

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

SWICK - 3Q FY12 Operating Update

- ☐ **Unaudited 3Q FY12 Revenue of \$31.3m, full year guidance maintained**
- ☐ **Fleet utilisation at 74% at end of quarter, contracted to be 86% by June 30, 2012**
- ☐ **Additional six Swick mobile underground diamond drill rigs builds approved to expand global UGD fleet to 67 rigs (64 mobile, 3 skid) by December 2012**
- ☐ **\$30 million dollars of annualised revenue added to the underground diamond drilling division in the last quarter**
- ☐ **New Swick mobile underground diamond drill rigs to be built in-house from the ground up**
- ☐ **Record Australian underground diamond drill rig utilisation of 48 rigs (from fleet of 50) contracted by June 30, 2012**
- ☐ **Key R&D projects advancing towards completion**
- ☐ **Appointment of General Manager Operations APAC, Peter Casement**

Swick Mining Services Ltd (ASX:SWK) is pleased to provide an operating update for the third quarter of FY12.

Operations and Earnings Guidance

Third quarter unaudited revenue of \$31.3m was in line with expectations and was seasonally affected by reductions in RC drilling as expected at that time of year. Full Year guidance remains as previously announced with expected revenue in the range of \$130m to \$135m and EBITDA in the range of \$27m to \$28m.

Managing Director, Kent Swick states: "We have seen a number of significant contract awards in the third quarter, particularly in the underground diamond drilling division, further enhancing our global reputation as a market leader in this field. In total around \$30 million dollars of annualised revenue has been added by this division in the last three months which is confirmation of Swick's value proposition as a specialist service provider. We are currently in the process of delivering a total of nine rigs to the St Ives gold mine and the Argyle diamond mine in Western Australia over the next six weeks."

"With the recent awards, utilisation in the Australian underground diamond drilling division is expected to reach 96% by June 2012, which represents 48 out of 50 available rigs scheduled at that time. This increased underground diamond drill rig demand has led to the Company to approve another six mobile underground diamond rigs to be constructed by December 2012, which will take that division's fleet to a global total of 67 rigs in anticipation of forecasted

demand. These additional rigs and associated support equipment are expected to cost approximately \$6m in total and will be funded by operational cash flow.”

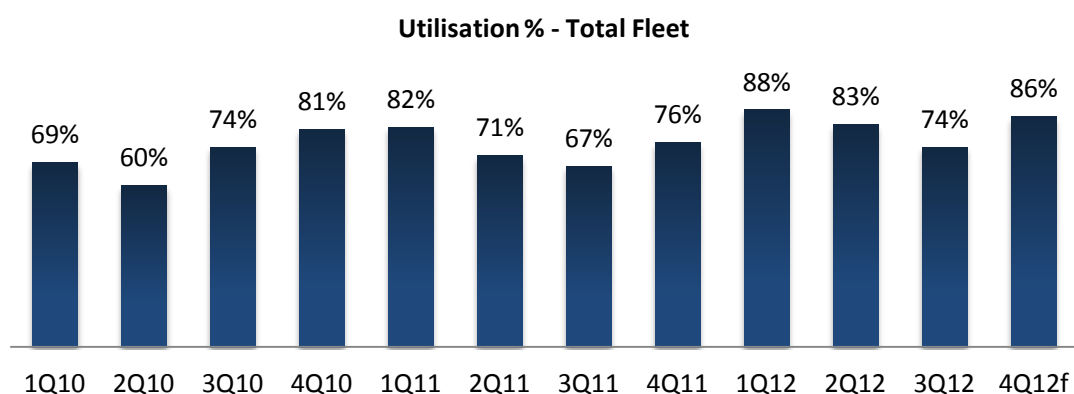
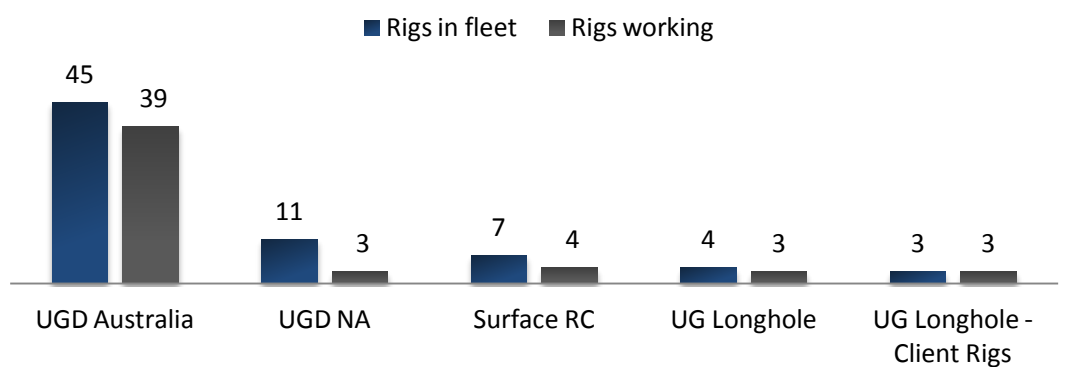
“These new builds will be the much anticipated Swick rigs that are designed and constructed in house at our South Guildford workshops in Western Australia and offer significant improvements in drilling power with increased electrical horsepower, hydraulic flows and water pump capabilities which will further improve our productivity, without losing the renowned standardisation of our fleet from an operator’s and mechanical fitter’s perspective.”

“Whilst overall fleet utilisation in Q3 has been dampened slightly by lower than expected rigs in work in North America and the seasonality of the RC division this has been offset by strong demand within the APAC region for our underground diamond drilling services. North American utilisation is expected to rebound in FY13 with a number of opportunities currently being assessed and with the scheduled return to some of the suspended projects.”

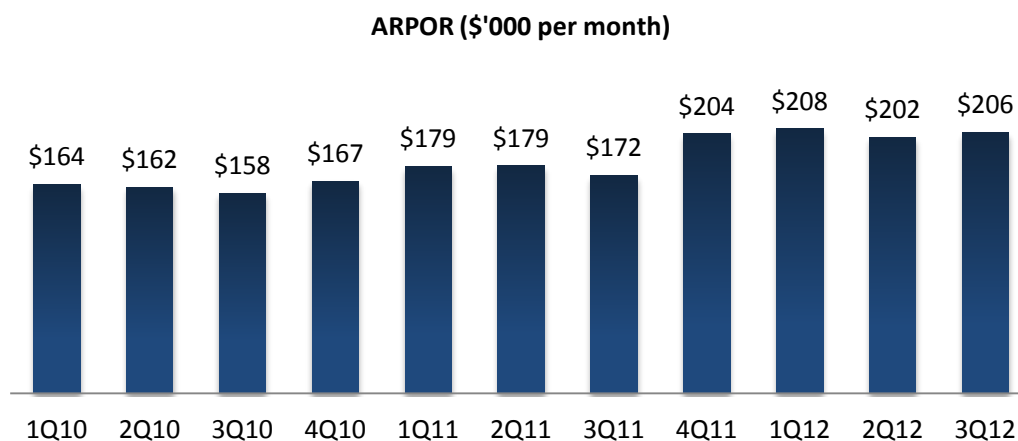
“We expect RC utilisation to also improve towards the end of the financial year as new exploration budgets are approved, as is the nature of that type of business; however it is pleasing that our underground longhole division’s revenues have expanded to include two rigs under a long term contract at Aditya Birla’s Mt. Gordon Copper Mine in North Queensland.”

Fleet Utilisation

Current rig utilisation, both by division and overall, is shown below:



The Company's monthly *Average Revenue per Operating Rig* (ARPOR) metric below has been maintained at record levels due to continued demand as well as improved contract rates and productivity.



North America

Utilisation in North America will increase by two rigs to a total of five operating in the Q4 FY12 with an additional underground diamond drill rig at Newmont's Nevada Operations and an underground diamond drill rig deployed into the most recent contract award at Tennessee Zinc Mines for Nyrstar. Nyrstar is a major global Zinc refiner which now has its own source of concentrate through wholly owned subsidiary mines in North America. Tennessee Zinc has reopened six underground zinc mines in the Nashville and Knoxville region and there is strong potential for Swick to expand the initial 30,000ft contract across these mines as they become ready for drilling.

Swick will be tendering on a significant amount of work in the upcoming North American bidding season which commences in the early part of FY13. The Company's operating experience, knowledge of the market and the recognition of key value drivers to the Clients is now well advanced. It is expected that utilisation will be significantly improved in the near future.

Mr. Swick states "I am very confident that the continued persistence we have shown in our resolve to succeed in North America along with the strategic planning that the Company has undertaken on the North American market will provide great future growth opportunities for the business. We have an outstanding team there that represents Swick exceptionally well and display standards of work and professionalism well in excess of our competitors. I have full confidence that this service provision will allow Swick to succeed with further growth in the region in the near term."

Research and Development

Swick has developed a Company Vision to double the metres per manhour within our underground diamond drilling division over the next five years. This key efficiency target will

provide significant market attraction for the Company's services and deliver outstanding financial outcomes for both Swick and its clients. The key to achieving this goal will be the adequate resourcing of Swick's Research and Development team whilst they focus on productivity projects and automation systems that will be the key drivers to achieving this vision.

The new Swick mobile underground diamond drill rig (refer Fig 1 below) is configured to work in either pilot hydraulic control or electronic control mode which allows the rig to be compatible with the automation project currently being developed by the research and development team. It is anticipated that within one to two years of further development the rig will be capable of drilling unattended for short periods as well as allowing a significant reduction of the drill crew manning levels.



Fig 1. New, in-house Swick Mobile Underground Diamond Drill Rig taking shape

Another key Research and Development initiative relates to the development of a high speed retrieval system for the recovery of drilled core samples. Significant progress has been made with the commercialisation of stage one of the project and is now being rolled out across our existing fleet. Fleet modifications are expected to be complete by December 2012, resulting in a significant reduction in non-drilling time and a consequential increase in productivity.

Swick is also in the final stages of the development of an underground diamond rod handling system that will provide a world first solution to a long standing safety issue for drilling contractors. This low cost, highly innovative solution will allow extremely versatile, weightless rod handling to the drill helper. From the clients perspective, a key specification for this solution was to ensure the rig footprint did not increase, ensuring that no additional drill site excavation

is required and this requirement has been met with the Swick design. The system will be permanently mounted on the rig and take no additional time to move and set up the Swick rig, which is already best in practice. Prototype testing is already taking place in Swick's research and development facility and the Company expects to launch this system commercially in the first half of FY13.

Mr. Swick states "One of the key values of the service provision we offer the mineral drilling market is the continuous improvement philosophy of our Company. This is an area that Swick invests heavily in, both intellectually and financially. Our ultimate goal is to become as safe and efficient as possible, which in the end of course results in improved financial outcomes for both the Clients and our shareholders. I am extremely proud of the technical achievements the Company has made to date and I am also very excited about the research and development projects we are currently progressing which will create a step change in the safety, productivity and manning requirements of our business and further differentiate Swick from its competitors."

Executive Appointment

Peter Casement has been appointed as General Manager Operations – APAC and will ensure that the business is operationally ready for the next phase of growth in this region. Peter is a Mining Engineer with over 15 years of operational experience in the industry working for mining Companies and Contractors such as HWE, Barmingo, Macmahon and most recently Redpath."

Vahid Haydari, Chief Executive Officer – APAC, states "A lot of strategic planning and business analysis has been undertaken by the executive team over the last six months and this has led to great improvements in our management systems and accountability through all levels of the business. Having the additional strength of an industry professional such as Peter at the leadership level will further improve the Organisation's ability to achieve Swick's strategic goal of doubling the metres per man hour over the next five years. We look forward to the value this creates for both the clients and our Company as we embark on this process"

Yours faithfully



KENT SWICK
MANAGING DIRECTOR

About Swick Mining Services:

Swick Mining Services (ASX:SWK) is one of Australia's largest mineral drilling contractors, providing high quality, high value underground and surface drilling services to a diverse group of mining houses in gold, iron ore, nickel, copper, lead, zinc and manganese. The Company has a strong reputation for innovation in rig design and drilling practices that delivers improvements in productivity, safety, versatility and value. Swick recently committed to expanding its operations outside of Australia and building a global brand through an expansion into targeted international markets, with an initial focus on North America.

For further information re this announcement, please contact the following on (08) 9277 8800:

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