

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

Contract awards and business update**Highlights:**

- Contract extension at Swick's biggest project – Northern Star Resources' Jundee Gold Operations – following competitive tender process
- Contract extension at Perilya's Broken Hill operation
- Contract awards bring Swick's total order book to \$244 million, providing solid foundation for Drilling Business into FY21
- FY20 Drilling Business EBITDA of approximately \$25 million according to preliminary unaudited results, which includes short-term impact of COVID-19
- Mineral Technology Business has moved into phase two data analysis of core scanning data after successful site trials at Boliden (Sweden) and Sandfire (WA)
- Strategic review concluded with in-principle assessment that the Drilling Business and Mineral Technology Business should be demerged at an appropriate point in time

Western Australia – Swick Mining Services Limited ('Swick', ASX: SWK), a leading provider of high-quality underground and surface mineral drilling and mineral analysis services, provides the following operational update on its activities.

Contract Awards

Swick has been awarded a contract extension from Northern Star Resources at the Jundee Gold Operations in Western Australia. The two-year extension, with a two-year option, was awarded at Swick's target margins after a competitive tender process. Jundee is Swick's largest contract, with 15 rigs currently deployed at the project including 2 DeepEX rigs.

Swick has also been awarded a contract extension from Perilya Limited at the Broken Hill operation in New South Wales. The current contract has been in place for two years and Perilya have exercised the two-year option of contract extension. Swick currently has four rigs in work at this site. Swick has been providing underground drilling services at the Broken Hill operation since July 2009.

These projects, combined with Swick's existing work in hand, has expanded Swick's order book to \$244 million.

Swick Managing Director Kent Swick said the contract renewals provided a solid foundation for the drilling business heading into FY21.

“These contracts demonstrate the ongoing robust demand for our services, which is focused on production at underground mines and heavily skewed towards tier one clients,” Mr Swick said.

“Jundee is our largest underground diamond coring contract and I am very pleased that we will be extending our long-term relationship to at least 15 years on site. Swick has drilled more than 2.35 million metres of underground core at Jundee since we started work in 2007, 1.45 million of which are attributed to the current owners Northern Star Resources. The Jundee scope is one of the largest underground drilling programs in the world.

“The renewal at Jundee also includes scope for our specialist DeepEX underground mobile rigs that are specially constructed for deeper underground drilling and have completed holes up to 1,607 metres in depth at site to date. The contract renewal further strengthens our relationship with our key customer Northern Star Resources, whom we also work for at the Pogo mine in Alaska.

“It is also pleasing that we have extended our contract at Broken Hill, where we have been the incumbent driller since 2009 drilling nearly 400,000 metres in that time.”

Business Update

On 24 March 2020, Swick provided an update in response to COVID-19. The Company has continued to work carefully with clients to ensure business continuity and safety during the pandemic, including adapting rosters and accommodating employees in local towns close to sites where possible to minimise the impact of travel restrictions. As of this date, there is no direct impact on rig utilisation due to border controls or mandated shutdowns, although we expect there may be some disruption at times at our USA business where COVID-19 is more prevalent and may affect our crew availability.

Swick has strategically prepared the business to be as resilient as possible in these potentially uncertain times and has executed on an initiative to reduce its head office staffing numbers by 20% which included some workshop personnel. The head office restructure led to a one-off \$0.3 million redundancy provision and will provide for an annualised reduction of over \$1.6 million in salaries and wages. The one-off cost in 4Q20 was offset by a \$0.3 million temporary reduction in senior management and executive pays and director fees whilst the Company assessed the COVID-19 impacts and restructured the organisation. These temporary reductions in salaries and fees have been reinstated to prior levels as of July 1st, 2020.

In the March 2020 update, Swick withdrew its FY20 earnings guidance of Drilling Business EBITDA to be in line with FY19 due to unforeseen rig suspensions related to COVID-19. Swick advises its preliminary unaudited results for FY20 is Drilling Business EBITDA of approximately \$25 million, which includes the impact of the Pogo ramp up and temporary rig suspensions during COVID-19 restrictions. Swick is pleased to advise that all rigs temporarily suspended due to COVID-19 have resumed operations and the Pogo project is now significantly de-risked heading into FY21.

Swick's Drilling Business is mature and has a fleet of 69 underground mobile drills, six surface RC rigs and associated equipment as well as a small fleet of Nevada centric skid based high torque underground drills. As such, the Company does not expect any additional growth capital in these traditional areas but will add three purpose built DeepEX mobile rigs to the fleet that are currently in build. These DeepEX rigs will represent the world's most powerful underground mobile drills and will have capacities to drill exploration holes up to 3,000m of NQ2 core providing significant opportunity to Swick's clients.

Swick has continued to maintain a strong financial position. As at 30 June 2020, Swick's gearing was 11 per cent (excluding lease liabilities defined under AASB 16), with \$12.7 million cash and debt of \$22.5 million with an additional \$15 million in undrawn facilities.

The Company has used its strong position to focus on providing value for shareholders, paying a fully franked interim dividend of 0.3 cents per share on 17 April 2020 as originally planned and launching a \$1 million on-market buyback program. As at 27 July 2020, Swick had bought back \$0.7 million in shares under this program. The Board has elected to extend the on-market buyback program by a further \$1 million worth of shares, for a total of \$2 million worth of shares.

Strategic Review

In February 2020 Swick's Board announced a strategic review to consider the optimal corporate structure for both the Drilling Business and the Mineral Technology Business, Orexplora, that will deliver the greatest value for shareholders.

The Board's assessment is that a separation of the Drilling Business and Orexplora will deliver the greatest return to shareholders and allow the businesses to pursue their respective strategies. While a demerger of the two businesses is the Board's in-principle conclusion, it is anticipated that an indicative timetable for the demerger will be advised when the FY20 results are announced at the end of August 2020.

Orexplora has now moved into a second phase of analysis of the data gathered during the successful deployment of three GeoCore X10 core scanning instruments at Sandfire Resources' DeGrussa Copper-Gold Mine during a full function, site-based pilot project in H2 FY20 and of a GeoCore X10 core scanning instrument deployed under a five month pilot project with Boliden AB, a Swedish mining and smelting company.

The Sandfire core scanning trial has generated a solid understanding of the potential throughput, reliability and operating costs of an Orexplora infield scanning facility allowing commercial modelling on a go forward basis. Approximately 9,000 metres of core was scanned over a three-month period and generated 20TB of 3D data – the largest and most continuous dataset of its kind in the world for a single mine site.

Orexplora has now engaged two world class subject matter experts to assist Sandfire and other potential clients understand the benefits of a comprehensive Orexplora data set. The successful completion of the site-based trials and validation of the data under the phase two analysis is expected to drive further market confidence in the technology and commercial agreements.

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This ASX announcement was authorised for release by the Board of Swick Mining.

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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