

SWICK MINING SERVICES

ABN: 20 112 917 905

64 Great Eastern Highway
South Guildford WA 6055

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

W: www.swickmining.com

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ASX ANNOUNCEMENT

Swick delivers solid earnings and enters FY21 with strong order book

Summary:

- Drilling Business revenue of \$149.6m (FY19: \$142.9m), driven by 9% increase in underground metres drilled
- Drilling Business EBITDA of \$24.6m (FY19: \$28.2m), impacted by COVID-19 and ramp up costs at Pogo project as previously advised
- Rigs temporarily suspended due to COVID-19 have resumed operations and Pogo project significantly de-risked
- Launched new DeepEX rigs, the world's most powerful underground mobile rigs with two hybrids currently deployed at client sites
- Successfully completed on-site trials of Orexplore technology
- Low gearing of 10.6% and strong liquidity position, with \$12.7m cash and \$18.5m in undrawn facilities, ensuring Swick is well placed in current environment
- Final dividend of 0.3 cents per share declared by Board, bringing FY20 dividend to 0.6 cents per share, fully franked
- Strong \$363m order book, supported by \$237m in new and extended contracts secured early in FY21
- Solid foundation for FY21 established, while remaining cognisant of potential impacts from COVID-19
- Working towards demerger of the Drilling Business and the Mineral Technology Business to deliver greatest value to shareholders as per Strategic Review outcome

Western Australia – Swick Mining Services Limited ('Swick', ASX: SWK), a leading provider of high-quality underground and surface mineral drilling and mineral analysis services, announces its results for the period ended 30 June 2020 (FY20).

Swick's Drilling Business reported revenue of \$149.6 million, up on FY19 (\$142.9 million), and EBITDA of \$24.6 million, slightly down on FY19 (\$28.2 million). This is in line with the Company's announcement on 30 July 2020, with FY20 earnings impacted by some temporary rig suspensions related to COVID-19 and ramp up costs from the Pogo contract in Alaska.

Swick Managing Director Kent Swick commented: "FY20 has presented a unique and challenging set of circumstances with the onset of the COVID-19 pandemic. The business has

quickly adapted during this difficult period, ensuring we maintained continuity of operations and protected our people on site both internationally and locally.

"I am pleased with the ability of our Drilling Business to deliver robust earnings in this environment and secure new work with existing clients, including our two largest contracts for Northern Star and BHP, which provide a strong platform for the business as we enter the 2021 financial year.

"Meanwhile, our efforts in the Mineral Technology Business are starting to show value, with successful site-based, paid trials in the year for our Orexplore technology and the award of our first ever infield commercial agreement earlier this month.

"We have a clear strategy for these two businesses and are now progressing with the outcome of our Strategic Review to demerge the Drilling Business and the Mineral Technology Business to allow them to pursue their respective strategies and ultimately deliver the greatest value to Swick shareholders.

"Meanwhile, Swick is in a strong financial position, with gearing excluding AASB16 lease liabilities reduced to 10.6 per cent in the year. Swick has \$12.7 million cash and \$18.5 million in undrawn facilities, providing the liquidity that has enabled us to win and deliver on new work, invest in new technologies including DeepEX and Orexplore, and continue providing value for shareholders in these uncertain times through dividends and share buybacks."

FY20 KEY DEVELOPMENTS

Group revenue and other income increased by 4.7 per cent in FY20 to \$151.2 million (FY19: \$144.4 million). Revenue from overseas contributed 30 per cent of FY20 revenue (FY19: 20 per cent), with Swick gaining market share in North America, after securing a significant contract with Northern Star Resources at its Pogo mine for up to eight rigs. Total Underground Diamond (UD) metres drilled increased to 1,130,376 metres, up 9%, reflecting new work won at the Pogo contract.

Swick has also invested in adding purpose-built DeepEX mobile rigs to the fleet that are currently in build. Launched in FY20, the DeepEX rigs represent the world's most powerful underground mobile drills with capacities to drill exploration holes up to 3,000 metres of NQ2 core. Two DeepEX hybrid rigs are currently deployed at client sites.

In the Mineral Technology Business, Swick took significant steps to progress commercialisation of Orexplore. Site-based trials were undertaken at Sandfire Resources' DeGrussa Copper-Gold mine for a three-month pilot project and at Swedish mining and smelting company Boliden AB for a five-month paid pilot project.

The first trial at the DeGrussa mine resulted in approximately 9,000 metres of core scanned in total, generating 20TB of 3D data – the largest and most continuous dataset of its kind in the world for a single mine site. With the trial complete, Orexplore has engaged two world-class subject matter experts to assist Sandfire and other potential clients understand the benefits of a comprehensive Orexplore data set.

At a Group level, Swick reporting a Net Loss After Tax of \$6.0 million, reflecting the lower Drilling Business earnings and ongoing investment in the Company's Mineral Technology Business, Orexplore.

OUTLOOK

Swick has captured further opportunities to increase rig mobilisation, with new contracts awarded for the Drilling Business in early FY21 that have provided a strong order book of \$363 million. This included a two-year contract extension with a two-year option at Northern Star Resources' Jundee Gold operations – Swick's largest project and one of the largest underground drilling contracts in the world – and a five-year contract to provide underground drilling services at BHP's Olympic Dam mine in South Australia.

In addition, Swick's Mineral Technology Business, Orexplore, recently secured its first infield commercial agreement, which will see approximately 1,500 metres of core scanned per month over six-month period at St Barbara Limited's Gwalia Mine in Leonora, valued at circa \$700k.

Swick Managing Director Kent Swick said: "Our key focus will remain the successful and safe execution of work at our secured projects, whilst driving the commercialisation of Orexplore with revenue starting to come through.

"We are extremely pleased by the latest significant work secured from existing clients which provides Swick a solid platform for the Drilling Business in FY21.

"We remain vigilant of the ongoing potential impacts from COVID-19 as we continue to work closely with clients to minimise disruption and ensure strong rig utilisation.

"We will also continue to progress with the outcome of our recently completed Strategic Review, with the Board agreeing that separation of the Drilling and Orexplore businesses – each with their distinct teams and growth opportunities – has the potential to unlock the greatest value for Swick shareholders. We are currently working through the various aspects of this, such as applying for demerger relief and analysing options for an Orexplore listing, ahead of providing an indicative timetable."

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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.

For further information:

Kent Swick
Managing Director
Ph: +61 8 9277 8800

Jitu Bhudia
Chief Financial Officer
+61 8 9277 8800

Media enquiries:

Adrian Watson
FTI Consulting
Ph: +61 8 9321 8533

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