

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

Strong performance of Drilling Business and introduction of ESG and innovation focused Futures Department

Highlights:

- Swick's Drilling Business has continued to perform strongly with unaudited FY21 expected results:
 - Revenue of between \$153m - \$156m
 - EBITDA between \$29m - \$31m
 - EBIT between \$14m - \$16m
- Establishment of Swick's Future of Drilling ('Futures') Department, comprising:
 - **Gen3 E-Rig** with capacity to reduce the power consumption per metre drilled by around 50%, leading to overall lower carbon footprint. First prototype to commence field testing at Western Australian client site within three months.
 - **Remote Control Drilling (RCD)** system allowing drillers to perform automated drilling through video linked controls from surface effectively and safely, with an additional 4 non-productive hours a day converted to drilling time.

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, is pleased to provide a company operational update on its Drilling Business.

Swick's Drilling Business has continued to perform strongly and is on track to deliver solid FY21 performance on the back of a strong order book, reliable operational performance, increased volume of rigs in work and revenue diversification. The Drilling Business (including the new Swick Engineering and the discontinued Reverse Circulation divisions) is expected to deliver unaudited revenue between \$153 million and \$156 million, EBITDA between \$29 million and \$31 million, and EBIT between \$14 million and \$16 million.

Rig utilisation remains strong with 43 rigs operating in Australia and 14 internationally. Utilisation is expected to increase over the next 6-12 months based on work in hand and forecast rig demand from existing clients. In addition to a strong order book of ~\$300 million, tendering activity for other projects is strong and offers many opportunities for significant growth in utilised rigs.

The Company's in-house engineering business, Swick Engineering, has also performed well with four GenII mobile drill rigs built and sold to clients in Canada and Tanzania in FY21 (commenced operation 2H21). This new division has enabled Swick to participate in significant mining markets and regions where it does not have a presence operationally. Rig sales in FY22 of 8-12 rigs are targeted and with a growing global demand for high quality mobile underground drill rigs, Swick is well placed to service this market.

Swick has been expanding its Engineering facility in South Guilford to meet the expected increase in market interest for underground mobile diamond drill rigs.

Swick's Managing Director, Mr Kent Swick, commented: "We are performing strongly in the second half of FY21 and expect to deliver improved results and greater rig utilisation. The operational performance across all our drill sites is now strong and our largest international site – Pogo in Alaska where we operate ten underground drills is now performing as per expectations.

"I am very pleased with the establishment of our Engineering business that capitalises on our extensive experience in rig manufacturing and we have delivered four rigs in the six months of its operation. The first four rigs have been sold to large international contractors in Canada and Tanzania, and inbound enquiries are very strong entering into FY22.

"We have a solid platform for growth both in the drilling business which is now laser focused on its specialty of underground diamond coring and our world class rig manufacturing facility. The current utilisation of our fleet is at 90% based on allocated rigs or 84% on a full-time-equivalent basis, and demand from our clients is on the increase and we are looking forward to growing the business in FY22 as we grow our operating fleet to match that demand. We currently have three DeepEX rigs in the pipeline to be constructed in 1H22 as well as four GenII mobile rigs we intend to hold in stock for both our own needs and third-party orders. An additional eight BOMs (Bills of Material) are in stock allowing us to construct rigs at short notice and to ensure long lead items don't impede the business.

"Our balance sheet is very close to zero net debt, our order book solid with two years of revenue in hand, our contracts performing well and the macro market is strong for the commodities in which we operate, so it is a good time to grow."

Future of Drilling 'Futures' Department

Swick has been a leader in underground core drilling innovation since June 2004 when it introduced the market's first commercial mobile underground diamond drill rig. The business has always had a strong Engineering acumen, driven by the Company's founder Mr. Kent Swick, a professionally qualified Mechanical Engineer as well as a 4th generation driller.

Since 2004, Swick has developed into being the world leader in underground coring, having built more than 70 mobile rigs, and having drilled an astonishing 13 million metres of underground core as a contractor as of this month.

To formalise and fast track its innovations, Swick has established a 'Future of Drilling' ('Futures') department, independent of the Engineering business, that has its own dedicated resources and capital allocation and will be housed in independent facilities nearby to the South Guildford headquarters of Swick.

As the mining industry moves towards ESG (Environmental, Social and Governance) solutions with the majority of mining companies focused on decarbonization as part of their strategy, Swick's Futures Department has the ability to provide superior benefits to all its clients with a focus on lowering carbon footprint and improved safety through automation. Swick has no exposure to the coal mining industry as part of its ESG responsibility.

Futures will prioritise two key projects that will significantly benefit the industry and be attractive to the vast majority of the underground mining market:

1. Gen3 E-Rig

The Swick Gen3 E-Rig is the next generation of underground diamond drill rig that will remove all diesel power and a large portion of the hydraulic components currently on the Swick GenII drill rig. The Gen3 E-Rig will have a large battery capacity allowing for electric tramming and will also utilise the latest in DC electric motor technology to power the drilling components.

The Gen3 E-Rig has the capacity to reduce the power consumption per metre drilled (kWhrs/metre) by around 50% which directly leads to lowering the carbon footprint of drilling by the same amount. In addition, electric tramming eliminates any diesel exhaust particulates which is also a major focus for underground mines. The reduced power consumption and ventilation requirements will lower the mines' operating costs and lead to a lower overall carbon footprint.

A research and development drill rig fitted with an electric drill head is nearing readiness for field testing and a prototype rig is expected to be test drilling at a Western Australian client's operation within the next three months. Independently of the electric head testing, Futures will be designing and assembling a battery operated mobile carrier and the fully proven Gen3 E-Rig is expected to be available for commencing service in late FY22 when Futures will hand over the design to Swick Engineering to commence mass production for Swick's drilling clients.

2. Remote Control Drilling

As underground mines continually get deeper and more complex, the available time to operate drilling equipment also reduces and a large component at each end of a working shift is non-productive time that accounts for start of shift meetings, blasting, mine re-entry procedures and travel time. To counter this issue, Futures will be developing a Remote-Control Drilling (RCD) system that will allow drillers to operate rigs remotely through video linked controls from surface effectively allowing up to 24 hours a day of productive time.

It is expected that a minimum of an additional 4 non-productive hours per 24-hour day will be converted to drilling time which will have a significant effect on drilling efficiencies. In addition to the surface-based operators, limited underground crews will work in pairs underground during the available time to assist in core handling, drilling system preparations and rig moves.

The RCD system consists of three major components - automated drilling, high speed communications to surface and semi-automated robotic handling of tubes and rods. Swick has developed an advanced automation capability and is working with specialist consultants on the communications and robotics to establish the final system. It is expected that this system will provide an opportunity not only to increase drill time and the associated

productivity but also to take personnel away from long periods of exposure in hostile environments as mines get deeper and hotter.

Mr. Swick, added: “At Swick we have always had a focus on developing a competitive advantage through innovation, as the pioneers of mobile underground diamond drill rigs and now building our Futures Department to provide innovative solutions in relation to ESG matters faced by our clients.

“The team has done a tremendous job developing our first in class Gen3 E-Rigs with the ability to lower power consumption per metre drilled by around 50%, leading to lower overall carbon emissions. In only a short time frame, we are ready to test our prototype rig at a Western Australian client site in the next few months ahead.

“We are pleased to be involved in the hard rock underground mining sector with no exposure to coal and also proud to be developing a new generation of drill rig to tackle one of the major focuses currently in the mining sector – decarbonisation.

“Safety and productivity have also been priorities, and our Remote-Control Drilling initiatives focus on allowing drillers to perform automated drilling through video linked controls safely from surface for up to 24 hours a day of productive time.

“These new solutions will set a new benchmark for best practice drilling and will provide Swick with a significant competitive advantage and meet the changing demands of the industry.

“Macro market conditions are ripe for continued growth, and with the strong performance from our Drilling Business and potential ahead with our Futures Department focused on ESG solutions, we are confident in our ability to continue to improve over the FY21 result with further earnings growth in FY22.”

Swick is expected to release its audited final FY21 Results to the market in late August 2021, with unaudited numbers released late July.

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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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