

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

SWICK – 3Q FY18 Operations Update

- Revenue of \$33.2m (unaudited) for 3Q18 up from \$29.4m for the previous corresponding period (pcp), an increase of 13%
- Total metres drilled of 270,463 for the quarter, up 4% from 258,926 on the pcp (excludes discontinued Long Hole division data)
- Underground Diamond (UD) drilled metres of 261,053 for the quarter, up 5% on pcp
- UD division fleet utilisation at 76% for the period, up from 69% pcp
- Orexplore celebrates the official launch of GeoCore X10 core scanning machine

Western Australia – (May 14, 2018) – 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 FY18.

Operations Update

	Consolidated Group		
Operational Performance	3QFY18	3QFY17	% Change
Total Metres Drilled (excl. LH division data)	270,489	258,926	4%
Total Rigs in Fleet excl. LH (period end)	76	75	1%
Total Fleet Utilisation excl. LH (FTE)	73%	68%	8%
Consolidated Revenue (\$m)	33.2	29.4	13%
UD Metres Drilled	261,053	249,597	5%
UD Rigs in Fleet (period end)	69	68	1%
UD Fleet Utilisation (FTE)	76%	69%	9%
Total Employees (period end)	568	586	-3%

FTE – Full time equivalent

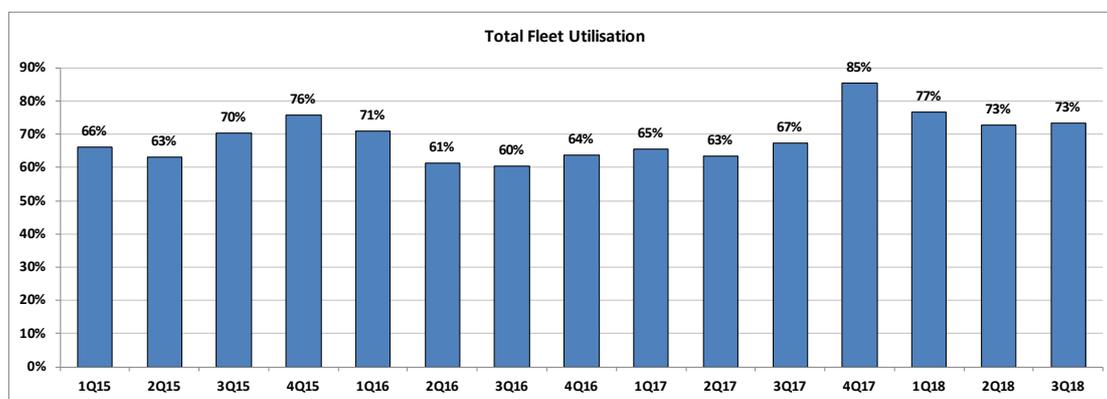
Revenue for the quarter ending March 31, 2018 was \$33.2 million (unaudited), up from \$29.4 million for the corresponding period a year ago and down from \$35.2 million in the previous quarter. The reduction in revenue compared to 2Q18 was predominantly due to the end of the Rosebery contract (4 rigs) at end of January. Revenue is expected to increase in 4Q18 as we mobilise additional rigs to the Turquoise Ridge mine in Nevada, USA and some additional rigs to existing Australian contracts.

A total of 55 FTE rigs from a fleet of 76 were operating in the field during the quarter compared to 51 FTE rigs from a fleet of 75 a year ago. Of the total rigs in work, the UD division represented 52 FTE rigs operating from a fleet of 69, compared to 47 FTE rigs operating from a fleet of 68 a year ago. During the quarter Swick purchased a new underground deep hole

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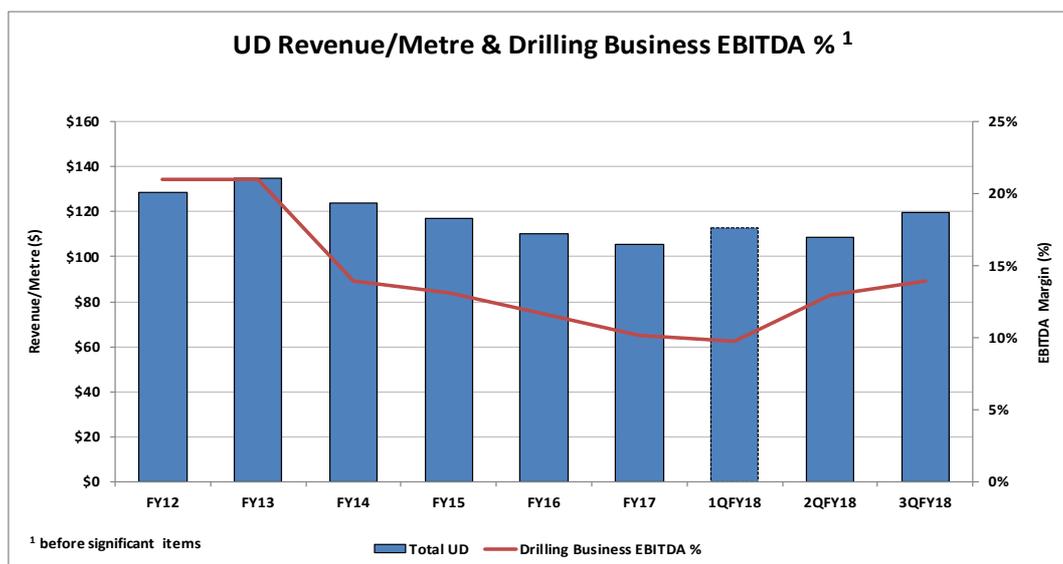
rig for use in the North American market, and the rig commenced work immediately at the Turquoise Ridge mine.

Utilisation is expected to increase in 4Q18 as a result of the ongoing ramp-up of rigs at the Turquoise Ridge mine in North America and increase in rig demand from existing Australian contracts.



The Company's strategy to upsell contracts by repricing at tender renewal to meet the target Gross Profit margin has led to two contracts not being renewed. Year-to-date, including Rosebery during this quarter, a total of nine rigs were demobilised. Of a total of seven contract renewals year-to-date, five have been successfully renewed at higher prices.

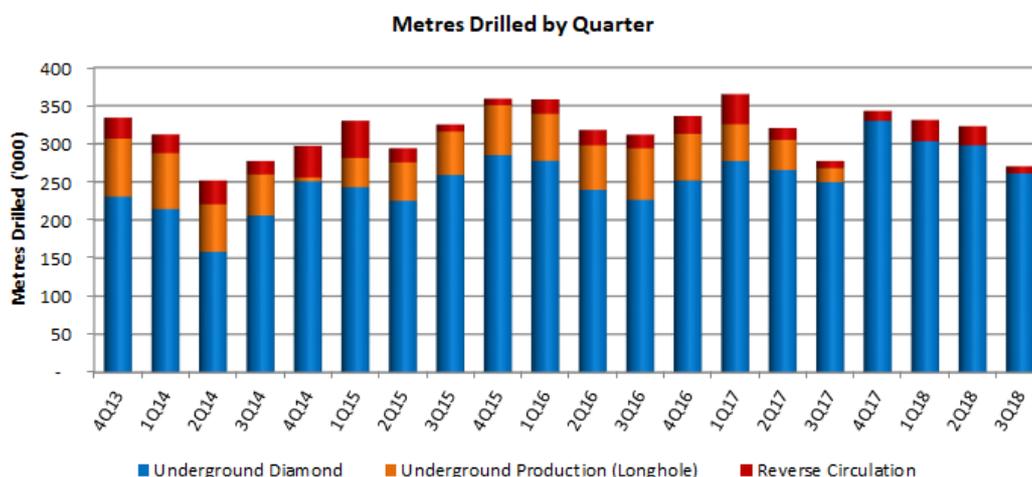
The de-mobilisation of the rigs from the underperforming contracts has led to the ability to deploy those same rigs at higher margin sites or new contracts. This has already and will continue to deliver improvements to the Drilling business financial results.



Metres Drilled

The quarterly metres drilled by division is shown in the graph below with the core UD division up 5%, and RC up 1%, compared to the corresponding period last year. The increase in revenue

despite the decrease in UD metres drilled over the last few quarters is a factor of both improved pricing per metre and a higher mix of revenue from fixed-shift income contracts compared to schedule-of-rates contracts. The large underground diamond drilling contract with Barrick in northern Nevada is a fixed-shift revenue structure with relatively low productivity due to very difficult drilling conditions.



Safety and Training

The TRIFR at 31st March 2018 stands at 15.2 per million man-hours which is up from 11.7 per million man-hours at the same time last year.

Unfortunately, Swick has seen a year-on-year increase in the Total Recordable Injury Frequency Rate (TRIFR), and management is working hard to resolve this issue. The relocation of rigs to new sites and regions led to significant redundancies and consequentially a significant number of new starters were engaged when the rigs were redeployed. This is primarily driven by the preference to employ from as near as possible to the Port of Departure in the case of FIFO sites or locals in the event of town based work. The relocation of rigs as well as a net increase in rigs in work has seen a spike in the entry level employees who are engaged as drill helpers.

Recruitment is now driven internally as we have moved away from labour hire personnel. New candidates are now applying to deliberately join the Drilling Industry as opposed to being selected from a pool of candidates looking for 'a job'. This has improved the standard of the candidates and should in turn flow through to improved attitudes and safety performances.

All new starters are introduced to the business through the award-winning Perth based training facility which includes a simulated underground environment that assists them to be prepared for the environment and type of work they will be exposed to. This is a four-day, twelve hour per shift, intensive introduction to drilling that has certainly improved the calibre of the new starters introduced at the site level and reduced turnover.

The influx of new employees over the year is a primary cause of the increased injury rate as drill helpers with less than three months experience are generally those that are injured at work. During their first three months they are still developing their techniques and often inadvertently breach procedures during this time.

Swick is actively working on this trend and has increased resourcing to the Safety and Training department to allow more in-field support to the drill sites.

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FY18 Full Year Guidance – Drilling Business

The FY18 full year results for the Drilling Business are expected to be at the lower end of the previously announced Revenue and EBITDA guidance of \$135 - \$145 million and \$17.5 - \$19.5 million respectively. This is primarily due to later than expected mobilisations of additional rigs to existing jobs.

Mineral Technology - Orexplore

The official launch of Orexplore’s GeoCore X10 scanning machine was held at the Orexplore Australia premises on 1 May 2018 - a significant step towards the commercialisation of this world first mineral analysis technology.

The launch was well attended and feedback from attendees was very positive. Potential clients have taken up the offer for one-on-one workshops and trials post the launch to scan and analyse their own core.

During the launch, world renowned experts in their field Dr. Jun Cowan and Dr. Jacqui Coombes presented on the impact that the GeoCore X10 technology can have in their field of expertise. Dr Cowan is an expert structural geologist and explained the benefit of the 3D tomographic imagery and the work being done by the Orexplore developers to export this valuable data to other packages. Dr Coombes explained the beneficial impact of the Orexplore technology to reducing sampling error by significantly increasing the volume and quality of the data available to be used in resource calculations.



Above: Orexplore AB Managing Director Kevin Rebenius at the GeoCore X10 launch

Orexplore has the potential to disrupt the multi-billion-dollar a year minerals analysis industry by providing real time, non-destructive assay and tomography results, using whole of core data, a vast improvement on the multiple weeks delay currently used in destructive chemical testing.

Upon achieving successful trials, the Company intends to provide:

- a Laboratory Analysis service - where clients can send in their core for scanning at the Orexplore Australia laboratory and access and analyse the core scan results in Orexplore's proprietary Insight software. Orexplore will also have the potential to provide technical reports to the clients; and
- an Onsite Analysis service - where machines and operators will be deployed at client sites on a wet-hire rental model.

Commentary

Kent Swick, Managing Director stated *"I am pleased to see the progress we are making in returning the drilling business to profitability. The work undertaken in the business over the year to date at all levels is providing for better financial outcomes in the future. The continued operating performance in the field combined with reduced overheads and some much-needed adjustments to drilling market rates of late puts Swick in a strong position to benefit from the better times expected ahead for drillers."*

"Establishing a cornerstone relationship in the USA, having a good hit rate on adjustments at contract renewal in Australia and importantly removing our assets from 50% of the underperforming contracts has been the underlying story of our drilling business year to date. This will continue into 4Q18 and beyond as Swick works through the remaining underperforming sites over the next six months."

"Swick's outlook for growth remains very strong, however so is our resolve as a business to stick to our financial disciplines and achieve our target profit margins as a priority over volume growth. I am confident that over the next six months the dilution of sub-par contract rates will be remedied and a strong stable platform on which we can consider growth capital expenditure will result."

"The Orexplore GeoCore X10 core scanning instrument has been officially launched at the beginning of May and the business development activities are in full swing with many potential clients scanning small batches of core on a trial basis at the Perth laboratory. The feedback from prospective clients has been very promising and the Orexplore Insight software providing significantly more detail about their core samples than otherwise known. I look forward to the commercialisation of this amazing product and the benefits that this new technology can deliver to the Orexplore clients."

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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Disclosure Statement:

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