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Swick Mining Services Ltd and its Controlled Entities

Appendix 4D

**Half-Year Financial Report
31 December 2015**

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RESULTS FOR ANNOUNCEMENT TO THE MARKET (APPENDIX 4D)

	Period ended
Current Reporting Period	31-Dec-15
Previous Corresponding Period	31-Dec-14

				\$'000
Revenue from Ordinary Activities	Up	2%	to	64,898
Net (Loss) After Tax from Ordinary Activities	Down	937%	to	(1,558)
Net (Loss) After Tax Attributable to Members	Down	888%	To	(1,466)

Dividends

No dividends have been declared during the period.

Net tangible asset backing per ordinary share (cents)

31-Dec-15	31-Dec-14
37.90	45.44

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

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DIRECTORS' REPORT

The Directors of Swick Mining Services Limited (Swick) are pleased to submit their report for the half-year ended 31 December 2015.

DIRECTORS

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

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

REVIEW AND RESULTS OF OPERATIONS

AUDITED FINANCIAL RESULTS	1H FY16	1H FY15	% Change
Operational Performance			
Metres drilled	676,367	624,506	8%
Revenue per metre	\$95.95	\$101.60	(6%)
Profit & Loss			
Revenue and other income	\$64.9m	\$63.4m	2%
EBITDA	\$8.3m	\$8.4m	(2%)
EBIT (reported)	\$0.01m	\$1.2m	(99%)
EBIT (before significant items)	\$0.7m	\$1.2m	(45%)
NPAT (reported)	(\$1.6m)	\$0.2m	(937%)
NPAT (before significant items)	\$0.04m	\$0.2m	(77%)
At Balance Date			
Net assets	\$91.7m	\$108.3m	(15%)
Cash	\$6.8m	\$4.7m	46%
Debt	\$22.3m	\$21.9m	2%
Net debt	\$15.5m	\$17.2m	(10%)
Cash Flow			
Net cash from operating activities	\$9.9m	\$8.9m	11%
Net cash used in investing activities	(\$5.9m)	(\$9.2m)	(36%)
Free cash flow	\$4.0m	(\$0.3m)	1433%
Operating cash flow before interest and taxes	\$10.5m	\$10.6m	(0.9%)
Ratios			
Basic EPS – cents per share	(0.72)	0.09	(939%)
EBITDA margin (%)	12.7%	13.3%	
EBIT margin (%) (before significant items)	1.0%	1.9%	
EBITDA cash conversion (%)	127.6%	125.6%	
Gearing (Net debt/equity) (%)	16.9%	15.9%	

*Significant items include the de-recognition of carried forward tax losses in overseas jurisdictions as well as a write-off of three skid based diamond drills which are viewed as non-core, redundant assets in the group

Revenue and other income for the six months ending December 31, 2015 was \$64.9 million, up 2% from \$63.4 million for the corresponding period a year ago. The Company is operating at 23 mine sites for 18 individual clients, of which 5 sites are international.

EBITDA for the first half was \$8.3 million (12.7% margin) for the first half, down 2% from \$8.4 million (13.3% margin) in the corresponding period a year ago.

Swick's existing contracts are operating in line with expectations. Second half revenue will be similar to the first half, however margin improvement is expected as a result of the continued focus on cost efficiencies and the implementation of some of the Company's research and development initiatives.

The ongoing challenges within the mineral drilling market have put pressure on pricing resulting in a drop in revenue per metre of 6%. Swick has a strong order book of around \$135 million and operates at a number of world-class operating mine sites. Swick recently renewed a cornerstone underground diamond coring contract with Newmont at its Tanami Mine in the Northern Territory. Swick currently has ten underground diamond drill rigs employed at Newmont's Tanami mine. Two additional locations, which will mobilise in early 2016, have also been awarded to Swick by Newmont, including the underground diamond coring for Mt Charlotte Mine at KCGM's Kalgoorlie Operations, as well as surface RC exploration and water bore drilling at Newmont's Boddington Mine. As a result of increased scope, a total of approximately 15 rigs are expected to be in use across all the Newmont properties early in 2016.

A FTE figure of 50 rigs from a fleet of 78 (including three client owned rigs) were operating in the field in the first half of FY2016 compared to a FTE 54 rigs from a fleet of 83 a year ago. The fleet number has decreased this half as five non-core assets were de-recognised as available fleet.

Of the total rigs in work, the Underground Diamond Coring division represented a FTE 46 rigs operating from a fleet of 68 (68% utilisation), compared to 48 rigs operating from a fleet of 69 (70% utilisation) a year ago.

Metres drilled increased by 8% over the two corresponding periods despite a decrease in fleet utilisation. This was delivered as a result of increases to rig performance through various research & development initiatives. Increased performance by individual rigs has resulted in the company having spare rigs that can be utilized for future growth with minimal additional capital injections.

Swick generated free cash flow of \$4.0 million during the period by managing working capital and capital expenditure reductions due to focusing on productivity initiatives to enable production increases, rather than adding fleet. The Company paid down \$2.0 million of its debt facility during the period and renewed its debt facility for a further two years until December 2017.

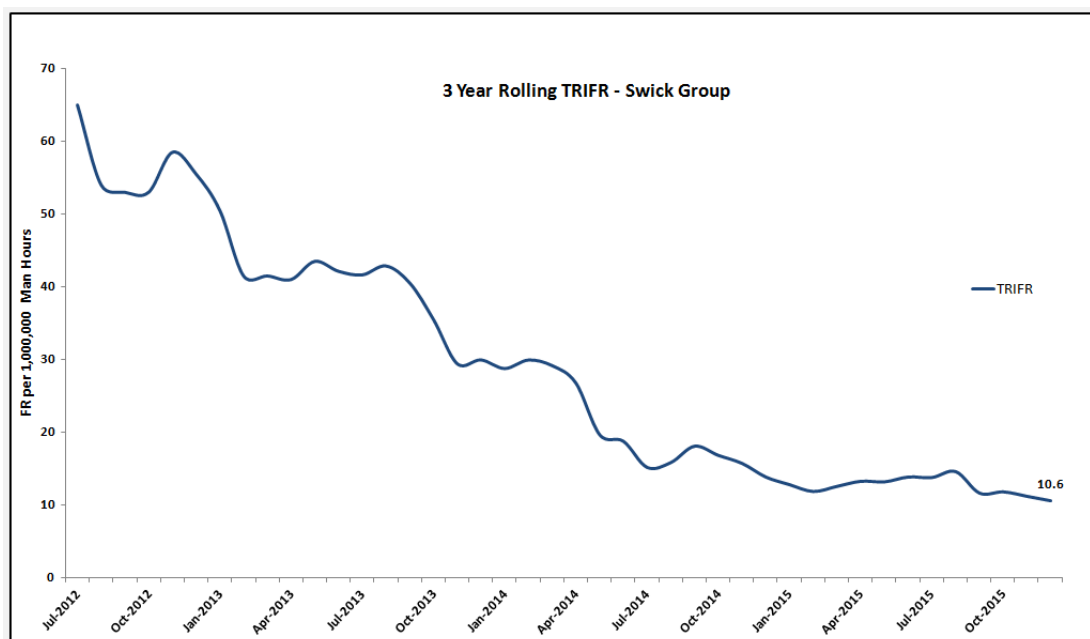
Swick has commenced an on-market buy-back of up to 10% of its issued ordinary shares (approximately 21.7 million shares) during the period of 12 months commencing in December 2015. The share buy-back is being undertaken as part of the Company's capital management strategy, particularly given the low market trading price of Swick shares in comparison to the net tangible asset backing of the Company's shares. The Board believes that the current market share price does not reflect the fair value of the Company and the share buy-back therefore constitutes a sound use of available capital.

Swick decided to write off a deferred tax asset in Canada and Portugal to the value of \$1,056,000 due to the current low level of contracted work and ongoing tough market conditions. In addition, in order to have a fleet representative of our current strategies, the Swick owned Longhole drill

rigs have been removed from the fleet numbers as these assets do not meet the ongoing needs of the business. Similarly three of the six skid based underground diamond drills within the Swick fleet have been written down and removed from the fleet register. In total the asset write downs represent a total of \$661,000 before tax.

Safety and Training

Safety continues to be an integral part of the Swick brand. Over the 2016 half-year period, Swick continued to improve its safety performance with the Total Recordable Injury Frequency Rate (TRIFR) reducing to 10.6 at period end, a 23% reduction over the period, on the back of a 25% reduction in financial year 2015.



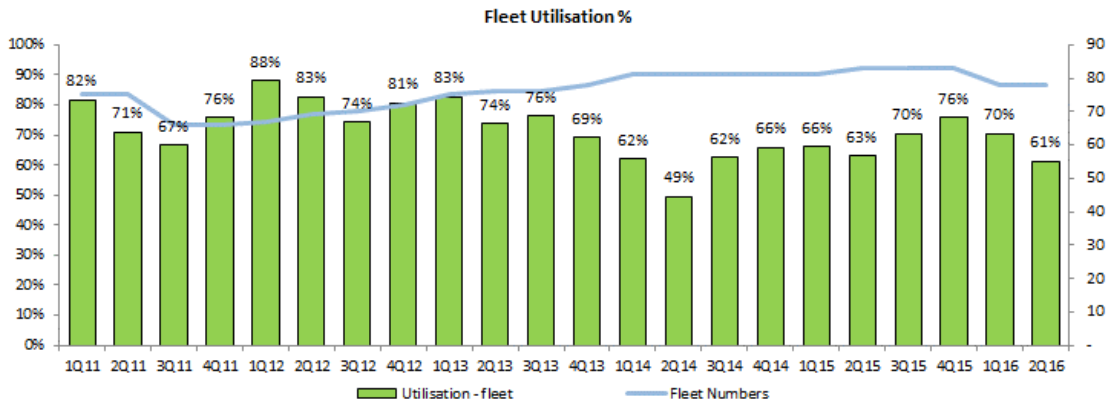
Capital Expenditure

In November 2013, Swick invested an initial sum of \$1.66 million into a mineral analysis business based in Sweden for an initial shareholding of 23% in the Company. Since that date, Swick has provided additional funding to Orexplore AB in the amount of \$2.89 million. Swick's financial commitment to Orexplore AB is in the order of A\$550,000 per half year, which in turn funds the research and development of world first mineral analysis techniques in return for equity. As at 31 December 2015 the Group's ownership interest was 57.6%. Swick has further commitments for up to \$3.3 million (SEK19.9 million) over the next 30 months.

Normal business capital expenditure in the first half was \$6.5 million (compared to \$8.9 million in the first half of FY15), of which \$2.1 million relates to specific productivity enhancement projects including R&D projects and rig upgrades. The Company has decided to focus the next phase of capital expenditure on the commercial rollout of many R&D initiatives that will significantly improve the productivity and lower the operating costs of the Underground Diamond Drilling Division. The benefit of these upgrades is primarily efficiency improvements and the subsequent profitability improvements, however as a result of the improved productivity the quantum of capital expenditure for growth is greatly reduced as the business can deliver more production from the existing asset base. The second half capital expenditure is budgeted to be approximately \$6.0 million.

Fleet Utilisation

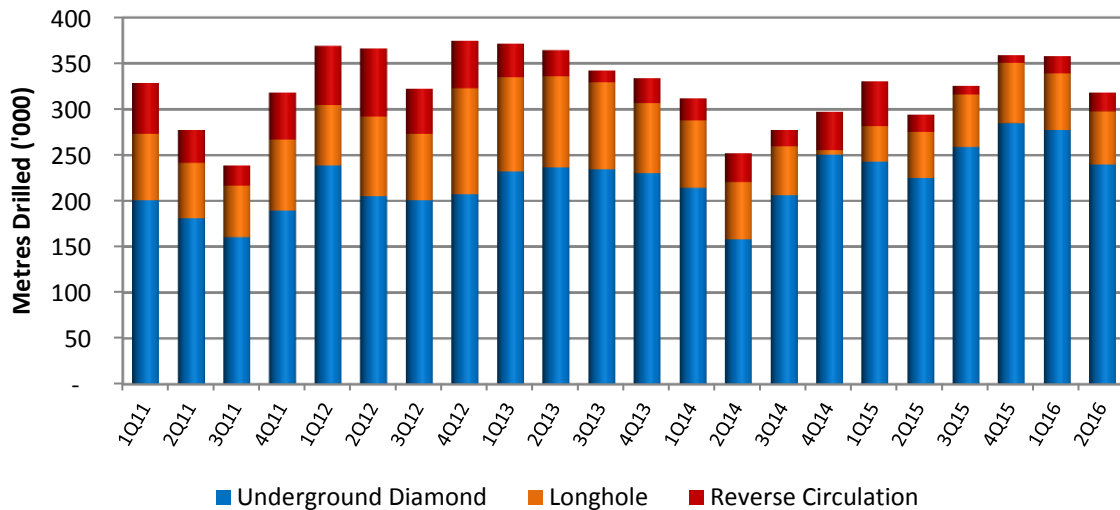
A FTE average of 50 rigs from a fleet total of 78 (including three client owned rigs) operated in the first half. The Company’s rig utilisation against total fleet number as at 31 December 2015 is shown below:



Metres Drilled

Total metres drilled for 1H16 increased 8% to 676,369 metres from 624,506 metres in the corresponding period last year. The quarterly metres drilled by division is shown in the graph below with Underground Diamond up 11%, Longhole Production up 35% and RC down 42%, compared to the corresponding half last year.

Metres Drilled by Quarter



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AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Deloitte Touche Tohmatsu, which is included on page 9.

Signed in accordance with a resolution of the directors



Kent Swick
Managing Director
Dated: 23 February 2016

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

23 February 2016

Dear Board Members

Swick Mining Services Limited

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

As lead audit partner for the review of the financial statements of Swick Mining Services Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	Consolidated	
		31-Dec-15 \$'000	31-Dec-14 \$'000
Revenue		63,994	62,799
Finance income		-	5
Other income		904	644
Total revenue and other income	4	64,898	63,448
Expenses			
Finance costs		593	848
Other expenses	4	64,889	62,214
Total expenses		65,482	63,062
(Loss)/profit before income tax expense		(584)	386
Income tax expense		(974)	(200)
(Loss)/profit for the period		(1,558)	186
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(24)	590
Total comprehensive (loss)/income for the period		(1,582)	776
(Loss)/profit for the period attributable to:			
Owners of the Company		(1,466)	186
Non-controlling interests		(92)	-
		(1,558)	186
Earnings per share			
- Basic (loss)/earnings per share (cents)	10	(0.72)	0.09
- Diluted (loss)/earnings per share (cents)	10	(0.72)	0.09

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT

	Note	Consolidated	
		31-Dec-15 \$'000	30-Jun-15 \$'000
Current assets			
Cash and cash equivalents	5	6,849	5,729
Trade and other receivables		16,030	21,779
Inventories		14,435	14,951
Other assets		886	1,165
Current tax assets		1,806	2,036
Total current assets		40,006	45,660
Non-current assets			
Property, plant and equipment		76,915	79,748
Intangible assets		10,007	9,851
Other financial assets	14	1,280	1,280
Deferred tax asset		3,215	3,840
Total non-current assets		91,417	94,719
Total assets		131,423	140,379
Current liabilities			
Trade and other payables		11,644	15,483
Borrowings	7	291	904
Provisions		4,638	5,321
Total current liabilities		16,573	21,708
Non-current liabilities			
Borrowings	7	22,037	24,116
Provisions		1,116	1,128
Other financial liabilities	14	-	18
Total non-current liabilities		23,153	25,262
Total liabilities		39,726	46,970
Net assets		91,697	93,409
Equity			
Issued capital	8	75,640	75,841
Reserves		2,375	2,360
Retained earnings		11,252	12,862
Equity attributable to owners of the Company		89,267	91,063
Non-controlling interests		2,430	2,346
Total equity		91,697	93,409

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED	Ordinary Shares \$'000	Retained Earnings \$'000	Share Based Payments Reserve \$'000	Foreign Currency Reserve \$'000	Asset Revaluation Reserve \$'000	Non- Controlling Interest \$'000	Total Equity \$'000
At 1 July 2015	75,841	12,862	1,449	631	280	2,346	93,409
Profit/(loss) for the period	-	(1,466)	-	-	-	(92)	(1,558)
Other comprehensive income/(loss)	-	-	-	(56)	-	32	(24)
Total comprehensive loss for the period	-	(1,466)	-	(56)	-	(60)	(1,582)
Share buy-back	(200)	-	-	-	-	-	(200)
Transaction costs on share buy-back	(1)	-	-	-	-	-	(1)
Purchase of additional interest in Orexplore (Note 6)	-	(144)	-	-	-	144	-
Share based payments	-	-	71	-	-	-	71
At 31 December 2015	75,640	11,252	1,520	575	280	2,430	91,697
At 1 July 2014	75,841	31,274	1,001	(145)	-	-	107,971
Profit for the period	-	186	-	-	-	-	186
Other comprehensive income	-	-	-	590	-	-	590
Total comprehensive income for the period	-	186	-	590	-	-	776
Share buy-back	-	-	-	-	-	-	-
Transaction costs on share buy-back	-	-	-	-	-	-	-
Dividends recognised for the period	-	(432)	-	-	-	-	(432)
At 31 December 2014	75,841	31,028	1,001	(445)	-	-	108,315

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated	
		31-Dec-15 \$'000	31-Dec-14 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		77,050	73,347
Payments to suppliers and employees		(66,508)	(62,792)
Income tax paid		(97)	(862)
Net interest paid		(593)	(840)
Net cash provided by operating activities		9,852	8,853
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		51	238
Purchase of property, plant and equipment		(4,757)	(7,375)
Payments for development		(1,230)	(1,594)
Investment in associates		-	(541)
Investment income		71	96
Net cash used in investing activities		(5,865)	(9,176)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for share buyback		(200)	-
Share transaction costs		(1)	-
Proceeds from Borrowings		-	1,993
Repayment of Borrowings		(2,693)	(740)
Dividends paid by parent entity		-	(432)
Net cash used in financing activities		(2,894)	821
Net increase in cash and cash equivalents held		1,093	498
Cash and cash equivalents at the beginning of the period		5,729	4,194
Effect of exchange rate changes on cash and cash equivalents		27	-
Cash and cash equivalents at the end of period	5	6,849	4,692

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

1. CORPORATE INFORMATION

The half-year financial report of Swick Mining Services Ltd (the Company) for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 23 February 2016.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report should be read in conjunction with the annual Financial Report of Swick Mining Services Ltd as at 30 June 2015.

It is also recommended that the half-year financial report be considered together with any public announcements made by Swick Mining Services Ltd and its controlled entities ('the Group') during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

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

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

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

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

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'
- AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australia Groups with a Foreign Parent'

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

(c) Basis of consolidation

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

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

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

3. SEGMENT INFORMATION**Geographical Segments**

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

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

Segment Revenue, Expense and Results for Continuing Operations

For half-year ended	Drilling Services – Asia Pacific		Drilling Services – International		Total	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	57,568	55,928	6,426	6,871	63,994	62,799
Other income	765	616	139	33	904	649
Total revenue	58,333	56,544	6,565	6,904	64,898	63,448
Other expenses	56,767	54,020	8,122	8,194	64,889	62,214
Finance costs	593	823	-	25	593	848
Total expense	57,360	54,843	8,122	8,219	65,482	63,062
Segment profit/(loss) before tax	973	1,701	(1,557)	(1,315)	(584)	386
<i>Other segment information</i>						
Depreciation and amortisation	6,757	6,092	832	1,084	7,589	7,176
Additions to non-current assets	4,967	8,759	1,020	210	5,987	8,969

Segment Assets and Liabilities

As at	Drilling Services – Asia Pacific		Drilling Services – International		Total	
	31-Dec-15	30-Jun-15	31-Dec-15	30-Jun-15	31-Dec-15	30-Jun-15
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment assets	131,556	140,420	16,745	23,110	148,301	163,530
Total segment liabilities	(37,812)	(56,673)	(17,452)	(22,764)	(55,264)	(79,437)
Eliminations					(1,340)	9,316
Total net assets	93,744	83,747	(707)	346	91,697	93,409

4. REVENUE, INCOME AND EXPENSES FOR CONTINUING OPERATIONS

	Note	31-Dec-15 \$'000	31-Dec-14 \$'000
<i>Revenue</i>			
Rendering of services		63,994	62,799
Total revenue		63,994	62,799
<i>Finance income</i>			
Interest income		-	5
Total finance income		-	5
<i>Other income</i>			
Net gain on disposal of property, plant and equipment		38	58
Investment income from unit trust		71	96
Other income		795	490
Total other income		904	644
Total revenue and other income		64,898	63,448
<i>Other expenses</i>			
Raw materials and consumables used		10,370	9,855
Employee benefits expenses		35,153	34,054
Depreciation and amortisation expenses		7,589	7,176
Impairment of assets	11	661	-
Accommodation and travel expenses		2,330	2,243
Repairs, parts and maintenance		2,611	3,616
Equipment hire and freight		2,988	1,693
Insurance		1,110	1,374
Marketing and advertising		97	113
Utilities and communication		193	388
Rent and outgoings		733	582
Share in loss of associate		-	131
Administration costs		1,054	989
Total other expenses		64,889	62,214

5. CASH AND CASH EQUIVALENTS

For the purposes of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:

	Consolidated	
	31-Dec-15 \$'000	30-Jun-15 \$'000
Cash in hand	2	2
Bank balance	6,847	5,727
Cash and cash equivalents	6,849	5,729

6. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Acquisition of additional interest in Oreplore AB

On 28 August 2015, the Group acquired an additional 3.8% interest in the voting shares of Oreplore AB, increasing its ownership to 54.3%. This was achieved by a cash consideration of \$553,000 to Oreplore AB for issue of new shares.

On 28 December 2015, the Group acquired an additional 3.26% interest in the voting shares of Oreplore AB, increasing its ownership to 57.56%. This was achieved by a further cash consideration of \$554,000 to Oreplore AB for issue of new shares.

The transfer of cash to fund ongoing activities of the business increased the carrying value of the net assets of Oreplore AB.

7. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated	
	31-Dec-15 \$000	30-Jun-15 \$'000
Current liabilities – secured		
Hire purchase liabilities	213	359
Other loans (unsecured)	78	545
	291	904
Non-current liabilities – secured		
Bank loans	22,000	24,000
Hire purchase liabilities	37	116
	22,037	24,116

Hire purchase liabilities are fixed interest borrowings provided over a three to five year term.

Bank loans consist of a mixture of fixed and variable bank bills and the facility expires on 31 December 2017.

8. CONTRIBUTED EQUITY

	31-Dec-15 \$'000	30-Jun-15 \$'000
a) Share capital		
Ordinary shares, fully paid	75,640	75,841

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

b) Movement in ordinary shares on issue

Consolidated entity

2015 Details	Number of shares	Issue price \$	Value \$'000
30 June 2015 balance	217,643,703	-	75,841
Shares bought back and cancelled	(2,086,434)	-	(201)
31 December 2015 balance	215,557,269		75,640
2014 Details	Number of shares	Issue price \$	Value \$'000
30 June 2014 balance	216,123,326	-	75,841
Performance rights converted to shares	1,520,377	-	-
31 December 2014 balance	217,643,703		75,841

In December 2015, Swick announced an on-market share buy-back of up to 10% of its issued share capital over the period of 12 months. During the period, Swick undertook an on-market buy-back of 2,086,434 shares for an average price of 9.6 cent. Total consideration paid including any transactions costs was \$201,000.

9. COMMITMENTS AND CONTINGENCIES

Commitments

Swick Mining Services Ltd has an ongoing research and development commitment for both investment of equity and provision of a convertible loan totalling approximately \$3.3 million (19.9 million Swedish Krona) over 3 years with Orexplore AB, subject to agreed research and development milestones.

Contingent Liabilities

There were no contingent liabilities as at 31 December 2015 (30 June 2015: nil)

10. EARNINGS PER SHARE

	Consolidated	
	31- Dec-15	31-Dec-14
a) Basic (loss)/ earnings per share (cents)		
From continuing operations	(0.72)	0.09
Total basic (loss)/ earnings per share	(0.72)	0.09
b) Reconciliation of (loss)/ earnings used to calculate earnings per share (\$'000)		
(Loss)/ profit after income tax expense from continuing operation	(1,558)	186
c) Weighted average number of shares ('000)	216,600	216,525
d) Diluted (loss)/ earnings per share (cents)		
From continuing operations	(0.72)	0.09
Total diluted (loss)/ earnings per share	(0.72)	0.09
e) Reconciliation of (loss)/ earnings used to calculate diluted earnings per share (\$'000)		
(Loss)/ profit after income tax expense from continuing operations	(1,558)	186
f) Weighted average number of shares used to calculate diluted earnings per share ('000)	217,202	217,573

11. CASH GENERATING UNITS

In assessing the potential impairment management have used three separate functional divisions, being the Cash Generating Units (CGU) within the group:

- Underground Diamond Drilling
- Surface Reverse Circulation Drilling; and
- Long Hole Drilling.

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

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

The recoverable amount of each CGU is determined based on a value-in-use calculation. Value-in-use is calculated based on the present value of cash flow projections over a five year period with a terminal value. The cash flow projections are based on next year's financial budget approved by the directors extended to the following 3 years using a combination of growth at management estimates and external market research, with a terminal value based on the average of revenue to reflect the cyclical nature of the industry.

During the year ending 30 June 2015, Swick recognized impairment losses of \$14.9 million in the Long Hole and Surface Reverse Circulation Drilling CGUs. As a result of the continued and expected future low utilization of plant and equipment, there are no indicators to suggest a reversal of the previously booked impairment loss.

The post-tax WACC (Weighted Average Cost of Capital) of the Company has been maintained at 10.5% per annum (2015: 10.5% per annum) to reflect the current cost of both debt and equity capital.

Based on the testing of indicators of impairment performed, no impairment expense has been recognised at the CGU level. During the half year three skid rigs carried at \$661,000 before tax have been written off as these have reached the end of their useful economic life.

12. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

13. EVENTS AFTER THE BALANCE SHEET DATE

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

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Other financial assets consists of

	31-Dec-15 \$'000	30-Jun-15 \$'000
a) Units in unlisted property trust	1,280	1,280
	1,280	1,280

Other financial liabilities consists of

	31-Dec-15 \$'000	30-Jun-15 \$'000
b) Foreign currency forward contracts	-	18
	-	18

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

a) Reconciliation of Level 3 fair value measurements

31 December 2015

	Available-for-sale - units in unlisted property trust \$'000
Opening balance	1,280
Purchases	-
Closing balance	1,280

On 4 November 2013 the Group acquired a 20% interest in an unlisted property trust that purchased its leased premises located at 64 Great Eastern Highway South Guildford, Western Australia. The directors consider the carrying amount of the financial asset approximates the fair value when considering the valuation done during the half year and the ongoing long term lease for the property.

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DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. give a true and fair view of the financial position as at the 31 December 2015 and the performance for the half-year ended on that date; and
 - ii. comply with Australian Accounting Standards (AASB 134 *Interim Financial Reporting*) and the Corporations Regulations 2001.
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Kent Swick
Managing Director
Perth, 23 February 2016

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Independent Auditor's Review Report to the Members of Swick Mining Services Limited

We have reviewed the accompanying half-year financial report of Swick Mining Services Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 21.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Swick Mining Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Swick Mining Services Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants
Perth 23 February 2016