

# SWICK MINING SERVICES

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ASX ANNOUNCEMENT

## SWICK – Full year results for the year ended 30 June 2016

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 announced its full year results for the year ended 30<sup>th</sup> June 2016.

### Highlights:

- TRIFR of 9.1 at June 2016 – a reduction of 38% over the year
- Record Australian Underground Diamond (UD) drill metres 941,112 - up 4.7%
- Australian UD division - metres per man-hour increased by 15% over the year
- Australian UD division - metres per shift increased by 10% over the year
- Revenue (including other income) of \$125m – down 5% year-on-year (YOY)
- EBITDA before significant items of \$14.8m – down 14% YOY
- Strong operating cash flow – EBITDA cash conversion of 121%
- Free cash flow generated of \$4.6m – up 359% YOY
- Net Debt reduced by 20% to \$15m
- 6 million SWK shares (3% of register) bought back at an average price of 13.5c
- Renewed optimism in the resource and mining services sector
- Declaration of a fully franked final dividend of 0.4 cents per share

### Financial Performance and Dividend

Financial year 2016 saw a continuation of the ongoing uncertain global demand for metals. Commodity prices remained low and volatile. Gold was the exception to this, rising in both US and Australian dollar terms. The wider market showed some levels of recovery through the second half as the Commodity Price Index returned to levels last seen in September 2015. Despite this recovery, the sector is still highly cost focused and trading conditions remain difficult.

Swick maintained its focus on executing its internal strategies and continued to invest in continuous improvement and research and development initiatives that moved the Company closer to its strategic goal of doubling its metres per man-hour production rate by June 2017. The 2016 financial year saw a significant step towards achieving this goal with the implementation of technologies allowing single man shifts to be safely undertaken while maintaining production levels.

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The renewal of the cornerstone contract with Newmont, with its expanded scope, coupled with the addition of Nova and Jaguar contracts with Independence Group as a key new client enabled activity levels at the end of the year to almost return to those experienced at the start of the year. Subsequent to year-end, Swick was successful in renewing three long standing underground drilling contracts being; Jundee for Northern Star Resources, Broken Hill for Perilya and Renison for Metals X, all of which were renewed for a further term of two years.

Despite the ongoing challenging market conditions, Swick was again able to increase the metres drilled in Australia by the Underground Diamond (UD) drilling division by 4.7% compared to prior year. This indicates the continued appeal of the Swick mobile drilling solution and operational technologies that allow for highly productive, high quality and safe drilling at a market leading value.

The Company recorded \$125 million in revenue (including other income), with an EBITDA of \$14.8 million (EBITDA margin of 12%) which was within market guidance. Non-cash items of impairment of non-core assets (skid rigs) and de-recognition of carried forward tax losses in the international business coupled with increased rig maintenance spend as rigs were upgraded contributed to a reported loss after tax of \$2.8 million.

The stability of performance of the core UD division provided a platform for the Company to embark on improving our balance sheet at the start of the year. A vast improvement in working capital management and discipline in capital expenditure resulted in the Company generating \$4.6 million in free cash flow during the year. The free cash flow was used to service both debt (reduction of \$4.9 million) and equity through the share buy-back (\$0.8 million).

With renewed optimism in the sector, the ongoing strong performance of the core Underground Drilling division and healthy cash generation, Swick was able to declare a final dividend of 0.4 cents per share for the year.

#### **Commentary on results for year ended 30<sup>th</sup> June 2016**

Kent Swick, Managing Director stated: *“The 2016 financial year saw Swick continue to improve its underlying performance in many aspects of the business. Most importantly, Swick continued to improve its safety performance with a further 38% reduction in the Total Recordable Injury Frequency Rate to 9.1 per million man hours following a 25% reduction in the prior year. This is a solid outcome based on a relentless effort to continue to improve all aspects of our business regardless of the macro environment.”*

*“The ability to meet the market conditions and maintain similar annualised revenues even during a depressed cycle is facilitated by continued strategic investments to improve the company’s key operational drivers. In particular, Swick is initially focusing its strategic engineering and operational initiatives on the Australian Underground Diamond drilling division. To see two key efficiency factors such as metres per man-hour and man-hours per shift combine to generate an improvement in metres per shift by 10% year on year is very satisfying.”*

*“Swick has successfully renewed many key contracts over the year and many opportunities are presenting themselves both in our local market as well as our overseas operating regions. We look forward to continuing to deliver value to our existing clients as well as introducing the Swick service offering to new clients over the next twelve months. Our focus on strategic value drivers will continue to keep Swick at the forefront of the mineral drilling industry and in a strong position to take any opportunity as they may arise.”*

*“With the recently improved outlook for global commodity markets, and therefore the mining industry, the drilling sector is also expected to see a strong uplift in activity over the next year. Swick is extremely well positioned to take advantage of these improved market conditions. With the company already actively employed at 22 mine sites across three continents, expanded activity at many of these sites is already becoming apparent. We are also well placed to assist potential new clients as they look to utilise the latest technology in underground mineral drilling and increase the quality and output from their exploration programs.”*

**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, the United States and Europe.

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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.