SWICK MINING SERVICES

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SWICK – 1H FY17 Result and Operations Update

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 announced its results for the half year ended 31st December 2016.

Highlights:

- **TRIFR of 10.3 at December 2016 - 4% lower than the prior corresponding period (pcp)**
- **Significant contract wins with Kirkland Gold in Australia and Coeur Alaska in North America – new work requiring approximately 12 rigs to be mobilised in 2H17**
- **Revenue (including other income) of $64.8m – in line with pcp**
- **EBITDA before significant items of $7.9m – down 5% on pcp**
- **Strong operating cash flow – EBITDA cash conversion of 151%**
- **Free cash flow generated of $4.8m – up 20% on pcp**

Financial Performance and Dividend

Revenue and other income for the six months ending December 31, 2016 was $64.8 million, slightly down from $64.9 million in the prior corresponding period. The Company is operating at 19 mine sites for 13 individual clients, of which 3 sites are international.

EBITDA was $7.9 million (12.2% margin) for the first half, down 5% from $8.3 million (12.8% margin) in the prior corresponding period.

Swick has a strong order book of around $200 million and operates at a number of world-class operating mine sites. During the period, Swick secured a two year contract to provide underground drilling services at Kirkland Gold's Australian operations (previously Newmarket Gold), with eight rigs to be mobilised in the period from February to April 2017. In addition, Swick secured a two year contract with Coeur Alaska, with three rigs mobilised in January and a fourth to commence drilling in the fourth quarter of this financial year.

As a strategic exit from a small, yet historic part of the business, Swick will no longer be providing underground Longhole production (LH) drilling to the market, focusing on its remaining two divisions – Underground Diamond (UD) drilling and Reverse Circulation (RC) drilling. Operational revenue from the LH division will cease at the end of the third quarter of FY17.

A full time equivalent (FTE) of 52 rigs from a fleet of 78 (including three client owned rigs) were operating in the field in the first half of FY17 compared to a FTE of 50 rigs from a fleet of 78 a year ago.

Of the total rigs in work, the UD division represented a FTE of 45 rigs operating from a fleet of 68 (67% utilisation), compared to 46 rigs operating from a fleet of 68 (68% utilisation) a year ago. New contract awards and anticipated increases in rig utilisation at existing contracts indicate that the UD division will be at approximately 90% utilisation towards the end of FY17.

Total metres drilled for 1H17 increased to 685,689 metres from 676,367 metres in the prior corresponding period. The Company's core UD division achieved a 5% increase and the RC division achieved a 40% increase in metres drilled compared to the prior corresponding period. These increases were partially offset by a reduction of 27% in metres drilled in the LH division compared to the prior corresponding period. The increase in metres drilled in the UD division was as a result of an increase in productivity where metres per shift increased by 10% during the period. Rig productivity in the UD division continues to improve as proven research and development (R&D) initiatives are rolled out on all UD rigs and benefits of those initiatives are maximised.

Safety continues to be an integral part of the Swick brand. Following a sustained period of improvement, the Total Recordable Injury Frequency Rate (TRIFR) was relatively flat for the period, to be 10.3 at period end, a 66% reduction over the three years from January 2014. This is a pleasing result considering the increase in metres drilled over the period, highlighting sound practices and systems, with further improvement to come from increased targeted training through the building of a designated underground training and test facility to incorporate new starter inductions, technical training and R&D testing.

Swick generated free cash flow of $4.8 million during the period by managing working capital. As a result of increased rig demand with new contract awards, capital expenditure in the first half was $8.1 million (compared to $6.0 million in the prior corresponding period), of which $2.9 million relates to specific productivity enhancement projects including R&D projects and rig upgrades. The Company continues to focus on the rollout of proven R&D initiatives, while managing overall expenditure levels and ensuring the high standard of equipment in the field is maintained for new projects won. The second half capital expenditure is expected to be approximately $8.0 million. The Company renewed its debt facility for a further two years until January 2019.

Swick continues its commitments to Orexplore AB which in turn funds the research and development of world first mineral analysis techniques in return for equity. As at 31 December 2016 the Group's ownership interest was 66.2%. Swick has further commitments for up to $1.6 million (SEK10 million) over the next 18 months.

Second half revenue is expected to be similar to the first half, however margins are anticipated to be lower primarily due to an extended weather related delay at the Granites site which resulted in 10 rigs being stood down for a period of at least six weeks from mid-January 2017, with an expected staged return to work in early March 2017. This revenue reduction will be offset by mobilisation of the new UD contracts with an additional 12 underground diamond rigs being staged into the business from January and fully operating by the end of April 2017. Mobilisation expenses, refurbishment of rigs and labour on-boarding costs during this ramp-up period will also have a negative impact on the second half margin. Operating costs, manning ratios and overall operations are expected to stabilise by the end of April when all rigs planned for new work will be mobilised.

Due to the loss result for the period, the Company has decided not declare an interim dividend for 1H FY17.

Commentary on results for the half year ended 31st December 2016

Kent Swick, Managing Director stated: *"The first half of FY17 has shown some signs of improvement for the future for Swick with significant contract wins and indications from current clients that scopes are likely to increase. Margins for FY17 will be affected by the mobilisation and ramp-up of these additional contracts and the weather event causing significant lost time at the Granites mine site."*

"Operationally, Swick is performing very well with increased metres per shift and the continuation of an excellent safety record. Swick's safety and training department recently commissioned its new training facility which simulates the conditions and work space of an underground drill station and allows for significant training and pre-qualification of new starters to take place at the Company's headquarters prior to going to site."

"The macro market appears to be improving with the mining and resource companies increasing rig usage and returning to exploration. Swick will benefit from a record utilisation rate towards the end of FY17 and provide Swick an opportunity to improve the group margins."

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, the United States and Europe.

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Disclosure Statement:

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