Innovative • Productive • Safe

Swick Mining Services Ltd and its Controlled Entities

Appendix 4D

Half-Year Financial Report

31 December 2016

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RESULTS FOR ANNOUNCEMENT TO THE MARKET (APPENDIX 4D)

	Period ended
Current Reporting Period	31-Dec-16
Previous Corresponding Period	31-Dec-15

				$'000
Revenue from Ordinary Activities	Down	1%	to	64,841
Net (Loss) After Tax from Ordinary Activities	Down	70%	to	(473)
Net (Loss) After Tax Attributable to Members	Down	81%	To	(285)

Dividends
No dividends have been declared during the period.

	31-Dec-16	31-Dec-15
Net tangible asset backing per ordinary share (cents)	36.64	37.90

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

DIRECTORS' REPORT

The Directors of Swick Mining Services Limited (Swick) are pleased to submit their report for the half-year ended 31 December 2016.

DIRECTORS

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

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

RESULTS AND REVIEW OF OPERATIONS

FINANCIAL RESULTS (UNREVIEWED NON-IFRS)	1H FY17	1H FY16	% Change
Operational Performance			
Metres drilled	685,689	676,367	1%
Revenue and other income per metre	$94.56	$95.95	(1%)
Profit & Loss			
Revenue and other income	$64.8m	$64.9m	(1%)
EBITDA	$7.9m	$8.3m	(5%)
EBIT (reported)	$0.4m	$0.01m	3900%
EBIT (before significant items*)	$0.4m	$0.7m	(43%)
NPAT (reported)	($0.5m)	($1.6m)	69%
NPAT (before significant items*)	($0.07m)	$0.04m	(275%)
At Balance Date			
Net assets	$88.3m	$91.7m	(4%)
Cash	$7.8m	$6.8m	15%
Debt	$20.0m	$22.3m	(10%)
Net debt	$12.2m	$15.5m	(21%)
Cash Flow			
Net cash from operating activities	$12.7m	$9.9m	28%
Net cash used in investing activities	($8.0m)	($5.9m)	36%
Free cash flow	$4.8m	$4.0m	20%
Operating cash flow before interest and taxes	$11.9m	$10.5m	13%
Ratios			
Basic EPS – cents per share	(0.13)	(0.68)	(81%)
EBITDA margin	12.2%	12.8%	
EBIT margin (before significant items*)	0.6%	1.1%	
EBITDA cash conversion	151%	127%	
Gearing (Net debt/equity)	13.8%	16.9%	

* Significant item in 1H FY17 was the de-recognition of carried forward tax losses in an overseas jurisdiction. Significant items in 1H FY16 was 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, 2016 was $64.8 million, slightly down from $64.9 million for the corresponding period a year ago. The Company is operating at 19 mine sites for 13 individual clients, of which 3 sites are international.

EBITDA was $7.9 million (12.2% margin) for the first half, down 5% from $8.3 million (12.8% margin) in the corresponding period a year ago.

Swick has a strong order book of around $200 million and operates at a number of world-class operating mine sites. During the period, Swick secured a two year contract to provide underground drilling services at Kirkland Gold's Australian operations (previously Newmarket Gold), with eight rigs to be mobilised in the period from February to April 2017. In addition, Swick secured a two year contract with Coeur Alaska, with three rigs mobilised in January and a fourth to commence drilling later in the fourth quarter of this financial year.

As a strategic exit from a small, yet historic part of the business, Swick will no longer be providing underground Longhole production (LH) drilling to the market, focusing on its remaining two divisions – Underground Diamond (UD) drilling and Reverse Circulation (RC) drilling. Operational revenue from the LH division will cease at the end of the third quarter of FY17.

A full time equivalent (FTE) of 52 rigs from a fleet of 78 (including three client owned rigs) were operating in the field in the first half of FY17 compared to a FTE of 50 rigs from a fleet of 78 a year ago.

Of the total rigs in work, the UD division represented a FTE of 45 rigs operating from a fleet of 68 (67% utilisation), compared to 46 rigs operating from a fleet of 68 (68% utilisation) a year ago. New contract awards and anticipated increases in rig utilisation at existing contracts indicate that the UD division will be at approximately 90% utilisation towards the end of FY17.

Total metres drilled increased by 1% over the corresponding period despite a decrease in fleet utilisation. This was delivered as a result of increased productivity in the UD division where metres per shift increased by 10% and increased activity in the RC division. Rig performance in UD continues to improve as various proven research and development (R&D) initiatives are rolled out to the full fleet and benefits of these initiatives are maximised.

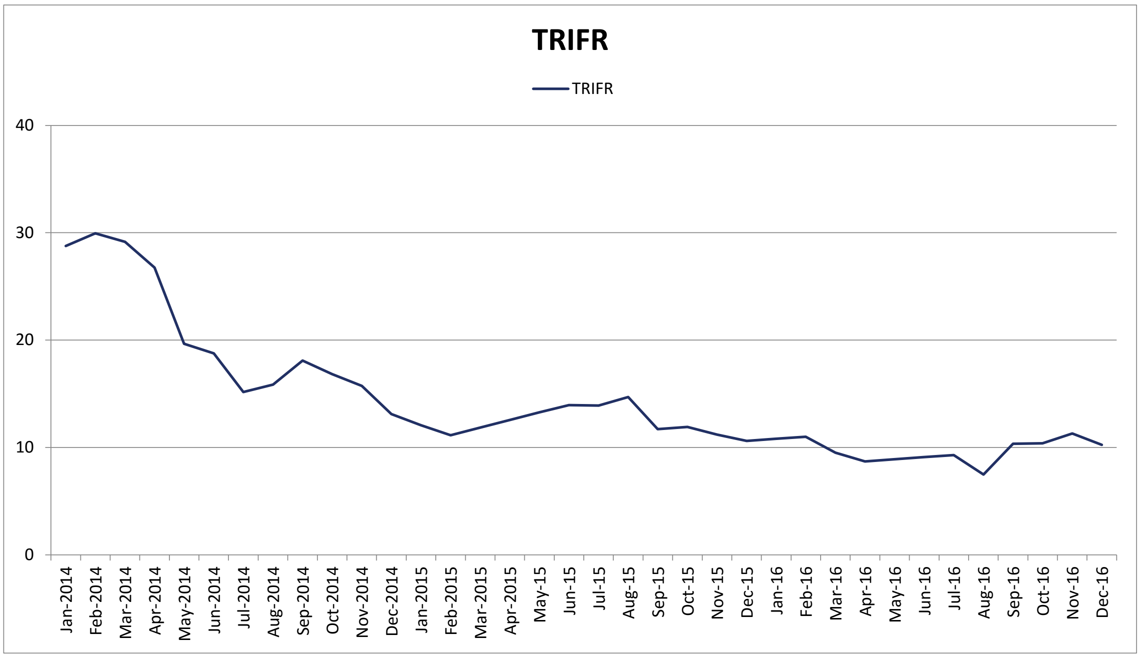
Swick generated free cash flow of $4.8 million during the period by managing working capital. Capital expenditure increased by $2.1 million compared to the prior corresponding period predominantly due to the ongoing roll out of R&D initiatives and the refurbishment of older rigs in readiness for the recently won new work. The Company renewed its debt facility for a further two years until January 2019.

Swick completed the share buy-back announced in December 2015, with 7,241,255 shares purchased at an average price of 14.9 cents. In December 2016 the company announced the continuation of the on-market buy-back of up to 10% of its issued ordinary shares (approximately 21.1 million shares) for a further 12 months. 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 per share. 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 any available free cash flow.

Second half revenue is expected to be similar to the first half, however margins are anticipated to be lower primarily due to an extended weather related delay event at the Granites site which resulted in 10 rigs being stood down for a period of at least six weeks from mid-January 2017, with an expected staged return to work in early March 2017. This revenue reduction will be offset by mobilisation of the new UD contracts with an additional 12 underground diamond drill rigs being staged into the business from January and fully operating by the end of April 2017. Mobilisation expenses, refurbishment of rigs and labour on-boarding costs during this ramp-up period will also have a negative impact on the second half margin. Operating costs, manning ratios and overall operations are expected to stabilise by the end of April when all rigs planned for new work will be mobilised.

Safety and Training

Safety continues to be an integral part of the Swick brand. Following a sustained period of improvement, the Total Recordable Injury Frequency Rate (TRIFR) was relatively flat for the period, to be 10.3 at period end, a 4% reduction over the prior corresponding period, resulting in a 66% reduction over the three years from January 2014. This is a pleasing result considering the meters drilled increased by 10% over the period, highlighting sound practices and systems, with further improvement to come from increased targeted training through the building of the designated underground training and test facility to incorporate new starter inductions, technical training and R&D testing.



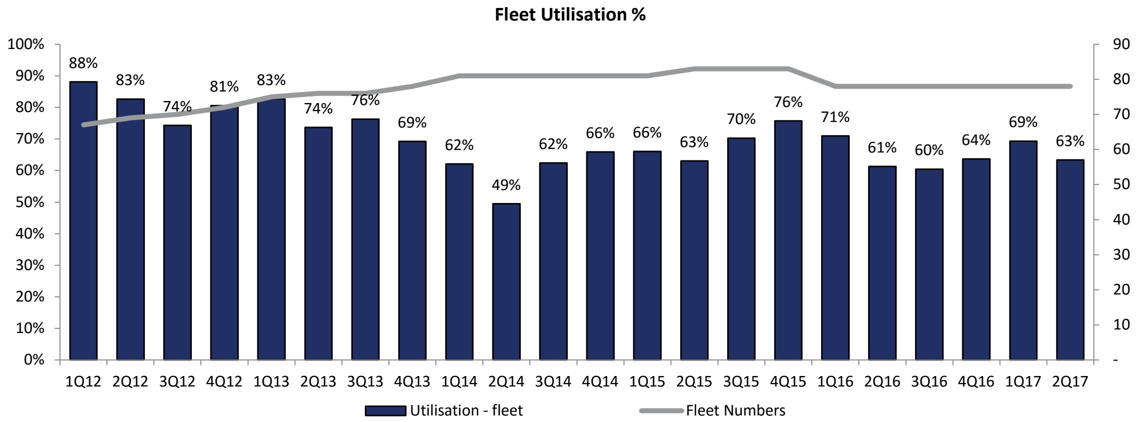
Capital Expenditure

In November 2013, Swick invested an initial sum of $1.7 million into a mineral analysis business based in Sweden (Orexplore AB) for an initial shareholding of 23% in this company. Since that date, Swick has provided additional funding to Orexplore AB in the amount of $4.4 million. Swick's financial commitment to Orexplore AB is in the order of $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 2016, the Group's ownership interest was 66.2%. Swick has further commitments for up to $1.6 million (SEK10 million) over the next 18 months.

As a result of increased rig demand with new contract awards, capital expenditure in the first half was $8.1 million (compared to $6.0 million in the prior corresponding period), of which $2.9 million relates to specific productivity enhancement projects including R&D projects and rig upgrades. The Company continues to focus on the rollout of proven R&D initiatives, while managing overall expenditure levels and ensuring the high standard of equipment in the field is maintained for new projects won. The second half capital expenditure is expected to be approximately $8.0 million.

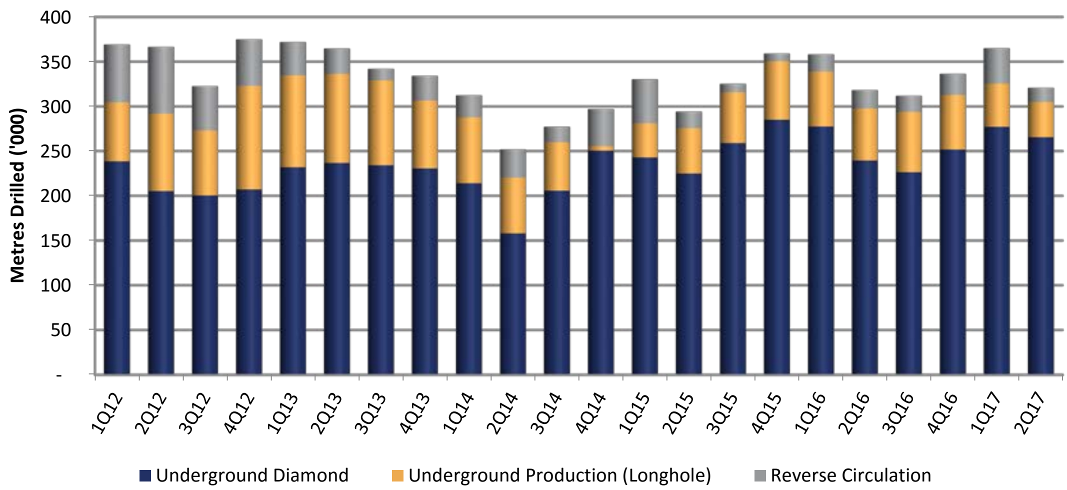
Fleet Utilisation

A FTE average of 52 rigs from a fleet total of 78 (including three client owned rigs) operated in the first half. The Company's rig utilisation based on rig shifts as at 31 December 2016 is shown below:



Metres Drilled

Total metres drilled for 1H17 increased 1% to 685,689 metres from 676,367 metres in the corresponding period last year. The quarterly metres drilled by division is shown in the graph below with UD up 5%, RC up 40%, and Longhole down 27% compared to the corresponding half last year.



Interim Dividend

Due to the loss result for the period, the Company has decided not to declare an interim dividend for 1H FY17.

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors

Kent Swick
Managing Director
Dated: 27 February 2017

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

As lead auditor for the review of Swick Mining Services Limited for the half year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
27 February 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	Consolidated	
		31-Dec-16 $'000	31-Dec-15 $'000
Revenue		64,229	63,994
Other income		612	904
Total revenue and other income	2.2	**64,841**	**64,898**
Expenses			
Finance costs		504	593
Other expenses	2.2	64,385	64,889
Total expenses		**64,889**	**65,482**
Loss before income tax expense		**(48)**	**(584)**
Income tax expense		(425)	(974)
Loss for the period		**(473)**	**(1,558)**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations:			
Owners of the Company		(209)	(56)
Non-controlling interests		(48)	32
Total comprehensive loss for the period		**(730)**	**(1,582)**
Loss for the period attributable to:			
Owners of the Company		(285)	(1,466)
Non-controlling interests		(188)	(92)
		(473)	**(1,558)**
Earnings per share			
- Basic loss per share (cents)	2.4	(0.13)	(0.68)
- Diluted loss per share (cents)	2.4	(0.13)	(0.68)

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 31 DECEMBER 2016

	Note	31-Dec-16	30-Jun-16
		Consolidated	
		$'000	$'000
Current assets			
Cash and cash equivalents		7,839	4,690
Trade and other receivables		14,814	19,127
Inventories		14,712	12,967
Other assets		1,476	1,797
Current tax assets		538	1,225
Total current assets		**39,379**	**39,806**
Non-current assets			
Property, plant and equipment		77,205	77,636
Intangible assets		10,918	10,079
Other financial assets	3.3	1,280	1,280
Deferred tax assets		1,911	2,339
Total non-current assets		**91,314**	**91,334**
Total assets		**130,693**	**131,140**
Current liabilities			
Trade and other payables		15,130	14,602
Borrowings	3.1	37	116
Provisions		5,297	4,822
Total current liabilities		**20,464**	**19,540**
Non-current liabilities			
Borrowings	3.1	20,000	20,000
Provisions		1,932	1,567
Total non-current liabilities		**21,932**	**21,567**
Total liabilities		**42,396**	**41,107**
Net assets		**88,297**	**90,033**
Equity			
Issued capital	4.1	74,759	75,036
Reserved shares	4.1	(382)	-
Reserves		2,896	2,604
Retained earnings		8,866	9,991
Equity attributable to owners of the Company		**86,139**	**87,631**
Non-controlling interests		2,158	2,402
Total equity		**88,297**	**90,033**

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 2016

CONSOLIDATED

	Issued capital $'000	Reserved 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 2016	**75,036**	**-**	**9,991**	**1,567**	**841**	**196**	**2,402**	**90,033**
Loss for the period	-	-	(285)	-	-	-	(188)	**(473)**
Other comprehensive loss	-	-	-	-	(209)	-	(48)	**(257)**
Total comprehensive loss for the period	**-**	**-**	**(285)**	**-**	**(209)**	**-**	**(236)**	**(730)**
Share buy-back	(276)	-	-	-	-	-	-	**(276)**
Transaction costs on share buy-back	(1)	-	-	-	-	-	-	**(1)**
Change of interest in Orexplore **(Note 5.1)**	-	-	8	-	-	-	(8)	**-**
Share-based payments	-	-	-	501	-	-	-	**501**
Reserved shares purchased	-	(382)	-	-	-	-	-	**(382)**
Dividends recognised for the year	-	-	(848)	-	-	-	-	**(848)**
At 31 December 2016	**74,759**	**(382)**	**8,866**	**2,068**	**632**	**196**	**2,158**	**88,297**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED

	Issued capital $'000	Reserved 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**
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 5.1)**	-	-	(144)	-	-	-	144	**-**
Share-based payments	-	-	-	71	-	-	-	**71**
At 31 December 2015	**75,640**	**-**	**11,252**	**1,520**	**575**	**280**	**2,430**	**91,697**

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 2016

	Consolidated	
	31-Dec-16	**31-Dec-15**
	$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	76,707	77,050
Payments to suppliers and employees	(64,857)	(66,508)
Income tax refund/(paid)	1,324	(97)
Net interest paid	(456)	(593)
Net cash provided by operating activities	**12,718**	**9,852**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	91	51
Purchase of property, plant and equipment	(7,072)	(4,757)
Payments for development costs	(1,035)	(1,230)
Investment income	58	71
Net cash used in investing activities	**(7,958)**	**(5,865)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for share buy-back	(276)	(200)
Share transaction costs	(1)	(1)
Purchase of reserved shares	(382)	-
Repayment of borrowings	(79)	(2,693)
Dividends paid by parent entity	(848)	-
Net cash used in financing activities	**(1,586)**	**(2,894)**
Net increase in cash and cash equivalents held	**3,174**	**1,093**
Cash and cash equivalents at the beginning of the period	4,690	5,729
Effect of exchange rate changes on cash and cash equivalents	(25)	27
Cash and cash equivalents at the end of period	**7,839**	**6,849**

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

1 GENERAL NOTES

1.1 General information

The half-year financial report of Swick Mining Services Ltd ('the Company') for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 27 February 2017.

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

1.2 Basis of preparation

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

The half-year financial report should be read in conjunction with the annual Financial Report of Swick Mining Services Ltd as at 30 June 2016.

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 2016 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

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

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

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

1.3 Functional currency

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

1.4 Principles of consolidation

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

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

1.5 Changes to accounting standards and interpretations

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

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

- AASB 1057 'Application of Australian Accounting Standards'
- AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'
- AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'
- AASB 2015-9 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]'

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

2 FINANCIAL PERFORMANCE

2.1 Operating segments

General information
Identification of reportable segments

Information reported to the Board for the purposes of resource allocation and assessment of performance is more specifically focused on Drilling Services in Asia Pacific 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		Other and eliminations		Total	
	31-Dec-16 $'000	31-Dec-15 $'000	31-Dec-16 $'000	31-Dec-15 $'000	31-Dec-16 $'000	31-Dec-15 $'000	31-Dec-16 $'000	31-Dec-15 $'000
Revenue	57,562	57,568	6,667	6,426	-	-	64,229	63,994
Other income	511	765	60	66	41	73	612	904
Inter-segment revenue	819	800	-	-	(819)	(800)	-	-
Total revenue	**58,892**	**59,133**	**6,727**	**6,492**	**(778)**	**(727)**	**64,841**	**64,898**
Other expenses	58,056	57,567	6,038	6,996	291	326	64,385	64,889
Finance costs	503	593	1	-	-	-	504	593
Inter-segment expenses	-	-	819	800	(819)	(800)	-	-
Total expense	**58,559**	**58,160**	**6,858**	**7,796**	**(528)**	**(474)**	**64,889**	**65,482**
Segment profit/(loss) before tax	**333**	**973**	**(131)**	**(1,304)**	**(250)**	**(253)**	**(48)**	**(584)**

For half-year ended	Drilling Services – Asia Pacific		Drilling Services – International		Other and eliminations		Total	
	31-Dec-16 $'000	31-Dec-15 $'000	31-Dec-16 $'000	31-Dec-15 $'000	31-Dec-16 $'000	31-Dec-15 $'000	31-Dec-16 $'000	31-Dec-15 $'000
Other segment information								
Depreciation and amortisation	6,802	6,757	712	828	4	4	7,518	7,589
Additions to non-current assets	6,422	4,967	943	346	742	674	8,107	5,987

Segment Assets and Liabilities

As at	Drilling Services – Asia Pacific		Drilling Services – International		Other		Total	
	31-Dec-16 $'000	30-Jun-16 $'000	31-Dec-16 $'000	30-Jun-16 $'000	31-Dec-16 $'000	30-Jun-16 $'000	31-Dec-16 $'000	30-Jun-16 $'000
Total segment assets	131,207	131,588	18,650	13,964	4,318	3,818	154,175	149,370
Total segment liabilities	(39,689)	(39,668)	(22,307)	(17,865)	(786)	(221)	(62,782)	(57,754)
Eliminations	-	-	-	-	-	-	(3,096)	(1,583)
Total net assets	**91,518**	**91,920**	**(3,657)**	**(3,901)**	**3,532**	**3,597**	**88,297**	**90,033**

2.2 Revenue, income and expenses for continuing operations

	Note	Consolidated 31-Dec-16 $'000	Consolidated 31-Dec-15 $'000
Revenue			
Rendering of services		64,229	63,994
Total revenue		**64,229**	**63,994**
Other income			
Gain on disposal of property, plant and equipment		23	38
Interest received		48	-
Government subsidies received		93	154
Investment income from unit trust		58	71
Other income		390	641
Total other income		**612**	**904**
Total revenue and other income		**64,841**	**64,898**
Other expenses			
Raw materials and consumables used		10,380	10,388
Employee benefits expenses		34,500	34,946
Depreciation and amortisation expenses		7,518	7,589
Impairment of assets	3.2	-	661
Accommodation and travel		1,912	2,273
Repairs and maintenance		3,392	2,570
Administration costs		1,851	1,198
Insurance		793	1,110
Equipment hire and freight		2,946	2,987
Recruitment and training		327	434
Rental expense on operating lease		766	733
Total other expenses		**64,385**	**64,889**

2.3 Dividends

	Consolidated	
	31-Dec-16 $'000	31-Dec-15 $'000
Distributions paid		
2016 final dividend (fully franked) of 0.4 cents per share paid in 2017 franked at the tax rate of 30%	848	-
Total dividends per share	**848**	**-**

2.4 Earnings per share

	Consolidated	
	31-Dec-16	31-Dec-15
a) Basic loss per share (cents)		
From continuing operations	(0.13)	(0.68)
Total basic *loss* per share	**(0.13)**	**(0.68)**
b) Reconciliation of loss used to calculate earnings per share ($'000)		
Loss after income tax expense from continuing operation	(285)	(1,466)
***c) Weighted average number of shares* ('000)**	**211,724**	**216,600**
d) Diluted loss per share (cents)		
From continuing operations	(0.13)	(0.68)
Total diluted *loss* per share	**(0.13)**	**(0.68)**
e) Reconciliation of loss used to calculate diluted earnings per share ($'000)		
Loss after income tax expense from continuing operations	(285)	(1,466)
***f) Weighted average number of shares used to calculate diluted earnings per share* ('000)**	**211,724**	**216,600**

3 ASSETS AND LIABILITIES

3.1 Interest bearing loans and borrowings

	Consolidated	
	31-Dec-16 $'000	30-Jun-16 $'000
Current liabilities – secured		
Hire purchase liabilities	37	116
	37	**116**
Non-current liabilities – secured		
Bank loans	20,000	20,000
	20,000	**20,000**

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 January 2018. Subsequent to period end the facility was extended to 31 January 2019.

3.2 Recoverable value of assets

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

- Underground Diamond drilling;
- Reverse Circulation drilling; and
- Underground Production (Longhole) 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 4 years using a combination of growth at management estimates and external market research, with a terminal value growth rate of 2.5%.

During the year ending 30 June 2016, Swick recognised impairment losses of $0.7 million on specific old Skid Rigs in the Underground Diamond Drilling CGU. Swick currently has no plans to re-commission these rigs and therefore there are no indicators to suggest a reversal of the previously recorded impairment loss.

The post-tax discount rate of the Company has been maintained at 9.0% per annum (2016: 9.0% per annum) to reflect the market cost of both debt and equity capital. Pre-tax discount rate is 12.9% per annum (2016: 12.9% per annum).

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

3.3 Other financial assets

	Consolidated	
	31-Dec-16 $'000	30-Jun-16 $'000
Other financial assets consists of		
Units in unlisted property trust	1,280	1,280

Fair value of the Group's financial assets 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 are determined.

Reconciliation of Level 2 fair value measurements

31 December 2016

	Available-for-sale - units in unlisted property trust $'000
Opening balance – June 30, 2016	1,280
Purchases	-
Closing balance – December 31, 2016	**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 most recent valuation performed, then compared against market based movements generally available and the ongoing long term lease for the property.

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

4 CAPITAL STRUCTURE

4.1 Issued capital

	Notes	Consolidated 31-Dec-16 $'000	Consolidated 30-Jun-16 $'000
Share capital			
Ordinary shares, fully paid	a)	74,759	75,036
Reserved shares	b)	(382)	-
		74,377	**75,036**

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

a) Movement in ordinary shares

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

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**

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 1,255,210 shares for an average price of 22.0 cents per share. Total consideration paid including any transactions costs was $277,000. In December 2016, Swick announced the renewal of the on-market share buy-back of up to 10% of its issued share capital over the following 12 months.

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.

Shares in the Group reacquired on-market and held by Swick Mining Services Ltd Employee Share Trust are classified and disclosed as reserved shares and deducted from equity attributable to owners of Swick.

b) Movement in reserved shares

2016 Details	Number of shares	Issue price $	Value $'000
30 June 2016 balance	-	-	-
Acquisition of reserved shares	1,439,151	-	(382)
31 December 2016 balance	**1,439,151**		**(382)**

The reserved shares for the Company's own shares comprises the cost 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 1,439,151 shares were purchased (2016: Nil). As at 31 December 2016 there are 1,439,151 (2016: Nil) unallocated Swick shares held in trust.

4.2 Share-based payments

In November 2016, 3,756,645 performance rights were granted to senior executives under the Long Term Incentive Plan. The performance rights have a zero exercise price. The performance rights vest if the senior executive is still employed on the vesting date. The fair value at grant date is estimated using the Black-Scholes pricing model taking into account the terms and conditions upon which the performance rights were granted. There is no cash settlement of the performance rights. The fair value of the performance rights granted during the six months ended 31 December 2016 was estimated on the date of grant using the following assumptions:

Performance rights	FY15 allocation	FY16 allocation
Number of rights	1,709,685	2,046,960
Grant date	25/11/16	25/11/16
Dividend yield (%)	1.51	1.51
Risk-free interest rate (%)	1.755	1.755
Vesting date	25/11/16	30/6/18
Fair value at grant date ($)	0.2650	0.2587

In November 2016, 6,452,114 options were granted to senior executives under the Long Term Incentive Plan. The options have an exercise price of $0.37. The options vest if the senior executive is still employed on the vesting date. The fair value at grant date is estimated using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The contractual life of each option is four years. There is no cash settlement of the options. The fair value of the options granted during the six months ended 31 December 2016 was estimated on the date of grant using the following assumptions:

Options	
Number of options	6,452,114
Grant date	11/11/16
Dividend yield (%)	1.33
Expected volatility (%)	32.90
Risk-free interest rate (%)	1.93
Vesting date	30/06/19
Last exercise date	30/06/20
Fair value at grant date ($)	0.0358

For the six months ended 31 December 2016, the Group has recognised $302,000 of share-based payment expense in the statement of profit or loss (period ended 31 December 2015: $390,000)

5 OTHER NOTES

5.1 Changes of ownership interest

Acquisition of additional interest in Orexplore AB

On 15 July 2016, the Group acquired an additional 3.1% interest in the voting shares of Orexplore AB, increasing its ownership to 63.5%. This was achieved by a cash consideration of $518,000 to Orexplore AB for issue of new shares.

On 7 November 2016, the Group acquired an additional 2.7% interest in the voting shares of Orexplore AB, increasing its ownership to 66.2%. This was achieved by a further cash consideration of $488,000 to Orexplore 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 Orexplore AB.

5.2 Leasing and other commitments

	Consolidated	
	31-Dec-16 $'000	30-Jun-16 $'000
(a) Hire purchase commitments		
Payable - minimum lease payments		
Not later than 12 months	37	119
Between 12 months and 5 years	-	-
Minimum lease payments	37	119
Less future finance charges	-	(3)
Present value of minimum lease payments	**37**	**116**
Comprising:		
Current liability	37	116
Non-current liability	-	-
Total financial liability	**37**	**116**
(b) Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable - minimum lease payments		
Not later than 12 months	1,350	1,378
Between 12 months and 5 years	5,662	5,583
Later than 5 years	11,793	12,531
	18,805	**19,492**

Operating lease commitments relate to lease of operating premises.

(c) Other commitments

Swick Mining Services Ltd is committed to a further investment in Orexplore AB of 10.0 million Swedish Krona (equivalent to $1.6 million) in the next 18 months.

5.3 Contingent liabilities

	Consolidated	
	31-Dec-16 $'000	30-Jun-16 $'000
Bank guarantees	430	430

Other contingent liabilities

Four former employees at the Company's United States operations have filed a lawsuit alleging that the employees were underpaid for overtime hours worked according to the Fair Labor Standards Act. These alleged claims have not been substantiated and the Company is vigorously defending its position. On the basis of the information presently available, the Company considers that the outcome of these proceedings will not have a material impact.

5.4 Key management personnel

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

5.5 Events after the reporting period

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

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

  i. give a true and fair view of the financial position as at 31 December 2016 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, 27 February 2017

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To the members of Swick Mining Services Limited

Report on the 31 December 2016 half-year financial report

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 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2016 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 and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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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 2016 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*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
27 February 2017