

SWICK MINING SERVICES

Swick Mining Services Ltd
(ABN 20 112 917 905)
64 Great Eastern Highway
South Guildford WA 6055

PO Box 74
Guildford WA 6935
P: +61 8 9277 8800
F: +61 8 9277 8844

27th February 2015

ASX ANNOUNCEMENT

SWICK – 1H FY15 Result, Dividend and Operations Update

- ☐ 1st Half revenue of \$63.4m, up from \$56.8m previous corresponding period (pcp)
- ☐ EBITDA for the first half of \$8.4m, up 24% on the pcp
- ☐ Total fleet utilisation of 66% (55 of 83 rigs) at end of the period, up from 54% (44 of 81 rigs) for the pcp
- ☐ Underground diamond drill fleet utilisation of 74% (51 of 69 rigs) at end of half, up from 57% (38 of 67 rigs) pcp
- ☐ Group Safety performance at record levels
- ☐ Declaration of a fully franked interim dividend of 0.2 cents per share

Western Australia – (February 27, 2015) – 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 half of Financial Year 2015.

Operations Update

Revenue for the six months ending December 31, 2014 was \$63.4 million, up 12% from \$56.8 million for the corresponding period a year ago. The Company is operating at 24 mine sites for 20 individual clients, of which 4 sites are international.

EBITDA for the first half was \$8.4m (13.3% margin) for the first half, up 24% from \$6.8m (11.9% margin) in the corresponding period a year ago.

Swick’s existing contracts are operating in line with expectations and will lead to improved revenue in the second half. Margin improvement is also expected to follow as a result of a renewed focus on cost efficiencies, top line revenue growth driven by the Company’s Research and Development initiatives as well as additional rigs being put to work at existing sites.

Despite the constrained wider mineral drilling market, Swick has a strong order book and operates at a number of world-class operating mine sites. This provides a solid foundation for a strong rebound in revenue as Swick client’s budgets return to normal levels, and drilling that has previously been deferred approaches the critical path.

A total of 55 rigs from a fleet of 83 (including three client owned rigs) were operating in the field as of December 31, 2014 compared to 44 rigs from a fleet of 81 a year ago. Of the total rigs in work, the Underground Diamond Drilling division represented 51 rigs operating from a fleet of 69 (74% utilisation), compared to 38 rigs operating from a fleet of 67 (57% utilisation) a year ago.

The second half has seen an increased demand for the Underground Diamond Drilling division, with an additional three drilling rigs being deployed at existing Australian and international sites by the date of this report.

Key financial and operating statistics for 1HFY15 are shown below;

Operational Performance	1H FY15	1H FY14	% Change
Metres Drilled	624,506	564,083	11%
Rigs in Fleet (Period end)	83	81	2.0%
Rigs in Use (Period End)	55	44	25%
Revenue per Metre	\$101.30	\$95.68	6%
Employees	627	543	15%
Financial Performance	1H FY15	1H FY14	% Change
Revenue	\$63.4m	\$56.8m	12%
EBITDA	\$8.4m	\$6.8m	24%
EBIT	\$1.2m	\$0.3m	300%
Net (Loss)/Profit After Tax	\$0.2m	(\$0.4)m	150%
Earnings Per Share - cents	0.09	(0.19)	147%
EBITDA %	13.3%	11.9%	12%
EBIT %	1.9%	0.5%	288%
NPAT %	0.3%	-0.7%	143%
Net Assets	\$108.3m	\$106.2m	2%
Cash	\$4.7m	\$13.5m	-65%
Debt	\$21.9m	\$20.4m	7%
Net Debt	\$17.2m	\$6.9m	149%
Operating Cashflow	\$9.8m	\$8.7m	13%
Free Cashflow*	\$1.1m	\$1.0m	10%

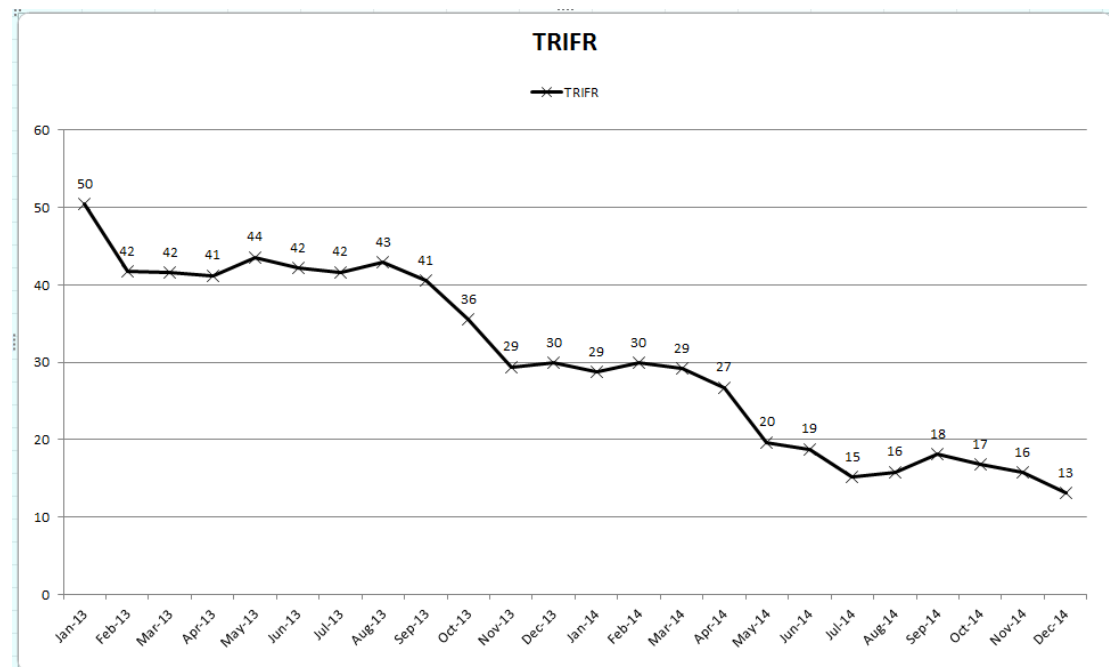
* Free cash calculation excludes investment in Oreplore AB which totaled \$541k for the period to 31 Dec 2014.

On the strength of a strong order book and confidence that earnings will rebound in the second half as additional rigs mobilise and R&D initiatives come on stream, the Company is pleased to announce the declaration of a fully franked interim dividend of 0.2 cents per share. The dividend record date will be the close of trade on Wednesday 11th March 2015, with the payment date being Wednesday 8th April 2015.

Safety and Training

A consistent focus on the simplification, presentation and subsequent utilisation of the safety and training system at Swick has led to a continued improvement in the safety performance of the group. At the rig, graphical documentation of procedures simplifies the delivery of the process, hazard and control information to crews.

In the near term, video footage and animated procedures will be provided at the rig to allow the crews to further understand and absorb the process and controls required for the critical tasks.



The TRIFR (Total Recordable Injury Frequency Ratio) per million man-hours shows a consistent downward trend, indicating the value of the safety and training review in 2012 and subsequent strategic actions that were undertaken by the Company.

In January 2013, the final roll out of the new streamlined HSE management system was completed. The new system was introduced as the foundation for a renewed focus based on performance rather than just compliance which ultimately will drive our HSE Strategy of Zero Harm.

Since the inception of the new safety and training system, the frequency ratio of total recordable injuries has decreased by 74%. The combined input of the high quality, innovative Safety and Training system, as well as the Research and Development capability will continue to deliver improved safety for its employees. Swick has a track record of introducing machine design and drilling system innovations that significantly reduce the hazards associated with drilling, whilst also delivering improved productivity.

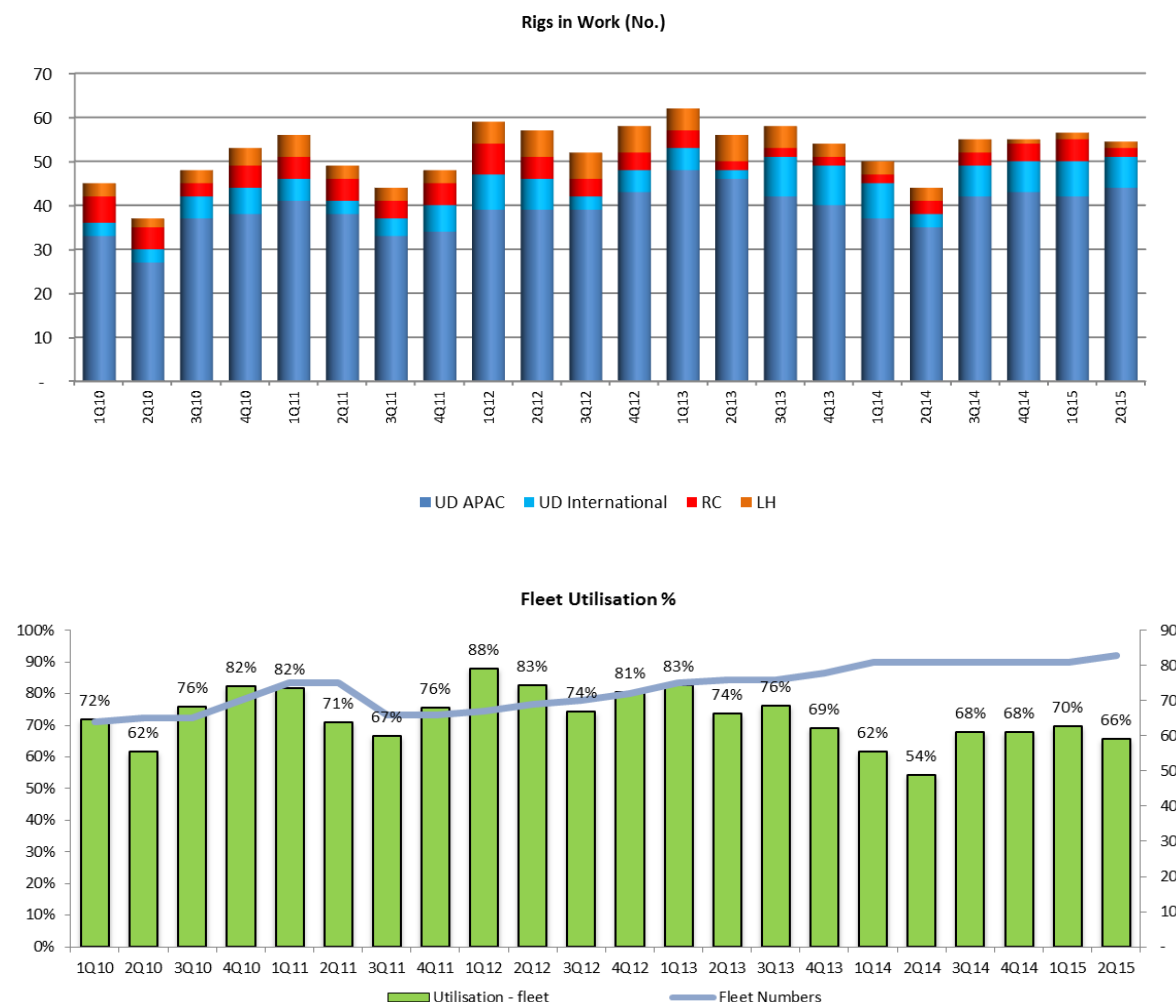
Capital Expenditure

In November 2013, Swick invested an initial sum of \$1.66 million into a mineral analysis business based in Sweden for an initial shareholding of 23% in the Company. Since that date, Swick has provided funding to Orexplore AB to the amount of \$1.24 million. Swick's financial commitment to Orexplore AB is in the order of \$500,000 per half year, which in turn funds the research and development of world first mineral analysis techniques in return for equity. As at 31 December 2014 the Group's ownership interest was 46.0%.

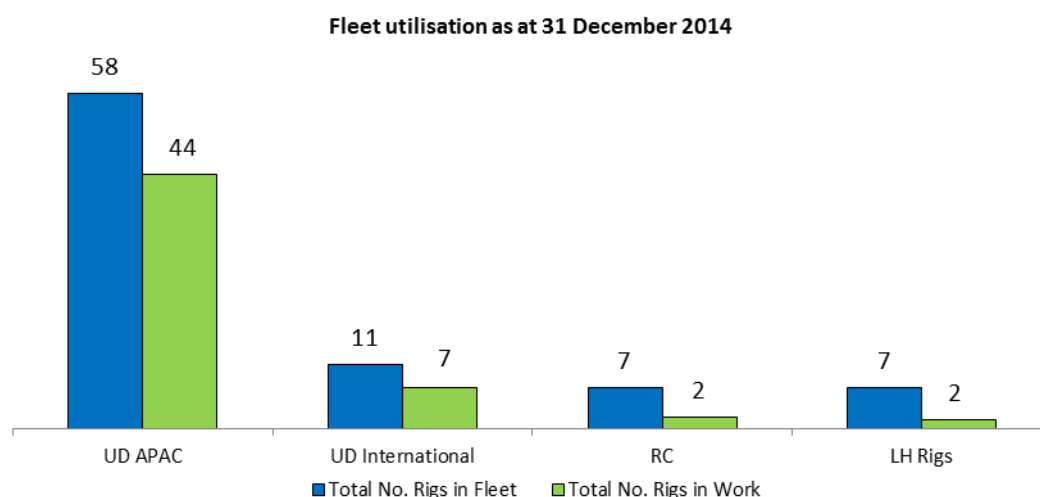
Normal business capital expenditure in the first half was \$8.9 million, of which \$3.3 million relates to specific growth capital and productivity enhancement projects including Research and Development projects and rig upgrades. The Company has decided to focus the next phase of capital expenditure on the commercial rollout of many strategic initiatives that will significantly improve the productivity and lower the cost base of the Underground Diamond Drilling Division. The benefit of these upgrades is primarily efficiency improvements and the subsequent profitability improvements, however as a result of the improved productivity; capital expenditure for growth is greatly reduced as the business delivers more production from the existing asset base. The second half capital expenditure is budgeted to be approximately \$6.8 million.

Rigs at Work and Fleet Utilisation

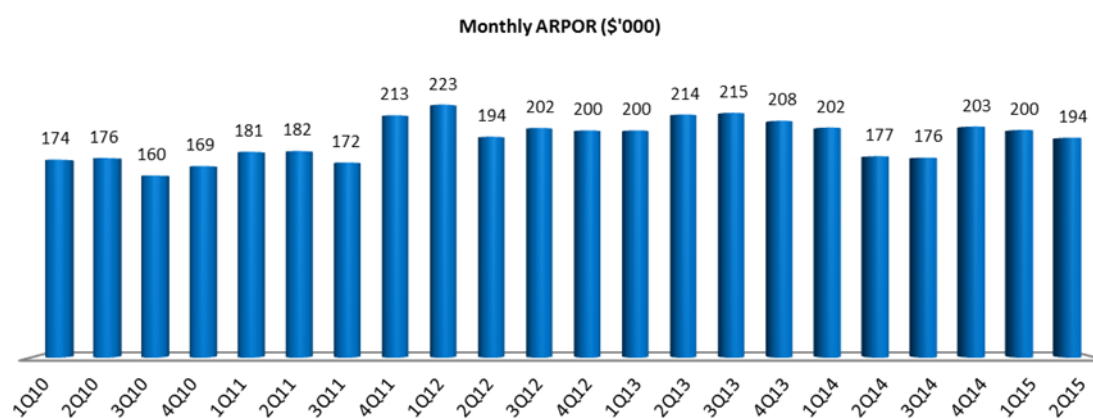
As at 31 December 2014, rigs in work totalled 55 from a fleet total of 83 (including three client owned rigs).



Rigs by Division as at 31 December 2014, is detailed in the graph below. As noted in the Operations update above an additional International rig was mobilised in January, with a further International rig mobilised in February 2015.



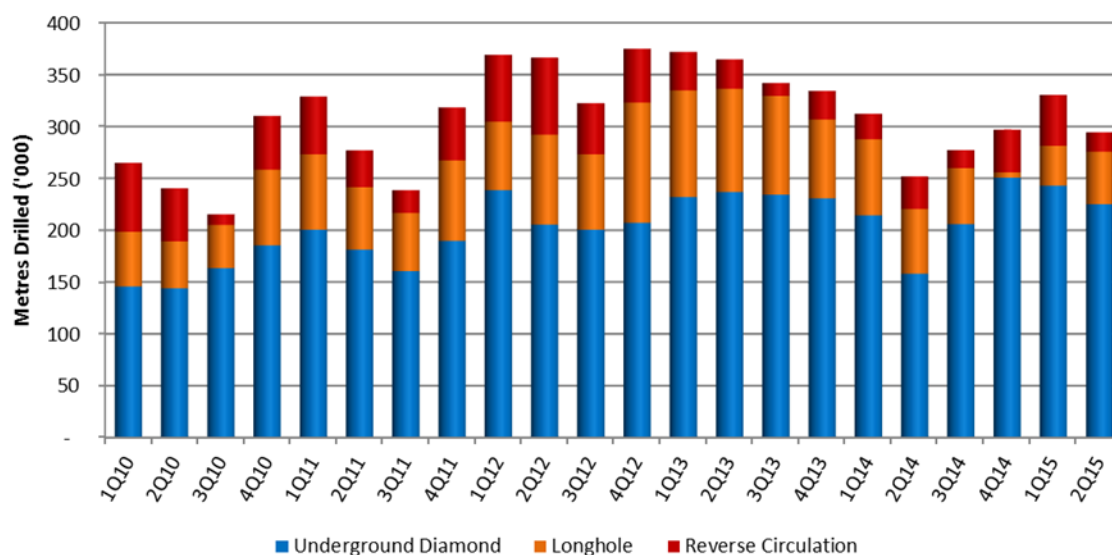
The Company's *Average Monthly Revenue per Operating Rig (ARPOR)* metric shown below has improved from 1H14. This is in part as a result of the move to base the ARPOR calculation on FTE (Full Time Equivalent) rigs, rather than simple "numerical" rigs in work. With upcoming mobilisations in the 3Q15 and signs of demand for services increasing, the ARPOR is expected to recover to levels experienced in 1Q15.



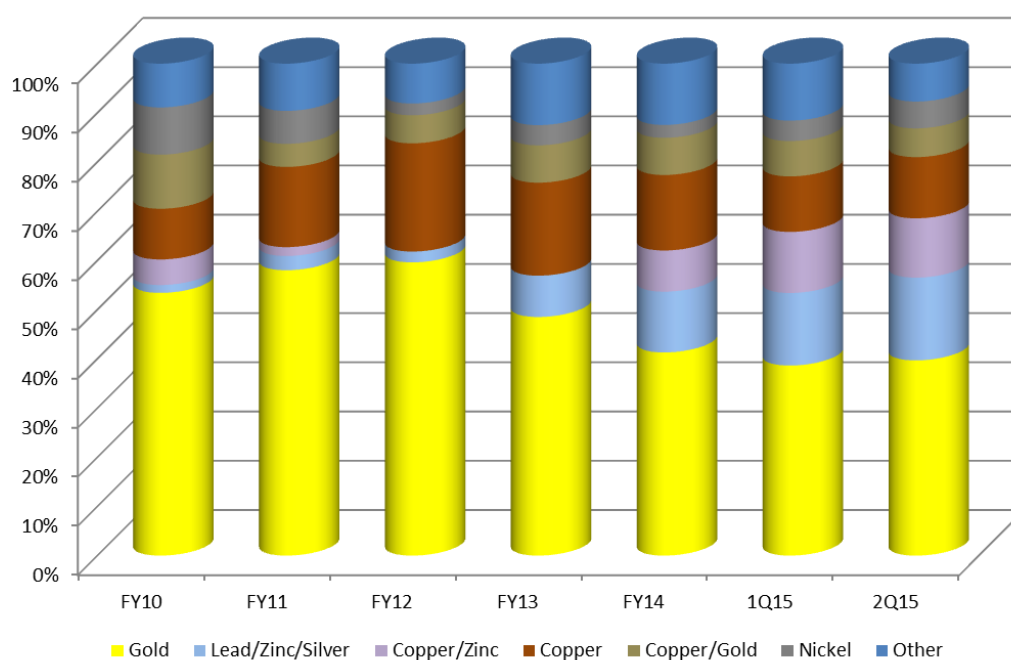
*Note: As of 1Q15 the rig numbers used as the basis of the ARPOR calculation are the Full Time Equivalent (FTE) Rigs, rather than straight "numerical" rigs at the end of the quarter. The Company believes this is a more accurate reflection of the average revenue per rig, as well as indicating the trend in market conditions and operating performance. As a comparison 1Q15 ARPOR number using the previous methodology would have been \$188k (a 3% variance).

Metres Drilled

Total metres drilled for 1H15 increased 11% to 624,506 metres from 564,083 metres in the corresponding period last year, the quarterly metres drilled by division is shown in the graph below with Underground Diamond up 26% , Longhole Production down 35% and RC up 21%, compared to the corresponding half last year.



Commodity Split





2015 Full Year Outlook

Despite the depressed mineral drilling environment, Swick enters the second half with a strong forward order book estimated at \$143m. Whilst the demand for services has been strengthening, the market remains extremely competitive, and clients remain diligently focussed on their costs. Based on recent and indicated future rig mobilisations, Swick expects activity levels to be higher in the second half of the 2015 financial year than the first. The improvement in the international business is evident and we anticipate a solid last half result.

The full year group revenue is expected to be in the range of \$125m to \$135m with an EBITDA margin in the range of 13% – 16%.

Although FY15 remains a very challenging year, the diminishing negative market sentiment as well as the commencement of the implementation of rig improvement initiatives, Swick believes it is well placed to enter FY16 with a robust order book and additional available capabilities to take advantage of any increased demand for drilling services.

Commentary

Managing Director Mr. Kent Swick states: “Whilst the macro drilling market is probably as depressed as the current generation of mineral drilling providers have ever experienced, it is pleasing that the Company has been able to withstand the current circumstances and continue to operate safely, efficiently and at a high quality. The ability of Swick to maintain its quality of service provision, despite the pressure put onto the business by its client’s capital constraints and a highly competitive market place, is paramount to its security of income and high utilisation of its assets.”

“The Company is undergoing reform in its cost base, operational processes and machine specifications that will deliver improved profitability whilst maintaining its high value proposition to the client base.”

“It is very encouraging to see the results of the safety and training system overhaul yielding such significant results. The Company employs around 650 employees and it is Swick’s responsibility, in strong collaboration with its clients, to make their workplace as safe as possible. Continued improvement in machinery specifications, drilling techniques and training tools that are unique to Swick will underpin the Company’s goal of Zero Harm.”



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.

For further information re this announcement, please contact the following on +61 8 9277 8800:

Kent Swick
Managing Director

Vahid Haydari
Chief Executive Officer

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.