



Swick Mining Services Ltd

October 2018 Investor Presentation

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Chief Financial Officer – Jitu Bhudia

ASX: SWK

www.swickmining.com

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Unless otherwise stated all the currency disclosures in this presentation are Australian Dollars.

Information included in this presentation is dated 11 October 2018.

Who is Swick?

Established in 1995, Swick is ranked in the top five mineral drilling contractors globally (based on mineral exploration drilling services revenue), with 560 employees across operations in Australia, the USA and Europe



- Mobile underground diamond drilling rigs delineation for production at operating mines
- 69 rigs



- Above ground reserve definition and exploration at brownfield and greenfield sites
- 7 rigs



- World first unique mineral scanning technology that is non-destructive, immediate, and on-site
- Launched in May 2018

FY18 financial highlights

- Revenue: \$138m
- Drilling EBITDA (underground + surface): \$19.1m
- Lowered cost base set across the business
- Strongest quarter in Q4; taken this momentum into FY19

FY18 operational highlights

- Record total metres drilled of 1,207,554
- Average fleet utilisation of 74%, up from 70% in FY17
- Launch of Orexplore after seven years of development in Sweden – already secured five scanning agreements

Drilling Business



Fast Facts

Drilling:	Underground Delineation
Rig Type:	Swick Mobile Drill
Range:	+1,500m
Fleet Size:	69 Rigs (54 Asia Pacific & 15 International)
FY18 Revenue:	\$130.9 million

Underground Diamond division (69 Rigs)

- Swick pioneered the mobile underground diamond drill rig in 2004.
- In August, Swick crossed milestone of 10 million metres drilled since operations commenced.
- Delivering on strategy of increasing rig rates, with 8 out of 10 UD contracts successfully renewed while demobilising from below target margin contracts to release 12 rigs.
- Ramped up operations at Fosterville and Cosmo (Kirkland Lake Gold) projects (11 rigs).
- Won new work with Barrick Nevada at Turquoise Ridge mine.

Surface RC division (7 Rigs)

- Completed contract at Groote Eylandt (2 rigs).
- Won new work at Fosterville (1 rig).
- Surface RC drilling has experienced a rebound, reflected by new work won to date in FY19.
- Several small programs commenced during the Q1 FY19 that has led to increased utilisation.



Fast Facts

Drilling:	Reserve Definition & Expl.
Rig Types:	Swick RC Drills
Range:	+400m
Fleet Size:	7 Rigs (6 Swick & 1 tracked Schramm)
FY18 Revenue:	\$5.9 million

Mineral Technology Business

Orexplore technology

- GeoCore X10 core scanning machine and technology – world first, unique mineral scanning technology that is non-destructive, immediate, on-site.
- 3D Visualization of inside the core: Structure, Mineralogy and Lithology.
- Geochemistry to 100ppm in 10 minutes per metre.
- Significantly reduced sampling error and large volume analysis – analyse kilograms rather than grams of material.

Commercial achievements

- Launched in May 2018 – signed first commercial agreement with Saturn Metals within one month, contributing revenue in June 2018.
- Already secured a further 4 core scanning commercial agreements in FY19 with Calidus Resources, Kirkland Lake Gold, Gold Fields and Newmont.
- Secured X-mine (European Union project) grant of EUR1.1 million.
- Two machines based in Perth providing ongoing trial scans for dozens of resources companies as well as scanning core for revenue.

Technological achievements

- Development of gold spectrometer on track – prototype currently being tested in Sweden, expected release FY19.



Orexplore's GeoCore X10 Machine

Corporate Snapshot

Corporate Structure

- ASX: SWK
- Listed Nov 2006
- Shares outstanding: 231.5m
- Share Price: \$0.23
- Market Cap: \$53.2m

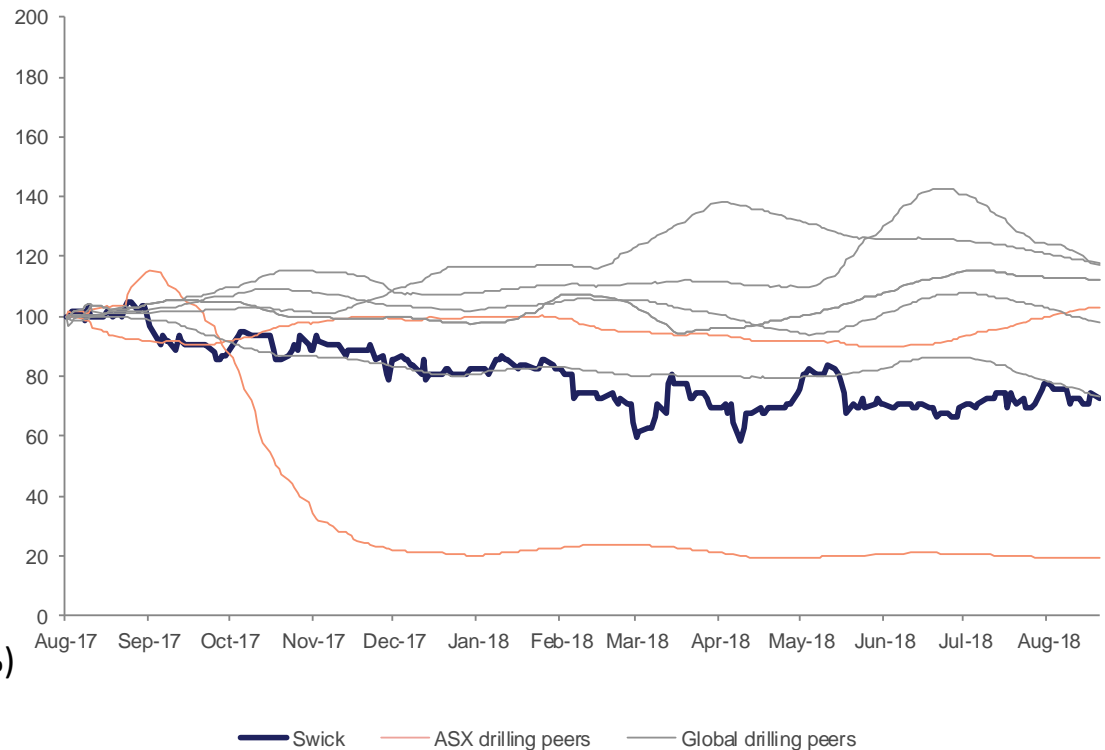
Board and Executive Management

- Andrew Simpson – Chairman
- Kent Swick – Managing Director
- Phil Lockyer – NED
- David Nixon – NED
- Ian McCubbing – NED
- Jitu Bhudia – CFO

Substantial shareholders

- Kent Swick (14.4%)
- Perennial Value Management (12.7%)
- Simone A Lourey (12.0%)
- Vanshap Capital (9.4%)
- Rosanne Swick (5.5%)

Share price relative to ASX and Global peers last 12 months to Aug 2018



ASX-listed peers are Mitchell Services and Boart Longyear

Note: share price, market cap, and substantial shareholders as at 30 September 2018



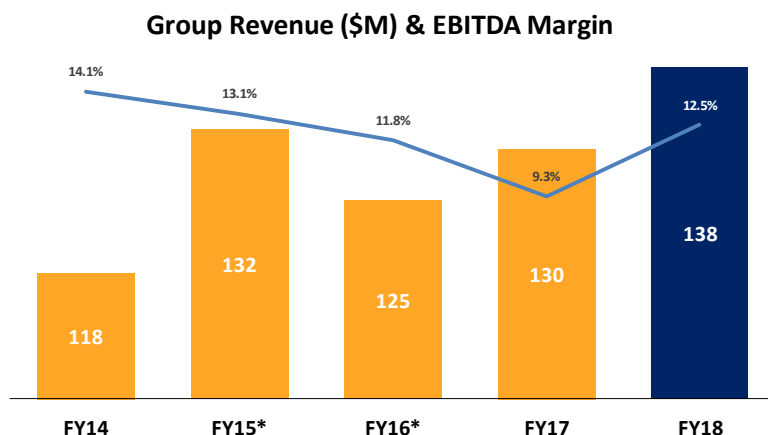
Financial overview

Chief Financial Officer – Jitu Bhudia

Group – financial performance

A\$ million	FY18	FY17	Change
Revenue & other income	138.2	130.0	6%
EBITDA	17.3	12.1	44%
<i>EBITDA margin</i>	<i>12.5%</i>	<i>9.3%</i>	<i>320 bps</i>
EBIT	0.4	(3.6)	112%
<i>EBIT margin</i>	<i>0.3%</i>	<i>(2.8%)</i>	<i>310 bps</i>
NPBT	(0.9)	(4.6)	80%
NPAT	(1.0)	(4.6)	79%

- FY18 revenue up 6% and EBITDA up 44%.
- Strong fourth quarter for Drilling Business – Q4 EBIT of \$1.9 million out of FY18 EBIT of \$2.4 million.
- Turnaround of Drilling Business further seen in Q1 FY19 results – EBIT of \$2.2m, close to all of FY18 EBIT.
- Improved earnings and margins by executing on strategy.
- Group FY18 EBIT of \$0.4 million.
- Narrow NPAT loss of \$1.0 million, a 79% improvement on FY17.
- Group earnings impacted by investment in revolutionary Orexplore mineral scanning technology.



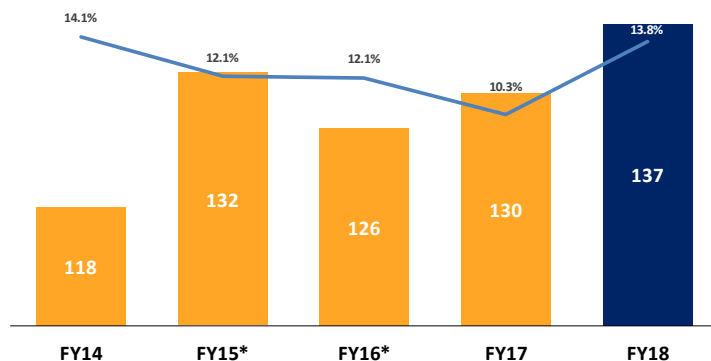
* before significant items

Drilling Business – financial performance

A\$ million	FY18	FY17	Change
Revenue & other income	137.1	129.9	6%
EBITDA	19.1	13.4	43%
<i>EBITDA margin</i>	<i>13.8%</i>	<i>10.3%</i>	<i>350 bps</i>
EBIT	2.4	(2.3)	203%
<i>EBIT margin</i>	<i>1.7%</i>	<i>(1.8%)</i>	<i>350 bps</i>

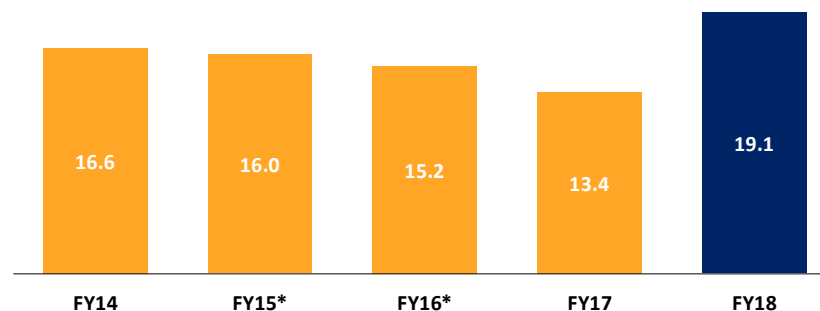
- Improved margins throughout FY18 by:
 - removing rigs from lower margin contracts and redeploying to better margin contracts;
 - increased volumes from Turquoise Ridge (USA) contract – fixed shift rate; and
 - reducing costs, both corporate and operational.
- Strategy has reset the business, as seen with 4Q18 performance (EBITDA \$6.2m, 18% margin) that has carried into 1Q19 (EBITDA \$6.8m, 19% margin) – providing momentum for FY19.

Drilling Business Revenue (\$M) & EBITDA Margin



* before significant items

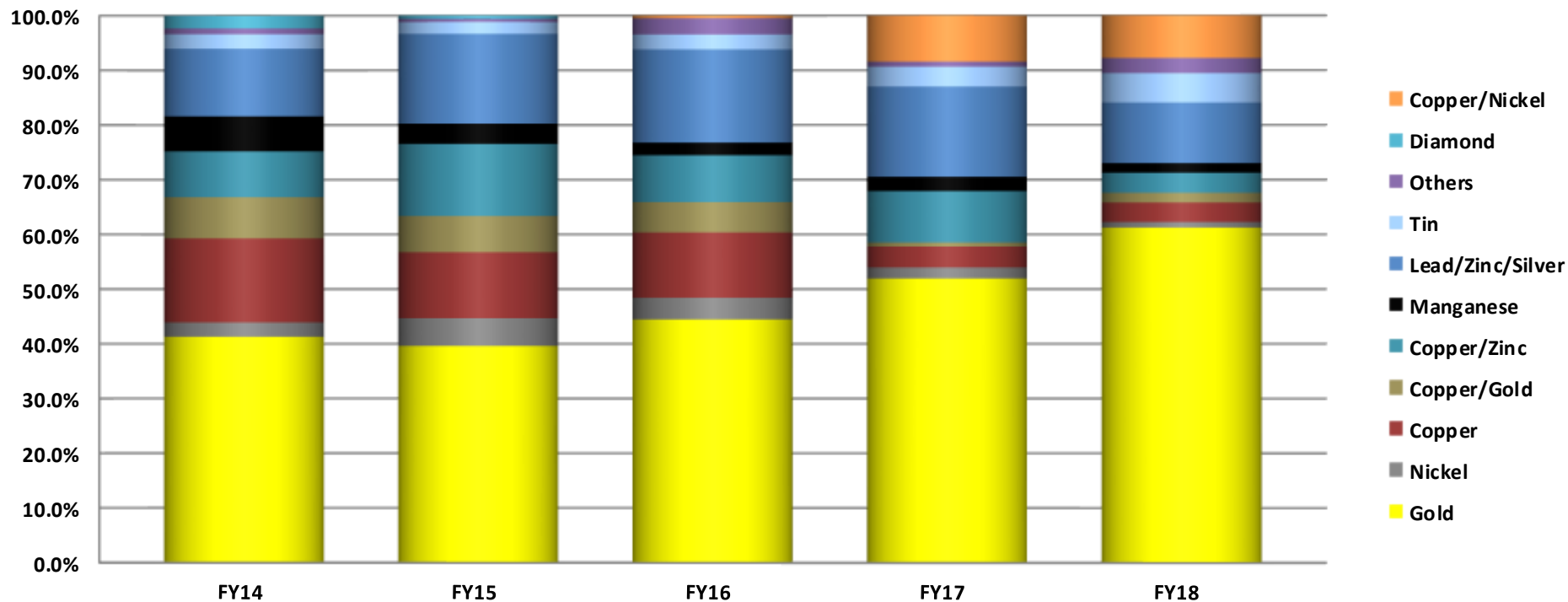
Drilling Business EBITDA (\$M)



* before significant items

Drilling Business – commodity breakdown

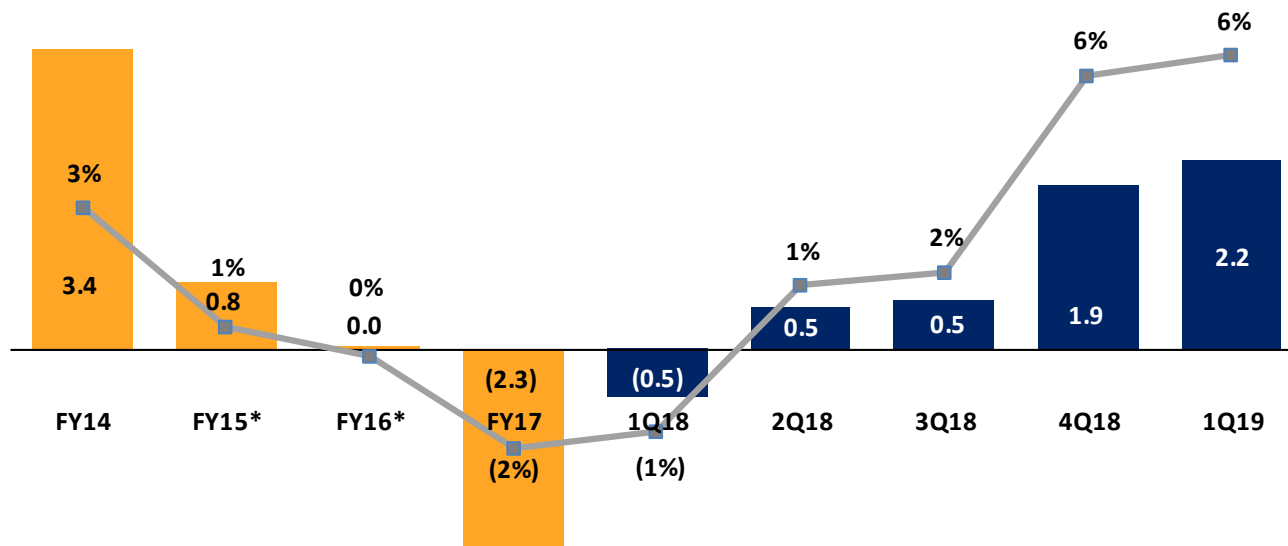
Drilling Revenue by Commodity



Drilling Business – earnings history

Improvement in Drilling Business profitability and margins throughout FY18 can be seen in below graph – culminated in strong 4Q18 earnings that have been replicated in 1Q19.

Drilling Business EBIT (\$M) and Margin



* before significant items

Mineral Technology Business – Financial Performance



A\$ million	FY18	FY17	Change
Revenue from Core Scanning	0.0*	-	-
Government Grants	0.9	0.1	800%
EBITDA	(1.9)	(1.3)	(47%)
EBIT	(2.1)	(1.3)	(58%)

- First Commercial Agreement executed with Saturn Metals in June 2018.
- * First core scanning revenue of \$3,000 earned in last week of June 2018 following launch of the GeoCore X10 core scanning machine and technology in May 2018.
- Increase in expenditure in relation to increased development activity and launch of the GeoCore X10 core scanning machine.
- Executed additional commercial core scanning agreements with Calidus Resources, Kirkland Lake Gold, Gold Fields and Newmont in 1Q19.
- Revenue expected to be small in early stages of commercialisation.
- Potential to disrupt the minerals analysis industry – Swick has track record with mobile rigs disrupting the underground diamond drilling.

Group – cashflow

A\$ million	FY18	FY17	Change
EBITDA	17.3	12.1	44%
Working capital improvement	(0.1)	3.4	103%
Operating cash flow before interest and tax	17.2	15.5	11%
<i>EBITDA cash conversion</i>	<i>100%</i>	<i>129%</i>	
Tax refund	0.2	1.7	(88%)
Net interest paid	(1.3)	(1.0)	30%
Operating cash flow after interest and tax	16.2	16.3	(1%)
Cash used in investing activities *	(14.1)	(17.9)	(21%)
Free cash flow generated	2.1	(1.6)	231%
Cash from/(used in servicing) debt	0.7	5.9	(88%)
Cash from/(used in servicing) equity	(0.2)	0.0	
Net cash flow	2.6	4.2	(38%)

Note: Totals may not add due to rounding

* Excludes PP&E acquired under finance leases of \$2.5M in FY18 (FY17: nil)

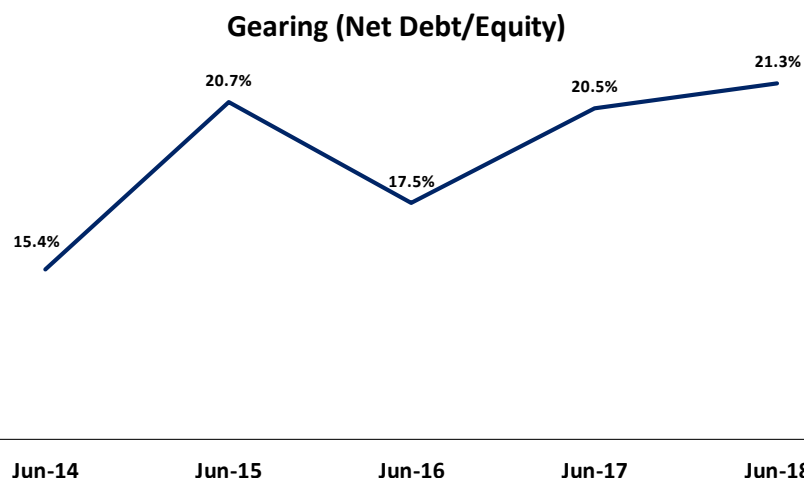
- Generated free cash flow of \$2.1 million
- FY18 capex spend (including PP&E acquired under finance leases) of \$16.6 million, below FY17 capex spend of \$17.9 million.
- Limited working capital investment despite 6% increase in revenue.

Group – financial position

A\$ million	FY18	FY17
Cash	11.5	8.8
Receivables	16.0	16.7
Inventories	13.8	15.1
Property, plant and equipment	77.4	77.8
Intangible assets	12.7	12.2
Other assets	3.2	3.9
Total assets	134.6	134.5
Payables	15.4	19.3
Borrowings	29.2	26.0
Employee obligations	6.0	5.4
Other liabilities	0.7	0.1
Total liabilities	51.3	50.8
Shareholders' equity	83.3	83.7

Note: Totals may not add due to rounding

- Strong balance sheet provides flexibility and liquidity.
- Increase in debt to fund capital requirements to put new rigs to work.
- Net debt increased marginally from \$17.2 million to \$17.7 million.
- Gearing (Net Debt/Equity) increased from 20.5% to 21.3%.
- Net tangible assets (NTA) per share of 30.5 cents.





Outlook

Managing Director – Kent Swick

Drilling Business

1. Leveraged to mine operations and volume, not exploration

- Providing underground core drilling services to operating mines
- Clients drilling more complex and deeper ore bodies meaning more underground drilling

2. Positive market outlook

- Commodity prices have remained strong over the last financial year and are expected to stay strong.
- Increased demand for rigs in the last quarter an early indicator of growth.
- Plenty of well-funded companies across the wider spectrum increasing their exploration and development drilling budgets predominantly in brownfield areas.

3. Global market leading status in underground coring

- Entered FY2019 with key drilling contract renewals.
- Operational Performance unmatched – Safety, Productivity, Quality, Reliability.
- Competitive Advantage continues to widen – technology, power, automation.

4. Establishing new product offering in USA

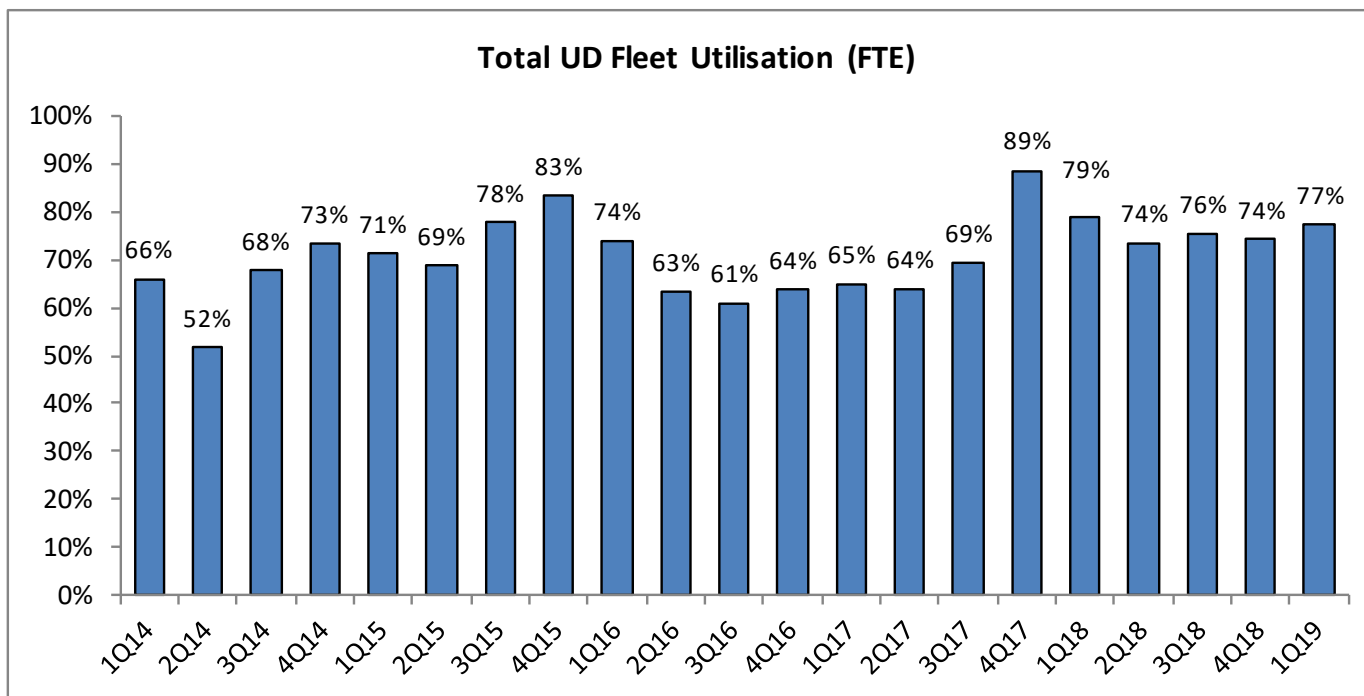
- Developing underground RC capability to be interchangeable with UD feed rails on same rig (Multi Purpose).
- Established in Nevada with opportunities in a world class mining district.

5. Rates – appetite for production over costs

- Targeting better rates for drill rigs and maintaining strong utilization of UD rigs.

UD Rig Utilisation & Demand

- Swick measures Rig Utilisation on a full time equivalent (FTE) basis, rigs in use at period end may vary from the FTE figure for the quarter.
- Optimum utilisation for UD fleet is in the range 85% - 90% on an FTE basis to allow for rotations, rebuilds and to meet the variability of existing client demands.
- Based on work in hand, rig utilisation in 2Q FY19 is expected to be 82%, with a utilisation rate at the end of the quarter of 85%.



Mineral Technology Business



1. R&D is in our DNA

- Despite the downturn in the last few years, Swick continued its R&D investment in the Orexplora technology – this is now expected to reap benefits.
- Proven track record with mobile underground diamond rigs.

2. Disruptive Technology – Orexplora Mineral Analysis

- Swick disrupted the underground core drilling industry in 2004 with the development and successful launch of the Swick Underground Mobile Rig – we are now ready to disrupt the Mineral Analysis industry with the launch of the Orexplora mineral analysis technology.

3. R&D Business that is well funded and already generating revenue

- Orexplora technology funded by buoyant Drilling Business.
- Already earning revenues from commercial core scanning agreements with 5 clients – achieved commercialization in less than two months from launch.
- Development of gold spectrometer on track – expected release FY19.
- Progress commercialisation of Orexplora and ensure product development meets client requirements.

Outlook



- Addressed underperforming contracts.
- Three-month extension of the Tanami and Mt Charlotte at improved rates – will enhance earnings in 2Q FY19. Swick to participate in tender process.
- Additional contract wins may present an opportunity for expansion – any newbuild rigs likely to be debt funded.
- Experienced a rebound – increased utilisation in 1Q FY19.
- Outlook remains strong with recent contract awards from Kin Mining and Cobalt Blue Holdings commencing in the second quarter.
- Clients introducing the technology and its application to their regional technical teams – could increase lab-based volumes and ultimately site-based installation opportunities
- High potential from Orexplore technology to materially benefit holders in medium term.

- Turnaround in Drilling Business performance throughout FY18 being carried into FY19, as seen with strong Q1 FY19 result.
 - Strong balance sheet – delivered cash generation and debt reduction through down cycle.
 - Improved rig rates and utilisation expected to drive increased profitability and cashflow in FY19.

Questions?