

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

SWICK – 1Q FY14 Operations Update

- ❑ Unaudited 1st Quarter revenue of \$32.0m (\$38.0m previous corresponding period)
- ❑ Total fleet utilisation of 61% at end of quarter (50 of 81 rigs operating)
- ❑ Underground diamond fleet utilisation of 67% at end of quarter (45 of 67 rigs operating)
- ❑ FY14 Guidance provided at \$125m to \$135m revenue with an EBITDA margin of between 18 – 20%

Western Australia – (October 29, 2013) – Swick Mining Services Limited (“Swick” or “the Company”; ASX: SWK), a leading provider of high quality and high value underground and surface mineral drilling services today provided an operations update for the first quarter of FY14.

Operations Update

Revenue for the quarter ending September 30, 2013 was \$32.0 million (unaudited), down 16% from the corresponding period a year ago.

A total of 50 rigs from a fleet of 81 (including three client owned rigs) were operating in the field as of September 30, 2013 compared to 62 rigs in operation from a fleet of 75 (including three client owned rigs) a year ago. Of total rigs in work the Underground Diamond division represented 45 rigs operating from a fleet of 67, compared to 53 rigs operating from a fleet of 61 a year ago.

As foreshadowed in our FY13 full year update Swick has experienced a drop in activity during the first quarter of FY14. This has been due to two contract completions during the last quarter of FY13, reducing full time rigs in work by three, together with existing clients continued efforts to minimise their drilling programs, reduce total costs and conserve cash. Despite these challenging conditions, Swick continued to develop its business and the Company will be mobilising seven full time rigs into three new contracts over the coming quarter.

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Key operating statistics for 1QFY14 are shown below;

Operational Performance	1QFY14	1QFY13	% Change
Total Metres Drilled	312,252	371,896	-16%
Total Rigs in Fleet (Period end)	81	75	8%
Total Rigs in Use (Period End)	50	62	-19%
Consolidated Revenue	32.00	38.00	-16%
Consolidated Revenue per Metre	102.48	102.18	0%
UD Metres Drilled	214,143	231,935	-8%
UD Rigs in Fleet (Period end)	67	61	10%
UD Rigs in Use (Period End)	45	53	-15%
UD Revenue (\$m)	28.09	31.84	-12%
Revenue per metre	131.15	137.26	-4%
Total Employees	508	615	-17%

Swick believes its market leading underground diamond division is still well placed to see continued growth both in new and established markets as a result of continued improvements in its service provision

Kent Swick, Managing Director stated *“The global mineral drilling market has continued to soften during the first quarter of FY14. Swick, although less exposed to the volatility in the market than most due to its brownfield, producing mine focus will unfortunately see a lower revenue and a tighter operating margin this year than last.”*

“There are a number of rig mobilisations to new contracts occurring during 2QFY14 which is good news for the Company however the market sentiment remains very subdued and Swick is managing its business to ensure that we maintain our high quality services at the lowest possible price to ensure all stakeholders can benefit despite the difficult times. Swick is actively pursuing business development opportunities to further improve the revenue for this financial year. Swick continues to invest in R&D initiatives focused on our five year strategic objective of ‘doubling the metres per manhour’ of its underground diamond drilling rigs.”

Commenting on Operations, Kent Swick stated *“A number of organisational restructures have been initiated this financial year to improve overall global operating performance. Our international operations are challenging the business in regards to margins in the short term, however a critical focus is being put on improving our productivity and operating performance in these operations.”*

Safety and Training

With respect to our new Safety Management System, the organisation has completed the first phase of implementation with encouraging results to date. The new approach is assisting in further reducing total injures. In the current calendar year, the Company has reduced its total injuries by 35% and we are trending positively in achieving another successful year in managing our safety performance.

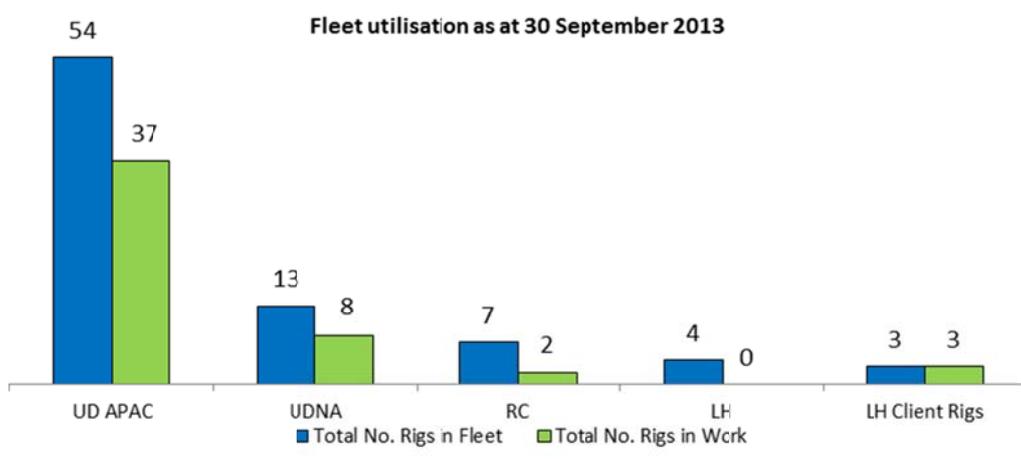
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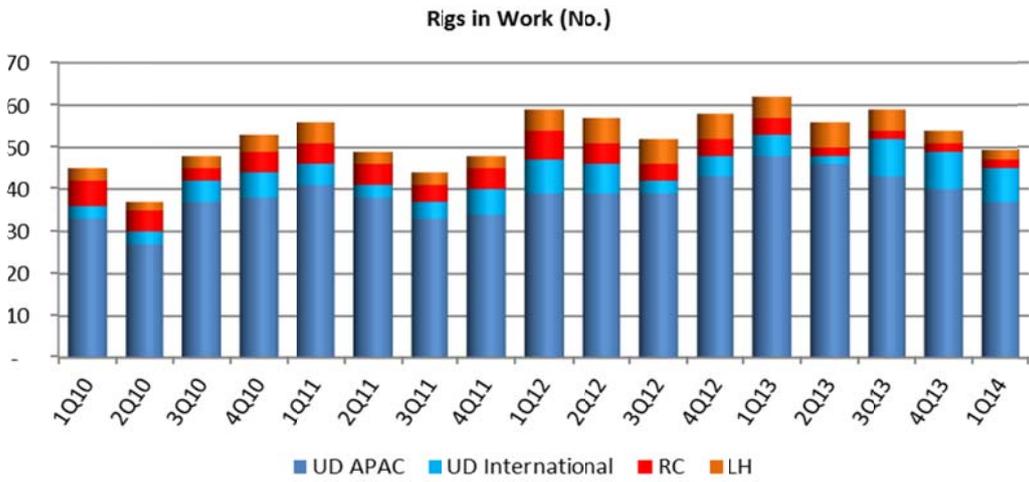
The next phase of implementation will involve embedding the Swick specific principles and using our internal engineering expertise to introduce effective controls. The organisation has a pipeline of projects within its engineering department, all designed to assist in reducing incidence occurrence and in Q2, we will see some of these initiatives being field tested.

Lag indicators continue to trend downwards and this supports the cultural change underway within Swick to support our goal of zero harm.

Rigs at Work and Fleet Utilisation

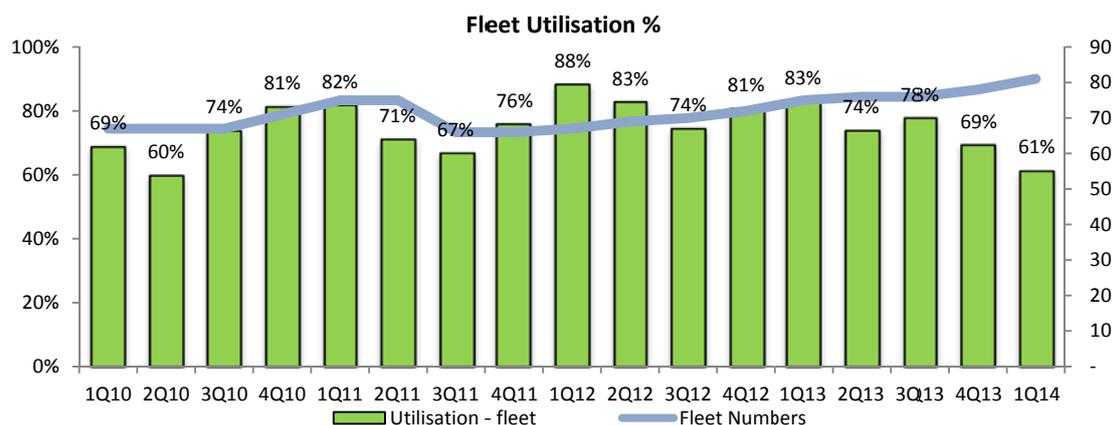


Rigs in work at the end of 1QFY14 totalled 50, compared to 62 (19% reduction) in the corresponding quarter 12 months ago and 55 (10% reduction) in 4QFY13. Rigs in work by division is illustrated in the graph below. Of this the underground diamond rigs in work at the end of 1QFY14 was 45, compared to 53 (15% reduction) in the corresponding quarter 12 months ago and 49 (8% reduction) in 4QFY13.



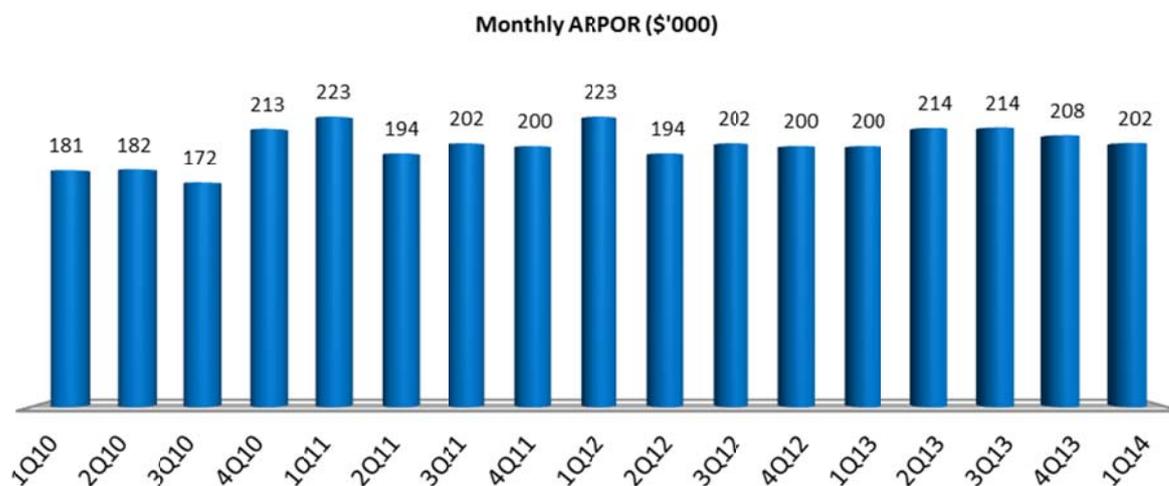
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Fleet utilisation at September 30 reflects a continuation of the APAC market softening experienced in 4QFY13. It is also worth noting that the total fleet has been increased to include the 3 additional Underground Diamond rigs built in FY13 but yet to be deployed to their first project. With seasonal effects from the North American market utilisation is expected to further reduce in the coming months with a recovery towards Dec 2013, when recent contract wins are fully mobilised.



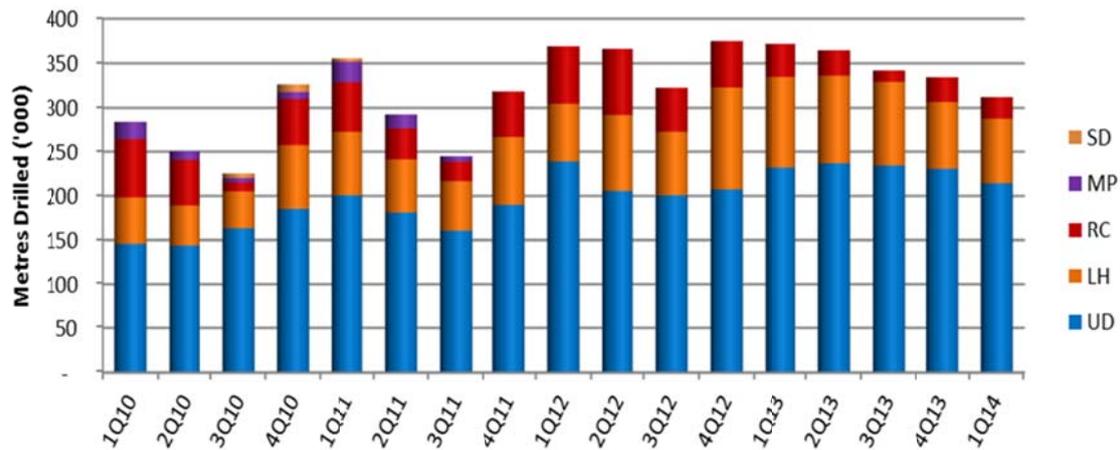
Monthly ARPOR and Metres Drilled

Presentation of the Company's monthly *Average Revenue per Operating Rig* (ARPOR) has been modified in this quarter to better reflect the average monthly revenue run rate. Previously the calculation divided quarterly revenue by the number of rigs in work at the end of the period divided by three. Over time this has tended to under and overstate the average run rate depending on whether the ending quarterly rig count was higher or lower respectively. The graph below illustrates the ARPOR calculated as the quarterly average of the monthly revenue divided by the number of rigs in work at the end of each month. This shows that in 1QFY14 the ARPOR was diluted slightly by lower than expected revenue from our international operations.



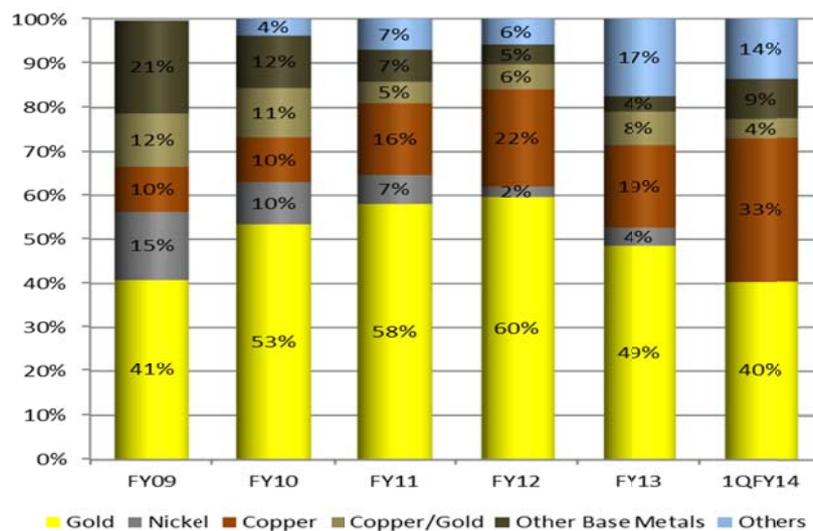
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Total metres drilled for 1QFY14 reduced 16% to 312,000 metres from 372,000 metres in the corresponding period last year. The quarterly metres drilled by division is shown in the graph below with Underground Diamond down 8% , Longhole Production down 28% and RC down 34%, compared to the previous corresponding period.



FY14 Outlook

As indicated in the commentary on fleet utilisation Swick continued to see softening demand within the APAC market in the first quarter. To highlight the areas of market contraction below is an updated graph comparing the historical commodity split, with Swicks exposure at the end of 1QFY14. This illustrates that revenue generated from the gold sector has reduced to 40% of total revenue as compared to 49% for FY13 and 60% for FY12.



In our recent Contract Award announcement Swick's commodity order book was further diversified with an additional seven rigs mobilising in the coming months to a combination of Copper, Zinc and Nickel projects.

Although the Company's forward order book as at 30 September 2013 is estimated at \$186m, with the current run rate and expected seasonal softness in the coming quarters the FY14 annual revenue is expected to be in the vicinity of \$125m to \$135m.

Group margins have also been under pressure in the first quarter with the international business in particular, continuing to dilute the group's overall result. Although corrective action has been initiated to reverse this trend, with this and additional costs expected with upcoming contract mobilisations the Half Year EBITDA margin is expected to be materially lower than the corresponding period last year, before recovering to between 18% - 20% for the Full Year.

Commentary

Mr. Swick states: *"Swick's business model has ensured that the Company is in a comparatively stronger position than its peers as it weathers the ongoing market decline and competitive pressures. With the reduction of rigs in work, Swick has downsized its workforce accordingly and will remain focussed on ensuring that all operating rigs are as efficient as possible. As usual, Swick's order book remains solid and the tender pipeline continues to offer many opportunities for business growth."*

"Swick will ensure it allocates its capital in the best interest of the shareholders and will continue to monitor opportunities to invest in Research and Development projects, rig builds and upgrades, share buy backs and strategic investments."

About Swick Mining Services:

Swick Mining Services Ltd (ASX:SWK) is one of Australia's largest mineral drilling contractors, providing high quality underground and surface drilling services 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, Canada, United States and Europe.

For further information re this announcement, please contact the following on +61 8 9277 8800:

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Disclosure Statement:

These materials include forward looking statements. Forward looking statements inherently involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside of the control of, and may be unknown to, the Company. Actual results and developments may vary materially from those expressed in these materials. The types of uncertainties which are relevant to the Company may include, but are not limited to, commodity prices, political uncertainty, changes to the regulatory framework which applies to the business of the Company and general economic conditions. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, the Company does not in providing this information undertake any obligation to publicly update or revise any of the forward looking statements or any change in events, conditions or circumstances on which any such statement is based.