

FY19 AGM PRESENTATION

8 NOVEMBER 2019

Kent Swick

MANAGING DIRECTOR

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

Information included in this presentation is dated 7 November 2019.

CORPORATE OVERVIEW

WELL ESTABLISHED WITH PROVEN TRACK RECORD



LEADERSHIP TEAM



KENT SWICK
MANAGING DIRECTOR



JITU BHUDIA
CHIEF FINANCIAL
OFFICER



ANDREW SIMPSON
CHAIRMAN



IAN McCUBBING
NON-EXECUTIVE
DIRECTOR



DAVID NIXON
NON-EXECUTIVE
DIRECTOR



ALAN BYE
NON-EXECUTIVE
DIRECTOR



STUART CARMICHAEL
NON-EXECUTIVE
DIRECTOR

SUBSTANTIAL SHAREHOLDERS

- Kent Swick
- Perennial Value Management
- Hercules International
- Vanshap Capital
- Castle Point Funds

CORPORATE STRUCTURE

- ASX code: SWK
- Listed: Nov 2006
- Shares issued: 266.1m*
- Share price: \$0.22*
- Market capitalisation: \$60.3m
- Enterprise value: \$78.3m

* As at 5 November 2019

FY19 OVERVIEW

ONE OF AUSTRALIA'S LARGEST MINERAL DRILLING CONTRACTORS



EXECUTED ON STRATEGY

- Successfully shifted Underground Diamond Drilling rigs onto better performing contracts or new projects.
- Improved efficiencies by reducing costs at both the operating and corporate level.
- Renewed or awarded drilling contracts in the year leading to significant increase in rigs in FY2020.
- 18 customers scanned core using Swick's revolutionary core scanning technology, Orexplore, since its launch in May 2018.
- Grew workforce to over 580 employees.

REFLECTED IN IMPROVED FY19 RESULTS

- Growth in revenue and EBITDA, meeting FY19 guidance.
- Revenue of \$144.4m, up 4.5%.
- EBITDA of \$25.5m, up 47.3%.
- Return to a positive NPAT of \$1.0m.
- Strong conversion of EBITDA to cash, with cashflow from operations of \$23.6m, up 46%.
- First dividend since 2016 – declared final dividend of 0.6cps (fully franked) for full year FY19.

COMMENCED RIG DEPLOYMENT AT NEW PROJECTS IN FY20

- Entered year with \$353 million order book.
- Net additional 16 underground diamond drill rigs expected to go to work across one new and six existing sites in H1 FY20.
- Increased level of rig mobilisations may result in not as strong earnings compared to prior year, while revenue growth is still expected for FY20.
- Investing for next phase of growth through expansion of DeepEX rig fleet as demands for deeper and more technical drilling increase.
- Progressing commercialisation of Orexplore – targeting revenue generation in its second full year since launch, with mine-site trials to represent a significant milestone.

FY19 OPERATIONAL HIGHLIGHTS

PROGRESS ACROSS THE GROUP'S BUSINESSES



Underground Diamond Drilling (76 rigs)

- Expanded global rig fleet to provide capacity for growth.
- Mix of high-quality clients with market proportional commodity exposure led by gold and copper.
- International strategy yielding results – one-third of rigs now deployed outside of Australia.

Surface RC Drilling (7 rigs)

- Reserve definition and exploration drilling.
- Brownfield opportunities are presenting so have taken the opportunity to start preparing all rigs for a return to work.
- Continue to assess the best options to generate returns for shareholders from this division.

Orexplore

- Launched in May 2018 – focus on commercialisation.
- Working with major companies towards the goal of installing mine based laboratories.
- Significant development in gold detection with a through the core coarse gold (200µm) viewer.
- Development of a full function, mine site-based scanning service with a pilot targeted to commence in 3Q FY20.

SAFETY

TOWARDS ZERO HARM



Focused on lowering TRIFR to a below a target of 10.0 by the end of FY20 by:

- While adding a significant number of new rigs in field Swick achieved an improvement in the total recordable injury frequency rate (TRIFR) down to 9.93 in 1Q FY20 from 17.7 in the prior corresponding period.
- Rolling out significant R&D improvements developed in FY19 that will lower the total weight exposure to drill helpers by around 50%, greatly reducing the direct risk of injuries and also reducing fatigue.
- Implementing a world first electromagnetic shield around the feed rail developed with a specialist supplier that creates which identifies when underground workers breach the zone, isolating all power to the rail. Program commenced to fit all Swick UD rigs with the system, providing another competitive advantage.
- Conducting a surface electromyography (sEMG) project to explore the neuromuscular system relationship between muscle activation, movement and force.
- Continually exploring scientific research and development for ways to increase performance, reduce fatigue, improve ergonomics, accelerate injured workers' recovery and reduce injury risk factors.
- Having the capacity to engineer out injury risk factors and improve procedures and training to minimise harm.

SAFETY PERFORMANCE (TRIFR)



Recordable injuries per 1,000,000 manhours

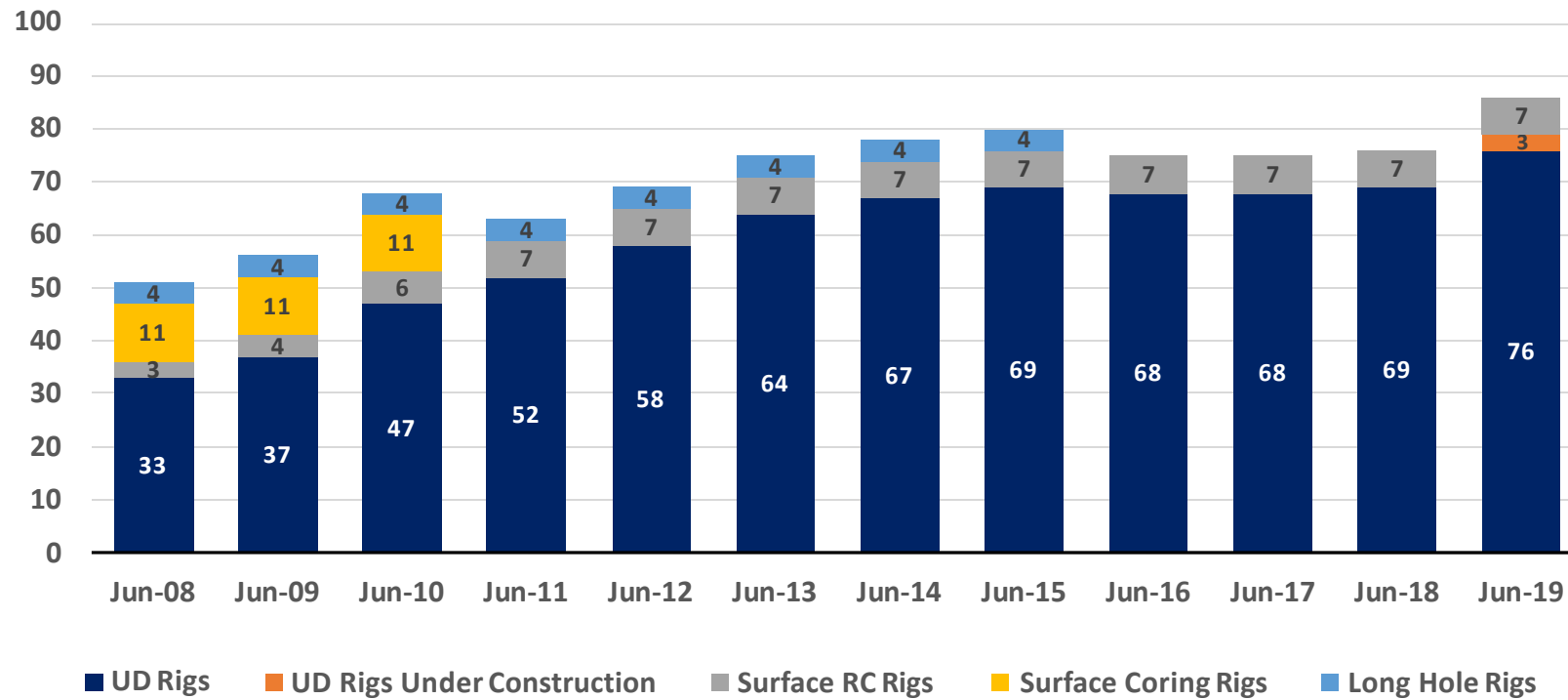
Jun-15 Jun-16 Jun-17 Jun-18 Jun-19

RIG FLEET

SWICK RIG FLEET OVER THE LAST 12 YEARS



Swick Rig Fleet History



FY19 RESULTS

FINANCIAL OVERVIEW

STRONG FINANCIAL PERFORMANCE

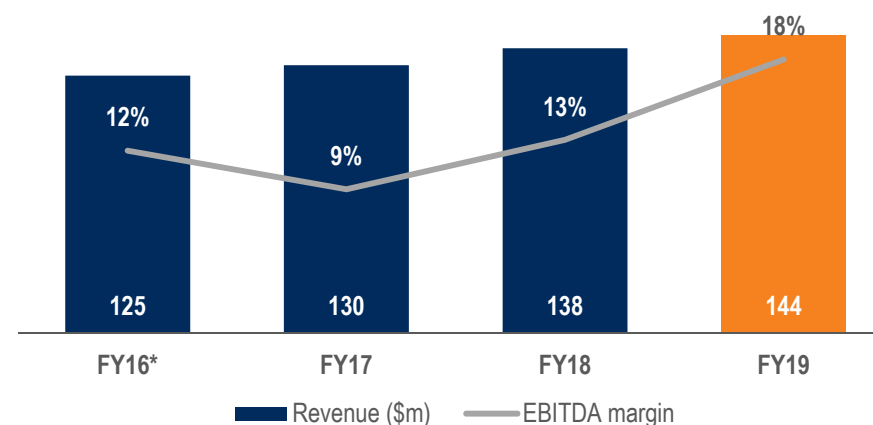


- Growth in earnings through strategy of:
 - Renewing contracts at improved rates or moving rigs into new contracts at target margins.
 - Reduction in operating costs and enhanced performance.
 - Adopting a low risk fixed shift rate commercial structure in difficult or complex drilling scopes.
- Group margins impacted by ongoing strategic investment in Mineral Technology business.
- Return to positive statutory NPAT after five years.
- Earnings growth and solid balance sheet has supported return to dividends – 0.6cps final dividend (fully franked) is for full year FY19.

GROUP PERFORMANCE

A\$ million	FY19	FY18	Change
Revenue & Other Income	144.4	138.2	↑ 4.5%
EBITDA	25.5	17.3	↑ 47.3%
<i>EBITDA margin</i>	<i>17.7%</i>	<i>12.5%</i>	↑ 520 bps
EBIT	4.6	0.4	↑ 929%
<i>EBIT margin</i>	<i>3.2%</i>	<i>0.3%</i>	↑ 290 bps
NPAT	1.0	(1.0)	n/a
Dividend	0.6cps	Nil	↑ 0.6cps

GROUP REVENUE & EBITDA MARGIN



* Before significant items

DRILLING BUSINESS

FINANCIAL PERFORMANCE

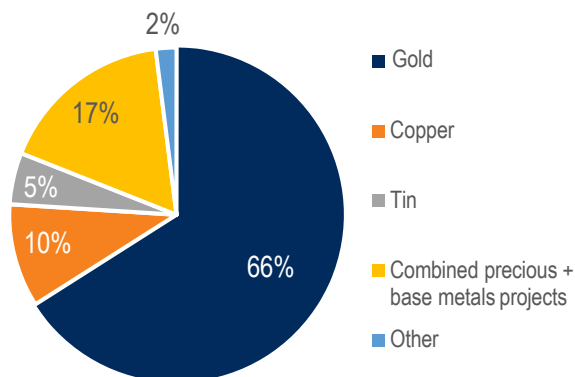
- EBITDA margin grew to 20% and revenue per shift increased 9%, reflecting delivery of strategy.
- 1,036,182 metres drilled, down by 8.9%, as rigs demobilised and transitioned to new sites in 2H FY19.
- Reduced operating costs per shift by 1.0% despite demobilisation and transition costs.
- International business revenue grew to 20%.
- RC division revenue of \$5m, down 17%, reflecting sporadic nature of work won.



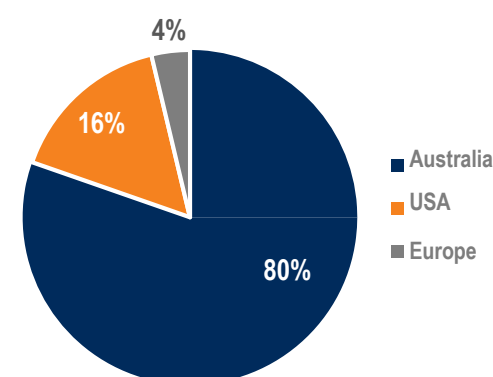
DRILLING BUSINESS PERFORMANCE

A\$ million	FY19	FY18	Change
Revenue & Other Income	142.9	137.1	↑ 4.2%
EBITDA	28.2	19.1	↑ 47.8%
<i>EBITDA margin</i>	<i>19.7%</i>	<i>13.9%</i>	↑ 580 bps
EBIT	9.2	2.4	↑ 288%
<i>EBIT margin</i>	<i>6.4%</i>	<i>1.7%</i>	↑ 470 bps

REVENUE BY COMMODITY



REVENUE BY GEOGRAPHY

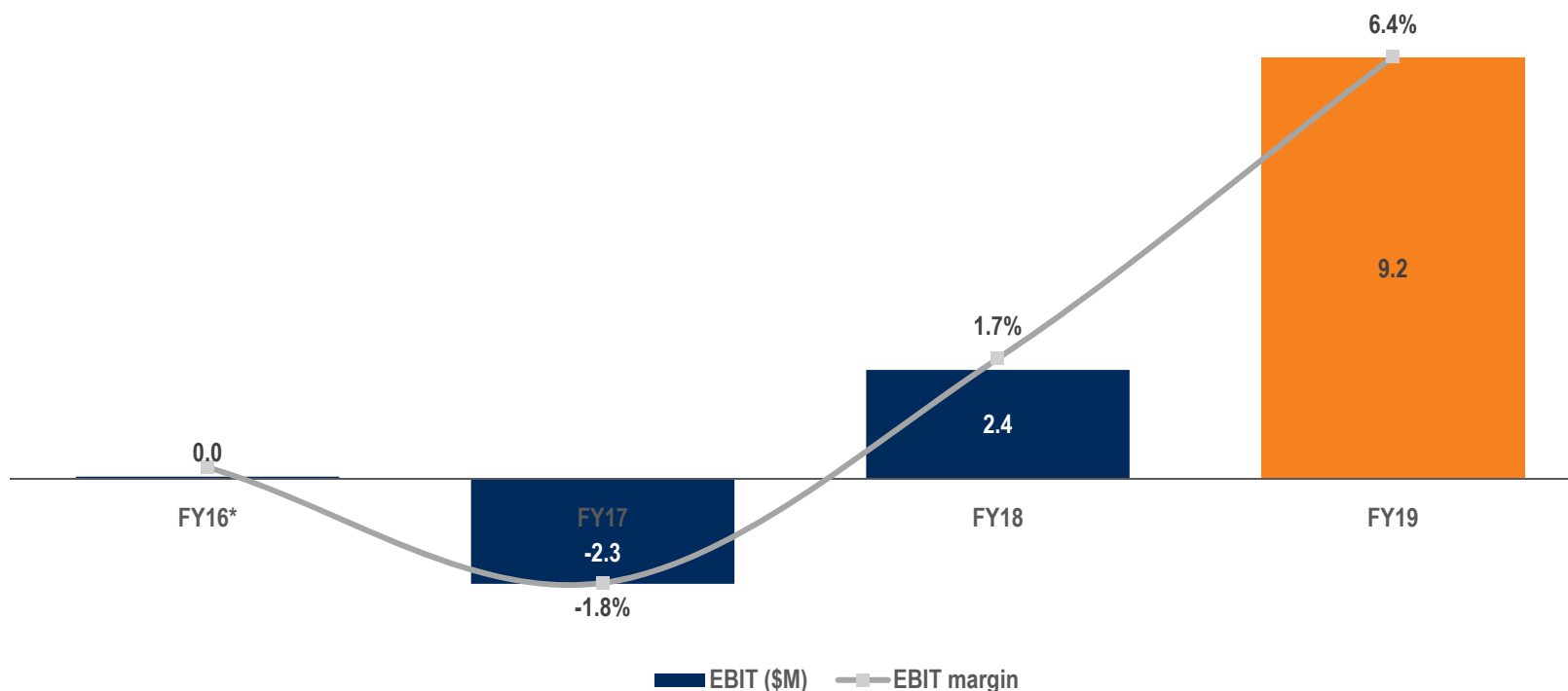


DRILLING BUSINESS

GROWTH TREND IN EARNINGS AND MARGINS



DRILLING BUSINESS EBIT (\$M) AND MARGIN

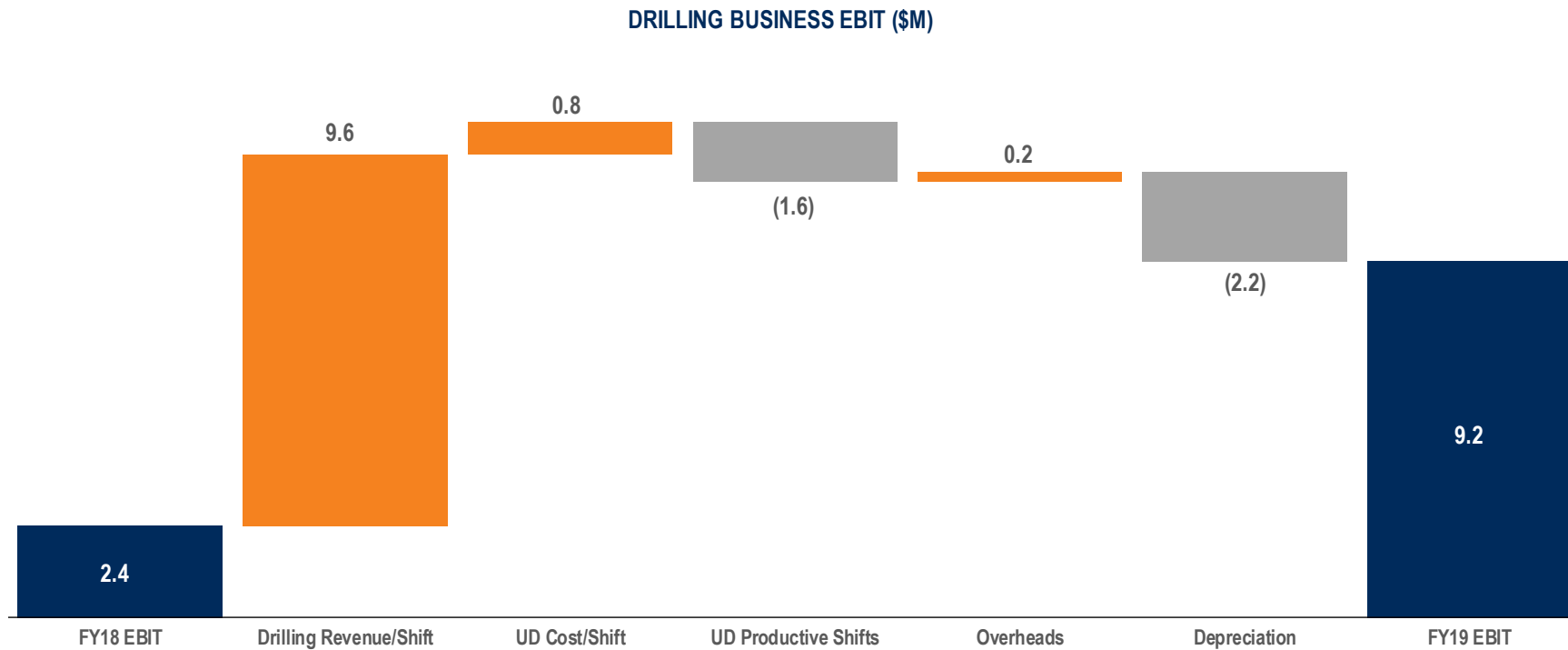


* Before significant items

- Drilling Business delivered EBIT of \$9.2 million at a margin of 6.4 per cent in FY19 – best result in 6 years.
- Adapted during challenging years – worked with clients to maintain critical level of rigs at work, and restored margins as conditions have improved.

DRILLING BUSINESS

EBIT WATERFALL



- 9% improvement in revenue per shift and 1% reduction in cost per shift contributed to increase in FY19 EBIT.
- Shifts worked dropped by 3% due to strategy to move rigs to better contracts.

MINERAL TECHNOLOGY BUSINESS

FINANCIAL PERFORMANCE



- Working with potential in-field mine based customers at a lab scale with the intent to work towards permanent on-site installations in the near future.
- Built brand awareness – worked with wide range of clients undertaking core scans.
- Continued to invest in the business:
 - Three new specification GeoCore X10 machines delivered in July 2019 for the first mine-site installation and pilot project.
 - Significant new software feature added allowing the identification of coarse gold grains inside the full drill core.
 - Prototype precious metal spectrometer being advanced with an accuracy target of below 0.5ppm for all precious metals within the core.
- A successful completion of the mine-site pilot project expected to result in revenue generation in 2H FY20 that will reduce cash drain on Group.

MINERAL TECHNOLOGY BUSINESS PERFORMANCE

A\$ million	FY19	FY18	Change
Revenue from core scanning	0.031	0.003	↑ 933%
Government grants	0.6	0.9	↓ 33.2%
EBITDA	(3.3)	(1.9)	↓ 74.9%
EBIT	(5.3)	(2.1)	↓ 157%

CASH FLOW



- Growth in earnings translated to cash – with a 45.8% increase in operating cash flow before interest and tax, representing EBITDA to cash conversion of 98.5%.
- Total FY19 capex spend of \$24.1m (FY18: \$16.6m).
- FY19 growth capex spend of \$9.6m, including capex spend in Oreplore of \$2.0m (FY18: \$1.9m) was fully funded from operating cash flow.
- Preparations for additional rigs going to sites in early FY20 saw an increased capital spend in the final quarter of FY19.
 - Approximately 40% of FY19 capital spend incurred in Q4 FY19.
- Swick was able to undertake the growth capital spend from operating cash flow and still end the year with a positive free cash flow of \$0.8m for the year.

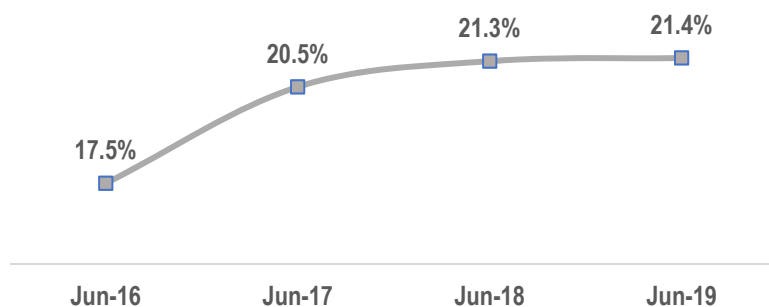
A\$ million	FY19	FY18	Change
EBITDA	25.5	17.3	↑ 47.3%
Working capital improvement	(0.4)	(0.1)	↑ 300.0%
Operating cash flow before interest and tax	25.1	17.2	↑ 45.8%
<i>EBITDA cash conversion</i>	<i>98.5%</i>	<i>99.6%</i>	↓ 110bps
Income tax refund/(paid)	(0.1)	0.2	na
Net interest paid	(1.5)	(1.3)	↑ 10.0%
Operating cash flow after interest and tax	23.6	16.2	↑ 46.1%
Cash used in investing activities	(22.8)	(14.1)	↑ \$8.7m
Free cash flow generated	0.8	2.1	↓ 63.6%
Proceeds/(repayment) of debt	(0.8)	0.7	na
Proceeds/(purchase) of equity	(0.1)	(0.2)	↓ 48.6%
Net cash flow	(0.1)	2.6	na

BALANCE SHEET



- Maintained a solid balance sheet position to provide ability to fund new projects and provide a return to shareholders.
- \$38m banking facility with headroom available to fund growth if required.
- Net tangible assets (NTA) per share of \$0.31.

GEARING (NET DEBT / EQUITY)



A\$ million	30 Jun 19	30 Jun 18	Change
Cash	11.6	11.5	↑ 0.9%
Receivables	17.9	16.0	↑ 11.9%
Inventories	14.3	13.8	↑ 3.6%
Property, plant and equipment	81.6	77.4	↑ 5.4%
Intangible assets	12.2	12.7	↓ 3.9%
Other assets	3.5	3.2	↑ 9.4%
Total assets	140.9	134.6	↑ 4.7%
Payables	17.9	15.4	↑ 16.2%
Borrowings	29.6	29.2	↑ 1.4%
Employee obligations	6.1	6.0	↑ 1.7%
Other liabilities	2.6	0.7	↑ 271%
Total liabilities	56.3	51.3	↑ 9.7%
Shareholders' equity	84.7	83.3	↑ 1.7%

Note: numbers may not add due to rounding

1Q FY20 OVERVIEW



- Commenced rig deployments at new projects - Pogo (8 rigs in work as of October) and Silver Lake Resources (4 rigs in work as of September).
- Unaudited Drilling Business 1Q FY20 revenue of \$39.1m, EBITDA of \$5.9m, and EBIT of \$0.4m.
- Earnings impacted by slower than expected ramp up at Pogo, now normalising as of November.
- Average rig utilisation was 71% across the quarter, however finished the quarter at 87%.
- Continued progress with Orexplore with the development of a full function, mine site-based scanning service with a pilot targeted to commence in 3Q FY20.

STRATEGY AND OUTLOOK

CLEAR GROWTH STRATEGY TO BUILD ON

WHAT WE'RE DOING CURRENTLY



- Focusing on executing new and expanded contracts, with a focus on operational efficiency to return EBITDA margins to above 20%.
- Production recovering at Pogo where first four months were at 71% of target, October 80% and November to date at 100%, indicating meeting expectation quicker than current conservative forecast.
- Drilling business moving into a new revenue plateau of ~\$200m per annum run rate at end of FY20 up from \$143m in FY19.
- Record number of rigs in operation and expected to exceed target 70 Underground Diamond (UD) rigs in work by the end of FY20.
- Continuing to develop the DeepEX division with two new large mobile rigs in build – work with new and existing clients to roll out the new DeepEX rigs, set for release in 2H FY20.



- Installation of first minesite-based core scanning service with initial pilot project capable of scanning 6,000m of core per month - targeting delivery in 3Q FY20.
- Continuing lab based projects with many major mining companies that are potentially large on-mine customers working towards customised solutions that will allow for significant in-field installations.
- Continue to develop products, such as the precious metal spectrometer, to deliver a range of mineral analysis options sought after by mining clients.

OUTLOOK

POSITIONING SWICK FOR GROWTH IN FY20

- Drilling Business EBITDA expected to be at or slightly higher than FY19, EBIT expected to be lower than FY19 as a result of higher depreciation on back of increased rigs at work.
- Quarter on Quarter revenue growth for the remainder of the year
- Stronger H2 FY20 is expected as steady state operations commence at Pogo with a fully local labour force, and initial expatriate start-up costs are completed.
- Targeting further opportunities to increase rig utilisation – target 70 rigs in work at end FY20 (up from 66 at end of 1Q20).
- Successful completion of site-based trials of Orexplore in 2H FY20 expected to enhance market confidence in the technology and drive revenue growth in its second full year since launch.
- Intention to continue paying dividends to provide a consistent return to shareholders.



Swick mobile drilling rig at Pogo Mine, Alaska

THANK YOU