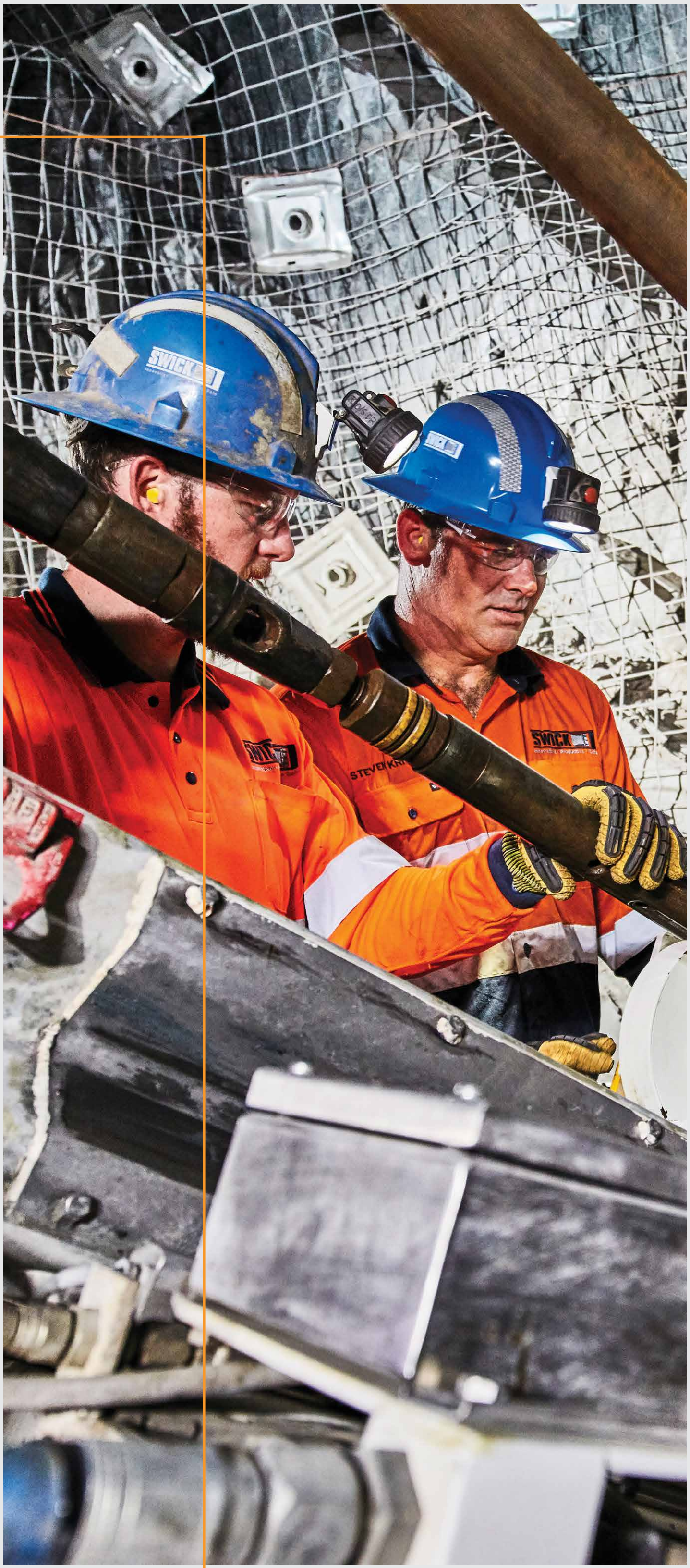
Innovative • Productive • Safe

ANNUAL REPORT 2020

THE LEADER IN MINERAL DRILLING



CORPORATE DIRECTORY

Directors

Andrew Simpson -
Non-Executive Chairman

Kent Swick -
Managing Director

Ian McCubbing -
Non-Executive Director

Stuart Carmichael -
Non-Executive Director

Alan Bye -
Non-executive Director

Company Secretary

Frank Campagna

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ASX Code: SWK (fully paid shares)

Listed on the Australian Securities Exchange

ABN: 20 112 917 905

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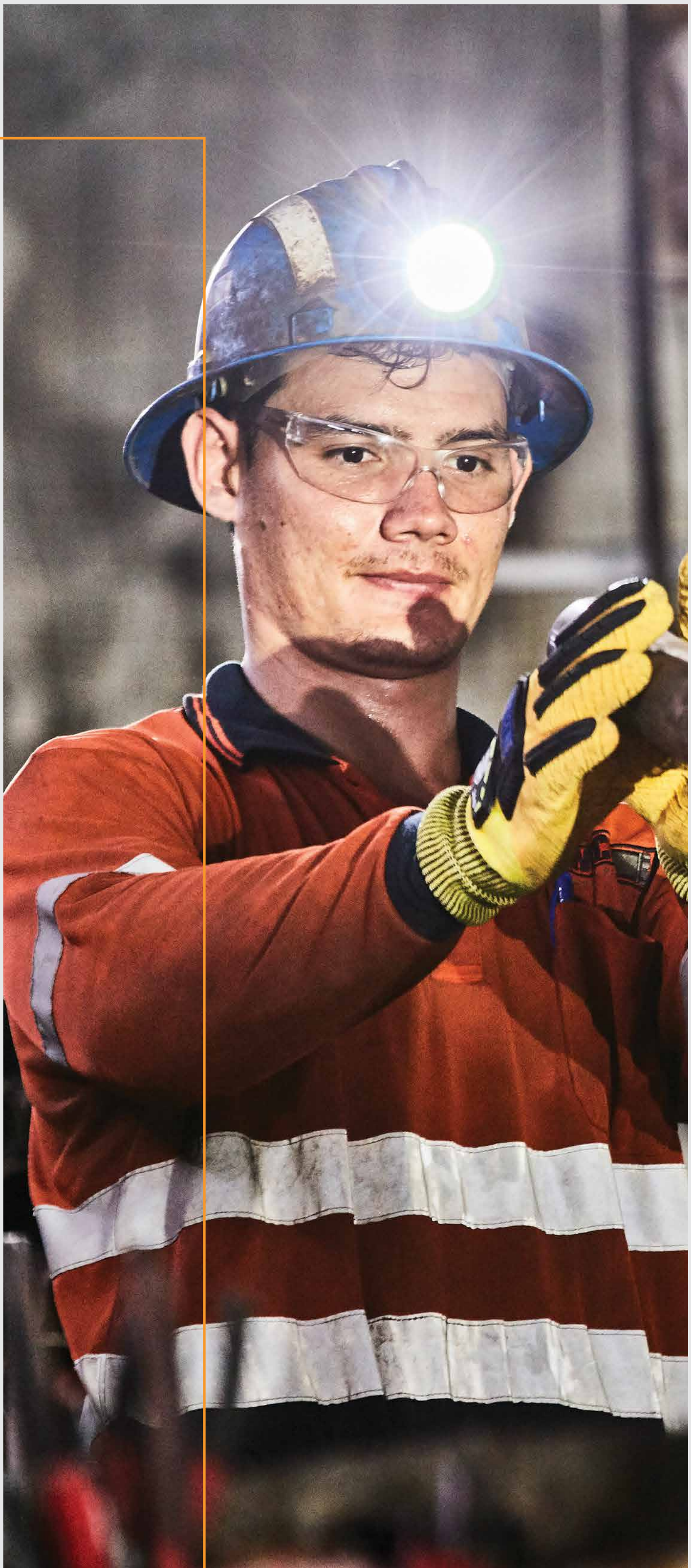


2020 MILESTONES

Revenue

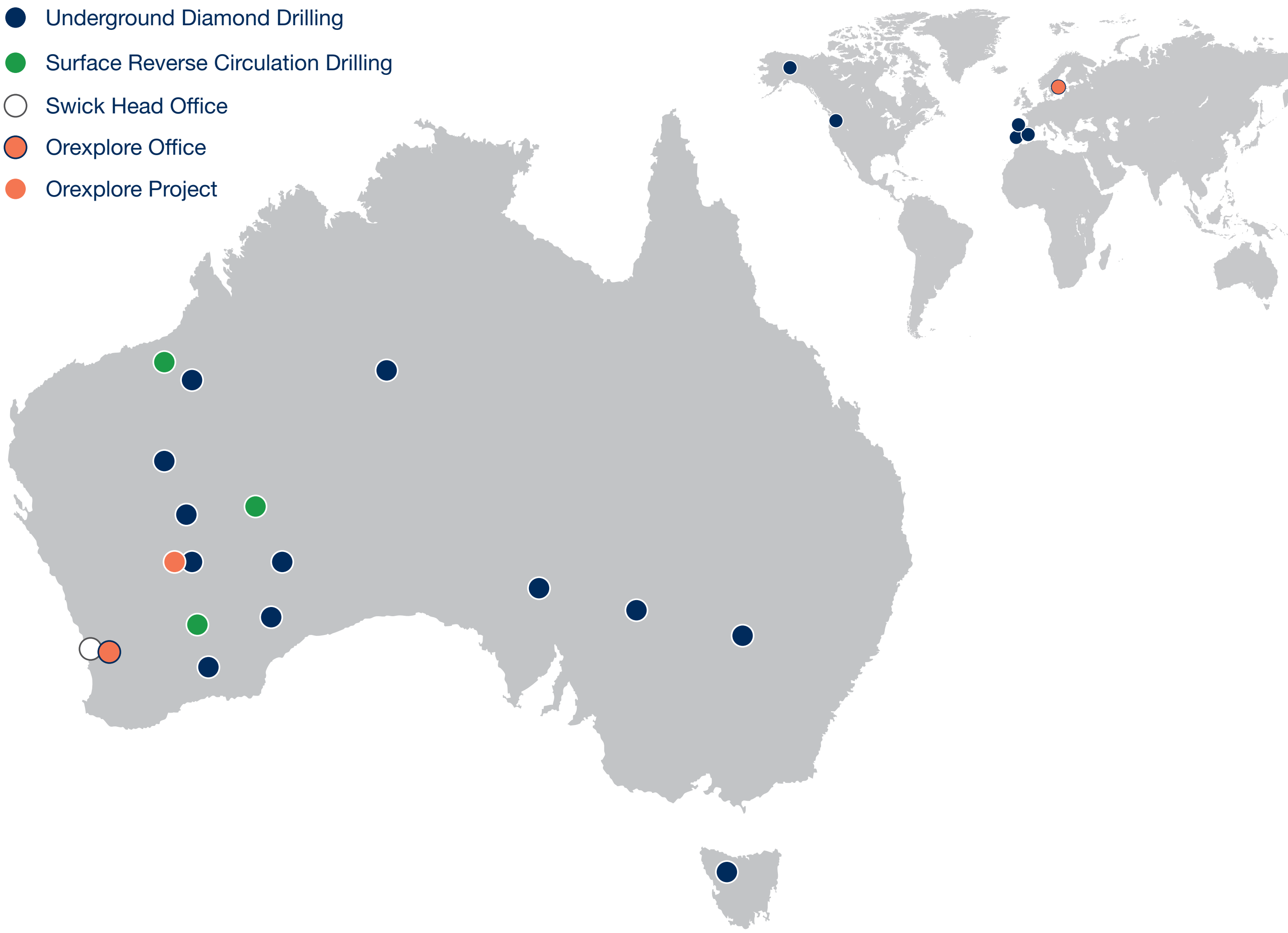
↑ **4.7%**

Underground Metres Drilled

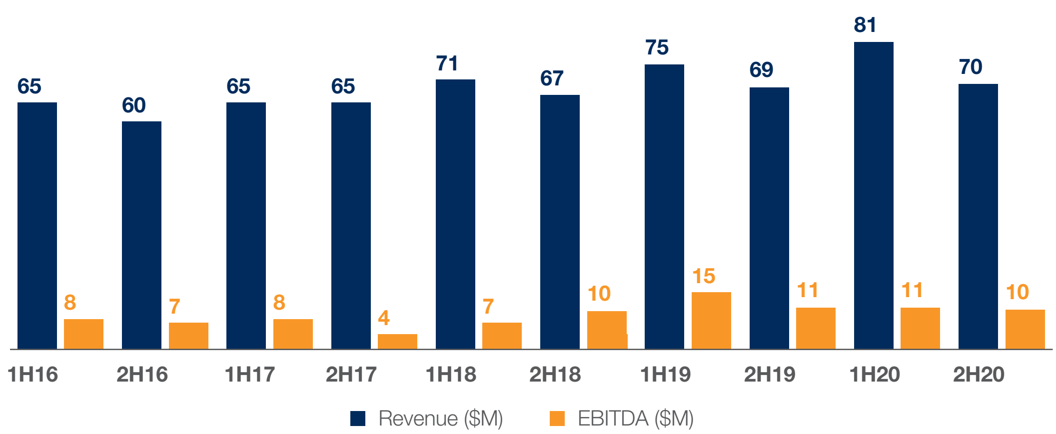
↑ **9.1%**

- 63% of revenue from Gold and 14% from Copper
- Drilling Business EBIT of $3.3M and free cash flow of $3.3M despite Pogo ramp-up costs and COVID-19 disruptions

OUR LOCATIONS



Consolidated – Half Yearly Revenue and EBITDA FY16 to FY20



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 2020 Annual Report.

The 2020 financial year (FY2020) has presented a unique and challenging set of circumstances with the onset of the COVID-19 pandemic. Swick quickly adapted during this unprecedented period to protect its people from COVID-19 and limit the impact to stakeholders. This has included working carefully with our clients to ensure business continuity and safety during the pandemic, such as amending rosters and accommodating employees in local towns close to site to minimise the impact of travel restrictions.

Swick also took proactive measures to ensure the business remained as resilient as possible in these potentially uncertain times. This involved a strategic initiative to reduce Swick's head office staffing numbers by 20%, which included some workshop personnel, resulting in an annualised reduction of more than $1.6 million in salaries and wages. There was also a temporary reduction in senior management salaries and director fees during Q4 FY2020 whilst we worked through the restructuring process.

The business did experience some relatively significant operational impact from COVID-19 which led to the Company withdrawing FY2020 earnings guidance in March 2020. Swick maintains operating sites in Australia, USA, Portugal and Spain, and various state and local regulations in relation to the pandemic risk management meant that six rigs across client sites were suspended from March. Thankfully, at financial year end, those suspended rigs were all back at work.

Notwithstanding the impact of COVID-19, Swick continued to progress its strategy of establishing a clear value proposition for shareholders from the Company's two distinct businesses, the Drilling Business and Mineral Technology Business, Orexplore.

In the Drilling Business, our strategy has been to enhance earnings from existing projects and increase utilisation from our fleet of underground diamond drilling rigs. During FY2020, Swick successfully secured two new contracts with existing clients, at Northern Star's Pogo mine in Alaska for eight rigs and Silver Lake Resources' Mt Monger operations in Western Australia for four rigs, in line with this strategy. Swick has also been investing in adding purpose-built DeepEX mobile rigs to the fleet that are currently in build. These DeepEX rigs will represent the world's most powerful underground mobile drills and will have capacities to drill exploration holes up to 3,000 metres of NQ2 core, providing significant opportunity to Swick's clients.

Post period end, Swick was pleased to secure a significant five-year contract to provide drilling services at BHP's Olympic Dam mine in South Australia. Swick has been working with up to five rigs at Olympic Dam since 2017. The new contract will see Swick increase its rig volume at site, with the first year's scope requiring an initial eight rigs, with five to be added to the three currently operating at site.

In the Mineral Technology Business, Orexplore took significant steps towards commercialisation of its unique and valuable technology. During FY2020 Orexplore had two site-based trials underway, moving into phase two data analysis of core scanning data. The first trial was a mobile laboratory containing three GeoCore X10 core scanning instruments at Sandfire Resources' DeGrussa Copper-Gold mine for a three-month pilot project before moving to phase two. Approximately 9,000 metres of core was scanned over a three-month period, generating 20TB of 3D data – the largest and most continuous dataset of its kind in the world for a single mine site. With the trial complete, Orexplore engaged two world-class subject matter experts to assist Sandfire and other potential clients understand the benefits of a comprehensive Orexplore data set. The second trial was a commercial five-month pilot project together with Boliden AB, a Swedish mining and smelting company operating in northern Europe focused on base and precious metals.

We are also extremely pleased that Orexplore was awarded its first infield commercial agreement, secured post period end. Under the agreement with St Barbara Limited, approximately 1,500 metres of core will be scanned per month over a six-month period at the Gwalia Mine in Leonora. The agreement has a value of approximately $700,000 over the six-month period.

As the Drilling Business and the Mineral Technology Business are completely separate and standalone divisions with their own teams, targets, and value propositions, during FY2020 the Board commenced a strategic review to consider the optimal corporate structure. The strategic review followed significant growth and progress Swick has made in building a leading, cash generating international drilling business and the significant progress made in progressing Orexplore, with the technology commencing commercialisation. In completing this review, the Board reached an in-principle conclusion that a demerger would allow the two businesses to pursue their respective strategies and deliver the greatest value to shareholders. This will be pursued in FY2021.

Swick shareholders have provided the venture capital generated by the Drilling Business to fund the emerging Mineral Technology Business, and we are confident these funds have been well used and that the Orexplore investment will deliver an excellent return for them.

FY2020 financial results

The Drilling Business delivered revenue of $149.6 million (2019: $142.9 million) and an EBITDA of $24.6 million (2019: $28.2 million), with the reduction reflecting the impact from COVID-19 and ramp up costs from the significant Pogo contract in Alaska at the start of the year. Drilling Business EBIT of $3.3 million was lower than FY2019 as a result of higher depreciation on the back of increased rigs at work.

The Mineral Technology Business reported an EBITDA loss of $4.5 million (2019: $3.3 million EBITDA loss), reflecting Orexplore's position along the commercialisation pathway.

At a Group level, Swick reported a Net Loss After Tax of $6.0 million, reflecting the ongoing investment in the start-up Mineral Technology Business weighing against the profitable, mature Drilling Business.

Financial position

Critically in the uncertain economic environment from COVID-19, Swick maintained a strong financial position in the year. As at 30 June 2020, Swick's gearing was 10.6 per cent (excluding lease liabilities defined under AASB 16), with $12.7 million cash and debt of $22.5 million excluding AASB16 lease liabilities with an additional $18.5 million in undrawn facilities. This included funds from a $15 million Placement and $2 million Share Purchase Plan (SPP) undertaken in November 2019.

The Company has used its strong position to focus on providing value for shareholders, paying a fully franked interim dividend of 0.3 cents per share on 17 April 2020 as originally planned and launching a $1 million on-market buyback program. By 30 June 2020, Swick had bought back $0.7 million in shares under this program. Subsequent to year end, the Board elected to extend the on-market buyback program by a further $1 million worth of shares, for a total of $2 million worth of shares. The Company's stable financial position coupled with ongoing earnings from the Drilling Business also enabled the Board to declare a fully franked final dividend of 0.3 cents per share for FY2020.

These capital management decisions were carefully considered by the Board and seen as an appropriate tool to provide ongoing value for shareholders.

Safety

Safety continues to be an integral part of the Swick brand and underpins everything we do. During FY2020 the Company continued to improve its safety performance with 8 months of the year under the Total Recordable Injury Rate (TRIFR) target of 10.

Swick continues to explore and implement engineering controls to mitigate injury and improve safety, and several projects are currently underway addressing the manual handling of rods and inner tubes. Underground rod handling developments moving from R&D and prototypes into the field in 2H FY2020, have also greatly reduced manual handling and risk of injury.

Our employees are backed by a comprehensive safety and training system and our safety culture is well recognised and appreciated by our clients.

Research & Development (R&D)

Swick's dedicated R&D department has continued to develop the next generation of drilling equipment and systems to benefit the industry. This includes:

- The development of a Gen3 prototype mobile underground diamond drill rig that can provide an approximate 50% energy saving on a metre for metre basis over standard rigs.
- Innovative rod handling solutions to lower the total weight experienced by its underground personnel by over 50% for each shift.
- An in-house automation package is also ready for deployment that will allow drillers to confidently leave the rig drill controls and free them up to undertake any number of tasks without compromising productivity.

As noted above, Swick also continues to establish its DeepEX division, which was launched in FY2020. The DeepEX division will have the most powerful rigs available in the underground market, with shorter length holes and a significantly lower cost per metre than drilling from surface. Two DeepEX hybrid rigs are currently deployed at client sites.

The Mineral Technology Business with its separate R&D team continues to improve its GeoCore X10 instrument and the associated Insight software to further enhance the opportunity for clients to use the innovative Orexplore technology. R&D work continues on the world first gold spectrometer with promising laboratory testing being undertaken at present on a multi-channel spectrometer.

Strategic Focus

Swick's strategy is centred on growing and developing its two distinct businesses – the Drilling Business, which is the driver of our earnings, with a strong order book and solid tender pipeline, and the Mineral Technology Business, which has the potential to disrupt the multi-billion dollar a year minerals analysis industry.

In our Drilling Business the focus lies on enhancing productivity and cost efficiency from rigs. Swick has been successful in its strategy of shifting rigs onto better performing contracts and new projects, achieving cost reductions and productivity improvements.

In FY2020 Swick mobilised to a long term, multi-rig contract at the Pogo Mine, Alaska for our client Northern Star Resources. The contract took longer to establish than anticipated and we carried higher costs with ex-patriate trainers and supervision for longer than anticipated. We are pleased to say that has normalised and the contract is now performing at similar levels to the rest of the underground diamond drilling business with further potential for improvement.

A priority in FY2021 will be to capture further opportunities to increase utilisation of our mobile underground diamond drilling rigs, with no additional growth capital beyond the DeepEX rigs. Post financial year end, Swick signed a two-year contract extension with a two-year option at – Northern Star Resources' Jundee Gold operations – following a competitive tender process. This is Swick's largest contract with 15 rigs currently deployed, and the Jundee scope is one of the largest underground drilling programs in the world. In addition to a two-year contract extension awarded at Perilya's Broken Hill operation in New South Wales.

Swick has also been awarded a five-year contract at BHP's Olympic Dam mine in South Australia with the first year's scope requiring an initial eight rigs. Internationally, the Company also won a five-year contract from Minas de Aguas Teñidas SAU (MATSA) at its copper operations in Spain, with two rigs currently deployed.

The contract awards brought Swick's total order book to $363 million entering FY2021, providing a solid platform for the Drilling Business for the year. We do, however, remain cognisant of the ongoing potential impacts from COVID-19 and will continue to work closely with clients to minimise disruption and ensure strong rig utilisation.

In addition to our mobile underground diamond drilling rig fleet, we will also target additional opportunities for three additional DeepEX rigs currently in build. Meanwhile, the Reverse Circulation (RC), or above ground, component of the Drilling Business, entered FY2021 with three RC rigs in work out of a total of six surface RC rigs.

In the Mineral Technology Business, with its own dedicated resources and set of strategic initiatives being pursued, Swick will continue to work with clients to convert Orexplore's continuous data sets into actionable geological insights for more efficient mining and exploration processes. The Company has undertaken successful site-based trials to validate the opportunity for the technology which have resulted in Orexplore being awarded its first ever infield commercial agreement with St Barbara.

The Future

Swick enters FY2021 in a stable operational position on the back of successfully and safely executing work at secured projects, and the latest contract extensions provide a solid foundation for our Drilling Business in FY2021.

Our key focus will remain the successful and safe execution of work at secured projects, whilst driving the commercialisation of Orexplore, and focusing on the demerger of the two distinct businesses to provide further value to shareholders. This all backed by solid cash flow generation to support returns to shareholders.

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 to mitigate the impacts during the challenging COVID-19 times. I would also like to thank the rest of the Board, with the latest additions of Non-Executive Directors Alan Bye and Stuart Carmichael, alongside former Non-Executive Directors Phillip Lockyer and David Nixon for their valuable contribution to the Company over the past 11 years.

Importantly I would like to recognise the broader Swick team – a committed group of people leading the Company forward day-in and day-out. I would also like to thank Swick's clients, partners and suppliers for the continued support towards our business.

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

Yours faithfully,

Andrew Simpson
Chairman

DRIVING INNOVATION

At Swick we demonstrate a culture of innovative thinking in the pursuit of excellence. Driving our innovative spirit is our internal research and development team who are always striving to provide the safest, most cost-effective solutions to our clients.

SWICK APPROACH

WHAT DRIVES US

We believe in providing our clients with the lowest total cost per metre drilling solutions.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

2020 Financial Year Overview

The 2020 financial year (FY2020) was a challenging year for Swick, reflecting the longer than expected ramp up of our operations at Pogo gold mine in Alaska and the impact of COVID-19 that ultimately affected every region in which we work. Thankfully those headwinds have passed and whilst COVID-19 is still a risk to the business, the impact has been reduced to an insignificant financial impact at present. The crews, however, are doing a magnificent job with many undertaking extended rosters to allow for isolation requirements and as a consequence are spending months away from home each swing. The mental health and wellbeing of those workers affected including their families are at the forefront of our minds and Swick has a strong health check program to ensure everyone is okay during these unusual times.

Specifically, the Pogo contract is an eight rig contract and a major, long term opportunity for Swick's North American business and mobilisation began in June 2019 and was operating with all eight rigs by October 2019. Training of additional crews and establishing the largest FIFO site that the US division has ever operated took longer than we planned. As a result the first half of FY2020 saw Pogo operate at a gross loss, with a major turnaround in the second half that saw a gross profit per shift similar to that of the rest of the underground drilling business even with the site being affected temporarily with COVID-19 crew restrictions in the last quarter. Further improvements are expected at Pogo during FY2021.

Rig utilisation reached a record level in November 2019 with 3,822 rig shifts per month equating to a full time equivalent (FTE) rig count of 66 rigs in work. Soon after due to COVID-19 related shutdowns, reduced scope during the immediate COVID-19 response by the clients and the unexpected closure of the Cosmo Gold mine, this dropped to a low of 2,454 rig shifts or an FTE rig count of 40 rigs in April 2020. Since that time, we have seen quite a rapid recovery and finished the year out in June 2020 with 2,671 rig shifts, an FTE rig count of 46 rigs. With the recent contract awards and work in hand, it is expected that the Company will be around 58 FTE rigs in work by the end of October 2020.

Swick continued its strategic investment in its Mineral Technology Business, Orexplore, which has made significant progress during the year with two infield trials in Western Australia and Sweden, at Sandfire Resources DeGrussa mine and Boliden Copper respectively. Both trials are entering a data analytics phase where the value of the rich three-dimensional data set can be realised and work towards the goal of integrating the product into mine site work flows. Subsequent to year end, Orexplore Australia announced its first commercial in-field agreement with a six month deployment at the Gwalia gold mine for St Barbara Limited. Progress on many fronts is being made with the instrumentation and the associated software and we look forward to the progress of this exciting division.

The research and development continues on the world first gold spectrometer with promising laboratory testing being undertaken at present on a multi-channel spectrometer. This is expected to be trialled in a GeoCore X10 instrument in 1H FY2021. This will be a valuable update to the current instrument and once commercialised will provide the mining market with a full core analysis for gold and other precious metals.

The Group reported an FY2020 statutory loss after tax of $6.0 million and an EBIT loss of $2.8 million, both down on FY2019. Group revenue and other income was $151.2 million, up 4.7 per cent, driven by increased work volumes for our fleet of Underground Diamond drilling rigs. Importantly, excluding the Mineral Technology Business, the rest of the Group delivered an EBIT of $4.2 million.

Swick maintained a strong liquidity position in the year and ensured it used this to provide value for shareholders. This included declaring a fully franked interim dividend of 0.3 cents and a final dividend of 0.3 cents per share and the introduction of a share buyback scheme.

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 Team, whose hard work and focus on implementing the Company's strategic targets have created a solid base for both the Drilling Business and Mineral Technology Business into FY2021.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

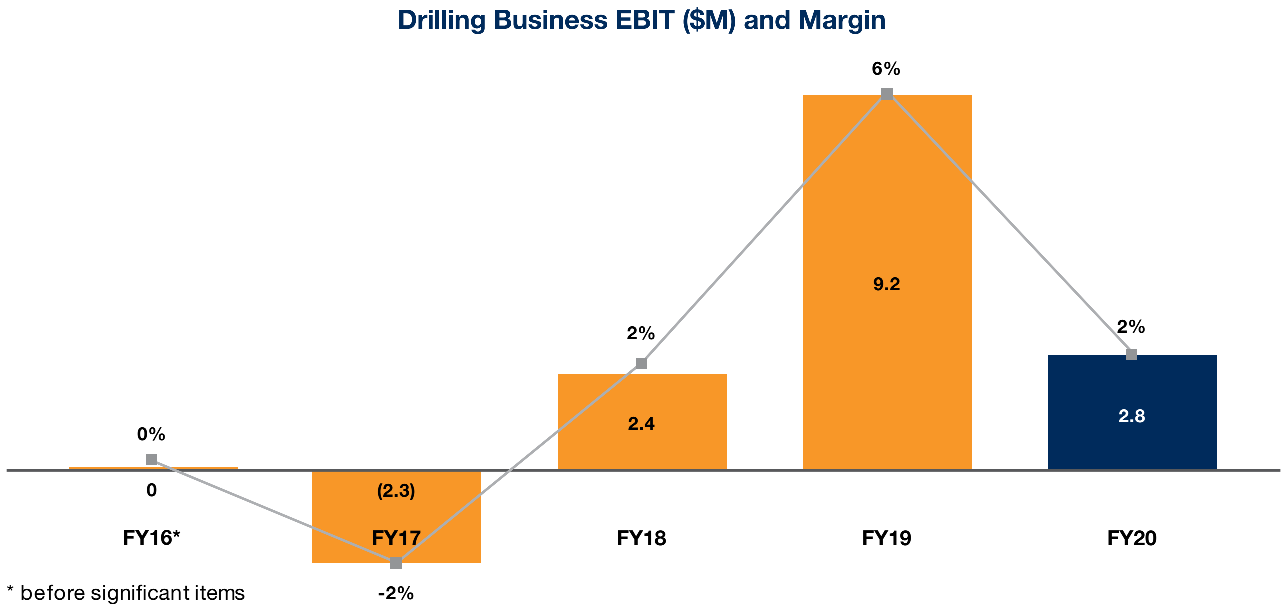
Operating results and review of operations for the year

Review of result

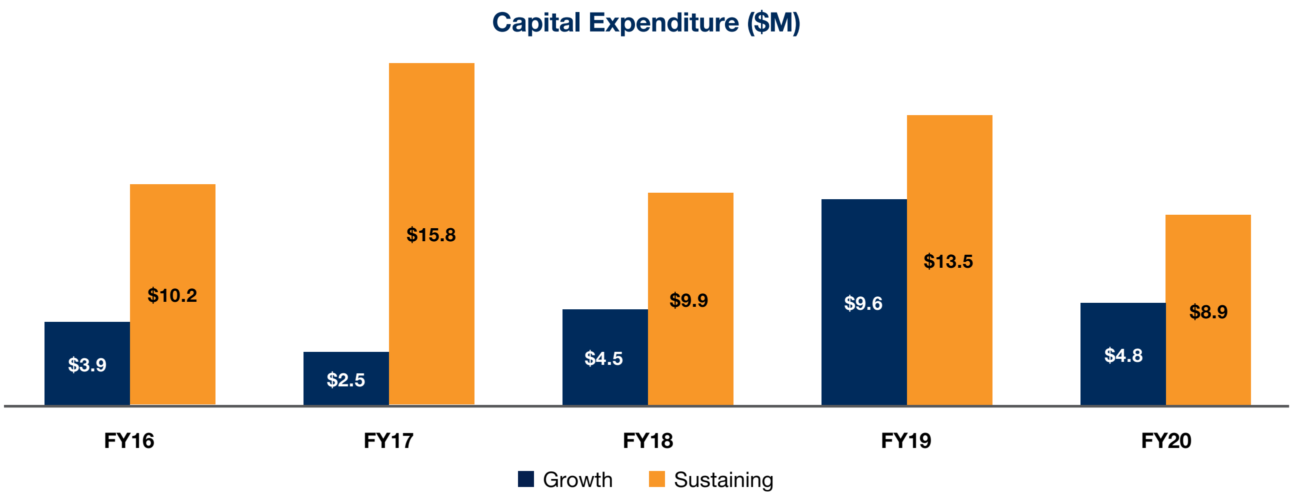
2020 FINANCIAL RESULTS (UNAUDITED NON-IFRS)	2020	2019	Change
	$000	$000	%
Profit & Loss			
Revenue and other income	151,204	144,448	4.7%
EBITDA (Drilling business)	24,594	28,205	(12.8%)
EBITDA (Mineral technology)	(4,513)	(3,300)	(36.8%)
EBITDA (Total)	20,964	25,514	(17.8%)
EBIT (Drilling business)	3,305	9,213	(64.1%)
EBIT (Mineral technology)	(6,955)	(5,262)	(32.2%)
EBIT (Total)	(2,767)	4,560	(160.7%)
NPAT (Total)	(6,027)	1,038	(680.6%)
Cash Flow			
Net cash from operating activities	10,405	23,589	(55.9%)
Net cash used in investing activities	(13,427)	(22,813)	(41.1%)
Free cash flow	(3,022)	776	(489.4%)
Operating cash flow before interest and taxes	12,040	25,142	(52.1%)
At Balance Date			
Cash	12,729	11,553	10.2%
Debt (excluding lease liabilities related to right-of-use assets)	22,542	29,644	(24.0%)
Net Debt (excluding lease liabilities related to right-of-use assets)	9,813	18,091	(45.8%)
Ratios			
EBITDA margin (Drilling Business) (%)	16.4%	19.7%	
EBITDA margin	13.9%	17.7%	
EBIT margin (Drilling Business) (%)	2.2%	6.4%	
EBIT margin	(1.8%)	3.2%	
Basic EPS (reported) – cents per share	(2.14)	0.45	
EBITDA cash conversion (%)	57.4%	98.5%	
Gearing (Net debt/equity) (%) (excluding lease liabilities related to right-of-use assets)	10.6%	21.4%	

MANAGING DIRECTOR'S REPORT ON OPERATIONS

Despite the increased ramp up costs at Pogo and the impact of COVID-19, the Drilling Business delivered an EBIT of $3.3 million at a margin of 2.2 per cent in FY2020, a reduction from the prior year.



The Group's net assets increased by $7.7 million to $92.4 million at 30 June 2020 driven by $16.1 million net of costs equity raise in November 2019. Funds raised were used to pay down debt and for working capital requirements. Working capital investment (trade receivables plus inventories plus prepayments less trade payables) increased by $8.0 million predominantly due to increase in inventory holdings as a result of the establishment of the new and significant Pogo project as well as advance purchases of drilling consumables at the onset of COVID-19 to mitigate supply chain and logistics risks on getting key drilling consumables to sites during the pandemic. Net borrowings (net debt) excluding lease liabilities related to right-of-use assets decreased by $8.3 million and capital expenditure decreased by $9.4 million as much of the growth capital for the Pogo project was incurred at the end of FY2019. Growth capital expenditure in FY2020 relate to one Swick mobile Gen II rig build at the start of the year, three DeepEX rigs currently in build, spend on drilling R&D projects and $1.8 million spend on Orexplore instruments and development costs.



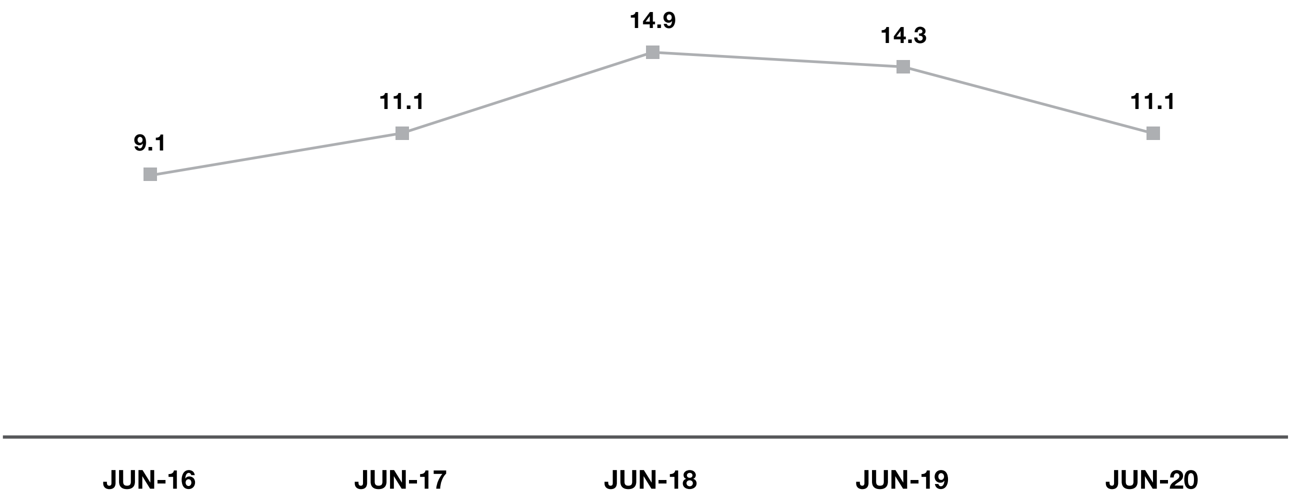
Excluding the operating and capital expenditure spend in the Mineral Technology Business of $6.3 million, the Group generated free cash flow of $3.3 million which is an impressive result considering the Pogo ramp up costs, the COVID-19 impacts and increase in inventory holdings to mitigate supply chain risks brought about by COVID-19.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

Safety and Training

During FY2020 Swick continued to improve its safety performance with 8 months of the year under the Total Recordable Injury Rate (TRIFR) target of 10. The TRIFR consisted of two Lost Time Injuries (LTI), ten Restricted Workday injuries (RDI) and two Medical Treatment Injuries (MTI), which was a reduction from the 16 total injuries in FY2019. The prevalence of hand injuries and strains is a constant reminder of conducting manual work in difficult conditions that characterises our daily operations, however, Swick continues to explore and implement engineering controls to mitigate injury and improve safety. Currently several projects are underway addressing the manual handling of rods and inner tubes. Inner Tube Rollers are currently being fitted to the fleet removing the need to physically handle the inner tube to or from the drill hole, whilst several concepts of rod manipulators are currently being trialled. Swick's commitment to research, development and technology will see injury risk continue to improve by removing manual handling and repetitive tasks. Safety management processes and procedures are continually being reviewed to remove ambiguity and make it easier for the workforce to understand whilst addressing compliance, literacy and learning outcomes.

Safety Performance (TRIFR)



COVID-19

The arrival of the COVID-19 pandemic has seen many changes at Swick but a rapid response to the challenge built on proactive and transparent communication, a dedicated management team, and a responsive workforce ensured the impact on the Company was minimised. A COVID-19 response team was assembled and met three times a week in the height of the pandemic and the rapid creation of COVID-19 plans for all operational regions had Swick in a healthy position to negotiate the challenges of constantly changing circumstances. Many of our workforce were moved to their workplace state and accepted longer rosters with R&R in the state of their workplace. The majority of corporate staff supported the business from home whilst a skeleton workforce working to the COVID-19 plan continued to service remote sites from the head office and workshops. Hygiene protocol and COVID-19 information was circulated on electronic notice boards, email, and social media to ensure all personnel remained informed of the situation. Increased cleaning, social distancing, restricted interstate travel, prohibited international travel and online meetings have become the norm to ensure our workforce comply with state and international legislation and stay fit and well to service our clients. The use of technology was used to monitor the work and sleep patterns of personnel during changes of rosters with a cross section of workers wearing Fitbits. The information from the Fitbits was used to ensure adequate rest periods were considered between rosters.

The mental health of our workforce has always been a priority, but COVID-19 has seen Swick improve its mental health strategy to support personnel through increased welfare checks on all personnel and their families during the pandemic. Feedback from welfare calls is distributed to the applicable managers with further interactions completed as required. Positive mental health has been strongly promoted within all sites and encouragement for positive lifestyle changes is rewarded with gym memberships and team activities. Training on recognition of mental health symptoms is conducted internally and externally. Recognition of family support for our employees' mental health is addressed with short term relocation options provided to all employees and their families. Swick continues to use a number of initiatives such as sending information to employees' homes on how to re-balance relationships with long absences, to ensure the health and wellbeing of our personnel.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

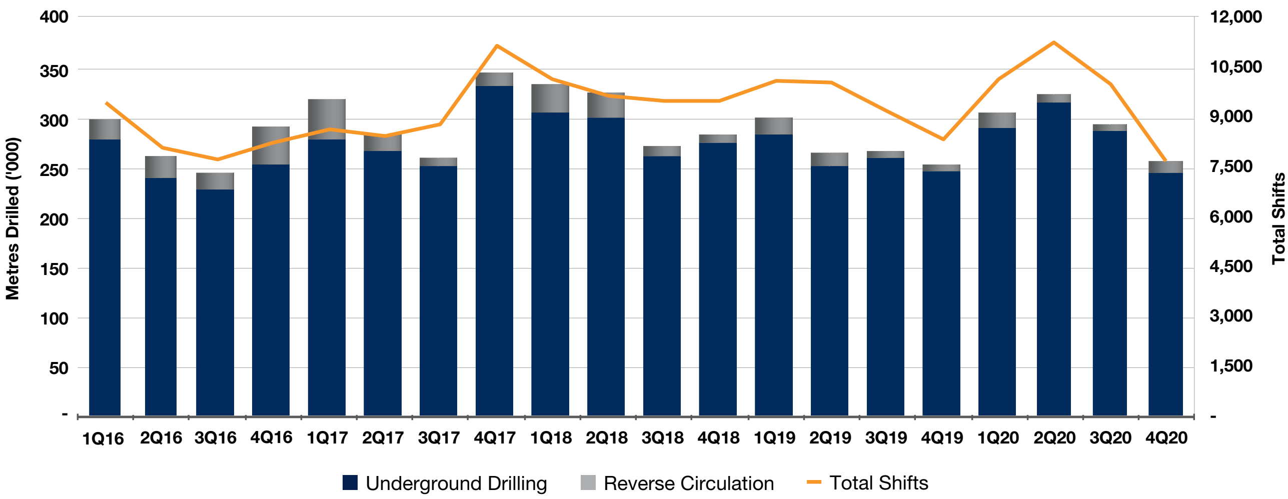
Production and Revenue

Total shifts worked reached a peak in November 2019 when the Pogo contract was fully mobilised but dropped in March 2020 following reduction in rig demand by our client in Nevada, USA and the unexpected closure of the Cosmo Gold mine in Northern Territory. Total shifts worked dropped further to the lowest level in the year in April 2020 due to COVID-19 before rebounding back in June 2020 to levels that were approximately seven per cent below the levels at the start of the year.

The reduction in metres drilled was due to the general reduction in rigs in work as well as an increase in rigs operating under a fixed shift rate pricing mechanism.

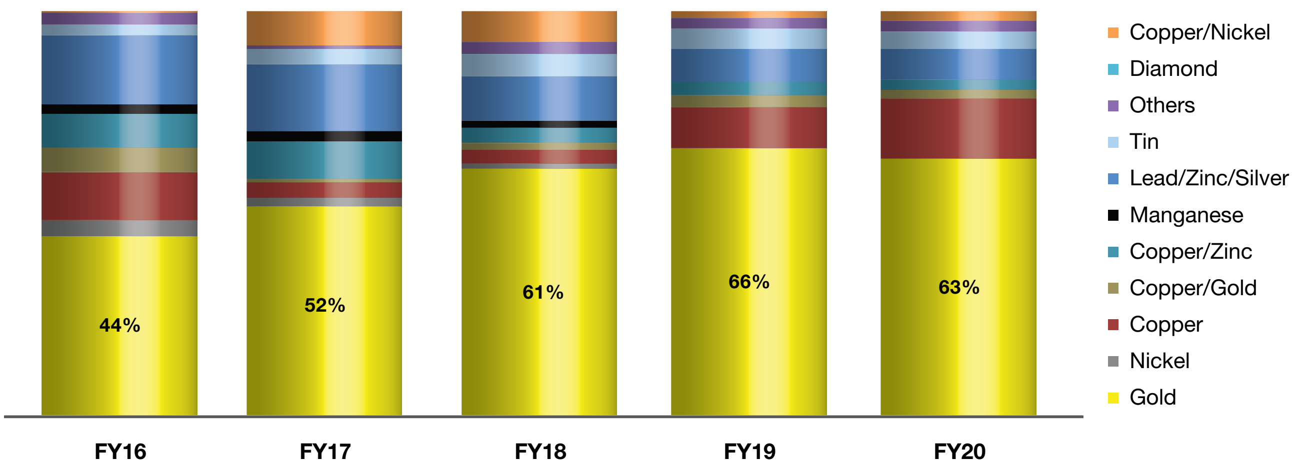
The positive EBIT result for the Drilling Business in FY2020 despite the challenges at the Pogo project and COVID-19 disruptions demonstrates Swick's success in moving to higher margin contracts, particularly given rig utilisation is set to increase in the first half of FY2021 as more rigs are deployed at secured projects.

Metres Drilled and Total Shifts Worked by Quarter



The split of Drilling Business revenue by commodity is shown below. The slight decrease in revenue from gold is driven by the closure of the Cosmo Gold mine and a decrease in volumes for Barrick Gold in Nevada in the second half of FY2020, while copper increased with additional volumes at BHP's Olympic Dam.

Drilling Business Revenue by Commodity



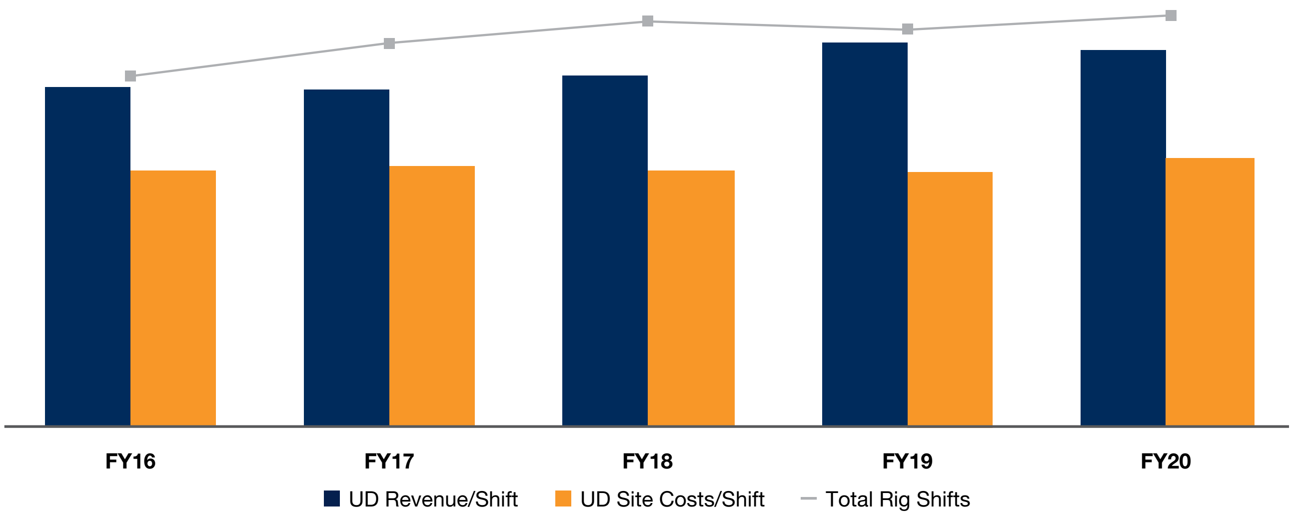
Underground Diamond (UD) Drilling

The 2020 financial year ended with UD drilling 1,130,376 metres for the year, a 9.1 per cent increase from the prior year. Metres drilled in Swick's APAC operations reduced 4.5 per cent to 885,334 metres while international operations increased 124.4 per cent to 245,042 metres driven by the Pogo contract in Alaska, USA.

Increased volume of work and an ongoing focus on improved pricing supported a revenue increase to $143.1 million, up 3.9 per cent on FY2019.

The graph below shows the history of revenue and cost per shift for the UD division. Revenue per shift in FY2020 was maintained at the high levels achieved in FY2019. The increase in cost per shift relates to one-off ramp up costs at the Pogo contract as well as COVID-19 disruptions. Volume of rig shifts worked increased by 4 per cent in FY2020 to a record level despite COVID-19 disruptions, reduction in client demand for drill rigs in Nevada, USA and the unexpected closure of the Cosmo Gold mine, in Northern Territory.

UD Revenue and Site Costs per shift ($)



DeepEX

Swick also established its DeepEX division, commencing drilling in FY2020. The DeepEX division will have the most powerful underground mobile rigs available in the underground market, with capacities to drill exploration holes up to 3,000 metres of NQ2 core, providing significant opportunity to Swick's clients. Two prototype DeepEX rigs are currently deployed at the Jundee mine site and are drilling holes in excess of 1,600 metres in depth. The Company will officially launch the DeepEX division in 1H FY2021, with release of the first of three large, purpose built DeepEX mobile rigs that are being constructed in FY2021.

The DeepEX division has been established to provide clients with an option for deep exploration holes from underground which can be navigated if required to hit targets in excess of 2,000m away from the collar. In many cases, this will be a viable and attractive option to clients instead of surface drilling for the following reasons:

- Lower costs of capital, smaller crews leading to cheaper rig rates and a lower cost per metre
- No permitting required, can drill multiple holes in the time it takes to get permission to drill on surface
- Angle of attack benefits when targeting parallel structures
- Ease of access and lower site preparation costs

Reverse Circulation (RC) Drilling

The 2020 financial year saw the RC division report revenue of $6.4 million, which was an increase of 27.7 per cent from the prior year. This increase in revenue was mainly driven by a long-term contract at Rio Tinto's Winu project in Western Australia. With additional opportunities starting to present, the opportunity was taken to start preparing all rigs for a return to work. At year end, three rigs were operating under a mix of long-term and short-term contracts.

Tendering opportunities for longer term, multi-rig contracts appear to be improving and Swick will be targeting this brownfield work strategically.

MANAGING DIRECTOR'S REPORT ON OPERATIONS

Mineral Technology

The Mineral Technology Business, Orexplore has developed a fast and accurate core analysis scanning solution, the GeoCore X10, a technology with a large market opportunity.

Orexplore continued its progress with site-based trials and reaching commercialisation post period end.

This included conducting successful site-based trials at Sandfire Resources' DeGrussa Copper-Gold mine for a three-month pilot project and at Swedish mining and smelting company Boliden AB, a five-month paid pilot project.

Three GeoCore X10 machines were delivered at the DeGrussa mine, which resulted in approximately 9,000 metres of core scanned in total, generating 20TB of 3D data – the largest and most continuous dataset of its kind in the world for a single mine site. With the trial complete, Orexplore has engaged two world-class subject matter experts to assist Sandfire and other potential clients understand the benefits of a comprehensive Orexplore data set.

The team was also extremely pleased to be awarded its first ever infield commercial agreement for Orexplore, which occurred post period end – a contract with St Barbara for a value of $700,000 over a six-month period at the Gwalia Mine in Leonora, with approximately 1,500 metres of core to be scanned per month.

The division will continue to undertake site-based trials to validate the opportunity with the technology and drive increased commercialisation.

Strategic Review

As the Drilling Business and the Mineral Technology Business are completely separate and standalone divisions with their own teams, targets, and value propositions, during FY2020 the Board commenced a strategic review to consider the optimal corporate structure of the divisions. The strategic review followed significant growth and progress Swick has made in building a leading, cash generating international drilling business and the significant progress made with the Orexplore technology, commencing commercialisation post period end.

In completing this review, the Board reached an in-principle conclusion that a demerger would allow the two businesses to pursue their respective strategies and deliver the greatest value to shareholders, and this will be pursued in FY2021.

Outlook for the 2021 Financial Year

Swick enters FY2021 with a solid order book of $363 million on the back of latest contracts awarded.

Post financial year end, Swick signed a two-year contract extension with a two-year option at – Northern Star Resources' Jundee Gold operations – following a competitive tender process. This is Swick's largest contract with 15 rigs currently deployed, and the Jundee scope is one of the largest underground drilling programs in the world. In addition to a two-year contract extension awarded at Perilya's Broken Hill operation in New South Wales.

Swick was also awarded a five-year contract at BHP's Olympic Dam mine in South Australia with the first year's scope requiring an initial eight rigs, representing one of Swick's largest contract. Internationally, the Company won a five-year contract from Minas de Aguas Teñidas SAU (MATSA) at its copper operations in Spain, with two rigs currently deployed.

A priority in FY2021 will be to deploy rigs at these projects and capture further opportunities to increase utilisation of the Company's mobile underground diamond drilling rigs, with no additional growth capital beyond three DeepEX rigs currently in build.

The development of the DeepEX rigs will provide a complementary product to the existing UD fleet, giving Swick the flexibility to assist clients in a wider range of drilling requirements as the mining industry requirements for deeper underground and more difficult drilling continue to increase.

For the Mineral Technology Business, the Company will continue to investigate how to turn Orexplore's continuous data sets into actionable geological insights for more efficient mining and exploration processes whilst driving the commercialisation of Orexplore, and working closely with St Barbara to deliver on its first commercial agreement.

The Board believes the Orexplore investment will ultimately deliver excellent returns for shareholders, especially in light of the strategic review which will allow the divisions to pursue their respective strategies and provide the greatest value to shareholders.

The latest contracts provide a solid foundation for Swick entering FY2021, and the Company will remain cognisant of the ongoing potential impacts from COVID-19 and will continue to work closely with clients to minimise disruption and ensure strong rig utilisation.

Swick will continue to focus on the successful and safe execution of work at secured projects, whilst driving the commercialisation of Orexplore, and focusing on the demerger of the two distinct businesses to provide further value to shareholders.

Yours faithfully,

Kent Swick
Managing Director

OUR VISION

Our vision is built on innovation, safety and productivity reaching client targets on time every time.

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 2020. 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	648,478 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 16 November 2018

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 founded Swick Mining Services initially as an underground longhole drilling contractor before moving into underground diamond drilling and RC drilling. 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	33,452,616 Fully Paid Ordinary Shares
Special responsibilities	Nil
Directorships held in other listed entities during the three years prior to the current year	Nil

DIRECTORS' REPORT

David Nixon	Non-executive director
Qualifications	B.Sc. Eng (Mech), MAICD
Experience	Mr Nixon is a Mechanical Engineer with over 40 years experience in the mining and construction industries in Southern Africa, Australia, New Zealand, Canada and Indonesia. He was a founding executive of Signet Engineering in 1990 and a director until its acquisition by Fluor Australia in 1996. Mr Nixon is a past non-executive chairman of Atlas Iron and past non-executive director of Brockman Resources and Moly Mines. Mr Nixon graduated from the University of Natal (South Africa) holding a Bachelor of Science (Mechanical Engineering). Mr Nixon was appointed as a Director of the Company on 1 January 2007 and retired on 28 February 2020.
Interest in shares at the date of retirement	600,000 Fully Paid Ordinary Shares
Special responsibilities	Mr Nixon was 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 and retired on 8 November 2019.
Interest in shares at the date of retirement	530,434 Fully Paid Ordinary Shares
Special responsibilities	Mr Lockyer was 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 15 September 2018

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	536,956 Fully Paid Ordinary Shares
Special responsibilities	Mr McCubbing is a member of the Board's Audit and Corporate Governance Committee (Committee Chairman)
Directorships held in other listed entities during the three years prior to the current year	Sun Resources NL non-executive chairman – 25 October 2016 to present Rimfire Pacific Ltd non-executive chairman – 25 July 2016 to present Symbol Mining Ltd non executive director – 19 December 2017 to 28 February 2019 Avenira Ltd non-executive director - 20 December 2012 to 31 January 2019

DIRECTORS' REPORT

Stuart Carmichael	Non-executive director
Qualifications	B.Com, CA
Experience	Mr Carmichael is a Chartered Accountant with over 20 years experience in the provision of corporate advisory services both within Australia and internationally. Mr Carmichael is a principal and director of Ventnor Capital Pty Ltd and Ventnor Securities Pty Ltd which specialises in the provision of corporate and financial advice to small cap ASX listed companies including capital raisings, initial public offerings, corporate restructures and mergers and acquisitions. Mr Carmichael was appointed as a Director of the Company on 1 August 2019.
Interest in shares at the date of this report	Nil
Special responsibilities	Mr Carmichael 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	Osteopore Limited non executive director – 11 December 2018 to present ClearVue Technologies Limited non-executive director - 19 January 2018 to present Schrole Group Limited non-executive chairman - 10 August 2017 to present K-TIG Limited non-executive chairman - 30 June 2017 to present De.mem Limited non-executive director - 21 November 2016 to present

Alan Bye	Non-executive director
Qualifications	BSc, BSc Hons, PhD
Experience	Dr Bye has over 20 years of operational and executive experience focusing on the innovation and integration of the mining value chain. Dr Bye has a mining operational background and has a PhD in mining engineering and is a fellow of the Academy of Technology Science and Engineering (FTSE). He was most recently Vice President Technology at BHP and in his global role he was accountable for execution of major innovation programs across five commodity value chains covering both digital and extractive technologies. Dr Bye was appointed as a Director of the Company on 8 November 2019.
Interest in shares at the date of this report	Nil
Special responsibilities	Dr Bye 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

Company secretary

Frank Campagna	Company secretary

Mr Campagna held the position of company secretary during and at the end of the financial year.

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

Board committees

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

Audit and Corporate Governance Committee - Ian McCubbing (non-executive director and committee chairman), Stuart Carmichael (non-executive director) and Alan Bye (non-executive director).

Remuneration and Nomination Committee - Andrew Simpson (non-executive chairman and committee chairman), Stuart Carmichael (non-executive director) and Alan Bye (non-executive director).

Meetings of directors

During the financial year, 21 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	11	-	-	2	2
Kent Swick	13	13	-	-	-	-
David Nixon	9	9	5	5	2	2
Phillip Lockyer	5	4	3	2	1	1
Ian McCubbing	13	13	6	6	-	-
Stuart Carmichael	13	13	3	3	-	-
Alan Bye	8	7	1	-	1	1

Principal activities and significant changes in nature of activities

The principal activity of the Group during the 2020 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, with early stage commercial activities. There were no significant changes in the nature of the principal activities during the year.

Operating results and review of operations for the year

Review of operations

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

COVID-19

During the period, the COVID-19 outbreak was declared a pandemic by the World Health Organization (March 2020). Although the pandemic has not had a significant impact to our business to date, the following minor impacts were felt and well managed by the Company:

- Temporary rig suspensions by clients.
- Travel restrictions on employees.
- Social distancing at sites and head office.
- Isolation practices and some impacts on the Consolidated Entity.
- Changes to rosters and transport to comply with Government restrictions.
- The closure of borders required immediate action to manage the impact on outputs, inputs, employees and communities that Swick operates in.

The scale and duration of these developments remain uncertain as at the date of this report, however they will have an impact on our earnings, cash flow and financial condition. It is not possible to estimate the impact of the near-term and longer effects of Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practical to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time. The financial statements have been prepared based upon conditions existing at 30 June 2020, including those which are evidenced by events occurring after that date.

Significant changes in state of affairs

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

Dividends paid or recommended

Interim ordinary dividend of 0.3 cents per share approved on 24 February 2020 by the Directors was paid on 17 April 2020 out of retained profits at 30 June 2020	$914,657
Final ordinary dividend of 0.3 cents per share approved on 31 August 2020 by the Directors to be paid on 23 October 2020	$897,130

Events after the reporting period

On 30 July 2020, the Board made an in-principle decision to separate the Drilling Business and the Mineral Technology (Orexplore) Business in order to deliver the greatest value to shareholders. The directors are not aware of any other significant events since the end of the reporting period.

Future developments and operational outlook

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

Environmental regulation

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

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

Indemnifying officers

During the financial year, the Company paid a premium of $84,710 (2019: $68,671) 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.

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	759,216
1 July 2019	30 June 2021	30 June 2021	561,080
			1,320,296

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 2020, 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 purchased during 2020	Vesting condition	Grant date	Vesting date
Jitu Bhudia	474,547	Service condition	1 July 2018	30 June 2020
	474,547			

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 6.6 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 2020 has been received.

ASIC Corporations Instrument 2016/191

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

Remuneration Report (Audited)

Remuneration policy

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

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

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

Relationship between remuneration policy and Company performance

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

The following table shows the 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 2016 and 2017. 2018 and beyond reflect an increase in activity and market sentiment for the industry, with the return to profitability in 2019 the result of improved margins. Financial performance in 2020 was impacted by increased ramp-up costs at the Pogo project and by COVID-19 disruptions and temporary rig suspensions. The investment in the Mineral Technology Business is continuing to limit share price growth. The Board is of the opinion that the tough macro-economic market conditions that impacted results in 2016 and 2017 and the COVID-19 pandemic that impacted results in 2020, were well managed by the Company and that management have positioned the Company well to capitalise on the improved market conditions and hence are satisfied with the current positioning of the remuneration policy. The information below has not been updated for the impact of the new accounting standards.

	2020	2019	2018	2017	2016
	$000	$000	$000	$000	$000
Revenue and other income	151,204	144,448	138,178	130,010	124,885
Net (loss)/profit before tax	(4,298)	3,096	(888)	(4,633)	(2,243)
Net (loss)/profit after tax	(6,027)	1,038	(975)	(4,559)	(2,806)
Share price at start of year	$0.24	$0.22	$0.24	$0.14	$0.13
Share price at end of year	$0.13	$0.24	$0.22	$0.24	$0.14
Basic (loss)/earnings per share	(2.14 cps)	0.45 cps	(0.42 cps)	(2.01 cps)	(1.24 cps)
Dividends declared	0.6 cps	0.6 cps	-	-	0.4 cps

Remuneration and Nomination Committee

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

Remuneration structure - non-executive directors

Objective

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

Structure

Remuneration levels for non-executive directors are reviewed at least annually by the Remuneration and Nomination Committee. The maximum aggregate fee pool for non-executive directors is $500,000, as approved at the Annual General Meeting in November 2012. The Remuneration and Nomination Committee provides recommendations for the remuneration of non-executive directors, including the Chairman, and the Board is then responsible for ratifying the recommendations, if appropriate. As at the date of this report, remuneration for non-executive directors was set at $80,000 per annum inclusive of statutory superannuation, with remuneration for the non-executive chairman set at $120,000 per annum inclusive of statutory superannuation.

The Remuneration and Nomination Committee had also set an additional amount payable to the chairman of the Audit and Corporate Governance Committee of $10,300 per annum plus superannuation. This amount has since been ceased at the start of the 2020 financial year.

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).

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 – retired 28 February 2020
Phillip Lockyer	Non-executive director – retired 8 November 2019
Ian McCubbing	Non-executive director
Stuart Carmichael	Non-executive director – appointed 1 August 2019
Alan Bye	Non-executive director – appointed 8 November 2019
Executives	
Jitu Bhudia	Chief Financial Officer

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 2020.

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.

No share options were issued during the year ended 30 June 2020.

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%
Stuart Carmichael	0%	0%	100%	100%
Alan Bye	0%	0%	100%	100%
Executives				
Kent Swick	24%	17%	59%	100%
Jitu Bhudia	24%	17%	59%	100%

Remuneration details for the year ended 30 June 2020

Directors, Executives and senior managers took reduced fees and salaries for part of the year due to COVID-19. The following tables of benefits and payments detail, 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 2020

	Short-term benefits			Long-term benefits	Post-employment benefits		Equity-settled share-based payments		
2020	**Salary, fees and leave $**	**Profit share and bonuses $**	**Non-monetary[1] $**	**Long service leave $**	**Pension and super-annuation $**	**Termi-nation benefits $**	**Options and per-formance rights $**	**Total $**	**Perfor-mance based %**
Andrew Simpson	97,682	-	-	-	9,280	-	-	106,962	0%
David Nixon[2]	53,103	-	-	-	-	-	-	53,103	0%
Phillip Lockyer[3]	26,973	-	-	-	2,563	-	-	29,536	0%
Ian McCubbing	64,634	-	-	-	6,140	-	-	70,774	0%
Stuart Carmichael[4]	58,542	-	-	-	5,459	-	-	64,001	0%
Alan Bye[5]	48,982	-	-	-	4,084	-	-	53,066	0%
Total non-executive directors	**349,916**	**-**	**-**	**-**	**27,526**	**-**	**-**	**377,442**	**0%**
Kent Swick	556,331	-	3,350	10,311	25,000	-	-	594,992	0%
Jitu Bhudia	344,453	-	2,597	3,562	25,000	-	117,833	493,445	24%
Total executives	**900,784**	**-**	**5,947**	**13,873**	**50,000**	**-**	**117,833**	**1,088,437**	**11%**
Total payments and benefits	**1,250,700**	**-**	**5,947**	**13,873**	**77,526**	**-**	**117,833**	**1,465,879**	**8%**

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

Note 2: Retired 28 February 2020

Note 3: Retired 8 November 2019

Note 4: Appointed 1 August 2019

Note 5: Appointed 8 November 2019

Table of benefits and payments for the year ended 30 June 2019

	Short-term benefits			Long-term benefits	Post-employment benefits		Equity-settled share-based payments		
2019	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 %
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	219,534	2,855	10,811	25,000	-	87,731	932,731	33%
Jitu Bhudia	305,087	127,041	2,321	3,086	25,000	-	53,387	515,922	35%
Total executives	**891,887**	**346,575**	**5,176**	**13,897**	**50,000**	**-**	**141,118**	**1,448,653**	**34%**
Total payments and benefits	**1,209,822**	**346,575**	**5,176**	**13,897**	**73,239**	**-**	**141,118**	**1,789,827**	**27%**

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

Bonuses

A new Short Term Incentive (STI) plan for executives and senior managers was introduced for 2020. The STI is payable based on performance against key corporate and individual performance indicators (KPIs) set at the beginning of the financial year and listed below:

+ Improved safety performance measured as a reduction in the Total Recordable Injury Frequency Rate (weighting of 12%).
+ Drilling Business profitability against budget (weighting of 48%).
+ A set of personal performance metrics designed to improve overall profitability as specifically related to each managers area of responsibility (weighting of 40%). Personal targets are designed to align the individual managers performance with the company goals.

The Managing Director and Chief Financial Officer have an opportunity to earn up to 42% of their respective fixed remuneration as a bonus if all stretch targets are achieved. For managers who are participants in the plan, this figure is between 11% and 32%.

For each KPI there are defined “Threshold”, “Target” and “Stretch” measures which are capable of objective assessment. Payment for individual KPIs is set out in the following table:

	Company KPIs (% of maximum)	Individual KPIs (% of maximum)
Below threshold performance	Nil	Nil
Threshold performance	75%	75%
Target performance	90%	90%
Stretch performance	105%	105%

During the year no cash bonuses (2019: $547,901) are to be paid under the 2020 short term incentive program based on the financial performance of the Company.

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 1 July 2018	1 July 2018	Note 2	$0.225	-	Note 2
Issued 1 July 2019	1 July 2019	Note 3	$0.2292	-	Note 3

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	Lapsed during year	Remaining as unvested	Vesting date
Executive						
Kent Swick	11 November 2016	Note 1	-	100%	-	Note 1
Jitu Bhudia	1 July 2018	Note 2	100%	-	-	Note 2
Jitu Bhudia	1 July 2019	Note 3	-	-	100%	Note 3

Note 1: The options with Swick Mining Services Limited had a vesting date of 30 June 2019 and expired on 30 June 2020.

Note 2: The performance rights with Swick Mining Services Limited vested on 30 June 2020.

Note 3: The performance rights with Swick Mining Services Limited vest 100% on 30 June 2021.

For all long-term incentive plans, the performance condition is that the employee is still employed by the Company on vesting date. The options or performance rights do not have entitlement to dividends and are not entitled to vote at a meeting of the Company.

Rights issued from 2018 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 during year	Number not exercised during the year	Value on grant date $
Executive						
Kent Swick	11 November 2016	-	-	-	(6,452,114)	-
Jitu Bhudia	1 July 2018	-	-	(474,547)	-	-
Jitu Bhudia	1 July 2019	561,080	-	-	-	128,600
		561,080	**-**	**(474,547)**	**(6,452,114)**	**128,600**

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	Exercised during the year	Lapsed during the year	Balance at end of year	Exercisable	Not exercisable
Non-executive directors							
Andrew Simpson	-	-	-	-	-	-	-
David Nixon	-	-	-	-	-	-	-
Phillip Lockyer	-	-	-	-	-	-	-
Ian McCubbing	-	-	-	-	-	-	-
Stuart Carmichael	-	-	-	-	-	-	-
Alan Bye	-	-	-	-	-	-	-
Executives							
Kent Swick	6,452,114	-	-	(6,452,114)	-	-	-
Jitu Bhudia	474,547	561,080	(474,547)	-	561,080	-	561,080
	6,926,661	**561,080**	**(474,547)**	**(6,452,114)**	**561,080**	**-**	**561,080**

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	-	43,478	648,478
David Nixon[1]	300,000	-	(300,000)	-
Phillip Lockyer[1]	400,000	-	(400,000)	-
Ian McCubbing	350,000	-	186,956	536,956
Stuart Carmichael	-	-	-	-
Alan Bye	-	-	-	-
Other executives				
Kent Swick	33,322,182	-	130,434	33,452,616
Jitu Bhudia	719,415	474,547	-	1,193,962
	35,696,597	**474,547**	**(339,132)**	**35,832,012**

Note 1: Other changes reflect directors' retirement during the year.

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: 31 August 2020

AUDITOR’S INDEPENDENCE DECLARATION

Building a better working world

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

As lead auditor for the audit of Swick Mining Services Limited for the financial year ended 30 June 2020, 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

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
31 August 2020

GB:JG:SWICK:039

FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	CONSOLIDATED GROUP	
		2020 $000	2019 $000
Revenue	2.2	149,643	142,606
Other income	2.2	1,561	1,842
Raw materials and consumables used		(27,081)	(26,106)
Employee benefits expense		(84,194)	(74,008)
Depreciation of property, plant and equipment and amortisation of intangibles assets	3.4, 3.5	(22,233)	(20,954)
Depreciation of right-of-use assets	1.6	(1,498)	-
Finance costs		(1,197)	(1,464)
Interest on lease liabilities related to right-of-use assets		(334)	-
Other expenses	2.3	(18,965)	(18,820)
(Loss)/profit before income tax		**(4,298)**	**3,096**
Income tax expense	2.4	(1,729)	(2,058)
Net (loss)/profit after tax		**(6,027)**	**1,038**
(Loss)/profit for the year attributable to:			
Owners of the Company		(6,027)	1,038
		(6,027)	**1,038**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign controlled entities		(183)	272
Items that can not be reclassified subsequently to profit or loss:			
Net fair value gain on FVOCI equity investments		130	-
Other comprehensive (loss)/income for the year, net of tax		**(53)**	**272**
Total comprehensive (loss)/income for the year		**(6,080)**	**1,310**
Comprehensive (loss)/profit for the year attributable to:			
Owners of the Company		(6,080)	1,310
		(6,080)	**1,310**
Earnings per share			
Basic (loss)/earnings per share (cents)	2.6	(2.14)	0.45
Diluted (loss)/earnings per share (cents)	2.6	(2.14)	0.43

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 2020

	Note	CONSOLIDATED GROUP 2020 $000	2019 $000
Assets			
Current assets			
Cash	3.1	12,556	11,257
Restricted cash	3.1	173	296
Trade and other receivables	3.2	16,216	17,866
Inventories	3.3	19,280	14,259
Prepayments		1,609	1,474
Current tax asset		-	127
Total current assets		**49,834**	**45,279**
Non-current assets			
Property, plant and equipment	3.4	74,420	81,590
Intangible assets	3.5	12,151	12,196
Financial asset classified as FVOCI	3.6	1,815	1,630
Deferred tax assets	3.7	-	249
Right-of-use assets	1.6	9,714	-
Total non-current assets		**98,100**	**95,665**
Total assets		**147,934**	**140,944**
Liabilities			
Current liabilities			
Trade and other payables		13,402	17,890
Current tax liability		280	156
Deferred revenue	3.8	173	296
Borrowings	3.9	2,471	2,902
Provisions	3.10	5,683	5,633
Total current liabilities		**22,009**	**26,877**
Non-current liabilities			
Borrowings	3.9	30,068	26,742
Provisions	3.10	413	495
Deferred tax liabilities	3.7	3,081	2,147
Total non-current liabilities		**33,562**	**29,384**
Total liabilities		**55,571**	**56,261**
Net assets		**92,363**	**84,683**
Equity			
Issued capital	4.1	95,415	79,446
Reserved shares	4.2	(837)	(777)
Reserves	4.3	3,275	3,174
(Accumulated losses)/retained earnings		(5,490)	2,840
Total equity		**92,363**	**84,683**

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 2020

	Note	Issued capital	Reserved shares	Reserves	(Accumulated losses)/ retained earnings	Total
		$000	$000	$000	$000	$000
Consolidated Group						
Balance at 1 July 2018		**79,446**	**(667)**	**2,727**	**1,802**	**83,308**
Comprehensive income						
Profit for the year		-	-	-	1,038	1,038
Other comprehensive gain for the year		-	-	272	-	272
Total comprehensive loss for the year		**-**	**-**	**272**	**1,038**	**1,310**
Transactions with owners, in their capacity as owners, and other transfers						
Reserved shares purchased	4.2	-	(110)	-	-	(110)
Share-based payments	4.3	-	-	175	-	175
Total transactions with owners and other transfers		**-**	**(110)**	**175**	**-**	**65**
Balance at 30 June 2019		**79,446**	**(777)**	**3,174**	**2,840**	**84,683**
Comprehensive income						
Loss for the year		-	-	-	(6,027)	(6,027)
Other comprehensive loss for the year		-	-	(53)	-	(53)
Total comprehensive loss for the year		**-**	**-**	**(53)**	**(6,027)**	**(6,080)**
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued	4.1	16,890	-	-	-	16,890
Transaction costs on share issue	4.1	(818)	-	-	-	(818)
Tax on transaction costs on shares issued	4.1	246	-	-	-	246
Shares bought back during the year	4.1	(348)	-	-	-	(348)
Transaction costs on share buy back	4.1	(1)	-	-	-	(1)
Dividends recognised for the year	2.5	-	-	-	(2,303)	(2,303)
Reserved shares purchased	4.2	-	(60)	-	-	(60)
Share-based payments	4.3	-	-	154	-	154
Total transactions with owners and other transfers		**15,969**	**(60)**	**154**	**(2,303)**	**13,760**
Balance at 30 June 2020		**95,415**	**(837)**	**3,275**	**(5,490)**	**92,363**

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 2020

	Note	CONSOLIDATED GROUP 2020 $000	2019 $000
Cash flows from operating activities			
Receipts from customers		162,622	153,276
Receipts of government grant – Mineral Technology business		283	365
Receipts of government grant – Drilling business		73	113
Payments to suppliers and employees		(150,938)	(128,612)
Income tax paid		(104)	(89)
Net interest paid		(1,531)	(1,464)
Net cash provided by operating activities	3.1	**10,405**	**23,589**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		74	101
Purchase of property, plant and equipment[1]		(11,750)	(21,531)
Payments for development costs		(1,887)	(1,515)
Investment income		136	132
Net cash used in investing activities		**(13,427)**	**(22,813)**
Cash flows from financing activities			
Proceeds from borrowings	3.9	16,000	-
Repayment of borrowings	3.9	(25,255)	(777)
Proceeds from issue capital	4.1	16,890	-
Transaction cost on share issue	4.1	(818)	-
Share buy back payment	4.1	(348)	-
Transaction cost on share buy back	4.1	(1)	-
Dividends paid by parent entity		(2,303)	-
Purchase of own shares	4.2	(60)	(110)
Net cash provided by/(used in) financing activities		**4,105**	**(887)**
Net increase/(decrease) in cash and restricted cash		**1,083**	**(111)**
Cash and restricted cash at beginning of financial year		11,553	11,461
Effects of exchange rate changes on cash		93	203
Cash and restricted cash at end of financial year	3.1	**12,729**	**11,553**

Note 1: The Group acquired plant and equipment under leases amounting to $925,000 (2019: $1,173,000) 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.

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 2020 was authorised for issue on 31 August 2020 by the directors of the Company.

The principal activity of the Group during the 2020 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, with early stage commercial activities. There were no significant changes in the nature of the principal activities during the year.

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. 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.

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 monthly rate for Orexplore AB and at the exchange rates at the dates of the transactions for other entities in the group. 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. There is a general presumption that the Company has control when they have majority voting rights. 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, assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of financial position and 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.

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.

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 2019, including:

- AASB 16 'Leases'
- AASB Interpretation 23 Uncertainty over Income Tax Treatment
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2018-1 Amendments to AASB 112 – Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- AASB 2018-1 Amendments to AASB 123 – Borrowing Costs Eligible for Capitalisation
- AASB 2018-2 Amendments to AASSs – Plan Amendment, Curtailment or Settlement

Except for AASB 16 'Leases' the application of the new standards and these amendments did not have any material impact on the amounts recognised in the financial statements nor resulted in any additional disclosures upon adoption.

AASB 16 'Leases'

Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception as either a finance lease or operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Leased properties, motor vehicles and plant and equipment were classified as operating leases. Operating leases were not capitalised and the lease payments were recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis.

The Group adopted AASB 16 using the modified retrospective approach and applied the standard from 1 July 2019. The cumulative impact of adoption was recognised as at 1 July 2019 and comparatives were not restated. The Group elected to use the practical expedient for lease contracts that have a lease term of 12 months or less from the date of initial application and do not contain a purchase option ('short-term leases'), and have chosen not to separate contracts into lease and non-lease components. The Group have also applied the recognition exemption for lease contracts with total lease term shorter than 12 months and for lease contracts which the underlying asset is of low value ('low-value assets') (i.e. below $5,000).

Under adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities. No adjustments were needed for any previously recognised prepaid or accrued lease expenses as there were none. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Group has elected to present right-of-use assets and lease liabilities separately in the statement of financial position.

i) Recognition and measurement of right-of-use assets post adoption of AASB 16

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to note 3.3 "Recoverable value of assets".

ii) Recognition and measurement of lease liabilities post adoption of AASB 16

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

During the current period, the cash payments for the principal portion of the lease liability is within cash flows from financing activities, cash payments for the interest portion of the lease liability is within interest paid. These were previously expensed through operating costs previously under AASB 117.

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	$000
Assets	
Right-of-use assets	11,134
Liabilities	
Lease liabilities – current	1,173
Lease liabilities – non-current	9,961
Net impact on equity	-

On recognition date, the deferred tax on right-of-use assets of $3.3 million offsets the deferred tax on the lease liabilities.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	$000
Operating lease commitments disclosed at 30 June 2019	16,132
Exclude:	
(a) Variable lease payments previously included as part of commitments in relation to existing lease contracts	(3,244)
(b) Commitments relating to unrecognised short-term leases	(112)
Include:	
(c) Present value discounting of lease liabilities	(1,642)
Lease liabilities recognised on transition	**11,134**

(a) Variable lease payments previously included as part of commitments in relation to existing lease contracts

Variable lease payments are the portion of payments made by a lessee to a lessor for the right to use an underlying asset during the lease term that varies because of a change in factors or circumstances occurring after the commencement date, other than the passage of time, e.g. payments based on usage. These are excluded from the initial measurement of the lease liability. Instead, such payments are recognised in profit or loss in the period during which the event or condition that triggers those payments occurs.

Variable payments are based on usage and cannot be reliably forecasted.

(b) Commitments relating to unrecognised short-term leases

As permitted by AASB 16, the Group has elected not to recognise right-of-use assets and lease liabilities relating to short-term leases having remaining lease terms of less than 12 months from the date of initial application of the standard. The operating lease commitments disclosed as at 30 June 2019 included amounts in relation to such leases.

(c) Present value discounting of lease liabilities

The lease liabilities recognised under AASB 16 are measured on a discounted basis, whereas the operating lease commitments disclosed as at 30 June 2019 were disclosed on an undiscounted basis. The discount rate used to discount the lease payments for each lease is the incremental borrowing rate appropriate for each lease at the date of initial application, i.e., the rate as at 1 July 2019. The incremental borrowing rates were determined for each lease taking into consideration factors such as the remaining lease term, the nature of the asset, credit risk and economic environment in which the asset was located (which included the currency in which the lease was denominated).

The weighted average incremental borrowing rate at transition was 3.2% per annum.

Right-of-use assets	Land and buildings $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Initial recognition	11,104	30	-	11,134
Addition during the period	-	-	28	28
Cost adjustment	22	-	-	22
Exchange rate revaluation	27	1	-	28
Depreciation expense	(1,469)	(14)	(15)	(1,498)
Balance at 30 June 20	**9,684**	**17**	**13**	**9,714**

Use of estimates and judgements for measuring of lease liabilities and right-of-use assets

The application of AASB 16 requires the Group to make judgements that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include: determining contracts in scope of AASB 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. Management applied judgement on whether to exercise the option to extend or terminate the lease based on the term of drilling contracts. The same period is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the discount rate determined via bond yield curves based on the currency of the lease, credit profile of the entity and adjusted for the underlying security of the asset, noting the applicable rates may vary with tenor.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- 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

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the interpretation had an impact on its consolidated financial statements.

Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include revenue and deductions related to transfer pricing; the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for its subsidiaries) will be accepted by the taxation authorities. Therefore, the Interpretation did not have an impact on the consolidated financial statements of the Group.

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 2020 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 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*	These amendments to AASB 7 Financial Instruments: Disclosures, AASB 9 and AASB 139 Financial Instruments: Recognition and Measurement were issued in response to the effects of Interbank Offered Rates reform on financial reporting. They provide mandatory temporary relief enabling hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative "nearly risk-free" benchmark. These amendments apply retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted.	1 January 2020	1 July 2020
AASB 2020-3 *Amendment to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*	Under AASB 9, an existing financial liability that has been modified or exchanged is considered extinguished when the contractual terms of the new liability are substantially different, measured by the "10 per cent" test. That is, when the present value of the cash flows under the new terms, including any fees paid or received, is at least 10 per cent different from the present value of the remaining cash flows of the original financial liability. The amendment to AASB 9 clarifies that fees included in the 10 per cent test are limited to fees paid or received between the borrower and the lender, including amounts paid or received by them on the other's behalf. When assessing the significance of any difference between the new and old contractual terms, only the changes in contractual cash flows between the lender and borrower are relevant. Consequently, fees incurred on the modification or exchange of a financial liability paid to third parties are excluded from the 10 per cent test. These amendments are applied prospectively. Earlier application is permitted.	1 January 2022	1 July 2022

<table>
<tr><th>Reference</th><th>Summary</th><th>Application date of standard</th><th>Application date for Group</th></tr>
<tr><td>Conceptual Framework AASB 2019-1 Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – Reference to the Conceptual Framework</td><td>The Conceptual Framework for Financial Reporting (Conceptual Framework) describes the objective of, and the concepts for, general purpose financial reporting. The purpose of the Conceptual Framework is to:
Assist in the development of accounting standards;
Help preparers develop consistent accounting policies where there is no applicable standard in place; and
Assist all stakeholders to understand the standards better.
The Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard.

The application of the Conceptual Framework is at present limited to for-profit entities. On the other hand, the Framework for the Preparation and Presentation of Financial Statements (July 2004) (Framework) will continue to apply to not-for-profit entities.

The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular, the definitions of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Two exemptions to the application of the Conceptual Framework were provided:
When developing accounting policies for regulatory account balances using the previous Framework.

Requiring entities to continue applying the previous Framework when developing or revising accounting policies for regulatory account balances prevents unhelpful and unnecessary disruption for both preparers and users. It avoids revising accounting policies for regulatory account balances twice within a short time frame – once for the revised Conceptual Framework and again when a revised standard on rate-regulated activities is issued.
When applying AASB 3, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the previous Framework, and not the definitions in the revised Conceptual Framework.
In some cases, applying the revised definitions might change which assets and liabilities qualify for recognition in a business combination. As a consequence, post-acquisition accounting required by other standards could lead to immediate derecognition of such assets or liabilities, causing ‘day 2 gains or losses’ to arise, which do not depict economic gains or losses. The IASB has since assessed how IFRS 3 Business Combinations can be updated for the revised definitions, without these unintended consequences.</td><td>1 January 2020</td><td>1 July 2020</td></tr>
</table>

Reference	Summary	Application date of standard	Application date for Group
AASB 17 *Insurance Contracts*	AASB 17 replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts for for-profit entities. AASB 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in AASB 4, which are largely based on grandfathering previous local accounting policies, AASB 17 provides a comprehensive accounting model for insurance contracts. The core of AASB 17 is the general model, supplemented by: + A specific adaptation for contracts with direct participation features (the variable fee approach) + A simplified approach (the premium allocation approach) mainly for short-duration contracts The main features of the new accounting model for insurance contracts are as follows: + The measurement of insurance liabilities at the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows) + The concept of a Contractual Service Margin (CSM), representing the unearned profit on the insurance contracts to be recognised in profit or loss over the coverage period + 4 In June 2020, the International Accounting Standards Board (IASB) deferred the effective date of IFRS 17 Insurance Contracts to annual + Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining coverage period + The effect of changes in discount rates are reported in either profit or loss or other comprehensive income, determined by an accounting policy choice + Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet Entities are allowed to adopt AASB 17 using either a full retrospective approach, modified retrospective approach or fair value approach.	1 January 2021	1 July 2021

<table>
<tr><th>Reference</th><th>Summary</th><th>Application date of standard</th><th>Application date for Group</th></tr>
<tr><td>AASB 2020-4 Amendments to AASs – COVID-19 Related Rent Concessions</td><td>Due to the COVID-19 pandemic, many lessors are granting rent concessions to lessees that impact lease payments. Rent concessions granted by a lessor can take many forms, including any combination of:
- A rent payment holiday;
- A reduction in lease payments for a period of time;
- A deferral of payments to a later date; or
- Other arrangements providing rent relief.

A concession might also include a change to the lease term.

From the lessee's perspective, a change in lease payments that was contemplated in the original terms and conditions of the lease would not be accounted for as a lease modification. For example, it might be treated as a variable lease payment, with the effect of the rent concession recognised in profit or loss. In contrast, accounting for a lease modification generally requires a lessee to remeasure the lease liability by discounting the revised lease payments using a new discount rate.

The IASB received feedback that assessing whether COVID-19 rent concessions are lease modifications could be challenging, compounding the IFRS 16 implementation work lessees have recently undertaken. Consequently, the Board amended IFRS 16, allowing lessees to not account for rent concessions as lease modifications, provided certain conditions are met.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:
- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Once elected, the practical expedient is required to be applied consistently to all lease contracts with similar characteristics and in similar circumstances.

The amendment to IFRS 16 is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the beginning of the annual reporting period in which the lessee first applies the amendment.</td><td>1 June 2020</td><td>1 July 2020</td></tr>
</table>

Reference	Summary	Application date of standard	Application date for Group
AASB 2020-3 *Amendments to AASB 3 – Reference to the Conceptual Framework*	The IASB's assessment of applying the revised definitions of assets and liabilities in the Conceptual Framework to business combinations showed that the problem of day 2 gains or losses would be significant only for liabilities that an acquirer accounts for after the acquisition date by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. The Board updated IFRS 3 in May 2020 for the revised definitions of an asset and a liability and excluded the application of the Conceptual Framework to liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21. The AASB released the equivalent amendments to AASB 3 in June 2020. These amendments are applied prospectively.	1 January 2022	1 July 2022
AASB 2020-1 *Amendments to AASs – Classification of Liabilities as Current or Non-current*	A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current. Specifically: + The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. + Management intention or expectation does not affect classification of liabilities. + In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. These amendments are applied retrospectively.	1 January 2022	1 July 2022

Reference	Summary	Application date of standard	Application date for Group
AASB 2018-7 *Amendments to AASs – Definition of Material*	The amendments align the definition of 'material' across AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors, and clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are applied prospectively.	1 January 2020	1 July 2020
AASB 2020-3 *Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use*	Under AASB 116 Property, Plant and Equipment, net proceeds from selling items produced while constructing an item of property, plant and equipment8 are deducted from the cost of the asset. The IASB's research indicated practical diversity in interpreting this requirement. As a result, AASB 116 was amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment, the proceeds from selling items produced before that asset is available for use. An entity is also required to measure production costs of the sold items by applying AASB 112 Inventories. Proceeds from selling any such items, and the cost of those items, are recognised in profit or loss in accordance with applicable standards. These amendments are applied retrospectively, but only to items of property, plant and equipment that are 'ready to use' on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments — 'ready to use' meaning the asset is in the location and condition necessary to be capable of operating in the manner intended by management.	1 January 2022	1 July 2022
AASB 2018-1 *Amendments to AASB 141 – Taxation in Fair Value Measurement*	When using a present value technique to measure fair values of assets within the scope of AASB 141 Agriculture, taxation cash flows are not included. While AASB 13 Fair Value Measurement does not prescribe an entity to use a particular present value technique9 to measure fair value, it requires assumptions about cash flows and discount rates to be internally consistent. Depending on facts and circumstances, an entity applying a present value technique might measure fair value by discounting after-tax cash flows using an after-tax discount rate or pre-tax cash flows at a pre-tax discount rate. The AASB has removed from AASB 141 the requirement to exclude taxation cash flows when measuring fair value. Such removal aligns with the principles of fair value measurement in AASB 13. The amendment is applied prospectively.	1 January 2022	1 July 2022

Reference	Summary	Application date of standard	Application date for Group
AASB 2019-5 *Amendments to AASs – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	It is possible that an entity complying with Australian Accounting Standards cannot assert compliance with IFRS Standards if its reporting date falls between the issuance date of a new IFRS Standard and a later release date of an equivalent Australian Accounting Standard. To enable IFRS compliance assertion despite such delays, this standard amends AASB 1054 Australian Additional Disclosures to require disclosure of the possible impact of initial application of forthcoming IFRS Standards not yet adopted by the AASB, as specified in paragraphs 30 and 31 of AASB 108. Entities complying with Australian Accounting Standards can assert compliance with IFRS Standards by making this additional disclosure. The amendments are applied prospectively.	1 January 2020	1 July 2020

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 Asia Pacific, which provides mineral drilling services to the mining industry in the Asia Pacific region.
- Drilling Services International, which provides mineral drilling services to the 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.

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

Year ended 30 June 2020 $000	Drilling services – Asia Pacific	Drilling services – International	Mineral Technology	Other	Elimination	Total
Revenue	104,932	44,445	266	-	-	149,643
Other income	209	3	432	938	(21)	1,561
Inter-segment revenue	3,520	-	-	-	(3,520)	-
Total revenue and other income	**108,661**	**44,448**	**698**	**938**	**(3,541)**	**151,204**
EBITDA	**22,910**	**1,684**	**(4,513)**	**883**	-	**20,964**
Depreciation of property, plant and equipment and amortisation of intangibles assets	(14,253)	(5,941)	(2,039)	-	-	(22,233)
Depreciation of right-of-use assets	(980)	(115)	(403)	-	-	(1,498)
Segment result - EBIT	**7,677**	**(4,372)**	**(6,955)**	883	**-**	**(2,767)**
Finance costs						(1,197)
Interest on lease liabilities related to right-of-use assets						(334)
Loss before tax						**(4,298)**
Total assets(i)	99,495	40,460	12,231	3,427	(7,679)	147,934
Total liabilities(i)	(54,377)	(4,049)	(4,006)	(172)	7,679	(54,925)
Total net assets	**45,118**	**36,411**	**8,225**	**3,255**	**-**	**93,009**
Additions to property, plant and equipment	9,564	2,478	633	-	-	12,675
Additions to intangible assets	724	-	1,163	-	-	1,887
Total additions to non-current assets	**10,288**	**2,478**	**1,796**	**-**	**-**	**14,562**

(i) Total assets for Drilling services – Asia Pacific and total liabilities for Drilling services – International have decreased due to the conversion of some intercompany loans to equity during the period.

Year ended 30 June 2019 $000	Drilling services – Asia Pacific	Drilling services – International	Mineral Technology	Other	Elimination	Total
Revenue	114,303	28,272	31	-	-	142,606
Other income	368	7	618	853	(4)	1,842
Inter-segment revenue	2,613	-	-	-	(2,613)	-
Total revenue and other income	**117,284**	**28,279**	**649**	**853**	**(2,617)**	**144,448**
EBITDA	**22,472**	**5,733**	**(3,300)**	**609**	-	**25,514**
Depreciation of property, plant and equipment and amortisation of intangibles assets	(15,555)	(3,437)	(1,962)	-	-	(20,954)
Segment result - EBIT	**6,917**	**2,296**	**(5,262)**	**609**	**-**	**4,560**
Finance costs						(1,464)
Profit before tax						**3,096**
Total assets	112,664	36,358	11,256	2,359	(21,693)	140,944
Total liabilities	(49,856)	(26,896)	(1,126)	(76)	21,693	(56,261)
Total net assets	**62,808**	**9,462**	**10,130**	**2,283**	**-**	**84,683**
Additions to property, plant and equipment	18,765	2,753	1,186	-	-	22,704
Additions to intangible assets	845	-	670	-	-	1,515
Total additions to non-current assets	**19,610**	**2,753**	**1,856**	**-**	**-**	**24,219**

(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 $149,643,000 (2019: $142,606,000) are revenues of $69,646,000 (2019: $94,414,000) which arose from sales to the Group's two (2019: four) largest customers. No other single customer contributed 10% or more to the Group's revenue for FY2020. These customers provided $17,444,000 and $52,202,000 (2019: $27,085,000, $22,796,000, $20,230,000 and $22,213,000) respectively, and operate across the Drilling services – Asia Pacific and Drilling services – International segments.

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	
	2020 $000	2019 $000	2020 $000	2019 $000
Australia	105,005	114,332	67,823	66,969
North America	37,818	22,916	18,763	15,027
Europe	6,820	5,358	11,514	13,669
Total	**149,643**	**142,606**	**98,100**	**95,665**

2.2 Revenue and other income

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
Revenue from contracts with customers		
Sales revenue		
- Provision of drilling and drilling related services	149,377	142,575
- Provision of mineral analysis services	266	31
Total sales revenue from contracts with customers	**149,643**	**142,606**
Other income		
- Gain on disposal of property, plant and equipment	55	83
- Government grants – Mineral Technology business	412	614
- Government grants – Drilling business	73	113
- Investment income	136	132
- Net foreign exchange gains	785	724
- Other income	100	176
Total other income	**1,561**	**1,842**

Revenue from provision of services

Revenue is recognised upon the satisfaction of performance obligations, which occurs when control of the service transfers to the customer when services are rendered.

Services	Nature, timing of satisfaction of performance obligations and significant payment terms
Drilling and related services	The Group recognises revenue when drilling and related services, whether chargeable by metre or by shift, are provided. It is billed on periods no longer than one month.
Mineral analysis	The Group recognises revenue when mineral analysis services, chargeable by metre, are provided. It is billed on periods no longer than one month.

Drilling segments

Customer contracts typically comprise two performance obligations because the promises to provide drilling and grouting services are capable of being distinct and are separately identifiable. The transaction price for each service, based on standalone selling prices for each hour, shift, metre or unit is set out in the customer contract. Where the Group has a right to consideration from a customer, in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, the Group recognises revenue in the amount the Group has the right to invoice.

Mineral Technology segment

The Mineral Technology segment of the Group generates revenue from providing mineral analysis services to the mining industry. Revenue is earned by metre of core scanned.

Grants and contributions

Grants and contributions are benefits received in respect of specific qualifying expenditure in respect of qualifying activities. The grant is recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. The grants are recognised as deferred revenue and are released to the Income Statement over the period necessary to match them with the related cost, for which they are intended to compensate, on a systematic basis.

Investment income

Investment income is accrued when the right to receive is established.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major services and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's strategic divisions, which are its reportable segments (see note 2.1).

For the year ended 30 June 2020 $000	Drilling services – Asia Pacific	Drilling services – International	Mineral Technology	Total
Primary geographical markets based on location of customers				
Australia	104,932	-	73	105,005
North America	-	37,818	-	37,818
Europe	-	6,627	193	6,820
Total revenue	**104,932**	**44,445**	**266**	**149,643**
Major services				
Underground diamond drilling	98,621	44,445	-	143,066
Reverse circulation drilling	6,311	-	-	6,311
Mineral analysis	-	-	266	266
Total revenue	**104,932**	**44,445**	**266**	**149,643**
Timing of revenue recognition				
Services transferred over time	**104,932**	**44,445**	**266**	**149,643**

For the year ended 30 June 2019 $000	Drilling services – Asia Pacific	Drilling services – International	Mineral Technology	Total
Primary geographical markets based on location of customers				
Australia	114,303	-	29	114,332
North America	-	22,916	-	22,916
Europe	-	5,356	2	5,358
Total revenue	**114,303**	**28,272**	**31**	**142,606**
Major services				
Underground diamond drilling	109,447	28,272	-	137,719
Reverse circulation drilling	4,856	-	-	4,856
Mineral analysis	-	-	31	31
Total revenue	**114,303**	**28,272**	**31**	**142,606**
Timing of revenue recognition				
Services transferred over time	**114,303**	**28,272**	**31**	**142,606**

2.3 Other expenses

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
Other expenses		
Accommodation and travel	5,142	4,845
Repairs and maintenance	6,693	6,615
Administration costs	4,076	2,957
Insurance	2,147	2,044
Recruitment and training	458	562
Rental expense	449	1,797
Total other expenses	**18,965**	**18,820**

2.4 Income tax expense

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
(a) Income tax recognised in profit or loss:		
Current tax		
Current year tax expense	(173)	(63)
Prior year over/(under) provision	-	-
	(173)	**(63)**
Deferred tax		
Relating to origination and reversal of temporary differences	(589)	(2,052)
Prior year over/(under) provision	(10)	57
De-recognition of overseas losses	(957)	-
	(1,556)	**(1,995)**
Net income tax expense reported in profit or loss	**(1,729)**	**(2,058)**
(b) The expense for the year can be reconciled to accounting (loss)/profit as follows:		
Accounting (loss)/profit before income tax	(4,298)	3,096
Prima facie tax benefit/(expense) on loss from ordinary activities before income tax at 30%	1,289	(929)
- Non-deductible expenses	(188)	(154)
- Share-based payments expense	(10)	(11)
- Effect of foreign tax rate	(47)	6
- Carry forward losses not recognised	(1,685)	(1,027)
- Prior year over/(under) provision	(10)	57
- Prior year carried forward losses derecognised	(1,078)	-
Income tax expense attributable to entity	**(1,729)**	**(2,058)**

(i) The tax rate used for the reconciliations above is the corporate tax rate of 30% (2019: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

(ii) The increase in the weighted average effective consolidated tax rate for 2020 of -40% (2019: 67%) is a result of non-recognition (2019: non-recognition) 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.

Tax consolidation

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

Goods and services tax (GST)

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

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

2.5 Dividends

	Cents per Share	CONSOLIDATED GROUP 2020 $000	CONSOLIDATED GROUP 2019 $000
Distributions paid/payable			
2019 final fully franked ordinary dividend franked at the tax rate of 30%	0.6	-	1,389
2020 interim fully franked ordinary dividend franked at the tax rate of 30%	0.3	914	-
2020 final fully franked ordinary dividend franked at the tax rate of 30%	0.3	897	-
Total dividends		**1,811**	**1,389**
(a) Franking account balance:			
Closing balance		332	1,319
Subsequent to year end, the franking account would be reduced by the proposed dividend as follows:		(384)	(595)
Adjusted franking account balance		**(52)**	**724**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

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:

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
Earnings used to calculate basic earnings per share		
(Loss)/profit after income tax expense attributable to owners of the Company	(6,027)	1,038
(Loss)/profit used to determine diluted earnings per share	**(6,027)**	**1,038**

	CONSOLIDATED GROUP	
	2020 No.	2019 No.
Weighted average number of ordinary shares outstanding during the year	282,564,525	231,450,825
Adjustments for:		
- Shares held by Employee Share Trust	(1,393,944)	(919,433)
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	**281,170,581**	**230,531,392**
Adjustments for:		
- Shares held by Employee Share Trust	1,393,962	919,433
- Employee Share Options Scheme (i)	-	6,452,114
- Performance rights (i)	-	1,258,861
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	**282,564,543**	**239,161,800**
Basic earnings/(loss) per share (cents)	**(2.14)**	**0.45**
Diluted earnings/(loss) per share (cents)	**(2.14)**	**0.43**

(i) The impact of performance rights and options in 2019 has been factored into the calculation of the diluted earnings per share while in 2020 it has not been as the Group was in a loss position. The weighted average number of options and performance rights not included in diluted earnings per share calculation for 2020 was 6,452,114 and 1,345,394 respectively.

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

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
Cash at bank and in hand	12,556	11,257
Restricted cash	173	296
	12,729	**11,553**

The cash balance primarily consists of cash. For the purpose of the cashflow, Cash at bank and in hand and Restricted cash balances at the end of the financial year are presented together.

The restricted cash relates to a government grant received for a certain project within the Mineral Technology division.

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
With credit ratings (Moody's):		
- Aa2	525	7,042
- Aa3	9,193	3,774
- A2	1,492	27
- Baa3	1,394	-
- Ba3	-	436
- B2	123	273
Without external credit ratings	2	1
	12,729	**11,553**

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
Reconciliation of cash flow from operations with (loss)/profit after income tax		
(Loss)/profit after income tax	(6,027)	1,038
Non-cash flows in profit and loss		
Depreciation of property, plant and equipment and amortisation of intangibles assets	22,233	20,954
Depreciation of right-of-use assets	1,498	-
Net foreign exchange gain	(785)	(724)
Net gain on disposal of property, plant and equipment	(55)	(83)
Share options/performance rights expensed	154	175
Government grant recognised through deferred revenue	(412)	(574)
Change in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease/(increase) in trade and other receivables	1,650	(1,863)
Increase in inventories	(5,021)	(419)
Increase in prepayments	(135)	(78)
Decrease/(increase) in current tax asset	373	(127)
(Decrease)/increase in trade payables	(4,571)	2,713
Increase in current tax liabilities	124	120
Decrease/(increase) in deferred tax assets	194	(63)
Increase in deferred tax liabilities	934	2,039
Increase in deferred revenue	283	325
(Decrease)/increase in provisions	(32)	156
Cash flow from operations	**10,405**	**23,589**

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

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
CURRENT		
Trade receivables	15,117	17,383
Other receivables	1,099	483
Total current trade and other receivables	**16,216**	**17,866**

Trade and other receivables are classified as financial assets at initial recognition, and subsequently measured at amortised cost determined under AASB 9. Included in other receivables is an amount receivable from the Managing Director totalling $321,000 (2019: nil) for insurance premiums inadvertently paid on his behalf as disclosed in Note 6.4.

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:

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
Current	16,216	17,866
Past due 0 to 30 days	-	-
Past due 31+ days	-	-
	16,216	**17,866**

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 outstanding balance relate to customers with a good credit standing and as those balances remain in the initial trade terms are considered to be of high credit quality. Management has considered the impact of COVID-19 in their expected credit loss model and have concluded no impact to the assessment.

Based on review at the date of reporting, expected credit loss rate is 0% (2019: 0%) and no impairment allowance is required as at 30 June 2020 (2019: nil).

3.3 Inventories

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
CURRENT		
Raw materials and consumables	21,376	16,103
Allowance for obsolescence	(2,096)	(1,844)
	19,280	**14,259**

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

The Group reviews the net realisable value of inventory at the end of each reporting period. During the year, no decrease (2019: $351,000) in relation to stock which was disposed and had previously been provided against, and an increase of $252,000 (2019: $63,000) in allowance for obsolescence was recognised as consumables expense in the statement of profit or loss.

3.4 Property, plant and equipment

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
Plant and equipment		
Gross carrying value – at cost	202,430	197,357
Accumulated depreciation and impairment	(135,214)	(122,390)
Net carrying value – plant and equipment	**67,216**	**74,967**
Leasehold improvements		
Gross carrying value – at cost	3,609	3,558
Accumulated amortisation	(3,261)	(3,084)
Net carrying value – leasehold improvements	**348**	**474**
Office furniture and equipment		
Gross carrying value – at cost	3,922	8,215
Accumulated depreciation	(2,811)	(7,404)
Net carrying value – office furniture and equipment	**1,111**	**811**
Motor vehicles		
Gross carrying value – at cost	21,458	20,064
Accumulated depreciation	(15,713)	(14,726)
Net carrying value – motor vehicles	**5,745**	**5,338**
Net carrying value – total property, plant and equipment	**74,420**	**81,590**

	Plant and equipment $000	Leasehold improvements $000	Office furniture and equipment $000	Motor vehicles $000	Total $000
Consolidated group					
Balance at 1 July 2018	**70,541**	**784**	**957**	**5,132**	**77,414**
Additions	20,147	110	514	1,933	22,704
Disposals	(1)	-	-	(17)	(18)
Exchange rate revaluation	303	1	2	48	354
Depreciation expense	(16,023)	(421)	(662)	(1,758)	(18,864)
Balance at 30 June 2019	**74,967**	**474**	**811**	**5,338**	**81,590**
Additions	9,587	109	711	2,268	12,675
Disposals	(9)	-	-	(10)	(19)
Exchange rate revaluation	340	1	3	43	387
Depreciation expense	(17,669)	(236)	(414)	(1,894)	(20,213)
Balance at 30 June 2020	**67,216**	**348**	**1,111**	**5,745**	**74,420**

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 profit or loss and other 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/accumulated losses.

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	1.5 – 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. No changes to useful lives have been made for the financial year ending 30 June 2020.

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 or more frequently when an indication of impairment arises during the reporting period.

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

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

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

In assessing any potential impairment of assets, management have identified 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 has considered all indications of possible impairment including the relationship between its market capitalisation and the carrying value of its net assets, and has determined this to be one of the main impairment indicator noted for the year ended 30 June 2020 and 30 June 2019.

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 or CGU and adjusting this value by expected costs required to dispose of the asset or CGU. 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 management. Valuation 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 $145 million to $150 million (2019: $150 million to $155 million), future maintainable earnings (EBITDA) margin of 18% to 19% (2019: 20%), earnings multiple (on a control basis) of 4.0 times to 4.3 times (2019: 4.0 times to 4.5 times) and a cost of disposal of 2% (2019: 2%).

Based on the valuation, no impairment expense has been recognised in the UD CGU (2019: 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 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 (2019: nil).

Mineral Technology

The impairment assessment for the Mineral Technology CGU has been performed using the fair value less cost of disposal method. The assessment was carried out by undertaking an evidence-based review of the risk profile and earnings potential of the CGU from the last observable arm's length transaction which occurred on 1 June 2017.

Based on the review, which identified a higher earnings potential on achievement of key milestones, an improved 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 (2019:nil).

3.5 Intangible assets

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
Development costs		
Drilling Services: amortising		
Gross carrying value – at cost	9,647	9,552
Accumulated amortisation	(6,281)	(5,784)
Net carrying value – drilling services: amortising	**3,366**	**3,768**
Drilling Services: non-amortising	**1,800**	**1,172**
Mineral Technology: amortising		
Gross carrying value – at cost	7,747	7,539
Accumulated amortisation	(3,221)	(1,698)
Net carrying value – mineral technology: amortising	**4,526**	**5,841**
Mineral Technology: non-amortising	**2,459**	**1,415**
Total intangible assets	**12,151**	**12,196**

	Drilling Services		Mineral Technology		Total
	Development amortising $000	Development non-amortising $000	Development amortising $000	Development non-amortising $000	$000
Consolidated group					
Balance at 30 June 2018	**3,992**	**585**	7,335	**762**	**12,674**
Internal development	-	845	17	653	1,515
Transfers within intangibles	258	(258)	-	-	-
Exchange revaluation	-	-	97	-	97
Amortisation expense	(482)	-	(1,608)	-	(2,090)
Balance at 30 June 2019	**3,768**	**1,172**	**5,841**	**1,415**	**12,196**
Internal development	-	723	57	1,107	1,887
Transfers within intangibles	95	(95)	-	-	-
Exchange revaluation	-	-	151	(63)	88
Amortisation expense	(497)	-	(1,523)	-	(2,020)
Balance at 30 June 2020	**3,366**	**1,800**	**4,526**	**2,459**	**12,151**

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.

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 included in the consolidated statement of financial position at 30 June 2020 of $5,166,000 (2019: $4,940,000). This is considered the same CGU for impairment purposes as the Underground Diamond (UD) drilling section disclose in Note 3.4 Property, Plant and Equipment.

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 included in the consolidated statement of financial position at 30 June 2020 of $6,985,000 (2019: $7,256,000).

Development projects continue to progress in accordance with the Group's project management plans. During the year the company continued to progress the commercial phase of the project. A management assessment has been undertaken which concluded that company can expect to recover the carrying value of the assets in full.

Impairment of intangible assets

Drilling Services

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

Management has conducted a review of the current development projects (amortising and non-amortising) which have been capitalised to determine the expected future cash flows to be generated from future use under impairment testing for property, plant and equipment. The modelling undertaken showed the book value of these assets will be recovered through future use and therefore no impairment is required (2019: nil).

Mineral Technology

The value of the amortising development intangibles in the Mineral Technology CGU are included as appropriate under impairment testing for property, plant and equipment.

Management has conducted a review of the current development projects (amortising and non-amortising) which have been capitalised to determine the expected future cash flows to be generated from future use under impairment testing for property, plant and equipment. The review undertaken showed the book value of these assets will be recovered through future use and therefore no impairment is required (2019: nil).

3.6 Financial asset classified as FVOCI

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
Financial asset classified as FVOCI		
Units in unlisted property trust	1,815	1,630

The Group has an investment in an unlisted unit trust that is not traded in an active market but is classified as a Fair Value through Other Comprehensive Income (FVOCI) equity investments. Fair value movements continue to be recognised in equity through other comprehensive income and are not eligible for recycling through profit or loss upon realisation of the asset.

Dividends on Fair Value through Other Comprehensive Income (FVOCI) equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

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 2020 and 2019 are as shown below:

	Fair value as at				
Financial asset	30/06/20 $000	30/06/19 $000	Valuation technique	Significant unobservable input(s)	Sensitivity of the input to fair value
Investment in unlisted property trust (i)(ii)	1,815	1,630	Capitalisation Method per external valuation	Sales of sites within similar areas taking into account the location, size and condition of improvements to determine a rate per square metre of $535 (2019: $505).	A $25 per square metre increase in price would increase the value by $120,000 (2019: $120,000), and vice versa.

(i) A gain after tax of $130,000 (2019: nil) resulting from the revaluation of the underlying property in the unit trust is recognised in other comprehensive income and accumulated in the fair value reserve.

(ii) Investment income of $136,000 (2019: $132,000) received during the financial year from the investment in the unlisted property trust has been included in other income.

3.7 Net deferred tax assets

	CONSOLIDATED GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Deferred tax assets and liabilities are attributable to the following:	2020 $000	2019 $000	2020 $000	2019 $000
Recognised deferred tax assets				
Provisions and accrued expenses	2,348	2,642	(294)	185
Tax deductibility for capital raising	366	65	301	(4)
Research and development credit	1,237	2,469	(1,232)	563
Tax losses	-	986	(986)	(1,242)
Deferred tax assets	**3,951**	**6,162**		
Set off of deferred tax liability	(3,951)	(5,913)		
Net deferred tax assets	**-**	**249**		
Recognised deferred tax liabilities				
Consumables	(2,116)	(1,661)	(455)	39
Prepayments	(116)	(75)	(41)	(75)
Property, plant and equipment	(4,484)	(6,073)	1,589	(1,431)
Tax on fair value reserve	(316)	(251)	(65)	(11)
Deferred tax liabilities	**(7,032)**	**(8,060)**		
Set off to deferred tax asset	3,951	5,913		
Net deferred tax liabilities	**(3,081)**	**(2,147)**	**(1,183)**	**(1,976)**
Movements:				
Opening balance 1 July	(1,898)	78		
Credit to the income statement	(1,383)	(1,990)		
Credit to equity	200	-		
Exchange rate revaluation	-	14		
Closing balance at 30 June	**(3,081)**	**(1,898)**		

As at 30 June 2020 the Company had $3,543,000 (2019: $4,457,000) in unrecognised tax losses. These tax losses arose from three separate tax jurisdictions and can be carried forward for a maximum period of 5 years, 20 years or indefinitely 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.

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 net deferred tax asset balances at 30 June 2020 of nil (2019: $0.2 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	
	2020 $000	2019 $000
Balance at 1 July	**296**	**547**
Government grant received during the year	283	325
Government grant released to the statement of profit or loss	(412)	(574)
Foreign exchange movement	6	(2)
Balance at 30 June	**173**	**296**
Current	173	296
Non-current	-	-
	173	**296**

Government grants have been received for specific projects within the Mineral Technology business.

3.9 Borrowings

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
CURRENT		
Secured liabilities		
Lease liabilities related to hire purchase (i)	1,187	902
Lease liabilities related to right-of-use assets (ii)	1,284	-
Bank loans (iii)	-	2,000
Total current borrowings	**2,471**	**2,902**
NON-CURRENT		
Secured liabilities		
Lease liabilities related to hire purchase (i)	1,355	1,742
Lease liabilities related to right-of-use assets (ii)	8,713	-
Bank loans (iii)	20,000	25,000
Total non-current borrowings	**30,068**	**26,742**
Total borrowings	**32,539**	**29,644**

(i) Lease liabilities related to hire purchase 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 5.2% (2019: 5.4%). Lease liabilities related to hire purchase are secured by the asset for which the agreement relates.

(ii) Lease liabilities related to right-of-use assets generally have a term of between 1 and 10 years with the lessor retaining the underlying assets. The average interest rate is 3.2% (2019: not applicable). Lease liabilities related to right-of-use assets are secured by the related right-of-use assets.

(iii) Bank loans are secured by fixed and floating charges over the Group's assets. During the 2020 year, the Company renegotiated its bank facilities to a total facility value of $38,000,000, of which $25,000,000 is a variable bank bills facility, that expires on 30 September 2021. The remaining facility expires on 30 September 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.

Changes in liabilities arising from financing activities

Consolidated group	2019 $000	Drawdowns $000	Repayments $000	Non-cash changes: New leases $000	Non-cash changes: Adjustment $000	Non-cash changes: Foreign exchange movement $000	2020 $000
Lease liabilities related to hire purchase	2,644	-	(1,041)	925	-	14	2,542
Lease liabilities related to right-of-use assets	-	-	(1,214)	11,162	22	27	9,997
Bank loans	27,000	16,000	(23,000)	-	-	-	20,000
Total liabilities from financing activities	**29,644**	**16,000**	**(25,255)**	**12,087**	**22**	**41**	**32,539**

Consolidated group	2018 $000	Repayments $000	Non-cash changes: New leases $000	Non-cash changes: Foreign exchange movement $000	2019 $000
Lease liabilities related to hire purchase	2,220	(777)	1,173	28	2,644
Bank loans	27,000	-	-	-	27,000
Total liabilities from financing activities	**29,220**	**(777)**	**1,173**	**28**	**29,644**

Available borrowing facilities

Consolidated group	Bank loan		Revolving credit		Multi-option facility		Total	
	2020 $000	2019 $000	2020 $000	2019 $000	2020 $000	2019 $000	2020 $000	2019 $000
Available facilities	35,000	35,000	3,496	2,644	3,000	3,000	41,496	40,644
Used at balance date	(20,000)	(27,000)	(2,542)	(2,644)	(469)	(469)	(23,011)	(30,113)
Unused at balance date	**15,000**	**8,000**	**954**	**-**	**2,531**	**2,531**	**18,485**	**10,531**

Nature of bank loan
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 multi-option facility
Multi-option facility consists of bank guarantee facility, documentary letter of credit and standby letter of credit. Bank guarantees on issue 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 and no substantial change in own credit risk for the majority of these borrowings their carrying value is assumed to approximate their fair values.

3.10 Provisions

	CONSOLIDATED GROUP	
	2020 $000	**2019 $000**
CURRENT		
Short-term employee benefits	5,589	5,633
Other provision	94	-
Total current provisions	**5,683**	**5,633**
NON-CURRENT		
Long-term employee benefits	413	495
Total non-current provisions	**413**	**495**

Provisions for employee benefits comprises of annual leave and long service leave provisions.

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/accumulated losses.

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:

		CONSOLIDATED GROUP	
	Note	**2020 $000**	**2019 $000**
Lease liabilities related to hire purchase		2,542	2,644
Lease liabilities related to right-of-use assets		9,997	-
Bank loans		20,000	27,000
Total borrowings	3.9	32,539	29,644
Less cash and restricted cash	3.1	(12,729)	(11,553)
Net debt		**19,810**	**18,091**
Total equity		**92,363**	84,683
Total capital		**112,173**	**102,774**
Gross gearing ratio (gross debt/equity)		35.2%	35.0%
Net gearing ratio (net debt/equity)		21.4%	21.4%
Net gearing ratio (net debt/equity) excluding lease liabilities related to right-of-use assets		10.6%	21.4%

4.1 Issued capital

Movement in ordinary shares on issue	CONSOLIDATED GROUP No.	CONSOLIDATED GROUP $000
Balance at 1 July 2018	**231,450,825**	**79,446**
Balance at 30 June 2019	**231,450,825**	**79,446**
Issue of shares through share placement	73,434,879	16,890
Transaction cost on share issue	-	(818)
Tax on transaction cost on share issue	-	246
Shares bought back during the year	(2,672,002)	(348)
Transaction cost on share buy back	-	(1)
Balance at 30 June 2020	**302,213,702**	**95,415**

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	CONSOLIDATED GROUP No.	CONSOLIDATED GROUP $000
Balance at 1 July 2018	**18**	**(667)**
Shares bought back during the year	477,075	(110)
Shares allocated to exercised performance rights	(477,075)	-
Balance at 30 June 2019	**18**	**(777)**
Shares bought back during the year	474,529	(60)
Shares allocated to exercised performance rights	(474,547)	-
Balance at 30 June 2020	**-**	**(837)**

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 474,529 shares (2019: 477,075) were purchased by the employee share trust for a total cost of $60,000 (2019: $110,000) at an average price of $0.126 (2019: $0.231) per share. As at 30 June 2020, there are no (2019: 18) unallocated Swick shares held in trust.

4.3 Reserves

	Foreign currency translation reserve $000	Fair value reserve $000	Share-based payments reserve $000	Transactions with non controlling interest reserve $000	Total $000
Consolidated Group					
Balance at 1 July 2018	**754**	**441**	**2,537**	**(1,005)**	**2,727**
Other comprehensive income for the year	272	-	-	-	272
Share-based payments	-	-	175	-	175
Balance at 30 June 2019	**1,026**	**441**	**2,712**	**(1,005)**	**3,174**
Other comprehensive income for the year	(183)	130	-	-	(53)
Share-based payments	-	-	154	-	154
Balance at 30 June 2020	**843**	**571**	**2,866**	**(1,005)**	**3,275**

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

Fair value reserve
The fair value reserve represents the cumulative gains and losses arising on the revaluation of a Fair Value through Other Comprehensive Income (FVOCI) equity investments. Fair value movements continue to be recognised in equity through other comprehensive income and are not eligible for recycling through profit or loss upon realisation of the asset.

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.

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 (2019: $nil). Options are 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			
	2020		2019	
	No.	Weighted average exercise price	No.	Weighted average exercise price
Balance at the beginning of the year	**6,452,114**	**$0.37**	**6,452,114**	**$0.37**
Granted	-	-	-	-
Lapsed	(6,452,114)	$0.37	-	-
Balance at year end	**-**	**-**	**6,452,114**	**$0.37**
Exercisable at year end	**-**	**-**	**6,452,114**	**$0.37**

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	
	2020 No.	2019 No.
Balance at the beginning of the year	**474,547**	**-**
Granted	561,080	474,547
Vested and exercised	(474,547)	-
Forfeited	-	-
Expired	-	-
Balance at year end	**561,080**	**474,547**
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.

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

	CONSOLIDATED GROUP	
	2020 No.	2019 No.
Balance at the beginning of the year	**784,314**	**784,314**
Granted	-	-
Vested and exercised	-	-
Forfeited	(25,098)	-
Expired	-	-
Balance at year end	**759,216**	**784,314**
Exercisable at year end	**-**	**-**

Each warrant is exercisable based on certain milestones being achieved regarding the commercialisation of Orexplore. 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.

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, 2019 and 2020. There were no issues in 2018.

	MD LTI plan	Executive LTI plan	Executive LTI plan
	Options	Performance rights	Performance rights
Weighted average fair value ($)	0.0358	0.22	0.2292
Share price ($)	0.265	0.225	0.240
Grant date	11/11/2016	01/07/2018	01/07/2019
Vesting date	30/06/2019	30/06/2020	30/06/2021
Expiry date	30/06/2020	30/06/2020	30/06/2021
Share price volatility	32.90%	35.79%	30.61%
Interest rate	1.93%	1.89%	0.709%
Dividend yield	1.33%	0.0%	2.31%
Model used	Black-Scholes	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. Forfeited warrants in 2020 relate to an employee resignation.

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 and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks, where deemed appropriate.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency 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 four customers which individually contribute more than 10% of the revenue. Other than these four 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.

Swick monitors all receivables and placements with financial institutions on a monthly basis to determine whether credit risk has increased significantly. An amount is deemed to be in default when payment is not received by the due date, as per the credit period stated in the contract, or when the credit rating of the financial institution deteriorates significantly. When assessing expected credit losses, receivables and cash balances are reviewed on a customer or financial institution basis. We have considered forward looking assumptions including the impact of COVID-19. Based on the expected credit risk assessment, there has been no expected credit loss and therefore no impairment provided for.

(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 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	
Consolidated Group	**2020 $000**	**2019 $000**	**2020 $000**	**2019 $000**	**2020 $000**	**2019 $000**	**2020 $000**	**2019 $000**
Financial liabilities:								
Trade and other payables	13,402	17,890	-	-	-	-	13,402	17,890
Bank and other loans including payable interest	593	3,107	20,141	25,266	-	-	20,734	28,373
Lease liabilities related to hire purchase including future finance charges	1,283	1,018	1,412	1,841	-	-	2,695	2,859
Lease liabilities related to right-of-use assets including future finance charges	1,582	-	5,309	-	4,512	-	11,403	-
Total	**16,860**	**22,015**	**26,862**	**27,107**	**4,512**	**-**	**48,234**	**49,122**

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group does not consider it is exposed to significant interest rate risk and hence no formal policy on managing interest rate risk exists. The Groups foreign currency exchange rate risk is outlined in note 5(e). The Group does not hedge foreign currency exchange risk.

(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 2020 38.5% (2019: 8.9%) of the Group debt is fixed. Fixed rate debt includes lease liabilities related to right-of-use assets.

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	
	2020 %	**2019 %**	**2020 $000**	**2019 $000**
Fixed rate instruments				
Less than 1 year	4.09	5.42	2,471	902
1 to 2 years	4.01	5.42	2,146	925
3 to 5 years	3.45	5.42	3,673	817
More than 5 years	3.20	-	4,249	-
			12,539	**2,644**

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	
	2020 %	2019 %	2020 $000	2019 $000
Floating rate instruments				
Bank loans	1.55	3.22	20,000	27,000

A one percentage point increase/decrease in interest rates would result in a net profit after tax decrease/increase of approximately $140,000 (2019: $189,000).

The Group cash and restricted cash balance at 30 June 2020 was $12,729,000 (2019: $11,553,000). These funds do not attract interest (2019: 0% 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	
	2020 $000	2019 $000
Canadian dollar	(3,611)	(2,950)
US dollar	-	(16,983)
Euro	(11,024)	(9,900)
Total	**(14,635)**	**(29,833)**

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 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)	
	2020 $000	2019 $000
Australian Dollar increases 10%		
Canadian dollar	(246)	(201)
US dollar	-	(1,220)
Euro	(792)	(711)
Australian Dollar decreases 10%		
Canadian dollar	301	246
US dollar	-	1,491
Euro	968	869

(f) Equity price risk

The Group's unlisted units 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 $1,815,000. Sensitivity analysis of this investment has been provided in Note 3.6.

6. Other Notes

6.1 Contingent liabilities

	CONSOLIDATED GROUP	
	2020 $000	2019 $000
Bank guarantees	469	469

6.2 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	
	2020 $000	2019 $000
Statement of financial position		
Assets		
Current assets	1,393	655
Non-current assets	79,402	65,701
Total assets	**80,795**	**66,356**
Liabilities		
Current liabilities	496	295
Non-current liabilities	1,127	605
Total liabilities	**1,623**	**900**
Equity		
Issued capital	108,964	92,995
Accumulated losses	(32,658)	(30,251)
Reserves	2,866	2,712
Total equity	**79,172**	**65,456**
Statement of comprehensive loss		
Total loss	(2,407)	(132)
Total comprehensive loss	**(2,407)**	**(132)**
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Guarantee provided under the deed of cross guarantee	54,377	49,856

On 28 June 2016, Swick Mining Services Limited entered into a deed of cross guarantee with a number of its subsidiaries listed in Note 6.3.

There are no commitments or contingent liabilities in the Parent Entity at 30 June 2020 (2019: 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.

For intercompany loan receivable, the Parent Entity has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The parent entity has established a provision matrix that is based on the parent entity's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

6.3 Controlled entities

(a) Controlled entities consolidated

	Country of incorporation	PERCENTAGE OWNED (%)	
		2020	2019
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
Orexplore AB	Sweden	100	100
Orexplore Australia Pty Ltd	Australia	100	100
Orexplore Canada Inc	Canada	100	100
Orexplore USA Inc	USA	100	100
Interest in trusts:			
Swick Mining Services Ltd Employee Share Trust	Australia	100	100

(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.

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	**2020 $000**	**2019 $000**
Continuing operations		
Revenue	104,932	114,320
Other income	3,865	3,159
Raw materials and consumables used	(17,303)	(21,034)
Employee benefits expense	(57,921)	(59,674)
Depreciation of property, plant and equipment and amortisation of intangibles assets	(14,253)	(15,485)
Depreciation of right-of-use assets	(980)	-
Impairment of intercompany receivables	(8,670)	(5,722)
Finance costs	(1,150)	(1,437)
Interest on lease liabilities related to right-of-use assets	(306)	-
Other expenses	(10,525)	(12,791)
Loss before income tax	**(2,311)**	**1,336**
Income tax expense	(1,950)	(1,903)
Net loss from continuing operations after tax	**(4,261)**	**(567)**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Net fair value gain on FVOCI equity investments	130	-
Other comprehensive income for the year, net of tax	**-**	**-**
Total comprehensive loss for the year	**(4,131)**	**(567)**

Summary of movements in (accumulated losses)/retained earnings	**2020 $000**	**2019 $000**
(Accumulated losses)/retained earnings at the beginning of the year	(369)	198
Loss for the year	(4,261)	(567)
Dividends recognised for the year	(2,303)	-
Accumulated losses at the end of the year	**(6,933)**	**(369)**

Statement of Financial Position	**2020 $000**	**2019 $000**
Assets		
Current assets		
Cash	6,537	3,659
Trade and other receivables	14,061	7,057
Inventories	14,268	11,000
Prepayments	1,365	1,280
Total current assets	**36,231**	**22,996**
Non-current assets		
Intercompany receivables	-	25,858
Property, plant and equipment	49,570	59,902
Intangible assets	5,166	4,939
Financial asset classified as FVOCI	1,815	1,630
Investment in subsidiaries	44,007	16,915
Right-of-use assets	8,413	-
Total non-current assets	**108,971**	**109,244**
Total assets	**145,202**	**132,240**
Liabilities		
Current liabilities		
Trade and other payables	10,729	13,241
Current tax liabilities	-	311
Borrowings	1,818	2,781
Provisions	5,263	5,272
Total current liabilities	**17,810**	**21,605**
Non-current liabilities		
Intercompany payables	3,422	-
Borrowings	29,033	26,378
Provisions	410	495
Net deferred tax liabilities	2,531	1,454
Total non-current liabilities	**35,396**	**28,327**
Total liabilities	**53,206**	**49,932**
Net assets	**91,996**	**82,308**
Equity		
Issued capital	95,459	79,490
Reserves	3,470	3,187
Accumulated losses	(6,933)	(369)
Total equity	**91,996**	**82,308**

6.4 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.

Managing Director

During a detailed review of the Company's insurance policies and payments it was identified that some policy payments had been incorrectly described as keyman insurance premiums and some policies dating back to before the ASX listing of Swick were for the benefit of the Managing Director (Kent Swick) or his family. The total premiums inadvertently paid by the Company were $321,000. This insurance is not part of the Managing Director's employment contract and he has agreed to reimburse the Company $321,000 before 30 June 2021. For details of disclosures relating to Key Management Personnel, refer to Note 6.5 and the Remuneration Report.

6.5 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 2020.

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

	CONSOLIDATED GROUP	
	2020 $	2019 $
Short-term employee benefits	1,256,647	1,561,573
Long-term employee benefits	13,873	13,897
Post-employment benefits	77,526	73,239
Share-based payments	117,833	141,118
Total KMP compensation	**1,465,879**	**1,789,827**

Post-employment benefits consist of superannuation payment made to KMPs.

6.6 Auditor's remuneration

	CONSOLIDATED GROUP	
	2020 $	2019 $
Fees to Ernst & Young (Australia)		
- Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	130,000	98,800
- Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements	38,000	-
- Fees for other services		
+ Tax compliance	45,000	34,500
+ Tax advice	43,500	-
Total fees to Ernst & Young (Australia)	**256,500**	**133,300**
Fees to other overseas member firms of Ernst & Young (Australia)		
- Fees for auditing the financial report of any controlled entities	19,869	12,873
- Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements	26,429	-
- Fees for other services		
+ Tax compliance	-	23,269
Total fees to overseas member firms of Ernst & Young (Australia)	**46,298**	**36,142**
Total auditor's remuneration	**302,798**	**169,442**

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

6.7 Events after the reporting period

On 30 July 2020, the Board made an in-principle decision to separate the Drilling Business and the Mineral Technology (Orexplore) Business in order to deliver the greatest value to shareholders. The directors are not aware of any other significant events since the end of the reporting period.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

   (a) the financial statements and notes of Swick Mining Services Limited for the financial year ended 30 June 2020 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 2020 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 2020.

On behalf of the Directors

Kent Swick
Managing Director

Dated this 31st day of August 2020

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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Perth WA 6000 Australia
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Independent auditor's report to the members of Swick Mining Services Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Swick Mining Services Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 including Independence Standards* (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

TO BE SUPPLIED

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Impairment assessment of the Underground Diamond Drilling and Reverse Circulation Drilling cash generating units

Why significant	How our audit addressed the key audit matter
As at 30 June 2020 the Group had non-current assets totaling $77,418,000 comprising property, plant and equipment, and drilling rig development intangible assets relating to the Underground Diamond Drilling and Reverse Circulation Drilling cash generating units (CGUs). Refer to Notes 3.4 and 3.5 to the financial report for further details. 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 assets applicable to the relevant CGU. Impairment indicators were identified by the Group and impairment tests were performed for both CGUs at 30 June 2020. No impairment was recognised by the Group for either CGU 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. This was considered a key audit matter because of the significant judgment and estimates involved in the determination of the recoverable amount of the two CGUs.	Our audit procedures included the following: ► With the assistance of our valuation specialists we assessed the qualifications, competence and objectivity of the external valuer who prepared a valuation that was used in the impairment assessment for the assets in the Reverse Circulation Drilling CGU, and we assessed the reasonableness of the assumptions underpinning the asset valuation ► We evaluated the assumptions and methodologies used by the Group to prepare the Underground Diamond Drilling CGU impairment assessment, in particular, those relating to forecast revenues and inputs used to formulate them. This included assessing, with involvement from our valuation specialists where appropriate, the earnings multiples with reference to market research, market practice, market indices, historical performance and the discount rate ► Tested the mathematical accuracy of the Group's impairment assessment models and agreed relevant data to supporting documentation and the Board approved budget ► 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

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Recognition and recoverability of the Orexplore mineral analysis and measurement technology assets

Why significant	How our audit addressed the key audit matter
As at 30 June 2020 the Group has non- current technology assets totaling $9,152,000 comprising property plant and equipment and intangible assets relating to the development of the Orexplore mineral analysis technology CGU. Refer to Notes 3.4 and 3.5 to the financial report for further details. The analysis of the recognition and recoverability of internally developed intangible and tangible 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 or tangible 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 assets and concluded based on this assessment that no impairment was required at 30 June 2020. Refer to notes 3.4 and 3.5 to the financial report for further details.	We assessed the eligibility and allocation of the development costs capitalised as an asset by selecting a sample of expenditure and determining whether it was capitalised in accordance with the requirements of Australian Accounting Standards. We assessed the appropriateness of the impairment assessment and methodology for the Orexplore mineral analysis technology assets determined by the Group. This included the following: ► We examined the evidence considered by the Group to assess whether the carrying value of the Orexplore technology assets were impaired ► We evaluated the appropriateness of the assumptions and methodologies used by the Group to test the impairment of the Orexplore technology assets ► 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 Orexplore technology assets and whether there was any potential contradictory information contained 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

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 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

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- 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, actions taken to eliminate threats or safeguards applied.

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 2020.

In our opinion, the Remuneration Report of Swick Mining Services Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

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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.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
31 August 2020

ASX ADDITIONAL INFORMATION

The additional information set out below is current as at 20 August 2020 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	%
Perennial Value Management Limited	40,920,167	13.68
Kent Jason Swick	33,452,616	11.19
Castle Point Funds Management	24,079,164	8.05
Circle 5 Management Pty Ltd	23,336,171	7.80
Westoz Funds Management Pty Ltd	15,000,000	5.02

2. Distribution schedule of equity security holders

	NUMBER OF HOLDERS	
	Fully paid shares	Unlisted warrants
1 – 1,000	331	7
1,001 – 5,000	481	-
5,001 – 10,000	218	-
10,001 – 100,000	531	-
100,001 and over	187	-
Total number of holders	**1,748**	**7**

3. Holders of unmarketable parcels

There are 524 shareholders holding less than a marketable parcel of ordinary shares (based on a market price of $0.23 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, Automic Pty Ltd at Level 2, 267 St Georges Terrace, Perth, Western Australia.

6. Stock Exchange listing

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

7. On-market buy-back

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

ASX ADDITIONAL INFORMATION

8. Corporate governance statement

The Company's 2020 corporate governance statement can be viewed at https://swickmining.com/our-company/corporate-governance/.

9. Twenty largest holders of fully paid shares

SHAREHOLDER		SHARES	%
1.	National Nominees Limited	64,999,331	21.74
2.	Circle 5 Management Pty Ltd	23,336,171	7.80
3.	Zero Nominees Pty Ltd	15,000,000	5.02
4.	Citicorp Nominees Pty Ltd	14,018,031	4.69
5.	Kent Jason Swick	13,182,410	4.41
6.	Tanya Michelle Swick	13,182,410	4.41
7.	JP Morgan Nominees Australia Pty Ltd	12,984,670	4.34
8.	Rosanne Thelma Swick	10,142,960	3.39
9.	Bond Street Custodians Limited	9,576,055	3.20
10.	HSBC Custody Nominees (Australia) Limited	6,802,981	2.27
11.	BNP Paribas Nominees Pty Ltd	6,064,540	2.03
12.	Kent Swick & Tanya Swick	5,879,132	1.97
13.	UBS Nominees Pty Ltd	5,652,174	1.89
14.	Altor Capital Management Pty Ltd	3,391,692	1.13
15.	BNP Paribas Noms Pty Ltd	2,300,870	0.77
16.	Kenneth Joseph Hall	2,293,794	0.77
17.	Jared Lawrence & Kathryn Zaccaria	2,056,412	0.69
18.	Bond Street Custodians Limited	2,000,000	0.67
19.	Justin O'Neil Malouf	2,000,000	0.67
20.	Spaceface Pty Ltd	1,592,000	0.53
		216,455,633	72.39

10. Unquoted securities

The following classes of unquoted securities are on issue:

		Holders of greater than 20% of each class of security		
Security	Number on issue	Name of holder	Number	%
Warrants over fully paid shares:				
- maturity date of 31.12.22	21	-	-	-