

**SWICK MINING SERVICES**

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ASX ANNOUNCEMENT

**Swick's turnaround strategy yielding ongoing results****Highlights:**

- Unaudited Drilling Business 2Q FY19 revenue of \$37.7 million, EBITDA of \$9.5 million, and EBIT of \$4.6 million (EBIT margin of 12%)
- Growth in earnings builds on 1Q FY19 financial performance, driven by two key strategies of targeting better performing contracts and reducing costs to ensure ongoing delivery of value for clients
- Review of first half FY19 unaudited accounts shows Drilling Business to deliver EBIT of approximately \$6.8 million compared to \$0.1 million EBIT loss in 1H FY18
- Total metres drilled of 263,690 in 2Q FY19
- Average fleet utilisation of 75% across the quarter
- Outcome on key contract renewals expected in 3Q FY19

**Western Australia – Swick Mining Services Limited ('Swick', ASX: SWK)**, a leading provider of high-quality underground and surface mineral drilling and mineral analysis services, has delivered strong unaudited results for the three months ended 31 December 2018 (2Q FY19).

Swick's Drilling Business has reported earnings before interest, tax, depreciation and amortisation (EBITDA) of \$9.5 million, up 109% over the prior corresponding period (2Q FY18: \$4.5 million), and revenue of \$37.7 million, up 8% (2Q FY18: \$34.8 million).

The results add to Swick's earnings turnaround, with the Company successfully delivering on its two key strategies of shifting drill rigs onto better performing contracts or new projects and reducing operating and non-operating costs. In addition, as previously flagged, in 2Q FY19 Swick benefited from improved short-term rates at two existing underground drilling services contracts for Newmont (Tanami and Mt Charlotte, where 11 rigs are deployed). These rates will run through to March 2019, to allow for a competitive tender process for the long-term contracts to be completed (in which Swick is participating).

Swick Managing Director Kent Swick said: "The earnings rebound of our drilling business has continued and shows how we can unlock Swick's potential when we target the right projects for the right clients and ensure we deliver value for money for our clients.

"Our turnaround strategy has been twofold. Firstly, it's been about securing long-term relationships in underground producing mines, identifying the best market opportunities in a

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competitive landscape that are available in the regions that Swick operates in. Secondly, we have been dedicated to drive efficiency, reliability, and performance across the business to retain our leading market position and continue delivering value for our clients. The improved margins are a mixture of adjusted rates where needed and also from a 6 percent year on year reduction in our operating costs per shift in the underground division by focusing on manning levels, consumables usage, procurement processes and inventory management.

“We have systematically worked through contract renewals so that each project is profitable on a standalone basis. This is what we now stand for as a business and clients have largely been receptive, understanding that – particularly for those we have serviced for many years – Swick could not continue unless there were significant pricing adjustments.

“Importantly, we have not lost our focus on delivering value for clients and innovating to meet their production needs. For example, we recently established a dedicated deep exploration division, DeepEX, with preparations already underway to deploy two high torque mobile drills this month at Kirkland Lake Gold’s Fosterville mine to further assist the deep underground exploration drilling we are doing at that mine.

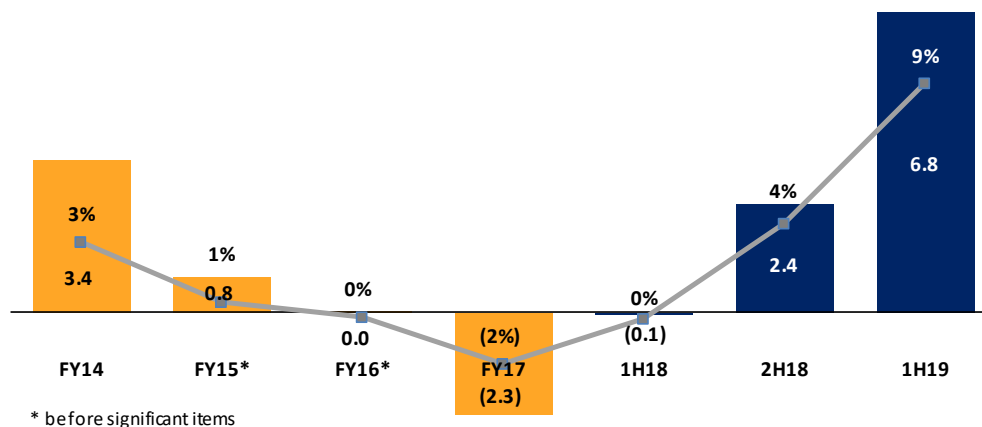
“In addition, Swick has made good progress at our mineral technology business, Orexplore, which launched just eight months ago but already has seven customers and numerous trial programs underway with a range of miners, explorers and consultants, increasing the volume of commercial scans through the laboratory.”

<b>Drilling Business (Unaudited)</b>	<b>2Q FY19</b>	<b>2Q FY18</b>	<b>% Change</b>	<b>1H FY19</b>	<b>1H FY18</b>	<b>% Change</b>
<b>Operational Performance</b>						
Total Metres Drilled	263,690	323,139	-18%	561,694	654,451	-14%
Total Rigs in Fleet (period end)	76	75	1%	76	75	1%
Total Fleet Utilisation (FTE)	75%	73%	3%	75%	73%	3%
UD Metres Drilled	250,466	297,776	-16%	533,086	600,990	-11%
UD Rigs in Fleet (period end)	69	68	1%	69	68	1%
UD Fleet Utilisation (FTE)	77%	74%	5%	77%	76%	1%
<b>Financial Performance (A\$'000)</b>						
Revenue	37,666	34,807	8%	74,411	71,012	5%
EBITDA	9,458	4,518	109%	16,305	8,063	102%
EBITDA Margin (%)	25.1%	13.0%	93%	21.9%	11.4%	93%
EBIT	4,594	485	848%	6,803	(51)	N/A
EBIT Margin (%)	12.2%	1.4%	776%	9.1%	-0.1%	N/A

<b>Consolidated Group (Unaudited)</b>	<b>2Q FY19</b>	<b>2Q FY18</b>	<b>% Change</b>	<b>1H FY19</b>	<b>1H FY18</b>	<b>% Change</b>
<b>Financial Performance (A\$'000)</b>						
Revenue	37,861	35,171	8%	74,750	71,535	4%
EBITDA	8,678	4,148	109%	14,540	7,180	102%
EBITDA Margin (%)	22.9%	11.8%	94%	19.5%	10.0%	94%
EBIT	3,195	114	2708%	4,012	(936)	N/A
EBIT Margin (%)	8.4%	0.3%	2509%	5.4%	-1.3%	N/A

\* FTE - Full Time Equivalent

## Drilling Business EBIT (\$M) and Margin



At a Group level, Swick reported consolidated 2Q FY19 EBITDA of \$8.7 million (unaudited), up 102% (2Q FY18: \$4.1 million), and EBIT of \$3.2 million (unaudited), up from a \$0.1 million loss in 2Q FY18. The Group result includes Swick’s Mineral Technology business, which is an early-stage revenue phase following Orexplore’s launch in May 2018.

### Outlook

Demand for underground diamond coring continues to remain high, with a number of tenders submitted for new projects and contract renewals. As such, Swick will closely monitor utilisation and fleet capacity over the coming six months for potential new rig builds. Swick accordingly increased its banking facilities in 2Q FY19 by \$8 million to provide flexibility should the combination of new contract awards and renewals require more capital builds.

Mr. Swick said: “It is an interesting time in the drilling industry and – although there are signs on a macro level that exploration and mining investment may be improving – keeping our attention on servicing brownfield operating mines is what protected the Company in the prolonged downturn and is now creating opportunities as our clients increase output to take advantage of reasonably solid metal prices and near record gold prices.

“We are also excited about the potential in establishing our DeepEX division, as it will enable Swick to undertake the entire range of underground core drilling, taking the business from doing high-volume reserve definition and grade control drilling – our current specialty – to also having specialised deep exploration drilling capabilities.

“For Orexplore, the goal is to use the current scanning going through the laboratory to establish the value of what the product can provide the client and then move towards higher volume scanning and ultimately site-based installations. Meanwhile, the gold spectrometer is undergoing testing at Orexplore’s R&D headquarters in Stockholm and we expect to have initial feedback on the in-machine prototypes performance during the current quarter.”

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### **About Swick Mining Services:**

Swick Mining Services Ltd (ASX: SWK) is one of Australia's largest mineral drilling contractors, providing high quality underground and surface drilling services to a diverse group of mining houses and across a spread of commodities. The Company has a strong reputation for innovation in rig design and drilling practices that delivers improvements in productivity, safety, versatility and value. Swick has a global presence with Operational revenue from Australia, United States and Europe.

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