

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

Swick provides Orexplore and Company update

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 an update on the planned demerger of its Mineral Technology Business Orexplore, and on the Company operations.

Orexplore

Swick announced Orexplore's first infield commercial agreement in August 2020. Following discussions with the client, and due to their operational priorities, it has been agreed that the contract will be deferred to FY22. Swick considers securing commercial projects is a key step in developing a clear pathway for the commercialisation of Orexplore's technology, and therefore for a successful demerger.

In light of these changes, the Swick Board has decided to defer the demerger of Orexplore to allow greater time to seed the commercialisation pathway with initial commercial projects. Orexplore continues to maintain a healthy pipeline of laboratory testing work and the team will continue to progress the development and validation of the Orexplore technology to generate valuable data sets that will underpin the commercialisation plan.

The proposed demerger of Orexplore was a key outcome of a Strategic Review conducted by the Swick Board in the first half of 2020, to consider the optimal corporate structure for both its core cash generating Underground Drilling Business and the emerging Mineral Technology Business. The Review concluded that separation of the two entities would provide the greatest value to both businesses and to Swick shareholders. The Swick Board remains committed to achieving this by providing Orexplore with a strong foundation to continue growing as a separate business.

As a result of the deferral of the demerger, Mr. Jason Marinko has resigned from the recently created Managing Director role. Mr Marinko will leave the business effective mid-February and Mr. Kent Swick, Managing Director of Swick Mining, will lead Orexplore as it works towards a demerger. Mr Swick commented on Mr Marinko's departure stating that, "The Board of Swick would like to thank Mr Marinko for his contribution in advancing the commercialisation of the Orexplore technology and readying the company for its proposed demerger."

The Board has also initiated a review of Orexplore's cost base, with disciplined capital management an ongoing focus going forward. Swick has a targeted spend of \$2.5-\$3.0 million for Orexplore over the next six months.

The Company will provide further updates on the demerger process in due course.

Drilling Business

Swick's Drilling Business continues to perform strongly, as outlined in the Company's update on 22 December 2020. The Drilling Business is expected to deliver unaudited 1H FY21 revenue of \$73 million and EBITDA of \$14.6 million, and an EBIT of \$6.8 million reflecting significantly improved profitability on 1H FY20. Group EBITDA including Oreplore is expected to be \$11.8 million with a group EBIT result of \$3.2 million.

Swick is currently finalising the sale of its Surface RC business with completion expected in February 2021. Swick will receive total proceeds of approximately \$6.4 million cash and will report a profit on sale of approximately \$1.2 million before tax. The portion of cash and profit related to the sale of individual assets was recognised in 1H FY21 and the portion related to the sale of the business will be recognised in 2H FY21.

Mr Swick added: "Looking at our core Underground Drilling Business, we've had a strong start of HY21, delivering improved results and strong rig utilisation. In response to increased market demand, we have also started selling our world class GenII mobile drill rigs to the open market, with four GenII rigs currently under construction for two large global drilling contractors for use outside of Australia".

Swick is finalising its 1H FY21 Results which will be released to the market in late February 2021.

COVID-19 Lockdown in Western Australia

In response to the five-day COVID-19 lockdown measures announced by the Western Australian Government on Sunday 31 January 2021, Swick at this stage does not expect any material impact to its operations.

As the health and safety of its staff remains paramount, the Company has taken additional measures in the short term to proactively manage any potential COVID-19 risks. These include a temporary two-day shutdown of its maintenance workshop in Guilford and adjustments to Fly-In, Fly-Out (FIFO) roster shifts.

Swick has been proactively managing the potential impact of COVID-19 since March 2020 to protect its people and limit disruptions to its operations. The Company continues to monitor the situation and work closely with employees, clients, suppliers and government authorities during this period.

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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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