

**SWICK MINING SERVICES**

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W: [www.swickmining.com](http://www.swickmining.com)18<sup>th</sup> July 2018**ASX ANNOUNCEMENT****Swick closes FY18 with a strong 4Q performance**

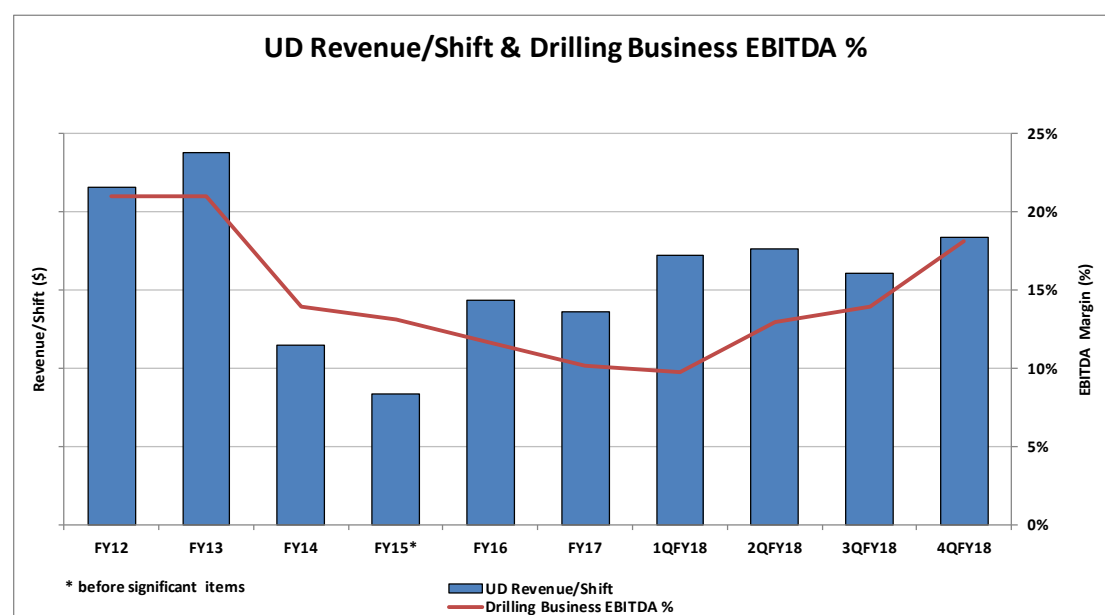
- Unaudited Drilling Business 4Q FY18 revenue of \$33.9 million and EBITDA of \$6.2 million confirm the division is on track to meet guidance
- Review of full year FY18 unaudited accounts shows Drilling Business to deliver EBIT of approximately \$2.5 million (FY17: \$2.3 million EBIT loss)
- Earnings growth in Drilling Business driven by strong 2H FY18 performance
- Total metres drilled of 1,207,554 in FY18, up 1% on FY17 (1,200,037m drilled)
- Average fleet utilisation of 74% across FY18 (FY17: 70% utilisation)
- Swick delivering on strategy of deploying drill rigs at improved rates via contract renewals or deploying rigs at new sites
- 4Q FY18 contract performance and lower overhead costs providing confidence for FY19

**Western Australia – Swick Mining Services Limited ('Swick', ASX: SWK)**, a leading provider of high quality underground and surface mineral drilling and mineral analysis services, is pleased to announce its unaudited results for the three months ended 30 June 2018 (4Q FY18) confirm that the Drilling Business is on track to meet full year FY18 revenue and earnings guidance.

	Drilling Business (Unaudited)					
	4Q FY18	4Q FY17	% Change	FY18	FY17	% Change
<b>Operational Performance</b>						
Total Metres Drilled (excl. LH division data)	282,614	343,007	-18%	1,207,554	1,200,037	1%
Total Rigs in Fleet excl. LH (period end)	76	75	1%	76	75	1%
Total Fleet Utilisation excl. LH (FTE)	72%	85%	-16%	74%	70%	5%
UD Metres Drilled	274,377	330,011	-17%	1,136,420	1,122,444	1%
UD Rigs in Fleet (period end)	69	68	1%	69	68	1%
UD Fleet Utilisation (FTE)	74%	89%	-16%	76%	72%	5%
<b>Financial Performance (A\$'000)</b>						
Revenue	33,920	36,637	-7%	137,827	130,010	6%
EBITDA	6,152	4,223	46%	18,798	13,355	41%
EBITDA Margin (%)	18%	12%	57%	14%	10%	33%
EBIT	1,987	(118)	1789%	2,486	(2,307)	208%
EBIT Margin (%)	6%	0%	1924%	2%	-2%	202%

\* FTE - Full Time Equivalent

Unaudited company accounts show the Drilling Business 4Q FY18 revenue was \$33.9 million and earnings before interest, tax, depreciation and amortisation (EBITDA) was \$6.2 million at a margin of 18%. As a result, the unaudited accounts show a full year FY18 revenue of \$137.8 million (FY17: \$130 million) and an EBITDA of \$18.8 million (FY17: \$13.7 million). This is in line with the Company's forecast for its Drilling Business provided in May 2018 of revenue and EBITDA guidance being at the lower end of \$135–\$145 million and \$17.5–\$19.5 million respectively.



A review of Swick's unaudited FY18 accounts showed its Drilling Business will deliver earnings before interest and tax (EBIT) of approximately \$2.5 million compared to a \$2.3 million EBIT loss in FY17. The return to positive EBIT in the Drilling Business in FY18 has been driven by earnings growth in 2H FY18, after Swick reported break even EBIT in 1H FY18.

Swick Managing Director Kent Swick said the return to profit was through a combination of growing drill rig utilisation, shifting rigs onto better performing contracts or sites, and improving efficiencies across the business.

"I am very pleased to see the drilling business return to profit, which has been driven by both strategy and a team effort throughout the year culminating in the fourth quarter delivering our best earnings for FY18," Mr Swick said.

"Continuing our cornerstone relationships both in Australia and in the USA, having a good hit rate on adjustments at contract renewals, and importantly removing our drill rigs from two of four underperforming contracts has been the underlying story of our drilling business this year. We expect to have a solution on the remaining two underperforming contracts in the next three months.

"We ended the financial year securing over \$90 million in contract renewals and new rigs in work across 5 mines in Australia, including at major projects such as Olympic Dam.

"The strong performance in the fourth quarter provides us with confidence for the year ahead."

Mr Swick added that the work done during FY18 was expected to deliver further improved benefits into FY19.

“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,” Mr Swick said.

“Already in FY19 we have secured a new contract from Sandfire Resources to provide underground diamond drilling services at its Monty Project in WA and a contract renewal from Perilya for underground diamond drilling services at its Broken Hill Mine in New South Wales. We have also been successfully operating for over twelve months at Olympic Dam on a trial of our mobile underground diamond drill rig which has been very successful including breaking production records, and we expect that relationship to grow as we have just delivered a second rig to the operation.

“Our priority is to continue to target improved rates for our drill rigs rather than volume growth. In particular, I am confident we can work through our remaining underperforming contract rates over the next three months to provide a springboard for FY19, including considering growth opportunities.

“Meanwhile, in our new business division, we are seeing good interest across a wide spectrum of potential clients trialling our Orexplore mineral scanning technology after securing our first commercial agreement earlier this month. We will continue to invest in this growth business and are confident a number of proposals will be converted into laboratory scanning agreements soon.”

At a Group level, Swick expects consolidated FY18 EBITDA of approximately \$16.9 million (unaudited) and EBIT of approximately \$0.4 million (unaudited). In FY17, Swick reported EBITDA of \$12.1 million and an EBIT loss of \$3.6 million.

Swick expects to release its audited FY18 accounts on or around 29 August 2018. Swick will host an analyst and investor conference call on the same day, with notice of the conference call details to be provided in advance.

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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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### **Disclosure Statement:**

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