

# 2020 HALF YEAR RESULTS PRESENTATION

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Information included in this presentation is dated 24 February 2020.

# 1H FY20 OVERVIEW

## DRILLING BUSINESS BUILDING MOMENTUM INTO H2 FY20

- Revenue and other income of \$82.5m (1H FY19: \$75.1m).
- EBITDA of \$12.1m (1H FY19: \$15.6m).
- Total UD metres drilled of 625,475m, up 11%.
- Earnings impacted by ramp up phase of new rig mobilisations (increase from 54 to 66 rigs deployed since 30 June 2019), in particular at Pogo project.
- Q2 FY20 EBITDA of \$6.8m, up 15% on Q1 FY20, reflecting cost reductions and productivity gains achieved at Pogo.
- On track to reach target contract performance at Pogo by end of FY20.
- Drilling Business continues to generate solid cash flow – \$6.9m cash from operations in H1 FY20.

## OREXPLORE NEARING COMMERCIALISATION

- Successfully mobilised three GeoCore X10 core scanning instruments to Sandfire's Degruessa Copper Mine in January 2020.
- Three month, full-function site-based pilot program before moving to a commercial basis.
- Five-month pilot program also underway in Europe with Boliden.
- Circa \$25m cash invested in Orexlore opportunity since Swick started funding the business in 2013.
- Reaching final stage in pathway from research and development to commercialisation. Successful completion of site-based trials expected to enhance market confidence in the technology and drive revenue.

## WELL POSITIONED TO DELIVER SHAREHOLDER VALUE

- Expanded UD rig fleet, with utilisation of 81% operating across 20 projects.
- Strong financial position, with low gearing of 8.9% (30 June 2019: 21.4%).
- Positive H1 FY20 Group operating cashflow of \$3.7m – Drilling Business contribution partly offset by Orexlore investment.
- Fully franked interim dividend of 0.3cps – first interim dividend since 1H FY15.
- Reiterate FY20 Drilling Business EBITDA expected to be in line with FY19.
- Strategic review underway given solid base established for Drilling Business and near-term commercialisation opportunity for Orexlore.

# OPERATIONAL HIGHLIGHTS



## Underground Diamond (UD) Drilling (76 rigs)

- Leading business delivering grade control at producing sites.
- Expanded global rig fleet to provide capacity for growth.
- Deployed 14 new rigs in 1H FY20, including new 8 rig project at Pogo, Alaska.

## Surface RC Drilling (7 rigs)

- Reserve definition and exploration drilling.
- Three rigs currently on long term contracts.



## Orexplore

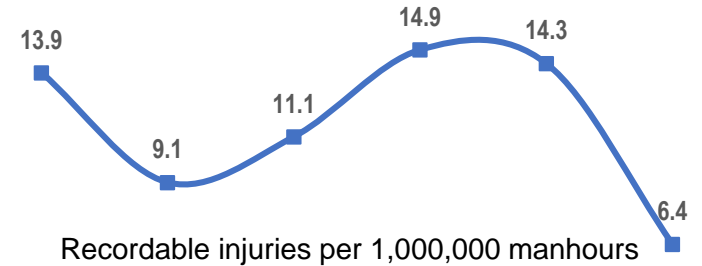
- 3D Core scanning technology that produces real-time core analysis.
- Launched in May 2018.
- Three machine site-based trial now underway at Degussa mine in Western Australia.
- Five month pilot project underway with Boliden AB in Sweden.
- Both pilot projects have excellent potential to generate significant commercial returns to the new business.

# SAFETY

Focus on safety resulting in lower TRIFR despite ramp-up in activity and employee numbers:

- 1 Lost Time Injury (LTI), 3 Restricted Duties Injury (RDI) and zero Medical Treatment Injuries (MTI) during the period.
- TRIFR of 6.4, a new record low and a 65% reduction over 12 months.
- Implementing a world first electromagnetic shield around the feed rail developed with a specialist supplier which identifies when underground workers breach the zone, isolating all power to the rail. Program commenced to fit all Swick UD rigs with the system, providing another competitive advantage.
- Conducting a surface electromyography (sEMG) project to explore the neuromuscular system relationship between muscle activation, movement and force.
- Continually exploring scientific research and development for ways to increase performance, reduce fatigue, improve ergonomics, accelerate injured workers' recovery and reduce injury risk factors.
- Underground rod handling developments moving from R&D and prototypes into the field in 2H FY20, will greatly reduce individual drillers offside workload, and reduce risk of injury.

## SAFETY PERFORMANCE (TRIFR)



# 1H FY20 RESULTS

## FINANCIAL OVERVIEW

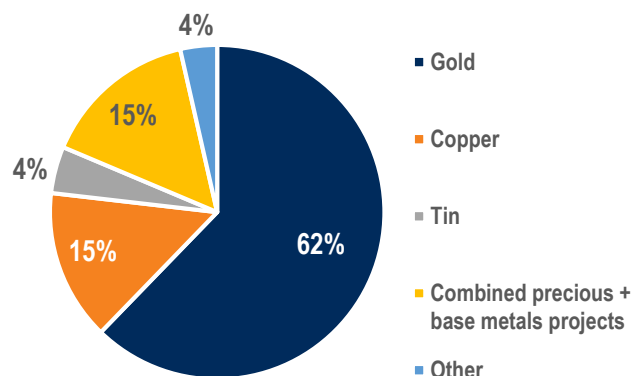
# DRILLING BUSINESS RESULTS

- Revenue growth driven by increase in number of UD rigs deployed and metres drilled, particularly at international sites, which made up 30% of total Drilling Business revenue (H1 FY19: 18%).
- Australia operations made strong earnings contribution, International operations earnings impacted by Pogo project start - expect Pogo to be at target margins by end FY20.
- Significant cost reductions and productivity improvements being realised at Pogo, resulting in Q2 FY20 EBITDA up 15% on Q1 FY20 EBITDA.

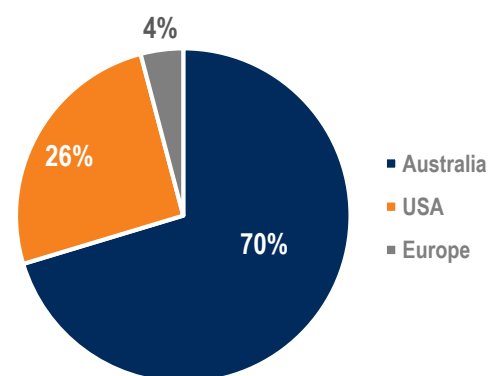
A\$ million	1H FY20	1H FY19	Change
Revenue & Other Income	82.5	75.1	↑ 9.9%
EBITDA	12.1	15.6	↓ 21.9%
<i>EBITDA margin</i>	14.7%	20.7%	↓ 600 bps
EBIT	0.7	6.1	↓ 88.4%
<i>EBIT margin</i>	0.8%	8.1%	↓ 730 bps

Note: numbers may not add due to rounding

## REVENUE BY COMMODITY

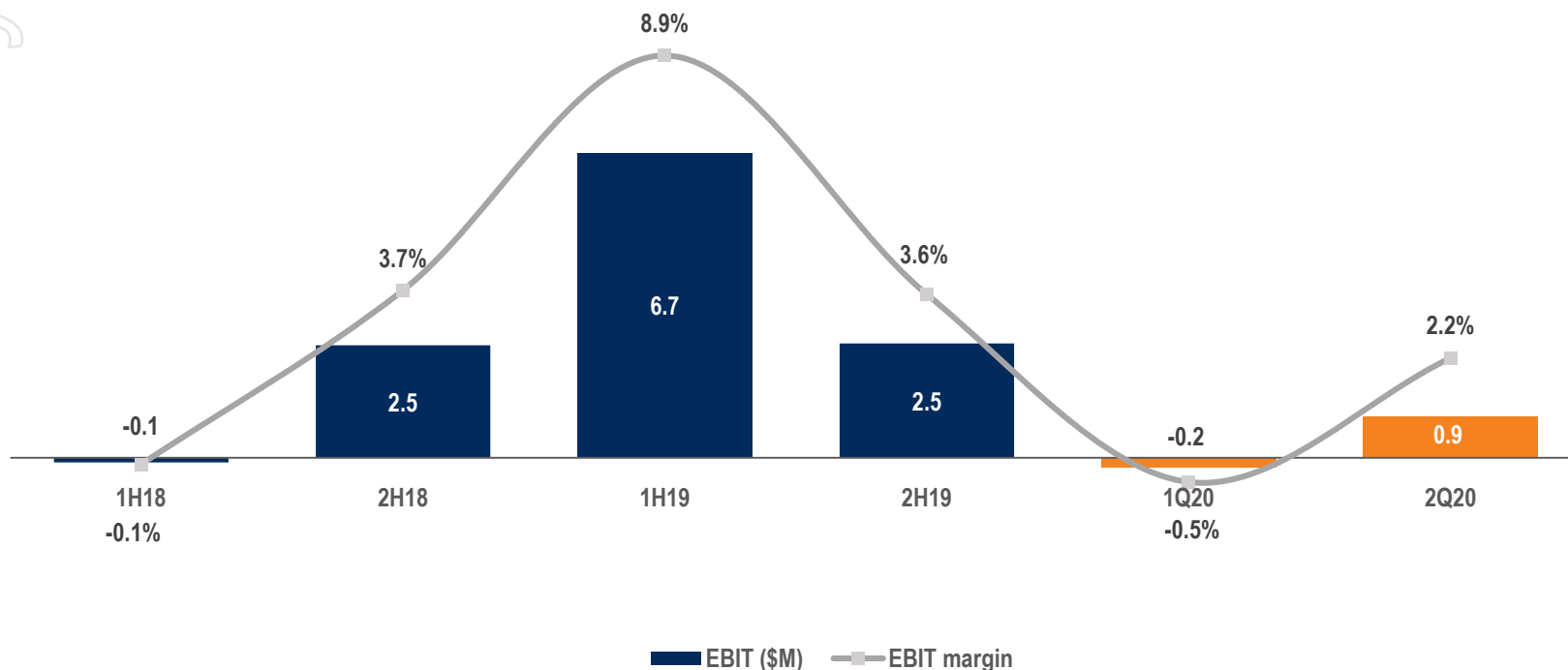


## REVENUE BY GEOGRAPHY



# DRILLING BUSINESS EARNINGS AND MARGIN

DRILLING BUSINESS EBIT (\$M) AND MARGIN

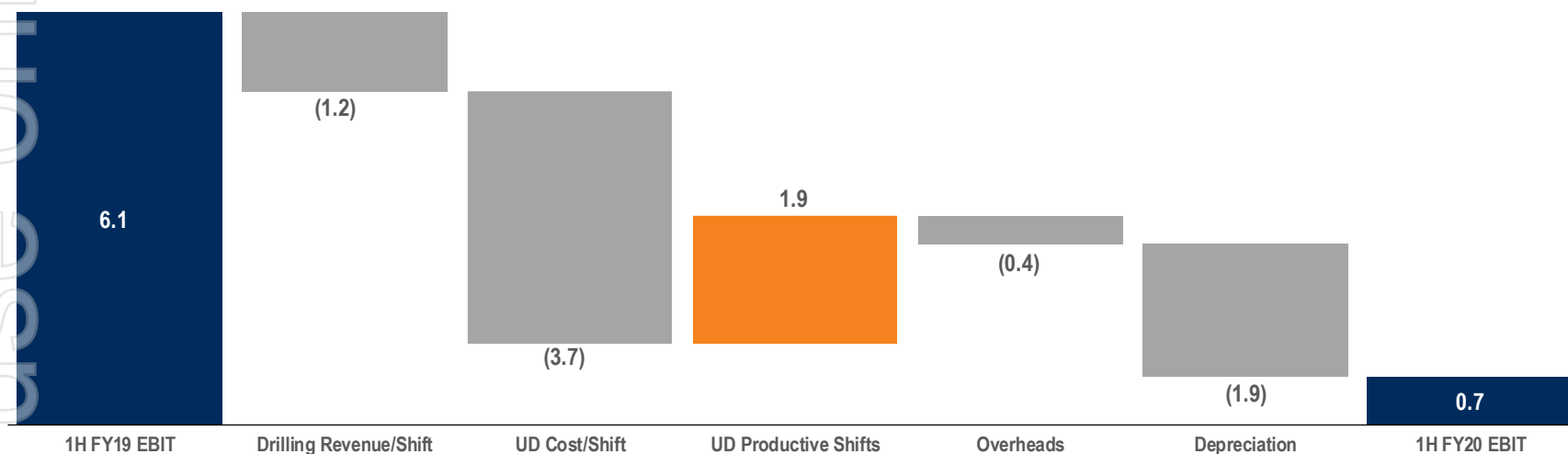


- Trend of EBIT growth has been positive, reflecting success in strategy of moving rigs onto reset rates or better performing projects, and reducing operating costs and enhancing productivity. 1H FY19 boosted by short-term rates in one contract.
- 1H FY20 was impacted by ramp up of new rigs, particularly in 1Q FY20.



# DRILLING BUSINESS EBIT WATERFALL

DRILLING BUSINESS EBIT (\$M)



- Increase in volume (productive shifts) contributed an incremental \$1.9m EBIT in 1H FY20 compared to 1H FY19.
- 1H FY19 boosted by short-term rates at one contract.
- Increased depreciation due to more rigs in work in 1H FY20.

# MINERAL TECHNOLOGY BUSINESS RESULTS



- Results reflect Orexplore business remaining in pre-revenue, development phase for GeoCore X10 core scanning instruments.
- Significant progress with GeoCore X10 in pathway towards commercialisation, with two pilot programs underway.
  - Three GeoCore X10 core scanning instruments deployed at Sandfire's Degruessa copper mine in January 2020 – will transition to commercial basis in 4Q FY20 if pilot is successful.
  - Five month pilot project commenced in February 2020 for GeoCore X10 instruments with Boliden - a Swedish mining and smelting company operating in northern Europe.
- Successful completion of site-based trials expected to drive further market confidence in the technology and lead to revenue growth.

A\$ million	1H FY20	1H FY19	Change
Revenue from core scanning	0.05	0.02	↑ 118.2%
Government grants	0.2	0.3	↓ 31.7%
EBITDA	(2.0)	(1.8)	↓ 14.7%
EBIT	(3.2)	(2.8)	↓ 14.3%

Note: numbers may not add due to rounding

# GROUP RESULTS

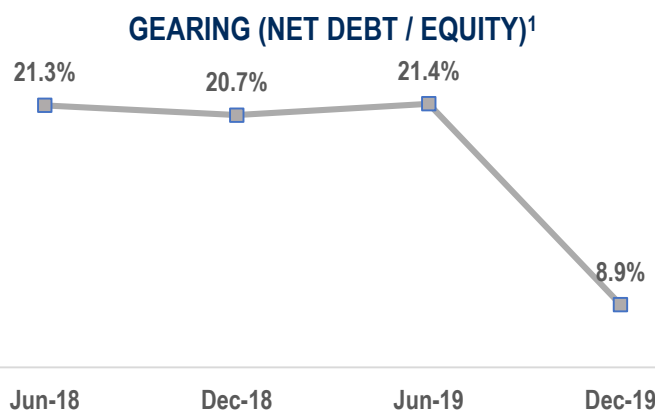
- Group revenue growth from new and expanded Drilling Business contracts won in FY19.
- Group margins impacted by strategic investment in Mineral Technology Business and ramp-up phase at newly deployed rigs.
- Maintained solid EBITDA margins compared to historical earnings despite ramp-up challenges.
- Increased depreciation and amortisation due to increased number of rigs in work, increase in intangible amortisation in Mineral Technology intangibles and impact of AASB16 Lease standard.
- Operating lease (rental) expense of \$0.9m for 1H FY20 accounted as Depreciation expense (\$0.7m) and Interest expense (\$0.2m) under new AASB16 Lease standard.

A\$ million	1H FY20	1H FY19	Change
Revenue & Other Income	81.5	75.3	↑ 8.2%
EBITDA	10.8	14.5	↓ 25.9%
<i>EBITDA margin</i>	<i>13.2%</i>	<i>19.3%</i>	↓ 610 bps
EBIT	(1.8)	4.0	↓ 145.9%
<i>EBIT margin</i>	<i>(2.3%)</i>	<i>5.3%</i>	↓ 760 bps
NPAT	(2.9)	1.9	↓ 250.3%
Dividend	0.3cps	Nil	NA

Note: numbers may not add due to rounding

# BALANCE SHEET

- Enhanced balance sheet position with \$16.1m capital raising, net of transaction costs, completed in 1H FY20 to support growth.
- Group reset to a low gearing position that provides flexibility to target additional work and returns to shareholders.
- Recognition of Right-of-use assets of \$10.2m and corresponding Lease liabilities of \$10.3m as a result of adoption of the new AASB16 Lease standard.



<sup>1</sup> Excludes lease liabilities defined under AASB 16

A\$ million	31 Dec 19	30 Jun 19	Change
Cash	12.0	11.6	↑ 3.4%
Receivables	19.9	17.9	↑ 11.2%
Inventories	16.1	14.3	↑ 12.6%
Property, plant and equipment	78.1	81.5	↓ 4.2%
Intangible assets	12.1	12.2	↓ 0.8%
Other assets	13.5	3.5	↑ 286%
<b>Total assets</b>	<b>151.7</b>	<b>140.9</b>	<b>↑ 7.7%</b>
Payables	15.8	17.9	↓ 11.7%
Borrowings	20.5	29.6	↓ 30.7%
Employee obligations	6.5	6.1	↑ 6.6%
Other liabilities	12.7	2.6	↑ 388%
<b>Total liabilities</b>	<b>55.6</b>	<b>56.3</b>	<b>↓ 1.2%</b>
<b>Shareholders' equity</b>	<b>96.0</b>	<b>84.7</b>	<b>↑ 13.3%</b>

Note: numbers may not add due to rounding

# CASH FLOW

- Continued to generate solid cashflow from Drilling Business in 1H FY20 – \$6.9m before interest and tax.
- \$6.1m in working capital movement driven by:
  - \$2.0m increase in trade and other receivables due to increase in revenue run-rate.
  - \$1.9m increase in inventories due to increased rigs in work and mobilisation of new 8-rig Pogo project.
  - \$2.1m decrease in trade and other payables predominantly due to timing of wage accruals.
- Total capex of 8.0m including growth capex of \$0.9m in Mineral Technology and \$0.6m in Drilling Business.
- Excluding Orexplare investment, Swick has generated \$148.6m in operating cash flow since FY2013.

A\$ million	1H FY20			1H FY19	Change
	Drilling Business & Other Segment	Mineral Tech Business	Group		
<b>EBITDA</b>	<b>12.8</b>	<b>(2.0)</b>	<b>10.8</b>	<b>14.5</b>	↓ 25.5%
Working capital movement	(5.9)	(0.2)	(6.1)	(3.9)	↑ 56.4%
<b>Operating cash flow before interest and tax</b>	<b>6.9</b>	<b>(2.2)</b>	<b>4.6</b>	<b>10.6</b>	↓ 56.6%
<i>EBITDA cash conversion</i>	54%	110%	43%	73%	↓ 3000bps
Income tax paid	(0.1)	-	(0.1)	(0.06)	↑ 66.7%
Net interest paid	(0.8)	-	(0.8)	(0.7)	↑ 14.3%
<b>Operating cash flow after interest and tax</b>	<b>5.9</b>	<b>(2.2)</b>	<b>3.7</b>	<b>9.8</b>	↓ 62.2%
Cash used in investing activities	(7.1)	(0.9)	(8.0)	(8.7)	↓ 8.0%
<b>Free cash flow</b>	<b>(1.1)</b>	<b>(3.1)</b>	<b>(4.2)</b>	<b>1.1</b>	↓ 482%
Proceeds/(repayment) of debt	(12.9)	2.9	(10.0)	(0.4)	↑ 2400%
Proceeds/(purchase) of equity	14.7	-	14.7	(0.1)	NA
<b>Increase/(decrease) in cash</b>	<b>0.6</b>	<b>(0.2)</b>	<b>0.4</b>	<b>0.6</b>	↓ 33.3%

Note: numbers may not add due to rounding

# STRATEGY AND OUTLOOK

# STRATEGIC REVIEW UNDERWAY



- High capital intensity business, with fleet of 76 UD rigs.
- Successful in strategy of shifting rigs onto better performing contracts and new projects, achieving cost reductions, and growing into attractive overseas markets.
- Critical mass of rigs in work operating with stable clients in safe and low-risk regions.
- Strong cash flow business, supporting ongoing dividends.
- Growth capex limited to the new DeepEX division with the underground diamond rig expansion complete.
- Solid foundation to consider strategic options that enhance value for shareholders.



- Low capital intensity business, with GeoCore X10 core scanning instruments and associated software.
- Developed a fast and accurate core analysis solution that our customers are looking for.
- Disruptive technology with large market opportunity.
- Circa \$25m cash invested in Orexplore opportunity since Swick started funding the business in 2013.
- Approaching commercialisation phase, enabling strategic options to be considered that will enhance shareholder returns consistent with long-term strategy for Orexplore and broader Swick business.

# DRILLING BUSINESS PRIORITIES

- Step change in utilisation and rig deployments, with record number of UD rigs now in operation.
- Focus on enhancing productivity and cost efficiency from these rigs, including Pogo.
- Will continue to be flexible to client demands and target additional opportunities to support rig utilisation.
- Reaching critical mass in the regions in which we operate, allowing for focus on optimisation rather than new projects.
- DeepEX rig launch in 2H FY20 will provide an opportunity for underground miners to drill deep diamond core holes from better approach angles, with shorter length holes and a significantly lower cost per metre than drilling from surface.
- Cash generation to support returns to shareholders, particularly as Orexplore business transitions into commercialisation.



*DeepEX prototype drill in use – capable of >2,000m diamond core holes from underground.*



# MINERAL TECHNOLOGY BUSINESS PRIORITIES

- Three GeoCore X10 core scanning instruments performing well at a WA copper mine trial – tracking towards processing around 5,000 metres per month of core under full utilisation.
  - Site-based trial expected to complete in 4Q FY20 – option to then transition to commercial basis.
- Five month pilot project also underway since early February 2020 with Boliden AB, a Swedish mining and smelting company operating in northern Europe, focused on base and precious metals.
  - Investigating how to turn Orexplore's continuous data sets into actionable geological insights for more efficient mining and exploration processes.
- Successful site-based trials to shine light on the opportunity for Orexplore and the disruptive global market potential it has, enabling commercialisation.



*Orexplore site-based laboratory housing three GeoCore X10 machines established next to client's core farm.*

# OUTLOOK

- FY20 Drilling Business EBITDA expected to be in line with FY19.
- Cost reductions and productivity improvements at Pogo expected to deliver target margins by end FY20.
- Will continue to remain flexible to client demands and target opportunities for further rig deployments at existing projects to maintain strong rig utilisation.
- Successful completion of site-based trials of Orexplora in 4Q FY20 expected to enhance market confidence in the technology and drive revenue growth in its second full year since launch.
- Intention to continue paying dividends to provide ongoing returns to shareholders, supported by consistent cash flow positive Drilling Business.
- Considering strategic options to enhance value to shareholders as Mineral Technology Business enters commercialisation phase.



*New Swick mobile rigs manufactured in Perth, Western Australia arrive in Fairbanks Alaska – a journey of over 14,000 kilometres.*

# THANK YOU