



# 20 ANNUAL REPORT 13

**THE LEADER**  
IN MINERAL DRILLING



Innovative • Productive • Safe

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# CORPORATE DIRECTORY

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## **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**

Ian Hobson

## **Registered and Operations Office**

64 Great Eastern Highway  
South Guildford, Western Australia

Telephone: +61 8 9277 8800

Facsimile: +61 8 9277 8844

Email: [info@swickmining.com](mailto:info@swickmining.com)

Website: [www.swickmining.com](http://www.swickmining.com)

## **Postal Address**

PO Box 74  
Guildford, Western Australia, 6935

## **Auditor**

### **Deloitte Touche Tohmatsu**

Woodside Plaza Level 14  
240 St Georges Terrace  
Perth, Western Australia

## **Solicitors**

### **Steinepreis Paganin**

### **Lawyers and Consultants**

Level 4, Next Building  
16 Milligan Street  
Perth, Western Australia

## **Share Registry**

### **Security Transfer**

### **Registrars Pty Ltd**

770 Canning Highway  
Applecross, Western Australia

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

## **Bankers**

### **National Australia Bank Ltd**

## **ASX Code: SWK (fully paid shares)**

Listed on the Australian Securities Exchange



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# CHAIRMAN'S LETTER

## Dear Shareholder,

On behalf of the Board of Directors of Swick Mining Services Ltd ("Swick" or the "Company"), I take great pleasure in presenting our 2013 Annual Report.

Swick continued its sustained growth in FY13, a year that was characterised by initial buoyancy and market confidence, followed by an almost instant reversal in market conditions. In March 2013, falling mineral commodity prices, especially in gold, created financial pressures in the resource sector unseen since the Global Financial Crisis

## Market Leadership

The strong performance of Swick is characteristic of a proven market leader – one that is respected by its customers, peers and shareholders alike. A market research study commissioned during the year reaffirmed Swick's leadership position in the mineral drilling industry. Clients, in particular, continued to recognise Swick's leadership in innovation, productivity and safety. This valuable feedback, along with a greater sense of staff empowerment, has helped in rekindling an energy and self-belief among members of the Swick team, at a time where industry morale is low – building a strong foundation for future growth and development.

## Strategic Focus

Swick continued to minimise its risk exposure by focusing on providing drilling services to respected clients, at operating sites, across a range of commodity segments.

While Swick operates in three product divisions, the Company remained focused on its major business - Underground Diamond Core Drilling, which accounted for 65 percent of the Company fleet and 87 percent of Company revenue. For clients, this type of drilling is generally a non-discretionary spend, that is, it forms an essential part of the ongoing underground mining process. As a result, this part of the Swick business is the least exposed to economic pressures.

For the Underground Production Drilling and Surface Reverse Circulation Drilling divisions, the number of market opportunities continued to decline, with competition also becoming high. Swick was, however, successful in securing a number of attractive contracts in these divisions.

Unlike its industry peers, the decision to divest from highly volatile and competitive market segments played a considerable part in the financial performance of Swick in FY13. The exposure to market volatility was also minimised through the strategy of spreading client contracts across a broad range of commodity segments.

**“...the decision to divest from highly volatile and competitive market segments played a considerable part in the financial performance of Swick in FY13.”**



## Sustained Growth

In FY13, Swick was awarded a number of significant contracts from new clients. These included contracts with MMG and KCGM in Australia, as well as Nyrstar and Xstrata Nickel internationally. Swick was also successful in negotiating a number of important contracts in Australia with existing client partners.

Fleet utilisation remains a key for sustained financial performance. In Australia, the number of rigs in Swick's Underground Diamond Drilling Division remained stable, while mechanical utilisation was maintained at close to 96 percent. The deployment of nine rigs in North America and Europe heralded a significant step in the development of global market opportunities for the Company.

## Strong Results

Despite testing economic conditions, Swick continued to deliver strong financial results in FY13. The Company recorded \$146 million in revenue – an increase of seven percent from the previous year. The corresponding EBITDA margin remained at 21 percent and continued tracking toward the Company's five year target of 25 percent. The Company recorded a net profit before tax of \$11.3 million, which equated to an improvement of 17 percent from the previous year.

The focus on a strong financial performance also extended into shareholder returns. The Swick ASX share price remained stable while those of industry peers continued to decline.

Swick continued to pay dividends to shareholders in FY13. Following payment of the FY12 final dividend of 0.5 cents per share in September 2012, the group paid an interim dividend of 0.6 cents per share in April 2013, and has declared a final FY13 dividend of 0.6 cents per share. All these dividends are fully franked.

## Research & Development

As the recognised leader in mineral drilling, Swick's commitment to research and development has resulted in the creation of drilling technologies that significantly improve productivity, reliability, and safety, ultimately delivering a low cost-per-metre solution to clients.

In FY13, Swick continued to explore and develop product innovations, both internally and with key clients, with a number of important innovation milestones achieved. These included field trials of a rod handling system, a digital data logger system and an automated drilling system. These innovations have been designed to minimise incidents and further improve drilling efficiencies for clients. Commercial release of these innovations scheduled to occur in early FY14 are expected to further reinforce Swick's leadership position.

## Safety

Safety continued to be an integral part of the Swick brand. In FY13 Swick continued to further improve its safety record with the number of work related injuries decreasing by 35 percent and the Company Total Recordable Injury Frequency Rate (TRIFR) decreasing by 53%.

Swick's strong safety performance can be attributed to the introduction of a simpler Safety Management System, one that focuses on performance, not just compliance. Staff engagement in the safety system during the year was further enhanced with the development of a visual, fun and interactive approach to safety education.

## The Future

Swick enters FY14 in a strong position, with a solid performance in FY13, a highly experienced and dedicated Executive Leadership Team and a team of employees that lives the Swick brand values of Innovation, Productivity and Safety. The successes leading from the strategies and programs developed by the Executive Leadership Team have transpired into the strong financial results recorded in FY13. Furthermore, the balance sheet continued to be robust with minimal debt and a strong cash position, allowing for well-defined low-risk growth opportunities to take place in a financial year where global caution is expected to remain.

On behalf of the Board, I would like to thank the Executive Leadership Team for developing and implementing the strategies that have led to another successful year for the Company. We'd also like to recognise the broader Swick team – a committed group of people passionate about living the values of a leading company.

I would also like to thank Swick's client partners for the continued support of our push towards further improving safety and productivity.

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

Yours faithfully,

Andrew Simpson  
Chairman



# MANAGING DIRECTOR'S REPORT ON OPERATIONS

## FY13 Overview

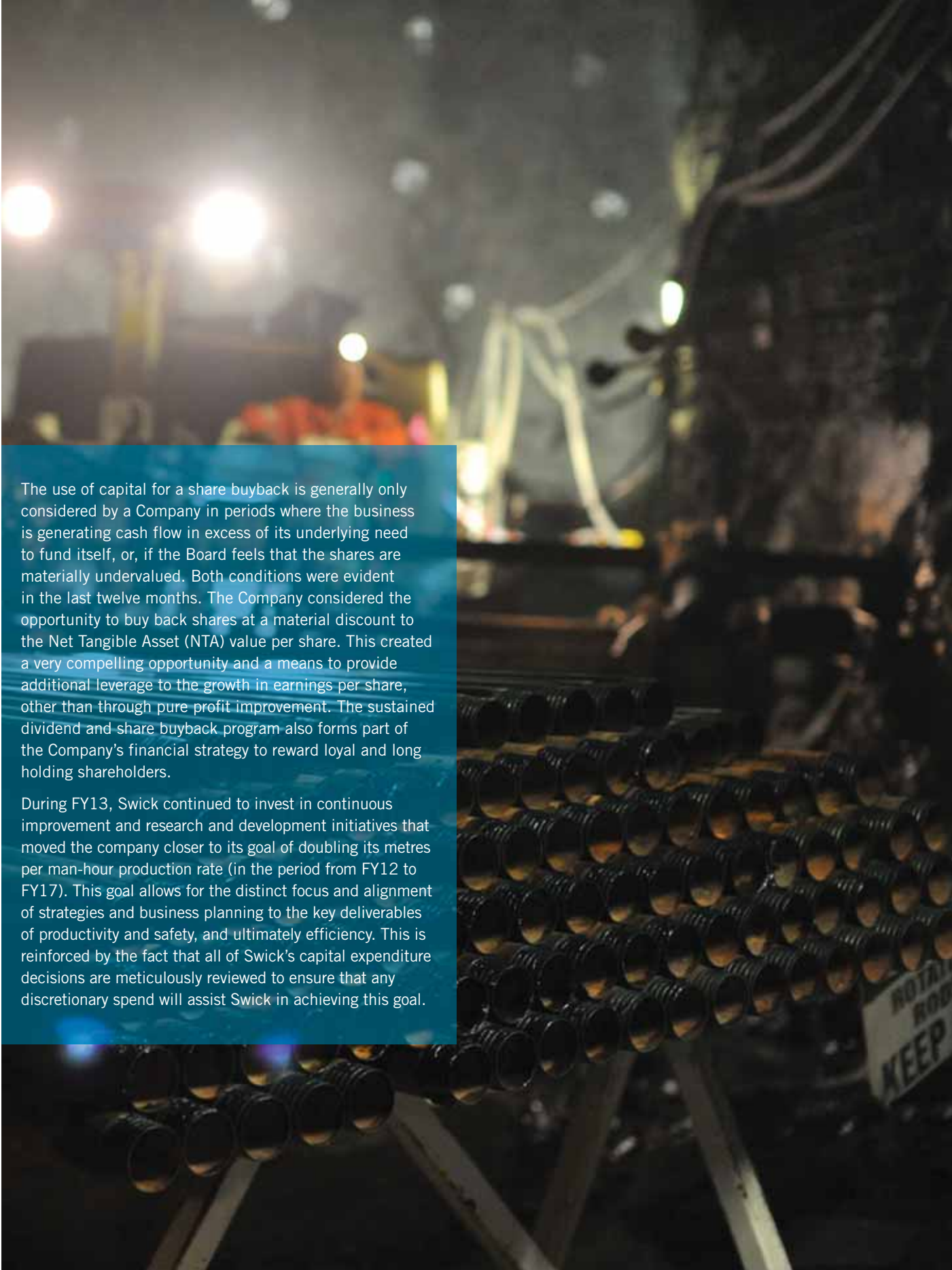
The 2013 financial year, whilst challenging for many mining and mining services companies across the globe, was a year that Swick was able to demonstrate the strength of its underlying business, its competitive advantage in the market and its focus on shareholder returns. Financial performance is an outcome of diligent business planning and successful strategies, and it is further pleasing that Swick's very sound results were achieved in a difficult macro environment.

I would like to thank the Board of Directors for its guidance and support over the past twelve months, as well as the Executive Leadership 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 yielded strong results for shareholders and placed our company in good stead for the future.

In August 2012, as a result of the strong financial position of the business, the Swick Board approved a share buyback scheme as an alternate use of free cash flow in the business. In a volatile market where the company's shares have been trading at a significant discount to Net Tangible Assets, the buyback was seen as an alternative way to increase the earnings per share without risking further capital on operational assets. Without compromising its commitment to a sustainable dividend, Swick, through a managed on-market buyback program, has to date bought 21,134,497 shares (15,655,943 as at 30 June 2013) at an average price of 30.3 cents per share for a total cost of \$6.4m (\$5.0m at 30 June 2013). The total number of Swick shares on issue reduced from 237,124,970 at the start of the financial year to 216,640,473 (222,169,027 by 30 June 2013), a total reduction of 8.6% (6.3% at 30 June 2013). To illustrate the financial leverage gained by our shareholders from the buyback the table below includes a comparison of earnings per share based on actual shares outstanding at the balance dates of 30 June 2012 and 30 June 2013 respectively.

|                                                                 | 30 June 2012 | 30 June 2013 | 30 June 2013<br>without buyback | 30 June 2013<br>after buyback | Change with<br>buyback |
|-----------------------------------------------------------------|--------------|--------------|---------------------------------|-------------------------------|------------------------|
| Profit after income tax expense and other comprehensive income: | 9,698        | 11,310       | 11,310                          | 11,310                        |                        |
| Weighted average shares on issue                                | 236,904,970  | 233,411,944  | 237,705,739                     | 233,411,944                   | -4,298,795             |
| Earnings per share:                                             | 4.09         | 4.85         | 4.76                            | 4.85                          | 0.09                   |
| <b>Earnings per share increment (relative to 2012)</b>          |              | <b>18.6%</b> | <b>15.4%</b>                    | <b>18.6%</b>                  | <b>2.2%</b>            |
| <b>Non-IFRS Calculation</b>                                     |              |              |                                 |                               |                        |
| Actual shares on issue at balance date                          | 237,124,970  | 222,169,027  | 237,824,970                     | 222,169,027                   | -15,655,943            |
| Non-IFRS earnings per share:                                    | 4.09         | 5.09         | 4.76                            | 5.09                          | 0.33                   |
| <b>Earnings per share increment (relative to 2012)</b>          |              | <b>24.4%</b> | <b>16.4%</b>                    | <b>24.4%</b>                  | <b>8.1%</b>            |

This calculation shows the combined effect of the increased financial performance and the reduction in shares on issue with an increase in earnings per share (based on actual shares on issue at the balance date) totalling 24.4%, of which 8.1% can be directly attributable to the leverage factor that the buyback provided to our shareholders. This calculation does not correspond with the earnings per share in the Annual Financial Report, due to the requirement under Australian Accounting Standards to calculate the weighted average day's shares are outstanding for the reporting period.

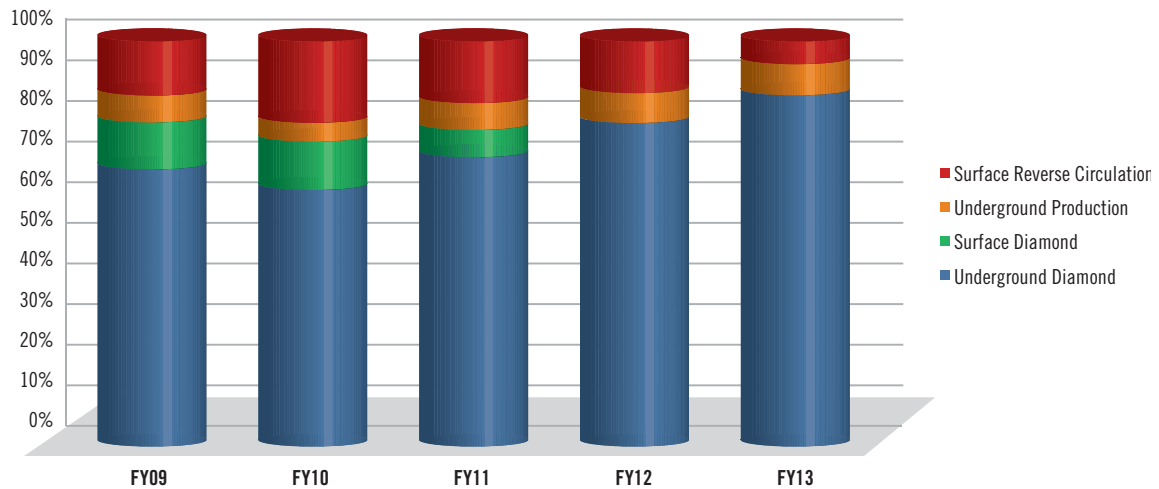


The use of capital for a share buyback is generally only considered by a Company in periods where the business is generating cash flow in excess of its underlying need to fund itself, or, if the Board feels that the shares are materially undervalued. Both conditions were evident in the last twelve months. The Company considered the opportunity to buy back shares at a material discount to the Net Tangible Asset (NTA) value per share. This created a very compelling opportunity and a means to provide additional leverage to the growth in earnings per share, other than through pure profit improvement. The sustained dividend and share buyback program also forms part of the Company's financial strategy to reward loyal and long holding shareholders.

During FY13, Swick continued to invest in continuous improvement and research and development initiatives that moved the company closer to its goal of doubling its metres per man-hour production rate (in the period from FY12 to FY17). This goal allows for the distinct focus and alignment of strategies and business planning to the key deliverables of productivity and safety, and ultimately efficiency. This is reinforced by the fact that all of Swick's capital expenditure decisions are meticulously reviewed to ensure that any discretionary spend will assist Swick in achieving this goal.



### Revenue Split by Drilling Division



## Production Revenue

Swick saw its overall drilling production total 1,412,803 metres for the financial year, a decrease of 1.4 percent from the previous twelve month period. Comparatively, the total metres drilled by Swick in the year was double the distance between Sydney and Melbourne.

The chart above shows the contribution by drilling division to overall revenue in FY13. Swick's core business unit, the Underground Diamond Drilling Division, produced a total of 933,449 metres of core samples in FY13 – an increase of 9.6 percent on the previous year. The Surface Reverse Circulation Drilling Division showed a decline in metres drilled on the previous year – a trend which is symptomatic of the decline in demand of this type of drilling in the resources sector. The Underground Production Drilling Division experienced a slight increase in revenue from FY12.

Despite Swick's growth during the year, the demand for mineral drilling services across the macro market significantly eased during the FY13 period. This was evidenced by commentary from companies focused on the provision of surface drilling – which have reported reductions in demand greater than 50 percent – a result of their higher exposure in the Greenfield and Brownfield surface exploration sectors.

During this challenging period, the performance of Swick as a whole has been extraordinary and clearly reinforces the value of Swick's focus on Brownfield underground diamond drilling, and the advantages Swick offers its customers in this segment. The Company understands the need to work with its clients during challenging times and is committed to working towards providing the best value to its customers, in all service areas, to ultimately lower its clients' total costs of operation.

The share of revenue derived from the Underground Diamond Drilling Division increased to 87 percent of overall business revenue in FY13. This achievement highlights the value of this segment in regards to safeguarding revenue, and ultimately shareholder returns. Swick continued to innovate, engineer and implement new methods and equipment for this segment, ensuring that clients received true value in a competitively priced market, whilst still excelling in safe and quality production.

Whilst Swick is committed to maintaining all of its three operating divisions, current capital expenditure and research and development is focused on the world class Underground Diamond Drilling Division. Since developing the world's first commercially applied mobile underground diamond drill in 2004, Swick has managed to achieve an average compound annual growth rate (by fleet) of 64 percent in this Division. The key to the Division's success has been the competitive advantage developed in this area of expertise, and Swick is committed to ensuring that the competitive advantage further develops with new research and development projects designed to improve safe working practices and productivity, and ultimately reducing manning levels per metre drilled.

Swick recognises that commodity price volatility greatly affects the profitability of its customers. Swick aims to continue to be a high-value service provider for all of its clients, ensuring that the total unit costs associated with the delivery of Swick services is the lowest amongst the high-quality providers.

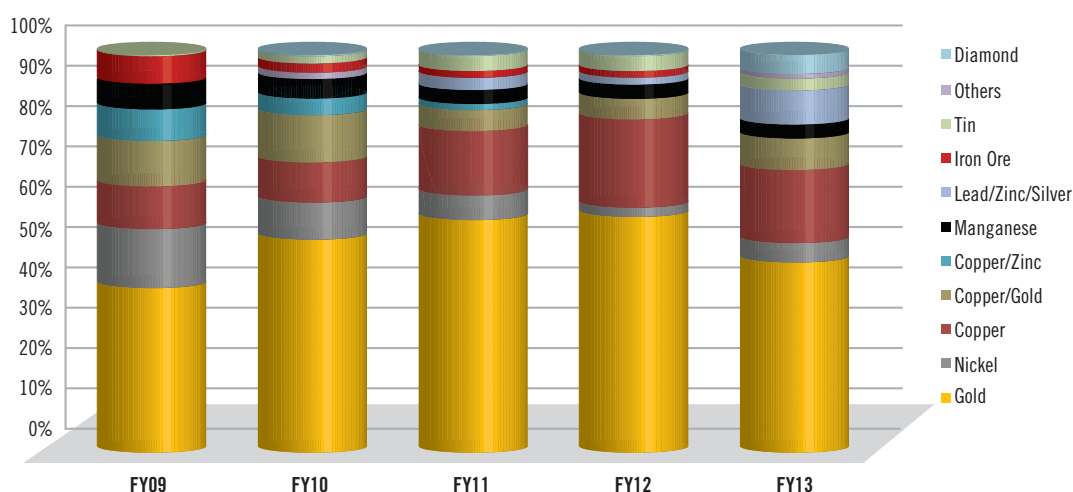
The spread of Company revenue (as indicated overleaf) is somewhat characteristic of the underground mining market. Of particular note is the gain in revenue contribution derived from diamonds and lead/zinc/silver, a result of new contracts with Rio Tinto at the Argyle Diamond Mine, and MMG at the Dugald River Mine.

As Swick continues to grow, the spread of revenue across commodity segments is expected to continue to diversify.

“...the total metres drilled by Swick in the year was more than double the distance between Sydney and Melbourne.”

# MANAGING DIRECTOR'S REPORT ON OPERATIONS

Revenue by Commodity

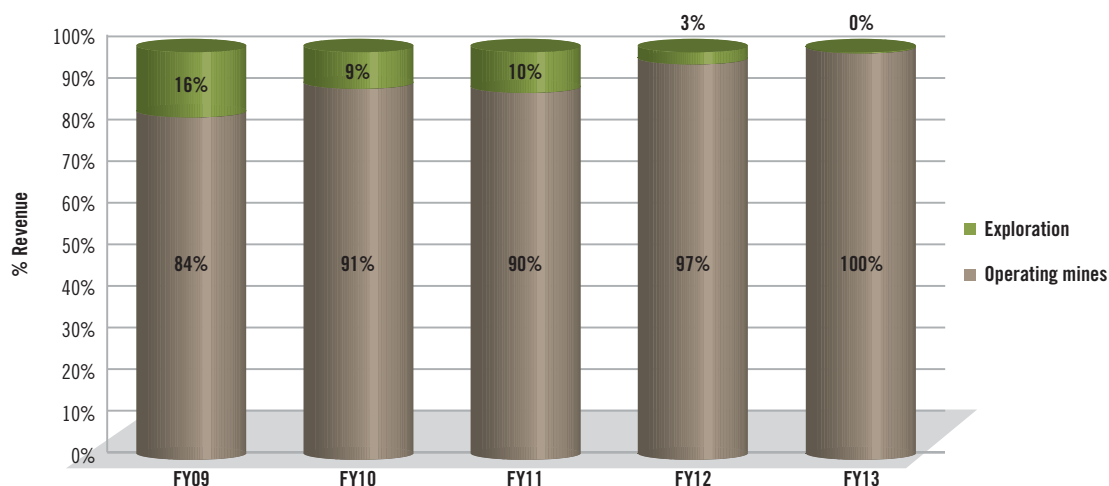


Swick's focus on securing revenue from Brownfield operating mine sites has been a key part of the Company's strategy since inception – a deliberate move to minimise exposure to the volatile surface exploration segment. The chart below shows that the contribution of revenue by Greenfield sites is negligible to the overall income stream. This chart also shows that Swick continues to be a high-quality, high-volume producer suited to the needs of operating underground mines.

Since its initial foundation in Western Australia, Swick has successfully diversified its revenue stream across a number of geographic regions. The reliance on revenue from Western Australian sites has reduced from 55 percent of total revenue in FY09 to 22 percent in FY13 - a result obtained from targeted business development initiatives across Australia and the world. With an established base in North America, Swick continued to diversify its geographic revenue stream in FY13 by commencing a new underground diamond drilling project in Portugal.

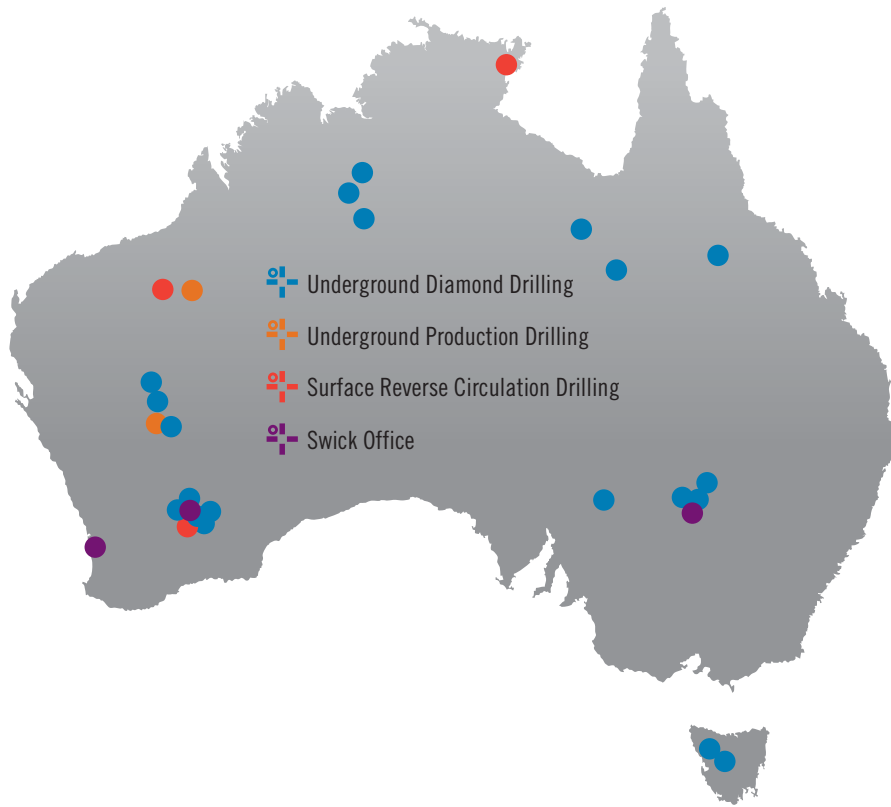
**“The share of revenue derived from the Underground Diamond Drilling Division increased to 87 percent of overall business revenue in FY13.”**

% Brownfields vs Greenfields Revenue





As of June 2013, Swick was providing mineral drilling services to 22 clients in Australia, across 25 operating mines, as shown below.



Outside of Australia, Swick's Underground Diamond Drilling Division was servicing five operating mines for four clients, as shown in the map below. This is likely to further develop in FY14 with the expected commencement of a contract for PT Freeport in Indonesia.





### Health and Safety

The safety and well-being of people is a principle that is important to both Swick and its clients. In particular, the concept of safety within Swick has developed into both a brand pillar and part of the Swick values system.

In FY13, Swick continued its focus on safety with some significant improvements recorded. This included a reduction of 35 percent in the number of reported injuries and a decrease in the Total Recordable Injury Frequency Rate (TRIFR) of 53 percent.

The improved safety statistics are reflective of a strategic focus on improving the awareness of, and engagement in, safe working practices. FY13 saw the introduction of a restructured and modernised Swick Safety Management System. Safety education was also enhanced by the development and introduction of graphics based training systems designed for the predominantly younger driller team.

Swick continued its research and development to further improve safety throughout the business. While a number of different initiatives were enacted, FY13 saw the field test of the Swick LAD – a rod handling system designed to reduce the risk of twist-and-lift related injuries.





## Underground Diamond Drilling

Swick's Underground Diamond Drilling Division continued to grow strongly in FY13. Swick continued to be recognised as a world leader in this type of drilling and the Division produced almost 1,000,000 metres of underground diamond core in the financial year. This is regarded as a truly significant result given that Swick only ventured into underground diamond drilling in 2004.

Underground Diamond Drilling is a necessary function of underground mining operations. Although it is managed by geology departments, it is primarily undertaken to provide mine planning engineers accurate information about the location and grade of ore bodies. In turn, this information allows underground mine plans to be developed (with the aim of minimising development and mining costs), as well as providing geologists and metallurgists information about the grade and composition of the ore to be mined and processed. In general, underground diamond drilling allows short-term, near-term and long-term modelling of the ore body, which can then allow the client to maintain or improve its mining efficiency and also understand the life-of-mine metrics important to shareholders. Swick has placed itself strategically into this Brownfield operating area to mitigate the risks of fluctuations in the exploration and Greenfield sector that is commonly known in the wider drilling market.

With innovation being a key brand pillar for Swick, FY13 saw the Company continue to further improve its industry-leading mobile rig - to ultimately reach the goal of doubling metres-per-man-hour production rates over the 5 year period from FY12 to FY17. Product innovation centred on improving both safety and productivity, which collectively allowed the very best value being offered to clients. Significant projects introduced to the Division during the year included a world-first rod handling system, which will provide a significant safety benefit to the business, the roll out of high-flow, high-pressure water pumping systems and modifications to the mobile drill rig to allow for the use of automated electronic control systems.

In FY13, the current Generation II mobile drill rig specification was upgraded to include extra power (110kW from 90kW), a side mounted cable reel, an automated drilling interface, an energy chain for the travelling head hose loom, as well as rod handling and hydraulic modifications (leading to significantly less hydraulic hose looms). The Generation II rig is (on the whole) manufactured in-house from the chassis up. Existing Generation I rigs out in the field are able to be upgraded during their scheduled overhauls. This means that, on current projections, all Swick mobile rigs in the fleet will be upgraded to Generation II status over a 36 month period commencing FY13.

## MANAGING DIRECTOR'S REPORT ON OPERATIONS

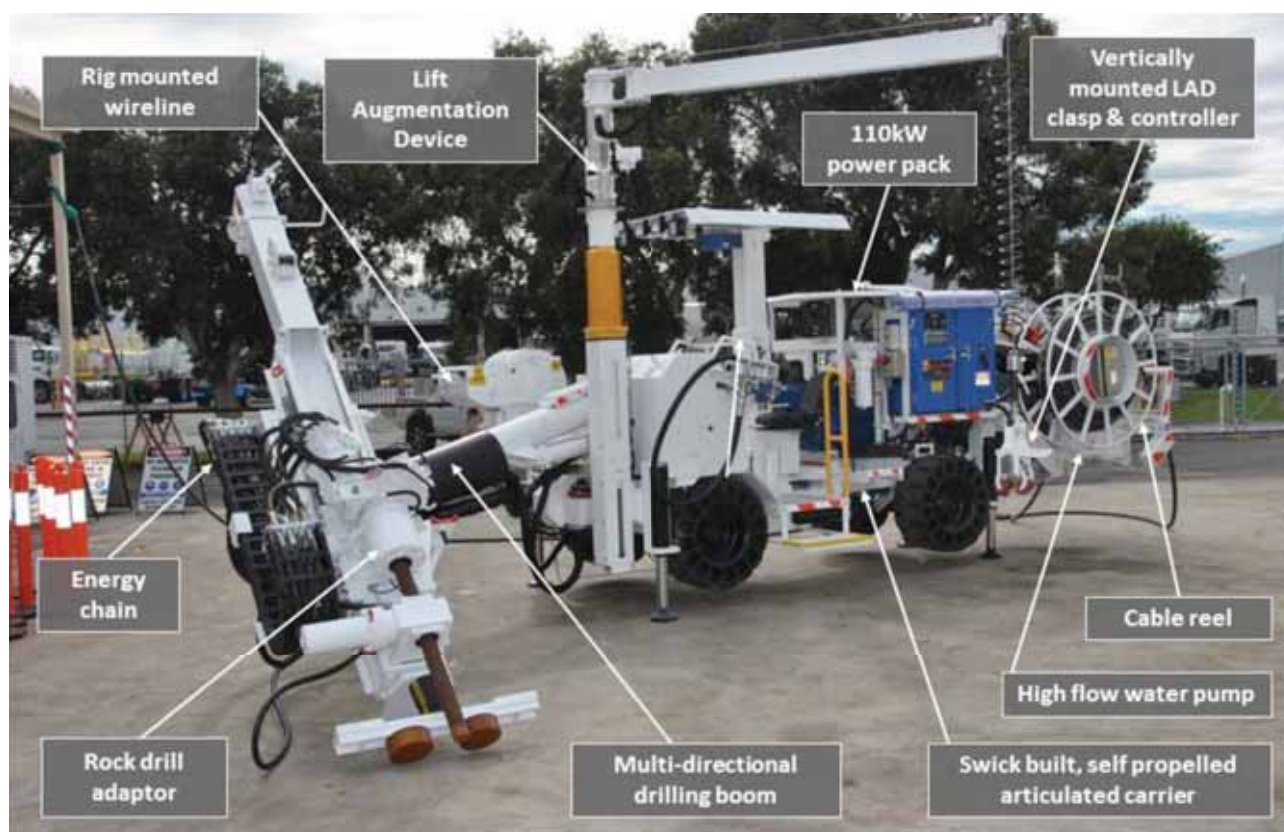
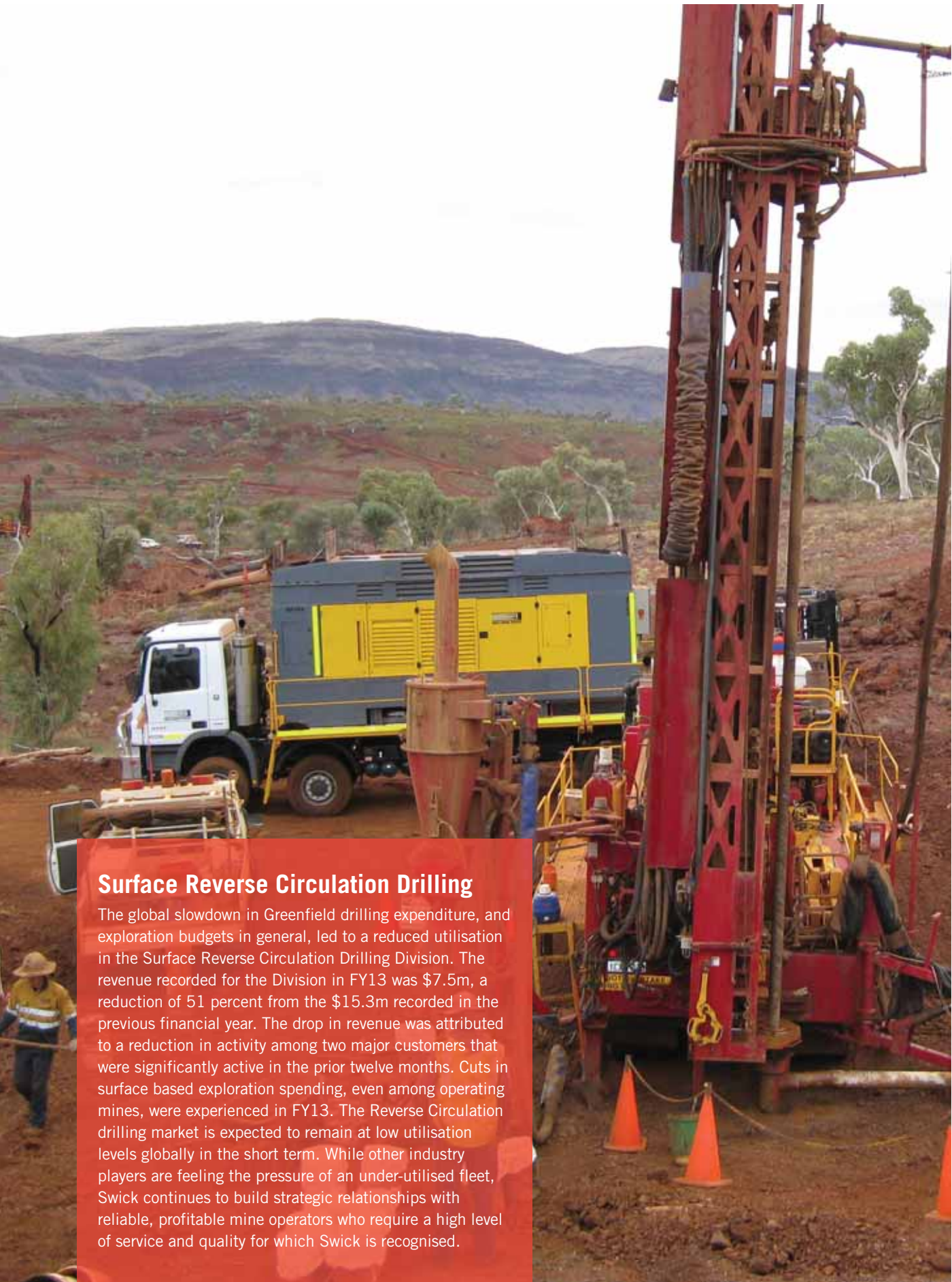


Fig. The Gen II Swick Mobile Underground Diamond Drill Rig and its Key Features

The Swick Research and Development department is currently in the advanced stages of the design of a Generation III mobile rig which will be more universally suitable as an underground diamond drilling solution, particularly in the North American market. The Generation III rig will be specified to be of the same power and the same versatility as the Generation II mobile rig. However, with overseas mine shafts generally being narrower than those in Australia, the Generation III rig will be significantly shorter and made up of components that can be readily disassembled and reassembled. This innovation is likely to overcome the cost and time of disassembly/reassembly - a significant barrier currently experienced in overseas markets.



## Surface Reverse Circulation Drilling

The global slowdown in Greenfield drilling expenditure, and exploration budgets in general, led to a reduced utilisation in the Surface Reverse Circulation Drilling Division. The revenue recorded for the Division in FY13 was \$7.5m, a reduction of 51 percent from the \$15.3m recorded in the previous financial year. The drop in revenue was attributed to a reduction in activity among two major customers that were significantly active in the prior twelve months. Cuts in surface based exploration spending, even among operating mines, were experienced in FY13. The Reverse Circulation drilling market is expected to remain at low utilisation levels globally in the short term. While other industry players are feeling the pressure of an under-utilised fleet, Swick continues to build strategic relationships with reliable, profitable mine operators who require a high level of service and quality for which Swick is recognised.



### Underground Production Drilling

The Underground Production Drilling Division experienced a similar level of activity in FY13, as it did in FY12, producing revenue of \$11.5m compared to \$10.7m in the previous year.

The Underground Production Drilling Division is the basis on which the Company was founded. However the competitive advantage that Swick has in this area is insignificant. With this, the Company believes that new drilling techniques, combined with new technological developments, could be applied to this division to provide a stronger operational result in future years.





## Outlook for FY14.

The Company will continue to remain cautious on the macro outlook for mineral drilling services. Internally, Swick will focus on continuing to improve the metres per manhour metric and lowering its costs of operation. Capital investment is centred on upgrading the current underground diamond drilling fleet to the more powerful and efficient Generation II rigs rather than an expansion program, as the Company believes that the market may not be suitable to provide significant growth opportunities in the next 12 months. Moderate growth in demand can be catered for with the current fleet and therefore no new rig builds are forecast for the year at this stage.

The Company is, however, stocking four complete rig build component sets in inventory to allow rapid construction and deployment of new rigs should demand suddenly increase. This will allow Swick to continue to tender on large, multi-rig contracts with the assurance that an additional four rigs can be quickly assembled and deployed if successful.

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 2013.

## 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 and options

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

Territory Resources Limited non-executive director - 25 September 2007 to present  
Blackwood Corporation Ltd (formerly Matilda Minerals Ltd) non-executive director - 25 September 2007 to present  
India Resources Ltd non-executive director - 21 August 2006 to present  
Vital Metals Ltd non-executive director - 23 February 2005 to present  
ABM Resources NL non-executive director - 12 May 2007 to 23 November 2009

### Kent Swick

### Managing director

#### Qualifications

B.Eng (Mech)

#### Experience

Mr Swick is a Mechanical Engineer with 20 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). Mr Swick was appointed as a Director of the Company on 24 October 2006.

#### Interest in shares and options

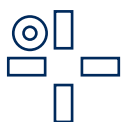
32,500,000 Fully Paid Ordinary Shares

#### Special responsibilities

Nil.

#### Directorships held in other listed entities during the three years prior to the current year

Nil.



| John David Nixon (David)                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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, following which he was the project director for the Fluor-SKM joint venture at the \$1 billion BHP Billiton Iron Ore Asset Development projects. 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 and options                                                               | 55,000 Fully Paid Ordinary Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Special responsibilities                                                                     | Mr Nixon is a member of the Board's Audit and Corporate Governance Committee and Remuneration and Nomination Committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Directorships held in other listed entities during the three years prior to the current year | Moly Mines Ltd non-executive director - 10 June 2008 to 31 May 2013<br>Brockman Resources Ltd non-executive director - 23 March 2009 to 6 September 2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Phillip Lockyer                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Qualifications                                                                               | Dip Met, Assoc Min Eng, M.Min Econs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Experience                                                                                   | Mr Lockyer is a Mining Engineer and Metallurgist who has over 40 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 Limited and Resolute Limited. 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 and options                                                               | 22,000 Fully Paid Ordinary Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Special responsibilities                                                                     | Mr Lockyer is a member of the Board's Audit and Corporate Governance Committee and Remuneration and Nomination Committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Directorships held in other listed entities during the three years prior to the current year | CGA Mining Limited non-executive director - 9 January 2009 to 16 January 2013<br>Western Desert Resources Ltd non-executive director - 1 June 2010 to present<br>St Barbara Ltd non-executive director - 19 December 2006 to present<br>Focus Minerals Ltd non-executive director - 7 December 2005 to present<br>RTG Mining Inc - 26 March 2013 to present                                                                                                                                                                                                                                                                                                                                                                                                |
| Ian McCubbing                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Qualifications                                                                               | B.Com (Hons), CA, MBA (Ex), GAICD                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Experience                                                                                   | Mr McCubbing is a Chartered Accountant with more than 25 years experience, principally in the areas of corporate finance and mergers and acquisition. He spent more than 14 years working with ASX200 and other listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer.                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Interest in shares and options                                                               | Nil.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 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 | Minemakers Ltd non-executive director - 20 December 2012 to present<br>Mirabela Nickel Ltd non-executive director - 1 January 2011 to present<br>Kasbah Resources Ltd non-executive director - 1 March 2011 to present<br>Alcyone Resources Ltd non-executive director - 17 February 2012 to 8 March 2013<br>Eureka Energy Ltd non-executive director - 5 July 2010 to 20 June 2012<br>Territory Resources Ltd non-executive director - 5 May 2008 to 31 July 2011                                                                                                                                                                                                                                                                                         |
| Company Secretary                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Mr Ian Hobson held the position of company secretary at the end of the financial year:       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Qualifications                                                                               | B.Bus, FCA, ACIS, MAICD                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Experience                                                                                   | Mr Hobson is a sole practitioner chartered accountant who provides company secretarial and accounting services to listed public companies and other organisations. Mr Hobson has had 20 years experience working for international chartered accounting firms before commencing his own practice in 2006. Mr Hobson is an experienced corporate advisor who has provided strategic and corporate advice to companies in the mining and mining services industries for many years in Perth, London and Toronto.                                                                                                                                                                                                                                             |

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

# DIRECTOR'S REPORT

## Meetings of directors

During the financial year, 16 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                        | 12              | -                              | -               | 1                           | 1               |
| Kent Swick               | 12                        | 12              | -                              | -               | -                           | -               |
| John David Nixon (David) | 12                        | 11              | 3                              | 3               | 1                           | 1               |
| Phillip Lockyer          | 12                        | 11              | 3                              | 3               | 1                           | 1               |
| Ian McCubbing            | 12                        | 10              | 3                              | 3               | -                           | -               |

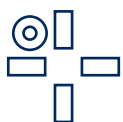
## Principal activities and significant changes in nature of activities

The principal activity of the Group during FY13 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, underground production drilling and surface reverse circulation drilling. There were no significant changes in the nature of the principal activity during FY13.

## Operating results and review of operations for the year

### Review of results

| AUDITED FY2013 FINANCIAL RESULTS   | FY 2013  | FY 2012  | Change |
|------------------------------------|----------|----------|--------|
|                                    | \$000    | \$000    | %      |
| <b>Consolidated Results</b>        |          |          |        |
| Revenue                            | 146,535  | 136,418  | 7%     |
| EBITDA                             | 30,843   | 28,589   | 8%     |
| EBITDA Margin %                    | 21.0%    | 21.0%    | 0%     |
| Depreciation and amortisation      | 14,432   | 14,364   | 0%     |
| Interest                           | 1,731    | 1,442    | 20%    |
| EBT                                | 14,680   | 12,783   | 15%    |
| NPAT                               | 11,310   | 9,698    | 17%    |
| NPAT Margin %                      | 7.7%     | 7.1%     | 8%     |
| <b>Cash Flow</b>                   |          |          |        |
| Net cash from operating activities | 36,336   | 25,155   | 44%    |
| Net cash from investing activities | (21,355) | (22,998) | -7%    |
| Free Cash flow                     | 14,981   | 2,157    | 595%   |
| <b>At Balance Date</b>             |          |          |        |
| Cash                               | 20,873   | 15,806   | 32%    |
| Debt                               | 22,523   | 23,180   | -3%    |
| Net debt                           | 1,650    | 7,374    | -78%   |
| Net debt %                         | 1.5%     | 7.0%     | -79%   |
| EPS - cents per share              | 4.85     | 4.09     | 19%    |



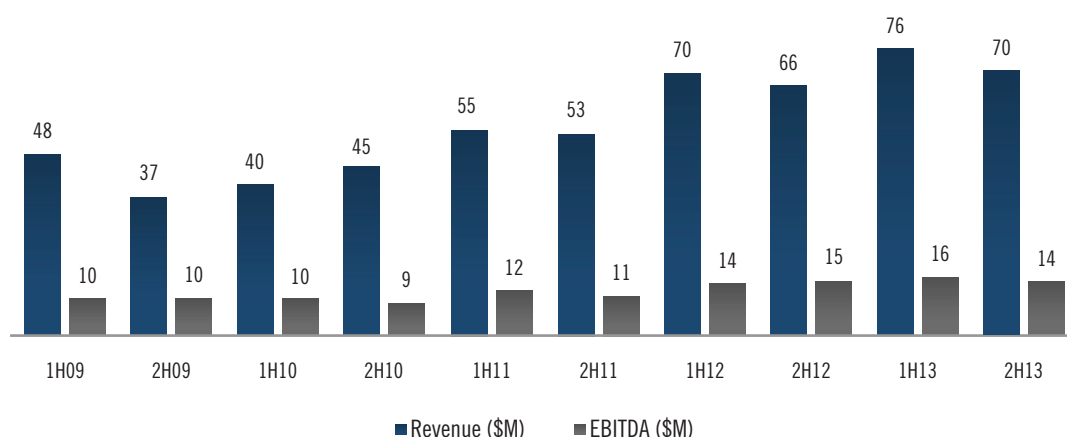
The net assets of the Group have increased by \$4.15 million from 30 June 2012 to \$109.84 million in 2013. This increase is largely due to the continuing strong operating profit, offset by undertaking a share buyback program.

The directors believe the Group is in a strong and stable financial position to weather the current tough trading conditions and take advantage of opportunities as they arise.

## Review of operations

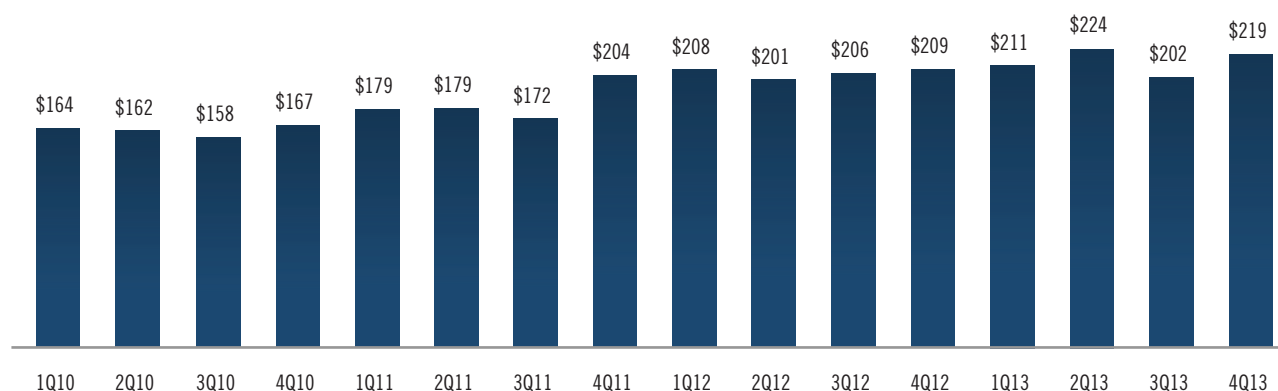
The year ended 30 June 2013 was an extremely challenging year with volatile financial and commodity markets affecting the appetites of mining companies to invest in drilling services. Despite this, the Group has continued its growth with a global increase in revenue of 7% for the year ended 30 June 2013. Driving growth was the award of new contracts in North America and the commencement of operations in Portugal. The Group has also recently been awarded a two rig contract at the world class Grasberg mine in West Papua. These new contracts together with the established business in Australia further strengthen the Company's objective to become the worlds leading underground diamond drilling contractor.

The Group's growth in revenue and EBITDA over the past five years is graphically illustrated below:



With the continued volatility within the commodity markets and the more recent sharp decline in gold and copper prices, mining companies have been actively seeking ways to reduce cash costs within their businesses. Although this is an extremely tough market for mining services companies, the Company believes that now, more than ever, it is well placed to demonstrate the advantages of its world leading underground diamond drilling technology. As a company we are committed to delivering a safe, efficient and productive low unit cost solution to our customers. Accordingly Swick believes its Underground Diamond Drilling Division is well placed to see continued growth both in new and established markets over the longer term as a result of continual improvements in its service provision. As illustrated in the graph below, Swick has maintained its Average Revenue per Operating Rig (ARPOR) through FY13.

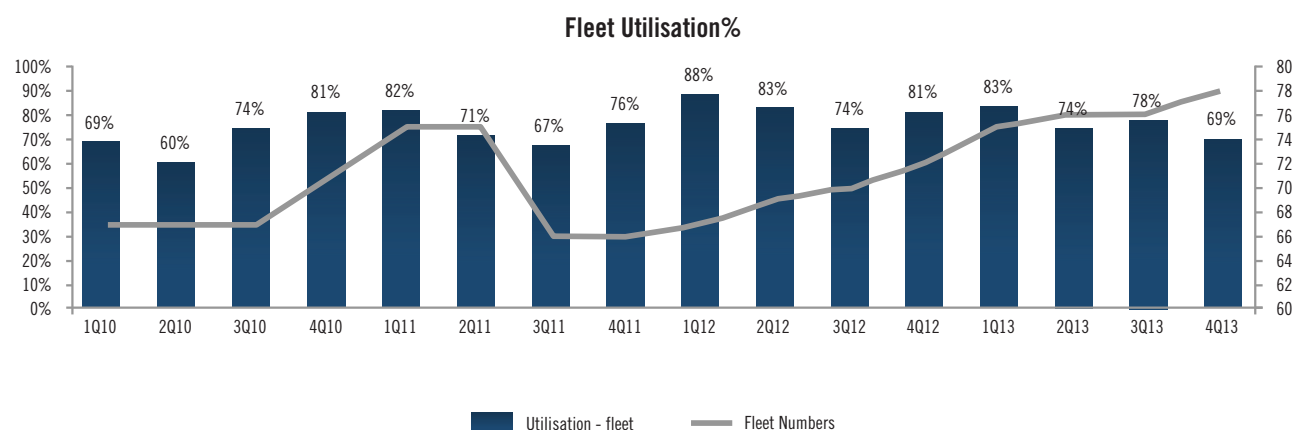
### MONTHLY ARPOR (\$'000)



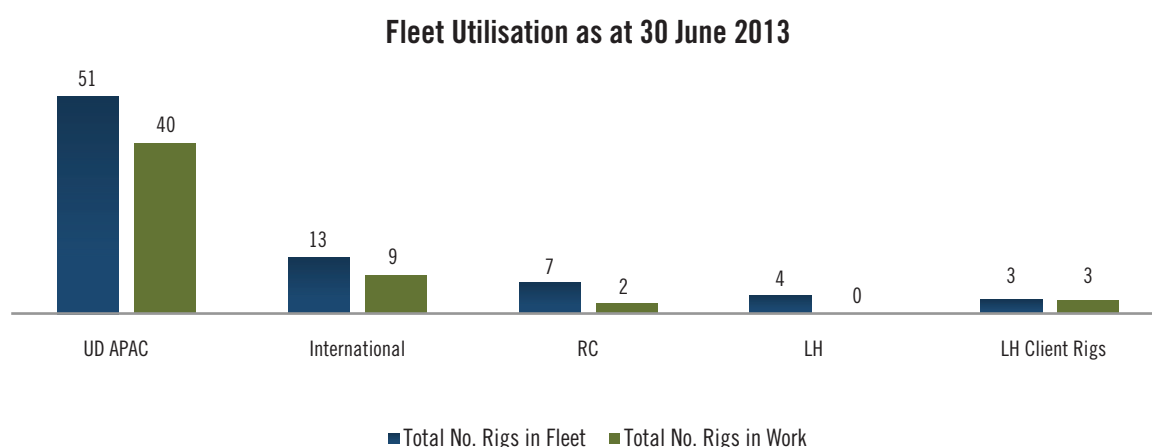
According to information obtained from the Australian Bureau of Statistics, total metres drilled in Australia has reduced quarter on quarter (Q1-Q3) for FY13, with the third quarter being the lowest drilled metres since September 2008, when we were experiencing the Global Financial Crisis.

# DIRECTOR'S REPORT

The Company's rig utilisation has reduced over FY13 from 83% in the first quarter to a low of 69% as at 30 June 2013. This is the lowest fleet utilisation since the Company sold its Surface Diamond Drilling Division in the 3rd quarter of FY11, albeit that in the ensuing two years Swick's overall fleet size has grown from 66 to 78 drill rigs. In addition, as at 30 June 2013 the Company has three new underground diamond rigs awaiting commissioning. Two of these rigs will be mobilised to the new contract at the Grasberg mine in Indonesia.



The year end utilisation by operating division is shown below:



The RC Division will be mobilising an additional rig early in the first quarter of FY14 with a seasonal drilling program recommencing.

With Swick's focus on continual improvement in all areas of operations and safety management, our goal is to provide the highest quality, best value service available to our clients.

## Significant changes in state of affairs

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

## Dividends paid or recommended

Dividends paid or declared for payment during the financial year are as follows:

|                                                                       |             |
|-----------------------------------------------------------------------|-------------|
| Interim ordinary dividend of 0.6 cents per share paid on 2 April 2013 | \$1,400,438 |
|-----------------------------------------------------------------------|-------------|

|                                                                                                                                                   |             |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Final ordinary dividend of 0.6 cents per share recommended by the Directors to be paid on 18 October 2013 out of retained profits at 30 June 2013 | \$1,319,677 |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------|



## Events after the reporting period

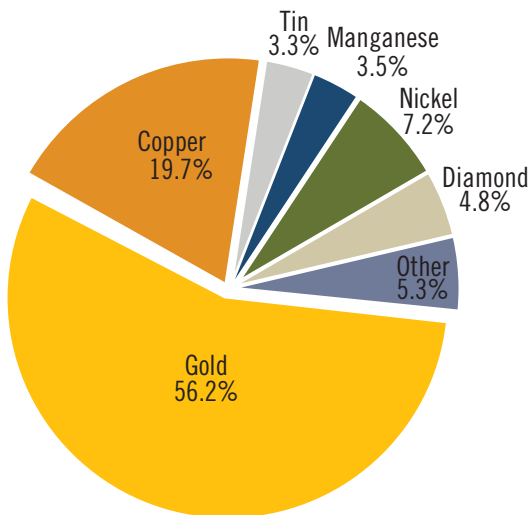
There were no significant events after the reporting period.

## Future developments, prospects and business strategies

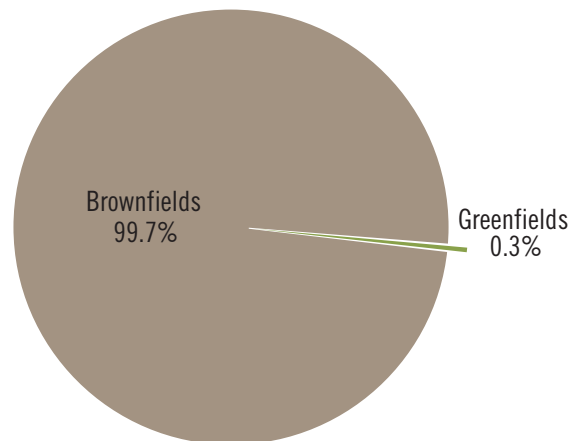
As highlighted in the review of operations, FY13 was a volatile year for global financial and commodity markets, which had a large flow on effect to the mining services industry and more particularly drilling companies. As a specialist underground diamond drilling contractor, Swick achieved modest growth led by new contracts obtained outside our principal market in Australia. In the coming years Swick hopes to capitalise on this achievement to become a truly global force.

The Group's commodity spread (shown below) continues to be concentrated on gold and copper in established Brownfields operations. Swick's exposure to Greenfields operations was lower than prior years principally due to the slow down in exploration drilling and lower activity in the smaller RC division. The Company believes that the focus on Brownfields operations, where income is earned from rigs at operating mines, is the principal reason why it was able to continue on a growth profile whilst most of our global competitors saw significant revenue erosion due to the general market slow-down.

**FY13 Global Commodity Exposure**



**FY13 Brownfields vs Greenfields**



The Company still sees its ability to focus on continuous improvement within the mineral drilling industry as a key strategy to its ongoing success. The dedicated research and development team remains well resourced and fully funded, with the aim of developing step change innovation in drilling that will lead to safety, productivity and versatility improvements in its systems of work and equipment for the benefit of the Company's employees, clients and ultimately, its shareholders.

## Operational outlook – Asia Pacific

As at 30 June 2013 Swick had 45 drill rigs (53 as at 30 June 2012) in operation throughout Australia. The reduction by 8 rigs from the prior year is considered to be a reflection of an overall contraction in drilling demand as opposed to any real loss in market share. Swick continues to have a solid base load of work with blue-chip clients and will continue to focus on developing opportunities for the expansion of its underground diamond division.

The demand for RC drilling has not improved throughout the year, with mining and exploration companies focusing on near term cash generation rather than long term value creation through increasing mineral resources and reserves.

The Group has a dedicated business development team in the Australian business, focussing on pursuing opportunities to secure long term contracts for the available assets as well as building relationships with prospective clients that will allow the Company to expand its operations in the years ahead.

# DIRECTOR'S REPORT

## Operational outlook - International

As at 30 June 2013 Swick had 9 drill rigs (5 as at 30 June 2012) in operation outside of the Asia Pacific region. The increase in drill rigs came through a successful bidding season and adds a number of additional international blue-chip clients to the business, including Xstrata, Lundin Mining and since 30 June 2013, Barrick Gold in the US.

During the year a further two skid mounted rigs were transferred to North America to allow for an increased scope of supply in certain mine types where the mobile rig is less suitable. These rigs came from the remaining pool of rigs purchased from Everyday Mining Services in 2011.

The tender pipeline for our International business is strong and the board is confident of further success in FY14.

## 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 premiums totalling \$62,922 to insure all the directors 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 of the Company, other than conduct which might be a wilful breach of duty in relation to the Company.

## Options

As at the date of this report, there were no options on issue.

## Performance rights

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

| Grant date      | Date of vesting | Date of expiry | Number under rights |
|-----------------|-----------------|----------------|---------------------|
| 17 January 2012 | 31 August 2013  | 31 August 2015 | 400,000             |
| 17 January 2012 | 31 August 2014  | 31 August 2016 | 400,000             |
| 17 January 2012 | 31 August 2015  | 31 August 2017 | 400,000             |
| 17 January 2012 | 31 August 2016  | 31 August 2018 | 400,000             |
|                 |                 |                | <b>1,600,000</b>    |

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

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

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

During the year ended 30 June 2013, the following ordinary shares of Swick Mining Services Limited were issued on vesting of Performance Rights granted. No further shares have been issued since year end. No amounts are unpaid on any of the shares.

|                         | Grant date      | Exercise price | Number of shares issued |
|-------------------------|-----------------|----------------|-------------------------|
| Performance rights plan | 17 January 2012 | N/A            | 400,000                 |
|                         |                 |                | <b>400,000</b>          |



## 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 by the auditor are outlined in note 29 to the financial statements.

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 2013 has been received.

## ASIC Class Order 98/100 rounding of amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

## 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 KPI's, and the second being the issue of performance rights 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.

## DIRECTOR'S REPORT

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows an increase in profits for each of the last three years including the commencement of dividend payments in FY12. Although the improved Company performance over this period has not been reflected in the share price, the Board considers this is more a reflection of the overall market sentiment, and is of the opinion that the improved financial results can be attributed, in part, to the remuneration policy and is satisfied with this trend.

|                                   | 2013    | 2012    | 2011    | 2010      | 2009    |
|-----------------------------------|---------|---------|---------|-----------|---------|
|                                   | \$000   | \$000   | \$000   | \$000     | \$000   |
| Revenue                           | 146,535 | 136,418 | 115,746 | 99,533    | 84,911  |
| Net profit/(loss) before tax      | 14,680  | 12,783  | 3,822   | (13,422)  | 2,648   |
| Net profit/(loss) after tax       | 11,310  | 9,698   | 3,852   | (10,060)  | 2,102   |
| Share price at start of year      | \$0.27  | \$0.40  | \$0.36  | \$0.42    | \$1.30  |
| Share price at end of year        | \$0.29  | \$0.27  | \$0.40  | \$0.36    | \$0.42  |
| Basic earnings/(loss) per share   | 4.85cps | 4.09cps | 1.43cps | (4.94)cps | 1.39cps |
| Diluted earnings/(loss) per share | 4.80cps | 4.07cps | 1.43cps | (4.94)cps | 1.39cps |
| Dividends paid                    | 1.1cps  | 0.5cps  | -       | -         | -       |

### **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 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 \$65,000 per annum plus superannuation, with remuneration for the non-executive chairman set at \$97,500 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 \$6,000 per annum plus superannuation.

### **Remuneration structure - executive directors and management**

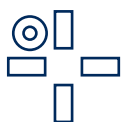
#### **Objective**

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.



## 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 review, 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 - 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 shares, performance rights and options 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                  |                       |
| John David Nixon (David) | Non-executive director             |                       |
| Phillip Lockyer          | Non-executive director             |                       |
| Ian McCubbing            | Non-executive director             |                       |
| Executives               |                                    |                       |
| Vahid Haydari            | Chief Executive Officer - APAC     |                       |
| Will Gove                | General Manager North America      |                       |
| Peter Casement           | General Manager Operations APAC    | Resigned 27 June 2013 |
| Nigel Cocliff            | General Manager Technical Services | Resigned 26 July 2013 |
| Bryan Wesley             | Chief Financial Officer            |                       |

# DIRECTOR'S 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 ASX Listing Rules).

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 or the Financial Statements.

## Senior management

Senior management personnel are employed under employment agreements that continue until terminated. If an employment agreement is terminated without cause by the Company, the agreements provide a minimum of six month's remuneration must be paid. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least 1 months notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

If the service agreement is terminated as a result of a change in control, twelve month's remuneration must be paid (provided that any such additional amount shall, at all times, be limited to the maximum extent permitted by the ASX Listing Rules).

## Employee share option plan

The Company has adopted an Employee Share Option Plan (ESOP). The objective of the ESOP is to provide the Company with a remuneration mechanism through the issue of options in the capital of the Company to motivate and reward the performance of employees, and to align the performance of employees with that of the Company. There have been no options granted for several years and although the ESOP is still in operation the board introduced the Performance Rights Plan outlined below as the preferred method of rewarding employees.

## Performance rights plan

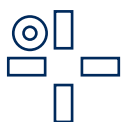
The Company has adopted a Performance Rights Plan (PRP). The objective of the PRP is to provide the Company with a remuneration mechanism through the granting of rights for securities in the capital of the Company to motivate and retain employees.

During the year ended 30 June 2013 no Performance Rights were granted.

## 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                               | Shares/ units % | Options/ rights % | Fixed salary/ fees %                                               | Total % |
| <b>Non-executive directors</b> |                                                                |                 |                   |                                                                    |         |
| Andrew Simpson                 | 0%                                                             | 0%              | 0%                | 100%                                                               | 100%    |
| John David Nixon (David)       | 0%                                                             | 0%              | 0%                | 100%                                                               | 100%    |
| Phillip Lockyer                | 0%                                                             | 0%              | 0%                | 100%                                                               | 100%    |
| Ian McCubbing                  | 0%                                                             | 0%              | 0%                | 100%                                                               | 100%    |
| <b>Other executives</b>        |                                                                |                 |                   |                                                                    |         |
| Kent Swick                     | 40%                                                            | 0%              | 0%                | 60%                                                                | 100%    |
| Vahid Haydari                  | 36%                                                            | 0%              | 10%               | 54%                                                                | 100%    |
| Will Gove                      | 36%                                                            | 0%              | 10%               | 54%                                                                | 100%    |
| Peter Casement                 | 36%                                                            | 0%              | 10%               | 54%                                                                | 100%    |
| Nigel Cocliff                  | 36%                                                            | 0%              | 10%               | 54%                                                                | 100%    |
| Bryan Wesley                   | 36%                                                            | 0%              | 10%               | 54%                                                                | 100%    |



## Changes in directors and executives subsequent to year-end

Since 30 June 2013 the Company has formed the view that the position of General Manager Technical Services was no longer required. Accordingly Mr Nigel Cocliff voluntarily resigned effective 26 July 2013. The Directors would like to thank Mr Cocliff for his services over the past four years.

## Remuneration details for the year ended 30 June 2013

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for key management personnel of the Group:

### Table of benefits and payments for the year ended 30 June 2013

|                                      | Short-term benefits          |                                |                    | Post employment benefits         |                            | Equity-settled share-based payments |                      | Total            |               |
|--------------------------------------|------------------------------|--------------------------------|--------------------|----------------------------------|----------------------------|-------------------------------------|----------------------|------------------|---------------|
| 2013                                 | Salary, fees and leave<br>\$ | Profit share and bonuses<br>\$ | Non-monetary<br>\$ | Pension and superannuation<br>\$ | Termination benefits<br>\$ | Shares/units<br>\$                  | Options/rights<br>\$ | \$               | Perf. based % |
| <b>Non-executive directors</b>       |                              |                                |                    |                                  |                            |                                     |                      |                  |               |
| Andrew Simpson                       | 97,500                       | -                              | -                  | 8,775                            | -                          | -                                   | -                    | 106,275          | 0%            |
| John David Nixon (David)             | 70,850                       | -                              | -                  | -                                | -                          | -                                   | -                    | 70,850           | 0%            |
| Phillip Lockyer                      | 65,000                       | -                              | -                  | 5,850                            | -                          | -                                   | -                    | 70,850           | 0%            |
| Ian McCubbing                        | 71,154                       | -                              | -                  | 6,404                            | -                          | -                                   | -                    | 77,558           | 0%            |
| <b>Total non-executive directors</b> | <b>304,504</b>               | <b>-</b>                       | <b>-</b>           | <b>21,029</b>                    | <b>-</b>                   | <b>-</b>                            | <b>-</b>             | <b>325,533</b>   | <b>0%</b>     |
| <b>Executive officers</b>            |                              |                                |                    |                                  |                            |                                     |                      |                  |               |
| Kent Swick                           | 474,595                      | 75,000                         | -                  | 25,406                           | -                          | -                                   | -                    | 575,001          | 13%           |
| Vahid Haydari                        | 389,230                      | 57,500                         | 2,248              | 25,000                           | -                          | -                                   | 31,338               | 505,316          | 18%           |
| Will Gove                            | 261,628                      | 42,776                         | 23,558             | 25,000                           | -                          | -                                   | 31,338               | 384,300          | 19%           |
| Peter Casement <sup>1</sup>          | 298,449                      | -                              | 4,193              | 30,854                           | 109,309                    | -                                   | 28,004               | 470,809          | 6%            |
| Nigel Cocliff <sup>2</sup>           | 256,615                      | 36,006                         | 20,752             | 25,020                           | -                          | -                                   | 31,338               | 369,731          | 18%           |
| Bryan Wesley                         | 258,973                      | 37,012                         | 2,472              | 24,960                           | -                          | -                                   | 31,338               | 354,755          | 19%           |
| <b>Total other executives</b>        | <b>1,939,490</b>             | <b>248,294</b>                 | <b>53,223</b>      | <b>156,240</b>                   | <b>109,309</b>             | <b>-</b>                            | <b>153,356</b>       | <b>2,659,912</b> | <b>15%</b>    |
| <b>Total payments and benefits</b>   | <b>2,243,994</b>             | <b>248,294</b>                 | <b>53,223</b>      | <b>177,269</b>                   | <b>109,309</b>             | <b>-</b>                            | <b>153,356</b>       | <b>2,985,445</b> | <b>13%</b>    |

1) resigned 27 June 2013

2) resigned 26 July 2013

# DIRECTOR'S REPORT

**Table of benefits and payments for the year ended 30 June 2012**

| 2012                                    | Short-term benefits          |                                |                    | Post Employment Benefits         |                            | Equity-settled share-based payments |                      | Total            |               |
|-----------------------------------------|------------------------------|--------------------------------|--------------------|----------------------------------|----------------------------|-------------------------------------|----------------------|------------------|---------------|
|                                         | Salary, fees and leave<br>\$ | Profit share and bonuses<br>\$ | Non-monetary<br>\$ | Pension and superannuation<br>\$ | Termination benefits<br>\$ | Shares/units<br>\$                  | Options/rights<br>\$ | \$               | Perf. based % |
| <b>Non-executive directors</b>          |                              |                                |                    |                                  |                            |                                     |                      |                  |               |
| Andrew Simpson                          | 96,721                       | -                              | -                  | 8,705                            | -                          | -                                   | -                    | 105,426          | 0%            |
| John David Nixon (David)                | 70,284                       | -                              | -                  | -                                | -                          | -                                   | -                    | 70,284           | 0%            |
| Giuseppe Ariti (Joe Ariti) <sup>1</sup> | 39,481                       | -                              | -                  | 3,553                            | -                          | -                                   | -                    | 43,034           | 0%            |
| Phillip Lockyer                         | 64,481                       | -                              | -                  | 5,803                            | -                          | -                                   | -                    | 70,284           | 0%            |
| Ian McCubbing                           | 64,481                       | -                              | -                  | 5,803                            | -                          | -                                   | -                    | 70,284           | 0%            |
| <b>Total non-executive directors</b>    | <b>335,448</b>               | <b>-</b>                       | <b>-</b>           | <b>23,864</b>                    | <b>-</b>                   | <b>-</b>                            | <b>-</b>             | <b>359,312</b>   | <b>0%</b>     |
| <b>Executive officers</b>               |                              |                                |                    |                                  |                            |                                     |                      |                  |               |
| Kent Swick                              | 466,655                      | -                              | -                  | 31,614                           | -                          | -                                   | -                    | 498,269          | 0%            |
| Michael Fry                             | 13,761                       | -                              | -                  | 1,238                            | 178,645                    | -                                   | -                    | 193,644          | 0%            |
| Vahid Haydari <sup>2</sup>              | 271,942                      | -                              | 803                | 23,042                           | -                          | -                                   | 14,751               | 310,538          | 5%            |
| Will Gove                               | 269,453                      | -                              | 27,753             | 21,129                           | -                          | 34,500                              | 14,751               | 367,586          | 13%           |
| Peter Casement <sup>3</sup>             | 20,096                       | -                              | 144                | 1,677                            | -                          | -                                   | 3,176                | 25,093           | 13%           |
| Nigel Cocliff                           | 241,238                      | 25,000                         | 22,785             | 23,322                           | -                          | 34,500                              | 14,751               | 361,596          | 21%           |
| Bryan Wesley                            | 249,134                      | 25,000                         | 1,135              | 21,711                           | -                          | 34,500                              | 14,751               | 346,231          | 21%           |
| Khusrau Kalim <sup>4</sup>              | 211,807                      | -                              | 873                | 17,764                           | 51,923                     | -                                   | 27,738               | 310,105          | 9%            |
| <b>Total other executives</b>           | <b>1,744,086</b>             | <b>50,000</b>                  | <b>53,493</b>      | <b>141,497</b>                   | <b>230,568</b>             | <b>103,500</b>                      | <b>89,918</b>        | <b>2,413,062</b> | <b>10%</b>    |
| <b>Total payments and benefits</b>      | <b>2,079,534</b>             | <b>50,000</b>                  | <b>53,493</b>      | <b>165,361</b>                   | <b>230,568</b>             | <b>103,500</b>                      | <b>89,918</b>        | <b>2,772,374</b> | <b>9%</b>     |

Notes: 1) resigned 1 Feb 2012

2) commenced 1 Sept 2011

3) commenced 22 May 2012

4) resigned 15 June 2012

## Securities received that are not performance related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

## Cash bonuses, performance-related bonuses and share-based payments

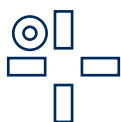
### Bonuses

During the year cash bonuses totalling \$248,294 was paid in accordance with employment contracts as shown in the benefits and payments table above.

### Performance Rights

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

| Rights series              | Grant date      | Expiry date | Grant date fair value | Vesting date |
|----------------------------|-----------------|-------------|-----------------------|--------------|
| (1) Issued 17 January 2012 | 17 January 2012 | Note 1      | \$0.28                | Note 1       |
| (2) Issued 22 May 2012     | 22 May 2012     | Note 1      | \$0.26                | Note 1       |



The terms and conditions relating to Performance Rights in operation during the year for key management personnel are as follows:

| 2013                                  | Grant date      | Vesting conditions<br>(Note 1) | Vested/paid during year<br>%<br>(Note 2) | Forfeited during year<br>% | Remaining as unvested<br>% | Vesting date |
|---------------------------------------|-----------------|--------------------------------|------------------------------------------|----------------------------|----------------------------|--------------|
| <b>Group key management personnel</b> |                 |                                |                                          |                            |                            |              |
| Will Gove                             | 17 January 2012 | Note 1                         | 20%                                      | 0%                         | 80%                        | Note 1       |
| Nigel Cocliff                         | 17 January 2012 | Note 1                         | 20%                                      | 0%                         | 80%                        | Note 1       |
| Bryan Wesley                          | 17 January 2012 | Note 1                         | 20%                                      | 0%                         | 80%                        | Note 1       |
| Vahid Haydari                         | 17 January 2012 | Note 1                         | 20%                                      | 0%                         | 80%                        | Note 1       |
| Peter Casement                        | 22 May 2012     | Note 1                         | 0%                                       | 100%                       | 0%                         | Note 1       |

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

Note 2 The dollar value of the percentage vested/paid during the period has been reflected in the Table of benefits and payments.

All rights were issued by Swick Mining Services Limited and entitle the holder to 1 ordinary shares in Swick Mining Services Limited.

The following share based payment compensation to key management personnel relate to the current financial year:

| Plan details                   |                 |                         | For the financial year ended 30 June 2013 |                          |               |             |               |             |      |
|--------------------------------|-----------------|-------------------------|-------------------------------------------|--------------------------|---------------|-------------|---------------|-------------|------|
| Rights series                  | No.             | Value<br>\$<br>(Note 1) | Lapsed<br>No.                             | Lapsed<br>\$<br>(Note 1) | Vested<br>No. | Vested<br>% | Unvested<br>% | Lapsed<br>% |      |
| Group key management personnel |                 |                         |                                           |                          |               |             |               |             |      |
| Vahid Haydari                  | 17 January 2012 | 500,000                 | 138,688                                   | -                        | -             | 100,000     | 20%           | 80%         | 0%   |
| Will Gove                      | 17 January 2012 | 500,000                 | 138,688                                   | -                        | -             | 100,000     | 20%           | 80%         | 0%   |
| Nigel Cocliff                  | 17 January 2012 | 500,000                 | 138,688                                   | -                        | -             | 100,000     | 20%           | 80%         | 0%   |
| Bryan Wesley                   | 17 January 2012 | 500,000                 | 138,688                                   | -                        | -             | 100,000     | 20%           | 80%         | 0%   |
| Peter Casement                 | 22 May 2012     | 500,000                 | 131,436                                   | 500,000                  | 131,436       | -           | 0%            | 0%          | 100% |
|                                |                 | 2,500,000               | 686,188                                   | 500,000                  | 131,436       | 400,000     | 16%           | 64%         | 20%  |

Note 1 The value of the Performance Rights granted is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards. The value is based on the closing share price at the Grant date discounted at the rate of 3.5% over the life of the Rights.

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

Kent Swick

Dated: 23/08/2013

# AUDITOR'S INDEPENDENCE DECLARATION



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The Board of Directors  
Swick Mining Services Limited  
64 Great Eastern Highway  
South Guildford WA 6055

23 August 2013

Dear Board Members

## Swick Mining Services Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Swick Mining Services Limited.

As lead audit partner for the audit of the financial statements of Swick Mining Services Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

**Peter Rupp**  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

## Board Composition

The skills, experience and expertise relevant to the position of each director, and board committee member, who is in office at the date of the annual report and their term of office, are detailed in the Director's Report.

The independent directors of the Company are Andrew Simpson, David Nixon, Phil Lockyer and Ian McCubbing.

When determining the independent status of a Director the Board used the Guidelines detailed in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

| Recommendation                                                                                                                             | Swick Mining Services Limited<br>Current practice                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.1 Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions. | Satisfied. The functions reserved for the Board and delegated to senior executives have been established.<br><br>The Board Charter is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy. |
| 1.2 Companies should disclose the process for evaluating the performance of senior executives.                                             | Satisfied. Formal evaluation process has been adopted.<br><br>The Performance Evaluation Policy is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy.                                    |
| 1.3 Companies should provide the information indicated in the Guide for reporting on Principle 1.                                          | Satisfied.<br><br>The Board Charter is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy.<br><br>Formal appraisals of management were conducted.                                         |
| 2.1 A majority of the board should be independent directors.                                                                               | Satisfied.<br><br>Andrew Simpson, David Nixon, Phil Lockyer and Ian McCubbing are Non-executive independent directors as defined in ASX guidelines.                                                                                                 |
| 2.2 The chair should be an independent director.                                                                                           | Satisfied.<br><br>Mr Andrew Simpson is an independent director.                                                                                                                                                                                     |
| 2.3 The roles of chair and Chief Executive Officer should not be exercised by the same individual.                                         | Satisfied.                                                                                                                                                                                                                                          |
| 2.4 The board should establish a nomination committee.                                                                                     | Satisfied.                                                                                                                                                                                                                                          |
| 2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.            | Satisfied.<br><br>Board Performance Evaluation Policy is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy.                                                                              |
| 2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.                                           | Not Satisfied.<br><br>Formal board and committee appraisals were not completed for the 2012/2013 year.                                                                                                                                              |

# CORPORATE GOVERNANCE STATEMENT

| Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Swick Mining Services Limited<br>Current practice                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>The practices necessary to maintain confidence in the company's integrity</li> <li>The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul> | Satisfied.<br><br>The Code of Conduct is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy.                 |
| 3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.                                                                                                                                                                        | Satisfied.<br><br>The Diversity Policy is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy.                |
| 3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity and progress towards achieving them.                                                                                                                                                                                                                                                                                                                                                    | Not Satisfied.<br><br>The measurable objectives have yet to be established.                                                                                            |
| 3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.                                                                                                                                                                                                                                                                                                                         | Proportion of women employees in the whole organisation is 7%.<br>There are no women in senior executive positions or the board.                                       |
| 3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.                                                                                                                                                                                                                                                                                                                                                                                                     | Satisfied.                                                                                                                                                             |
| 4.1 The board should establish an audit committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Satisfied.                                                                                                                                                             |
| 4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>Consists only of non-executive directors</li> <li>Consists of a majority of independent directors</li> <li>Is chaired by an independent chair, who is not chair of the board</li> <li>Has at least three members.</li> </ul>                                                                                                                                                                         | Satisfied.                                                                                                                                                             |
| 4.3 The audit committee should have a formal charter.                                                                                                                                                                                                                                                                                                                                                                                                                                                | Satisfied.<br><br>The audit committee charter is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy.         |
| 4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.                                                                                                                                                                                                                                                                                                                                                                                                     | Satisfied.                                                                                                                                                             |
| 5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.                                                                                                                                                                                                                                   | Satisfied.<br><br>Continuous disclosure policy is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy.        |
| 5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.                                                                                                                                                                                                                                                                                                                                                                                                     | Satisfied.                                                                                                                                                             |
| 6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.                                                                                                                                                                                                                                                                          | Satisfied.<br><br>Shareholders communication strategy is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy. |

# CORPORATE GOVERNANCE STATEMENT

| Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                              | Swick Mining Services Limited<br>Current practice                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.                                                                                                                                                                                                                                                                                                                                            | Satisfied.                                                                                                                                                                                                                                                          |
| 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.                                                                                                                                                                                                                                                                                               | Satisfied.<br><br>The company has established policies for the oversight and management of material business risks.<br><br>Risk management program is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy. |
| 7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.                                                     | Satisfied.<br><br>Management lead by the Managing Director, have designed and implemented a risk management and internal control system to manage material business risks. Management have reported to the Board that those risks are being managed effectively.    |
| 7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | Satisfied.<br><br>The Board has received a section 295A declaration pursuant to the 2013 financial period.                                                                                                                                                          |
| 7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.                                                                                                                                                                                                                                                                                                                                            | Satisfied<br><br>The board has received the reports and assurances in 7.2 and 7.3. The policies are available on the company's website.                                                                                                                             |
| 8.1 The board should establish a remuneration committee.                                                                                                                                                                                                                                                                                                                                                                                    | Satisfied.                                                                                                                                                                                                                                                          |
| 8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>Consists of a majority of independent directors</li> <li>Is chaired by an independent chair</li> <li>Has at least three members</li> </ul>                                                                                                                                                                                           | Satisfied.                                                                                                                                                                                                                                                          |
| 8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.                                                                                                                                                                                                                                                                                     | The structure of Directors' remuneration is disclosed in the Remuneration Report of the annual report.                                                                                                                                                              |
| 8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.                                                                                                                                                                                                                                                                                                                                            | The remuneration committee charter is available at <a href="http://www.swickmining.com">www.swickmining.com</a> in the Corporate Governance policy.                                                                                                                 |

Further information about the Company's corporate governance practices is set out on the Company's website at [www.swickmining.com](http://www.swickmining.com).



# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

|                                                                       |      | CONSOLIDATED GROUP |               |
|-----------------------------------------------------------------------|------|--------------------|---------------|
|                                                                       | Note | 2013<br>\$000      | 2012<br>\$000 |
| <b>Continuing operations</b>                                          |      |                    |               |
| Revenue                                                               | 4    | 146,031            | 136,091       |
| Other income                                                          | 4    | 504                | 327           |
| Raw materials and consumables used                                    |      | (18,402)           | (18,006)      |
| Employee benefits expense                                             |      | (76,717)           | (65,299)      |
| Depreciation and amortisation expense                                 |      | (14,432)           | (14,364)      |
| Finance costs                                                         |      | (1,731)            | (1,442)       |
| Other expenses                                                        | 5    | (20,573)           | (24,524)      |
| <b>Profit before income tax</b>                                       |      | <b>14,680</b>      | <b>12,783</b> |
| Income tax expense                                                    | 6    | (3,370)            | (3,085)       |
| <b>Net Profit from continuing operations</b>                          |      | <b>11,310</b>      | <b>9,698</b>  |
| <b>Net Profit for the year</b>                                        |      | <b>11,310</b>      | <b>9,698</b>  |
| <b>Other comprehensive income:</b>                                    |      |                    |               |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |      |                    |               |
| Exchange differences on translating foreign controlled entities       |      | 294                | 114           |
| <b>Other comprehensive income for the year, net of tax</b>            |      | <b>294</b>         | <b>114</b>    |
| <b>Total comprehensive income for the year</b>                        |      | <b>11,604</b>      | <b>9,812</b>  |
| Total comprehensive income attributable to:                           |      |                    |               |
| Members of the parent entity                                          |      | 11,604             | 9,812         |
| <b>Earnings per share</b>                                             |      |                    |               |
| Basic earnings per share (cents)                                      | 22   | 4.85               | 4.09          |
| Diluted earnings per share (cents)                                    | 22   | 4.80               | 4.07          |

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 2013

|                                      |      | CONSOLIDATED GROUP |                |
|--------------------------------------|------|--------------------|----------------|
|                                      | Note | 2013<br>\$000      | 2012<br>\$000  |
| <b>Assets</b>                        |      |                    |                |
| <b>Current assets</b>                |      |                    |                |
| Cash and cash equivalents            | 9    | 20,873             | 15,806         |
| Trade and other receivables          | 10   | 18,480             | 23,082         |
| Inventories                          | 11   | 17,328             | 17,548         |
| Other financial assets               | 12   | 415                | 567            |
| Other assets                         | 15   | 2,092              | 1,810          |
| <b>Total current assets</b>          |      | <b>59,188</b>      | <b>58,813</b>  |
| <b>Non-current assets</b>            |      |                    |                |
| Other financial assets               | 12   | -                  | 387            |
| Property, plant and equipment        | 13   | 92,658             | 86,043         |
| Intangible assets                    | 14   | 7,030              | 6,068          |
| Other assets                         | 15   | 2                  | 2              |
| <b>Total non-current assets</b>      |      | <b>99,690</b>      | <b>92,500</b>  |
| <b>Total assets</b>                  |      | <b>158,878</b>     | <b>151,313</b> |
| <b>Liabilities</b>                   |      |                    |                |
| <b>Current liabilities</b>           |      |                    |                |
| Trade and other payables             | 16   | 13,325             | 13,509         |
| Borrowings                           | 17   | 2,658              | 8,162          |
| Current tax liabilities              |      | 4,307              | -              |
| Provisions                           | 18   | 6,276              | 5,568          |
| <b>Total current liabilities</b>     |      | <b>26,566</b>      | <b>27,239</b>  |
| <b>Non-current liabilities</b>       |      |                    |                |
| Borrowings                           | 17   | 19,865             | 15,018         |
| Deferred tax liabilities             | 6    | 2,115              | 3,154          |
| Provisions                           | 18   | 494                | 210            |
| <b>Total non-current liabilities</b> |      | <b>22,474</b>      | <b>18,382</b>  |
| <b>Total liabilities</b>             |      | <b>49,040</b>      | <b>45,621</b>  |
| <b>Net assets</b>                    |      | <b>109,838</b>     | <b>105,692</b> |
| <b>Equity</b>                        |      |                    |                |
| Issued capital                       | 19   | 77,644             | 82,580         |
| Reserves                             | 20   | 723                | 362            |
| Retained earnings                    | 21   | 31,471             | 22,750         |
| <b>Total equity</b>                  |      | <b>109,838</b>     | <b>105,692</b> |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

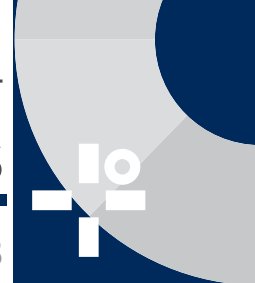
FOR THE YEAR ENDED 30 JUNE 2013

|                                                                                   | Note | SHARE CAPITAL     |                               | RESERVES                                            |                                  | Total<br>\$000 |
|-----------------------------------------------------------------------------------|------|-------------------|-------------------------------|-----------------------------------------------------|----------------------------------|----------------|
|                                                                                   |      | Ordinary<br>\$000 | Retained<br>earnings<br>\$000 | Foreign currency<br>translation<br>reserve<br>\$000 | Share based<br>payments<br>\$000 |                |
|                                                                                   |      |                   |                               |                                                     |                                  |                |
| <b>Consolidated Group</b>                                                         |      |                   |                               |                                                     |                                  |                |
| <b>Balance at 1 July 2011</b>                                                     |      | 82,580            | 14,237                        | (445)                                               | 545                              | 96,917         |
| <b>Comprehensive income</b>                                                       |      |                   |                               |                                                     |                                  |                |
| Profit for the year                                                               |      |                   | 9,698                         |                                                     |                                  | 9,698          |
| Other comprehensive income for the year                                           |      |                   |                               | 114                                                 |                                  | 114            |
| <b>Total comprehensive income for the year</b>                                    |      | -                 | <b>9,698</b>                  | <b>114</b>                                          | -                                | <b>9,812</b>   |
| <b>Transactions with owners, in their capacity as owners, and other transfers</b> |      |                   |                               |                                                     |                                  |                |
| Shares issued during the year                                                     |      |                   |                               |                                                     | 114                              | 114            |
| Share based payments                                                              |      |                   |                               |                                                     | 34                               | 34             |
| Dividends recognised for the year                                                 | 8    |                   | (1,185)                       |                                                     |                                  | (1,185)        |
| <b>Total transactions with owners and other transfers</b>                         |      | -                 | <b>(1,185)</b>                | -                                                   | <b>148</b>                       | <b>(1,037)</b> |
| <b>Balance at 30 June 2012</b>                                                    |      | <b>82,580</b>     | <b>22,750</b>                 | <b>(331)</b>                                        | <b>693</b>                       | <b>105,692</b> |
| <b>Balance at 1 July 2012</b>                                                     |      | 82,580            | 22,750                        | (331)                                               | 693                              | 105,692        |
| <b>Comprehensive income</b>                                                       |      |                   |                               |                                                     |                                  |                |
| Profit for the year                                                               |      |                   | 11,310                        |                                                     |                                  | 11,310         |
| Other comprehensive income for the year                                           |      |                   |                               | 294                                                 |                                  | 294            |
| <b>Total comprehensive income for the year</b>                                    |      | -                 | <b>11,310</b>                 | <b>294</b>                                          | -                                | <b>11,604</b>  |
| <b>Transactions with owners, in their capacity as owners, and other transfers</b> |      |                   |                               |                                                     |                                  |                |
| Shares issued during the year                                                     |      | 75                |                               |                                                     |                                  | 75             |
| Share based payments                                                              |      |                   |                               |                                                     | 67                               | 67             |
| Transaction costs                                                                 |      | (12)              |                               |                                                     |                                  | (12)           |
| Shares bought back during the year                                                |      | (4,999)           |                               |                                                     |                                  | (4,999)        |
| Dividends recognised for the year                                                 | 8    |                   | (2,589)                       |                                                     |                                  | (2,589)        |
| <b>Total transactions with owners and other transfers</b>                         |      | <b>(4,936)</b>    | <b>(2,589)</b>                | -                                                   | <b>67</b>                        | <b>(7,458)</b> |
| <b>Balance at 30 June 2013</b>                                                    |      | <b>77,644</b>     | <b>31,471</b>                 | <b>(37)</b>                                         | <b>760</b>                       | <b>109,838</b> |

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 2013



|                                                            | Note | CONSOLIDATED GROUP |                 |
|------------------------------------------------------------|------|--------------------|-----------------|
|                                                            |      | 2013<br>\$000      | 2012<br>\$000   |
| <b>Cash flows from operating activities</b>                |      |                    |                 |
| Receipts from customers                                    |      | 140,310            | 134,279         |
| Payments to suppliers and employees                        |      | (103,974)          | (109,124)       |
| Income tax paid                                            |      | -                  | -               |
| <b>Net cash provided by operating activities</b>           | 25   | <b>36,336</b>      | <b>25,155</b>   |
| <b>Cash flows from investing activities</b>                |      |                    |                 |
| Interest received                                          |      | 604                | 525             |
| Proceeds from sale of property, plant and equipment        |      | 626                | 242             |
| Purchase of property, plant and equipment                  |      | (17,331)           | (19,307)        |
| Payments for development                                   |      | (5,254)            | (4,458)         |
| <b>Net cash used in investing activities</b>               |      | <b>(21,355)</b>    | <b>(22,998)</b> |
| <b>Cash flows from financing activities</b>                |      |                    |                 |
| Proceeds from borrowings                                   |      | 8,119              | 17,215          |
| Interest paid                                              |      | (1,731)            | (1,441)         |
| Share transaction costs                                    |      | (12)               | -               |
| Share buyback payment                                      |      | (4,999)            | -               |
| Repayment of borrowings                                    |      | (8,702)            | (13,488)        |
| Dividends paid by parent entity                            |      | (2,589)            | (1,185)         |
| <b>Net cash (used in)/provided by financing activities</b> |      | <b>(9,914)</b>     | <b>1,101</b>    |
| <b>Net increase in cash and cash equivalents held</b>      |      | <b>5,067</b>       | <b>3,258</b>    |
| Cash and cash equivalents at beginning of financial year   |      | 15,806             | 12,548          |
| <b>Cash and cash equivalents at end of financial year</b>  | 9    | <b>20,873</b>      | <b>15,806</b>   |

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 2013

Swick Mining Services Ltd (the “Parent” or the “Company”) (ASX:SWK) is a public company listed on the Australian Securities Exchange Limited (“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 addresses 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 2013 was authorised for issue on 23 August 2013 by the directors of the Company.

## Note 1 Application of new and revised standards

### (a) Standards and interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

#### Standards affecting presentation and disclosure

Amendments to AASB 101 ‘Presentation of Financial Statements’

The amendment (part of AASB 2011-9 ‘Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income’) introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to AASB 101 ‘Presentation of Financial Statements’

The amendments (part of AASB 2012-5 ‘Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle’) requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification, to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

## Note 1 Application of new and revised standards (continued)

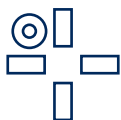
### (b) Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

### (c) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective and therefore management have not yet assessed their impact.

| Standard/Interpretation                                                                                                                                                                        | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|
| AASB 9 'Financial Instruments', and the relevant amending standards                                                                                                                            | 1-Jan-15                                                     | 30-Jun-16                                                     |
| AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'                    | 1-Jan-13                                                     | 30-Jun-14                                                     |
| AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'                                   | 1-Jan-13                                                     | 30-Jun-14                                                     |
| AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'            | 1-Jan-13                                                     | 30-Jun-14                                                     |
| AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'                | 1-Jan-13                                                     | 30-Jun-14                                                     |
| AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards' | 1-Jan-13                                                     | 30-Jun-14                                                     |
| AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'                                                                          | 1-Jan-13                                                     | 30-Jun-14                                                     |
| AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'                                                              | 1-Jan-13                                                     | 30-Jun-14                                                     |
| AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'                                                              | 1-Jul-13                                                     | 30-Jun-14                                                     |
| AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'                                                                                   | 1-Jan-13                                                     | 30-Jun-14                                                     |
| AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'                                                                                        | 1-Jan-13                                                     | 30-Jun-14                                                     |



## **Note 2 Summary of significant accounting policies**

### **Statement of compliance**

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

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

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

### **Basis of preparation**

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

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### **(a) Principles of consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Swick Mining Services Limited at the end of the reporting period. A controlled entity is any entity over which Swick Mining Services Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

## Note 2 Summary of significant accounting policies (continued)

### (a) Principles of consolidation (continued)

#### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- ✦ deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- ✦ liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- ✦ assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current assets held for sale and discontinued operations are measured in accordance with that Standard.

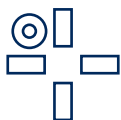
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

#### Goodwill and other intangible assets

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. As at the acquisition date, goodwill acquired is allocated to each of the cash-generating business units expected to benefit from the combination's synergies.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised, but reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised immediately in the income statement. Impairment testing is performed annually.



## **Note 2 Summary of significant accounting policies (continued)**

### **(b) Taxation**

#### **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. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax 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 and 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 they arise 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.

#### **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.

### **(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits repayable on demand with a financial institution. Cash balances and overdrafts in the balance sheet are stated at gross amounts within current assets and current liabilities, unless there is legal right of offset at the bank.

The cash and cash equivalents balance primarily consists of cash, on call in bank deposits, bank term deposit with three month maturity and money market investments readily convertible into cash within 2 working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount.

## Note 2 Summary of significant accounting policies (continued)

### (d) Trade and other receivables

Trade receivables which generally have 30-60 days terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any 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 income statement within operating expenses and classified as doubtful debts. Any subsequent recovery of amounts previously written off, are recorded as other income in the income statement.

### (e) Inventories

The Group maintains an inventory of drilling consumables for use in the rendering of drilling services. Inventory is measured at the lower of cost and net realisable value. 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.

### (f) Property, plant and equipment

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

Depreciation is recognised in the statement of comprehensive income on a straight-line or diminishing value basis over the estimated useful life of each part of an item of property, plant and equipment. Those items of property, plant and equipment undertaking construction are not depreciated.

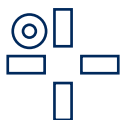
The following useful lives are used in the calculation of depreciation for each class of property, plant and equipment:

| Class of fixed asset           | Useful life   |
|--------------------------------|---------------|
| Leasehold improvements         | 10 – 15 years |
| Plant and machinery            | 5 – 10 years  |
| Drilling rigs                  | 10 – 15 years |
| Other drilling equipment       | 2 – 20 years  |
| Motor vehicles                 | 3 – 10 years  |
| Office furniture and equipment | 5 – 10 years  |
| Computer equipment:            |               |
| Hardware                       | 3 – 5 years   |
| Software                       | 1 – 5 years   |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.



## **Note 2 Summary of significant accounting policies (continued)**

### **(g) Recoverable amount of non-current assets**

Non-current assets valued on the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds the recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

### **(h) Impairment of non financial assets other than goodwill**

At each reporting date the Company conducts an internal review of asset values of its non financial assets to determine whether there is any evidence that the assets are impaired. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro-rata basis.

### **(i) Leases**

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

#### **The Group as lessor**

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### **The Group as lessee**

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

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

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

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

## Note 2 Summary of significant accounting policies (continued)

### (j) 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.

### (k) Provisions

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 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.

### (l) Employee benefits

Liabilities for employee related benefits comprising wages, salaries, annual leave and long service leave are categorised as present obligations resulting from employees services provided up to and including the reporting date. The liabilities are calculated at discounted amounts based on remuneration wage and salary rates the Group expects to pay as at reporting date including related on-costs, such as payroll tax and superannuation, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to report date.

Employee superannuation entitlements are charged as an expense when they are incurred and recognised as other creditors until the contribution is paid.

### (m) Loans and borrowings

Loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost utilising the effective interest rate method. Differences occurring between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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.

All borrowing costs are recognised as an expense in the Statement of Comprehensive Income in the period in which they are incurred.

### (n) Financial instruments

#### Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

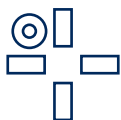
#### (i) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

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.

#### (ii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Non-current loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate. Current trade receivables are recorded at the invoiced amount and do not bear interest.



## **Note 2 Summary of significant accounting policies (continued)**

### **(n) Financial instruments (continued)**

#### **(iii) Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

### **(o) Revenue recognition**

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 when the service has been delivered to the client and the recovery of the consideration is probable. Interest revenue is recognised as it accrues using the effective interest rate method.

### **(p) 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 Australian Taxation Office (ATO). 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 ATO is included as a current asset or liability in the statement of financial position.

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

### **(q) 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 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 earnings per share.

### **(r) Share based payments**

The Group provides benefits to employees (including directors) 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, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). 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

## Note 2 Summary of significant accounting policies (continued)

### (r) Share based payments (continued)

- (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 award are treated as if they were a modification of the original award, as described in the previous paragraph.

### (s) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### (t) Foreign currencies

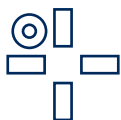
The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed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

In preparing the financial statements of each individual entity, 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 and reclassified from equity to profit or loss on repayment of the monetary items.

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.



## Note 2 Summary of significant accounting policies (continued)

### (u) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Impairment losses on goodwill are not reversed.

### (v) Research and development

Research costs are expensed as incurred. 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:

#### **Development costs**

*Useful lives*

Finite

*Amortisation method used*

Amortised over the period of expected future benefit from the related project on a straight-line basis

*Internally generated or acquired*

Internally generated

*Impairment testing*

Annually as at 30 June for assets available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

As at 30 June 2013, the research and development projects are still in the development phase. Accordingly, no amortisation expense has been booked.

## **Note 2 Summary of significant accounting policies (continued)**

### **(w) 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.

### **(x) Comparative figures**

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

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

### **(y) Critical accounting estimates and judgments**

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.

#### **Key estimates**

##### *(i) Recoverability of internally generated intangible asset*

During the year, the directors reconsidered the recoverability of the Group's internally generated Research and Development arising from its business development, which is included in the consolidated statement of financial position at 30 June 2013 at \$6.8m (30 June 2012: \$5.9m).

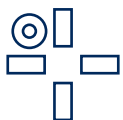
The projects continue to progress in accordance with the Group's project management plans. Research and development is conducted for the purpose of improved efficiency in the business' operations. Detailed sensitivity analysis has been carried out and directors are confident the carrying amount of the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

##### *(ii) Useful lives of property, plant and equipment*

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. No changes to useful life have been made for the financial year ending 30 June 2013.

##### *(iii) Impairment - Carbon Price*

There is presently uncertainty in relation to the impacts of the carbon pricing mechanism introduced by the Australian Government. This carbon pricing system could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The consolidated entity has not incorporated the effect of any carbon price implementation in its impairment testing at 30 June 2013.



## Note 3 Operating segments

### General information

#### Identification of reportable segments

Operating Segments AASB 8, requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and assess their performance.

The Group's chief operating decision maker for the purpose of resource allocation and assessment of performance of segments is specifically focused on Drilling Services in Asia Pacific and Drilling Services International.

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.

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

#### Segment revenue, expense and results for continuing operations

|                                                                 | DRILLING SERVICES-ASIA PACIFIC |                | DRILLING SERVICES-INTERNATIONAL |               | TOTAL          |                |
|-----------------------------------------------------------------|--------------------------------|----------------|---------------------------------|---------------|----------------|----------------|
|                                                                 | 2013<br>\$000                  | 2012<br>\$000  | 2013<br>\$000                   | 2012<br>\$000 | 2013<br>\$000  | 2012<br>\$000  |
| Sales to external customers                                     | 137,891                        | 126,829        | 8,040                           | 9,066         | 145,931        | 135,895        |
| Interest income                                                 | 601                            | 521            | 3                               | 2             | 604            | 523            |
| <b>Total revenue</b>                                            | <b>138,492</b>                 | <b>127,350</b> | <b>8,043</b>                    | <b>9,068</b>  | <b>146,535</b> | <b>136,418</b> |
| Cost of sales                                                   | 96,903                         | 90,982         | 6,859                           | 6,856         | 103,762        | 97,838         |
| Depreciation and amortisation                                   | 13,640                         | 13,835         | 792                             | 529           | 14,432         | 14,364         |
| Overhead                                                        | 10,620                         | 8,798          | 1,310                           | 1,193         | 11,930         | 9,991          |
| Interest expenses                                               | 1,722                          | 1,390          | 9                               | 52            | 1,731          | 1,442          |
| <b>Total expense</b>                                            | <b>122,885</b>                 | <b>115,005</b> | <b>8,970</b>                    | <b>8,630</b>  | <b>131,855</b> | <b>123,635</b> |
| <b>Segment profit/(loss) before tax (continuing operations)</b> | <b>15,607</b>                  | <b>12,345</b>  | <b>(927)</b>                    | <b>438</b>    | <b>14,680</b>  | <b>12,783</b>  |

#### Segment assets and liabilities for continuing operations

|                             | DRILLING SERVICES-ASIA PACIFIC |               | DRILLING SERVICES-INTERNATIONAL |               | TOTAL          |                |
|-----------------------------|--------------------------------|---------------|---------------------------------|---------------|----------------|----------------|
|                             | 2013<br>\$000                  | 2012<br>\$000 | 2013<br>\$000                   | 2012<br>\$000 | 2013<br>\$000  | 2012<br>\$000  |
| <b>Total segment assets</b> | 279,709                        | 271,371       | 18,666                          | 13,269        | 298,375        | 284,640        |
| <b>Segment liabilities</b>  | (179,802)                      | (175,724)     | (17,803)                        | (11,646)      | (197,605)      | (187,370)      |
| <b>Eliminations</b>         | -                              | -             | -                               | -             | 9,068          | 8,422          |
| <b>Total net assets</b>     | <b>99,907</b>                  | <b>95,647</b> | <b>863</b>                      | <b>1,623</b>  | <b>109,838</b> | <b>105,692</b> |

#### Other segment information

##### Additions to non-current assets

|                                              |               |               |            |            |               |               |
|----------------------------------------------|---------------|---------------|------------|------------|---------------|---------------|
| Property, plant and equipment                | 20,717        | 18,684        | 907        | 227        | 21,624        | 18,911        |
| Intangible assets                            | 5,254         | 4,458         | -          | -          | 5,254         | 4,458         |
| <b>Total additions to non-current assets</b> | <b>25,971</b> | <b>23,142</b> | <b>907</b> | <b>227</b> | <b>26,878</b> | <b>23,369</b> |

# NOTES TO THE FINANCIAL STATEMENTS

## Note 3 Operating segments (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned 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, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Included in the revenues arising from direct sales of mining contract services of \$146.5 million (2012: \$136.4 million) are revenues of approximately \$48.0 million (2012: \$29.4 million) which arose from sales to the Group's two (2012: one) largest customers. No other single customer contributed 10% or more to the Group's revenue for both 2013 and 2012.

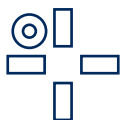
## Note 4 Revenue and other income

|                                                     | CONSOLIDATED GROUP |                |
|-----------------------------------------------------|--------------------|----------------|
|                                                     | 2013<br>\$000      | 2012<br>\$000  |
| <b>Revenue from continuing operations</b>           |                    |                |
| Sales revenue                                       |                    |                |
| — Provision of services                             | 145,116            | 135,439        |
|                                                     | <b>145,116</b>     | <b>135,439</b> |
| Other revenue                                       |                    |                |
| — Interest received                                 | 604                | 523            |
| — Government subsidies received                     | 311                | 129            |
|                                                     | 915                | 652            |
| <b>Total revenue</b>                                | <b>146,031</b>     | <b>136,091</b> |
| Other income                                        |                    |                |
| — Gain on disposal of property, plant and equipment | 299                | 71             |
| — other income                                      | 205                | 256            |
| <b>Total other income</b>                           | <b>504</b>         | <b>327</b>     |

## Note 5 Other Expenses

Profit before income tax from continuing operations includes the following specific expenses:

|                                    | CONSOLIDATED GROUP |               |
|------------------------------------|--------------------|---------------|
|                                    | 2013<br>\$000      | 2012<br>\$000 |
| Accommodation and travel           | 6,671              | 7,239         |
| Repairs and maintenance            | 5,845              | 7,039         |
| Administration costs               | 3,002              | 5,259         |
| Insurance                          | 2,322              | 2,603         |
| Marketing                          | 205                | 273           |
| Recruitment and training           | 740                | 915           |
| Other direct costs                 | 938                | 319           |
| Rental expense on operating leases |                    |               |
| — minimum lease payments           | 850                | 877           |
| <b>Total other expenses</b>        | <b>20,573</b>      | <b>24,524</b> |



## Note 6 Income tax expense

| CONSOLIDATED GROUP |               |
|--------------------|---------------|
| 2013<br>\$000      | 2012<br>\$000 |

(a) **Income tax recognised in profit and loss:**

*Current income*

Current income tax charge

|                |              |
|----------------|--------------|
| (4,409)        | (312)        |
| <b>(4,409)</b> | <b>(312)</b> |

*Deferred tax*

Relating to origination and reversal of temporary differences

Adjustments in respect of previously deferred income tax

Recognition of overseas losses

|              |                |
|--------------|----------------|
| (362)        | (3,641)        |
| 373          | 868            |
| 1,028        | -              |
| <b>1,039</b> | <b>(2,773)</b> |

**Net income tax expense reported in income statement**

|                |                |
|----------------|----------------|
| <b>(3,370)</b> | <b>(3,085)</b> |
|----------------|----------------|

(b) **The expense for the year can be reconciled as follows:**

Accounting profit before tax from continuing operations

**Accounting profit before income tax**

|               |               |
|---------------|---------------|
| 14,680        | 12,783        |
| <b>14,680</b> | <b>12,783</b> |

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012:30%)

— Non-deductible expenses

— Effect of foreign tax rate

— Australian tax losses and temporary differences now recognised / (not recognised)

— Prior year foreign tax losses now recognised

— R&D tax offsets

— Adjustments in respect of previous deferred income tax

|                |                |
|----------------|----------------|
| (4,404)        | (3,835)        |
| (14)           | (18)           |
| 44             | 41             |
| -              | 822            |
| 531            | (141)          |
| 100            | -              |
| 373            | 46             |
| <b>(3,370)</b> | <b>(3,085)</b> |

**Income tax expense attributable to entity**

|                |                |
|----------------|----------------|
| <b>(3,370)</b> | <b>(3,085)</b> |
|----------------|----------------|

The tax rate used for the 2013 and 2012 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Income tax (expense)/benefit reported in income statement

|                |                |
|----------------|----------------|
| (3,370)        | (3,085)        |
| <b>(3,370)</b> | <b>(3,085)</b> |

The applicable weighted average effective tax rates are as follows:

|       |       |
|-------|-------|
| 23.0% | 24.1% |
|-------|-------|

The decrease in the weighted average effective consolidated tax rate for 2013 is a result of recognition of R&D tax concessions for 2012 and 2013, plus the overseas tax losses from prior years.

## Note 6 Income tax expense (continued)

(c) Tax effects relating to each component of other comprehensive income:

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 costs

Tax losses

### Tax liabilities

Set off of tax

*Net tax (assets)/liabilities*

### Recognised deferred tax liabilities

Consumables

Property, plant and equipment

Accrued income

Prepayments

### Tax liabilities

Set off of tax

*Net tax liabilities*

### Movements

Opening balance 1 July

Credit to the income statement

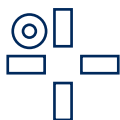
**Closing balance at 30 June**

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items

Temporary differences

| CONSOLIDATED GROUP |                |
|--------------------|----------------|
| 2013<br>\$000      | 2012<br>\$000  |
|                    |                |
| 2,011              | 1,542          |
| 15                 | 45             |
| 74                 | 485            |
| 1,028              | 565            |
| <b>3,128</b>       | <b>2,637</b>   |
| (3,128)            | (2,637)        |
| -                  | -              |
|                    |                |
| (2,867)            | (2,892)        |
| (1,904)            | (2,312)        |
| (261)              | (322)          |
| (211)              | (265)          |
| <b>(5,243)</b>     | <b>(5,791)</b> |
| 3,128              | 2,637          |
| <b>(2,115)</b>     | <b>(3,154)</b> |
|                    |                |
| (3,154)            | (381)          |
| 1,039              | (2,773)        |
| <b>(2,115)</b>     | <b>(3,154)</b> |
|                    |                |
| -                  | 531            |
| -                  | <b>531</b>     |



## Note 7 Key management personnel compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

|                               | 2013<br>\$       | 2012<br>\$       |
|-------------------------------|------------------|------------------|
| Short-term employee benefits  | 2,545,511        | 2,183,027        |
| Post-employment benefits      | 177,269          | 165,361          |
| Termination benefits          | 109,309          | 230,568          |
| Share-based payments          | 153,356          | 193,418          |
| <b>Total KMP compensation</b> | <b>2,985,445</b> | <b>2,772,374</b> |

### KMP options and rights holdings

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

| 30 June 2013                            | Balance at<br>beginning of year | Granted during<br>the year | Vested and exercised<br>during the year | Forfeited during<br>the year | Balance at<br>end of year |
|-----------------------------------------|---------------------------------|----------------------------|-----------------------------------------|------------------------------|---------------------------|
| <b>Non-executive directors</b>          |                                 |                            |                                         |                              |                           |
| Andrew Simpson                          | -                               | -                          | -                                       | -                            | -                         |
| John David Nixon (David)                | -                               | -                          | -                                       | -                            | -                         |
| Phillip Lockyer                         | -                               | -                          | -                                       | -                            | -                         |
| Ian McCubbing                           | -                               | -                          | -                                       | -                            | -                         |
| <b>Other executives</b>                 |                                 |                            |                                         |                              |                           |
| Kent Swick                              | -                               | -                          | -                                       | -                            | -                         |
| Vahid Haydari <sup>2</sup>              | 500,000                         | -                          | (100,000)                               | -                            | 400,000                   |
| Will Gove                               | 500,000                         | -                          | (100,000)                               | -                            | 400,000                   |
| Peter Casement <sup>3</sup>             | 500,000                         | -                          | -                                       | (500,000)                    | -                         |
| Nigel Cocliff <sup>4</sup>              | 500,000                         | -                          | (100,000)                               | -                            | 400,000                   |
| Bryan Wesley                            | 500,000                         | -                          | (100,000)                               | -                            | 400,000                   |
|                                         | <b>2,500,000</b>                | <b>-</b>                   | <b>(400,000)</b>                        | <b>(500,000)</b>             | <b>1,600,000</b>          |
| 30 June 2012                            | Balance at<br>beginning of year | Granted during<br>the year | Vested and exercised<br>during the year | Forfeited during<br>the year | Balance at<br>end of year |
| <b>Non-executive directors</b>          |                                 |                            |                                         |                              |                           |
| Andrew Simpson                          | -                               | -                          | -                                       | -                            | -                         |
| John David Nixon (David)                | -                               | -                          | -                                       | -                            | -                         |
| Giuseppe Ariti (Joe Ariti) <sup>1</sup> | -                               | -                          | -                                       | -                            | -                         |
| Phillip Lockyer                         | -                               | -                          | -                                       | -                            | -                         |
| Ian McCubbing                           | -                               | -                          | -                                       | -                            | -                         |
| <b>Other executives</b>                 |                                 |                            |                                         |                              |                           |
| Kent Swick                              | -                               | -                          | -                                       | -                            | -                         |
| Vahid Haydari <sup>2</sup>              | -                               | 500,000                    | -                                       | -                            | 500,000                   |
| Will Gove                               | -                               | 500,000                    | -                                       | -                            | 500,000                   |
| Peter Casement <sup>3</sup>             | -                               | 500,000                    | -                                       | -                            | 500,000                   |
| Nigel Cocliff <sup>4</sup>              | -                               | 500,000                    | -                                       | -                            | 500,000                   |
| Bryan Wesley                            | -                               | 500,000                    | -                                       | -                            | 500,000                   |
| Khusrau Kalim <sup>5</sup>              | -                               | 500,000                    | (100,000)                               | (400,000)                    | -                         |
|                                         | <b>-</b>                        | <b>3,000,000</b>           | <b>(100,000)</b>                        | <b>(400,000)</b>             | <b>2,500,000</b>          |

Notes:

1) resigned 2 Feb 2012  
4) resigned 26 July 2013

2) commenced 1 Sept 2011  
5) resigned 15 June 2012

3) commenced 22 May 2012, resigned 27 June 2013

# NOTES TO THE FINANCIAL STATEMENTS

## Note 7 Key management personnel compensation (continued)

### Key management personnel 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:

| 30 June 2013                   | Balance at beginning of year | Granted as remuneration during the year | Issued on exercise of rights during the year | Other changes during the year | Balance at end of year |
|--------------------------------|------------------------------|-----------------------------------------|----------------------------------------------|-------------------------------|------------------------|
| <b>Non-executive directors</b> |                              |                                         |                                              |                               |                        |
| Andrew Simpson                 | 605,000                      | -                                       | -                                            | -                             | 605,000                |
| John David Nixon (David)       | 55,000                       | -                                       | -                                            | -                             | 55,000                 |
| Phillip Lockyer                | 22,000                       | -                                       | -                                            | -                             | 22,000                 |
| Ian McCubbing                  | -                            | -                                       | -                                            | -                             | -                      |
| <b>Other executives</b>        |                              |                                         |                                              |                               |                        |
| Kent Swick                     | 32,500,000                   | -                                       | -                                            | -                             | 32,500,000             |
| Vahid Haydari <sup>2</sup>     | -                            | -                                       | 100,000                                      | -                             | 100,000                |
| Will Gove                      | 600,000                      | -                                       | 100,000                                      | -                             | 700,000                |
| Peter Casement <sup>3</sup>    | -                            | -                                       | -                                            | -                             | -                      |
| Nigel Cocliff <sup>4</sup>     | 200,000                      | -                                       | 100,000                                      | (100,000)                     | 200,000                |
| Bryan Wesley                   | 180,475                      | -                                       | 100,000                                      | -                             | 280,475                |
|                                | <b>34,162,475</b>            | <b>-</b>                                | <b>400,000</b>                               | <b>(100,000)</b>              | <b>34,462,475</b>      |

| 30 June 2012                            | Balance at beginning of year | Granted as remuneration during the year | Issued on exercise of options during the year | Other changes during the year | Balance at end of year |
|-----------------------------------------|------------------------------|-----------------------------------------|-----------------------------------------------|-------------------------------|------------------------|
| <b>Non-executive directors</b>          |                              |                                         |                                               |                               |                        |
| Andrew Simpson                          | 605,000                      | -                                       | -                                             | -                             | 605,000                |
| John David Nixon (David)                | 55,000                       | -                                       | -                                             | -                             | 55,000                 |
| Giuseppe Ariti (Joe Ariti) <sup>1</sup> | 27,500                       | -                                       | -                                             | -                             | 27,500                 |
| Phillip Lockyer                         | 22,000                       | -                                       | -                                             | -                             | 22,000                 |
| Ian McCubbing                           | -                            | -                                       | -                                             | -                             | -                      |
| <b>Other executives</b>                 |                              |                                         |                                               |                               |                        |
| Kent Swick                              | 31,901,302                   | -                                       | -                                             | 598,698                       | 32,500,000             |
| Vahid Haydari <sup>2</sup>              | -                            | -                                       | -                                             | -                             | -                      |
| Will Gove                               | 500,000                      | 100,000                                 | -                                             | -                             | 600,000                |
| Peter Casement <sup>3</sup>             | -                            | -                                       | -                                             | -                             | -                      |
| Nigel Cocliff <sup>4</sup>              | 100,000                      | 100,000                                 | -                                             | -                             | 200,000                |
| Bryan Wesley                            | 25,000                       | 100,000                                 | -                                             | 55,475                        | 180,475                |
| Khusrau Kalim                           | -                            | -                                       | -                                             | -                             | -                      |
|                                         | <b>33,235,802</b>            | <b>300,000</b>                          | <b>-</b>                                      | <b>654,173</b>                | <b>34,189,975</b>      |

Notes:

1) resigned 2 Feb 2012

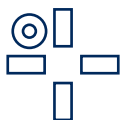
2) commenced 1 Sept 2011

3) commenced 22 May 2012, resigned 27 June 2013

4) resigned 26 July 2013

### Other key management personnel transactions

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



## Note 8 Dividends

| CONSOLIDATED GROUP                                                                                                                           |               |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 2013<br>\$000                                                                                                                                | 2012<br>\$000 |
| <b>Distributions paid</b>                                                                                                                    |               |
| Interim fully franked ordinary dividend of 0.6 (2012:0.5) cents per share franked at the tax rate of 30% (2012:30%)                          | 1,400         |
| 2012 final dividend (fully franked) of 0.5 cents per share paid in 2013 franked at the tax rate of 30% (2011 paid in 2012: nil)              | 1,189         |
| Interim fully franked ordinary dividend of 0.5 (2011: nil) cents per share franked to 100% at a 30% income tax rate (2011: N/A)              | -             |
| <b>Total dividends</b>                                                                                                                       | <b>1,185</b>  |
| <b>(a) Proposed final 2013 fully franked ordinary dividend of 0.6 (2012: 0.5) cents per share franked at the tax rate of 30% (2012: 30%)</b> |               |
|                                                                                                                                              | 1,320         |
| <b>(b) Franking account balance</b>                                                                                                          |               |
| <b>Closing balance</b>                                                                                                                       | 299           |
| Subsequent to year-end, the franking account would be increased by income tax payments as follows:                                           | 529           |
| Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:                         | (566)         |
| <b>Adjusted franking account balance</b>                                                                                                     | <b>900</b>    |

## Note 9 Cash and cash equivalents

| CONSOLIDATED GROUP |               |
|--------------------|---------------|
| 2013<br>\$000      | 2012<br>\$000 |
| Cash at bank       | 20,871        |
| Cash in hand       | 2             |
| <b>20,873</b>      | <b>15,806</b> |

Cash in hand is non interest bearing. Bank balances attract an average interest rate of approximately 3.3% (2012 4.0%). The Group and parent entity's exposure to interest rate risk is discussed in note 32. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

# NOTES TO THE FINANCIAL STATEMENTS

## Note 10 Trade and other receivables

Trade debtors are non-interest bearing and generally on 30 - 60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade debtor is impaired.

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

|                                           | CONSOLIDATED GROUP |               |
|-------------------------------------------|--------------------|---------------|
|                                           | 2013<br>\$000      | 2012<br>\$000 |
| <b>CURRENT</b>                            |                    |               |
| Trade receivables                         | 16,193             | 21,498        |
| — Accrued income                          | 16,193             | 21,498        |
| — Rebates and credit offsets              | 1,785              | 1,191         |
|                                           | 502                | 393           |
| Total current trade and other receivables | 18,480             | 23,082        |

### Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within Note 10. The class of assets described as trade and other receivables is considered to be the main source of credit risk related to the Group.

On a geographic basis, the Group has credit risk exposures in the Asia Pacific and other International regions given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

|               | CONSOLIDATED GROUP |               |
|---------------|--------------------|---------------|
|               | 2013<br>\$000      | 2012<br>\$000 |
| <b>AUD</b>    |                    |               |
| Asia Pacific  | 16,008             | 21,218        |
| International | 2,472              | 1,864         |
|               | 18,480             | 23,082        |

The following table details the Group's aged trade and other receivables exposed to credit risk. Amounts are considered as 'past due' when the debt has not been settled with the terms and 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.

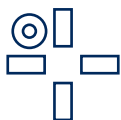
The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| CONSOLIDATED GROUP         | GROSS AMOUNT | PAST DUE AND IMPAIRED | PAST DUE BUT NOT IMPAIRED (DAYS OVERDUE) |                |                |              | WITHIN INITIAL TRADE TERMS |
|----------------------------|--------------|-----------------------|------------------------------------------|----------------|----------------|--------------|----------------------------|
| 2013                       | \$000        | \$000                 | <30<br>\$000                             | 31-60<br>\$000 | 61-90<br>\$000 | >90<br>\$000 | \$000                      |
| Trade and term receivables | 16,193       | -                     | 4,998                                    | 728            | 182            | 188          | 10,097                     |

| CONSOLIDATED GROUP         | GROSS AMOUNT | PAST DUE AND IMPAIRED | PAST DUE BUT NOT IMPAIRED (DAYS OVERDUE) |                |                |              | WITHIN INITIAL TRADE TERMS |
|----------------------------|--------------|-----------------------|------------------------------------------|----------------|----------------|--------------|----------------------------|
| 2012                       | \$000        | \$000                 | <30<br>\$000                             | 31-60<br>\$000 | 61-90<br>\$000 | >90<br>\$000 | \$000                      |
| Trade and term receivables | 21,498       | -                     | 8,862                                    | 185            | 733            | 118          | 11,600                     |

None of the receivables past due are considered impaired as these amounts had either been collected or payment arrangements agreed prior to the date of this report.



## Note 11 Inventories

| CONSOLIDATED GROUP |               |
|--------------------|---------------|
| 2013<br>\$000      | 2012<br>\$000 |
|                    |               |
| 18,400             | 18,098        |
| (1,072)            | (550)         |
| <b>17,328</b>      | <b>17,548</b> |

### CURRENT

At cost

Consumables and stores

Provision for obsolescence

## Note 12 Other financial assets

| CONSOLIDATED GROUP |               |
|--------------------|---------------|
| 2013<br>\$000      | 2012<br>\$000 |
|                    |               |
| 415                | 567           |
| <b>415</b>         | <b>567</b>    |
|                    |               |
| -                  | 387           |
| <b>-</b>           | <b>387</b>    |

### CURRENT

Finance lease receivable

**Total current assets**

### NON-CURRENT

Finance lease receivable

**Total non-current assets**

### Leasing arrangements

A Group company SMS Engineering Pty Ltd leased workshop machinery to a third party for the amount of \$1.75m plus interest thereon at 8% effective 1 November 2010. The term of the lease is 36 months.

### Amounts receivable under the finance lease

|                                                            | MINIMUM LEASE PAYMENTS |               | PRESENT VALUE OF MINIMUM LEASE PAYMENTS |               |
|------------------------------------------------------------|------------------------|---------------|-----------------------------------------|---------------|
|                                                            | 2013<br>\$000          | 2012<br>\$000 | 2013<br>\$000                           | 2012<br>\$000 |
| Not later than one year                                    | 419                    | 583           | 415                                     | 567           |
| Later than one year and not later than 3 years             | -                      | 419           | -                                       | 387           |
|                                                            | 419                    | 1,002         | 415                                     | 954           |
| Less unearned finance income                               | (4)                    | (48)          |                                         |               |
| <b>Present value of minimum lease payments collectable</b> | <b>415</b>             | <b>954</b>    | <b>415</b>                              | <b>954</b>    |

# NOTES TO THE FINANCIAL STATEMENTS

## Note 13 Property, plant and equipment

|                                             | CONSOLIDATED GROUP |               |
|---------------------------------------------|--------------------|---------------|
|                                             | 2013<br>\$000      | 2012<br>\$000 |
| <b>Plant and equipment</b>                  |                    |               |
| At cost                                     | 146,947            | 128,637       |
| Accumulated depreciation                    | (68,662)           | (57,096)      |
| <b>Total plant and equipment</b>            | <b>78,285</b>      | <b>71,541</b> |
| <b>Leasehold improvements</b>               |                    |               |
| At cost                                     | 2,995              | 2,891         |
| Accumulated amortisation                    | (1,258)            | (1,001)       |
| <b>Total leasehold improvements</b>         | <b>1,737</b>       | <b>1,890</b>  |
| <b>Office furniture and equipment</b>       |                    |               |
| At cost                                     | 4,797              | 4,291         |
| Accumulated depreciation                    | (3,411)            | (2,980)       |
| <b>Total office furniture and equipment</b> | <b>1,386</b>       | <b>1,311</b>  |
| <b>Motor vehicles</b>                       |                    |               |
| At cost                                     | 20,646             | 21,476        |
| Accumulated depreciation                    | (9,396)            | (10,175)      |
| <b>Total motor vehicles</b>                 | <b>11,250</b>      | <b>11,301</b> |
| <b>Total property, plant and equipment</b>  | <b>92,658</b>      | <b>86,043</b> |

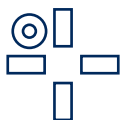
### (a) Movements in carrying amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

|                                | PLANT AND<br>EQUIPMENT | LEASEHOLD<br>IMPROVEMENTS | OFFICE FURNITURE<br>AND EQUIPMENT | MOTOR VEHICLES | TOTAL         |
|--------------------------------|------------------------|---------------------------|-----------------------------------|----------------|---------------|
|                                | \$000                  | \$000                     | \$000                             | \$000          | \$000         |
| <b>Consolidated Group</b>      |                        |                           |                                   |                |               |
| <b>Balance at 1 July 2011</b>  | 67,849                 | 2,030                     | 1,155                             | 10,670         | 81,704        |
| Additions                      | 15,665                 | 111                       | 661                               | 2,474          | 18,911        |
| Disposals                      | (400)                  | -                         | -                                 | (329)          | (729)         |
| Depreciation expense           | (11,573)               | (251)                     | (505)                             | (1,514)        | (13,843)      |
| <b>Balance at 30 June 2012</b> | <b>71,541</b>          | <b>1,890</b>              | <b>1,311</b>                      | <b>11,301</b>  | <b>86,043</b> |
| Additions <sup>1</sup>         | 18,349                 | 105                       | 506                               | 2,664          | 21,624        |
| Disposals                      | (8)                    | -                         | (1)                               | (540)          | (549)         |
| Exchange rate revaluation      | 12                     | -                         | (2)                               | (38)           | (28)          |
| Depreciation expense           | (11,609)               | (258)                     | (428)                             | (2,137)        | (14,432)      |
| <b>Balance at 30 June 2013</b> | <b>78,285</b>          | <b>1,737</b>              | <b>1,386</b>                      | <b>11,250</b>  | <b>92,658</b> |

Note

1 Additions includes \$4.292 million of development and tooling costs capitalised to plant and equipment.



## Note 14 Intangible assets

| CONSOLIDATED GROUP                             |               |
|------------------------------------------------|---------------|
| 2013<br>\$000                                  | 2012<br>\$000 |
| <b>Goodwill</b>                                |               |
| Cost                                           | 209           |
| <b>Net carrying amount</b>                     | <b>209</b>    |
| <b>Development, tooling &amp; CAD database</b> |               |
| Cost                                           | 6,821         |
| <b>Net carrying amount</b>                     | <b>5,859</b>  |
| <b>Total intangibles</b>                       | <b>7,030</b>  |

### Consolidated Group

| GOODWILL                                     | DEVELOPMENT,<br>TOOLING & CAD<br>DATABASE |
|----------------------------------------------|-------------------------------------------|
| \$000                                        | \$000                                     |
| <b>Year ended 30 June 2012</b>               |                                           |
| <b>Balance at the beginning of year 2012</b> | 1,387                                     |
| Internal development                         | 4,472                                     |
| <b>Closing value at 30 June 2012</b>         | <b>5,859</b>                              |
| <b>Year ended 30 June 2013</b>               |                                           |
| <b>Balance at the beginning of year 2013</b> | 5,859                                     |
| Internal development                         | 5,254                                     |
| Transfers to plant and equipment             | (4,292)                                   |
| <b>Closing value at 30 June 2013</b>         | <b>6,821</b>                              |

Goodwill and non-current assets have been allocated for impairment purposes to the Asia Pacific Drilling Operations cash generating unit.

As the carrying amount of the net assets of the Company were greater than the market capitalisation of the Company during the period and at year end both the cash generating units have been tested for impairment.

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 current year financial budgets approved by the directors, and a pre-tax discount rate of 18.6% per annum (2012: 18.6% per annum). Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows have been extrapolated using an average of 3% per annum growth rate for the initial 5 years with a terminal value growth rate of 3% thereafter. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Based on the testing performed no impairment losses were required to be recognised for either the Asia Pacific or International cash generating units.

# NOTES TO THE FINANCIAL STATEMENTS

## Note 15 Other assets

|                          | CONSOLIDATED GROUP |               |
|--------------------------|--------------------|---------------|
|                          | 2013<br>\$000      | 2012<br>\$000 |
| <b>CURRENT</b>           |                    |               |
| Prepayments              | 1,888              | 1,683         |
| Other                    | 204                | 127           |
|                          | <b>2,092</b>       | <b>1,810</b>  |
| <b>NON-CURRENT</b>       |                    |               |
| Other non-current assets | 2                  | 2             |
|                          | <b>2</b>           | <b>2</b>      |

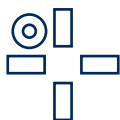
## Note 16 Trade and other payables

|                                      | CONSOLIDATED GROUP |               |
|--------------------------------------|--------------------|---------------|
|                                      | 2013<br>\$000      | 2012<br>\$000 |
| <b>CURRENT</b>                       |                    |               |
| <b>Unsecured liabilities</b>         |                    |               |
| Trade payables                       | 9,023              | 10,694        |
| Sundry payables and accrued expenses | 3,754              | 2,274         |
| GST payable                          | 548                | 541           |
|                                      | <b>13,325</b>      | <b>13,509</b> |

Fair value - Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

## Note 17 Borrowings

|                                                               | Note | CONSOLIDATED GROUP |               |
|---------------------------------------------------------------|------|--------------------|---------------|
|                                                               |      | 2013<br>\$000      | 2012<br>\$000 |
| <b>CURRENT</b>                                                |      |                    |               |
| <b>Secured liabilities</b>                                    |      |                    |               |
| Bank loans                                                    |      | 875                | 1,771         |
| Hire purchase (HP) liabilities                                | 17a  | 1,783              | 6,391         |
| <b>Total current borrowings</b>                               |      | <b>2,658</b>       | <b>8,162</b>  |
| <b>NON-CURRENT</b>                                            |      |                    |               |
| <b>Secured liabilities</b>                                    |      |                    |               |
| Bank loans                                                    |      | 19,000             | 13,000        |
| Hire purchase (HP) liabilities                                | 17a  | 865                | 2,018         |
| <b>Total non-current borrowings</b>                           |      | <b>19,865</b>      | <b>15,018</b> |
| <b>Total borrowings</b>                                       | 32   | <b>22,523</b>      | <b>23,180</b> |
| <b>(a) Total current and non-current secured liabilities:</b> |      |                    |               |
| Bank loans                                                    |      | 19,875             | 14,771        |
| Hire purchase (HP) liabilities                                |      | 2,648              | 8,409         |
|                                                               |      | <b>22,523</b>      | <b>23,180</b> |



## Note 17 Borrowings (continued)

### (b) Terms and conditions relating to the above financial instruments:

- (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 7.35% (2012: 7.82%). Financiers secure their interest by registering a charge over the financed assets.
- (ii) Interest rate risk exposure: Details of the Group exposure to interest rate changes on interest bearing liabilities are set out in note 32.
- (iii) Fair value disclosures: Details of the fair value of interest bearing liabilities for the Group are set out in note 32.

### (c) Assets pledged as security

The bank loans and overdraft are secured by fixed and floating charges over the Group's Australian based assets. Hire purchase liabilities are secured by the asset for which the agreement relates.

Unrestricted access was available at the balance date to the following lines of credit:

|                               | CONSOLIDATED GROUP |               |
|-------------------------------|--------------------|---------------|
|                               | 2013<br>\$000      | 2012<br>\$000 |
| <b>Bank loan facilities</b>   |                    |               |
| Total facilities              | 34,293             | 26,350        |
| Used at balance date          | 22,523             | 22,827        |
| <b>Unused at balance date</b> | <b>11,770</b>      | <b>3,523</b>  |

### (d) Bills payable

Pursuant to a bank loan facility Bills payable have been drawn as a source of long-term finance. They mature on various dates and bear interest at fixed and floating rates payable monthly in advance.

|        |        |
|--------|--------|
| 19,000 | 13,000 |
|--------|--------|

## Note 18 Provisions

|                                     | CONSOLIDATED GROUP |               |
|-------------------------------------|--------------------|---------------|
|                                     | 2013<br>\$000      | 2012<br>\$000 |
| <b>CURRENT</b>                      |                    |               |
| Short-term employee benefits        | 6,276              | 5,568         |
| <b>Total current</b>                | <b>6,276</b>       | <b>5,568</b>  |
| <b>NON-CURRENT</b>                  |                    |               |
| Long-term employee benefits         | 494                | 210           |
| <b>Total non-current</b>            | <b>494</b>         | <b>210</b>    |
| <b>Analysis of total provisions</b> |                    |               |
| Current                             | 6,276              | 5,568         |
| Non-current                         | 494                | 210           |
|                                     | <b>6,770</b>       | <b>5,778</b>  |

### Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

# NOTES TO THE FINANCIAL STATEMENTS

## Note 19 Issued capital

(a) **Share capital**

Fully paid ordinary shares

| CONSOLIDATED GROUP |               |
|--------------------|---------------|
| 2013<br>\$000      | 2012<br>\$000 |
| 77,644             | 82,580        |
| <b>77,644</b>      | <b>82,580</b> |

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

(b) **Movement in ordinary shares on issue**

**At the beginning of the reporting period**

Shares issued during the year

Issue of shares under the Company's Performance Rights Plan

Shares bought back during year

**At the end of the reporting period**

| CONSOLIDATED GROUP |                    |
|--------------------|--------------------|
| 2013<br>No.        | 2012<br>No.        |
| 185,202,974        | 184,802,974        |
| 300,000            | 400,000            |
| 400,000            | -                  |
| (15,832,497)       | -                  |
| <b>170,070,477</b> | <b>185,202,974</b> |

Consolidated Ordinary Shares on Issue differs from the number of securities listed on the Australian Securities Exchange due to a reverse acquisition adjustment required on the original listing of Swick Mining Services Limited in 2007. The actual number of shares on issue in the parent entity at 30 June 2013 was 222,169,027, including all shares bought back during the period.

On 27 August 2012 the Company announced an on-market share buyback of up to 10%, or 23.7 million shares, of the Company's total ordinary share capital on issue. The share buyback expires on 10 September 2013.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

## Note 20 Reserves

Foreign exchange translation reserve

Share based payments reserves

**Balances in reserves**

| CONSOLIDATED GROUP |               |
|--------------------|---------------|
| 2013<br>\$000      | 2012<br>\$000 |
| (37)               | (331)         |
| 760                | 693           |
| <b>723</b>         | <b>362</b>    |

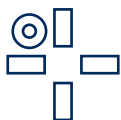
(a) **Foreign currency translation reserve**

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

(b) **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 in notes 7 and 28.



## Note 21 Retained earnings

|                                      | CONSOLIDATED GROUP |               |
|--------------------------------------|--------------------|---------------|
|                                      | 2013<br>\$000      | 2012<br>\$000 |
| Balance at the beginning of the year | 22,750             | 14,237        |
| Net profit attributable to members   | 11,310             | 9,698         |
| Less dividends paid                  | (2,589)            | (1,185)       |
|                                      | <b>31,471</b>      | <b>22,750</b> |

## Note 22 Earnings per share

|                                                                                                          | CONSOLIDATED GROUP |                    |
|----------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                          | 2013<br>\$000      | 2012<br>\$000      |
| (a) Reconciliation of earnings used to calculate earnings per share                                      |                    |                    |
| Profit after income tax expense                                                                          | 11,310             | 9,698              |
|                                                                                                          | <b>11,310</b>      | <b>9,698</b>       |
|                                                                                                          | CONSOLIDATED GROUP |                    |
|                                                                                                          | 2013<br>No.        | 2012<br>No.        |
| (b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 233,411,944        | 236,904,970        |
| Weighted average number of dilutive rights outstanding                                                   | 2,156,593          | 1,163,014          |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS  | <b>235,568,537</b> | <b>238,067,984</b> |
| (c) Basic earnings per share (cents)                                                                     | <b>4.85</b>        | <b>4.09</b>        |
| (d) Diluted earnings per share (cents)                                                                   | <b>4.80</b>        | <b>4.07</b>        |

# NOTES TO THE FINANCIAL STATEMENTS

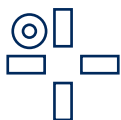
## Note 23 Capital and leasing commitments

|     |                                                                                                | CONSOLIDATED GROUP |               |
|-----|------------------------------------------------------------------------------------------------|--------------------|---------------|
|     |                                                                                                | 2013<br>\$000      | 2012<br>\$000 |
| (a) | <b>Finance lease / HP commitments</b>                                                          |                    |               |
|     | Payable — minimum lease payments                                                               |                    |               |
|     | — not later than 12 months                                                                     | 1,865              | 6,402         |
|     | — between 12 months and 5 years                                                                | 895                | 2,184         |
|     | Minimum lease payments                                                                         | 2,760              | 8,586         |
|     | Less future finance charges                                                                    | (112)              | (177)         |
|     | <b>Present value of minimum lease payments</b>                                                 | <b>2,648</b>       | <b>8,409</b>  |
|     | Comprising:                                                                                    |                    |               |
|     | Current liability                                                                              | 17                 | 1,783         |
|     | Non-current liability                                                                          | 17                 | 865           |
|     | <b>Total financial liability</b>                                                               | <b>2,648</b>       | <b>8,409</b>  |
| (b) | <b>Operating lease commitments</b>                                                             |                    |               |
|     | Payments recognised as an expense                                                              | 658                | 533           |
|     | Non-cancellable operating leases contracted for but not recognised in the financial statements |                    |               |
|     | Payable — minimum lease payments                                                               |                    |               |
|     | — not later than 12 months                                                                     | 637                | 495           |
|     | — between 12 months and 5 years                                                                | 179                | 674           |
|     | — later than 5 years                                                                           | -                  | -             |
|     |                                                                                                | <b>816</b>         | <b>1,169</b>  |

Operating leases relate to leases of office premises with terms of between 1 to 10 years. All operating lease contracts contain clauses for yearly rental review in line with the CPI index. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

## Note 24 Contingent liabilities and contingent assets

There are no contingent liabilities or assets as at 30 June 2013.



## Note 25 Cash Flow Information

### Reconciliation of Cash Flow from Operations with Profit after Income Tax

|                                                                                                        | CONSOLIDATED GROUP |               |
|--------------------------------------------------------------------------------------------------------|--------------------|---------------|
|                                                                                                        | 2013<br>\$000      | 2012<br>\$000 |
| Profit after income tax                                                                                | 11,310             | 9,698         |
| Non-cash flows in profit                                                                               |                    |               |
| Depreciation                                                                                           | 14,432             | 14,364        |
| Net (gain)/loss on foreign exchange reserve                                                            | 295                | 113           |
| Net (gain)/loss on disposal of property, plant and equipment                                           | (74)               | (9)           |
| Share options /performance rights expensed                                                             | 67                 | 148           |
| Expense recognised in respect of shares issued in exchange for Investor Relation Services              | 75                 | -             |
| Interest paid classified as financing cash flow                                                        | 1,731              | 1,442         |
| Interest income classified as investing cash flow                                                      | (604)              | (525)         |
| <b>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</b> |                    |               |
| (Increase)/decrease in trade and term receivables                                                      | 5,305              | (6,021)       |
| (Increase)/decrease in prepayments                                                                     |                    |               |
| (Increase)/decrease in other assets                                                                    | (446)              | (378)         |
| (Increase)/decrease in inventories                                                                     | 220                | (937)         |
| Increase/(decrease) in trade payables and accruals                                                     | (235)              | 1,637         |
| Increase/(decrease) in income taxes payable                                                            | 4,307              | -             |
| Increase/(decrease) in deferred taxes payable                                                          | (1,039)            | 2,773         |
| Increase/(decrease) in provisions                                                                      | 992                | 2,850         |
| <b>Cash flow from operations</b>                                                                       | <b>36,336</b>      | <b>25,155</b> |

## Note 26 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.

### Statement of financial position

#### Assets

|                     |               |               |
|---------------------|---------------|---------------|
| Current assets      | 6,069         | 36            |
| Non-current assets  | 64,065        | 72,987        |
| <b>Total assets</b> | <b>70,134</b> | <b>73,023</b> |

#### Liabilities

|                          |              |          |
|--------------------------|--------------|----------|
| Current liabilities      | 4,417        | 4        |
| <b>Total liabilities</b> | <b>4,417</b> | <b>4</b> |

#### Equity

|                                        |               |               |
|----------------------------------------|---------------|---------------|
| Issued capital                         | 94,068        | 99,004        |
| Retained earnings/(accumulated losses) | (29,111)      | (26,635)      |
| Share based payments                   | 761           | 650           |
| <b>Total Equity</b>                    | <b>65,718</b> | <b>73,019</b> |

### Statement of comprehensive income

|                                   |            |            |
|-----------------------------------|------------|------------|
| Total profit                      | 220        | 394        |
| <b>Total comprehensive income</b> | <b>220</b> | <b>394</b> |

There are no commitments or contingent liabilities in the Parent Entity at 30 June 2013.

# NOTES TO THE FINANCIAL STATEMENTS

## Note 27 Controlled entities

### (a) Controlled entities consolidated

|                                                | COUNTRY OF INCORPORATION | PERCENTAGE OWNED (%) |      |
|------------------------------------------------|--------------------------|----------------------|------|
|                                                |                          | 2013                 | 2012 |
| Subsidiaries of Swick Mining Services Limited: |                          |                      |      |
| SMS Operations Pty Ltd                         | Australia                | 100                  | 100  |
| SMS Asset Holdings Pty Ltd                     | Australia                | 100                  | 100  |
| SMS Engineering Pty Ltd                        | Australia                | 100                  | 100  |
| SMS Mining Services (Canada) Inc               | Canada                   | 100                  | 100  |
| Swick Mining Services (USA) Inc                | USA                      | 100                  | 100  |
| Swick Drilling Portugal Unipossal Lda          | Portugal                 | 100                  | 0*   |
| Swick Drilling Europe Ltd                      | United Kingdom           | 100                  | 0*   |
| Swick Mining Services (Indonesia) Pty Ltd      | Australia                | 100                  | 0*   |

\* Swick Drilling Portugal Unipossal Lda, Swick Drilling Europe Ltd and Swick Mining Services (Indonesia) Pty Ltd were all incorporated during the 2013 financial year.

## Note 28 Share-based payments

### (i) Shares granted to key management personnel as share based payments are as follows:

No shares were granted to key management personnel as share based payments in the year ended 30 June 2013.  
Shares issued in 2012 were as follows:

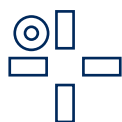
| Grant date | Number  | Share price at grant date |
|------------|---------|---------------------------|
| 12/12/2011 | 300,000 | 0.34                      |

These shares were issued as compensation to key management personnel of the Group. Further details are provided in the Directors' Report.

### (ii) 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.

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

|                                      | CONSOLIDATED GROUP |                |
|--------------------------------------|--------------------|----------------|
|                                      | 2013<br>Number     | 2012<br>Number |
| Balance at the beginning of the year | 2,500,000          | -              |
| Granted                              | -                  | 3,000,000      |
| Vested                               | (400,000)          | (100,000)      |
| Expired                              | (500,000)          | (400,000)      |
| Balance at year end                  | 1,600,000          | 2,500,000      |



## Note 29 Auditors' remuneration

### Remuneration of the auditor for:

- Deloitte audit and review the financial report
- Other services Deloitte

| CONSOLIDATED GROUP |                |
|--------------------|----------------|
| 2013<br>\$         | 2012<br>\$     |
| 102,500            | 102,175        |
| -                  | -              |
| <b>102,500</b>     | <b>102,175</b> |

## Note 30 Events after the reporting period

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

## Note 31 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 transaction other than those related to key management personnel.

For details of disclosures relating to key management personnel, refer to Note 7: Interests of key management personnel compensation.

## Note 32 Financial risk management

### Financial risk management objectives

The Group's corporate finance function provides services to the business, co-ordinates 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.

### Capital risk 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 17, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves, other equity and retained earnings (accumulated losses) as disclosed in Note 19, 20 and 21.

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 remains below 30%. The gearing ratios for the year ended 30 June 2013 and 30 June 2012 are as follows:

|                                      |      | CONSOLIDATED GROUP |                |
|--------------------------------------|------|--------------------|----------------|
|                                      | Note | 2013<br>\$000      | 2012<br>\$000  |
| Total borrowings                     | 17   | 22,523             | 23,180         |
| Less cash and cash equivalents       | 9    | (20,873)           | (15,806)       |
| Net debt                             |      | 1,650              | 7,374          |
| Total equity                         |      | 109,838            | 105,692        |
| <b>Total capital</b>                 |      | <b>111,488</b>     | <b>113,066</b> |
| Gross gearing ratio (excluding cash) |      | 20.5%              | 21.9%          |
| Net gearing ratio                    |      | 1.5%               | 7.0%           |

# NOTES TO THE FINANCIAL STATEMENTS

## Note 32 Financial risk management (continued)

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

|                                         | Note | CONSOLIDATED GROUP |               |
|-----------------------------------------|------|--------------------|---------------|
|                                         |      | 2013<br>\$000      | 2012<br>\$000 |
| <b>Financial assets</b>                 |      |                    |               |
| Cash and cash equivalents               | 9    | 20,873             | 15,806        |
| Loans and receivables                   | 10   | 18,480             | 23,082        |
| Financial lease receivable              | 12   | 415                | 954           |
| <b>Total financial assets</b>           |      | <b>39,768</b>      | <b>39,842</b> |
| <b>Financial liabilities</b>            |      |                    |               |
| Financial liabilities at amortised cost |      |                    |               |
| Trade and other payables                | 16   | 13,325             | 13,509        |
| Borrowings                              | 17   | 22,523             | 23,180        |
| <b>Total financial liabilities</b>      |      | <b>35,848</b>      | <b>36,689</b> |

### 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 creditworthy 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. On-going credit evaluation is performed on the financial condition of accounts receivable.

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.

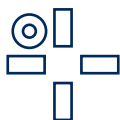
#### (b) Liquidity risk

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 17 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 rate funding agreements with a variety of financial institutions to manage its exposure to interest rate risk. The Group is not exposed materially to financial risks of changes in foreign currency exchange rates.



## Note 32 Financial risk management (continued)

### (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 2013 approximately 60% of group debt is fixed.

The following table sets out the carrying amount, by maturity, of the financial assets and liabilities:

Financial liability and financial asset maturity analysis

|                                                        | WITHIN 1 YEAR |               | 1 TO 5 YEARS    |                 | OVER 5 YEARS  |               | TOTAL          |                |
|--------------------------------------------------------|---------------|---------------|-----------------|-----------------|---------------|---------------|----------------|----------------|
| Consolidated Group                                     | 2013<br>\$000 | 2012<br>\$000 | 2013<br>\$000   | 2012<br>\$000   | 2013<br>\$000 | 2012<br>\$000 | 2013<br>\$000  | 2012<br>\$000  |
| <b>Financial assets and liabilities:</b>               |               |               |                 |                 |               |               |                |                |
| Cash and cash equivalents                              | 20,873        | 15,806        | -               | -               | -             | -             | 20,873         | 15,806         |
| Finance lease receivable                               | 415           | 567           | -               | 387             | -             | -             | 415            | 954            |
| Bank overdrafts and loans                              | (875)         | (1,771)       | (19,000)        | (13,000)        | -             | -             | (19,875)       | (14,771)       |
| Hire purchase liabilities                              | (1,783)       | (6,391)       | (865)           | (2,018)         | -             | -             | (2,648)        | (8,409)        |
| <b>Net (outflow) / inflow on financial instruments</b> | <b>18,630</b> | <b>8,211</b>  | <b>(19,865)</b> | <b>(14,631)</b> | <b>-</b>      | <b>-</b>      | <b>(1,235)</b> | <b>(6,420)</b> |

### Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note (c) for further details.

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

|                              | CONSOLIDATED GROUP                            |           |                    |               |
|------------------------------|-----------------------------------------------|-----------|--------------------|---------------|
|                              | Effective average fixed interest rate payable |           | Notional principal |               |
| Maturity of notional amounts | 2013<br>%                                     | 2012<br>% | 2013<br>\$000      | 2012<br>\$000 |
| Less than 1 year             | 6.16%                                         | 7.82%     | 2,658              | 8,162         |
| 1 to 2 years                 | 5.09%                                         | 7.82%     | 10,664             | 2,018         |
| 2 to 5 years                 | 6.66%                                         | 0.00%     | 201                | -             |
|                              |                                               |           | <b>13,523</b>      | <b>10,180</b> |

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 |               |
|---------------------------|--------------------|---------------|
| Floating rate instruments | 2013<br>\$000      | 2012<br>\$000 |
| Bank loans                | 9,000              | 13,000        |

The Group cash balance at 30 June 2013 was \$20.9 million. These funds attract interest up to 4.3% per annum. A 1% increase or decrease in the interest rate will not result in a material variation in earnings.

## Note 32 Financial risk management (continued)

### (e) Foreign exchange risk

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

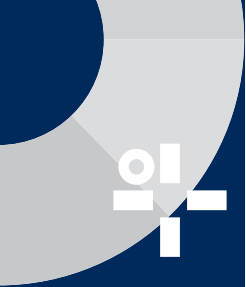
At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

The following table details the Group's sensitivity to a 10% increase (stronger Australian dollar) and a 10% decrease 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. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. 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 profit or equity where the Australian dollar weakening 10% against the relevant currency. For a 10% strengthening of the Australian dollar against the local relevant currency, there would be a comparable negative impact on the profit or equity, and the balances below would be negative.

| 2013                             | FOREIGN EXCHANGE RATE RISK |                |              |
|----------------------------------|----------------------------|----------------|--------------|
|                                  |                            | -10%           | +10%         |
|                                  | Carrying amount            | Equity         | Equity       |
| International entities           | \$000                      | \$000          | \$000        |
| <b>Financial assets</b>          |                            |                |              |
| Cash and cash equivalents        | 707                        | 71             | (71)         |
| Accounts receivable              | 2,472                      | 247            | (247)        |
| <b>Financial liabilities</b>     |                            |                |              |
| Accounts payable                 | (837)                      | (84)           | 84           |
| Borrowings                       | (13,324)                   | (1,332)        | 1,332        |
| <b>Total increase/(decrease)</b> | <b>(10,982)</b>            | <b>(1,098)</b> | <b>1,098</b> |

| 2012                             | FOREIGN EXCHANGE RATE RISK |              |            |
|----------------------------------|----------------------------|--------------|------------|
|                                  |                            | -10%         | +10%       |
|                                  | Carrying amount            | Equity       | Equity     |
| International entities           | \$000                      | \$000        | \$000      |
| <b>Financial assets</b>          |                            |              |            |
| Cash and cash equivalents        | 1,023                      | 102          | (102)      |
| Accounts receivable              | 2,060                      | 206          | (206)      |
| <b>Financial liabilities</b>     |                            |              |            |
| Accounts payable                 | (351)                      | (35)         | 35         |
| Borrowings                       | (11,118)                   | (1,112)      | 1,112      |
| <b>Total increase/(decrease)</b> | <b>(8,386)</b>             | <b>(839)</b> | <b>839</b> |



# DIRECTORS' DECLARATION

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In accordance with a resolution of the directors of Swick Mining Services Limited, the directors of the Company declare that:

1. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
2. in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;
3. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
4. the directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer.

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

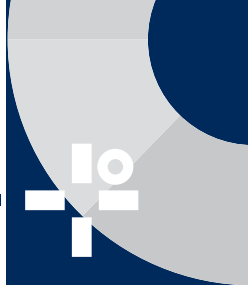
On behalf of the Directors



**Kent Swick**

Managing Director

Dated this 23 day of August 2013



**Deloitte.**

Deloitte Touche Tohmatsu  
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## **Independent Auditor's Report to the Members of Swick Mining Services Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Swick Mining Services Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 34 to 72.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Swick Mining Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

- (a) the financial report of Swick Mining Services Limited is 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 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2013. 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.

## *Opinion*

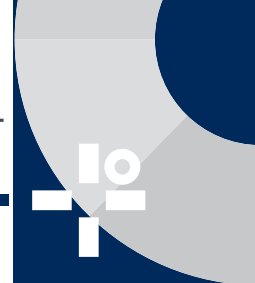
In our opinion the Remuneration Report of Swick Mining Services Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in dark ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in dark ink, appearing to read "Peter Rupp".

Peter Rupp  
Partner  
Chartered Accountants  
Perth, 23 August 2013



The following additional information, current as at 6 September 2013, is required by the ASX Listing Rules and is not disclosed elsewhere in this Annual Report unless otherwise specified.

## 1. ASX Corporate Governance Council Best Practice Recommendations

The Company strives to adhere to, where practical and relevant, the “Principles of Good Corporate Governance and Best Practice Recommendations” released by the ASX Corporate Governance Council. See *Corporate Governance Statement* for details of the Company’s departure from the recommendations.

## 2. Substantial Holders

| Substantial Holders                   | Shares held |
|---------------------------------------|-------------|
| Kent & Tanya Swick                    | 32,500,000  |
| HSBC Custody Nominees (Australia) Ltd | 20,496,490  |
| J P Morgan Nominees (Australia) Ltd   | 20,467,822  |
| Hercules International Pty Ltd        | 19,877,183  |
| National Nominees Ltd                 | 18,047,931  |
| Rosanne Thelma Swick                  | 13,874,524  |

## 3. Distribution Schedule of Equity Security Holders

|                            | Fully paid ordinary shares |
|----------------------------|----------------------------|
| 1 – 1,000                  | 380                        |
| 1,001 – 5,000              | 790                        |
| 5,001 – 10,000             | 451                        |
| 10,001 – 100,000           | 868                        |
| 100,001 and over           | 97                         |
| Total Number of Holders    | 2,586                      |
| Total Number of Securities | 217,910,473                |

## 4. Voting Rights

The voting rights attaching to the Company’s **fully paid ordinary shares**, as set out in Rule 12.11 of the Company’s Constitution, are as follows:

“Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at meetings of Shareholders or classes of Shareholders:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and
- on a poll, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited)”.

## 5. Holders of an Unmarketable Parcel

There are 558 shareholders holding less than a marketable parcel of fully paid ordinary shares (using a price of \$0.30 per fully paid ordinary share).

## ASX ADDITIONAL INFORMATION

### 6. Register of Securities

The Register of Securities is kept at the office of the Company's share registry, Security Transfer Registrars Pty Ltd, being 770 Canning Highway, Applecross, Western Australia (telephone (08) 9315 2333).

### 7. Stock Exchange Listing

The Company's securities are quoted only on the Australian Securities Exchange.

### 8. Restricted Securities

Nil.

### 9. On Market Buy-Back

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

### 10. Item 7 of Section 611 of the Corporations Act 2001

No issues of securities approved under Item 7 of section 611 of the Corporations Act 2001 are yet to be completed.

### 11. Top 20 Shareholders

| Ranking | Holder name                               | Securities | % of issued |
|---------|-------------------------------------------|------------|-------------|
| 1       | HSBC CUSTODY NOM AUST LTD                 | 20,496,490 | 9.41%       |
| 2       | J P MORGAN NOM AUST LTD                   | 20,467,822 | 9.39%       |
| 3       | HERCULES INTNL PL                         | 19,877,183 | 9.12%       |
| 4       | NATIONAL NOM LTD                          | 18,047,931 | 8.28%       |
| 5       | SWICK KENT JASON                          | 14,500,651 | 6.65%       |
| 6       | SWICK TANYA MICHELLE                      | 14,500,651 | 6.65%       |
| 7       | SWICK ROSANNE THELMA                      | 13,874,524 | 6.37%       |
| 8       | BNP PARIBAS NOMS PL DRP                   | 10,815,362 | 4.96%       |
| 9       | WROXBY PL                                 | 10,460,000 | 4.80%       |
| 10      | CITICORP NOM PL                           | 5,388,716  | 2.47%       |
| 11      | EQUITAS NOM PL 2874398 A/C                | 2,257,304  | 1.04%       |
| 12      | ABN AMRO CLEARING SYDNEY CUST A/C         | 1,955,531  | 0.90%       |
| 13      | LUGTON ROBERT JOHN + G RJ&G LUGTON S/F A/ | 1,713,000  | 0.79%       |
| 14      | BBY NOM PL                                | 1,582,733  | 0.73%       |
| 15      | CITICORP NOM PL COLONIAL FIRST STA        | 1,558,767  | 0.72%       |
| 16      | K & T SWICK PL K & T SWICK FAM A/         | 1,540,000  | 0.71%       |
| 17      | SANDHURST TTEES LTD AUST NEW HORIZONS     | 1,510,505  | 0.69%       |
| 18      | SWICK KENT JASON + T M SWICK S/F A/C      | 1,428,698  | 0.66%       |
| 19      | RBC INVESTOR SVCS AUST NO BKCUST A/C      | 1,414,819  | 0.65%       |
| 20      | PORTMAN TRADING PL                        | 1,081,150  | 0.50%       |

### 12. Unquoted Securities

There are 3 holders of 1,200,000 performance rights. Holders of more than 20% are:

| Holder names: | Quantity Held    |
|---------------|------------------|
| Bryan Wesley  | 400,000          |
| Will Gove     | 400,000          |
| Vahid Haydari | 400,000          |
| <b>Total</b>  | <b>1,200,000</b> |



**SWICK MINING SERVICES LTD**  
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