

# SWICK MINING SERVICES

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ASX ANNOUNCEMENT

## SWICK – Rig Utilisation and Business Update

- ❑ Commenced underground diamond drilling at Barrick Nevada's (USA) Turquoise Ridge site. A minimum of seven (7) underground rigs to be mobilised by end of June 2018 with potential for more at other Barrick USA sites
- ❑ Underground drill rig utilisation in Australia expected to remain relatively stable over the next six months
- ❑ Global underground drill rigs in work expected to increase from 54 of the available 68 rigs (79% of fleet) at end of December 2017, to 63 of the available 69 rigs (91% of fleet) in June 2018. This growth is primarily due to increased demand in the International segment.
- ❑ Orexplore core scanning machine (GeoCore X10) now in Perth and core scanning trials commenced. Launch planned for March 2018.

**Western Australia – (February 6, 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 update on expected rig utilisation for the next six months in the Drilling Services business and an update on its Mineral Technology (Orexplore) business.

### ***Rig Utilisation – Underground Drilling Services International***

Swick has been requested by Barrick Nevada (USA) to provide underground drilling services at their Turquoise Ridge Joint Venture (TRJV) in Northern Nevada. The TRJV has requested an initial seven rigs of which three rigs were mobilised in January 2018, another two scheduled this month and a further two mobile rigs are being prepared in Perth and expected at site before June 2018.

The work is being performed under the existing Barrick Nevada master service agreement which covers three world class underground projects being Cortez Hills, Goldstrike and the TRJV. Barrick has the ability to request rigs from preferred contractors covered by this agreement on an as needed basis, and amend individual allocated budgets and contract sums as required. Swick is the incumbent contractor at Cortez Hills, and our safety and operational performance at that site has been reviewed and assessed by the TRJV drilling management team, and the decision was made to swap out the TRJV incumbent contractor with Swick.

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Swick has two underground rigs at Cortez Hills and with the additional demand from TRJV, we are expected to have at least nine rigs utilised on the Barrick Nevada sites by June 2018.

In Swick's other international operation in Portugal, we are pleased to announce that our client Somincor has extended the contract at the Neves Corvo Copper/Zinc mine by a further twelve months to December 2018. Swick has three underground diamond drill rigs at that site.

#### ***Rig Utilisation – Drilling Services Asia Pacific***

Utilisation for underground rigs in Australia is expected to remain relatively stable over the next six months.

Rig numbers over this quarter will increase with our clients at Jundee, Broken Hill, Renison, Granites and Peak by a total of eight rigs. These increases will be offset by rig reductions at Nova (down from five to two rigs) due to reduced client demand and Rosebery (demobilised four rigs) as a result of the contract completion as of 31 January 2018.

#### ***Mineral Technology - Orexplore***

The first of two planned Geocore X10 scanning machines (Orexplore's base metals core scanning machine) arrived in Perth in January 2018. Core scanning trials have commenced at the Company's Orexplore office in Perth. A formal launch to introduce the machine to potential clients and investors is being planned for March 2018 with the aim of establishing both a Perth based laboratory service and in-field, multi-machine installations. The field based units will provide clients with almost real time data and detailed geological information at the site, whilst retaining 100% of the core.

Orexplore, has the potential to disrupt the multi-billion-dollar a year minerals analysis industry and is a world-first technology. Orexplore is a unique portable mineral scanning technology that allows for detailed, non-destructive, on-site analysis of drill core, providing assay information, structural 3D tomography, mineralogy, lithology and density information.

Orexplore technology allows clients to create and access their virtual core farm, by scanning core on site, pushing data to the cloud and accessing that data through the proprietary Orexplore Insight software from their laptop or work stations anywhere in the world. We believe this will benefit geologists, mining engineers and metallurgists in making faster and more precise decisions for drill programs and production planning and also allow detailed insight into the grades, and characteristics of the core at any time in the future with a few clicks of a button.

#### ***1H18 Financial Results***

Swick's preliminary group financial results (subject to audit review) for 1H18 is revenue of \$71.5 million, with an EBITDA of \$7.2 million and a loss before tax of \$1.6 million.

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The Drilling business (ex Orexplore) preliminary financial results for 1H18 is revenue of \$71.0 million and EBITDA of \$8.1 million (EBITDA margin of 11.4%) which is in line with consensus estimates.

### **Commentary**

Kent Swick, Managing Director stated *"It is very satisfying that after commencing with Barrick Nevada in September 2013 that we are now considered a premium supplier and the request of an additional seven rigs to the TRJV is a significant improvement to our US utilisation rates. We have a dedicated, knowledgeable and high quality team based in the Elko region and they are proud to deliver Swick's high quality service offering combined with unique, versatile equipment to these major mines."*

*"Swick began its international strategy in 2009, and although frustrating at times, we now are at a critical mass of volume with high quality clients and long term potential. The development of local crews is complete and now need only intermittent high level support from the Australian business. "*

*"In the Australian operations, we are seeing increased demand in general from our existing clients which is promising. The business has been managing itself out of less profitable jobs which frees up assets to service increased demand from our more loyal clients as well as provide an opportunity to service new clients. This is evidenced by our pricing strategy at Golden Grove and at Rosebery which wasn't accepted by the clients, however that frees up rigs for better work elsewhere without the need to apply growth capital to service the increased demand."*

*"We are expecting to finish the year at or about peak utilisation with strong demand expected to remain into FY2019 as well."*

*"The establishment of a dedicated laboratory facility, coinciding with the arrival of the first GeoCore X10 unit which is available for demonstrations and trials is clear evidence that we are now at the pointy end of what to date has been a terrific product development story which is now moving into commercialisation. Swick commenced its funding arrangements with Orexplore in 2013, moving to 100% ownership of the Stockholm headquartered business in 2017. The first Australian Orexplore employees are now in training in Stockholm and will return soon to officially launch the product and service in March 2018."*

*"The business is also positioning itself for better financial results with less exposure to underperforming contracts and increased exposure to better contracts at better metrics, especially by significantly increasing the US revenue."*

### **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:**

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