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Company Insight
the intelligent market update

Swick Mining Services Limited **Date of Lodgement: 2/5/13**

Title: "Company Insight – Record 3rd Quarter & Strong Outlook"

Highlights of Interview

- **Outlines increased contracting activity during March quarter.**
- **Explains how that fits into Company's strategy including expanding overseas.**
- **Revenue guidance.**
- **Growth profile supported by competitive advantages.**
- **Focus on return to shareholders.**
- **Discusses restructured and strong balance.**
- **Growth & balance sheet help provide strong return to shareholders.**

Record of interview:

We interview Kent Swick, the Managing Director of Swick Mining Services Limited (ASX: SWK, market capitalisation A$75 million) about the Company's record March quarter 2013 revenue and the strong outlook.

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Can you give some detail on Swick's contracting activity in the quarter since December?

Managing Director, Kent Swick
Swick has been busy mobilising rigs into work, particularly in North America and Portugal where our "Northern Hemisphere" rigs have increased from a three year low of two rigs in operation to having nine rigs deployed from a total of eleven rigs in the fleet. These rigs are now all deployed and we are in the ramp up phase of those contracts. By year end, we expect full run rates at these properties.

In the Australian operations, we have been going well with rig numbers relatively stable and the contracts performing well. Underground diamond drilling utilisation remains high, around 84% and the total fleet utilisation is around 78%. We are finding that the RC drilling market, of which we have seven rigs in the fleet, is probably the area we are finding most competitive with very few jobs available and competition high. We have three rigs deployed in this division, including one at the KCGM Super Pit which was mobilised during the quarter, as well as Woodie Woodie and Groote Eylandt.

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How do these developments fit in with the Company's overall strategy?

Managing Director, Kent Swick
We are committed to developing our business in North America and have been since 2009. Our early business in that region, although profitable, was with junior clients in the main and came with the usual risks of that sector. We saw that risk crystallise in late 2011 with programs being terminated as their funding became difficult to access. As a result we went from eight rigs in work in 2011 down to a low of two rigs in calendar year 2012.

Our current clients, however, including at our Portugese contract, are major mining houses and we are more confident of being able to develop long term, sustainable revenue streams with our current clients than those prior clients.

It's all part of the business development curve and anyone who thinks that because you have a certain reputation, size and branding in one region, this can automatically allow you traction in new regions is mistaken. We have had to build the business from scratch with extensive business development, trade shows, and persistence. Having built the business from scratch in Australia, I knew how long this can take and the effort required. Our North American General Manager, Will Gove, has overseen this region grow from the initial registering our various companies when he was the only employee to a point now where we are operating in the US, Canada and Portugal with over eighty employees.

Since inception of the North American business in September 2009, Swick has turned over around $31 million with a Gross Profit of over $10 million in that region. We know we can do good business in that region, and we are committed to its success.

The biggest benefit of having a developed business in Australia is that we can lean on it for support during the formative, development stage in North America. North America is a very big market and we feel that our equipment and processes will prove very valuable to that market.

Our KCGM contract for RC drilling is a two year agreement at one of the largest open pits in the world. This contract has the capacity to grow and also allows us to develop a long term relationship with a major mining customer. We are very pleased to have won that contract.

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Can you explain your latest revenue guidance for FY 2013 (of $145 to 150 million)?

Managing Director, Kent Swick
We softened guidance a little in our recent quarterly update and expect the revenue to be in the range of $145 million to $150 million this year. Some of our start-ups last quarter ran a little late and as a result we are a bit lower on the revenue target for the full year.

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How do recent contract awards fit in with the Company's revenue growth profile over recent years, and to what do you attribute this longer-term trend?

Managing Director, Kent Swick
I think Swick has proven over the years that we are able to grow our top line revenue, generally by displacing incumbents from long term work as a result of our total value offering. We have seen our revenue grow at a compound annual growth rate of 24% since listing in 2006.

We believe we have two significant competitive advantages to help us win and also maintain contracts. We are well placed to win new contracts because we believe our drill rigs are market leaders in terms of productivity and reliability and enable us to deliver a low cost per metre solution. We are also able to maintain our contracts because we specialise in underground core drilling which is generally a non-discretionary spend because it forms an essential part of the ongoing underground mining process.

Our major focus moving forward is not only on revenue growth, but shareholder returns. We are moving in a number of ways to do this including the best allocation of capital (e.g. through buy backs and increased dividends), focusing on our business management and restructuring our business to improve our metrics on a per share basis.

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Since you restructured the Swick's business a couple of years ago, the Company's balance sheet and gearing has been a strategic focus. What is the Swick's gearing position and what is your gearing relative to the Company's peers?

Managing Director, Kent Swick
Our gearing in an absolute sense, being debt to equity is around 20%, but our net debt to equity is much lower. The year-end net gearing will depend primarily on our cash spend on the share buy-back between now and then, but as a whole, we are in a very low gearing position.

Our peers range from being very highly geared to being net cash, but very few have shown to be profitable with positive cash flow in recent times. If the downturn in exploration and the junior equity markets remain, our performance relative to our peers should improve further. We are also in a position to perform strongly if these markets pick up of course.

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What does the restructured balance sheet enable the Company to do?

Managing Director, Kent Swick
The gross cash flow of the business in a general sense is much higher at present than we need to cover our growth, stay in business and R&D capital costs. After statutory payments and capex, the Company has been able to maintain and increase dividend payments as well as participate in a share buyback program.

All of these investments, in my opinion, represent very good allocation of shareholders' capital and will provide both short term and long term benefit to our investors.

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Thank you, Kent.

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