

**SWICK MINING SERVICES**

ABN: 20 112 917 905

64 Great Eastern Highway  
South Guildford WA 6055

PO Box 74 | Guildford WA 6935  
T: +61 8 9277 8800  
F: +61 8 9277 8844

W: [www.swickmining.com](http://www.swickmining.com)

27 August 2019

ASX ANNOUNCEMENT

**Swick returns to dividends on stronger earnings,  
further profit growth expected in FY20**

**Summary:**

- Drilling Business revenue of \$143m and EBITDA of \$28.2m, in line with guidance
- Group EBITDA of \$25.5m, up 47% on FY18
- Group EBIT of \$4.6m, up 929% on FY18
- NPAT of \$1.0m, turning around from a \$1.0m NPAT loss in FY18
- Best earnings for the Drilling Business in years by delivering on strategy of shifting rigs onto better performing contracts or new projects and achieving cost reductions
- Growth in earnings has translated to cash – \$25.1m operating cash flow before interest and tax representing an EBITDA to cash conversion of 98.5%
- Fully franked final dividend of 0.6 cents per share declared for FY19
- \$353m order book provides strong momentum, with revenue and earnings growth expected into FY20:
  - Net increase of 16 Underground Drilling rigs to be deployed in H1 FY20
  - Growth in North America at Pogo gold mine in Alaska and at Barrick Nevada Gold operations
  - Orexplore's first mine-site trial targeted for second quarter of FY20

**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 restored dividends after delivering a strong improvement in earnings for the period ended 30 June 2019 (FY19).

Swick's Drilling Business reported revenue of \$143 million and EBITDA of \$28.2 million, in line with guidance and its best result in years. At a Group level, this strong Drilling Business result flowed through to a Group NPAT of \$1.0 million after a \$1.0 million NPAT loss in FY18. This improvement was driven by Swick delivering on its strategy of shifting underperforming drill rigs onto better performing contracts or new projects, whilst also reducing operating and overhead costs.

This strong performance, supported by Swick's solid balance sheet, has enabled the Board to declare a fully franked final dividend of 0.6 cents per share for the full year FY19 – Swick's first dividend since FY16.

Swick Managing Director Kent Swick said: "Our results in FY19 demonstrates the successful implementation of our strategy of targeting improved rates and good cost controls, which have combined to drive a strong improvement in the quality and quantity of our earnings.

"This result and positive outlook have enabled the Board to return to paying our shareholders dividends, with a fully franked final dividend of 0.6 cents per share declared. This dividend, which is for the full year, marks an intention to return to paying dividends going forward."

### **FY19 KEY DEVELOPMENTS**

Group revenue and other income increased by 4.5 per cent in FY19 to \$144.4 million (FY18: \$138.2 million). Swick increased revenue per shift by 9 per cent, while metres drilled was lower as rigs were demobilised and transitioned to new sites under Swick's strategy in H2 FY19. This included the planned cessation of short-term rates at two contracts at the end of March 2019 and rigs demobilised from Fosterville (7 rigs), Granites (6 rigs), and Mount Charlotte (2 rigs). Meanwhile the first 4 rigs were mobilised to the Pogo gold mine in Alaska, USA.

Revenue from overseas contributed 20 per cent of FY19 revenue (FY18: 13 per cent). Swick gained market share in North America, securing two long-term multi rig contracts with 12 rigs in work at the end of FY19, while in Europe Swick's Portugal operation expanded into Spain.

The Company also made progress with its dedicated new DeepEX deep exploration and infrastructure drilling business, with prototype DeepEX rigs starting drilling in FY19. DeepEX provides the industry with the most powerful high torque, high speed underground drill rigs available on the market and has good growth potential as mine operators increasingly look for this service. Swick has a dedicated team to undertake the specialty work done by the division, which is expected to grow steadily with the deep hole drilling requirements becoming more evident in our market.

At Swick's Mineral Technology business, Orexplore, the Company continued to raise awareness of its unique technology. Swick has worked with 18 different clients either as an early pilot or on a commercial basis since its launch in May 2018. Swick is targeting long term, in-field digital scanning opportunities with Orexplore, with the program for any potential client beginning with laboratory trials, the review of the detailed results, validation against convention, and then discussions around an on-site service. This process has led to our first in-field pilot project at a West Australian mine for which Orexplore is preparing a field container that houses three GeoCore X10 instruments that is capable of scanning 6,000 metres of core per month.

### **OUTLOOK**

Swick has carried momentum from FY19 into the current financial year, with a \$353 million order book at reset rates at existing projects or new contracts expected to drive revenue and earnings growth in FY20.

Swick entered FY20 with 49 Underground Drilling rigs deployed. This is expected, based on work in hand, to increase to 65 in H1 FY20, with 16 Underground Drilling rigs to be deployed across one new and six existing sites during the half across all three areas of Swick's operation – APAC, North America and Europe. Revenue from Swick's overseas projects is set to increase in FY20, with approximately 20 rigs deployed outside of Australia in H1 FY20, in conjunction with the ramp up at Swick's Pogo contract.

Swick Managing Director Kent Swick said the Company's immediate focus is on successfully deploying new rigs at its recently secured new contracts and delivering on its work in hand safely and efficiently for clients.

"With all our contracts now at reset rates and new work awarded, Swick is well placed for growth in FY20," Mr. Swick said.

"We are focused on delivering this secured work whilst also aiming to increase utilisation in the year, with Swick targeting 70 rigs in work by the end of FY20 by increasing scope at existing contracts and selective tendering at new projects in the markets we operate.

"As deeper and more difficult drilling continues to increase, we see growth occurring with the development of our specialist DeepEX division, with another two very powerful and mobile DeepEX rigs being constructed at present and set for release during the first half of FY20.

"Meanwhile, we expect revenue to start coming through from our Orexplore mineral scanning technology as we progress further with our client's technology review and work towards the installation of in-field scanning services. Three new specification machines have been delivered to Australia from our Stockholm facility in preparation for the first mine-site trial targeted to commence in the second quarter of FY20, which will represent a significant milestone for the technology.

"With the work in hand and opportunities for additional growth, we are confident of delivering revenue and earnings growth in FY20 that will underpin ongoing dividends to shareholders."

-ends-

### **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.

#### **For further information:**

Kent Swick  
Managing Director  
Ph: +61 8 9277 8800

Jitu Bhudia  
Chief Financial Officer  
Ph: +61 8 9277 8800

#### **Media enquiries:**

Adrian Watson  
FTI Consulting  
Ph: +61 8 9321 8533

#### **Disclosure Statement:**

These materials include forward looking statements. Forward looking statements inherently involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside of the control of, and may be unknown to, the Company. Actual results and developments may vary materially from those expressed in these materials. The types of uncertainties which are relevant to the Company may include, but are not limited to, commodity prices, political uncertainty, changes to the regulatory framework which applies to the business of the Company and general economic conditions. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, the Company does not in providing this information undertake any obligation to publicly update or revise any of the forward-looking statements or any change in events, conditions or circumstances on which any such statement is based.