period		**-**	**-**	**(285)**	**(209)**	**(236)**	**(730)**
Share buy-back		(276)	-	-	-	-	**(276)**
Transaction costs on share buy-back		(1)	-	-	-	-	**(1)**
Change of interest in Orexplore		-	-	8	-	(8)	**-**
Share-based payments		-	-	-	501	-	**501**
Reserved shares purchased		-	(382)	-	-	-	**(382)**
Dividends recognised for the year	2.3	-	-	(848)	-	-	**(848)**
At 31 December 2016		**74,759**	**(382)**	**8,866**	**2,896**	**2,158**	**88,297**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Consolidated	
	31-Dec-17	31-Dec-16
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	79,353	76,707
Receipts from government grant	1,396	-
Payments to suppliers and employees	(75,097)	(64,857)
Income tax (paid)/refund	(60)	1,324
Net interest paid	(640)	(456)
Net cash provided by operating activities	**4,952**	**12,718**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	101	91
Purchase of property, plant and equipment [1]	(4,187)	(7,072)
Payments for development costs	(1,278)	(1,035)
Investment income	53	58
Net cash used in investing activities	**(5,311)**	**(7,958)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,000	-
Payment for share buy-back	-	(276)
Share transaction costs	-	(1)
Purchase of reserved shares	(214)	(382)
Repayment of borrowings	(104)	(79)
Dividends paid by parent entity	-	(848)
Net cash provided by/(used in) financing activities	**682**	**(1,586)**
Net increase in cash, cash equivalents and restricted cash held	**323**	**3,174**
Cash, cash equivalents and restricted cash at the beginning of the period	8,810	4,690
Effect of exchange rate changes on cash, cash equivalents and restricted cash	10	(25)
Cash, cash equivalents and restricted cash at the end of period	**9,143**	**7,839**

[1] The Company acquired plant and equipment under finance leases or hire purchase agreements amounting to $1,262,000 (HY17: nil) during the period which have been excluded from the Consolidated Statement of Cash Flows.

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 GENERAL NOTES

1.1 General information

The half-year financial report of Swick Mining Services Ltd ('the Company') for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 26 February 2018.

Swick Mining Services Ltd is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

1.2 Basis of preparation

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Swick Mining Services Ltd as at 30 June 2017.

It is also recommended that the half-year financial report be considered together with any public announcements made by Swick Mining Services Ltd and its controlled entities ('the Group') during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The half-year consolidated financial report is a condensed general purpose financial report, which has been prepared in accordance with the requirement of the *Corporations Act 2001 and* AASB 134 "Interim Financial Reporting". The half-year financial report has been prepared on a historical cost basis, except where stated.

The consolidated financial statements provide comparative information in respect of the previous period. Comparative information has been realigned to conform to the current year presentation for consistency purposes.

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.

1.3 Functional currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

1.4 Principles of consolidation

The half-year consolidated financial statements comprise the financial statements of Swick Mining Services Ltd and its controlled subsidiaries.

A change in the ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

1.5 Changes to accounting standards and interpretations

The same accounting policies and methods of computation as were followed in the most recent annual financial statements as at 30 June 2017. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'
- AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'

The adoption of amending Standards did not have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

2 FINANCIAL PERFORMANCE

2.1 Operating segments

General information
Identification of reportable segments

Information reported to the Board for the purposes of resource allocation and assessment of performance is more specifically focused on Drilling Services in Asia Pacific, Drilling Services in International and Mineral Technology. The results from continuing operations are reflected in the table that follows.

For half-year ended 31 December 2017 $'000	Drilling Services – Asia Pacific	Drilling Services – International	Mineral Technology	Other and elimination	Total
Revenue	63,185	7,161	-	-	70,346
Other income	159	72	543	-	774
Inter-segment revenue	596	-	-	(596)	-
Total revenue and other income	**63,940**	**7,233**	**543**	**(596)**	**71,120**
EBITDA	**7,840**	**224**	**(882)**	**(1)**	**7,181**
Depreciation and amortisation	(7,385)	(728)	(3)	-	(8,116)
Segment result – EBIT	**455**	**(504)**	**(885)**	**(1)**	**(935)**
Finance costs					(640)
Loss before tax					**(1,575)**
Total assets	120,778	24,399	9,597	(22,638)	132,136
Total liabilities	(47,512)	(20,639)	(3,289)	21,969	(49,471)
Total net assets	**73,266**	**3,760**	**6,308**	**(669)**	**82,665**
Additions to property, plant and equipment	5,179	270	-	-	5,449
Additions to intangible assets	391	-	887	-	1,278
Total additions to non-current assets	**5,570**	**270**	**887**	**-**	**6,727**

For half-year ended 31 December 2016 $'000	Drilling Services – Asia Pacific	Drilling Services – International	Mineral Technology	Other and elimination	Total
Revenue	57,562	6,667	-	-	64,229
Other income	511	60	41	-	612
Inter-segment revenue	819	-	-	(819)	-
Total revenue and other income	**58,892**	**6,727**	**41**	**(819)**	**64,841**
EBITDA	**7,638**	**583**	**(247)**	**-**	**7,974**
Depreciation and amortisation	(6,803)	(712)	(3)	-	(7,518)
Segment result – EBIT	**835**	**(129)**	**(250)**	**-**	**456**
Finance costs					(504)
Loss before tax					**(48)**
Total assets	126,339	18,743	6,558	(20,947)	130,693
Total liabilities	(39,835)	(22,400)	(175)	20,014	(42,396)
Total net assets	**86,504**	**(3,657)**	**6,383**	**(933)**	**88,297**
Additions to property, plant and equipment	6,129	943	-	-	7,072
Additions to intangible assets	293	-	742	-	1,035
Total additions to non-current assets	**6,422**	**943**	**742**	**-**	**8,107**

2.2 Revenue, income and expenses for continuing operations

	Note	Consolidated 31-Dec-17 $'000	31-Dec-16 $'000
Revenue			
Rendering of services		70,346	64,229
Total revenue		**70,346**	**64,229**
Other income			
Gain on disposal of property, plant and equipment		71	23
Interest received		-	48
Government subsidies received		598	93
Investment income from unit trust		53	58
Other income		52	390
Total other income		**774**	**612**
Total revenue and other income		**71,120**	**64,841**
Other expenses			
Raw materials and consumables used		14,789	13,326
Employee benefits expenses		38,143	34,500
Depreciation and amortisation expenses		8,116	7,518
Accommodation and travel		2,828	1,912
Repairs and maintenance		3,603	3,392
Administration costs		2,517	1,851
Insurance		908	793
Recruitment and training		351	327
Rental expense on operating lease		800	766
Total other expenses		**72,055**	**64,385**

2.3 Dividends

	Consolidated	
	31-Dec-17 $'000	31-Dec-16 $'000
Distributions paid		
2016 final dividend (fully franked) of 0.4 cents per share paid in 2017 franked at the tax rate of 30%	-	848
Total dividends	**-**	**848**

2.4 Earnings per share

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

	Consolidated	
	31-Dec-17 $'000	31-Dec-16 $'000
Earnings used to calculate basic earnings per share		
Loss after income tax expense attributable to owners of the Company	**(1,278)**	**(285)**

	Consolidated	
	31-Dec-17 No.	31-Dec-16 No.
Weighted average number of ordinary shares outstanding during the period used in calculating basic earnings per share	**231,450,825**	**211,724,470**
Weighted average number of dilutive rights outstanding	-	-
Weighted average number of ordinary shares outstanding during the period used in calculating dilutive earnings per share	**231,450,825**	**211,724,470**
Basic loss per share (cents)	**(0.55)**	**(0.13)**
Diluted loss per share (cents)	**(0.55)**	**(0.13)**

3 ASSETS AND LIABILITIES

3.1 Interest bearing loans and borrowings

	Consolidated	
	31-Dec-17 $'000	30-Jun-17 $'000
Current liabilities – secured		
Hire purchase liabilities	294	-
Bank loans	-	3,000
	294	**3,000**
Non-current liabilities – secured		
Hire purchase liabilities	864	-
Bank loans	27,000	23,000
	27,864	**23,000**

Hire purchase liabilities are fixed interest borrowings provided over a three to five year term.
Bank loans consist of variable bank bills and the facility expires on 31 January 2019.

3.2 Recoverable value of assets

Drilling Services
In assessing the potential impairment of the Drilling Services business, management have used two separate functional divisions, being the Cash Generating Units (CGUs) within this business:

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

Intangible assets in the Drilling Services business have been allocated for impairment purposes to Underground Diamond drilling.

According to AASB 136 Impairment of Assets, impairment testing is required at the end of each reporting period or when there is an indication of possible impairment. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

The recoverable amount of each CGU 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 forecast until the year ended 30 June 2019, as approved by the directors, extended to the following three years using a combination of growth at management estimates and external market research, with a terminal value growth rate of 2.5%.

The post-tax discount rate of the Company has been maintained at 9.0% per annum (HY17: 9.0% per annum) to reflect the market cost of both debt and equity capital. Pre-tax discount rate is 12.9% per annum (HY17: 12.9% per annum).

Mineral Technology
Management has conducted a review of the current intangible assets related to the Mineral Technology business. Product development during the period 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.

Based on the testing performed no impairment expense has been recognised at the CGU level.

3.3 Other financial assets

	Consolidated	
	31-Dec-17 $'000	30-Jun-17 $'000
Other financial assets consists of		
Units in unlisted property trust	1,380	1,380

Fair value of the Group's financial assets that are measured at fair value on a recurring basis
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 31 December 2017 and 30 June 2017 are as shown below:

Financial asset	Fair value as at 31/12/17 $'000	Fair value as at 30/06/17 $'000	Valuation technique	Significant unobservable input(s)	Sensitivity of the input to fair value
Investment in unlisted property trust	1,380	1,380	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.	A $25 per square metre increase in price would increase the value by $94,000, and vice versa.

On 4 November 2013 the Group acquired a 20% interest in an unlisted property trust that purchased its leased premises located at 64 Great Eastern Highway South Guildford, Western Australia. The directors consider the carrying amount of the financial asset approximates the fair value when considering the most recent valuation performed, then compared against market based movements generally available and the ongoing long term lease for the property.

The carrying amounts and estimated aggregate net fair values of financial assets and financial liabilities at balance date are materially the same.

4 CAPITAL STRUCTURE

4.1 Issued capital

Movement in ordinary shares on issue

Details	Number of shares	Value $'000
30 June 2017 balance	231,450,825	79,446
31 December 2017 balance	**231,450,825**	**79,446**
30 June 2016 balance	212,259,097	75,036
Issue of shares under the company's performance rights plan	200,000	-
Shares bought back and cancelled	(1,255,210)	(277)
31 December 2016 balance	**211,203,887**	**74,759**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

In December 2016, the Company announced an on-market share buy-back of up to 10% of its issued share capital over the period of 12 months. During the period, no shares were purchased. The share buyback has not been renewed.

Where the Company undertakes an on-market share buy-back of its issued ordinary shares, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to owners of the Company.

4.2 Reserved Shares

Movement in reserved shares

Details	Number of shares	Value $'000
30 June 2017 balance	-	(453)
Shares bought back during the period	800,064	(214)
Shares allocated to exercised performance rights	(800,064)	-
31 December 2017 balance	**-**	**(667)**
30 June 2016 balance	-	-
Shares bought back during the period	1,439,151	(382)
Shares allocated to exercised performance rights	-	-
31 December 2016 balance	**1,439,151**	**(382)**

The reserved shares 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 period 800,064 (HY17: 1,439,151) shares were purchased by the employee share trust for a total cost of $214,000 (HY17: $382,000) at an average price of $0.269 (HY17: $0.264) per share. As at 31 December 2017 there are nil (HY17: 1,439,151) unallocated Company's own shares held in trust.

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					
At 1 July 2017	**465**	**266**	**2,234**	**(1,005)**	**1,960**
Other comprehensive income for the period	245	-	-	-	**245**
Share-based payments	-	-	182	-	**182**
At 31 December 2017	**710**	**266**	**2,416**	**(1,005)**	**2,387**
At 1 July 2016	**841**	**196**	**1,567**	**-**	**2,604**
Other comprehensive loss for the period	(209)	-	-	-	**(209)**
Share-based payments	-	-	501	-	**501**
At 31 December 2016	**632**	**196**	**2,068**	**-**	**2,896**

5 OTHER NOTES

5.1 Leasing and other commitments

	Consolidated 31-Dec-17 $'000	Consolidated 30-Jun-17 $'000
(a) Hire purchase commitments		
Payable - minimum lease payments		
Not later than 12 months	349	-
Between 12 months and 5 years	929	-
Minimum lease payments	1,278	-
Less future finance charges	(120)	-
Present value of minimum lease payments	**1,158**	**-**
Comprising:		
Current liability	294	-
Non-current liability	864	-
Total financial liability	**1,158**	**-**
(b) Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable - minimum lease payments		
Not later than 12 months	1,269	1,398
Between 12 months and 5 years	4,266	4,110
Later than 5 years	7,370	7,915
	12,905	**13,423**

Operating lease commitments relate to lease of operating premises.

5.2 Contingent liabilities

	Consolidated 31-Dec-17 $'000	Consolidated 30-Jun-17 $'000
Bank guarantees	469	430

5.3 Events after the reporting period

On 12 February 2018 the Company announced the issue of 24 unlisted warrants, which entitle the holders to shares in Swick, to employees of its wholly owned subsidiary Orexplore AB, a company incorporated in Sweden. The warrants have been issued to incentivise the employees to achieve certain milestones in the commercialisation of the company's mineral technology products. The final number of the Company's shares exercisable will be determined by a formula based on the Company's share price on exercise and the increase in value of the Mineral Technology business. If all Warrants are exercised, total value of shares issued will equal 12.5% of the change in the value of the Mineral Technology business at the relevant measurement date. The Warrants have an ultimate expiry of 31 December 2022.

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 Ltd, the directors of the Company declare that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   i. give a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date; and

   ii. comply with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Kent Swick
Managing Director
Perth, 26 February 2018

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To the Members of Swick Mining Services Limited

Report on the 31 December 2017 half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Swick Mining Services Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
26 February 2018