



Swick Mining Services Ltd

FY18 AGM Presentation

9 November 2018

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 8 November 2018.

Corporate Snapshot

Corporate Structure

- ASX: SWK
- Listed Nov 2006
- Shares outstanding: 231.5m
- Share Price: \$0.24
- Market Cap: \$56.7m

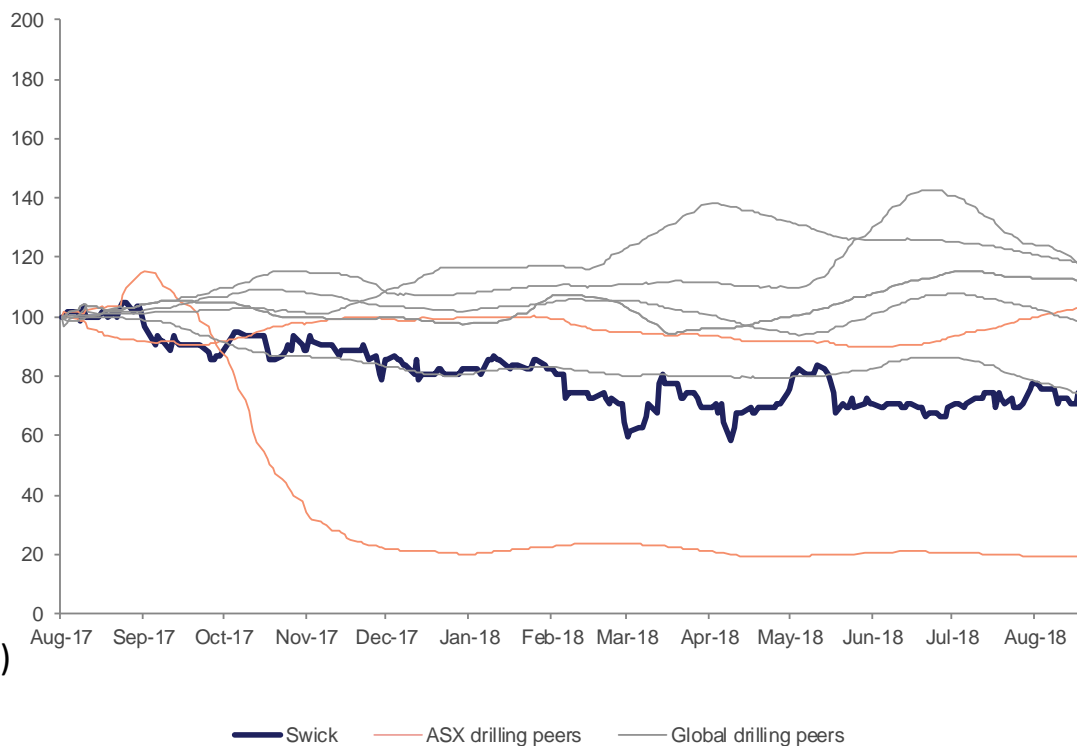
Board and Executive Management

- 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%)
- Circle 5 Management (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

Drilling Business FY18



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)

- 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 Underground Diamond (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.
- Contract awards in 1Q 19 and tendering activity lead to optimism for a rebound in 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 FY18



Orexplore technology – GeoCore X10 instrument and Insight software

- World first mineral scanning technology - non-destructive, immediate, on-site.
- 3D Visualization of inside the core: Structure, Mineralogy and Lithology.
- Geochemistry to 100ppm in 10 minutes - 0.1ppm in development.
- Analyse kilograms rather than grams of material – reduced sampling error.

Commercial achievements

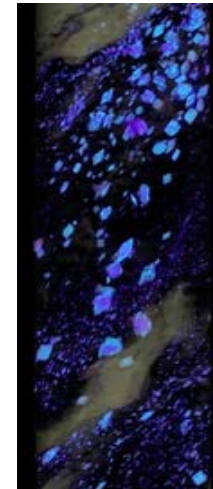
- Launched May 2018 – first commercial work (Saturn Metals) in June 2018.
- Further 5 commercial agreements in FY19 with Calidus Resources, Gold Road, Kirkland Lake Gold, Gold Fields and Newmont.
- Secured X-mine (European Union project) grant of EUR1.1 million.
- Lab established in Perth working on trials and commercial scanning.

Technological Development

- Development of gold spectrometer (0.1ppm target accuracy) in progress – prototype currently being developed in Sweden.



Orexplore's GeoCore X10 Machine



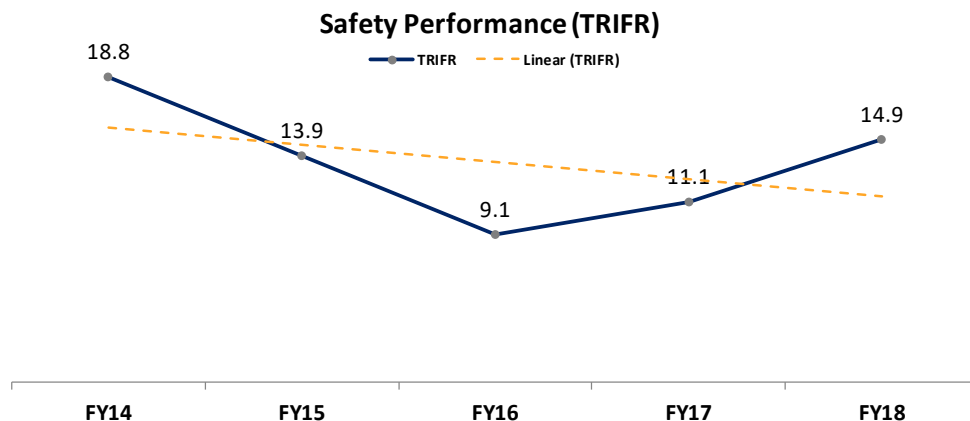
Orexplore's CT Image

Safety – Towards Zero Harm

- All new starters inducted through award winning training facility in Perth HQ.
- Safety performance normalising in an expected range given exposure and workforce size.
- 100% implementation of IPAD technology with HSE tools and training videos.
- Targeting improvements in in-field access to instructional videos.
- Significant engineering projects in progress to reduce total weight exposure to helpers by up to 80%.



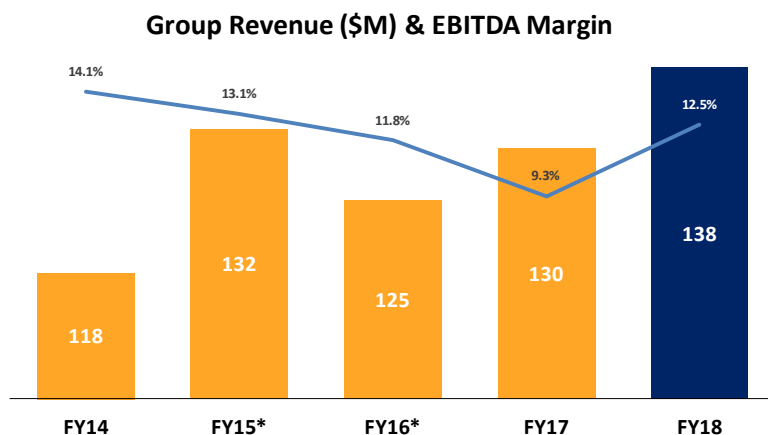
Swick Training & Induction Facility



Group – FY18 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 Orexprole mineral scanning technology.



* before significant items

FY18 Results Overview by Division

Drilling Business

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
 - 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.

Mineral Technology Business

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.
- 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%)

- 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.

Note: Totals may not add due to rounding

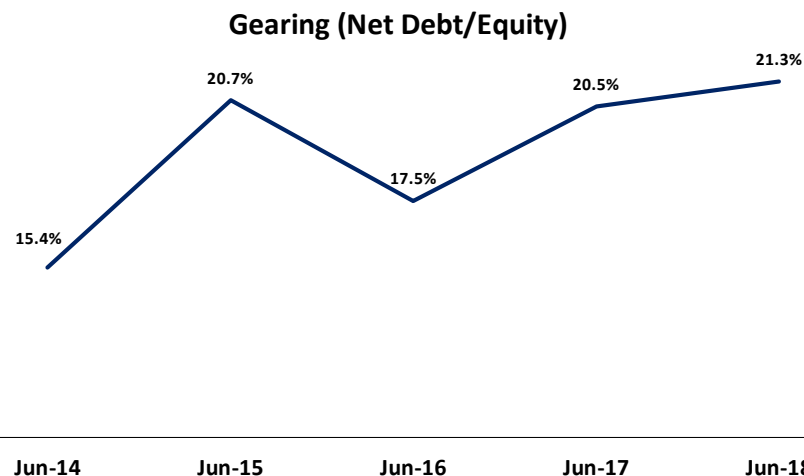
* Excludes PP&E acquired under finance leases of \$2.5M in FY18 (FY17: nil)

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.

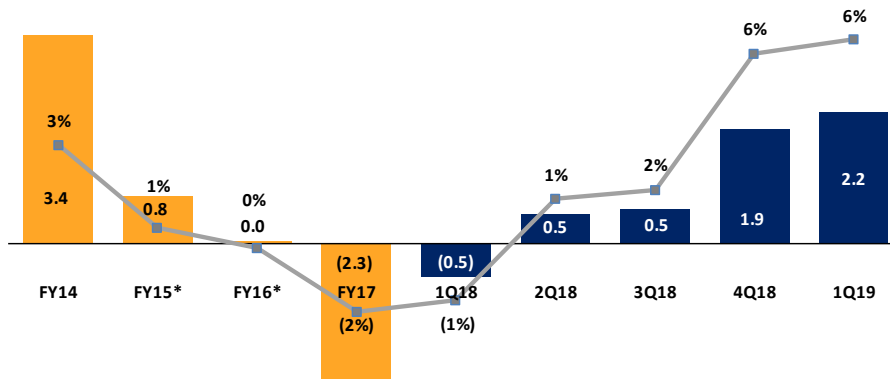


1Q FY19 Overview

Strong 1Q FY19 performance from the Drilling Business

- Revenue of \$36.7 million.
- EBITDA of \$6.8 million, up 93% over the pcp (Q1 FY18: \$3.5 million), reflecting shifting drill rigs onto better performing contracts or new projects.
- EBIT of \$2.2 million (representing an EBIT margin of 6%).

Drilling Business EBIT (\$M) and Margin



* before significant items

Continued commercialisation of Orexplore

- Converted trials into contracts.
- Dozens of resource companies planning to send core for trial scans at the Orexplore laboratory in Perth.

Operations at a glance



Outlook - 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

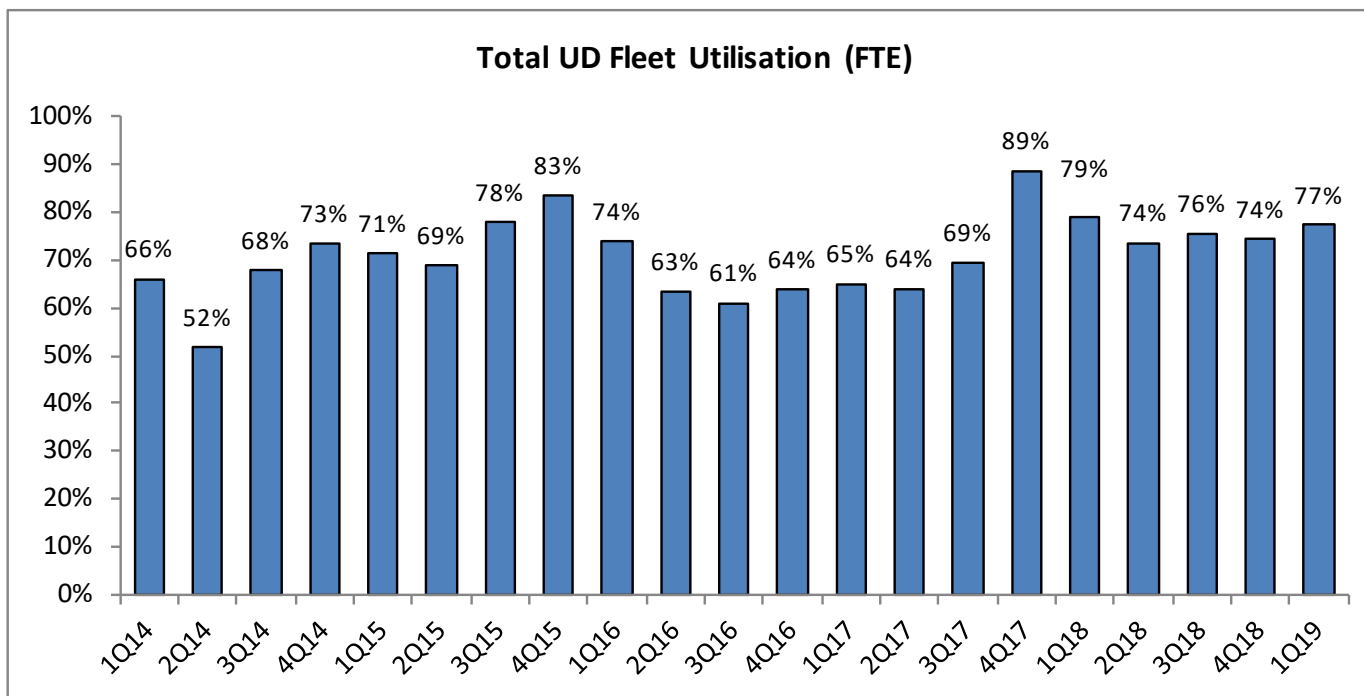
- Developing underground RC capability to be interchangeable with UD feed rails on same rig (Multi Purpose).
- Established in Nevada with opportunities in a world class mining district.

5. Rates – appetite for production over costs

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

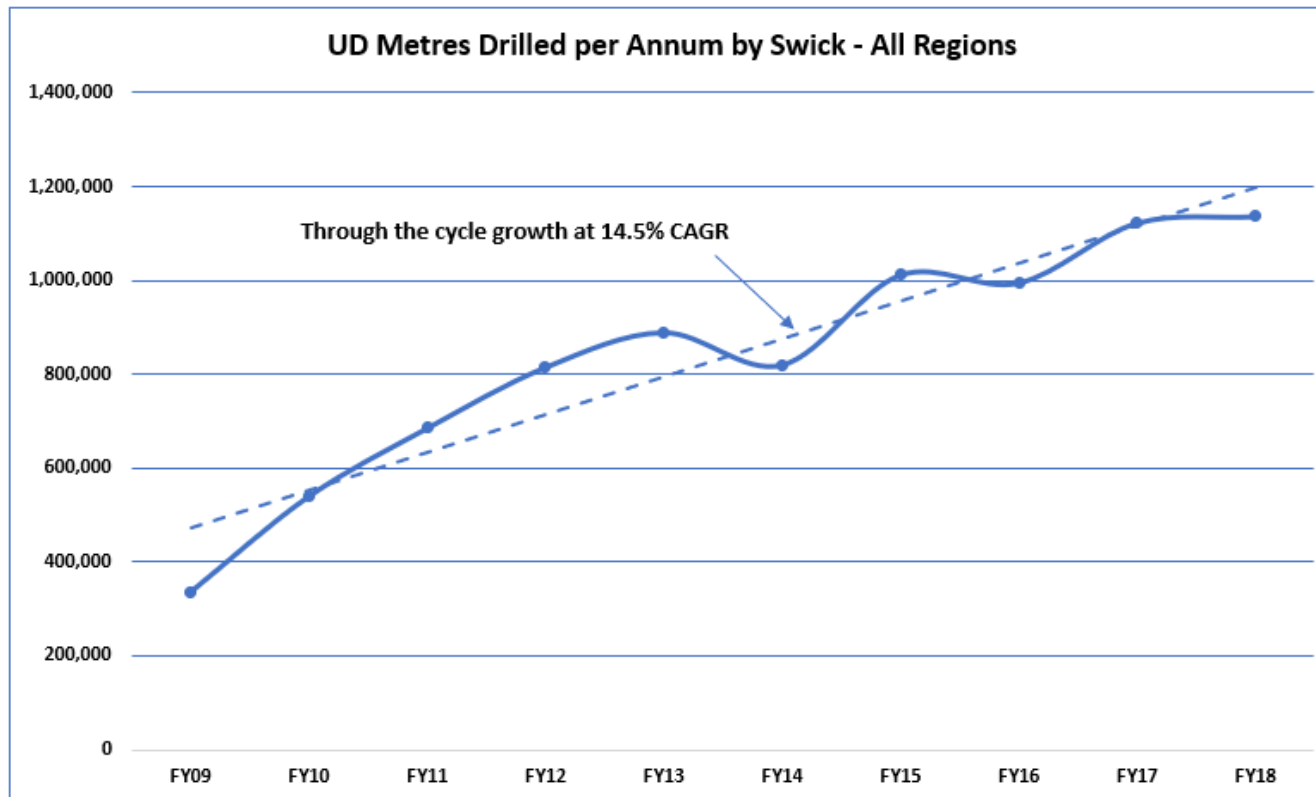
UD Rig Utilisation & Demand

- 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%.



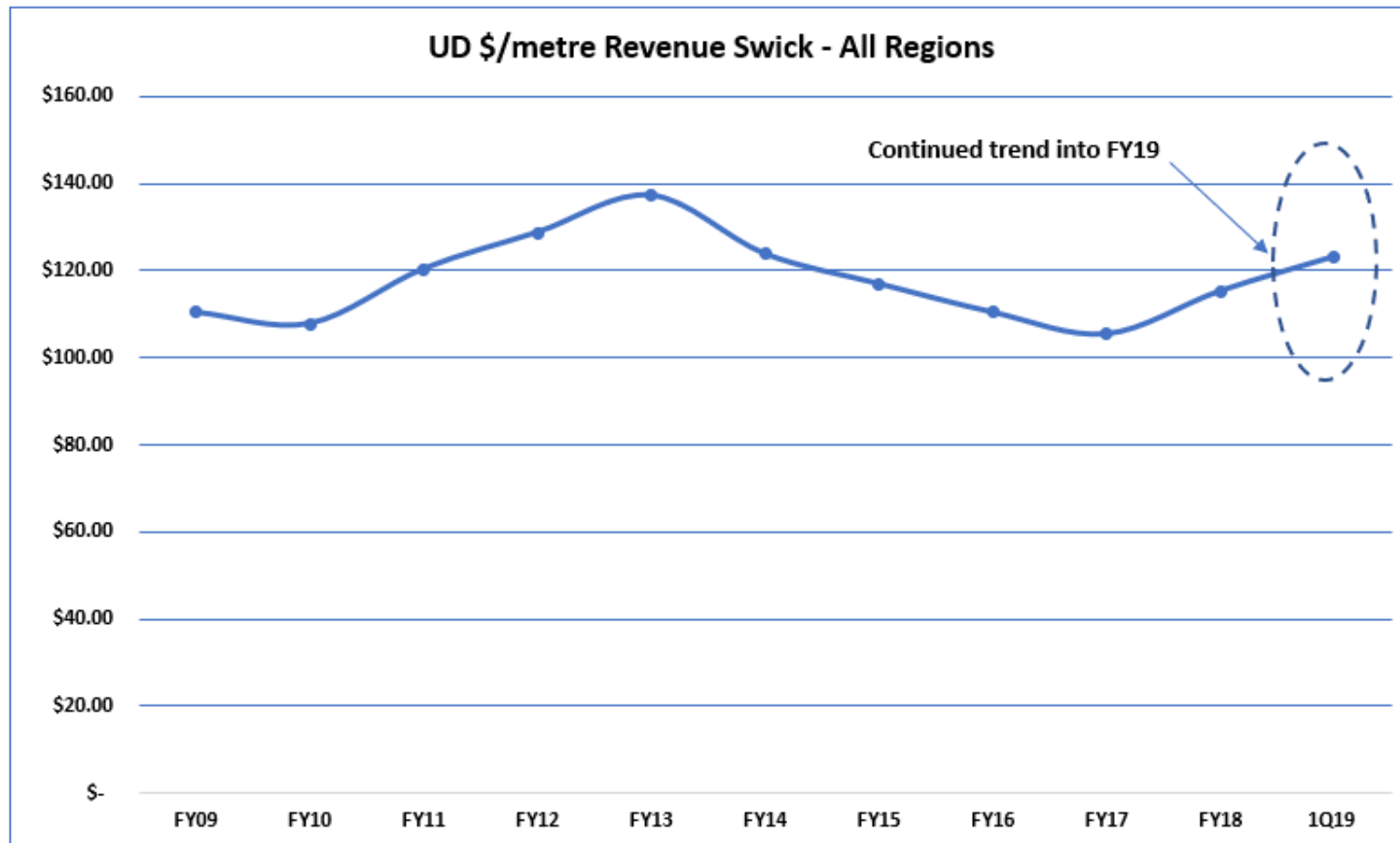
Underground Coring – growth through the cycle

- Swick has grown volumes through the cycle – and our brownfield focus de-risks against drops in demand.
- Growth without acquisition proves the product/service is attractive to market.
- Many opportunities still exist in the three regions we operate – Australia, USA and Europe.



Rates vary with macro market – now improving

- Strategy of moving rigs out of underperforming contracts being executed.
- Tender pipeline is strong with many opportunities with existing and new clients.



Outlook - 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 all areas of the business
- Orexlore funding has been allowed the technology to move from a concept to a commercial product in five years

2. Disruptive Technology – Orexlore Mineral Analysis

- Orexlore is a disruptive business, this unique mineral analysis technology is on track to be a market leader
- Technology and software upgrades will be a constant – continually improving the product and its value to the market
- Working on concepts beyond core scanning – chip analysis, flow analysis

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

- Orexlore technology funded by buoyant Drilling Business.
- Already earning revenues from commercial core scanning agreements with 6 clients – achieved commercialisation in less than two months from launch.
- Development of gold spectrometer on track – expected prototype testing FY19.
- Progress commercialisation of Orexlore and ensure product development meets client requirements.

Outlook



- Addressed underperforming contracts.
 - Opportunities for increased volumes in all areas of our business.
 - Rigs approaching optimum utilisation rates ~85% in CY19
 - Any new rig builds will be on the basis of opportunity and tenure
 - Awaiting outcome of Newmont tender (currently 11 rigs) to assess needs
 - 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 1Q 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.

Thank You