



2018

ANNUAL REPORT



**THE LEADER
IN MINERAL DRILLING
INNOVATION**

CORPORATE DIRECTORY

Directors

Andrew Simpson -
Non-Executive Chairman

Kent Swick -
Managing Director

David Nixon -
Non-Executive Director

Phillip Lockyer -
Non-Executive Director

Ian McCubbing -
Non-Executive Director

Company Secretary

Frank Campagna

Registered and Operations Office

64 Great Eastern Highway
South Guildford, Western Australia

Telephone: +61 8 9277 8800

Facsimile: +61 8 9277 8844

Email: info@swickmining.com

Website: www.swickmining.com

Postal Address

PO Box 74
Guildford, Western Australia, 6935

Auditor

Ernst & Young

11 Mounts Bay Rd
Perth, Western Australia, 6000

Solicitors

Steinepreis Paganin Lawyers and Consultants

Level 4, The Read Buildings
16 Milligan Street
Perth, Western Australia

Share Registry

Security Transfer Australia 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

ABN: 20 112 917 905

CONTENTS

Chairman's Letter	4
Managing Director's Report on Operations	7
Directors' Report	13
Auditor's Independence Declaration	27
Consolidated Statement of Profit or Loss and Other Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flows	31
Notes to the Financial Statements	32
Directors' Declaration	72
Independent Auditor's Report	73
ASX Additional Information	79

2018 MILESTONES

- Record Underground Diamond (UD) drilling metres drilled (1,136,421 metres), an increase of 1.2% on the previous year
- Drilling Business back to profits, achieved 4Q18 EBIT of \$1.9 million
- Swick awarded “Mining Contractor of the Year Award” by Australia’s Mining Monthly
- Mineral Technology business established in Australia, GeoCore X10 launched and earns first revenue



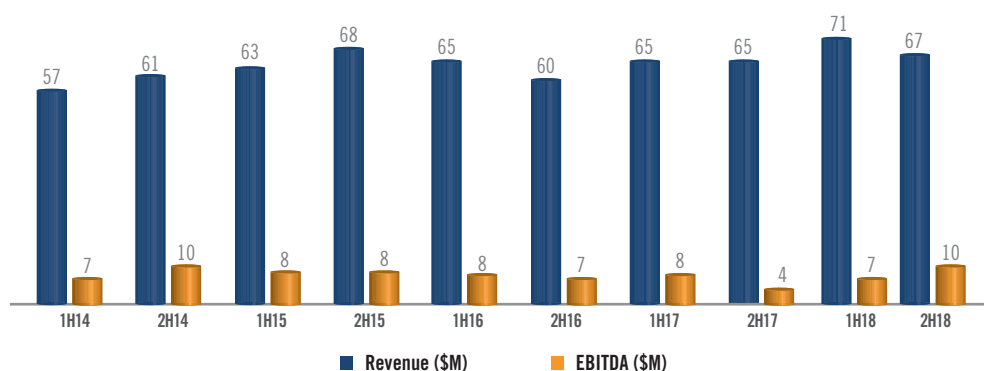
OUR LOCATIONS



- Underground Diamond Drilling
- Surface Reverse Circulation Drilling
- Swick Office
- Orexlore
- Orexlore R&D



**Consolidated - Half Yearly Revenue and EBITDA (excluding significant items)
1 July 2014 to 30 June 2018**



CHAIRMAN'S LETTER

Dear Shareholders,

On behalf of the Board of Directors of Swick Mining Services Ltd ("Swick" or the "Company"), I am pleased to present the Company's 2018 Annual Report.

Swick delivered improved performance from its core Underground Diamond (UD) drilling division throughout the 2018 financial year (FY2018), with a return to profitability in the Drilling Business. This result was achieved through a combination of improved drill rig utilisation over FY2018, shifting drill rigs onto better performing contracts or sites, and improving efficiencies across the business. Importantly, Swick focussed its attention on restructuring or exiting underperforming and difficult contracts and redeploying rigs at better margin contracts to improve the overall return on capital.

In recent years, Swick maintained a high volume of work through difficult market conditions, which ensured the Company was well placed to maximise from improved market conditions. By year end, our Drilling Business had exposure to 20 individual projects and the Company achieved a record number of metres drilled for the year. This provides Swick with a great footprint for FY2019.

Looking at Swick's Mineral Technology Business, we launched the Orexlore technology in May 2018. The Orexlore GeoCore X10 core scanning machine offers geologists and metallurgists a unique perspective by looking inside the core, providing real-time, non-destructive assay and tomography results. The ability to assay the core sample is extremely beneficial as it has a much larger sample size and therefore significantly lower sampling error, to within an accuracy of 100ppm (parts per million).

Our mineral analysis technology has already started gathering momentum in the market. In just a few months, we progressed from initial customer trials to commercial agreements with a number of clients, with Orexlore earning its first revenue during the period. The Mineral Technology Business provides shareholders with exposure to a new revenue stream within the business.

Results

Swick delivered an improved financial result for the year, most notably in the fourth quarter where the Drilling Business recorded a \$1.9 million EBIT. The Company recorded \$138 million in revenue and other income, with an EBITDA of \$17.3 million (EBITDA margin of 13%) which was an almost 44 per cent improvement on the FY2017 result. Looking at the two different business units, the Drilling Business reported an EBITDA of \$19.1 million (2017: \$13.4 million), while the Mineral Technology Business reported an EBITDA loss of \$1.9 million (2017: \$1.3 million loss), as we continued to invest in growing this segment. Overall, this resulted in a narrowed loss after tax of \$1.0 million (FY2017: \$4.6 million net loss after tax).

The Company generated improved free cash flow of \$2.1 million for the year (2017: cash outflow of \$1.7 million), predominantly driven by the improved profitability and ongoing discipline in capital expenditure.

Safety

Safety continues to be an integral part of the Swick brand. Our Total Recordable Injury Frequency Rate (TRIFR) of 14.9 at year end is a 65% reduction over a five-year period, despite a slight increase in 2018. Despite the increase, it was pleasing to see a reduction in musculoskeletal injuries, an ongoing key risk, and major focus for the safety team.

The work undertaken in this area was recognised when the Company won the RM Advancer award for excellence in workers' compensation risk management. The Company's purpose-built training facility and our early intervention program are key drivers in achieving this outcome.

Research & Development

Swick has identified a new range of rig enhancements that are currently being undertaken to improve drilling performance. These projects will be developed and tested and, when proven, will begin being rolled out, with the first expected in the second quarter of 2019.

The Mineral Technology Business will continue to focus on product and software development to enhance the GeoCore X10 core scanning machine and the Insight software. The Orexlore developers are currently testing a prototype spectrometer that will increase the accuracy of the assays to below 0.5ppm with a target of 0.1ppm. The primary project of developing the gold spectrometer is tracking well and is expected to be fully tested and released to the market in 2019.

“Swick’s strategy is centred on growing and developing our two businesses – the Drilling Business, which is the driver of our earnings and a key source of growth, and the Mineral Technology Business, which has the potential to disrupt the multi-billion dollar a year minerals analysis industry”

Strategic Focus

Swick’s strategy is centred on growing and developing our two businesses – the Drilling Business, which is the driver of our earnings and a key source of growth, and the Mineral Technology Business, which has the potential to disrupt the multi-billion dollar a year minerals analysis industry.

For the UD drilling division, our focus has been on renegotiating or exiting our historical, underperforming low-margin contracts. As demonstrated in our results, we had good success in the year, with a total of 12 rigs released through the year from these contracts whilst maintaining a high fleet utilisation. We expect to complete this turnaround in the first quarter of 2019, with the last of the identified contracts expected to be renegotiated at better rates.

Swick maintains ongoing excellence in providing drilling services to strategic clients, on a number of operating sites, across a wide range of commodities. The return to profit in the Drilling Business was driven by both our strategic focus and team efforts, culminating in the final quarter delivering the Company’s best earnings for FY2018. A key initiative also included cost management, and with the business in a relatively stable position, the opportunity was taken during the year to simplify and streamline the management structure and reduce overhead costs.

Meanwhile, the Reverse Circulation (RC) – or above ground – component of the Drilling Business has experienced variable utilisation, with Swick taking advantage of opportunities for short and medium-term drilling programs as they are identified.

The Mineral Technology Business is a standalone division, with its own dedicated resources and set of strategic initiatives that are being pursued. As noted above, the Orexplore technology was launched in May 2018, and the focus has been on progressing along the commercialisation pathway. This has centred on Australia, where Swick has been working on promoting the technology to clients, many of which have been trialling the technology. Looking ahead, we are converting the high level of industry enquiries into contracted work while working closely with the Swedish research and development team to provide a full suite mineral analysis service to mining clients.

The Future

Swick enters FY2019 with strong optimism, on the back of a strong and profitable final quarter FY2018 with key drilling contract renewals in our core UD drilling division.

Over the next 12 months, our focus will be to deliver on the key initiatives of targeting better rates for its drill rigs – not just volume growth – including exiting or renegotiating the last of our underperforming contracts, maintaining strong utilisation of our UD rigs, improving efficiencies across the business, and progressing with commercialisation of Orexplore. The remaining underperforming contracts will be repositioned or exited in the first quarter of FY2019, allowing the business to focus on putting the remaining rigs to work where financial returns meet the Company’s targeted margins. In addition, a new set of rig development projects that commenced in 2018 will be progressed which will allow the Company to maintain its market leading position in the industry.

The Mineral Technology Business provides an additional growth path for Swick. Whilst capturing market share will occur over time, Swick is encouraged by the quick transition from clients conducting trials to signing on to revenue generating contracts. During FY2019, the short-term focus will be on ensuring product development meets client requirements as we widen the number of customers and use customer feedback to improve the capability of the technology further. The Company is confident in the opportunity for this technology, whilst continuing to focus on its profitable Drilling Business.

On behalf of the Board, I would like to thank the Managing Director, Kent Swick, and the Chief Financial Officer, Jitu Bhudia, and the wider management team for developing and implementing the strategies that have positioned the Company to take advantage of a more buoyant market. I would also like to recognise the broader Swick team – a committed group of people passionate about living the values of an industry leading company.

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

We look forward to further developing our market-leading position, continuing to generate returns for our shareholders and sharing our innovations across the industry.



Andrew Simpson
Chairman



MANAGING DIRECTOR'S REPORT ON OPERATIONS



2018 Financial Year Overview

The general improvement in market conditions that started in late FY2017 continued to trend positively through the year with the Underground Diamond (UD) drilling division fielding requests for additional rigs from existing customers as well as new projects. The tender market continues to be buoyant, demonstrated by Swick winning a new contract in FY2018 and another contract won shortly after year-end. The rigs to service this increased demand were available following the Company's strategy to exit underperforming contracts, which saw three contracts completed, releasing 12 rigs. The execution of this strategy led to a fourth quarter earnings before interest and tax (EBIT) of \$1.9 million for the Drilling Business out of the total full year EBIT of \$2.4 million. Overall, rigs in work were relatively stable throughout the year leading to the UD drilling division recording a new record number of metres drilled at 1,136,421 metres, a 1.2% increase on the prior year.

During FY2018, the company simplified and streamlined the management structure to reduce overhead costs. A total of six executive and senior management positions were removed from the organisation.

During the year, Swick was awarded the "Mining Contractor of the Year Award" by Australia's Mining Monthly in recognition of our overall performance in the field, but specifically for our electronic operational, training and safety systems. In addition, our purpose built training facility which incorporates a full sized underground simulated environment was recognised as world class.

The Mineral Technology Business focussed on taking its new Orexplore technology towards commercialisation. During the

year, Orexplore established itself in Australia, launching the GeoCore X10 in May 2018 and achieved a key milestone by signing its first contract with Saturn Metals Limited and earning its first revenue in June 2018. Post year-end, the Company has executed core scanning commercial agreements with Calidus Resources Limited, Kirkland Lake Gold Limited, Gold Fields Limited and Newmont Limited. The level of industry interest in the product and service continues to be very high with many clients trialling the technology, and we expect a high portion of these trials to convert to commercial agreements.

Subsequent to year end, Swick entered the Orexplore GeoCore X10 instrument into The Australian Financial Review awards that recognise Australia and New Zealand's top 100 Most Innovative Companies. Swick ranked in 35th place in 2018 and one of the top mining services business, which is great recognition that we are progressing our workplace towards the leading edge of innovative cultures.

We are extremely encouraged by the level of interest in Orexplore, and we will continue to capture the opportunity here, while focussing on our core profitable Drilling Business.

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

"The current momentum in the Drilling Business and the high interest in the product and service provided by the Mineral Technology Business is expected to lead to an improved financial performance for the Company in 2019"

MANAGING DIRECTOR'S REPORT ON OPERATIONS

Operating results and review of operations for the year

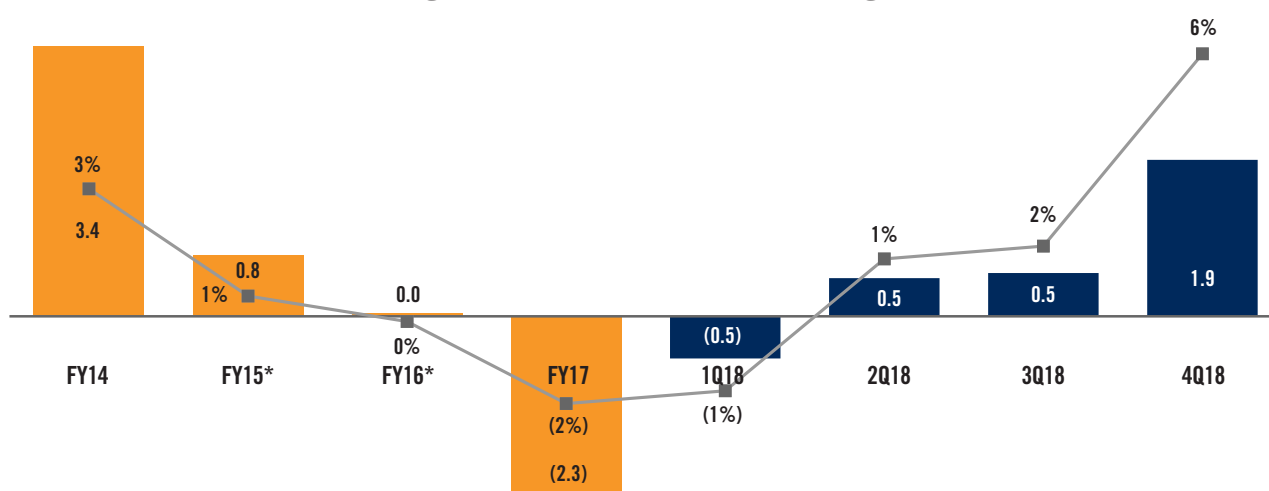
Review of result

2018 FINANCIAL RESULTS (UNAUDITED NON-IFRS)	2018	2017	Change
	\$000	\$000	%
Profit & Loss			
Revenue and other income	138,178	130,010	6.3%
EBITDA (Drilling business)	19,085	13,354	42.9%
EBITDA (Mineral Technology business)	(1,887)	(1,288)	(46.5%)
EBITDA (Total)	17,318	12,066	43.5%
EBIT (Drilling business)	2,373	(2,307)	202.9%
EBIT (Mineral Technology business)	(2,050)	(1,295)	(58.3%)
EBIT (Total)	443	(3,602)	112.3%
NPAT (Drilling business)	817	(2,969)	127.5%
NPAT (Mineral Technology business)	(1,792)	(1,590)	(12.7%)
NPAT (Total)	(975)	(4,559)	78.6%
Cash Flow			
Net cash from operating activities	16,155	16,255	(0.6%)
Net cash used in investing activities	(14,023)	(17,933)	(21.8%)
Free cash flow	2,132	(1,678)	227.1%
Operating cash flow before interest and taxes	17,249	15,512	11.2%
At Balance Date			
Cash	11,461	8,810	30.1%
Debt	29,220	26,000	12.4%
Net Debt	17,759	17,190	3.3%
Ratios			
EBITDA margin (Drilling Business) (%)	13.8%	10.3%	
EBITDA margin (Total) (%)	12.5%	9.3%	
EBIT margin (Drilling Business) (%)	1.7%	(1.8%)	
EBIT margin (Total) (%)	0.3%	(2.8%)	
Basic EPS (reported) – cents per share	(0.4)	(2.0)	
EBITDA cash conversion (%)	99.6%	128.6%	
Gearing (Net debt/equity) (%)	21.3%	20.5%	

MANAGING DIRECTOR'S REPORT ON OPERATIONS

During the year, the company focussed on the Drilling Business strategy of re-pricing below target margin contracts and exiting where necessary and deploying rigs to new contracts with appropriate returns. The benefits of this strategy can be shown in the graph below with the Drilling Business 4Q18 yielding an EBIT of \$1.9 million on revenue of \$33.9 million (EBIT margin of 5.9%), a significant improvement from prior quarters and prior year 2017.

Drilling Business EBIT (\$M) and Margin



*before significant items

The net assets of the group decreased by \$0.4 million to \$83.3 million at 30 June 2018. This reduction was primarily the result of the net loss from operations. Working capital investment (trade receivables plus inventories plus prepayments less trade payables) increased by \$1.2 million while net borrowings (net debt) increased by \$0.6 million, reflecting our growing order book and associated increase in revenue.

The Directors are confident the improved profitability shown through the back end of the year will continue into FY2019, a view that has been reinforced by the renewal of a number of contracts through June and July 2018, and ongoing enquiries from new customers and from existing customers for additional rigs for the main UD division.

Management's ongoing focus on reducing capital expenditure has resulted in positive free cash flow for the year.

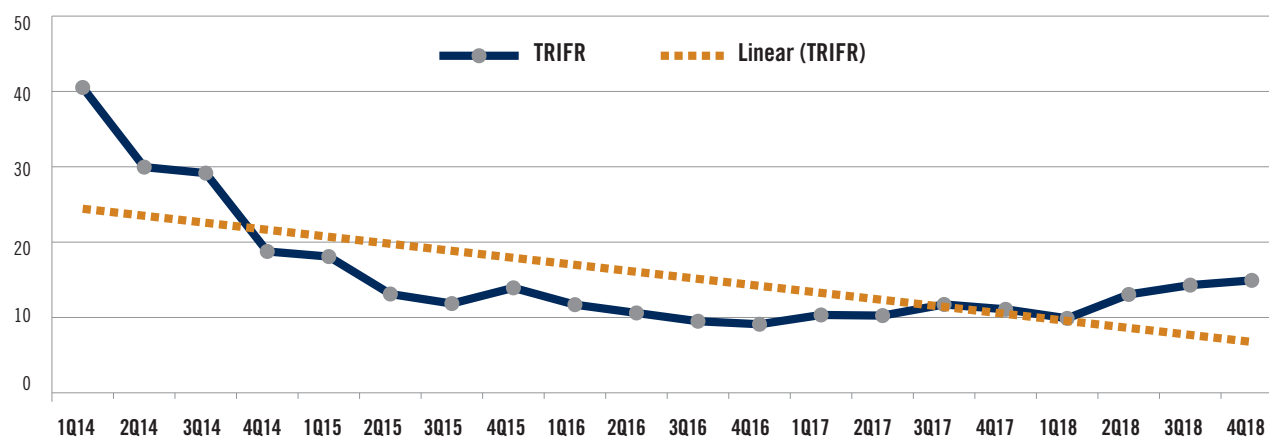
Safety and Training

Swick continues to be an industry leader in innovation, production and safety. Whilst our overall TRIFR has remained relatively flat over the past few years, 2018 has been a very successful year in reducing musculoskeletal injuries. This is an excellent result considering manual handling continues to be one of our greatest risk factors. This reduction can be attributed to Swick's ongoing commitment to innovation and engineering solutions as well as to our maturing Safety Management System being integrated throughout all facets of the business. With a combined approach from all business units we have seen improved recruitment processes, high quality training and on-boarding through our award-winning induction facility, excellent supervisor participation, and commitment to our early intervention and injury management programs.

We have also implemented a safety secondment program, in which Supervisors and Leading Hands are given the opportunity to work for a defined period of time in the Health, Safety & Environment (HSE) team to further improve consultation between departments, and to drive a positive culture – ensuring health and safety is ingrained in all parts of the business.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

TRIFR



Production and Revenue

Overall the number of rigs in work in the UD division was relatively stable across the year, while rig utilisation in the RC division dropped as a result of end of contract term.

The reduction in metres drilled was due to exiting underperforming contracts as well as an increase in rigs operating under a fixed shift rate pricing mechanism. As a result, revenue improved from \$110 per metre drilled in the first half of 2018 to \$120 per metre in the second half.

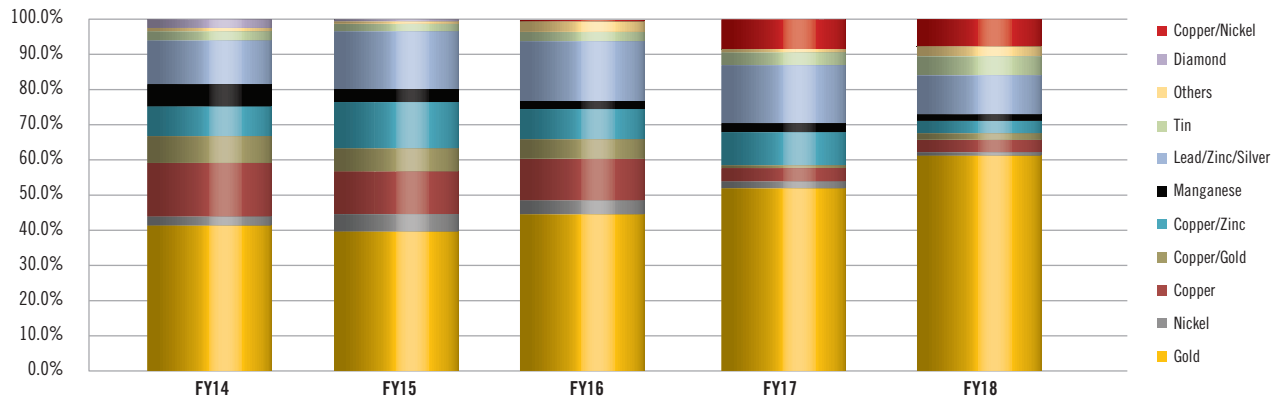
Metres Drilled by Quarter



The Drilling revenue by type of commodity is shown below. The increased reliance on gold is predominantly driven by the Kirkland Gold contract operating for the full year in 2018 with a total of 11 rigs in operation at year end.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

Drilling Revenue by Commodity

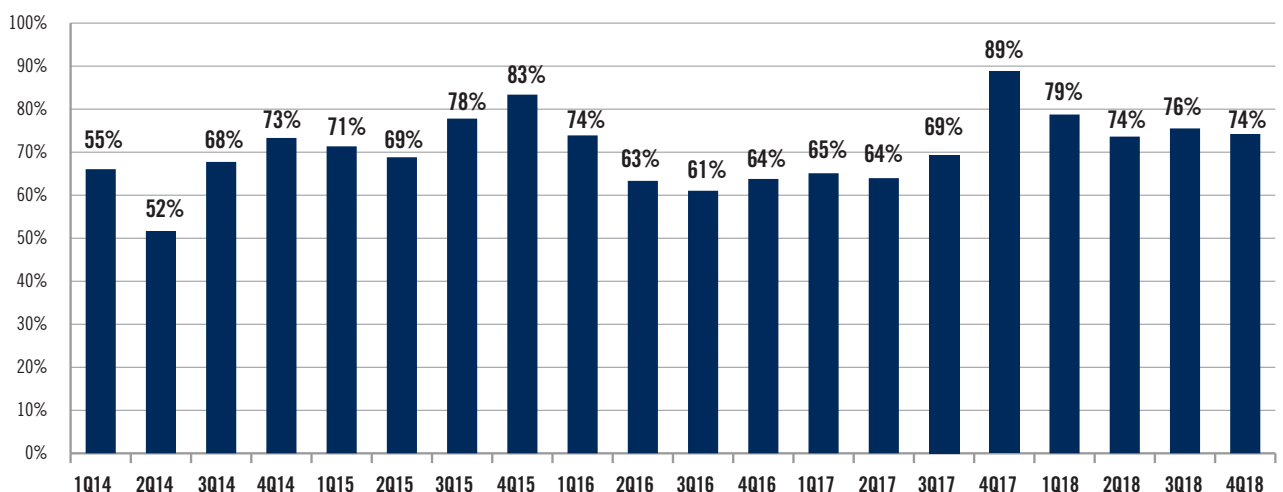


Underground Diamond (UD) Drilling

The 2018 financial year ended with UD achieving a new record of drilling 1,136,421 metres for the year, a 1.2% increase from the prior year, with metres drilled in APAC operations increasing 1.6% to 1,052,268 metres and international operations decreasing 3.2% to 84,153 metres.

The increased metres drilled, coupled with better pricing, led to a revenue increase of 10.7% to \$130.9 million compared to prior year. This increase in revenue was the result of increased activity levels in the second half of 2017 being largely maintained through 2018. The international business accounted for 19% of revenue in the fourth quarter, up from 15% in the prior corresponding period. This increase is due to the successful mobilisation at the Turquoise Ridge mine in Nevada, USA, in the second half.

Total UD Fleet Utilisation



In FY2018 our focus was on exiting low margin contracts, with contracts concluding at Golden Grove (5 rigs), Kensington (4 rigs) and Rosebery (4 rigs) during the year. This was offset by commencement of drilling at Turquoise Ridge, Nevada under the existing Barrick contract (6 rigs), and at Olympic Dam (1 rig). The higher level of confidence generally seen in the market resulted in net additional 3 rigs being put to work across the remaining contracts.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

Reverse Circulation (RC) Drilling

The 2018 financial year saw the RC division report revenue of \$5.9 million which was a decrease of 21% from prior year. Revenue reduction was mainly due to the near completion of the Boddington scope of works in the 2017 financial year and being replaced by a number of short term single rig contracts.

Mineral Technology

The Mineral Technology Business reached a significant milestone in June 2018, earning its first revenue from the revolutionary mineral analysis technology, in conjunction with the signing of its first commercial agreement with Saturn Metals Limited. The commercial agreement follows the official launch of the GeoCore X10 core scanning machine in May 2018 which was attended by industry representatives and geology experts.

The significant progress to full commercialisation follows the establishment of an Australian premise, hiring of the first dedicated Orexplore Australia employees in January 2018, and the delivery of the first two GeoCore X10 machines in January and April 2018.

In total, core has now been scanned from 12 Australian mines, with the information gathered allowing further refinement of the Orexplore Insight software to further enhance the delivery of information to clients.

Orexplore maintains its Swedish research and development base which continues to work on product development including lower detection thresholds for elemental concentrations, an increased number of detectable elements, a conveyor belt continuous scanning solution and the development of the gold spectrometer.

Outlook for the 2019 Financial Year

FY2019 has commenced with a number of key drilling contract renewals successfully locked in, in conjunction with continued enquiries for additional rigs from new and existing customers. This will underpin the activity levels for FY2019 at similar or improved levels to those seen in the fourth quarter of 2018. New drilling opportunities are expected in all three regions of Australia, Europe and North America. With a high fleet utilisation and increasing demand for rigs, the Company is expected to build new rigs in 2019 to add fleet capacity to meet the demand.

Swick will continue to use its continuous improvement approach to all facets of drilling operations using a multipronged approach, with the operations focusing on a combination of cost control and maximising value from research and development initiatives.

For the Mineral Technology Business, with the commercial division now established in Australia, the local team will focus on building activity and client base, while continuing to provide feedback to the research and development centre in Sweden.

The current momentum in the Drilling Business and the high interest in the product and service provided by the Mineral Technology business is expected to lead to an improved financial performance for the Company in 2019.

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 2018. The names and particulars of the directors of the company during or since the end of the financial year are:

Information on directors

Andrew Simpson		Non-executive chairman
Qualifications		Grad Dip (Bus), MAICD
Experience		Mr Simpson is a senior marketing executive with extensive global marketing experience in the resource and mining industry, including more than 30 years of international marketing and distribution of minerals and metals. He is currently the Managing Director of Resource & Technology Marketing Services Pty Ltd, a company providing specialist marketing and business assessment advisory services to the mineral resources and technology industries, both in Australia and internationally. Mr Simpson graduated from Curtin University holding a Graduate Diploma in Business and Administration (majoring in Marketing and Finance). He has also completed the Advanced Management Program at the University of Western Australia and is a Member of the Australian Institute of Company Directors. Mr Simpson was appointed as a Director of the Company on 24 October 2006.
Interest in shares at the date of this report		605,000 Fully Paid Ordinary Shares
Special responsibilities		Mr Simpson is a member of the Board's Remuneration and Nomination Committee (Committee Chairman).
Directorships held in other listed entities during the three years prior to the current year		Symbol Mining Ltd non-executive chairman – 19 December 2017 to present Vital Metals Ltd non-executive director - 23 February 2005 to present India Resources Ltd non-executive director - 21 August 2006 to 7 October 2016
Kent Swick		Managing director
Qualifications		B.Eng (Mech)
Experience		Mr Swick is a Mechanical Engineer with over 25 years experience in civil construction, mining maintenance and surface and underground mineral drilling. He was previously employed by Atlas Copco Australia as a Maintenance Engineer managing underground maintenance, where he developed a strong understanding of underground mining methods and equipment. Mr Swick was the driving technical force behind the design of the Company's innovative underground diamond drill rig and award winning surface reverse circulation drill rig. He graduated from the University of Western Australia holding a Bachelor of Engineering (majoring in Mechanical Engineering) and has completed the Owner/President Management program at Harvard Business School. Mr Swick was appointed as a Director of the Company on 24 October 2006.
Interest in shares at the date of this report		33,322,182 Fully Paid Ordinary Shares 6,452,114 Unlisted Share Options
Special responsibilities		Nil
Directorships held in other listed entities during the three years prior to the current year		Nil

DIRECTORS' REPORT

David Nixon	Non-executive director
Qualifications	B.Sc. Eng (Mech), MAICD
Experience	Mr Nixon is a Mechanical Engineer with over 40 year's experience in the mining and construction industries in Southern Africa, Australia, New Zealand, Canada and Indonesia. He was a founding executive of Signet Engineering in 1990 and a director until its acquisition by Fluor Australia in 1996. Mr Nixon is a past non-executive chairman of Atlas Iron and past non-executive director of Brockman Resources and Moly Mines. Mr Nixon graduated from the University of Natal (South Africa) holding a Bachelor of Science (Mechanical Engineering) and is a member of the Australian Institute of Company Directors. Mr Nixon was appointed as a Director of the Company on 1 January 2007.
Interest in shares at the date of this report	300,000 Fully Paid Ordinary Shares
Special responsibilities	Mr Nixon is a member of the Board's Audit and Corporate Governance Committee and the Remuneration and Nomination Committee.
Directorships held in other listed entities during the three years prior to the current year	Nil
Phillip Lockyer	Non-executive director
Qualifications	Dip Met, Assoc Min Eng, M.Min Econs
Experience	Mr Lockyer is a Mining Engineer and Metallurgist who has over 50 years experience in the mineral industry, with a focus on gold and nickel in both underground and open pit operations. He was employed by WMC Resources for 20 years and as General Manager for Western Australia was responsible for WMC's nickel division and gold operations. Mr Lockyer also held the position of Director Operations for Dominion Mining Ltd and Resolute Ltd. He holds a Diploma of Metallurgy from the Ballarat School of Mines, an Associateship of Mining Engineering from the Western Australian School of Mines and a Masters of Minerals Economics from Curtin University. Mr Lockyer was appointed as a Director of the Company on 11 February 2008.
Interest in shares at the date of this report	300,000 Fully Paid Ordinary Shares
Special responsibilities	Mr Lockyer is a member of the Board's Audit and Corporate Governance Committee and the Remuneration and Nomination Committee.
Directorships held in other listed entities during the three years prior to the current year	GR Engineering Services Ltd non-executive director – 7 October 2016 to present (non-executive chairman – 16 October 2016 to present) RTG Mining Inc. non-executive director - 26 March 2013 to present Western Desert Resources Ltd non-executive director - 1 June 2010 to present
Ian McCubbing	Non-executive director
Qualifications	B.Com (Hons), MBA (Ex), CA, GAICD
Experience	Mr McCubbing is a Chartered Accountant with more than 30 years experience, principally in the areas of accounting, corporate finance and mergers and acquisition. He spent more than 15 years working with ASX200 and other listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in mining and industrial companies. Mr McCubbing was appointed as a Director of the Company on 1 August 2010.
Interest in shares at the date of this report	150,000 Fully Paid Ordinary Shares
Special responsibilities	Mr McCubbing is a member of the Board's Audit and Corporate Governance Committee (Committee Chairman).
Directorships held in other listed entities during the three years prior to the current year	Symbol Mining Ltd non executive director – 19 December 2017 to present Sun Resources NL non-executive chairman – 25 October 2016 to present Rimfire Pacific Ltd non-executive chairman – 25 July 2016 to present Avenira Ltd non-executive director - 20 December 2012 to present Kasbah Resources Ltd non-executive director - 1 March 2011 to 19 December 2016

DIRECTORS' REPORT

Company Secretary

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

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

Board committees

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

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

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

Meetings of directors

During the financial year, 19 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	13	13	-	-	2	2
Kent Swick	13	12	-	-	-	-
David Nixon	13	12	4	4	2	2
Phillip Lockyer	13	13	4	4	2	2
Ian McCubbing	13	11	4	4	-	-

Principal activities and significant changes in nature of activities

The principal activity of the Group during the 2018 financial year was the provision of mineral drilling services to the mining industry in the Asia Pacific and other international regions, primarily in the areas of underground diamond drilling and surface reverse circulation drilling. The Group also carries out research and development activities in mineral analysis technologies.

During the year the Group's Mineral Technology business commenced commercial activities. There were no other significant changes in the nature of the principal activities during the year.

DIRECTORS' REPORT

Operating results and review of operations for the year

Review of operations

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

Significant changes in state of affairs

The Mineral Technology business commenced commercial activities during the year.

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

Dividends paid or recommended

There were no dividends declared in relation to the 2018 financial year.

Events after the reporting period

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

Future developments and operational outlook

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

Environmental regulation

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

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

Indemnifying officers

During the financial year, the Company paid a premium of \$62,000 (2017: \$42,350) to insure all the directors and officers against liabilities for any costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors and officers of the Company, other than conduct which might be a wilful breach of duty in relation to the Company.

Indemnification of auditors

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

Options

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

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

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

DIRECTORS' REPORT

Performance rights

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

Grant date	Vesting date	Expiry date	Number under rights
2 June 2017 ¹	30 June 2022	31 December 2022	784,314
			784,314

Note 1: Performance rights issued on 2 June 2017 are to employees of Orexplore AB. The above number of performance rights are based on a valuation of the Orexplore business at grant date. Final number issued will be based on a valuation of the Orexplore business at the time of vesting and may differ from the above value.

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

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

During the year ended 30 June 2018, the following ordinary shares of Swick Mining Services Limited were purchased on market by the employee share trust for vesting of performance rights granted under the Company's Performance Rights Plan:

Executive	Number of shares issued during 2018	Vesting condition	Grant date	Vesting date
Vahid Haydari	800,046	Service condition	25 November 2016	16 October 2017
	800,046			

Proceedings on behalf of Company

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

Non-audit services provided by Auditor

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

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 2018 has been received.

DIRECTORS' REPORT

ASIC Corporations Instrument 2016/191

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

Remuneration Report (Audited)

Remuneration policy

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

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

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

Relationship between remuneration policy and Company performance

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

The following table shows the gross revenue, profits and dividends for the last five years for the Company, as well as the share price at the end of the respective financial year. Analysis of the figures show the impact of the tough operating environment that was felt in financial years 2014, 2015 and 2016. 2017 and 2018 show an increase in activity and market sentiment, as well as increased spending in the Mineral Technology division, with return to profitability expected to follow in coming years. The Board is of the opinion that, after considering the significant non-cash impairments recognised in 2015, 2016 and 2017, the financial results are a result of the tough macro-economic market conditions and hence are satisfied with the current positioning of the remuneration policy.

	2018	2017	2016	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and other income	138,178	130,010	124,885	131,981	117,615
Net profit/(loss) before tax	(888)	(4,633)	(2,243)	(24,549)	1,815
Net profit/(loss) after tax	(975)	(4,559)	(2,806)	(19,607)	1,535
Share price at start of year	\$0.24	\$0.14	\$0.13	\$0.26	\$0.29
Share price at end of year	\$0.22	\$0.24	\$0.14	\$0.13	\$0.26
Basic earnings/(loss) per share	(0.4 cps)	(2.0 cps)	(1.2 cps)	(9.1 cps)	0.7 cps
Dividends declared	-	-	0.4 cps	0.2 cps	0.4 cps

DIRECTORS' REPORT

Remuneration and Nomination Committee

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

Remuneration structure - non-executive directors

Objective

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

Structure

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

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

Remuneration structure - executive directors & management

Objective

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

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

The principles of the policy are:

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

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).

DIRECTORS' REPORT

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

Fixed remuneration

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

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

Variable remuneration

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

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

Director and senior management details

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

Directors		
Andrew Simpson	Non-executive chairman	
Kent Swick	Managing director	
David Nixon	Non-executive director	
Phillip Lockyer	Non-executive director	
Ian McCubbing	Non-executive director	
Executives		
Jitu Bhudia	Chief Financial Officer	
Vahid Haydari	Chief Executive Officer	Resigned 16 October 2017
Tony Tamlin	General Manager Operations Australia Pacific (APAC)	Resigned 22 December 2017
Will Gove	General Manager North America	Resigned 3 November 2017



DIRECTORS' REPORT

Employment contracts

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

Kent Swick - Managing Director

- ✦ The service arrangement commenced on 1 July 2006 and continues until terminated.
- ✦ If the service agreement is terminated without cause by the Company, Mr Swick may (subject to shareholder approval that may be required at the time of termination) 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, in addition to three months' notice of termination, or payment in lieu thereof.
- ✦ If the service agreement is terminated as a result of a change in control, Mr Swick will not be entitled to receive any payments additional to notice and statutory leave entitlements, pursuant to 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.

Executive service contracts

Remuneration and terms of employment for Executives are formalised in employment contracts.

Jitu Bhudia – Chief Financial Officer

- ✦ Appointed on 8 April 2015.
- ✦ Contract is ongoing and has no fixed term.
- ✦ The Contract can be terminated by either party with 8 weeks' notice or payment in lieu.

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

Performance rights plan

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

Details of performance rights issued during the year can be found under the Performance rights heading in the Remuneration details for year ended 30 June 2018.

Share options plan

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

DIRECTORS' REPORT

Performance based remuneration

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

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

Remuneration details for the year ended 30 June 2018

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

Table of benefits and payments for the year ended 30 June 2018

	Short-term benefits			Long-term benefits	Post-employment		Equity-settled share-based payments	Total	
	Salary, fees and leave \$	Profit share and bonuses \$	Non-monetary ¹ \$	Long service leave \$	Pension and superannuation \$	Termination benefits \$	Options and performance rights \$	Total \$	Performance based %
2018									
Andrew Simpson	100,425	-	-	-	9,540	-	-	109,965	0%
David Nixon	73,310	-	-	-	-	-	-	73,310	0%
Phillip Lockyer	66,950	-	-	-	6,360	-	-	73,310	0%
Ian McCubbing	77,250	-	-	-	7,339	-	-	84,589	0%
Total non-executive directors	317,935	-	-	-	23,239	-	-	341,174	0%
Kent Swick	586,800	-	1,754	10,722	25,000	-	87,731	712,007	12%
Vahid Haydari ²	366,331	-	235	-	25,000	271,550	145,447	808,563	18%
Jitu Bhudia	325,761	-	3,372	1,441	25,000	-	86,732	442,306	20%
Tony Tamlin ³	158,172	-	5,497	-	10,220	-	(34,133)	139,756	-
Will Gove ⁴	151,298	-	14,892	-	8,453	63,260	(10,097)	227,806	-
Total executives	1,588,362	-	25,750	12,163	93,673	334,810	275,680	2,330,438	12%
Total payments and benefits	1,906,297	-	25,750	12,163	116,912	334,810	275,680	2,671,612	10%

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

Note 2: Resigned 16 October 2017

Note 3: Resigned 22 December 2017

Note 4: Resigned 3 November 2017

DIRECTORS' REPORT

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

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

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

Securities received that are not performance related

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

Bonuses

The Company did not offer any short term incentive plans to executives in 2018 (2017: bonus paid of \$182,011 under the 2016 short term incentive plan) due to the financial performance of the Company.

A new short term incentive plan for executives and senior managers has been introduced for 2019 based on the safety (TRIFR) and profitability (EBIT) performance criteria of the Drilling Business. A minimum profitability (EBIT) gateway must be achieved in order for any performance criteria to be assessed under this plan. The metrics chosen reflect the core drivers of short term performance and also provide a framework for delivering sustainable value to the Group, its shareholders and customers.

Options and performance rights

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

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

DIRECTORS' REPORT

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

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

Note 1: The options with Swick Mining Services Limited vest 100% on 30 June 2019 and expire on 30 June 2020.

Note 2: The performance rights with Swick Mining Services Limited vested 100% on 16 October 2017, original vesting date was 30 June 2018. The Board approved early vesting on 5 September 2017. Share price at the date of the modification was \$0.28 per share and the fair value of these rights before and after this modification was \$205,611 and \$224,013 respectively.

Note 3: The performance rights with Swick Mining Services Limited vested 100% on 30 June 2018.

Note 4: The performance rights with Swick Mining Services Limited were forfeited on resignation.

For all long-term incentive plans, the rights are discretionary, time based and do not have any performance conditions attached as they are used for employee retention purposes. The performance rights do not have entitlement to dividends and are not entitled to vote at a meeting of the Company.

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

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

	Grant date	Number granted during the year	Number forfeited during the year	Number vested and exercised during year	Value on grant date \$	Value on date of exercise ¹ \$
Executive						
Vahid Haydari	25 November 2016	-	-	(800,046)	-	232,013
Jitu Bhudia	25 November 2016	-	-	(477,075)	-	104,957
Tony Tamlin	25 November 2016	-	(443,857)	-	-	-
Will Gove	25 November 2016	-	(131,299)	-	-	-
		-	(575,156)	(1,277,121)	-	336,970

Note 1: The weighted average share price at the date of exercise of these rights was \$0.26.

DIRECTORS' REPORT

KMP options and rights holdings

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

	Balance at beginning of year	Granted during the year	Vested and exercised during the year ¹	Forfeited during the year	Balance at end of year	Exercisable	Not exercisable
Non-executive directors							
Andrew Simpson	-	-	-	-	-	-	-
David Nixon	-	-	-	-	-	-	-
Phillip Lockyer	-	-	-	-	-	-	-
Ian McCubbing	-	-	-	-	-	-	-
Executives							
Kent Swick	6,452,114	-	-	-	6,452,114	-	6,452,114
Vahid Haydari	800,046	-	(800,046)	-	-	-	-
Jitu Bhudia	477,075	-	(477,075)	-	-	-	-
Tony Tamlin	443,857	-	-	(443,857)	-	-	-
Will Gove	131,299	-	-	(131,299)	-	-	-
	8,304,391	-	(1,277,121)	(575,156)	6,452,114	-	6,452,114

Note 1 : On exercise of rights no amount was paid

KMP shareholdings

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

	Balance at beginning of year	Issued on exercise of rights during the year	Other changes during the year	Balance at end of year
Non-executive directors				
Andrew Simpson	605,000	-	-	605,000
David Nixon	300,000	-	-	300,000
Phillip Lockyer	200,000	-	100,000	300,000
Ian McCubbing	150,000	-	-	150,000
Other executives				
Kent Swick	33,322,182	-	-	33,322,182
Vahid Haydari	2,538,055	800,046	(3,338,101)	-
Jitu Bhudia	242,340	477,075	-	719,415
Tony Tamlin	300,000	-	(300,000)	-
Will Gove	400,000	-	(400,000)	-
	38,057,577	1,277,121	(3,938,101)	35,396,597

DIRECTORS' REPORT

Other key management personnel transactions

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

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



Kent Swick

Dated: 28 August 2018

AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

As lead auditor for the audit of Swick Mining Services Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Gavin Buckingham
Partner
28 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018



	Note	CONSOLIDATED GROUP	
		2018 \$000	2017 \$000
Revenue	2.2	136,771	129,453
Other income	2.2	1,407	557
Raw materials and consumables used		(27,637)	(26,782)
Employee benefits expense		(73,463)	(72,005)
Depreciation and amortisation expense	3.4, 3.5	(16,875)	(15,668)
Finance costs		(1,331)	(1,031)
Other expenses	2.3	(19,760)	(19,157)
Loss before income tax		(888)	(4,633)
Income tax (expense)/benefit	2.4	(87)	74
Net loss after tax		(975)	(4,559)
Loss for the year attributable to:			
Owners of the Company		(975)	(4,275)
Non-controlling interests		-	(284)
		(975)	(4,559)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign controlled entities		289	(408)
Net fair value gain on available-for-sale financial assets		175	70
Other comprehensive income/(loss) for the year, net of tax		464	(338)
Total comprehensive loss for the year		(511)	(4,897)
Comprehensive loss for the year attributable to:			
Owners of the Company		(511)	(4,581)
Non-controlling interests		-	(316)
		(511)	(4,897)
Earnings per share			
Basic loss per share (cents)	2.6	(0.4)	(2.0)
Diluted loss per share (cents)	2.6	(0.4)	(2.0)

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

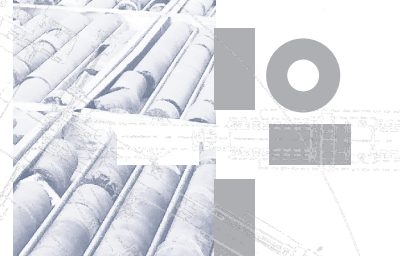
AS AT 30 JUNE 2018

	Note	CONSOLIDATED GROUP	
		2018 \$000	2017 \$000
Assets			
Current assets			
Cash	3.1	10,914	8,810
Restricted cash	3.1	547	-
Trade and other receivables	3.2	16,003	16,726
Inventories	3.3	13,840	15,132
Prepayments		1,396	2,060
Total current assets		42,700	42,728
Non-current assets			
Property, plant and equipment	3.4	77,414	77,750
Intangible assets	3.5	12,674	12,168
Other financial assets	3.6	1,630	1,380
Deferred tax assets	3.7	186	473
Total non-current assets		91,904	91,771
Total assets		134,604	134,499
Liabilities			
Current liabilities			
Trade and other payables		15,413	19,319
Current tax liability		36	32
Deferred revenue	3.8	547	-
Borrowings	3.9	577	3,000
Provisions	3.10	5,243	4,819
Total current liabilities		21,816	27,170
Non-current liabilities			
Borrowings	3.9	28,643	23,000
Provisions	3.10	729	599
Deferred tax liabilities	3.7	108	-
Total non-current liabilities		29,480	23,599
Total liabilities		51,296	50,769
Net assets		83,308	83,730
Equity			
Issued capital	4.1	79,446	79,446
Reserved shares	4.2	(667)	(453)
Reserves	4.3	2,727	1,960
Retained earnings		1,802	2,777
Total equity		83,308	83,730

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

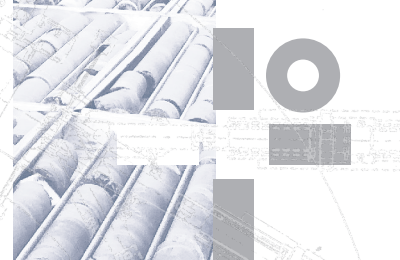


	Note	Issued capital	Reserved shares	Retained earnings	Reserves	Non-controlling interest	Total
		\$000	\$000	\$000	\$000	\$000	\$000
Consolidated Group							
Balance at 1 July 2016		75,036	-	7,917	2,604	2,402	87,959
Comprehensive income							
Loss for the year		-	-	(4,275)	-	(284)	(4,559)
Other comprehensive income for the year		-	-	-	(306)	(32)	(338)
Total comprehensive loss for the year		-	-	(4,275)	(306)	(316)	(4,897)
Transactions with owners, in their capacity as owners, and other transfers							
Dividends recognised for the year		-	-	(848)	-	-	(848)
Shares issued	4.1	4,960	-	-	-	-	4,960
Transaction costs on share issue	4.1	(273)	-	-	-	-	(273)
Shares bought back during the year	4.1	(276)	-	-	-	-	(276)
Transaction costs on share buy back	4.1	(1)	-	-	-	-	(1)
Reserved shares purchased	4.2	-	(453)	-	-	-	(453)
Share-based payments	4.3	-	-	-	667	-	667
Acquisition of non-controlling interest	4.3	-	-	(17)	(1,005)	(2,086)	(3,108)
Total transactions with owners and other transfers		4,410	(453)	(865)	(338)	(2,086)	668
Balance at 30 June 2017		79,446	(453)	2,777	1,960	-	83,730
Comprehensive income							
Loss for the year		-	-	(975)	-	-	(975)
Other comprehensive gain for the year		-	-	-	464	-	464
Total comprehensive income/(loss) for the year		-	-	(975)	464	-	(511)
Transactions with owners, in their capacity as owners, and other transfers							
Reserved shares purchased	4.2	-	(214)	-	-	-	(214)
Share-based payments	4.3	-	-	-	303	-	303
Total transactions with owners and other transfers		-	(214)	-	303	-	89
Balance at 30 June 2018		79,446	(667)	1,802	2,727	-	83,308

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 2018



	Note	CONSOLIDATED GROUP	
		2018 \$000	2017 \$000
Cash flows from operating activities			
Receipts from customers		150,395	148,832
Receipts from government grant		1,560	-
Payments to suppliers and employees		(134,706)	(133,320)
Income tax refund		237	1,725
Net interest paid		(1,331)	(982)
Net cash provided by operating activities	3.1	16,155	16,255
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		299	325
Purchase of property, plant and equipment ¹		(12,292)	(15,882)
Payments for development costs		(2,150)	(2,484)
Investment income		120	108
Net cash used in investing activities		(14,023)	(17,933)
Cash flows from financing activities			
Proceeds from borrowings	3.9	1,000	6,000
Repayment of borrowings	3.9	(300)	(116)
Dividends paid by parent entity		-	(848)
Proceeds from issue capital		-	4,960
Transaction costs on share issue		-	(273)
Acquisition of non-controlling interest	4.3	-	(3,108)
Share buy-back payment		-	(276)
Transaction costs on share buy-back		-	(1)
Purchase of own shares		(214)	(453)
Net cash provided by financing activities		486	5,885
Net increase in cash and restricted cash		2,618	4,207
Cash and restricted cash at beginning of financial year		8,810	4,690
Effects of exchange rate changes on cash		33	(87)
Cash and restricted cash at end of financial year	3.1	11,461	8,810

Note 1: The Group acquired plant and equipment under finance leases or hire purchase agreements amounting to \$2,490,000 (2017: nil) during the year which have been excluded from the consolidated statement of cash flows.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



1 General Notes

1.1 General Information

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

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

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

The financial report of the Company and its controlled entities for the year ended 30 June 2018 was authorised for issue on 28 August 2018 by the directors of the Company.

1.2 Basis of Preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (‘IFRS’).

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

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

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

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

1.3 Functional currency

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



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

1.4 Principles of consolidation

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

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

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

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

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

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

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

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

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

1.5 Other accounting policies

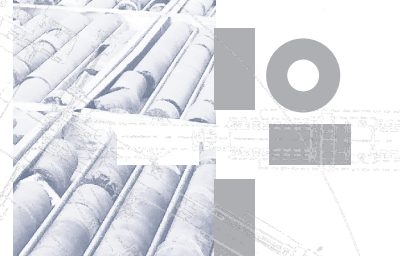
Significant and other accounting policies that summarise the measurement basis used and are relevant in understanding of the financial statements are provided throughout the notes to the financial statements to which it relates.

Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



1.6 Changes to accounting standards and interpretations

New and revised accounting standards and interpretations adopted

The consolidated entity has adopted all new standards and amended standards issued by the Australian Accounting Standards Board ('AASB') with a date of initial application of 1 July 2017, including:

- + AASB 2016-1 'Amendments to Australian Accounting Standards' – Recognition of Deferred Tax Assets for Unrealised Losses
- + AASB 2016-2 'Amendments to Australian Accounting Standards' – Disclosure Initiative: Amendments to AASB 107
- + AASB 2017-2 'Amendments to Australian Accounting Standards' – Further Annual Improvements 2014-2016 Cycle

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

New standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The standards and interpretations that were issued but not yet effective are set out below. The Group is in the process of considering the impact of the new standards. Unless stated otherwise below, the potential effects of the following standards and interpretations have not yet been fully determined.

Reference	Summary	Application date of standard	Application date for Group
AASB 9 <i>Financial Instruments</i>	<p>AASB 9 contains accounting requirement for financial instruments, replacing AASB 139. The standard:</p> <ul style="list-style-type: none"> (a) contains a simpler model for classification and measurement of financial assets; (b) a single, forward looking 'expected loss' impairment model that will require more timely recognition of expected credit losses; (c) a substantially reformed approach to hedge accounting including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. <p>The Group has undertaken a review of the impact of the new standard and have concluded that the impact of this change will not be material.</p>	1 January 2018	1 July 2018
AASB 2016-5 <i>Classification and Measurement of Share-based Payment Transactions</i>	<p>This standard amends to AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> + The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments + Share-based payment transactions with a net settlement feature for withholding tax obligations + A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. 	1 January 2018	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



Reference	Summary	Application date of standard	Application date for Group
AASB 16 <i>Leases</i>	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>The Group has commenced its review of the application of this Standard. The Group plans to continue to assess the potential effect of AASB 16 on its consolidated financial statements.</p>	1 January 2019	1 July 2019
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>The Group has undertaken a comprehensive analysis of the impact of the new standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under AASB 15. As a result of the review, Management concluded that the impact of this change will not be material. However the revenue earned from these activities is required to be separately disclosed and thus there will be presentational changes in the revenue related note disclosures. The Group will be adopting the modified retrospective approach.</p>	1 January 2018	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



Reference	Summary	Application date of standard	Application date for Group
AASB Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.	1 January 2018	1 July 2018
AASB 2017-6 <i>Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</i>	<p>This Standard amends AASB 9 Financial Instruments to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss.</p> <p>The Standard also clarifies in the Basis for Conclusion that, under AASB 9, gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognised in profit or loss.</p>	1 January 2019	1 July 2019
AASB 2018-1 <i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i>	<p>The amendments clarify certain requirements in:</p> <ul style="list-style-type: none"> + AASB 3 Business Combinations and AASB 11 Joint Arrangements – previously held interest in a joint operation + AASB 112 Income Taxes – income tax consequences of payments on financial instruments classified as equity + AASB 123 Borrowing Costs – borrowing costs eligible for capitalisation 	1 January 2018	1 July 2018
AASB Interpretation 23, and relevant amending standards <i>Uncertainty over Income Tax Treatments</i>	<p>The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:</p> <ul style="list-style-type: none"> + Whether an entity considers uncertain tax treatments separately + The assumptions an entity makes about the examination of tax treatments by taxation authorities + How an entity determines taxable profit (tax loss), tax bases, unused tax losses unused tax credits and tax rates + How an entity considers changes in facts and circumstances 	1 January 2019	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



1.7 Critical accounting estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

- + Net realisable value of inventories (Note 3.3)
- + Impairment of assets (Note 3.4)
- + Useful lives of property, plant & equipment (Note 3.4)
- + Recoverability of internally generated intangible assets (Note 3.5)
- + Recoverability of recognised tax losses (Note 3.7)

2. Financial performance

2.1 Operating segments

General information

Identification of reportable segments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

Year ended 30 June 2018 \$000	Drilling services – Asia Pacific	Drilling services – International	Mineral Technology	Other	Elimination	Total
Revenue	118,579	18,189	3	-	-	136,771
Other income	180	188	919	120	-	1,407
Inter-segment revenue	1,125	-	-	-	(1,125)	-
Total revenue and other income	119,884	18,377	922	120	(1,125)	138,178
EBITDA	16,816	2,269	(1,887)	120	-	17,318
Depreciation and amortisation	(14,966)	(1,746)	(163)	-	-	(16,875)
Segment result - EBIT	1,850	523	(2,050)	120	-	443
Finance costs						(1,331)
Loss before tax						(888)
Total assets	115,351	20,522	11,152	1,630	(14,051)	134,604
Total liabilities	(48,314)	(15,740)	(1,293)	-	14,051	(51,296)
Total net assets	67,037	4,782	9,859	1,630	-	83,308
Additions to property, plant and equipment	12,872	2,465	477	-	-	15,814
Additions to intangible assets	389	-	1,761	-	-	2,150
Total additions to non-current assets	13,261	2,465	2,238	-	-	17,964

Year ended 30 June 2017 \$000	Drilling services – Asia Pacific	Drilling services – International	Mineral Technology	Other	Elimination	Total
Revenue	112,877	16,576	-	-	-	129,453
Other income	289	205	63	-	-	557
Inter-segment revenue	1,319	-	-	-	(1,319)	-
Total revenue and other income	114,485	16,781	63	-	(1,319)	130,010
EBITDA	11,774	1,581	(1,289)	-	-	12,066
Depreciation and amortisation	(14,067)	(1,595)	(6)	-	-	(15,668)
Segment result - EBIT	(2,293)	(14)	(1,295)	-	-	(3,602)
Finance costs						(1,031)
Loss before tax						(4,633)
Total assets	130,830	18,635	7,603	97	(22,666)	134,499
Total liabilities	(48,528)	(22,788)	(641)	(550)	21,738	(50,769)
Total net assets	82,302	(4,153)	6,962	(453)	(928)	83,730
Additions to property, plant and equipment	13,542	2,340	-	-	-	15,882
Additions to intangible assets	879	-	1,605	-	-	2,484
Total additions to non-current assets	14,421	2,340	1,605	-	-	18,366

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

- (a) Segment result represents the profit or loss incurred by each segment after allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, and gains and losses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.
- (b) The main items in eliminations is inter-segment loans and charges.
- (c) Included in the revenue arising from provision of services of \$136,771,000 (2017: \$129,453,000) are revenues of \$68,616,000 (2017: \$66,410,000) which arose from sales to the Group's three (2017: three) largest customers. No other single customer contributed 10% or more to the Group's revenue for 2018. These customers provided \$25,788,000, \$22,470,000 and \$20,358,000 (2017: \$24,032,000, \$21,814,000 and \$20,564,000) respectively, and are all contained within the Drilling Services – Asia Pacific segment.

Geographical information

The geographical information below analyses the Group's revenue and non-current assets by location of the operations.

	CONSOLIDATED GROUP			
	Revenue from external customers		Non-current assets	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Australia	118,582	112,877	70,496	72,244
Unites States of America	13,646	12,301	2,920	1,614
Portugal	4,533	4,275	3,152	3,307
Canada	10	-	6,770	7,273
Sweden	-	-	8,566	7,333
Total other income	136,771	129,453	91,904	91,771

2.2 Revenue and other income

	CONSOLIDATED GROUP	
	2018 \$000	2017 \$000
Revenue		
Sales revenue		
- Provision of drilling services	136,768	129,453
- Provision of mineral analysis services	3	-
	136,771	129,453
Other income		
- Gain on disposal of property, plant and equipment	82	131
- Interest received	-	49
- Government grants – Mineral Technology business	919	-
- Government grants – Drilling business	94	168
- Investment income	120	108
- Other income	192	101
Total other income	1,407	557

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Revenue from provision of services

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

Interest received

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

Government grants

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

Investment income

Investment income is recognised as it accrues.

2.3 Other expenses

Other expenses

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

Total other expenses

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
5,380	4,533
5,738	6,773
4,681	4,018
1,721	1,685
574	617
1,666	1,531
19,760	19,157

Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

2.4 Income tax expense

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

Current tax

Current year tax expense

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

Deferred tax

Relating to origination and reversal of temporary differences

Adjustments in respect of previously deferred income tax

Derecognition of overseas losses

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

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

Accounting loss before income tax

Prima facie tax benefit on loss from ordinary activities before income tax at 30%

- Non-deductible expenses
- Share-based payments expense
- Effect of foreign tax rate
- Research and development tax offsets
- Derecognition of overseas losses
- Carry forward losses not recognised
- Adjustments in respect of previous years

Income tax benefit/(expense) attributable to entity

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
249	(138)
(4)	(59)
245	(197)
(218)	1,582
(114)	(22)
-	(1,289)
(332)	271
(87)	74
(888)	(4,633)
266	1,390
(35)	(16)
(10)	(35)
(10)	42
-	85
-	(1,289)
(180)	(22)
(118)	(81)
(87)	74

(i) The tax rate used for the reconciliations above is the corporate tax rate of 30% (2017: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

(ii) The weighted average effective consolidated tax rate for 2018 of 9.8% (2017: 1.6%) is a result of non-recognition (2017: derecognition) of overseas losses.

Current tax

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

See note 3.7 for deferred tax balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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 of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated Group are recognised by the Company (as head entity in the tax-consolidated Group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated Group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated Group in accordance with the arrangement.

Goods and services tax (GST)

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

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

2.5 Dividends

Distributions paid/payable

2016 final fully franked ordinary dividend franked at the tax rate of 30%

Total dividends

(a) Franking account balance:

Closing balance

Subsequent to year end, the franking account would be (decreased)/increased by income tax refunds as follows:

Subsequent to year end, the franking account would be reduced by the proposed dividend as follows:

Adjusted franking account balance

Cents per Share	CONSOLIDATED GROUP	
	2018 \$000	2017 \$000
	-	848
	-	848
	1,287	1,298
	-	-
	-	-
	1,287	1,298

2.6 Earnings per share

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

Earnings used to calculate basic earnings per share

Loss after income tax expense attributable to owners of the Company

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
(975)	(4,275)
(975)	(4,275)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



CONSOLIDATED GROUP	
2018 No.	2017 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	231,450,825
Weighted average number of dilutive rights outstanding (i)	213,078,010
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	-
	231,450,825
Basic loss per share (cents)	(0.4)
	(2.0)
Diluted loss per share (cents)	(0.4)
	(2.0)

(i) The impact of performance rights and options in 2018 and 2017 has not been factored into the calculation of the diluted earnings per share as the Group is in a loss position. The number of options and performance rights not included in diluted earnings per share calculation is 7,236,428 (2017: 8,392,007).

Basic earnings per share

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

Diluted earnings per share

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

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

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

3. Assets and Liabilities

3.1 Cash and restricted cash

Cash at bank and in hand
Restricted cash

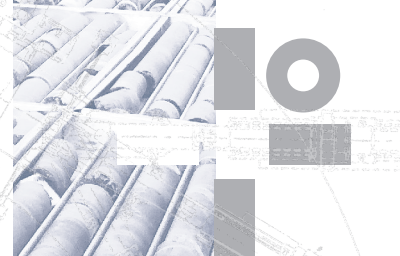
CONSOLIDATED GROUP	
2018 \$000	2017 \$000
10,914	8,810
547	-
11,461	8,810

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

The restricted cash relates to government grant received for a certain project within the Mineral Technology business and must be used for eligible expenditure under that project.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



Reconciliation of cash flow from operations with loss after income tax

Loss after income tax

Non-cash flows in loss

Depreciation and amortisation

Net loss on foreign exchange

Net gain on disposal of property, plant and equipment

Share options/performance rights expensed

Investment income classified as investing cash flow

Change in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:

Decrease in trade and other receivables

Decrease/(increase) in prepayments

(Increase)/decrease in inventories

Increase/(decrease) in trade payables

Increase in current tax liabilities

Decrease/(increase) in deferred tax assets

Increase in deferred revenue

Increase/(decrease) in provisions

Cash flow from operations

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
(975)	(4,559)
16,875	15,668
(44)	(20)
(82)	(131)
303	667
(120)	(108)
723	2,401
664	(263)
1,292	(2,165)
(3,906)	4,717
4	1,257
320	(238)
547	-
554	(971)
16,155	16,255

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

3.2 Trade and other receivables

CURRENT

Trade receivables

Accrued income

Rebates and credit offsets

Total current trade and other receivables

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
15,410	16,306
66	266
527	154
16,003	16,726

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



Fair values and credit risk

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

As at 30 June, the ageing analysis of trade and other receivables is as follows:

Current
Past due 0 to 30 days
Past due 31+ days

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
16,003	16,440
-	266
-	20
16,003	16,726

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

Amounts are considered as 'past due' when the debt has not been settled with the terms 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. None of the receivables past due are considered impaired as these amounts had either been collected, are expected to be collected or payment arrangements agreed prior to the date of this report.

3.3 Inventories

CURRENT

At cost
Raw materials and consumables
Allowance for obsolescence

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
15,972	18,086
(2,132)	(2,954)
13,840	15,132

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

Significant accounting estimates and assumptions

Net realisable value of inventories

Net realisable value of inventories

The Group reviews the net realisable value of inventory at the end of each reporting period. A decrease of \$1,167,000 (2017: increase of \$122,000) in allowance for obsolescence was recognised during the year as the company disposed of stock which had previously been provided against. An amount of \$345,000 (2017: \$255,000) was recognised as consumables expense in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

3.4 Property, plant and equipment

Plant and equipment

Gross carrying value – at cost

Accumulated depreciation and impairment

Net carrying value - plant and equipment

Leasehold improvements

Gross carrying value – at cost

Accumulated amortisation

Net carrying value - leasehold improvements

Office furniture and equipment

Gross carrying value – at cost

Accumulated depreciation

Net carrying value - office furniture and equipment

Motor vehicles

Gross carrying value – at cost

Accumulated depreciation

Net carrying value - motor vehicles

Net carrying value - total property, plant and equipment

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
198,839	196,126
(128,298)	(124,904)
70,541	71,222
3,450	3,256
(2,666)	(2,355)
784	901
7,954	7,650
(6,997)	(6,161)
957	1,489
19,620	18,758
(14,488)	(14,620)
5,132	4,138
77,414	77,750

Consolidated group

Balance at 1 July 2016

Additions (i)

Disposals

Exchange rate revaluation

Depreciation expense

Balance at 30 June 2017

Additions (i)

Disposals

Exchange rate revaluation

Depreciation expense

Balance at 30 June 2018

Plant and equipment \$000	Leasehold improvements \$000	Office furniture and equipment \$000	Motor vehicles \$000	Total \$000
70,105	1,150	2,065	4,316	77,636
14,065	27	241	1,727	16,060
(37)	-	-	(157)	(194)
(170)	-	(1)	(43)	(214)
(12,741)	(276)	(816)	(1,705)	(15,538)
71,222	901	1,489	4,138	77,750
12,833	190	313	2,478	15,814
(60)	-	-	(157)	(217)
398	3	1	39	441
(13,852)	(310)	(846)	(1,366)	(16,374)
70,541	784	957	5,132	77,414

(i) Additions include \$1,032,000 (2017: \$178,000) of development costs capitalised to plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



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

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

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

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

Depreciation

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

The following are the estimated useful lives for each class of property, plant and equipment:

Class of fixed asset	Useful life
Plant and equipment	2 - 20 years
Leasehold improvements	2 - 15 years
Office furniture & equipment	5 - 10 years
Motor vehicles	3 - 10 years

Significant accounting estimates and assumptions

Useful lives and residual values

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the year, the Company signed a lease for two years, and given the uncertainty of maintaining those premises beyond the initial lease term, improvements attached to this premises are depreciated over the life of the lease. No further changes to useful lives have been made for the financial year ending 30 June 2018.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



If the recoverable amount of the cash generating unit (or group of cash generating units) is less than the carrying amount of the cash generating unit (or groups of cash generating units), the impairment loss is allocated to the assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash generating unit (or groups of cash generating units).

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

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

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

For impairment purposes, intangible assets have been allocated to either the Underground Diamond drilling or the Mineral Technology CGUs.

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

Significant accounting estimates and assumptions

Fair value less costs of disposal

Determining whether the assets of the Group are impaired under this method requires an estimation of the market value of each asset individually and adjusting this value by expected costs required to dispose of the asset. Where the calculated value is less than the book value, an impairment loss may arise. In supporting the fair value less costs of disposal, the directors have engaged an independent valuer to estimate the value of the appropriate assets.

Impairment assumptions

Underground Diamond (UD) drilling

The impairment assessment of the UD CGU has been performed by engaging an independent third party to complete the valuation. The valuation, a Level 3 input in the fair value hierarchy, has been determined by capitalization of future maintainable earnings methodology, with historically achieved EBITDA (earnings before interest, tax, depreciation and amortisation expenses) used to estimate future earnings and the earnings multiple derived from trading multiples of listed companies with comparable operations to the UD CGU. A cost of disposal was then applied to the value.

Key assumptions used in the valuation were annual revenue of \$119 million to \$145 million, future maintainable earnings (EBITDA) margin of 16% to 18%, earnings multiple (on a control basis) of 4.0 times to 5.5 times and a cost of disposal of 2%.

Based on the independent valuation, no impairment expense has been recognised in the UD CGU (2017: nil).

Reverse Circulation (RC) drilling

The impairment assessment of the RC CGU has been performed using the fair value less cost of disposal method for each piece of equipment in the CGU and was undertaken by an independent third party. The valuation, a Level 3 input in the fair value hierarchy, was completed by comparing the available assets against recent sales of similar assets, then applying a 4% sales commission.

Based on the independent valuation, no impairment expense has been recognised in the RC CGU (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



Mineral Technology

The impairment assessment for the Mineral Technology CGU has been performed using the fair value less cost of disposal method and was undertaken by an independent third party. The valuation, a Level 3 input in the fair value hierarchy, was carried out by referencing the valuation implied in the buyout of minority shareholders and the associated equity raisings as announced in May 2017, and undertaking an evidence-based review of the risk profile and earnings potential of the CGU from this transaction date to year-end.

Based on the review, which identified a high earnings potential on achievement of key milestones, a moderate risk profile following the successful launch of the GeoCore X10 machine and technology and execution of commercial agreements with customers, no impairment has been recognised for the Mineral Technology CGU (2017: nil)

3.5 Intangible assets

Development costs

Drilling Services: amortising

Gross carrying value – at cost

Accumulated amortisation

Net carrying value – drilling services: amortising

Drilling Services: non-amortising

Mineral Technology: amortising

Gross carrying value – at cost

Accumulated amortisation

Net carrying value – mineral services: amortising

Mineral Technology: non-amortising

Total intangible assets

CONSOLIDATED GROUP	
2018	2017
\$'000	\$'000
9,294	8,864
(5,302)	(4,884)
3,992	3,980
585	858
7,417	-
(82)	-
7,335	-
762	7,330
12,674	12,168

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



	Drilling Services		Mineral Technology		Total
	Development amortising \$000	Development non-amortising \$000	Development amortising \$000	Development non-amortising \$000	\$000
Consolidated group					
Balance at 1 July 2016	1,758	2,509	-	5,812	10,079
Internal development	-	879	-	1,605	2,484
Transfers to plant and equipment	-	(178)	-	-	(178)
Transfers within intangibles	2,352	(2,352)	-	-	-
Exchange revaluation	-	-	-	(87)	(87)
Amortisation expense	(130)	-	-	-	(130)
Balance at 30 June 2017	3,980	858	-	7,330	12,168
Internal development	-	389	-	1,761	2,150
Transfers to plant and equipment	-	(232)	-	(800)	(1,032)
Transfers within intangibles	430	(430)	7,417	(7,417)	-
Exchange revaluation	-	-	1	(112)	(111)
Amortisation expense	(418)	-	(83)	-	(501)
Balance at 30 June 2018	3,992	585	7,335	762	12,674

Intangible assets in the Drilling Services business relate to development work being carried out on various projects that have the capability to improve drill rig efficiency, productivity, safety and reliability. Intangible assets in the Mineral Technology business relate to development undertaken to develop the Company's mineral scanning technology and machines.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



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

Useful life

Development costs - Drilling Services

Finite

Amortisation method used

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

Development costs - Mineral Technology

Finite

Amortisation method used

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

Significant accounting estimates and assumptions

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

Recoverability of internally generated intangible assets

Drilling Services

During the year, the directors considered the recoverability of the Group's capitalised development costs of \$4,577,000 (2017: \$4,838,000) as part of the UD CGU impairment assessment, refer to note 3.4.

Development projects continue to progress in accordance with the Group's project management plans. Research and development is conducted for the purpose of improved efficiency in the business' operations.

Mineral Technology

During the year, the directors considered the recoverability of the Group's capitalised development costs of \$8,097,000 (2017: \$7,330,000) as part of the Mineral Technology CGU impairment assessment, refer to note 3.4.

Development projects continue to progress in accordance with the Group's project management plans. During the year the company moved into the commercial phase of the project.

3.6 Other financial assets and liabilities

Other financial assets

Units in unlisted property trust

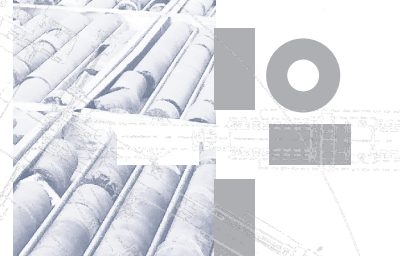
CONSOLIDATED GROUP	
2018 \$'000	2017 \$'000
1,630	1,380

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



Impairment of financial assets

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

Fair value

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

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

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

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

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a qualitative sensitivity analysis as at 30 June 2018 and 2017 are as shown below:

Financial asset	Fair value as at		Valuation technique	Significant unobservable input(s)	Sensitivity of the input to fair value
	30/06/18 \$'000	30/06/17 \$'000			
Investment in unlisted property trust (i)(ii)	1,630	1,380	Comparable Sales Method	Sales of sites within similar areas taking into account the location, size and condition of improvements to determine a rate per square metre of \$425-\$450 (2017: \$425 - \$450).	A \$25 per square metre increase in price would increase the value by \$124,000 (2017: \$94,000), and vice versa.

(i) A gain of \$250,000 (2017: \$100,000) resulting from the revaluation of the underlying property in the unit trust is recognised in other comprehensive income and accumulated in the asset revaluation reserve.

(ii) Investment income of \$120,000 (2017: \$108,000) received during the financial year from the investment in the unlisted property trust has been included in other income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

3.7 Net deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

Recognised deferred tax assets

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

Deferred tax assets

Set off of deferred tax liability

Net deferred tax assets

Recognised deferred tax liabilities

Consumables
Property, plant and equipment
Tax on asset revaluation

Deferred tax liabilities

Set off to deferred tax asset

Net deferred tax liabilities

Movements:

Opening balance 1 July
(Credit)/debit to the income statement
Credit to equity
Exchange rate revaluation

Closing balance at 30 June

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
2,457	2,724
-	2
69	3
1,906	1,705
2,228	1,143
6,660	5,577
(6,474)	(5,104)
186	473
(1,700)	(1,967)
(4,642)	(3,023)
(240)	(114)
(6,582)	(5,104)
6,474	5,104
(108)	-
473	265
(332)	271
(75)	(30)
12	(33)
78	473

As at 30 June 2018 the Company had \$2,755,000 (2017: \$1,758,000) in unrecognised tax losses, with time limits on utilisation between 12 and 20 years from the year of the loss.

Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



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

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

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

Current & deferred tax for the period

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

Significant accounting estimates and assumptions

Recoverability of tax losses

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

The directors have considered the recoverability of international tax losses as included in deferred tax balances at 30 June 2018 of \$0.2 million (2017: \$0.4 million). Tax losses have been recognised where they are available to be recovered over a period of not more than 10 years and it is probable that the Company will generate future profits to use the tax losses.

3.8 Deferred revenue

	CONSOLIDATED GROUP	
	2018 \$000	2017 \$000
Balance at 1 July	-	-
Government grant received during the year	1,396	-
Government grant released to the statement of profit or loss	(869)	-
Foreign exchange movement	20	-
Balance at 30 June	547	-
Current	547	-
Non-current	-	-
	547	-

Government grants have been received for specific projects within the Mineral Technology business. Certain conditions or contingencies are attached to these grants. Only eligible expenses will be reimbursed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



3.9 Borrowings

CURRENT

Secured liabilities

Hire purchase liabilities (i)

Bank loans (ii)

Total current borrowings

NON-CURRENT

Secured liabilities

Hire purchase liabilities (i)

Bank loans (ii)

Total non-current borrowings

Total borrowings

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
577	-
-	3,000
577	3,000
1,643	-
27,000	23,000
28,643	23,000
29,220	26,000

(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 5.4% (2017: 7.0%). Hire purchase liabilities are secured by the asset for which the agreement relates.

(ii) Bank loans are secured by fixed and floating charges over the Group's assets. During the 2018 year, the Company renewed its bank facility of \$29,500,000 with a maturity date of 31 January 2020. Details of the Group's exposure to interest rate changes on interest bearing liabilities are set out in Note 5.

Loans and borrowings are initially recognised at fair value, net of transaction costs. After the initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Changes in liabilities arising from financing activities

Consolidated group	Non-cash changes					2018 \$000
	2017 \$000	Cash flows \$000	New leases \$000	Foreign exchange movement \$000	Other \$000	
Current hire purchase liabilities	-	(300)	847	30	-	577
Current bank loans	3,000	-	-	-	(3,000)	-
Non-current hire purchase liabilities	-	-	1,643	-	-	1,643
Non-current bank loans	23,000	1,000	-	-	3,000	27,000
Total liabilities from financing activities	26,000	700	2,490	30	-	29,220

Available borrowing facilities

Consolidated group	Bank loans		Revolving credit		Bank guarantees		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Available facilities	29,500	29,000	2,819	-	500	500	32,819	29,500
Used at balance date	(27,000)	(26,000)	(2,220)	-	(469)	(430)	(29,689)	(26,430)
Unused at balance date	2,500	3,000	599	-	31	70	3,130	3,070

Nature of bank loans

Bank loans are secured by fixed and floating charges over the Group's assets.

Nature of revolving credit

The revolving credit relates to equipment hire purchase and leasing facilities.

Nature of bank guarantees

Bank guarantees relate to rental lease commitments.

Banking covenants

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

Fair values

Due to the variable interest rate for the majority of these borrowings their carrying value approximates their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



3.10 Provisions

CURRENT

Short-term employee benefits

Total current provisions

NON-CURRENT

Long-term employee benefits

Total non-current provisions

CONSOLIDATED GROUP	
2018 \$000	2017 \$000
5,243	4,819
5,243	4,819
729	599
729	599

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

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

Liabilities recognised in respect of long-term employee benefits are measured using the projected unit credit valuation method in respect of services provided by employees up to the reporting date.

4. Capital Structure

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 3.9, cash and equity attributable to equity holders of the Parent, comprising issued capital as disclosed in Note 4.1, reserved shares in Note 4.2, reserves as disclosed in Note 4.3, other equity and retained earnings.

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

	Note	CONSOLIDATED GROUP	
		2018 \$000	2017 \$000
Total borrowings	3.9	29,220	26,000
Less cash	3.1	(11,461)	(8,810)
Net debt		17,759	17,190
Total equity		83,308	83,730
Total capital		101,067	100,920
Gross gearing ratio (gross debt/equity)		35.1%	31.1%
Net gearing ratio (net debt/equity)		21.3%	20.5%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4.1 Issued capital

Movement in ordinary shares on issue

Balance at 1 July 2016

Issue of shares under the Company's Performance Rights Plan

Issue of shares through share placement

Transaction cost on share issue

Shares bought back during the year

Transaction costs on share buy back

Balance at 30 June 2017

Balance at 30 June 2018

CONSOLIDATED GROUP	
No.	\$000
212,259,097	75,036
200,000	-
20,246,938	4,960
-	(273)
(1,255,210)	(276)
-	(1)
231,450,825	79,446
231,450,825	79,446

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

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

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

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

4.2 Reserved Shares

Movement in reserved shares

Balance at 30 June 2016

Shares bought back during the year

Transaction costs on share buy back

Shares allocated to exercised performance rights

Balance at 30 June 2017

Shares bought back during the year

Shares allocated to exercised performance rights

Balance at 30 June 2018

CONSOLIDATED GROUP	
No.	\$000
-	-
1,709,685	(452)
-	(1)
(1,709,685)	-
-	(453)
800,064	(214)
(800,046)	-
18	(667)

Reserve for own shares

The reserve for the Company's own shares comprises the cost (net of tax) of the Company's shares held by the trustee of the consolidated entity's equity compensation plans which were purchased on-market in anticipation of vesting of share-based payment awards under the equity compensation plans. During the year 800,064 shares (2017: 1,709,685) were purchased by the employee share trust for a total cost of \$214,000 (2017: \$452,000) at an average price of \$0.267 (2017: \$0.265) per share. As at 30 June 2018, there are 18 (2017: nil) unallocated Swick shares held in trust.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4.3 Reserves

	Foreign currency translation reserve \$000	Asset revaluation reserve \$000	Share-based payments reserve \$000	Transactions with NCI reserve \$000	Total \$000
Consolidated Group					
Balance at 1 July 2016	841	196	1,567	-	2,604
Other comprehensive income/(loss) for the year	(376)	70	-	-	(306)
Share-based payments	-	-	667	-	667
Transactions with Non Controlling Interest	-	-	-	(1,005)	(1,005)
Balance at 30 June 2017	465	266	2,234	(1,005)	1,960
Other comprehensive income/(loss) for the year	289	175	-	-	464
Share-based payments	-	-	303	-	303
Balance at 30 June 2018	754	441	2,537	(1,005)	2,727

Foreign currency translation reserve

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

Asset revaluation reserve

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

Share-based payments reserve

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

Transactions with non-controlling interest (NCI) reserve

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

On 1 June 2017 the group acquired all of the non-controlling shareholders (17.6% held by passive shareholders, 11.9% by executive shareholders) in Orexplore AB for a consideration of \$3,108,000. Immediately prior to the purchase, the carrying amount of the existing 29.5% non-controlling interest in Orexplore AB was \$2,103,000. The group recognised a decrease in non-controlling interests of \$2,103,000 and a decrease in equity attributable to owners of the parent of \$1,005,000. The effect on the equity attributable to the owners of Swick Mining Services Limited during the year ended 30 June 2017 is summarised as follows:

	CONSOLIDATED GROUP	
	2018 \$000	2017 \$000
Carrying amount of non-controlling interest acquired	-	2,103
Consideration paid to non-controlling interests	-	(3,108)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	-	(1,005)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



Share-based payments

Share options

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

The weighted average fair value of the share options granted during the financial year is \$nil (2017:\$0.04). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options immediately after the vesting date.

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

	CONSOLIDATED GROUP			
	2018		2017	
	No.	Weighted average exercise price	No.	Weighted average exercise price
Balance at the beginning of the year	6,452,114	\$0.37	-	-
Granted	-	-	6,452,114	\$0.37
Balance at year end	6,452,114	\$0.37	6,452,114	\$0.37
Exercisable at year end	-	-	-	-

Performance rights plan

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

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

	CONSOLIDATED GROUP	
	2018 No.	2017 No.
Balance at the beginning of the year	1,939,893	200,000
Granted	-	3,756,645
Vested and exercised	(1,277,121)	(1,909,685)
Forfeited	(662,772)	(107,067)
Expired	-	-
Balance at year end	-	1,939,893
Exercisable at year end	-	-

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

Mineral Technology warrants

The unlisted warrants were offered under Orexplore shadow equity plan with nil issue price and nil exercise price and an ultimate expiry date of 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



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

	CONSOLIDATED GROUP	
	2018 No.	2017 No.
Balance at the beginning of the year	627,451	-
Granted	156,863	627,451
Vested and exercised	-	-
Forfeited	-	-
Expired	-	-
Balance at year end	784,314	627,451
Exercisable at year end	-	-

Each warrant is exercisable based on certain milestones being achieved regarding the commercialisation of Orexplora. Figures shown above represent the number of Swick shares that would have been exercised at grant date.

Share based payments

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

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

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

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

MD LTI plan

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



Executive LTI plan

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

The following table list the inputs to the models used for the plans for the year ended 2017. There were no issues in 2018.

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

Mineral Technology warrants

Following the purchase of non-controlling interest shares in Orexplore AB (Orexplore) in June 2017, employees of the company were offered warrants entitling them to Swick shares based on changes in the value of Orexplore over a period of up to five years. On 12 February 2018, 24 unlisted warrants (estimated to be 784,314 shares to be received at the end of vesting period) were issued to 8 Orexplore employees with nil issue price and nil exercise price and an ultimate expiry date of 31 December 2022. The valuation has been made using a Monte Carlo simulation approach where monthly time series for the share development has been simulated assuming a Brownian Motion development of the underlying share. Each warrant is exercisable based on certain milestones being achieved regarding the commercialisation of Orexplore and will entitle the holder to a number of Swick shares in accordance with a formula relating to the externally determined equity value of the Orexplore business unit, at the time of each milestone date in the future (i.e. the Valuation Date), multiplied by a relevant percentage (being 12.5% in aggregate for all of the Orexplore employees granted warrants), divided by the volume weighted average price of Swick shares for the 20 trading days prior to the relevant Valuation Date.

5. Financial Risk Management

Financial risk management objectives

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



Specific financial risk exposures and management

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

(a) Credit risk

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

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

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

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

(b) Liquidity risk

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

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 3.9 is a listing of undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

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

	WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Consolidated Group								
Financial liabilities:								
Trade and other payables	15,413	19,319	-	-	-	-	15,413	19,319
Bank and other loans including payable interest	1,235	4,026	27,727	23,552	-	-	28,962	27,578
Hire purchase liabilities including future finance charges	680	-	1,768	-	-	-	2,448	-
Total	17,328	23,345	29,495	23,552	-	-	46,823	46,897

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group has entered into fixed and floating rate funding agreements with one financial institution to manage its exposure to interest rate risk. The Group is also exposed to financial risks of changes in foreign currency exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

(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 2018 none (2017: 11.5%) of Group debt is fixed. A one percentage point increase/decrease in interest rates would result in a net profit after tax decrease/increase of approximately \$189,000 (2017: \$161,000).

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

	CONSOLIDATED GROUP			
	Effective average fixed interest rate payable		Notional principal	
	2018	2017	2018	2017
	%	%	\$000	\$000
Fixed rate instruments				
Less than 1 year	5.42	3.68	577	3,000
1 to 2 years	5.42	-	602	-
3 to 5 years	5.42	-	1,041	-
			2,220	3,000

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

	CONSOLIDATED GROUP			
	Effective average variable interest rate payable		Notional principal	
	2018	2017	2018	2017
	%	%	\$000	\$000
Floating rate instruments				
Bank loans	3.24	3.26	27,000	23,000

The Group cash balance at 30 June 2018 was \$11,461,000 (2017: \$8,810,000). These funds do not attract interest (2017: 0.73% per annum).

(e) Foreign exchange risk

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

The table below details the Group's net financial assets/liabilities that have exposure to foreign currency.

		CONSOLIDATED GROUP	
		2018 \$000	2017 \$000
Canadian dollar		(19)	(305)
US dollar		1,956	1,136
Euro		1,147	1,674
Swedish krona		352	(87)
Total		3,436	2,418

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

	CONSOLIDATED GROUP	
	Post tax profit higher/(lower)	
	2018 \$000	2017 \$000
Australian Dollar increases 10%		
Canadian dollar	103	123
US dollar	(127)	(133)
Euro	(69)	(61)
Swedish krona	87	50
Australian Dollar decreases 10%		
Canadian dollar	(126)	(150)
US dollar	156	162
Euro	85	74
Swedish krona	(107)	(62)

(f) Equity price risk

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. At the reporting date, the exposure to unlisted equity securities at fair value was \$1,630,000. Sensitivity analysis of this investment has been provided in Note 3.6.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

6. Other Notes

6.1 Leasing and other commitments

	Note	CONSOLIDATED GROUP	
		2018 \$000	2017 \$000
(a) Hire purchase commitments			
Payable – minimum lease payments			
Not later than 12 months		680	-
Between 12 months and 5 years		1,768	-
Later than 5 years		-	-
Minimum lease payments		2,448	-
Less future finance charges		(228)	-
Present value of minimum lease payments		(2,220)	-
Comprising:			
Current liability	3.9	577	-
Non-current liability	3.9	1,643	-
Total financial liability		2,220	-
(b) Operating lease commitments			
Payments recognised as an expense	2.3	1,666	1,531
Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable minimum lease payments			
Not later than 12 months		1,851	1,398
Between 12 months and 5 years		6,744	4,110
Later than 5 years		8,401	7,915
		16,996	13,423

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating leases relate to leases of business premises with terms of between 1 to 15 years. All operating lease contracts contain clauses for yearly rental review in line with the Consumer Price Index (CPI) or a yearly fixed 3% increase. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

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

6.2 Contingent liabilities

	CONSOLIDATED GROUP	
	2018 \$000	2017 \$000
Bank guarantees	469	430

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

6.3 Parent information

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

	PARENT	
	2018 \$000	2017 \$000
Statement of financial position		
Assets		
Current assets	41	19
Non-current assets	66,159	66,018
Total assets	66,200	66,037
Liabilities		
Current liabilities	787	882
Non-current liabilities	-	-
Total liabilities	787	882
Equity		
Issued capital	92,995	92,995
Accumulated losses	(30,119)	(30,074)
Reserves	2,537	2,234
Total equity	65,413	65,155
Statement of comprehensive loss		
Total loss	(45)	(843)
Total comprehensive loss	(45)	(843)
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Guarantee provided under the deed of cross guarantee	48,314	48,528

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

There are no commitments or contingent liabilities in the Parent Entity at 30 June 2018 (2017: nil).

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

6.4 Controlled entities

(a) Controlled entities consolidated

	Country of incorporation	PERCENTAGE OWNED (%)	
		2018	2017
Parent entity:			
Swick Mining Services Ltd	Australia	100	100
Incorporated subsidiaries:			
Subsidiaries who are parties to a deed of cross guarantee:			
SMS Operations Pty Ltd	Australia	100	100
SMS Asset Holdings Pty Ltd	Australia	100	100
Swick Engineering Pty Ltd	Australia	100	100
Other Subsidiaries of Swick Mining Services Ltd:			
Swick Mining Services (Indonesia) Pty Ltd	Australia	100	100
Swick Mining Services (Canada) Inc	Canada	100	100
Swick Mining Services (USA) Inc	USA	100	100
Swick Drilling Portugal Unipossal Lda	Portugal	100	100
Swick Drilling Europe Ltd	United Kingdom	100	100
Orexlore AB	Sweden	100	100
Orexlore Australia Pty Ltd*	Australia	100	-
Interest in trusts:			
Swick Mining Services Ltd Employee Share Trust	Australia	100	100

* The entity was incorporated in 2018.

(b) Deed of cross guarantee

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

Statement of Profit or Loss and Other Comprehensive Income

Continuing operations

	2018 \$000	2017 \$000
Revenue	118,582	112,877
Other income	1,380	1,608
Raw materials and consumables used	(22,832)	(22,979)
Employee benefits expense	(64,317)	(64,288)
Depreciation and amortisation expense	(15,036)	(14,067)
Impairment of intercompany receivables	-	(8,928)
Finance costs	(1,313)	(1,021)
Other expenses	(16,667)	(16,028)
Loss before income tax	(203)	(12,826)
Income tax (expense)/benefit	(87)	1,193
Net loss from continuing operations after tax	(290)	(11,633)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Net fair value gain on available-for-sale financial assets	175	70
Other comprehensive income for the year, net of tax	175	70
Total comprehensive loss for the year	(115)	(11,563)

Summary of movements in retained earnings

	2018 \$000	2017 \$000
Retained earnings at the beginning of the year	488	12,969
Loss for the year	(290)	(11,633)
Dividends recognised for the year	-	(848)
Retained earnings at the end of the year	198	488

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Statement of Financial Position

Assets

Current assets

Cash
Trade and other receivables
Inventories
Prepayments
Current tax assets

Total current assets

Non-current assets

Intercompany receivables
Property, plant and equipment
Intangible assets
Other financial assets
Net deferred tax assets

Total non-current assets

Total assets

Liabilities

Current liabilities

Trade and other payables
Borrowings
Provisions

Total current liabilities

Non-current liabilities

Intercompany payables
Borrowings
Provisions
Net deferred tax liabilities

Total non-current liabilities

Total liabilities

Net assets

Equity

Issued capital
Reserves
Retained earnings

Total equity

2018 \$'000	2017 \$'000
8,978	6,505
12,365	14,485
11,761	13,111
1,267	1,819
1	-
34,372	35,920
13,423	13,738
64,291	65,972
4,576	4,837
14,352	10,519
-	53
96,642	95,119
131,014	131,039
14,150	10,296
468	3,000
4,677	4,633
19,295	17,929
-	6,999
28,183	23,000
728	599
108	-
29,019	30,598
48,314	48,527
82,700	82,512
79,490	79,490
3,012	2,534
198	488
82,700	82,512

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

6.5 Related party transactions

Ultimate parent

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

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

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

6.6 Key management personnel compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2018.

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

	CONSOLIDATED GROUP	
	2018 \$	2017 \$
Short-term employee benefits	1,932,047	2,599,895
Long-term employee benefits	12,163	17,219
Post-employment benefits	451,722	153,056
Share-based payments	275,680	197,966
Total KMP compensation	2,671,612	2,968,136

6.7 Auditor's remuneration

	CONSOLIDATED GROUP	
	2018 \$	2017 \$
Remuneration of the auditor for:		
- Audit and review of the financial report	95,000	95,000
- Tax and related matters	43,160	94,417
- Other services	36,125	66,466
	174,285	255,883

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

6.8 Events after the reporting period

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

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
 - (a) the financial statements and notes of Swick Mining Services Limited for the financial year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.2; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

On behalf of the Directors



Kent Swick

Managing Director

Dated this 28th day of August 2018

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Swick Mining Services Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a. giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT



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

Why significant	How our audit addressed the key audit matter
<p>As at 30 June 2018 the Group had non-current assets totaling \$80,883,000 comprising property, plant and equipment, and drilling rig development intangible assets (refer to Notes 3.4 and 3.5 to the financial report).</p> <p>At the end of each reporting period, the Directors exercise judgment in determining whether there are any indicators of impairment present. If any such indication exists, the entity estimates the recoverable amount of the relevant asset.</p> <p>Impairment indicators were identified by the Group and impairment tests were performed for all of the Group's Cash Generating Units (CGUs) at 30 June 2018. No impairment was recognised by the Group as a result of this assessment. Refer to Notes 3.4 and 3.5 to the financial report for further details relating to the Group's impairment assessment.</p> <p>We focused on this matter because of the significant judgment and estimates involved in the determination of the recoverable amount of the Underground Diamond Drilling and Reverse Circulation Drilling CGUs.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">▸ Examined the third party valuation reports obtained by the Group to assess whether the valuations supported the carrying values of the assets.▸ Assessed the qualifications, competence and objectivity of the external valuation experts.▸ With the involvement of our valuation specialists we evaluated the appropriateness of the inputs, assumptions and methodologies used by the external valuation experts.▸ Performed sensitivity analyses to ascertain the extent to which changes in assumptions could lead to alternative conclusions.▸ Assessed the adequacy of the disclosure in Notes 3.4 and 3.5 of the financial report.

INDEPENDENT AUDITOR'S REPORT



Recognition and recoverability of the Orexplore mineral analysis technology intangible asset

Why significant

As disclosed in Note 3.5, the Group has capitalised development costs of \$8,097,000 as at 30 June 2018 relating to the development of the Orexplore mineral analysis technology intangible asset.

The analysis of the recognition and recoverability of internally developed intangible assets was significant to our audit because it is judgmental and is based on assumptions and estimates that are affected by expected future performance and market conditions. The costs of development are capitalised as intangible assets where the investment they represent has demonstrable value and the technical and commercial feasibility is probable. The Group exercises judgment in determining which costs meet the Australian Accounting Standards' criteria for capitalisation and when considering the recoverability of these assets.

The Group performed an impairment assessment on the capitalised costs relating to the Group's Orexplore technology and concluded based on this assessment that no impairment was required at 30 June 2018. Refer to notes 3.4 and 3.5 to the financial report for further details.

How our audit addressed the key audit matter

We assessed the eligibility and allocation of the development costs for capitalisation as an intangible asset by selecting a sample of expenditure and determining whether it was capitalised in accordance with Australian Accounting Standards.

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

- ▶ We examined the third party valuation report obtained by the Group to assess whether the valuation supported the carrying value of the asset
- ▶ With the involvement of our valuation specialists we evaluated the appropriateness of the assumptions and methodologies used by the Group's external valuation experts to test the impairment of the Orexplore technology asset and outlook on market technology.
- ▶ We assessed the qualifications, competence and objectivity of the external valuation experts which included considering their experience
- ▶ We reviewed the Board of Directors minutes, Orexplore Managing Director's reports and Orexplore strategic plan in order to understand the future plans for the asset and whether there was any potential contradictory information within these reports.
- ▶ We assessed the adequacy of the related disclosures in Notes 3.4 and 3.5 of the financial report.

INDEPENDENT AUDITOR'S REPORT



Information other than the financial report and auditor's report

The Directors are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

INDEPENDENT AUDITOR'S REPORT



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Swick Mining Services Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT



Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

Ernst & Young

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

Gavin Buckingham
Partner
Perth
28 August 2018

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

GB:EH:SWICK:018

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2018

The additional information set out below is current as at 14 August 2018 and is provided in accordance with the ASX Listing Rules.

1. Substantial shareholders

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

SHAREHOLDER	NUMBER OF SHARES	%
Kent Jason Swick	33,117,498	14.31
Circle 5 Management Pty Ltd (formerly Hercules International Pty Ltd)	29,053,502	12.55
IOOF Holdings Limited	28,910,927	12.49
Vanshup Capital LLC	21,739,586	9.39
Rosanne Thelma Swick	13,924,524	6.02

2. Distribution schedule of equity security holders

	NUMBER OF HOLDERS		
	Fully paid shares	Unlisted options	Unlisted warrants
1 – 1,000	333	-	8
1,001 – 5,000	516	-	-
5,001 – 10,000	265	-	-
10,001 – 100,000	585	-	-
100,001 and over	113	1	-
Total number of holders	1,812	1	8

3. Holders of unmarketable parcels

There are 563 shareholders holding less than a marketable parcel of ordinary shares (based on a market price of \$0.22 per share).

4. Classes of shares and voting rights

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

5. Register of securities

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

6. Stock Exchange listing

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

7. On-market buy-back

No on-market buy-back is currently being undertaken by the Company.

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2018

8. Corporate governance statement

The Company's 2018 corporate governance statement can be viewed at <http://swickmining.com/corporate-governance-policies/>.

9. Twenty largest holders of fully paid shares

SHAREHOLDER	SHARES	%
1. Circle 5 Management Pty Ltd	27,712,257	11.97
2. HSBC Custody Nominees (Australia) Limited	22,202,806	9.59
3. HSBC Custody Nominees (Australia) Limited <GSCO ECA>	21,739,586	9.39
4. JP Morgan Nominees Australia Limited	13,530,154	5.85
5. Kent Jason Swick	13,182,410	5.70
6. Tanya Michelle Swick	13,182,410	5.70
7. Rosanne Thelma Swick	12,774,524	5.52
8. BNP Paribas Noms (NZ) Limited <DRP>	12,434,093	5.37
9. BNP Paribas Noms Pty Ltd <DRP>	9,441,240	4.08
10. National Nominees Limited	9,242,580	3.99
11. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	7,738,181	3.34
12. Kent Swick & Tanya Swick	5,748,698	2.48
13. BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	5,469,608	2.36
14. Zero Nominees Pty Ltd	2,471,540	1.07
15. Jared Lawrence & Kathryn Zaccaria	1,879,478	0.81
16. Carl Holt & Lorraine Holt	1,259,430	0.54
17. K & T Swick Pty Ltd	1,208,664	0.52
18. Cooe Investments Pty Ltd	960,000	0.42
19. Morgan Stanley Australia Securities (Nominee) Pty Ltd	882,216	0.38
20. Gary Lillicrap, Damian Lillicrap & Imelda Lillicrap	753,000	0.33
	183,812,875	79.41

10. Unquoted securities

The following classes of unquoted securities are on issue:

Security	Number on issue	Holders of greater than 20% of each class of security		
		Name of holder	Number	%
Options over fully paid shares exercisable:				
- at 37 cents each on or before 30.06.20	6,452,114	K & T Swick Pty Ltd	6,452,114	100.00
Warrants over fully paid shares:				
- maturity date of 31.12.22	24			



SWICK MINING SERVICES LTD

(ABN 20 112 917 905)

64 Great Eastern Highway
South Guildford, Western Australia 6055

T +61 8 9277 8800

F +61 8 9277 8844

E info@swickmining.com

swickmining.com