

# **FY21 AGM** **PRESENTATION**

5 NOVEMBER 2021

**Kent Swick**

MANAGING DIRECTOR, SWICK MINING SERVICES LTD

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

Information included in this presentation is dated 5 November 2021.

# GROUP OVERVIEW

One of Australia's Largest Mineral Drilling Contractors

## Leadership Team



**Kent Swick**  
Group Managing  
Director, Swick  
Mining Services Ltd



**Brett Giroud**  
Managing Director,  
Orexplor  
Technologies Ltd



**Jitu Bhudia**  
Chief Financial  
Officer



**Andrew Simpson**  
Non-Executive  
Chairman



**Ian McCubbing**  
Non-Executive  
Director



**Alan Bye**  
Non-Executive  
Director



**Stuart Carmichael**  
Non-Executive  
Director

## Substantial Shareholders

- Perennial Value Management
- Kent Swick
- Castle Point Funds Management
- Circle 5 Management
- Westoz Funds Management

## Corporate Structure

- ASX code: SWK
- Listed: Nov 2006
- Shares issued: 281.7m\*
- Share price: \$0.35\*
- Market capitalisation: \$98.6m\*

*\* As at 4 November 2021*

# GROUP FY21 HIGHLIGHTS

## Improved Profitability in Underground Drilling Business in FY21

- Drilling Revenue and other income of \$154.1m, up 3.0%. Drilling EBITDA of \$30.4m, in line with guidance.
- Average of 55 FTE drill rigs in use in FY21 and expected to grow to 62 FTE rigs in FY22.
- Declared total FY21 dividend of 1.45cps up 142% on pcp.
- Strong order book of \$284m at end of FY21.
- Continued investment in innovation with DeepEX, Swick Engineering and Futures division.
- Engineering delivered four GenII rigs to large international drillers.
- Growth opportunities with the new Futures department designing ESG solutions to clients.

## Orexlore Prepared for Demerger to Unlock Value

- Orexlore business unit will be demerged from Swick into a new entity, Orexlore Technologies Limited (“OXT”).
- Demerger to be effected via an in-specie distribution of OXT shares to Swick shareholders, and subject to shareholder approval. If approved, OXT will be separately listed on the ASX.
- OXT to be led by Mr Brett Giroud as Managing Director, with c.25 staff across its operations in Perth, Australia and Stockholm, Sweden.
- Swick will not own any shares in OXT following the demerger.
- To support OXT as an independent entity, Swick will invest a further \$12 million into OXT at the time of listing, providing OXT with sufficient capital to execute its business plan over the next two years.

## Refocus on Underground Drilling Business to Improve Shareholder Returns

- Refocussed on Underground Drilling.
  - Divested Surface Drilling in February 2021.
  - Orexlore Demerger planned for December 2021.
- Invested in Underground Drilling.
  - Launched DeepEX in FY20 – world’s most powerful underground rigs.
  - Established Engineering Division to capitalise on demand for Swick GenII rigs.
  - Established Futures Division to develop lower carbon footprint rigs and improve safety through automation – developing fully electric Gen3 E-Rig lowering carbon footprint by 50%, and a Remote Control Drilling system for a safe automation of underground rigs from surface.

# FY21 OPERATIONAL HIGHLIGHTS



## UNDERGROUND DIAMOND DRILLING (UD)

- Strong UD performance driven by:
  - Increased volume of rigs at work - FY21 contracts awarded at Jundee, Olympic Dam, Broken Hill, Aurelia Metals and MATSA (Spain).
  - Pogo, Swick's largest international site, achieved lower costs and improved productivity with ten rigs deployed at site increasing to twelve rigs by October 2021.
  - Improved operating costs management across all sites.
- Fleet of 70 mobile (including 3 DeepEX hybrid) rigs with 56 mobile rigs deployed at end of FY21:
  - 14 rigs operating internationally, 21 in Western Australia and 21 across the rest of Australia.
  - Existing clients' drilling demands are increasing and opportunities for growth through tender activity is strong.
  - Fleet growth expected in FY22 with 4 GenII rigs to be constructed and held in stock as available fleet and three DeepEX rigs constructed to meet additional demand for that division.

## DEEPEX

- Providing power and mobility to the market.
  - Launched in FY20, representing the world's most powerful underground mobile drills. Capacities to drill exploration holes up to 3,000 metres of NQ2 core.
  - DeepEX rigs allow clients to lower their cost of deep exploration drilling and receive faster drill results.
  - Delivering target margins on complex and deep hole drilling.
  - Momentum towards underground exploration vs surface where applicable

## SWICK ENGINEERING

- Encouraging initial traction.
  - Turning a cost centre into a profit centre has allowed a refocus and Engineering is a more efficient internal and external supplier.
  - Growing demand for Swick's drills has led to the manufacturing and sale of GenII rigs to the open market, as a means for Swick to enter new regions.
  - Ramped up the division in FY21 building the team.
  - Early inbound demand with four GenII rigs sold to two global drilling contractors for use in Canada and Tanzania.

# FY21 OPERATIONAL HIGHLIGHTS

## 'FUTURES' DIVISION – SUSTAINABILITY

- Newly established Future of Drilling 'Futures' Department – providing clients with significant ESG (Environmental, Social and Governance) solutions.
  - Launched in FY21, to lower the carbon footprint of drilling and improve safety through automation.
  - Encouraging prospects for the division as mining companies move towards decarbonization. As part of its ESG responsibility, Swick has no exposure to the coal mining industry.
- Futures comprises two initial offerings:
  - **Gen3 E-Rig** the first fully electric mobile diamond drill in the global market, with capacity to reduce carbon footprint of underground core drilling by around 50%. First prototype has commenced field testing at Western Australian client site in October 2021.
  - **Remote Control Drilling (RCD)** system allowing drillers to perform automated drilling through video linked controls from surface effectively and safely, with an average of four non-productive hours a day available to be converted to drilling time.



# FY21 GROUP RESULTS

- Revenue growth from increased order book and volume of rigs at work.
- Higher Drilling Business EBITDA due to improved productivity and cost management across all sites and maturity of recently mobilised large projects.
- Improved conversion of EBITDA to EBIT due to accounting for drill rods as consumable expense instead of long-life consumable asset – move from depreciating to operating expense.
- Drilling Business EBIT rebound to \$15.1m from \$4.2m in prior year.
- Review of useful lives of underground rig components completed. Useful lives to be extended from current 5.5 years to 7.5 years from FY22 onwards.
- Pro forma FY21 Drilling Business EBIT based on new useful life \$17.3m.
- Generated solid Group operating cash flow of \$15.7m.
- Strong balance sheet and year end cash of \$15.1m, led to Final FY21 dividend of 1.45cps.

A\$ million	FY21			FY20	Change
	Drilling Business <sup>1</sup> & Other Segment	Mineral Tech Business	Group <sup>1</sup>		
Revenue	154.1	0.03	154.2	149.6	↑ 3.1%
EBITDA	30.4	(4.3)	26.0	21.0	↑ 24.1%
EBITDA margin	19.7%	Na	16.9%	14.0%	↑ 290bps
EBIT	15.1	(5.9)	9.2	(2.8)	↑ 432%
EBIT margin	9.8%	na	6.0%	(1.8%)	↑ 780bps
NPAT	10.0	(5.1)	4.9	(6.0)	↑ 182%
Dividend	na	na	1.45cps	0.6cps	↑ 142%

Notes:

Numbers may not add due to rounding.

<sup>1</sup> Includes discontinued operations (RC Drilling business) and FY21 numbers include the Engineering division

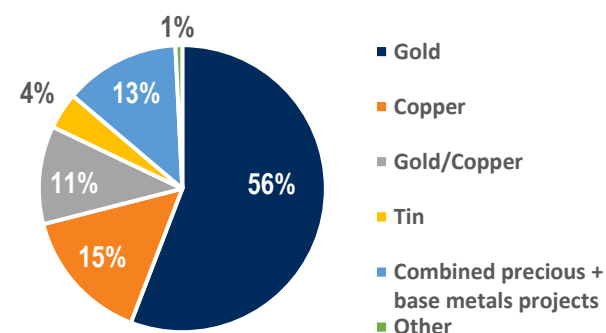
# FY21 DRILLING BUSINESS RESULTS

- Revenue of \$154.1m includes the discontinued operations from RC Drilling business and the Engineering division.
- Improved profitability driven by increased productivity and operational cost management in Australia and International, especially at Pogo.
- Revenue increase in APAC following significant contract wins at the start of the year offset by reduction in International due to reduction in volume of work from the Barrick Nevada contract.
- Total Underground Diamond (UD) metres drilled increased to 1,180,615 metres, up 4.4%.
- Sold RC division contributed revenue of \$4.0m, EBITDA of 1.7m and EBIT of \$1.2m in FY21.
- Revenue from Engineering of \$4.7m since its inception in 2H FY21.
- Strong momentum heading into FY22 from strong order book and expected rig increases at existing projects.

A\$ million	FY21 <sup>1</sup>	FY20 <sup>1</sup>	Change
Revenue	154.1	149.4	↑ 3.1%
EBITDA	30.4	24.6	↑ 23.5%
<i>EBITDA margin</i>	<i>19.7%</i>	<i>16.4%</i>	↑ 330 bps
EBIT	15.1	3.3	↑ 357%
<i>EBIT margin</i>	<i>9.8%</i>	<i>2.2%</i>	↑ 760 bps

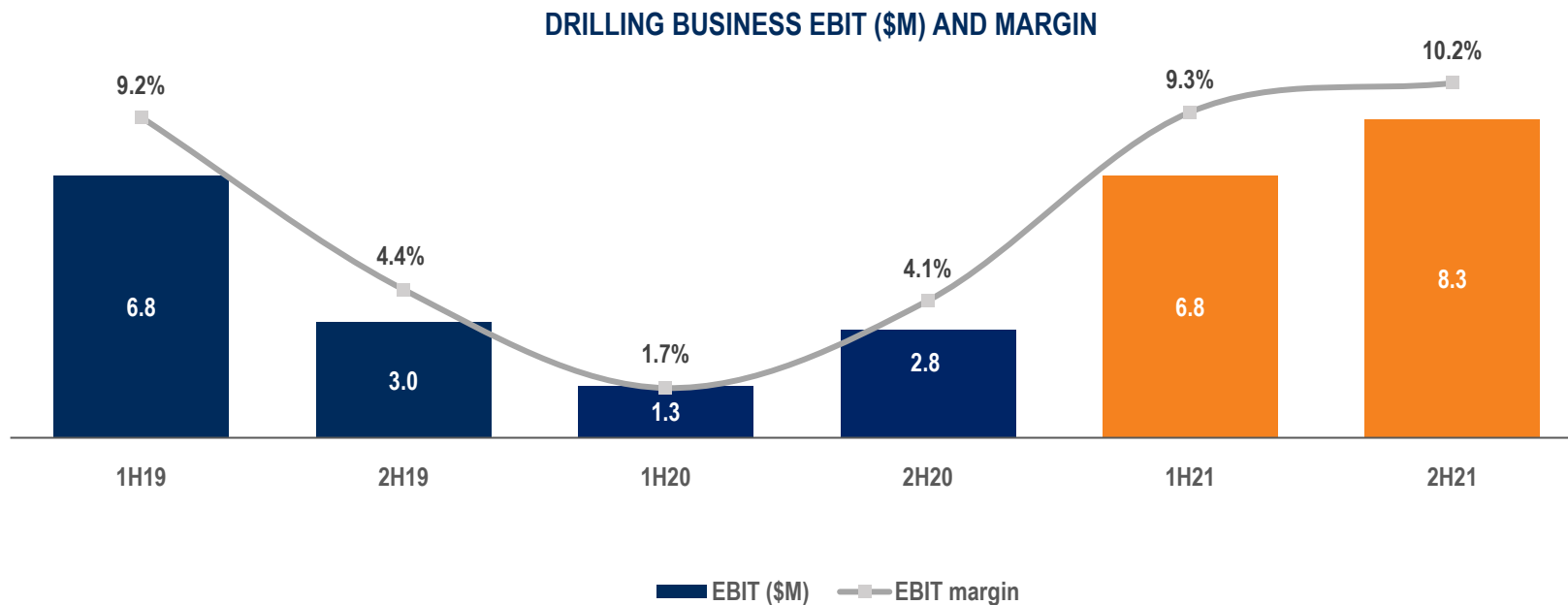
Notes:  
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FY21 numbers include the Engineering division

## Revenue By Commodity





# DRILLING BUSINESS EARNINGS AND MARGIN



- Improved profitability performance in FY21 driven by improvement at Pogo.
- 2H21 includes EBIT contribution of \$0.6m from Engineering division.

# STRATEGY AND OUTLOOK

# GROWTH STRATEGY

## DRILLING BUSINESS

- Successfully secured new work with existing clients, entering FY22 with strong order book of \$284m, with 94% of FY22 UD revenue contracted.
- High fleet utilisation, growing from an average of 55 FTE rigs in work in FY21 to 62 FTE rigs in FY22 based on work in hand.
- Well placed to take advantage of the macro economic outlook in FY22 as drilling demand and commodity prices are on the rise.
- Maintain high safety performance.
- Continued retention of staff in highly competitive space with strong training and development program.
- Remain vigilant of potential impacts from COVID-19 and continue to be flexible to client demands.



*DeepEX prototype drill in use – capable of >2,000m diamond core holes from underground*

# GROWTH STRATEGY

## DRILLING – BUILDING NEW EARNINGS SOURCES

### DeepEX

- Strong opportunity for DeepEX entering FY22.
- Further three DeepEX rigs in build based on increased demand.
- Currently operating five rigs across four sites with a further three rigs requested by existing clients.
- Is proving to be a sensible alternate to deep hole surface drilling and is gaining traction across industry.

### Swick Engineering

- Strong outlook for the manufacture and sale of GenII mobile drill rigs to third party customers.
- Growing inbound enquiries have led the Company to target 8-12 external sales in FY22.
- Engineering workshop rig build capacity is currently 22 rigs per annum on a 5 day single shift basis.
- Increased demand can be met by increasing utilisation of workshop facilities.

### Futures

- In early November, the electric head (key component in the Gen3 E-Rig) is being tested at a Western Australian client's site.
- Battery operated carrier being developed in tandem at the Futures department.
- The fully specified, engineered and risk assessed Gen3 E-Rig targeted to be available for Swick Engineering to construct in volumes by the start of FY23.
- Remote Control Drilling project progressing with current focus on semi autonomous rod handling.



*Swick GenII mobile drill being loaded in a container ready for international shipment*

# BUSINESS OUTLOOK



- Entered FY22 with solid foundation and \$284 million order book.
- Seeing positive trend in utilisation and at target rates.
- Focus on profitability and performance from secured work, while remaining cognisant of potential COVID-19 impacts.
- Entered FY22 with revenue diversification opportunities from DeepEX, Swick Engineering and Futures.
- Proven ability to generate strong cash flow, providing returns to shareholders.
- Orexplore demerger on target for end of CY21.

# DDH1 TO ACQUIRE SWICK DRILLING BUSINESS



## PROPOSED TRANSACTION

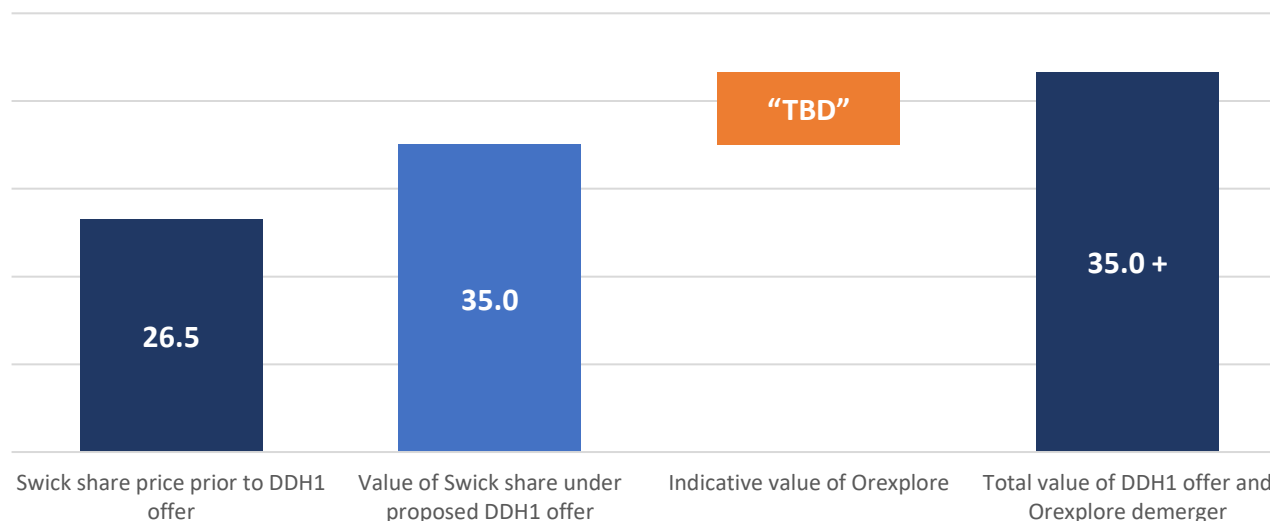
- Swick and DDH1 have now entered into a Scheme Implementation that would result in the combination of their respective drilling businesses.
- Consideration for Swick shares will be 100% DDH1 shares at a ratio of 0.2970 DDH1 shares for each Swick share, equating to \$0.35 per Swick share - values Swick at an Enterprise Value of \$115 million.
- Swick shareholders will also receive Oreplore shares under the proposed Oreplore demerger, which will proceed as planned prior to the Scheme.
  - Subject to approval of demerger by Swick shareholders at meeting to be held in December 2021.
  - Oreplore planned to be listed on the ASX in January 2022.
- It is anticipated that Swick shareholders will meet in January 2022 to vote on the Scheme.
- The Swick Board unanimously recommends the Scheme to shareholders.
  - in the absence of a superior proposal, and
  - subject to an independent expert concluding that the Scheme is in the best interest of shareholders.

## STRATEGIC RATIONALE

- Swick and DDH1 offer complementary drilling services and expertise, with long established successful track records working with a wide range of exploration and mining companies.
- There is merit in a merger of the two companies, both in terms of **cost synergies** and **scale benefits**.
  - The combination is expected to realise meaningful synergies over time, with both sets of shareholders able to benefit due to the all scrip consideration.
  - The combination of the two WA-based businesses will create a global scale mineral drilling business with a business that:
    - generated approximately \$445m in combined revenue and \$103m in combined EBITDA in FY21;
    - has good mix of assets and a balance of surface (~60%) and underground (~40%) drilling; and
    - a combined fleet of 170+ rigs, and a platform for growth with Swick well established in Europe and North America.
- Swick Shareholders **retain the value of Oreplore** which will be in addition to the Scheme consideration.

# PROPOSED TRANSACTION VALUE

## Indicative value received by Swick shareholders (cents per share)



- Two events to unlock shareholder value and allow future growth within each business.
- Scrip takeover of Swick by DDH1 (in the absence of a superior proposal and subject to an independent expert concluding the scheme is in the best interests of shareholders) allows shareholders to continue to benefit from strong macro outlook for mineral drilling services across the broad range of services provided by the enlarged DDH1 Limited.
- Orexplore is poised to benefit from industry's need to move to automated sensing and core analysis as drilling increases to meet global metal demand with limited human resources available in the sector.
- Orexplore Prospectus and Notice of Meeting (including concise independent valuation by Deloitte Corporate Finance, and details of Orexplore Priority Offer (to raise a minimum of \$1m) to be released by end-November.



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# Orexplorer update

5 November 2021



**OREXPLORE**  
TECHNOLOGIES



# Orexlore FY2021 update

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Orexlore is a mining-focused technology company powered by a transformational mineral analysis technology platform that unlocks client value through decision support across the mining value chain.

FY21 has delivered a change in leadership and strategy and brought a laser focus to commercialising and monetising the investment.

## FY21 Focus



- **Commercialization:** Pilots and projects; building delivery capability and capacity
- **Market entry:** Repositioning the product-market fit and sales strategies; client-centric value propositions delivered through consulting geologists
- **High performing teams:** Building a balanced and focused high-performing team to deliver and grow

## Technology



- **Platform:** *GeoCore X10* core scanning machine and '*Insight*' platform are in use across projects
- **Roadmap:** Continued development of the future GX10+ platform (advanced gold / precious metals) and related sensing modules
- **Client driven:** Technology strategy focused on enabling Value Propositions demonstrating best market traction
- **Additional potential:** Significant blue-sky cross-sector applications apparent through market enquiries

# Orexplore Strategy and Execution

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Orexplore's strategy has been refined and refocused towards accelerating commercialisation and market entry, and maximising the longer term competitive advantage and value creation the technology offers.

## Strategy



- **Market:** Top down market entry strategy validated with a bottom up client pipeline – targeting clearly defined segments with early traction through “Value proposition selling”. Future Horizon 2 and 3 opportunity for horizontal expansion across mining value chain and cross sector expansion
- **Capabilities:** Bottom up technology and product strategies – combining our hardware and software technologies with deep analysis and insights to offer integrated and differentiated solutions through our product platform
- **Customers:** Accelerating projects demonstrating traction. Collaborative client engagement through consulting geologists to refine solutions, maximise value creation, and increase adoption speed. Opportunity for additional commercial models including potential value share

## Execution



- **Services:** Continued revenue generating lab-based scanning services in Perth and Stockholm
- **Traction:** Income of over \$0.5m in FY21 (includes grants)
- **Projects:** Projects across Australia, Europe and Canada across multi-national's to small-caps
- **Operational Readiness:** Building operational readiness through teams and logistics to prepare for site deployments and increased lab scanning services

# Our Vision

Orexlore is focused on the commercialisation of its transformational technology platform and the monetisation of a suite of client-centric value propositions

**Longer-term  
(4+ years)**

**Short-term  
(1-2 years)**

## 01 Commercialisation

Orexlore is embedded across a broad customer base and delivering value consistently at client sites and through our labs.

Our consulting geologists collaboratively generate valuable insights and decision support with clients through the Technology platform

## 02 Targeted market focus

Drive increasing adoption rates in the Australian, Latin American, Canadian and European markets

## 03 Successful standalone listed entity

Orexlore's de-merger unlocks access to public capital markets and offers shareholders exposure to the global digital transformation of the mining industry



01

## A decision support platform across the mining value chain

Becoming the industry bench-mark for extracting geological and mineralisation insight and creating value for clients through semi-automated decision support and a suite of value propositions from exploration to operations

02

## Accelerating mineral discovery and increasing the industries sustainability

The Orexplore platform guides mineral discovery reducing costs and time and increasing efficiency and the sustainability of the mining industry. The platform helps enable client ESG strategies and targets

03

## Transforming the standards

Orexlore's solutions and results will be commonly used by leading mining companies and industry bodies and influence the standard approaches and expectations of the industry

04

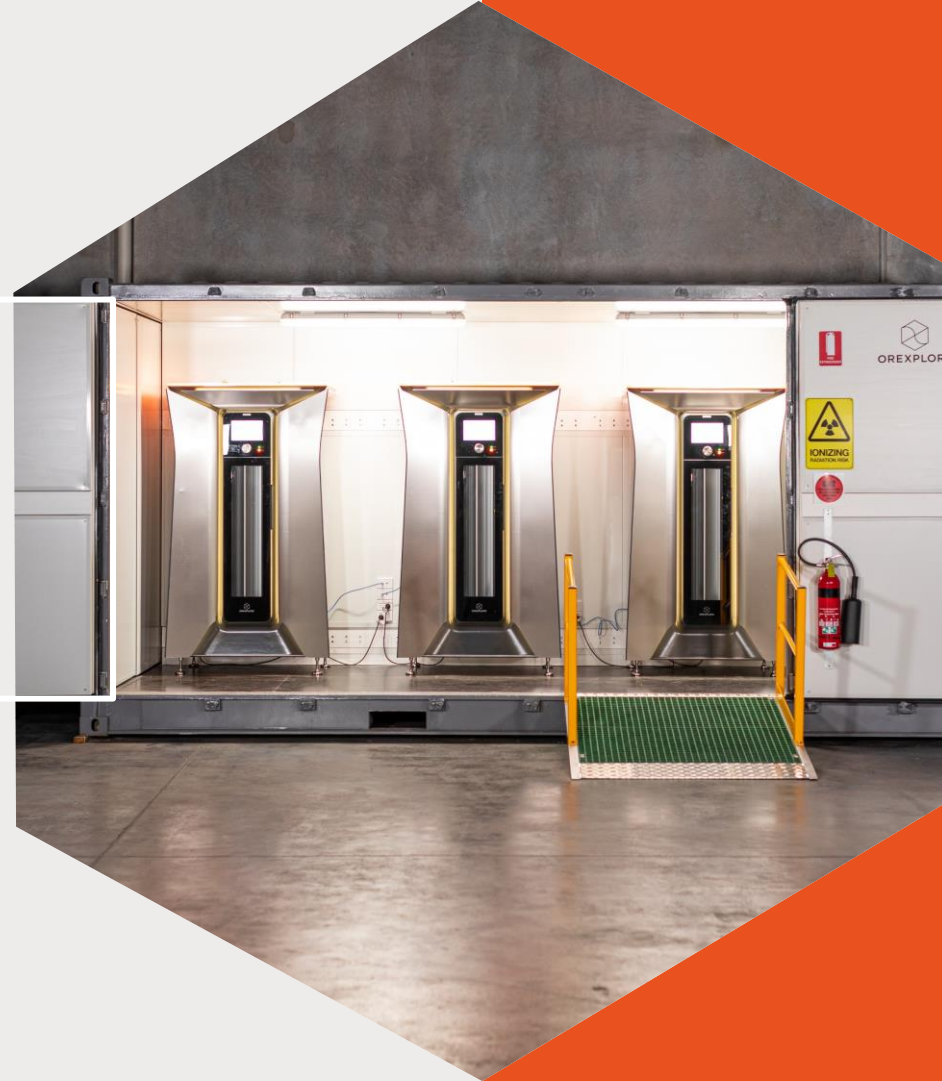
## Disrupting the assay industry & cross-sector

Orexlore may be leveraged to supplement traditional assay processes through a combination of speed, functionality, and ease of use and remote deployment. Cross-sector applications will be further explored

[www.orexplorer.com](http://www.orexplorer.com)

# Orexplorer update

5 November 2021



**OREXPLORE**  
TECHNOLOGIES