

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

Swick Company Update**Highlights:**

- Sale of Surface Reverse Circulation (RC) Drilling business for \$6.4 million cash resulting in an expected \$1.2 million profit before tax
- Logical step aligned with Swick's strategy to focus on core Underground Diamond (UD) Drilling business, representing 96% of annual revenue
- 1H FY21 unaudited Group EBITDA (including Orexplora) expected to be in the range of \$11 to \$12 million
- Drilling Business (excluding Orexplora) on track to deliver unaudited 1H FY21 revenue of \$72 to \$74 million and EBITDA of \$13 to \$14 million.
- Strong utilisation in the UD division with 13 rigs operating internationally, 25 in Western Australia and 20 across the rest of Australia as at December 2020
- In response to increased market demand, Swick has agreed to manufacture and sell its world class GenII mobile drill rigs. Four GenII rigs are currently under construction for two large global drilling contractors for use outside of Australia
- Demerger well underway to drive standalone opportunity for Orexplora – targeting launch in Q3 (March) FY21

Western Australia – Swick Mining Services Limited ('Swick', ASX: SWK), a leading provider of high quality underground and surface mineral drilling and mineral analysis services, is pleased to provide the below company update.

Sale of Surface RC business

Swick has agreed to sell its Surface Reverse Circulation (RC) Drilling business to K-Drill Pty Ltd and K-Drill Equipment Pty Ltd ('K-Drill'). The sale includes six surface RC rigs, associated equipment, inventory, personnel and contracts. Including the recent sale of a number of residual RC assets to other parties, Swick will receive total proceeds for its RC business and assets of approximately \$6.4m cash and will report a profit on sale of approximately \$1.2m before tax.

The sale is subject to certain conditions precedent being satisfied or waived by 25 January 2021, including K-Drill obtaining suitable debt finance for the acquisition, K-Drill entering into suitable employment or services agreements with key employees, and customary material adverse changes and regulatory approval conditions. Completion of the sale is anticipated to occur on 1 February 2021.

K-Drill is a new RC drilling company that will be specialising in providing high quality, safe and productive drilling solutions to the Australian mining industry. K-Drill will be building on the excellent foundations set by Swick and will be led by Managing Director Brendan O'Shea, who is Swick's former Business Development Manager. Brendan has over 27 years' experience in the Australian and international mining industry.

Mr. O'Shea stated: "This opportunity will allow K-Drill to focus completely on surface drilling and we are pleased to provide clients with peace of mind in knowing that we will be bringing all current Swick RC employees and Swick's existing robust operating systems to K-Drill, ensuring a smooth transition for existing clients."

The Surface RC Drilling business provides reserve definition and exploration drilling to clients and its sale enables Swick to focus on its core Underground Diamond (UD) Drilling business; a 70-rig fleet providing reserve definition and grade control drilling at producing mines.

In FY2020, Swick's Surface RC Drilling business contributed \$6.4m (4%) of group revenue and a EBIT loss of \$1.6m. Year to Date (Jul-Nov 2020) unaudited results for the RC division show a revenue of \$3.5 million and an EBIT of \$554,000.

Swick Managing Director Kent Swick stated: "The sale of the Reverse Circulation business is a logical step for Swick aligned with our strategy. RC is a traditional part of the Swick journey, however with our world class Underground Diamond Drilling division growing to represent 96% of our annual drilling revenue it is a wise move for us to move the RC division into new hands.

"The RC drilling business will be owned and managed by a new, enthusiastic team of mining service professionals, and this represents a good outcome for all parties. Our contracted work for 2021 will be undertaken by the K-Drill team and as they are buying the entire Swick RC division including our people and processes, clients should see the same level of professionalism and service they are used to. I am pleased that Brendan will be heading up the new company and that the relationships developed with the Swick RC clients will continue with K-Drill, ensuring a smooth transition", Mr. Swick added.

Underground Drilling Division

Subsequent to the disposal of the RC division, Swick's drilling revenue will be generated entirely by the Company's market leading Underground Diamond Drilling division. This division drills approximately 100,000 metres of core per month across four countries – Australia, USA, Portugal and Spain.

Operations are performing very well, and credit goes to the entire operations, maintenance, workshop and support personnel globally who have managed the business through extremely challenging times in the advent of COVID-19 and the associated travel restrictions and border restrictions that it has caused.

The Underground Diamond Drilling division is on track to deliver a solid 1H FY21 performance with every site excluding Pogo performing at or above expectation. The first half forecast for the Drilling business excluding RC is revenue in the range of \$68 to \$70 million, EBITDA in the range of \$12.5 to \$13.0 million at a margin of around 19% and EBIT expected to be in the order of \$5.0 to \$5.5 million at around 8% margin.

Utilisation in the Underground Diamond Drilling division remains strong with 13 rigs operating internationally, 25 in Western Australia (including two DeepEX) and 20 across the rest of Australia in December 2020.

The International division has seen an improvement in year-on-year financial performance and is in line with expectations with the exception of the Pogo contract in Alaska which has been heavily impacted by COVID-19 disruptions. A number of Swick employees have tested positive over the last six months. We are pleased to report that those staff who have tested positive to COVID-19 are recovering well. Drilling at Pogo is continuing.

Swick Engineering

Swick has a strong in-house engineering capability and has constructed its own mobile Underground Diamond drills since commencing the division in 2004. Since that time, Swick has constructed a total of 70 mobile rigs in-house. Recently, having been approached to consider building these rigs for another contractor, Swick has agreed to produce its world class Swick GenII mobile drill rigs for the open market.

Swick has taken orders for four GenII drill rigs from two large global drilling contractors with four rigs in total destined for other regions than Australia. The Company will appoint a sales engineer in the new year and looks forward to growing the sales volumes into the large global market. Swick believes it has a market leading Underground Diamond drill rig with the GenII mobile drill offering the smallest footprint, but highest-powered mobile drill available and with many unique features including a world class automation package.

In response to increased demand for drill rigs from both Swick's in-house drilling division and expected interest by external customers, Swick is gearing up its Engineering facility at its South Guildford, Western Australia headquarters to meet this demand. Swick Engineering has appointed an experienced senior mechanical engineer for the role of Production Manger that will manage the Engineering business and oversee the efficient builds and rebuilds of the GenII drills.

Orexplora

As previously advised the Company is advancing with the demerger of its Mineral Technology business Orexplore with launch targeted for Q3 (March) FY21. Shareholders will be updated with specifics around the process, related documentation and its timing early in the new year.

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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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