

SWICK MINING SERVICES

ABN: 20 112 917 905

64 Great Eastern Highway
South Guildford WA 6055

PO Box 74 | Guildford WA 6935

T: +61 8 9277 8800

F: +61 8 9277 8844

W: www.swickmining.com

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ASX ANNOUNCEMENT

Swick Group delivers \$8m PBT and announces increased dividend**Highlights:**

- Swick's Drilling Business FY21 unaudited results as follows:
 - Revenue of \$154m (FY20: \$149m), an increase of 3%
 - EBITDA of \$30.4m (FY20: \$25.5m), an increase of 19%
 - EBIT of \$15.1m (FY20: \$4.2m), an increase of 260%
 - PBT of \$13.9m (FY20: \$2.7m), an increase of 415%
- Group level (including Orexplore) FY21 unaudited results include EBITDA of \$26.0m, EBIT of \$9.2m and Profit Before Tax of \$8.0m
- Final Dividend of 1.0 cents per share (FY21 total dividend of 1.45cps)
- Solid platform for growth heading into FY22
- Orexplore de-merger on track and expected to be completed by end of CY21

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 announce that its Drilling business will meet its FY21 earnings guidance. The Drilling Business delivered revenue of \$154m, EBITDA of \$30.4m and EBIT of \$15.1m for FY21 (subject to final audit).

The Drilling Business, including the newly established Swick Engineering, is Swick's primary business operation going forward following the sale of its Reverse Circulation (RC) division earlier in February, and the decision to demerge its Mineral Technology division, Orexplore, by the end of this calendar year.

Swick's Drilling Business has continued to perform strongly delivering a solid FY21 performance on the back of a growing order book, reliable operational performance, increased volume of rigs in work and revenue diversification. The Drilling Business generated free cash flow of \$18.3m (including \$5m cash proceeds from the sale of the RC division) in FY21.

At the Group level (including Orexplore), Swick delivered EBITDA of \$26.0m, EBIT of \$9.2m and Profit Before Tax of \$8.0m for FY21 (subject to final audit). Free cash generation was \$12.7m and the Group ended the year with a cash balance of \$15.1m. Net debt (excluding liabilities related to right-of-use assets) was \$2.6m. (subject to final audit).

The strong balance sheet position, positive Group cash flow generation and buoyant macro market conditions have supported the Board's decision to increase the final dividend to 1.0 cps fully franked (2H20: 0.3 cps fully franked). This brings the full year FY21 dividend to 1.45cps fully franked (FY20: 0.6 cps fully franked). The Swick Board expects the Drilling Business to be able to maintain this level of strong dividend payout going forward.

Swick's newest in-house engineering business, Swick Engineering, has also gained traction with four rigs sold in its first year since inception, and strong inbound enquiries entering FY22.

The Company sees growth potential from its recently established Future of Drilling ('Futures') Department which provides solutions in relation to ESG (Environmental, Social and Governance) matters faced by Swick's clients, to lower the carbon footprint of drilling and improve safety through automation.

Swick's Managing Director, Mr. Kent Swick, commented: "We are pleased to report the strong performance of the Drilling Business in FY21 with an EBIT of \$15.1m. This was in line with our market guidance and was achieved in a challenging business environment as we work in many states and regions still impacted by COVID-19. Despite the challenges caused by border closures and isolation periods, our entire workforce pulled their weight magnificently with many employees spending months located in states away from their own families which helped ensure we minimised the impact, although the equivalent of five rig months were lost due to quarantine conditions.

"Our DeepEX division is contributing well and ensures that deep, complex drilling is no longer dilutive, and we have had a solid start to the Engineering business. Reaching maturity at our major international contract in the US also helped improve our site margins despite drill rods across the business now being treated as a cost of goods sold instead of depreciated.

"Swick manufactures its own rigs and has a very well-established employee training and development program so we are well placed to take advantage of the strong macro environment and expand our business further into FY22.

"The Drilling Business is now focused on its specialty of underground diamond coring and our world class rig manufacturing facility. Swick Engineering is now established and adding value to the Group both in external sales and improved efficiencies on internal builds and rebuilds. Based on four rigs being delivered to international customers in the first six months of operation, we are targeting eight or more external sales in FY22.

"We have invested in additional inventory to ensure that new rigs are held in stock for both Swick's use and sale to third parties and an additional eight rigs are held in parts for rapid assembly for internal and external orders. That will provide Swick with a competitive advantage both when tendering for work as a contractor and when selling rigs to third parties who need them quickly for the increased global demand at present.

"Our Futures Department, which is focused on providing our clients with significant ESG benefits, will also be a significant contributor to our future growth. The Gen3 E-Rig is advancing, and we intend to be testing that in Q1 FY22 at a Western Australian site. The Gen3 E-Rig will be the first fully electric mobile diamond drill in the global market and will be operated by an advanced electric rotation head when drilling and allow battery powered tramming between sites. The Gen3 carrier has the same dimensions and versatility as our

GenII mobile drill which itself is a world class rig but will reduce the carbon footprint of underground core drilling by 50% compared to the current rigs in the market and produce zero diesel particulates or exhaust gas.

“With the planned demerger of Orexplora later this year, the Drilling Business will be our core business going forward and its strong performance along with our focus on disciplined capital management has allowed us to significantly increase our dividend payout. Our final dividend of 1 cent per share brings our full year dividend payout to 1.45 cents, more than double that in FY20. We believe the Drilling Business is well positioned to support this level of payout into the future.”

“We completed the FY21 year with a Full Time Equivalent (FTE) rig count of 55 rigs in work for the full year and expect that to grow to an average of 62 FTE rigs for the full FY22 year based on work in hand.

Orexplora

Swick remains committed to completing the Orexplora demerger by the end of calendar year 2021. The recent appointment of Brett Giroud as Managing Director is an important step as the business progresses towards this goal, to unlock future shareholder value from the separation of the two businesses.

Further information around the process related to the demerger and the specific outcomes and opportunity to Swick shareholders will be released in the near term.

Swick is expected to release its audited final FY21 Results to the market in late August 2021.

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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.

For further information:

Kent Swick
Managing Director
Ph: +61 8 9277 8800

Jitu Bhudia
Chief Financial Officer
Ph: +61 8 9277 8800

Media enquiries:

Elodie Castagna
FTI Consulting
Ph: +61 8 9321 8533

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