

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

Swick delivers strong 1Q FY19 performance

Highlights:

- Unaudited Drilling Business 1Q FY19 revenue of \$36.7 million, EBITDA of \$6.8 million, and EBIT of \$2.2 million (representing an EBIT margin of 6%)
- Result demonstrates strong momentum from Q4 FY18 being carried into FY19
- Total metres drilled of 297,904 in 1Q FY19
- Average fleet utilisation of 75% across the quarter
- Final two contracts requiring rates adjustment temporarily extended for three months at improved rates effective 1 October 2018

Western Australia – Swick Mining Services Limited ('Swick', ASX: SWK), a leading provider of high quality underground and surface mineral drilling and mineral analysis services, is pleased to announce its unaudited results for the three months ended 30 September 2018 (1Q FY19).

Swick reported 1Q FY19 Drilling Business revenue of \$36.7 million, up 1% over the prior corresponding period ("pcp", being Q1 FY18: \$36.2 million). Importantly, Swick grew earnings before interest, tax, depreciation and amortisation (EBITDA) to \$6.8 million, up 93% over the pcp (Q1 FY18: \$3.5 million), reflecting the Company's success in shifting drill rigs onto better performing contracts or new projects.

Swick Managing Director Kent Swick said the improved earnings showed the strong momentum in the fourth quarter of FY18 was being carried into the current financial year.

"Over the past six months we have seen evidence of the turnaround in the financial performance of our drilling business," Mr Swick said.

"This has been a result of our strategy of improving rates for our drill rigs by renegotiating contracts or moving rigs to better performing sites, driving cost efficiencies across the business, and increasing utilisation.

"The improved results are a credit to the operations teams, who are doing a great job managing projects for our clients across Australia, the USA, and Europe."

Mr Swick added that preparations were now underway for Swick to establish a dedicated deep exploration division, set to further strengthen the Company's market leading position in underground diamond coring business unit.

Mr Swick said: “During the quarter, we ordered some specialised deep hole drilling kits that will be the most powerful rigs available in the Australian market. We expect our specialist team with its purpose-built equipment to deliver great outcomes for our clients who in general are requesting more deep exploration holes to be drilled from underground.”

Drilling Business (Unaudited)	1Q FY19	1Q FY18	% Change
Operational Performance			
Total Metres Drilled	297,904	331,312	-10%
Total Rigs in Fleet (period end)	76	75	1%
Total Fleet Utilisation (FTE)	75%	77%	-2%
UD Metres Drilled	282,520	303,214	-7%
UD Rigs in Fleet (period end)	69	68	1%
UD Fleet Utilisation (FTE)	77%	79%	-2%
Financial Performance (A\$'000)			
Revenue	36,746	36,205	1%
EBITDA	6,845	3,545	93%
EBITDA Margin (%)	19%	10%	90%
EBIT	2,207	(536)	512%
EBIT Margin (%)	6%	-1%	506%
Consolidated Group (Unaudited)			
Financial Performance (A\$'000)			
Revenue	36,889	36,364	1%
EBITDA	5,860	3,032	93%
EBITDA Margin (%)	16%	8%	91%
EBIT	815	(1,050)	178%
EBIT Margin (%)	2%	-3%	177%

* FTE - Full Time Equivalent

At a Group level, Swick reported consolidated 1Q FY19 EBITDA of \$5.9 million (unaudited) (1Q FY18: \$3.0 million) and EBIT of \$0.8 million (unaudited) (1Q FY18: \$1.1 million EBIT loss). The Group result includes Swick’s Mineral Technology business, which is an early-stage revenue phase following the launch of Orexplore mineral scanning technology in May 2018.

Outlook

In the short-term, a three-month extension of the Tanami and Mt Charlotte underground drilling services contracts (11 rigs in total) at improved rates are expected to provide further improvement in earnings in 2Q FY19, while the client prepares for a tender process that Swick will participate in.

In addition, demand for underground mobile rigs continues to remain high. As such, the Company will assess its utilisation and fleet capacity over the coming six months, particularly in relation to the outcome of the Tanami and Mt Charlotte tender and rig requirements from other existing clients. Swick has continued to maintain a strong balance sheet to ensure flexibility and liquidity, and as such if any potential new rig builds are undertaken this is anticipated to be funded through debt.

Surface RC drilling has experienced a rebound, with several small programs commencing during the quarter that has led to increased utilisation. The outlook remains strong with recent contract awards from Kin Mining and Cobalt Blue Holdings commencing in the second quarter.

Mr Swick said: “Across the drilling business, multiple opportunities exist in all our operating regions globally and – now that we have fixed the underperforming contracts – additional contract wins may present an opportunity for expansion.

“Meanwhile, in our mineral technology business Orexplora continues to develop its customer base, with five commercial scanning agreements in place across a range of companies from junior explorers to large mining houses. In addition, dozens of resource companies are planning to send core for trial scans at our Orexplora laboratory in Perth.

“Initial volumes under these commercial scanning agreements are relatively small, however a significant amount of work is being done by those clients to introduce the new technology and its application to their regional technical teams, which could lead to increased lab-based volumes and ultimately site-based installation opportunities.”

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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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