

SWICK MINING SERVICES

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Swick Company Update

Western Australia – Swick Mining Services Limited ('Swick', ASX: SWK), a leading provider of high-quality underground mineral drilling and engineering services, announces an update on the Company operations and recent corporate activities.

Scheme of Arrangement with DDH1 Limited on track for February implementation

The Scheme of Arrangement under which DDH1 Limited (DDH1) proposes to acquire all of the issued ordinary shares in Swick (Scheme) was passed without amendment by the requisite majorities of Swick shareholders on 17 January 2022.

The Scheme implementation is subject to the approval of the Court at a second Court hearing scheduled for 9.15 am (AWST) on 7 February 2022. If approved, Swick will cease trading on the ASX at close of trading on 7 February 2022. The Scheme is expected to be implemented on 16 February 2022, and on implementation all eligible Swick shareholders will receive 0.2970 new DDH1 shares for each Swick share held on the Record Date (9 February 2022).

Orexplore Technologies successfully demerged from Swick and listed on the ASX

The demerger of Orexplore Technologies Limited ("Orexplore", ASX: OXT) from Swick was approved by Swick shareholders on 22 December 2021. Orexplore subsequently completed a \$2.4 million Priority Offer to Swick shareholders and listed on the ASX on 21 January 2022.

The demerger of Orexplore was a key outcome of a Strategic Review conducted by the Swick Board in 2021 to consider the optimal corporate structure for both its main businesses – its core Underground Drilling (UD) Business and its 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.

As a part of the demerger from Swick, Swick provided A\$12 million of cash as seed funding to Orexplore on 23 December 2021.

Drilling Business (excluding sold RC division)

Swick averaged 57.9 full time equivalent (FTE) Rigs in work during 1H FY22, up around 12% on 51.9 FTE rigs in 1H FY21 ("previous corresponding period" or "PCP"). Rig utilisation is expected to increase further in 2H FY22 based on expected rig demands from existing customers and new contracts.

Shift utilisation in 1H FY22 was 91% compared to 94% in the PCP. Shift utilisation was impacted by ongoing COVID-19 related manning issues and labour shortages which affected getting crews to man rigs.

The Engineering division took an order for two rigs from one international customer during the period with one rig delivered during the first half period and the second to be delivered in the second half. The Engineering division is currently constructing Gen2 and DeepEX rigs for the Swick Operations division with seven rigs in build to be delivered to meet demand over the next six months. This will add to the current 72 rig fleet taking it to a total of 79 over the next six months.

The Drilling Business saw an increase in metres drilled and revenue of over 10% compared with the PCP, however due to the lower shift utilisation and an increase in wage and consumable costs, the Drilling Business is expected to deliver 1H FY22 EBIT margins similar to the PCP albeit on a higher revenue base. Steps are being taken to mitigate the impact of lower crew utilisation in the second half including higher onboarding volumes and increased training programs to allow the business to draw from a wider pool of candidates.

Resources sector fundamentals remain positive despite COVID-19 continuing to impact supply chains and access to labour. Swick manufactures its own underground drilling rigs for internal use and for external clients, and inventory levels remain well stocked to meet current activity levels in 2022. Access to labour has been impacted by COVID-19 related border restrictions and quarantine requirements, which have had a negative impact on targeted growth and rig shift utilisation levels in 1H FY22.

As with FY21, Swick's FY22 revenue and earnings are expected to be weighted towards the second half.

Swick Mining Managing Director Mr Kent Swick said: "Swick has successfully managed two significant corporate transactions in 1H FY22, while maintaining business performance in a challenging environment. The Scheme with DDH1 has been approved by Swick shareholders, as has the demerger of our minerals technology business Oreplore. This will position the business to continue its next phase of growth as a part of a broader DDH1 drilling services business, while allowing Swick shareholders to continue to participate in potential future upside from an ASX listed Oreplore."

"Our core Underground Drilling Business has continued the positive momentum in FY21 and made a good start to FY22. However, COVID-19 both directly through close contact quarantine and illness, and indirectly through border constraints, continues to impact our business and the sector.

"Despite this, the fundamentals in our business remain very positive with increased demand allowing us to add to our drilling fleet and mobilisation of an additional eight drill rigs is scheduled for the second half and we expect the business to deliver a stronger second half performance, as has been the case in previous years."

COVID-19

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. COVID-19 may continue to impact business operations going forward.

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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 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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Disclosure Statement:

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