

# SWICK MINING SERVICES

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ASX ANNOUNCEMENT

## SWICK – 3Q FY14 Operations Update

- ❑ Unaudited 3<sup>rd</sup> Quarter revenue of \$28.3m, down from \$35.5m (-19% ) for the prior corresponding period (pcp) twelve months ago.
- ❑ Total fleet utilisation of 68% at end of quarter (55 of 81 rigs operating)
- ❑ Underground diamond fleet utilisation of 73% at end of quarter (49 of 67 rigs operating)
- ❑ Due to a rock fall and the subsequent temporary suspension of works at Nifty Copper Mine, revenue guidance revised to a range of \$113m to \$117m (previously \$115m - \$125m), with an EBITDA of \$14m to \$16m.

Western Australia – (May 13, 2014) – Swick Mining Services Limited (“Swick” or “the Company”; ASX: SWK), a leading provider of high quality and high value underground and surface mineral drilling services today provided an operations update for the third quarter of FY14.

### Operations Update

Key operating statistics for 3Q14 are shown below;

Operational Performance	3Q14	3Q13	% Change
Total Metres Drilled	277,300	342,008	-19%
Total Rigs in Fleet (Period end)	81	76	7%
Total Rigs in Use (Period End)	55	58	-5%
Consolidated Revenue (\$m)	28.3	35.1	-19%
Consolidated Revenue per Metre (\$/metre)	102.06	102.63	-1%
UD Metres Drilled	205,856	234,127	-12%
UD Rigs in Fleet (Period end)	67	62	8%
UD Rigs in Use (Period End)	49	51	-4%
UD Revenue (\$m)	25.10	30.90	-19%
Revenue per metre (\$/Metre)	121.93	131.98	-8%
Total Employees	588	630	-7%

Swick advises that due to a recent unscheduled shutdown at Nifty Copper Mine operated by Aditya Birla Minerals Limited it has been necessary to re-evaluate the current market guidance with full year revenue now expected in the range of \$113m – \$117m (previously \$115m - \$125m), with an EBITDA in the range of \$14m to \$16m.

Kent Swick, Managing Director stated *“It is pleasing that Swick experienced a rebound in rig utilisation over the last quarter as a number of underground diamond drill rigs were deployed to new contracts as well as seeing some rigs returning to work that were previously suspended.”*

*“The last quarter saw the commencement and ramp up of significant contracts at MMG’s Golden Grove and Rosebery mines where a total of eight rigs commenced work over a three month period and are now fully utilised on a 24 x 7 basis. In total, the number of rigs in work at the end of March was 55 which is an additional 14 rigs over the December 2013 month end usage of 41 rigs.”*

*“Despite Swick’s rebound in utilisation, the macro mineral drilling market remains suppressed, indicating that the brownfield, predominantly underground strategy employed by Swick is a benefit for the business. In these difficult market circumstances, Swick is working with its customers, responding to their immediate needs as best as we can and working hard to ensure we remain the safest, highest quality and best value choice in the market.”*

*“Unfortunately, one of our customers had to suspend operations at the Nifty Copper Mine and whilst this has a temporary impact on Swick’s revenue, the Company is confident that the mine will re-open in the near term and the work will re-commence.”*

*“The tender pipeline remains strong and a number of underground diamond drill rigs are being overhauled and upgraded for potential upcoming work over the next quarter and beyond.”*

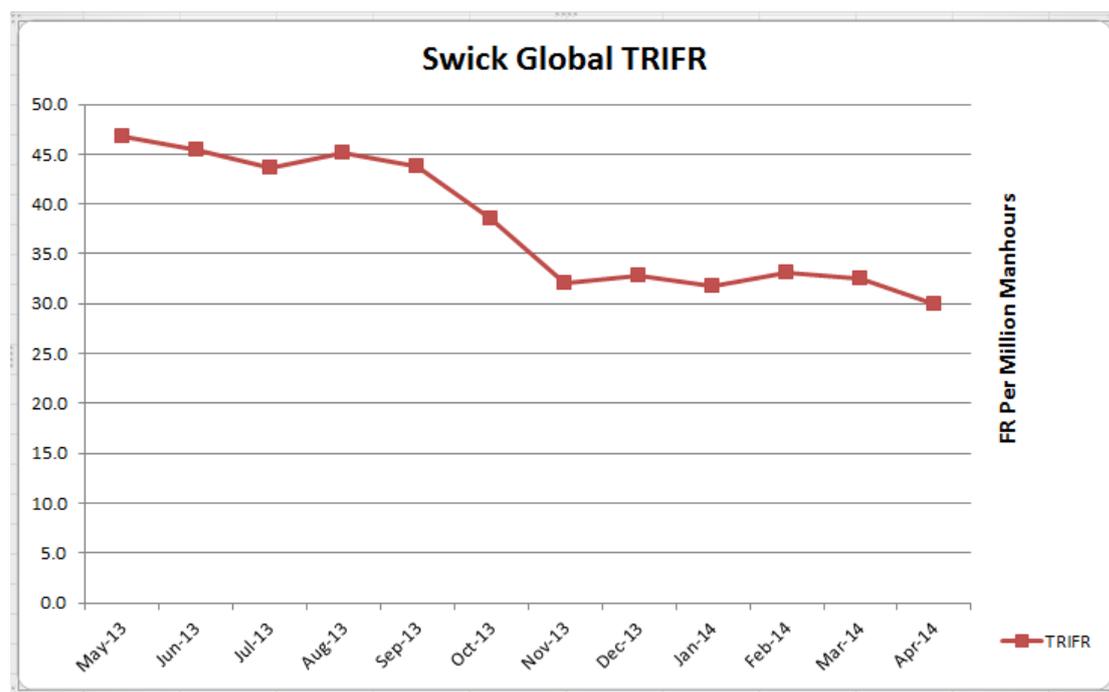
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### Safety and Training

During 3Q14, the final piece of the new Safety Management System was implemented across the organisation. Overall the system allows for simpler and more effective safe work practices to be achieved across the group to ensure a clearer focus on reducing Total Recordable Injuries.

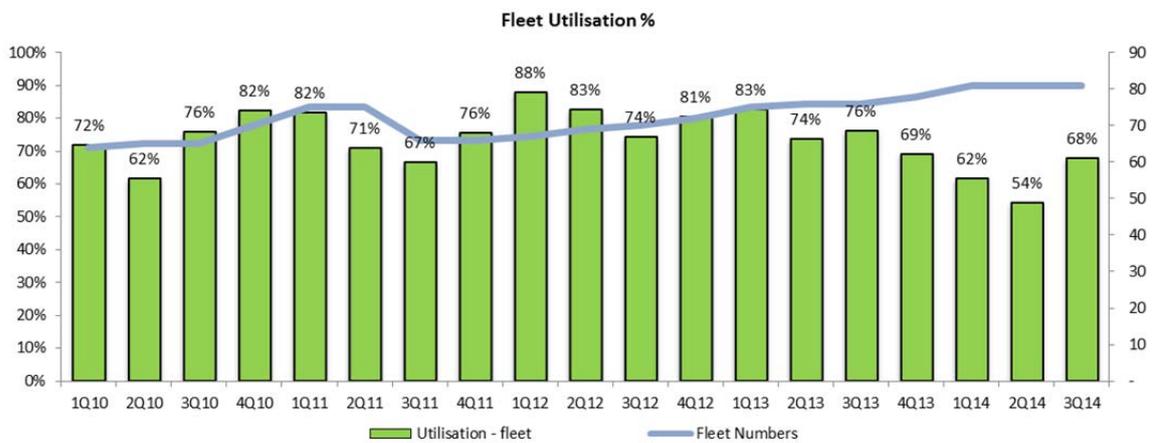
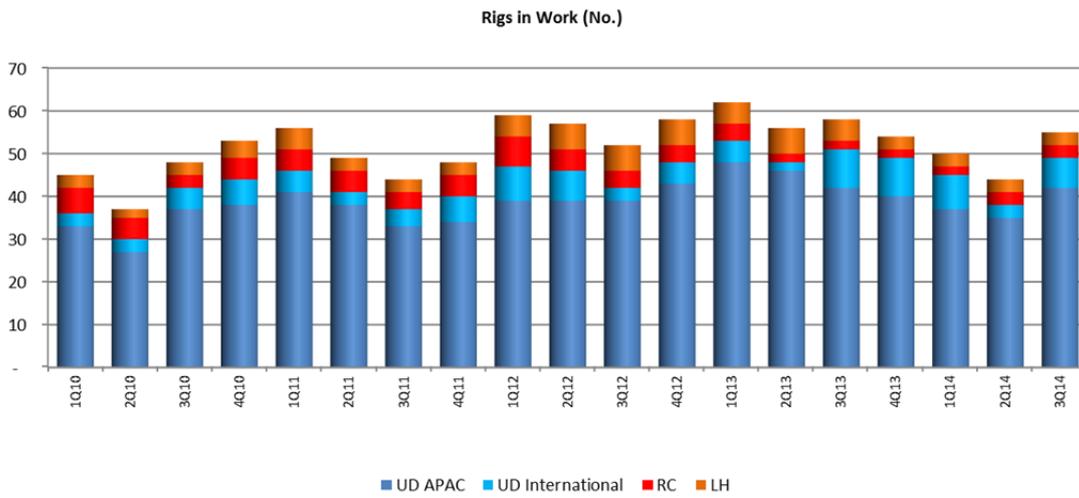
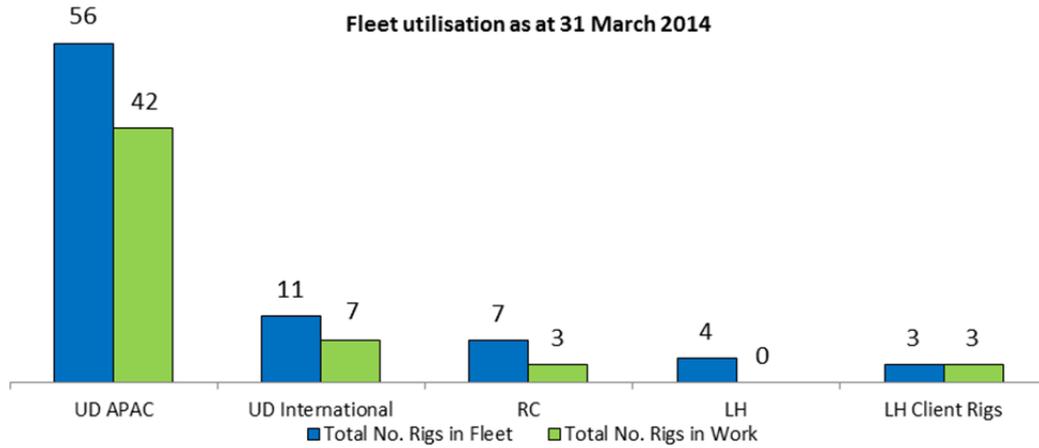
With the safety management system firmly entrenched in to the operations business unit, the outcomes from the system are a proactive risk based approach to all tasks now highlighting the continual reduction in total injuries in the order of 30% and a healthy lead to lag indicator ratio.

During the quarter the organisation continued to field test some of the newer initiatives with respect to R&D that will support the drive to safe production.



The above graph shows the continued improvement in the group Total Recordable Injury Frequency Rate (TRIFR) over the last twelve months as a result of internal focus on systems, training and engagement with employees.

**Rigs at Work and Fleet Utilisation**

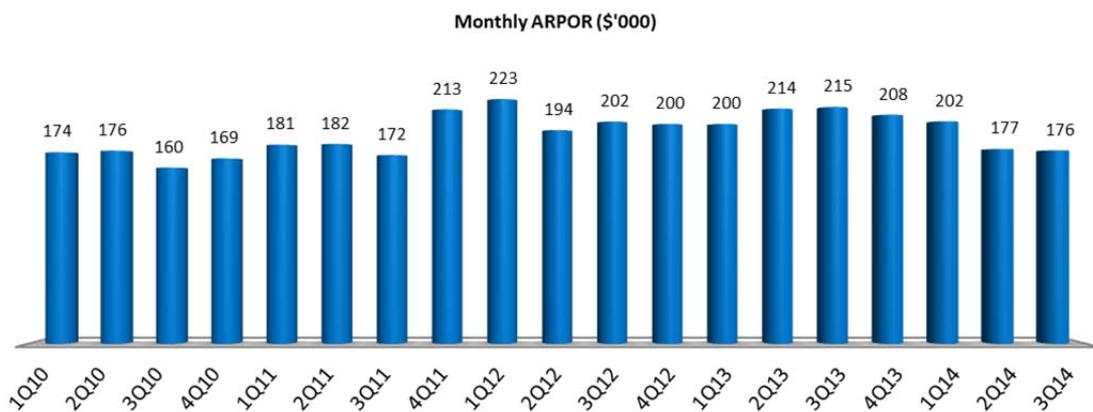


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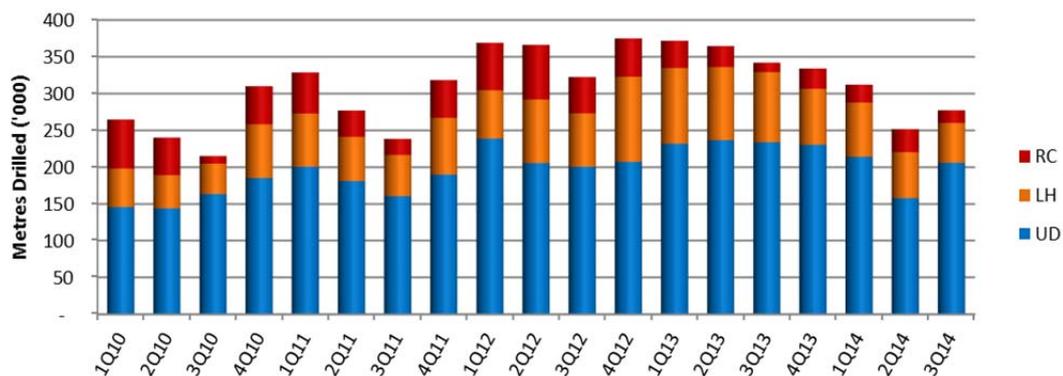
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### Monthly ARPOR and Metres Drilled

The Company's Average Monthly Revenue per Operating Rig (ARPOR) metric shown below was maintained at similar levels to those experienced in 2Q14. This reflects a continuation of the tough operating environment as well as a ramp-up period for new contracts. With the significant number of new contract mobilisations affecting ARPOR in 3Q14 and continuing signs of recovering demand for services the ARPOR for 4Q14 is expected to recover to similar levels experienced in 1Q14.



Total metres drilled for 3Q14 reduced 19% to 277,000 metres from 342,000 metres in the corresponding period last year. The quarterly metres drilled by division is shown in the graph below with Underground Diamond down 12% , Longhole Production down 43% and RC up 37%, compared to the previous corresponding period.



As noted previously, the lower metres within the Underground Diamond drill fleet was due to lower productivity at some of the newer contract start-ups as well as a continuation of short term drilling programs at existing clients. This is expected to improve as our operations teams modify practices to suit new site operational environments, and clients adjust programs back to medium term reserve definition and exploration programs.

#### **FY14 Outlook**

During 3Q14 Swick experienced a significant recovery in utilisation of rigs that was a result of new contract wins and a degree of redeployment of previously suspended rigs with existing clients. The outlook is for this utilisation level to remain steady on existing work with strong potential for further tender wins.

The Company's forward order book as at 31 March 2014 is estimated at \$224m. This has reduced from the value provided in January due to the recent MMG contract being initially valued over a contract period of 5 years as opposed to the actual agreement being 3 years with one plus one year extensions available at the clients option. Despite the increased rigs in work, due to an unscheduled shutdown at Nifty Copper Mine the FY14 annual revenue is expected to be in the vicinity of \$113m to \$117m (previously \$115m – \$125m).

Group margins have recovered from the lows experienced in 2Q14 but continue to be under pressure in a very tough operating environment. With this and the unexpected shutdown at Nifty Copper mine the Full Year EBITDA is now expected to be in the range of \$14m – \$16m.

#### **Commentary**

Mr. Swick states: *"Swick is maintaining its focus on safety, customer service and efficiency despite the tough macro environment. We have a clear strategic objective to 'double metres per manhour' over five years from June 2012 to June 2017 and all departments within the business are aligned with achieving this goal."*

*"It is essential that Swick continues to invest capital and engineering and operational resources to continually improve its operating methods with the aim to increase productivity and lower the unit costs to our clients. Swick is dedicated to this cause and working on many fronts to ensure we provide our clients the highest quality, best value mineral drilling service available."*

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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, Canada, United States and Europe.

For further information re this announcement, please contact the following on +61 8 9277 8800:

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**Vahid Haydari**  
Chief Executive Officer

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Chief Financial Officer

**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.