

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.au

9th November 2018

ASX ANNOUNCEMENT

**Chairman's Address
2018 Annual General Meeting**

Ladies and Gentlemen

In my Chairman's address for the 2018 Financial Year, I would like to provide a brief of Swick's financial performance, some operational highlights, and some comments on the outlook.

2018 Financial Results

2018 was a turnaround year for our business with an improved performance from our core Underground Diamond (UD) drilling division, which resulted in a return to profitability.

This result was achieved through a combination of growing drill rig utilisation, shifting rigs onto better performing contracts or sites, and improving efficiencies across the business.

The key financial performance indicators for the financial year included:

- FY18 revenue up 6% to A\$138 million;
- Group EBITDA up 44% to A\$17.3 million; and
- Group EBIT for FY18 reached \$0.4 million, following an EBIT loss of \$3.6 million in FY17.
- Swick also generated improved free cash flow of \$2.1 million.

Operations

Swick's strategy is centred on growing and developing our two businesses – the Drilling Business, which is the driver of our earnings and a key source of growth, and the Mineral Technology Business with Orexplore, which has the potential to revolutionise the multi billion-dollar a year minerals analysis industry.

Return to Profitability of the Drilling Business

Earnings growth in the Drilling Business was driven by the strong operational performance in the second half of FY18, with the fourth quarter delivering the company's best earnings for the year.

Continuing our cornerstone relationships both in Australia and in the USA, having a good success rate at contract renewals, and importantly re-deploying our drill rigs from two of

For personal use only

four underperforming contracts has been the underlying story of our drilling business this year.

Swick's strategy to exit underperforming contracts saw three contracts completed, releasing 12 rigs while maintaining a high fleet utilisation.

We also ended the financial year securing over \$90 million in contract renewals and new rigs in work across five mines in Australia, including at major projects such as Olympic Dam.

The company also recorded a new milestone reaching 10 million metres drilled since operations commenced.

Cost management was a key initiative during the year, where we simplified and streamlined the management structure to reduce overhead costs.

Meanwhile, the Reverse Circulation (RC) – or above ground – component of the Drilling Business has experienced variable utilisation, with Swick taking advantage of opportunities for short and medium-term drilling programs.

Launch of the Mineral Technology Business and commercialisation underway

During the year we also launched our Mineral Technology Business, Orexplore. The Orexplore GeoCore X10 core scanning machine is a unique mineral scanning technology which provides real-time rock analysis. It usually takes weeks to analyse core rock data, which has to be broken down into pieces. While Orexplore's revolutionary technology is instantaneous and provides a significantly lower sampling error.

In less than two months since launch, Orexplore earned its first revenue signing a commercial agreement with Saturn Metals in June 2018. Since then, we have signed four new clients, and we are extremely pleased that this division is earning revenue.

Revenue is expected to be small in the early stages of commercialisation, but the opportunity is right in front of us – and we are confident a number of proposals will be converted into laboratory scanning agreements soon.

Outlook

Swick has entered the 2019 financial year with a number of key drilling contract renewals successfully locked in. This will underpin the activity levels for the year at similar or improved levels to those seen in FY18.

Over the next 12 months, our focus will be to deliver better rates for our drill rigs – not just volume growth – including exiting or renegotiating the last of our underperforming contracts, maintaining strong utilisation of our UD rigs and progressing with the investment and commercialisation of Orexplore.

The current momentum in the Drilling Business and the high interest in the product and service provided by Orexplore is expected to lead to improved financial performance for the Company in 2019.

In closing, I would like to acknowledge the outstanding contributions made by our senior management and by the whole team at Swick for their commitment and efforts during the year.

I would also like to thank shareholders for their continued support throughout the year.

I look forward to communicating Swick's progress in the coming twelve months.

Yours Sincerely,

Andrew Simpson
Chairman

-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
+61 8 9277 8800

Media enquiries:

Adrian Watson
FTI Consulting
Ph: +61 8 9321 8533

For personal use only