

# SWICK MINING SERVICES

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ASX ANNOUNCEMENT

## SWICK – 1Q FY17 Operations Update

- ❑ Revenue of \$33.0m (unaudited) for 1Q17 down from \$34.5m for the previous corresponding period (pcp), a decrease of 4%
- ❑ Total metres drilled of 365,020 for the quarter, up 2% from 358,186 pcp and up 9% on previous quarter (4Q16)
- ❑ Underground Diamond (UD) drilled metres of 277,288 for the quarter similar to pcp and up 10% on previous quarter (4Q16)
- ❑ Total operational man-hours for UD division of 201,972 down 20% from 251,850 pcp
- ❑ Metres per shift for UD division of 35.8 up 12% from 31.9 pcp
- ❑ Improved efficiency – Underground diamond drilling metres per man-hour at 1.37 up from 1.10 pcp, an increase of 25% - in line with strategic objective
- ❑ Total fleet utilisation at 65% for the period down from 71% pcp
- ❑ Underground diamond fleet utilisation at 65% for the period down from 74% pcp as a result of improved efficiency.

Western Australia – (October 26, 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 provided an operations update for the first quarter of FY17.

### Operations Update

Operational Performance	1Q FY17	1Q FY16	% Change
Total Metres Drilled	365,020	358,186	2%
Total Rigs in Fleet (at period end)	78	83	-6%
Total Rigs in Use (at period end)	52	52	0%
Consolidated Revenue (\$m)	33.0	34.5	-4%
UD Metres Drilled	277,288	277,549	0%
UD Rigs in Fleet (at period end)	68	69	-1%
UD Rigs in Use (at period end)	45	49	-8%
Total Employees	530	585	-9%

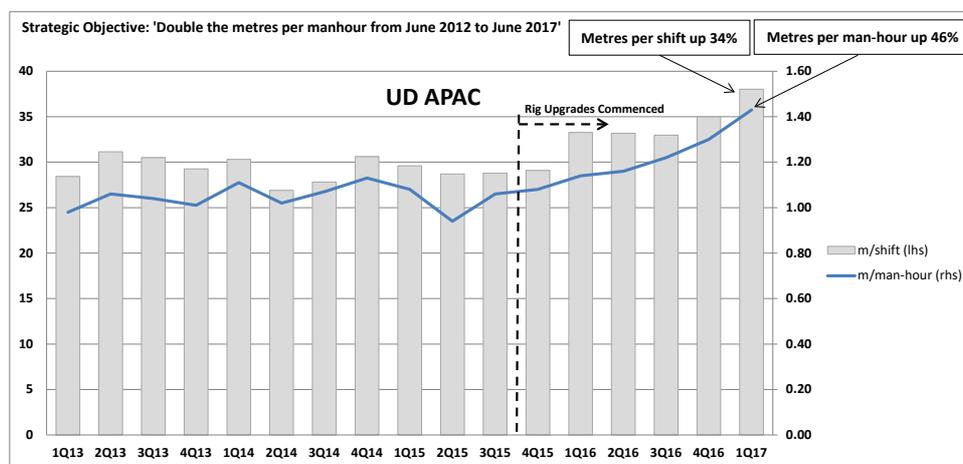
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Revenue for the quarter ending September 30, 2016 was \$33.0 million (unaudited), down from \$34.5 million for the corresponding period a year ago. The drop in revenue was predominantly due to the renewed Newmont Tanami contract which commenced at the start of 3Q16. This contract was renewed at lower rates due to the lower manning levels available as a result of the Company's new technology on rigs operating at this project.

A total of 52 rigs from a fleet of 78 (including three client owned rigs) were operating in the field as of September 30, 2016 compared to 52 rigs from a fleet of 83 a year ago. Of the total rigs in work, the UD division represented 45 rigs operating from a fleet of 68, compared to 49 rigs operating from a fleet of 69 a year ago.

Swick has experienced a slight increase in rig utilisation during 1Q17 compared to the last quarter (4Q16). More importantly, we continue to see an increase in productivity per rig, a result of ongoing productivity improvements being implemented on our UD rigs. The UD division achieved an improved metres per man-hour ratio (a measure of efficiency) of 1.37 for this quarter, an increase of 25% compared to the prior corresponding period and an increase of 9% compared to the previous quarter 4Q16.

The graph below shows the significant benefits generated in the cornerstone UD APAC division by in-house engineering projects and operational initiatives at Swick that are focussed on achieving our strategic objective. Only 50% of the rigs have been upgraded with about 50% of the technology at this stage, yet the gains are clearly demonstrated. The technology rollout is continuing and expected to be complete sometime in FY18.



Swick believes its market leading UD division is still well placed to see through the current market conditions as a result of continued improvements in rig productivity and its focus on total value in the sector.

Kent Swick, Managing Director stated *"The macro circumstances in which we operate remain difficult; however the retraction in pricing appears to be over. Despite Swick meeting the needs of its clients and adjusting its pricing to meet the market, our performance remains very strong both operationally and financially. The focus on improving our efficiency metrics at a time when the rates have been lowered has provided a significant mitigation of the financial effect that otherwise would have been felt. As a result of greater productivity and lower manning ratios, the year on year effect of lower metre charges evident in the industry has effectively been nullified, with profitability margins being maintained."*

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*“Swick continued to maintain an excellent safety performance in an environment where our people are inherently increasing their workload due to productivity enhancements and with the automation allowing for a lower level of manning in the business than has historically been the case. This performance is a credit to the operations teams who genuinely take safety very seriously and proactively manage this on a daily basis.”*

*“Swick is looking to the future with its Swedish based subsidiary, Orexplore, recently developing its first production version of its base metal mineral analysis machine. This unique and highly innovative instrument is being field tested in the first quarter of calendar year 2017 at the Boliden Copper mine in Northern Sweden. This base metal machine has a scanning rate of one metre of core per 10 minutes with a limit of accuracy to within 0.01% for base metal assays, as well as providing an orientated CT (Computerised Tomography) scan of the core showing elemental distribution along structures.”*

*“Research and Development is progressing well on the precious metal detector with a specification target of scanning the entire volume of one metre core samples to an assay accuracy of 0.1ppm (0.1 parts per million, or 0.1 grams per tonne) within 10 minutes. This is a step change in precious metal sampling as the full volume of the core is analysed as opposed to very small subsets as is presently the case.”*

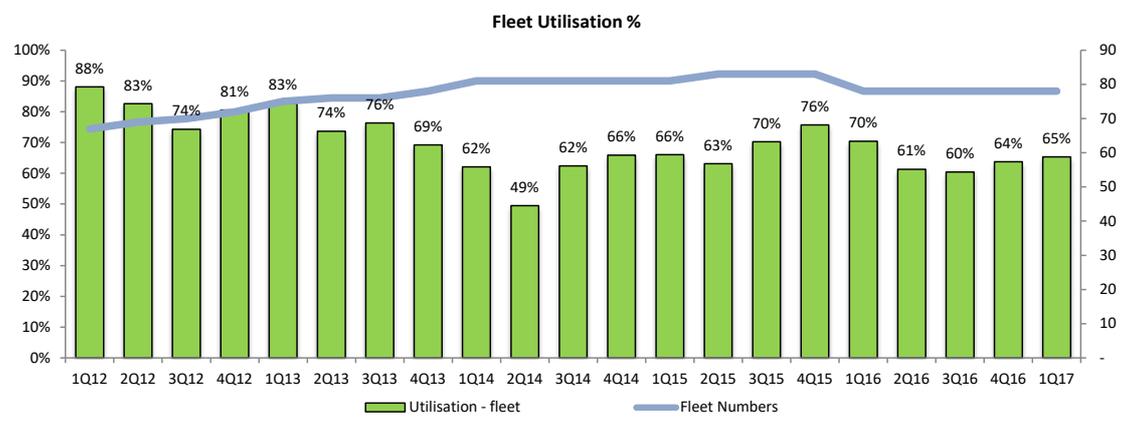
### Safety and Training

The journey towards zero harm continues at Swick. The TRIFR at 30<sup>th</sup> September 2016 stands at 10.3 per million man-hours which is down 12% from the level at the same time last year.

Swick is engaged with external safety specialists and university researchers with the aim to leverage their experience from other industries which we can apply to Swick. Our underlying philosophy of continuous improvement and engineering design, will ultimately lead to significant developments at the drill site to further reduce risk and enhance our safety record.

### Fleet Utilisation

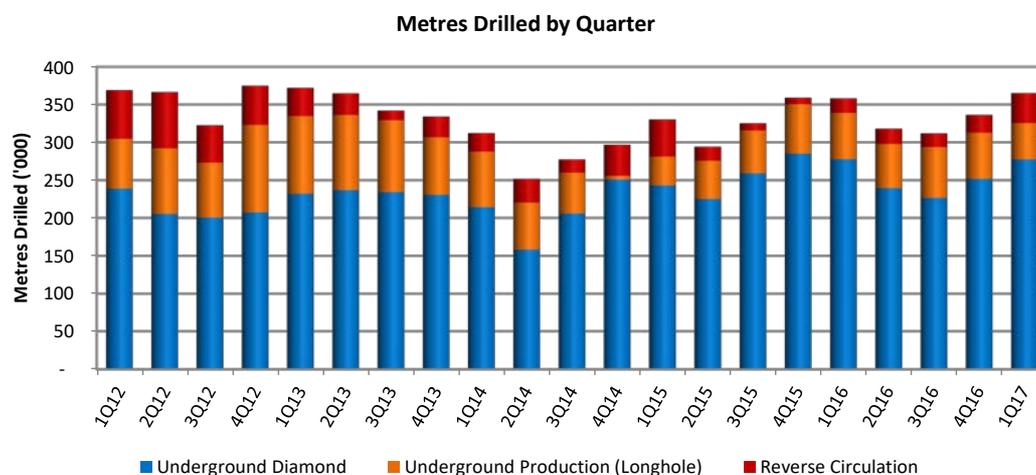
A FTE (full time equivalent) average of 51 from a fleet total of 78 (including three client owned rigs) operated in the first quarter. The efficiency gains of the in-house initiatives at Swick will allow great revenue with the existing fleet, allowing new contracts to be serviced with existing equipment instead of requiring additional rig builds. The Company’s rig utilisation against total fleet number is shown below:



Rig utilisation is expected to increase in the next two quarters as we see increase in demand from existing clients and from new contracts currently being tendered. This demand is expected to be initially serviced by existing idle fleet.

### Metres Drilled

Total metres drilled for 1Q17 increased 2% to 365,020 metres from 358,186 metres in the corresponding period last year. The quarterly metres drilled by division is shown in the graph below with UD at the same level, Longhole Production down 22% and RC up 106%, compared to the corresponding period last year.



### FY17 Outlook

The Australian drilling market is showing some signs of improvements however operating conditions continue to remain tough. It appears that the pricing reductions have now stopped, but competition for new work continues to remain high. These conditions make it difficult to provide guidance for the full year at this early stage.

The order book at 30<sup>th</sup> September 2016 stands at around \$151m.

### Commentary

Mr. Swick states: *“Swick is progressing all aspects of its business to ensure we deliver the highest quality service to our clients at a very reasonable price. I am confident that the investments that the Company has made in its R&D projects over the last few years will now benefit the shareholders by reversing the net effect that a reduced rate environment will have on the business.”*

*“Whilst Swick is always focussed on improving its underlying business performances, business development opportunities remain reasonably strong with current and near term tenders in progress that, depending on success, could take our rig utilisation to record highs. Higher utilisation, combined with efficiency gains will provide Swick with an opportunity to strengthen its performance in what remains a very subdued market.”*

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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.

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**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.