Innovative • Productive • Safe

Swick Mining Services Ltd and its Controlled Entities

Appendix 4D

Half-Year Financial Report

31 December 2019

Table of Contents

RESULTS FOR ANNOUNCEMENT TO THE MARKET (APPENDIX 4D)

	Period ended
Current Reporting Period	31-Dec-19
Previous Corresponding Period	31-Dec-18

				$'000
Revenue from Ordinary Activities	Up	8%	to	80,323
Net Loss After Tax from Ordinary Activities	Down	250%	to	(2,860)
Net Loss After Tax Attributable to Members	Down	250%	To	(2,860)

Dividends	Amount per security	Franked amount per security %
Half year 31 December 2018		
Interim Dividend	Nil	Nil
Half year 31 December 2019		
Interim Dividend	0.3 cents per share	100%
Record date for determining entitlements	**20 March 2020**	
Date of payment	**17 April 2020**	

	31-Dec-19	**31-Dec-18**
Net tangible asset backing per ordinary share (cents)	24.20	31.46

Net tangible asset backing per share has been calculated by dividing the net tangible assets by the closing number of ordinary shares on issue. For 31 December 2019, the right-of-use assets from AASB 16 is treated as intangibles, however the lease liabilities are included in the calculation. Removing the impact of AASB 16 will result in NTA of 27.53.

DIRECTORS' REPORT

The Directors of Swick Mining Services Limited (Swick) are pleased to submit their report for the half-year ended 31 December 2019.

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 Resigned 8th November 2019
Ian McCubbing (Non-Executive)	Appointed 1st August 2010
Stuart Carmichael (Non-Executive)	Appointed 1st August 2019
Dr Alan Bye (Non-Executive)	Appointed 8th November 2019

Company Secretary

Frank Campagna — Appointed 19th June 2014

RESULTS AND REVIEW OF OPERATIONS

FINANCIAL RESULTS (UNREVIEWED NON-IFRS)	HY20 $'000	HY19 $'000	Change %
Profit & Loss			
Revenue and other income	81,467	75,297	8.2%
EBITDA (Drilling business)	12,148	15,562	(21.9%)
EBITDA (Mineral Technology business)	(2,025)	(1,765)	(14.7%)
EBITDA (Total)	10,769	14,540	(25.9%)
EBIT (Drilling business)	701	6,059	(88.4%)
EBIT (Mineral Technology business)	(3,188)	(2,790)	(14.3%)
EBIT (Total)	(1,841)	4,012	(145.9%)
NPAT (Total)	(2,860)	1,903	(250.3%)
Cash Flow			
Net cash from operating activities	3,736	9,820	(62.0%)
Net cash used in investing activities	(7,950)	(8,707)	8.7%
Free cash flow	(4,214)	1,113	(478.6%)
Operating cash flow before interest and taxes	4,632	10,593	(56.3%)
At Balance Date	**31 Dec 19**	**30 Jun 19**	
Cash	11,999	11,553	3.9%
Debt (excluding lease liabilities)	20,547	29,644	(30.7%)
Net debt (excluding lease liabilities)	8,548	18,091	(52.7%)
Ratios	**HY20**	**HY19**	
EBITDA margin (Drilling business) (%)	14.7%	20.7%	
EBITDA margin (%)	13.2%	19.3%	
EBIT margin (Drilling business) (%)	0.8%	8.1%	
EBIT margin (%)	(2.3%)	5.3%	
Basic EPS (reported) – cents per share	(1.10)	0.83	
EBITDA cash conversion (%)	43.0%	72.9%	
Gearing (Net debt excluding lease liabilities/equity) (%)	8.9%	21.4%	

Revenue and other income for the six months ending 31 December 2019 was $81.5 million, 8.2% higher than the $75.3 million for the prior corresponding period (pcp). The revenue growth was through stronger utilisation of Swick's rigs, in particular outside of Australia. The Company operated at 20 mine sites for 17 individual clients, including 6 international sites.

Group EBITDA was $10.8 million (13.2% margin) for the first half, down 25.9% from $14.5 million (19.3% margin) in the pcp. EBITDA for the Drilling Business was $12.1 million (14.7% margin), down 21.9% from the pcp of $15.6 million (20.7% margin).

Drilling Business earnings were adversely impacted by the commencement of a major eight rig contract at the Pogo mine in Alaska, which had a period of high costs and lower productivity in the half. In line with prior periods, the Mineral Technology Business delivered a negative EBITDA as Swick continues to invest in the ongoing development and commercialisation of the Orexplore technology. In 1H FY20 it reported $2.0 million EBITDA loss compared to a $1.8 million EBITDA loss in the pcp. As a result, Group EBITDA was $10.8 million compared to $14.5 million in the pcp.

Notwithstanding the financial impact of the initial start-up period at the Pogo contract, Swick has achieved significant cost reductions and productivity improvements since commencement and has continued to see further gains in 3Q FY20. Costs per shift at Pogo in 2Q FY20 were 16% lower than 1Q FY20, as expatriate start-up costs reduced and productivity in 2Q FY20 was 16% higher than 1Q FY20, showing the expected trend as we settle into this major contract. The International operations also saw some price reductions from market pressure in other North American contracts. These two events resulted in a small EBITDA loss for 1H FY20 in the International drilling business, down from a profit of $3.3 million in pcp.

With growth efforts focused on the International business, the Australian drilling business focused on maximising outcomes from its existing contracts after a successful strategy of deploying rigs at better rates and projects during FY19. This saw the Australian drilling business improve its EBITDA margin to 20.9%, up from 19.7% in the pcp. The ongoing focus on costs resulted in a 1.5% reduction in site costs per shift compared to the pcp, with revenues unchanged. This control was managed while mobilising one new contract during the period, with four rigs in operation, and increasing Swick's largest site from nine to 14 rigs in operation.

Swick's first DeepEX rig was in operation for the full period, drilling over 7,000 metres of core for the half including deep holes up to 1,374 metres in depth. Swick continues to customise rigs for this new division and these results are expected to continue to improve. Swick is of the opinion that developing a productive, cost-effective deep hole drilling capability from underground will be a significant opportunity for its clients. The ability to target mineralised structures from an underground location can offer benefits in angle of approach, reduced overall hole depth and importantly reduced costs per metre compared with deep surface drilling. Swick's current research and development activities are not just focused on rig design for the DeepEX rigs, but on the next step change in rig productivity and reducing demands on resources from its clients to reduce the all in cost per metre drilled.

Swick's Surface Reverse Circulation (RC) operations had 3 of the 7 rigs in work at end of the period under longer term agreements than those which characterised the first half of FY19. This work will underpin the second half results, with rigs available to meet additional rig requirements as opportunities arise. Three rigs continue to be under contract for the remainder of the calendar year and a fourth RC rig is mobilising soon to complete a series of shorter term contracts.

A full time equivalent (FTE) of 59 rigs from a fleet of 83 were operating in the field in the first half of FY20 compared to an FTE of 57 rigs from a fleet of 76 a year ago. Of the total rigs in work, the Underground Diamond (UD) Drilling division represented an FTE of 57 rigs operating from a fleet of 76 (77% utilisation), compared to 53 rigs operating from a fleet of 69 (78% utilisation) a year ago.

Total metres drilled increased by 11% compared to pcp. Metres drilled in the UD division increased by 13% and metres drilled in the surface Reverse Circulation (RC) division decreased by 19% compared to pcp. The increased metres were driven by increased rigs in work, with metres per shift only slightly higher than pcp.

Swick had negative free cashflow for the half of $4.2 million as a result of working capital requirements, mainly around the Pogo mobilisation. This impacted EBITDA cash conversion, which was 43.0% for the half (1H FY19: 72.9%), with inventories and debtors increasing while creditors came off the highs that were reached during the mobilisation phase.

Drilling Business Outlook
Swick expects a stronger 2H FY20 as the Company heads towards steady state operations from the Pogo site with a fully local labour force. As seen historically, and once new rigs are fully operational, Swick expects stronger revenue and earnings skewed towards 4Q FY20.

Productivity and margins at Pogo are expected to improve during 3Q FY20 and reach target levels in 4Q FY20. Costs will drop further with all Australian expatriate specialist trainers now off site at end of December 2019.

Swick will also be responsive to client demands for rigs, with some changes in utilisation expected in 2H FY20.

Swick's Drilling Business operates at a number of world-class operating mine sites and the Company continues to identify opportunities to put idle equipment to work at acceptable return on capital, as well as working with existing clients to ensure that their expanding drilling needs can be met.

Swick will officially launch its DeepEX division in 2H FY20 with the release of a world's first mobile deep hole capable drill rig with a high torque rail and significantly larger power pack than standard. This rig design will see holes in excess of 2,000m depth of NQ2 size (75mm OD, 50mm core) being drilled vertically and in excess of 3,000m capacity horizontally all at a production rate that will allow great value for clients over other drilling options.

Swick continues to invest in its drilling Research and Development (R&D) with a dedicated R&D department developing the next evolution of drilling equipment and systems to benefit the industry. This includes the development of a Gen3 prototype mobile underground diamond drill that will provide significant energy efficiency when drilling, providing the clients with an approximate 50% energy saving on a metre for metre basis over standard rigs. This is an important economic benefit and also a major environmental benefit to Swick's clients. It is expected that the Gen3 conversion will be prepared as an upgrade kit for the current Gen2 fleet as they cycle through for their scheduled rebuilds.

Swick has a number of innovative rod handling solutions it will start to deploy across the global fleet in this half that will lower the total weight experienced by its underground personnel each shift by over 50%.

An in-house automation package is also ready for deployment that will allow the drillers to confidently leave the rig drill controls and free them up to undertake any number of tasks that would otherwise mean the rig would be idle during that time. The new automation algorithm allows the rig to safely drill on the high speed limit with the ability to provide Swick's less experienced drillers with significant productivity gains.

The Company's focus remains on enhancing utilisation and earnings at existing projects rather than seeking revenue from additional projects.

Mineral Technology

In January 2020, Swick's Mineral Technology Business Orexplore successfully mobilised a site based core scanning facility containing three GeoCoreX10 core scanning instruments to Sandfire Resources' DeGrussa Copper-Gold Mine, a high-grade copper mine in the Asia-Pacific region located 900km north-east of Perth Western Australia.

Embedded within the Sandfire mining underground and exploration core farm facility, the full function site-based trial started in January 2020 as a three-month pilot program. Machine availability has been excellent to date with an average core scanning speed of 2.6 metres per hour on 24/7 operation with the facility anticipated to process ~5,000 metres per month of core under full utilisation. Completion of the site-based trial is expected to enhance market confidence in the technology and drive revenue growth. To date over 3,600 metres of core has been scanned generating a unique 3-dimensional data set that adds a significant amount of structural, geological and mineralogical information that otherwise cannot easily be gathered by traditional means.

Fig 1. Orexplore site-based laboratory housing three GeoCore X10 machines established next to client's core farm and scanning core.

In addition to the installation in Western Australia, the Swedish Orexplore team commenced a commercial five-month pilot project in early February together with Boliden, a mining and smelting company in northern Europe focused on base and precious metals. A GeoCore X10 has been mobilised at the central core logging facility in Boliden, in northern Sweden. The purpose of the project is to understand how to turn Orexplore's continuous data sets into valuable and actionable geological insights, with the overall goal to contribute to a more efficient mining and exploration process.

Orexplore continues to improve its GeoCore X10 instrument and the associated Insight software to further enhance the opportunity for the clients who use this innovative technology. Current developments have the potential to double the throughput per machine which will lower the unit cost per metre scanned and offer compelling value. The data generated is being refined to ensure easy integration with the market's current mining software packages and Orexplore is committed to working with its customers to ensure maximum value can be generated from the unique three-dimensional data set created which is new to industry on a commercial scale.

Meanwhile, the Orexplore Swedish Research and Development team – while continuing to improve the existing product – is also progressing with the next generation machine, which will be able to scan heavier elements, most notably gold. In addition to feedback from its projects in Australia and Sweden, it is working with partners in Europe to refine the current product and identify additional markets and applications for this world leading technology.

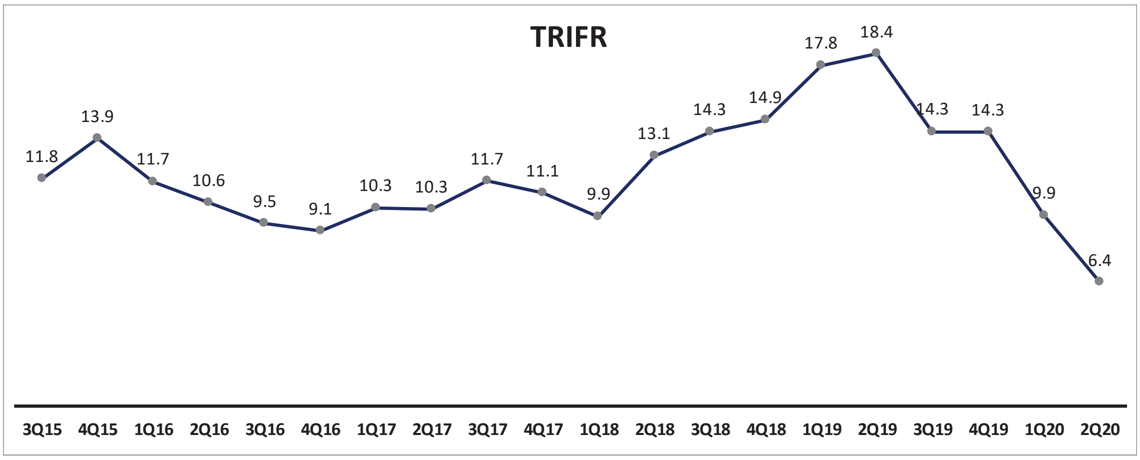
Mineral Technology Outlook

The Mineral Technology Business is entering a very exciting phase in its business maturity as it works towards successful completion of field trials in both Australia and Europe. Successful completion of the site-based trials is expected to enhance market confidence in the technology and drive significant revenue growth.

Safety and Training

During the period Swick had one Lost Time Injury (LTI), 3 Restricted Duty Injuries (RDI) and zero Medical Treatment Injuries (MTI), which has seen the Total Recordable Injury Frequency Rate (TRIFR) drop to 6.4, a new record low and a 65% reduction over 12 months. A robust safety system, supervisor training and mentoring, an award-winning training facility, a safety focused research and development team, a management team who prioritise safety coupled together with excellent injury management and support have all contributed to this success. Swick proudly adopts an Early Intervention (EI) practice encouraging anyone with aches or pains to report those immediately so injury management can act before these complaints manifest into an injury.

This period also recorded the lowest Restricted Duty Injury Frequency Rate (RDIFR) in Swick's history of 65.02, which is a 56% reduction over 12 months, highlighting that the injuries sustained are not as serious as prior years and an improvement in the management of these injuries.



Capital Expenditure

Capital purchases and development costs for the first half was $8.4 (compared to $9.9 million in the pcp). The table below shows the drivers of capital spending.

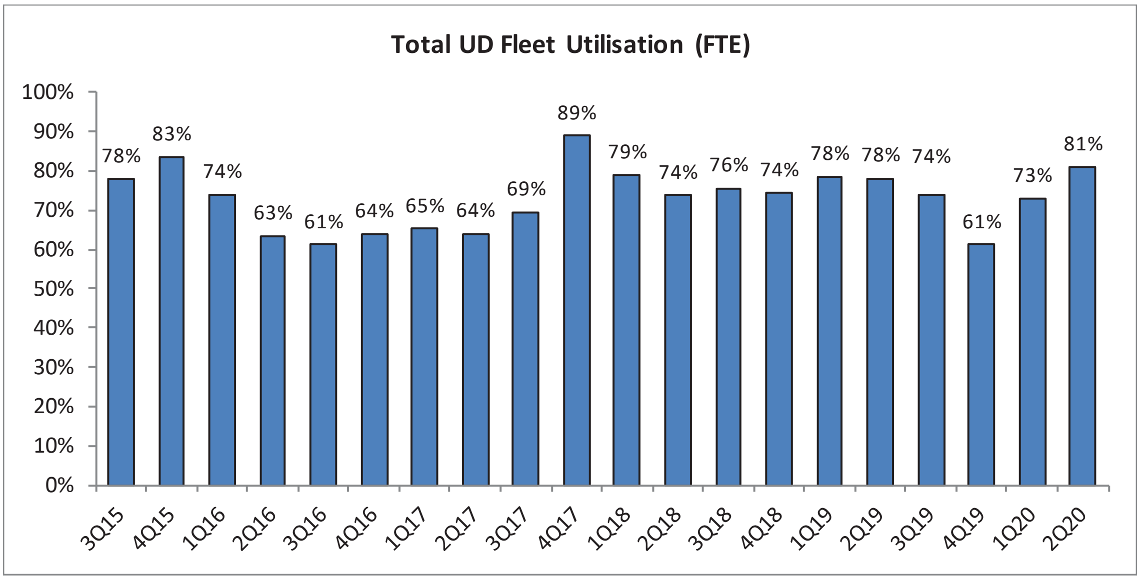
	1H FY20			1H FY19		
$'000	Drilling	Mineral Technology	Total	Drilling	Mineral Technology	Total
Growth Capital	611	879	1,490	1,663	388	2,051
Sustaining Capital	6,945	-	6,945	7,869	-	7,869
Total	7,556	879	8,435	9,532	388	9,920

The Drilling Business has seen a 21% reduction in capital spend to $7.6 million predominantly due to the completion of the underground fleet expansion, lower spend in long-life drilling consumables ($0.8 million reduction) and lower rig rebuild activity ($0.4 million reduction). This was offset by spend in rolling out the Swick Hazard Avert System ($0.6 million). Growth capital reduced with less spend on the DeepEX rollout with the focus on the start-up of Pogo and other rig increases in Australia.

Capital spend has increased in the Mineral Technology Business because of the construction of new machines for both the commencement of the field trials in Australia and Sweden and increased commercial scanning activity.

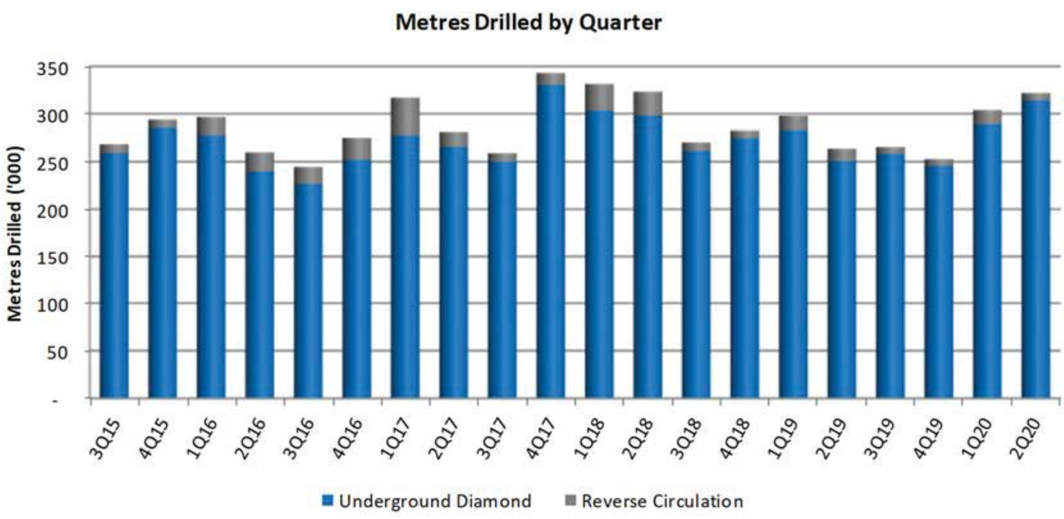
Fleet Utilisation

A full-time-equivalent (FTE) average of 59 rigs from a fleet total of 83 operated in the first half. The increase in utilisation related to the UD division, with an additional 10 FTE rigs operating in North America, offsetting a reduction of 4 FTE rigs in the APAC segment. The Company's total fleet utilisation per quarter is shown below:



Metres Drilled

Total metres drilled for 1H FY20 increased 11% to 625,475 metres from 561,695 metres in 1H FY19. The quarterly metres drilled by division is shown in the graph below with UD up 13%, and RC down 19% compared to the corresponding half last year.



Interim Dividend

The Directors have declared an interim ordinary dividend of 0.3 cents per share for the half year. The dividend is declared following the ongoing recovery in the Pogo contract and overall strong underlying operations of the Company with less demand for drilling capital expenditure as the Drilling Business reaches a target utilisation rate in its operating regions.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, which is included on page 12.

Signed in accordance with a resolution of the directors

Kent Swick
Managing Director
Dated: 24 February 2020

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Building a better working world

Auditor's independence declaration to the directors of Swick Mining Services Ltd

As lead auditor for the review of Swick Mining Services Ltd for the half-year ended 31 December 2019, 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 Ltd and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
24 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated 31-Dec-19 $'000	31-Dec-18 $'000
Revenue	2.2	80,323	74,034
Other income	2.2	1,144	1,263
Raw materials and consumables used		(14,931)	(13,857)
Employee benefits expense		(44,889)	(37,155)
Depreciation and amortisation expense		(11,911)	(10,528)
Depreciation of lease assets		(699)	-
Finance costs		(622)	(711)
Interest on lease liabilities		(170)	-
Other expenses	2.3	(10,878)	(9,745)
(Loss)/profit before income tax expense		**(2,633)**	**3,301**
Income tax expense		(227)	(1,398)
Net (loss)/profit after tax for the period		**(2,860)**	**1,903**
(Loss)/profit for the period attributable to:			
Owners of the Company		(2,860)	1,903
		(2,860)	**1,903**
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign-controlled entities		(783)	291
Other comprehensive (loss)/income for the period, net of tax		**(783)**	**291**
Total comprehensive (loss)/income for the period		**(3,643)**	**2,194**
Comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(3,643)	2,194
		(3,643)	**2,194**
Earnings per share			
- Basic (loss)/earnings per share (cents)	2.5	(1.10)	0.83
- Diluted (loss)/earnings per share (cents)	2.5	(1.10)	0.80

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 31 DECEMBER 2019

	Note	Consolidated 31-Dec-19 $'000	30-Jun-19 $'000
Current assets			
Cash and cash equivalents		11,764	11,257
Restricted cash		235	296
Trade and other receivables		19,859	17,866
Inventories		16,146	14,259
Prepayments		1,307	1,474
Current tax asset		127	127
Total current assets		**49,438**	**45,279**
Non-current assets			
Property, plant and equipment		78,080	81,590
Intangible assets		12,106	12,196
Financial asset classified as FVOCI	3.1	1,630	1,630
Deferred tax assets		267	249
Right-of-use assets	1.5	10,152	-
Total non-current assets		**102,235**	**95,665**
Total assets		**151,673**	**140,944**
Current liabilities			
Trade and other payables		15,813	17,890
Current tax liability		110	156
Deferred revenue		235	296
Borrowings	3.2	1,015	2,902
Provisions		6,122	5,633
Lease liabilities		1,178	-
Total current liabilities		**24,473**	**26,877**
Non-current liabilities			
Borrowings	3.2	19,532	26,742
Provisions		406	495
Deferred tax liabilities		2,088	2,147
Lease liabilities		9,125	-
Total non-current liabilities		**31,151**	**29,384**
Total liabilities		**55,624**	**56,261**
Net assets		**96,049**	**84,683**
Equity			
Issued capital	4.1	95,764	79,446
Reserved shares	4.2	(777)	(777)
Reserves	4.3	2,471	3,174
(Accumulated losses)/retained earnings		(1,409)	2,840
Total equity attributable to owners of the Company		**96,049**	**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 HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Issued capital $'000	Reserved shares $'000	Reserves $'000	(Accumulated losses)/ retained earnings $'000	Total equity $'000
CONSOLIDATED						
At 1 July 2019		**79,446**	**(777)**	**3,174**	**2,840**	**84,683**
Loss for the period		-	-	-	(2,860)	**(2,860)**
Other comprehensive loss		-	-	(783)	-	**(783)**
Total comprehensive loss for the period		**-**	**-**	**(783)**	**(2,860)**	**(3,643)**
Shares issued	4.1	16,890	-	-	-	**16,890**
Transaction costs on shares issued	4.1	(818)	-	-	-	**(818)**
Tax on transaction costs on shares issued	4.1	246	-	-	-	**246**
Share-based payments	4.3	-	-	80	-	**80**
Dividends recognised for the year	2.4	-	-	-	(1,389)	**(1,389)**
At 31 December 2019		**95,764**	**(777)**	**2,471**	**(1,409)**	**96,049**
At 1 July 2018		**79,446**	**(667)**	**2,727**	**1,802**	**83,308**
Profit for the period		-	-	-	1,903	**1,903**
Other comprehensive income		-	-	291	-	**291**
Total comprehensive income for the period		**-**	**-**	**291**	**1,903**	**2,194**
Reserved shares purchased	4.2	-	(110)	-	-	**(110)**
Share-based payments	4.3	-	-	88	-	**88**
At 31 December 2018		**79,446**	**(777)**	**3,106**	**3,705**	**85,480**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	31-Dec-19 $'000	31-Dec-18 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	84,381	78,625
Receipts from government grant	194	304
Payments to suppliers and employees	(79,943)	(68,336)
Income tax paid	(104)	(62)
Net interest paid	(792)	(711)
Net cash provided by operating activities	**3,736**	**9,820**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	26	59
Purchase of property, plant & equipment [1]	(7,120)	(8,027)
Payments for development costs	(924)	(805)
Investment income	68	66
Net cash used in investing activities	**(7,950)**	**(8,707)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued	16,890	-
Transaction costs on shares issued	(818)	-
Purchase of reserved shares	-	(110)
Repayment of borrowings	(9,491)	(364)
Payment of lease liabilities	(548)	-
Dividends paid by parent entity	(1,389)	-
Net cash (used in)/provided by financing activities	**4,644**	**(474)**
Net increase in cash, cash equivalents and restricted cash held	**430**	**639**
Cash, cash equivalents and restricted cash at the beginning of the period	11,553	11,461
Effect of exchange rate changes on cash, cash equivalents and restricted cash	16	219
Cash, cash equivalents and restricted cash at the end of the period	**11,999**	**12,319**

[1] The Company acquired plant and equipment under hire purchase agreements amounting to $391,000 (HY19: $1,088,000) during the period 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

The half-year financial report of Swick Mining Services Ltd ('the Company') for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 24 February 2020.

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 2019.

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 2019 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 accounting policies and methods of computation were the same as those disclosed in the most recent financial statements as at 30 June 2019 save for impact of adopting the new standards and interpretations as of 1 July 2019, which are disclosed in more detail below. 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 16 'Leases'
- AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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. Prior to the date of initial application of AASB 16, the Group did not have any finance leases recognised. Leased properties and motor vehicles 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	
Lease assets	10,821
Liabilities	
Lease liabilities – current	1,113
Lease liabilities – non-current	9,708
Net impact on equity	-

On recognition date, the deferred tax on right-of-use assets of $3.2 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	(3,475)
(b) Commitments relating to unrecognised short-term leases	(112)
Include:	
(c) Present value discounting of lease liabilities	(1,724)
Lease liabilities recognised on transition	10,821

(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	10,783	30	27	10,840
Cost adjustment	5	-	-	5
Exchange rate revaluation	6	-	-	6
Depreciation expense	(692)	(7)	-	(699)
Balance at 31 December 19	**10,102**	**23**	**27**	**10,152**

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 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.

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, Drilling Services in International and Mineral Technology. The results from continuing operations are reflected in the table that follows.

For half year ended 31 December 2019 $'000	Drilling Services – Asia Pacific	Drilling Services – International	Mineral Technology	Other	Elimination	Total
Revenue	56,326	23,949	48	-	-	80,323
Other income	106	2	213	823	-	1,144
Inter-segment revenue	2,141	-	-	-	(2,141)	-
Total revenue and other income	**58,573**	**23,951**	**261**	**823**	**(2,141)**	**81,467**
EBITDA	**12,239**	**(91)**	**(2,025)**	**646**	**-**	**10,769**
Depreciation and amortisation	(8,283)	(3,164)	(1,163)	-	-	(12,610)
Segment result – EBIT	**3,956**	**(3,255)**	**(3,188)**	**646**	**-**	**(1,841)**
Finance costs and interest on lease liabilities						(792)
Loss before tax						**(2,633)**
Total assets	101,530	43,373	12,323	3,004	(8,557)	151,673
Total liabilities[(i)]	(49,736)	(10,735)	(3,614)	(96)	8,557	(55,624)
Total net assets	**51,794**	**32,638**	**8,709**	**2,908**	**-**	**96,049**
Additions to property, plant and equipment	5,743	1,476	292	-	-	7,511
Additions to intangible assets	337	-	587	-	-	924
Total additions to non-current assets	**6,080**	**1,476**	**879**	**-**	**-**	**8,435**

[(i)] Total liabilities for Drilling Services – International have decreased due to the conversion of some intercompany loans to equity during the period.

For half year ended 31 December 2018 $'000	Drilling Services – Asia Pacific	Drilling Services – International	Mineral Technology	Other	Elimination	Total
Revenue	60,868	13,144	22	-	-	74,034
Other income	206	2	312	743	-	1,263
Inter-segment revenue	864	-	-	-	(864)	-
Total revenue and other income	**61,938**	**13,146**	**334**	**743**	**(864)**	**75,297**
EBITDA	**12,225**	**3,337**	**(1,765)**	**743**	**-**	**14,540**
Depreciation and amortisation	(7,921)	(1,582)	(1,025)	-	-	(10,528)
Segment result – EBIT	**4,304**	**1,755**	**(2,790)**	**743**	**-**	**4,012**
Finance costs and interest on lease liabilities						(711)
Profit before tax						**3,301**
Total assets	116,953	24,104	10,889	2,308	(15,957)	138,297
Total liabilities	(49,382)	(17,995)	(1,377)	(20)	15,957	(52,817)
Total net assets	**67,571**	**6,109**	**9,512**	**2,288**	**-**	**85,480**
Additions to property, plant and equipment	8,061	935	119	-	-	9,115
Additions to intangible assets	536	-	269	-	-	805
Total additions to non-current assets	**8,597**	**935**	**388**	**-**	**-**	**9,920**

2.2 Revenue and other income

	Consolidated 31-Dec-19 $'000	31-Dec-18 $'000
Revenue		
Provision of drilling services	79,177	73,208
Provision of grouting services	1,098	804
Provision of mineral analysis services	48	22
Total revenue	**80,323**	**74,034**
Other income		
Gain on disposal of property, plant and equipment	17	49
Government grants – Mineral Technology business	228	316
Government grants – Drilling business	34	53
Investment income	68	66
Net foreign exchange gains on intercompany loans	740	673
Other income	57	106
Total other income	**1,144**	**1,263**

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market and type of contract. 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 half year ended 31 December 2019 $'000	Drilling Services – Asia Pacific	Drilling Services – International	Mineral Technology	Other	Elimination	Total
Primary geographical markets based on location of customers						
Australia	56,326	-	35	-	-	56,361
North America	-	20,630	-	-	-	20,630
Europe	-	3,319	13	-	-	3,332
Total revenue	56,326	23,949	48	-	-	80,323
Major services						
Underground diamond drilling	53,278	23,949	-	-	-	77,227
Reverse circulation drilling	3,048	-	-	-	-	3,048
Mineral analysis	-	-	48	-	-	48
Total revenue	56,326	23,949	48	-	-	80,323
Timing of revenue recognition						
Services transferred over time	56,326	23,949	48	-	-	80,323

For half year ended 31 December 2018 $'000	Drilling Services – Asia Pacific	Drilling Services – International	Mineral Technology	Other	Elimination	Total
Primary geographical markets based on location of customers						
Australia	60,868	-	22	-	-	60,890
North America	-	10,444	-	-	-	10,444
Europe	-	2,700	-	-	-	2,700
Total revenue	60,868	13,144	22	-	-	74,034
Major services						
Underground diamond drilling	57,327	13,144	-	-	-	70,471
Reverse circulation drilling	3,541	-	-	-	-	3,541
Mineral analysis	-	-	22	-	-	22
Total revenue	60,868	13,144	22	-	-	74,034
Timing of revenue recognition						
Services transferred over time	60,868	13,144	22	-	-	74,034

2.3 Other expenses

	Consolidated	
	31-Dec-19 $'000	31-Dec-18 $'000
Other expenses		
Accommodation and travel	3,077	2,435
Repairs and maintenance	3,658	3,426
Administration costs	2,299	1,726
Insurance	1,287	987
Recruitment and training	292	261
Rental expense on operating leases:		
- Short term leases	33	79
- Rent expense on leases capitalised from 1 July 2019 upon adoption of AASB 16	-	539
- Variable lease payments	232	292
Total other expenses	**10,878**	**9,745**

2.4 Dividends

	Consolidated	
	31-Dec-19 $'000	31-Dec-18 $'000
Distributions paid/payable		
2019 final fully franked ordinary dividend of 0.6 cents per share paid in 2020 franked at the tax rate of 30%	**1,389**	**-**

2.5 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	
	31-Dec-19 $'000	31-Dec-18 $'000
Earnings used to calculate basic earnings per share		
(Loss)/profit after income tax expense attributable to owners of the Company	**(2,860)**	**1,903**

	Consolidated	
	31-Dec-19 No.	31-Dec-18 No.
Weighted average number of ordinary shares outstanding during the year	260,716,780	231,450,825
Adjustments for:		
- Shares held by Employee Share Trust	(919,433)	(919,433)
Weighted average number of ordinary shares outstanding during the period used in calculating basic earnings per share	**259,797,347**	**230,531,392**
Adjustments for:		
- Shares held by Employee Share Trust[(i)]	-	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 period used in calculating dilutive earnings per share	**259,797,347**	**239,161,800**
Basic (loss)/earnings per share (cents)	**(1.10)**	**0.83**
Diluted (loss)/earnings per share (cents)	**(1.10)**	**0.80**

[(i)] The impact of shares held by Employee Share Trust, performance rights and options in the period ended 31 December 2018 have been factored into the calculation of the diluted earnings per share while in the period ended 31 December 2019 these have not been as the Group was in a loss position. 919,433 shares held by Employee Share Trust, 6,452,114 options and 1,819,941 performance rights were not included in diluted earnings per share calculation for the period ended 31 December 2019.

3 ASSETS AND LIABILITIES

3.1 Financial asset classified as FVOCI

	Consolidated	
	31-Dec-19 $'000	30-Jun-19 $'000
Financial asset classified as FVOCI		
Units in unlisted property trust	**1,630**	**1,630**

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

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 31 December 2019 and 30 June 2019 are as shown below:

Financial asset	**Fair value as at 31/12/19 $'000**	**Fair value as at 30/06/19 $'000**	**Valuation technique**	**Significant unobservable input(s)**	**Sensitivity of the input to fair value**
Investment in unlisted property trust	1,630	1,630	Comparable Sales Method	Sales of sites within similar areas taking into account the location, size and condition of improvements to determine a rate per square metre of $425 - $450.	A $25 per square metre increase in price would increase the value by $124,000, and vice versa.

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.

3.2 Borrowings

	Consolidated	
	31-Dec-19	30-Jun-19
	$'000	$'000
Current liabilities – secured		
Hire purchase liabilities	1,015	902
Bank loans	-	2,000
	1,015	**2,902**
Non-current liabilities – secured		
Hire purchase liabilities	1,532	1,742
Bank loans	18,000	25,000
	19,532	**26,742**

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

During the period the Company renegotiated its banking 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 facilities expire on 30 September 2020.

3.3 Recoverable value of assets

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

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

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

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

Fair value less costs of disposal

Determining whether the assets of the Group are impaired under this method requires an estimation of the market value of each asset individually and adjusting this value by expected costs required to dispose of the asset. Where the calculated value is less than the book value, an impairment loss may arise. Management have performed an impairment assessment as at 31 December 2019 focusing on whether anything has come to their attention to suggest that the key assumptions underpinning the valuations as at 30 June 2019 have deteriorated over the six-month period, and whether any factors have arisen in the six-month period to suggest that the value of the respective CGUs at 31 December 2019 have deteriorated from the assessment at 30 June 2019.

Underground Diamond (UD) drilling

The impairment assessment of the UD CGU relied on an independent third party valuation performed at 30 June 2019. Valuation was determined by capitalisation 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 $150 million to $155 million (HY19: $119 million to $145 million), future maintainable earnings (EBITDA) margin of 20% (HY19: 16% to 18%), earnings multiple (on a control basis) of 4.0 times to 4.5 times (HY19: 4.0 times to 5.5 times) and a cost of disposal of 2% (HY19: 2%).

Based on the independent valuation and a review of key inputs since the valuation was completed, no impairment expense has been recognised in the UD CGU (HY19: nil).

Reverse Circulation (RC) drilling

The impairment assessment of the RC CGU was performed by an independent third party at 30 June 2019 using the fair value less cost of disposal method for each piece of equipment in the CGU. 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 and a review of market conditions since the valuation was completed, no impairment expense has been recognised in the RC CGU (HY19: nil).

Mineral Technology

The impairment assessment for the Mineral Technology CGU was performed by an independent third party at 30 June 2019 using the fair value less cost of disposal method. The valuation was carried out by undertaking an evidence-based review of the risk profile and earnings potential of the CGU from the last observable arms length transaction which occurred on 1 June 2017.

Based on the review, which identified a high 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 (HY19: nil).

4 CAPITAL STRUCTURE

4.1 Issued capital

Movement in ordinary shares on issue

Details	Number of shares	Value $'000
30 June 2019 balance	231,450,825	79,446
Issued shares through share placement	73,434,879	16,890
Transaction costs on share issue	-	(818)
Tax on transaction costs on share issue	-	246
31 December 2019 balance	**304,885,704**	**95,764**
30 June 2018 balance	231,450,825	79,446
31 December 2018 balance	**231,450,825**	**79,446**

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

4.2 Reserved shares

Movement in reserved shares

Details	Number of shares	Value $'000
30 June 2019 balance	18	(777)
31 December 2019 balance	**18**	**(777)**
30 June 2018 balance	18	(667)
Shares bought back during the period	477,075	(110)
Shares allocated to exercised performance rights	(477,075)	-
31 December 2018 balance	**18**	**(777)**

The reserved shares 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 period nil (HY19: 477,075) shares were purchased by the employee share trust for a total cost of $nil (HY19: $110,000) at an average price of $nil (HY19: $0.230) per share. As at 31 December 2019 there are 18 (HY19: 18) unallocated Company's own 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					
At 1 July 2019	**1,026**	**441**	**2,712**	**(1,005)**	**3,174**
Other comprehensive loss for the period	(783)	-	-	-	**(783)**
Share-based payments	-	-	80	-	**80**
At 31 December 2019	**243**	**441**	**2,792**	**(1,005)**	**2,471**
At 1 July 2018	**754**	**441**	**2,537**	**(1,005)**	**2,727**
Other comprehensive income for the period	291	-	-	-	**291**
Share-based payments	-	-	88	-	**88**
At 31 December 2018	**1,045**	**441**	**2,625**	**(1,005)**	**3,106**

5 OTHER NOTES

5.1 Contingent liabilities

	31-Dec-19 $'000	30-Jun-19 $'000
Bank guarantees	**469**	**469**

5.2 Events after the reporting period

Dividends recommended
Interim ordinary dividend of 0.3 cents per share, fully franked, approved on 20 February 2020 by the Directors to be paid on 17 April 2020 out of retained profits at 31 December 2019 $914,657

Other events after the reporting period
There have been no other events subsequent to period end which require adjustment or disclosure in the half year financial report.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Swick Mining Services Limited, I state 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 2019 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 Directors

Kent Swick
Managing Director
Perth, 24 February 2020

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Swick Mining Services Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2019 and of its consolidated financial 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*.

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 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, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2019 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Building a better working world

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*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
24 February 2020