

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

SWICK – Placement, Acquisition of Orexplore and Orexplore Update

- ☐ Acquisition of the minority shareholders' stakes in Orexplore for \$2.9 million
- ☐ Swick holds 100% ownership in Orexplore
- ☐ Creation of a Mineral Technology Division within Swick Mining Services Ltd
- ☐ Orexplore's initial base metal product ready for commercialisation phase
- ☐ Share Placement to institutional and sophisticated investors to raise \$4.9m

Swick Mining Services Limited ("Swick" or "the Company"; ASX: SWK), a leading provider of high quality and high value underground and surface mineral drilling services today announced an a share placement to fund a buyout of the minorities in Orexplore AB and help fund the commercialisation phase of the Orexplore business.

Acquisition of Orexplore Minorities

Orexplore is a mineral analysis and measurement technology company that has created a unique, patented portable X-ray mineral scanner that will allow accurate, real time assay and structural analysis in the field. The product has the potential to perform rapid, exact analyses of the elemental composition in ores, which greatly reduces sampling lead-times and brings both economic and environmental benefits at the prospecting stage.

Orexplore has been operating since 2010 and Swick commenced its investment program toward the end of 2013. Since that time, Swick has invested \$6.6 million for an equity ownership of 70.5%. Swick has now agreed to acquire all of the minority shareholders (17.6% held by passive shareholders, 11.9% by executive shareholders) in Orexplore for a consideration of \$2.9 million and, on completion, will own 100% of Orexplore. The consideration will be paid in cash.

The motivation for acquiring the minority shareholders was to provide Swick with greater control and autonomy over Orexplore's future as it approaches commercialisation, and to simplify the current Orexplore structure noting that:

- Swick's current funding agreement was nearing its end;
- further capital investment will be required and Swick was the agreed source of funding;
- Orexplore is already consolidated within Swick's financial statements; and
- it creates an opportunity to create a separate division within Swick and provide greater transparency around Orexplore and Swick's other R&D initiatives

Commenting on Orexlore and the 100% acquisition of the business, Kent Swick said:

“The Orexlore technology is a potential game changer in exploration, allowing Swick to re-position itself as a mineral information provider.”

“Swick has completed its Orexlore acquisition, moving to 100% of the register which is a fantastic result for all Swick shareholders. It allows a clear path forward for funding the commercial release of this world first ore scanning technology expected to commence operations in the second half of calendar year 2018, with limited release and client acceptance testing in the second half of this calendar year. I am very excited at the opportunity to provide detailed structural and chemical analysis of the drill core to our client. This will add a significant amount of understanding to the client’s key financial asset – its orebody – and will allow for significant improvements in grade control, reserve definition, mine planning and exploration.”

Included within the Orexlore minority shareholders are the current management team and a group of passive shareholders. The passive shareholders are making a complete exit from Orexlore.

Whilst the current management team has agreed to sell their Orexlore shares to Swick, they remain fully committed to Orexlore going forward. In return for surrendering certain equity rights within Orexlore, Swick has agreed with the two key executive founders to a Shadow Equity scheme which will provide them with direct exposure to underlying Orexlore value creation over the next 5 years. Any payments under this scheme would be payable by a mix of Swick shares and cash. The quantum of any such payments is uncertain at this stage but will reflect in total (including this transaction) 10% of the Orexlore value created over the next five year period.

Orexlore Investment Summary

- Orexlore AB was a startup technology firm designing state of the art mineral analysis technology headquartered in Stockholm, Sweden
- In 2013 Swick signed a share purchase agreement with Orexlore AB
- Since 2013, Swick has funded R&D in return for equity
- Orexlore technique uses CT scanning to provide novel and unique information
- Through the core scanning showing structure and geochemical distribution within
- Larger sample size, analyses kilograms of sample rather than grams
- Geochemistry, 3D structural mapping, element distribution and density provided
- Will greatly improve understanding of the clients mineral assets
- Clients will be able to make rapid decisions as results are delivered within minutes
- Initial base metal machine accurate to 0.01% ready for commercial application
- Global market opportunity, commencement of operations targeted for Jan 2018
- Precious metal instrument in late stage R&D to deliver accuracy of 0.5 g/t or better



Fig. 1 the Orexplode instrument (left) is a standalone machine that can be located at the client's core farm. The machine is designed for a scanning capacity of up to 3,600m per month. An automated carousel holding 4 x 1m pieces of core allows for ease of use.

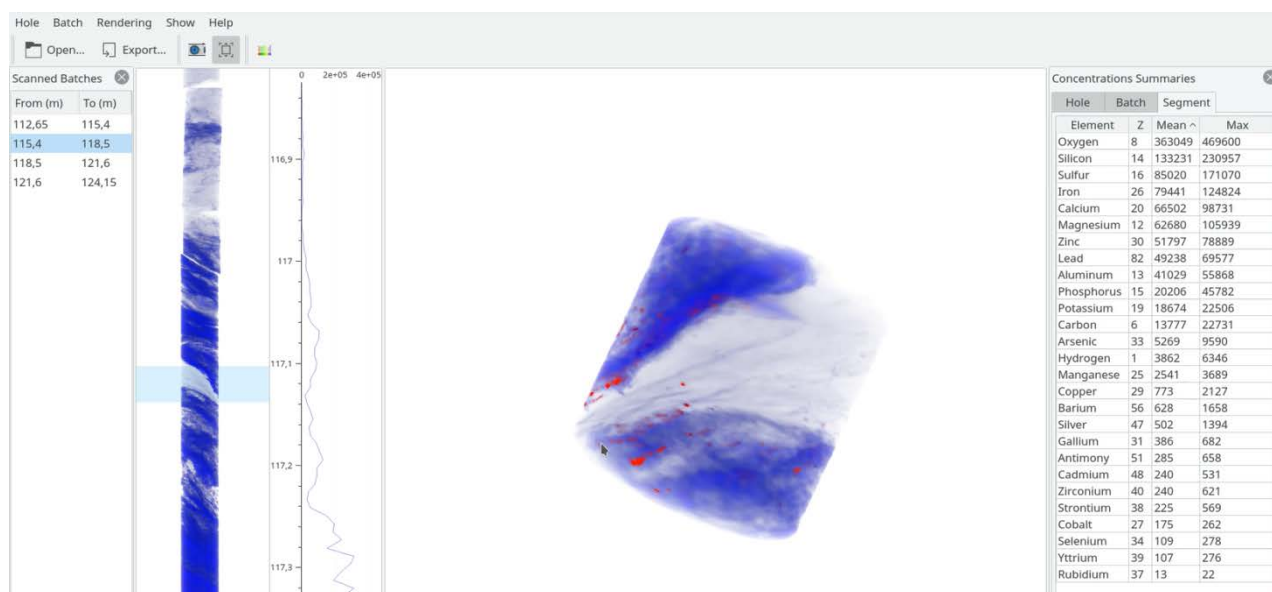


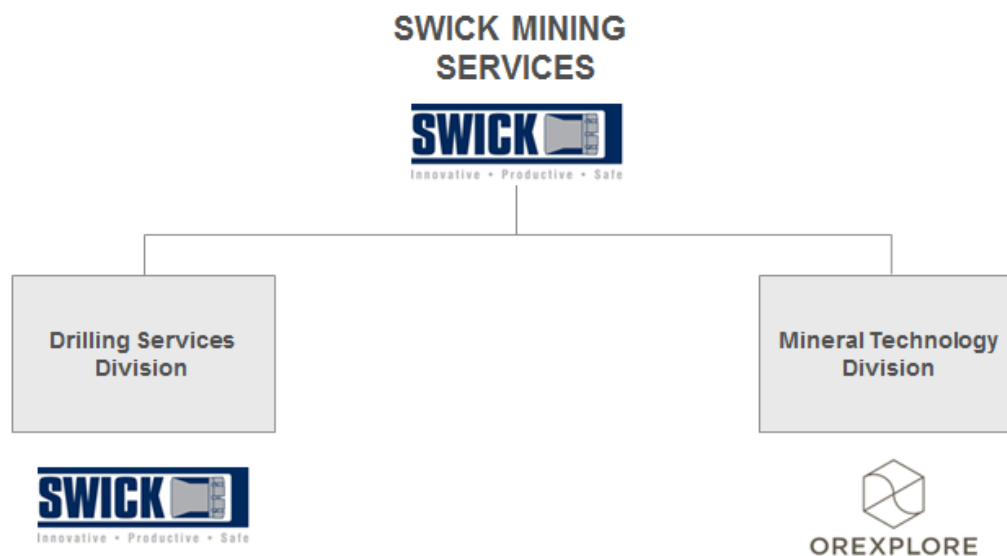
Fig. 2 above shows the intuitive software that can be managed remotely by the clients. In this example a segment of core approximately 40mm in length has been selected and the geochemical assay of the segment shown on the right of the image. On the left hand side, element concentrations (selected by the user) are displayed along the length of the core sample.

The central image is the CT image of the segment selected and shows the bedding within the geology in 3D as well as the distribution of selected elements inside the section. The user can zoom in/out as well as rotate the core segment at will.

The opacity and color gradient of the core sample relative to its attenuation (ability to block x-rays) can also be adjusted by the user to refine the view and allow for fine tuning of internal detail.

Mineral Technology Division

The acquisition of Orexlore enables Swick to create a specialised Mineral Technology Division which will include the Orexlore business. This division will report to the Managing Director, Kent Swick.




Commenting on the new Mineral Technology Division, Kent Swick said:

“Swick Mining Services has executed a long term strategy to progress from a mineral drilling contractor to a mineral information provider. To progress our service offering to the next stage of the value chain was a logical step but to do so with such a novel, powerful and beneficial product is very exciting. We look forward to sharing this technology with the mining market, initially with Swick’s drilling clients, to allow them to benefit from the unique level of information that is now available about their deposits.”

Share Placement

Swick is pleased to announce that it has successfully completed a placement (“**Placement**”) of 20 million new ordinary shares (“**Placement Shares**”) to institutional and sophisticated investors at a price of \$0.245 to raise \$4.9 million. The proceeds of the Placement will fund the acquisition of the balance of the Orexlore business from the minority holders and provide significant working capital as Orexlore moves from a R&D phase into commercialization. The Placement also allows the cash generated from the underlying Swick business to be more readily available for the drilling unit as it funds capex in the mining services business as it builds more rigs and deploys them into the field.



The Placement was strongly supported by existing and new shareholders. The Placement price of \$0.245 per Swick share, represented a 3.9% discount to the last traded price on Monday, 22 May 2017 of \$0.255. The Placement Shares will be issued under the Company's available 15% placement capacity in accordance with Listing Rule 7.1, and will rank equally with the Company's existing ordinary shares. The Placement Shares are expected to be issued on Thursday, 1 June 2017.

Euroz Securities Ltd acted as Sole Lead Manager to the Placement.

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, Canada, United States and Europe.

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Disclosure Statement:

These materials include forward looking statements. Forward looking statements inherently involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside of the control of, and may be unknown to, the Company. Actual results and developments may vary materially from those expressed in these materials. The types of uncertainties which are relevant to the Company may include, but are not limited to, commodity prices, political uncertainty, changes to the regulatory framework which applies to the business of the Company and general economic conditions. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, the Company does not in providing this information undertake any obligation to publicly update or revise any of the forward looking statements or any change in events, conditions or circumstances on which any such statement is based.