

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

Swick delivers earnings turnaround, takes strong momentum into FY19

FY18 summary:

- Revenue and other income of \$138 million, up 6% on FY17
- Drilling Business EBITDA of \$19.1 million, up 43% on FY17
- Group EBITDA of \$17.3 million, up 44% on FY17
- Group EBIT of \$0.4 million, following EBIT loss of \$3.6 million in FY17
- Generated \$2.1 million free cash flow, up 227% on FY17
- Average fleet utilisation of 74%, up from 70% in FY17
- Record total metres drilled of 1,207,554 in FY18, up 1% on FY17
- Strong momentum taken into FY19:
 - Drilling Business delivered strongest quarter in FY18 in Q4
 - Lower cost base set across the business
 - Commercial agreements already secured with five companies since the May 2018 launch of Swick's revolutionary Orexplore mineral scanning technology

Western Australia – Swick Mining Services Limited ('Swick', ASX: SWK), a leading provider of high quality underground and surface mineral drilling and mineral analysis services, has reported a significant improvement in earnings in FY18.

The result was driven by Swick's Drilling Business – which principally performs underground diamond drilling delineation at operating mines (69 rigs) as well as above ground reserve definition and exploration at brownfield and greenfield sites (7 rigs) – reporting EBITDA of \$19.1 million at an EBITDA margin of 14% (FY17 EBITDA of \$13.4 million at a 10% margin). The result was in line with Drilling Business FY18 EBITDA guidance of \$17.5-\$19.5 million.

Earnings growth for the Drilling Business was achieved under a strategy of shifting drill rigs onto better performing contracts or new projects, reducing operational costs to improve efficiencies, as well as increasing fleet utilisation and volume, with the Underground Diamond drilling business recording a record number of metres drilled in the year.

Revenue grew by 6% to \$138 million, with the Drilling Business commencing new work at Barrick Gold's Turquoise Ridge (Nevada, USA) project and the ramp-up of drilling activity at Kirkland Lake Gold's Fosterville (Victoria, Australia) and Cosmo (Northern Territory, Australia) projects during FY18.

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FY18 group EBITDA was \$17.3 million, EBIT was \$0.4 million (following an EBIT loss of \$3.6 million in FY17), and NPAT was a narrow loss of \$1.0 million, an 79% improvement on FY17 (\$4.6 million NPAT loss).

At a group level, earnings are impacted by Swick's investment in its revolutionary Orexplore mineral scanning technology, which has the potential to disrupt the substantial minerals analysis industry. Following the launch of Swick's GeoCore X10 core scanning machine and technology in May 2018, Swick secured its first paying client (Saturn Metals) in June 2018. Already in FY19, the Company has executed further core scanning commercial agreements with Calidus Resources, Kirkland Lake Gold, Gold Fields and Newmont.

Swick Managing Director Kent Swick said the strong performance by the Company's drilling business combined with the early success of the Orexplore mineral technology business provided confidence for the year ahead.

"We had a clear plan going into the 2018 financial year to ensure we captured the opportunities presented by a stronger underground mining sector," Mr Swick said.

"Put simply, our strategy was to improve rates for our drill rigs by renegotiating contracts or moving them to better performing sites, drive efficiencies by taking a close look at our costs, and, where we could, increase utilisation. We had great success in delivering on these initiatives throughout the year, culminating in Swick's strong fourth quarter earnings.

"In addition, we had a great start with our Orexplore mineral scanning technology, which after seven years of development in Sweden was launched in May 2018 and has already secured commercial agreements with five companies."

Outlook

The strong performance of Swick's Drilling Business in FY18, coupled with an expected increase in rig demand and renegotiation of a legacy contract at improved rates in H1 FY19, provides strong momentum for the year ahead. If sustained, this momentum could lead to potential new rig builds during FY19 to capture growth opportunities.

In addition, Swick is experiencing strong interest in the Orexplore mineral scanning technology. A number of mining clients are currently carrying out core scan trials and this is expected to translate into further commercial scanning agreements in FY19.

Mr Swick said: "The drilling business has started the year strongly, with the combination of improved rates across the majority of our rig fleet, a new contract from Sandfire Resources and several contract extensions secured as we entered FY19, and a reset cost base all providing excellent momentum.

"Our focus is to continue targeting improved rates and greater utilisation of our existing fleet, while also being open to building new rigs to capture growth opportunities.

"We will also invest resources into our Orexplore mineral scanning technology, which has performed very well just months after its launch and continues to generate strong interest. Although revenue is expected to be small in these early stages, we are optimistic about Orexplore's potential to disrupt the industry just like our mobile underground diamond drilling rigs were successful in doing."

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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, United States and Europe.

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