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12 October 2021 **ASX ANNOUNCEMENT**

Non-Binding Agreement reached for DDH1 Limited (DDH1) to Acquire Swick Mining Services Ltd (Swick) for $115 million enterprise value, representing equity value of $0.35 per share (excluding Orexplore)

Swick to continue with Orexplore demerger

Highlights:

- **Combination of business creates a global scale mineral drilling business generating FY21 pro-forma revenue of approximately $445 million and EBITDA of $103 million**
- **Consideration for Swick shares will be 100% DDH1 shares at a ratio of 0.2970 DDH1 shares for each Swick share, equating to $0.35 per Swick share[1]**
- **In addition, Swick shareholders will also receive Orexplore shares under the proposed ($12 million seed funded) Orexplore demerger**
- **All scrip consideration enables Swick shareholders to retain exposure to Swick's drilling business and the enlarged merged entity. Swick shareholders will own 19.7% of the combined business**
- **Proposed transaction values Swick Drilling Business at an enterprise value of $115 million – 3.8x FY21 Drilling Business EBITDA and 6.7x FY21 Drilling Business Pro-Forma EBIT[2]**
- **Equity value[3] of $99.3 million or a value of $0.35 per Swick share, which represents a share price high since 2013 and a premium of 32% compared to Swick's closing price of $0.265 on 6 October[4]**
- **Subject to entry into a Scheme Implementation Agreement, the Swick Board intends to unanimously recommend the Proposed Transaction to shareholders, in the absence of a superior proposal and subject to an independent expert concluding that the Proposed transaction is in the best interests of shareholders**

1 Based on the 5-day volume weighted average price for DDH1 shares of $1.1793 over the 5 trading days up and including 6 October 2021

2 FY21 Drilling Business EBITDA (reported) of $30.4m, and Drilling Business Pro-Forma EBIT of $17.2m reflecting the change of useful life depreciation which will come in effect from 1 July 2021 (reported Drilling Business EBIT was $15.1m).

3 Based on an enterprise value of $115m less an assumed closing net debt of $15.7m (including $12m funding committed to Orexplore), providing an equity value of $99.3m divided by 283,663,294 Swick shares (which includes 1,922,672 performance rights which will accelerate on the change of control).

4 Being the last trading day prior to Swick and DDH1 agreeing valuation terms.

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Western Australia – Swick Mining Services Limited ('Swick', ASX: SWK), a leading provider of high-quality underground mineral drilling and mineral analysis services, and underground mobile drilling equipment, announces that it has agreed with DDH1 Limited (**DDH1**) in-principle terms, made under a conditional, non-binding indicative proposal (**Indicative Proposal**), to combine their respective drilling businesses in an all-scrip transaction by way of a Scheme of Arrangement (**Proposed Transaction**). The Proposed Transaction does not impact Swick's announced plan to demerge Orexplore with seed funding of $12m (**Orexplore demerger**), with Swick shareholders to also receive Orexplore shares in addition to DDH1 shares (assuming completion of the demerger and receipt of all necessary approvals).

Under the terms of the Proposed Transaction, Swick shareholders will receive 0.2970 DDH1 shares for each Swick share held (**DDH1 Consideration**). Based on the 5-day volume weighted average price for DDH1 shares of $1.1793[5], the offer values Swick shares at $0.35 per share, and is after allowing for the additional $12m investment in Orexplore committed by Swick as part of the demerger. An offer value of $0.35 per share represents:

- a 32% premium to Swick's closing price of $0.265 on 6 October 2021, being the last trading day prior to DDH1 and Swick agreeing valuation terms;
- a 28% premium to Swick's 5-day VWAP of $0.274, being the five trading days up and including 6 October; and
- a share price high since 2013.

Note, the premia noted above are compared to Swick's trading price as a whole and does not apportion the trading price between the Drilling Business and Orexplore. In addition to the value of $0.35 per share under the Proposed Transaction, Swick shareholders will also receive Orexplore shares under the proposed Orexplore demerger. Upon listing, Orexplore will also have $12 million cash on its balance sheet. Swick confirms that it is proceeding with the Orexplore demerger, under which Orexplore shares will be listed on the ASX.

The Proposed Transaction values Swick's Drilling Business at an enterprise value of $115 million. After deducting Swick's planned $12 million Orexplore investment and the net debt within the Drilling Business, the remaining equity value of $99.3 million equates to the offer value of approximately $0.35 per Swick share.

Strategic Rationale

Swick and DDH1 offer complementary drilling services and expertise, with long established successful track records working with a wide range of exploration and mining companies. There is merit in a merger of the two companies, both in terms of cost synergies and scale benefits. The combination is expected to realise meaningful synergies over time, with both sets of shareholders able to benefit due to the all scrip consideration.

The combination of the two WA-based businesses will create a global scale mineral drilling business with a balance of surface (~60%) and underground (~40%) drilling from a combined fleet of 170+ rigs which generated approximately $445m in revenue and $103m in EBITDA in FY21.

[5] Based on DDH1's volume weighted average price over the 5 trading days up and including 6 October 2021

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Conditions

The Proposed Transaction is conditional on, among other things, negotiation of a binding Scheme Implementation Agreement between the parties, which is expected to occur shortly. The Proposed Transaction will complete following the completion of the Orexplore demerger. Both parties have completed reciprocal confirmatory due diligence and remain in exclusive discussions.

Any transaction is subject to a number of matters, including:

- finalising and executing of a Scheme Implementation Agreement, for approval by both Boards;
- securing regulatory approvals for the Proposed Transaction, Swick shareholder approval, Court approval and meeting other customary conditions; and
- Foreign Investment Review Board (FIRB) approval.

There is no certainty that the Proposed Transaction will lead to an agreed transaction.

Subject to entry into the Scheme Implementation Agreement, the Swick Board intends to unanimously recommend the Proposed Transaction to shareholders, in the absence of a superior proposal and subject to an independent expert concluding that the Proposed transaction is in the best interests of Swick shareholders.

Swick's Chairman, Andrew Simpson, commented:

"A combination of two market leading Australian drilling business - Swick and DDH1 - makes strategic sense and combines high quality, experienced expertise in underground and surface drilling. For Swick shareholders, the proposed transaction will enable them to benefit from their ownership in the enlarged group, while also realising value of the Orexplore business in the form of a new ASX listing."

Swick's Managing Director, Kent Swick commented:

"We have grown Swick to become the largest underground drilling contractor in Australia with a market leading position, defined by solid margins and established top tier clients throughout the years both in Australia and internationally.

There is a strong commercial logic in combining the DDH1 and Swick businesses and being able to offer our customers a complete range of high quality and innovative mineral drilling services from the discovery phase, through to mining and completion. I am very proud that the team at Swick have built a business that has been recognised and valued by another high-quality peer.

While the transaction is conditional, and there are still additional steps to undertake, the Board will continue to act in the best interests of Swick shareholders."

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Orexplore Demerger

As announced on 21 June 2021 and confirmed at the time of the FY21 results announcement on 30 August 2021, Swick has re-commenced the Orexplore demerger process and is well advanced in the preparation of the required documentation and regulatory discussions. Swick envisages finalising and lodging documentation in November 2021 with a shareholder vote to occur in December 2021.

As previously disclosed, Orexplore will be listed as Orexplore Technologies Ltd ("OXT"). The demerger will be effected via an in-specie distribution of OXT shares to Swick shareholders, which they will receive separately from the proposed DDH1 transaction. More information regarding OXT will be announced to the market in coming weeks and will be contained in the Prospectus and Notice of Meeting which will be provided in due course.

The Swick Board believes the demerger will unlock significant value for Swick shareholders and enable the market to arrive at a fair value for Orexplore as a standalone business.

Advisors

Swick's financial advisor is Shaw and Partners and its legal advisor is HWL Ebsworth

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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 mineral drilling and mineral analysis services, and underground mobile drilling equipment 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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