

SWICK MINING SERVICES

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ASX ANNOUNCEMENT

SWICK – 1H FY14 Result, Dividend and Operations Update

- ☐ 1st Half revenue of \$56.8m (\$76.0m previous corresponding period)
- ☐ Total fleet utilisation of 54% at end of quarter (44 of 81 rigs operating)
- ☐ Underground diamond fleet utilisation of 57% at end of quarter (38 of 67 rigs operating)
- ☐ FY14 Guidance of \$115m to \$125m revenue with an EBITDA margin of between 13 – 16%
- ☐ Declaration of a fully franked interim dividend of 0.2 cents per share

Western Australia – (February 24, 2014) – 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 its 1HFY14 result and operations update.

Financial Result and Operations Update

Revenue for the six months ending December 31, 2013 was \$56.8 million, down 25% from \$76.0m in the corresponding period a year ago.

EBITDA was \$6.8m (11.9% margin) for the first half, down 58% from \$16.1m (21.1% margin) in the corresponding period a year ago.

Revenue was impacted by lower demand from the client base as a result of reduced budgets and cost saving measures. In addition, the competitive market required Swick to renew and negotiate contracts at reduced pricing levels.

The additional recently awarded contracts previously announced have commenced and are operating in line with expectations and will lead to improved revenue in the second half. Margin improvement is also expected to follow as a result of top line revenue growth from additional rigs in work, together with productivity and efficiency gains that are a continuous focus at Swick.

Two strategic international contracts that commenced last half are now improving from a profitability perspective as local crews become more skilled and the ex-pat labour component of the cost base is reduced.

Despite the lower revenue, Swick has a very strong order book and a record number of contracts and operating sites. This provides a solid foundation for a strong rebound in revenue when client budgets return to normal levels.

A total of 44 rigs from a fleet of 81 (including three client owned rigs) were operating in the field as of December 31, 2013 compared to 56 rigs in operation from a fleet of 76 (including three client owned rigs) a year ago. During January 2014 a further 6 rigs have mobilised in the APAC region and 2 in the International business, with a further 4 rigs to mobilise in February 2014 in both the APAC region and the International business.

Key financial and operating statistics for 1HFY14 are shown below:

Operational Performance	H1 FY14	H1 FY13	% Change
Metres Drilled	564,083	736,594	-23%
Rigs in Fleet (Period end)	81	76	7%
Rigs in Use (Period End)	44	56	-21%
Revenue per Metre	\$95.68	\$ 103.18	-7%
Employees	543	589	-8%
Financial Performance	H1 FY14	H1 FY13	% Change
Revenue	\$56.8m	\$76.0m	-25%
EBITDA	\$6.8m	\$16.1m	-58%
EBIT	\$0.3m	\$8.3m	-96%
Net (Loss)/Profit After Tax	(\$0.4)m	\$5.3m	-108%
Earnings Per Share - cents	(0.19)	2.22	-112%
EBITDA %	11.9%	21.1%	-39%
EBIT %	0.5%	10.9%	-95%
NPAT %	-0.7%	6.9%	-110%
Net Assets	\$106.2m	\$108.5m	-2%
Cash	\$13.5m	\$21.1m	-36%
Debt	\$20.4m	\$23.4m	-13%
Net Debt	\$6.9m	\$2.3m	199%
Operating Cashflow	\$8.7m	\$18.4m	-53%
Free Cashflow*	\$1.0m	\$8.0m	-87%

- Free cash calculation excludes investments in Orexplore AB and 64 GEH Trust totalling \$2.7m in the period ending 31 Dec 2013.

On the strength of a record forward order book and confidence that earnings will rebound in the second half, as additional rigs mobilise, the Company is pleased to announce the declaration of a fully franked interim dividend of 0.2 cents per share. The dividend record date will be the close of trade on Thursday 6 March 2014, with the payment date being Tuesday 1 April 2014.

Capex, Safety and R&D

In November Swick invested \$1.66 million into a mineral analysis business based in Sweden for an initial shareholding of 23% in the Company. Subject to research and development milestones being reached, Swick has committed up to a further \$4.9m (SEK29.9m) in debt and equity funding over the next 5 years. As at 31 December 2013 the Group's ownership interest was 31.7%.

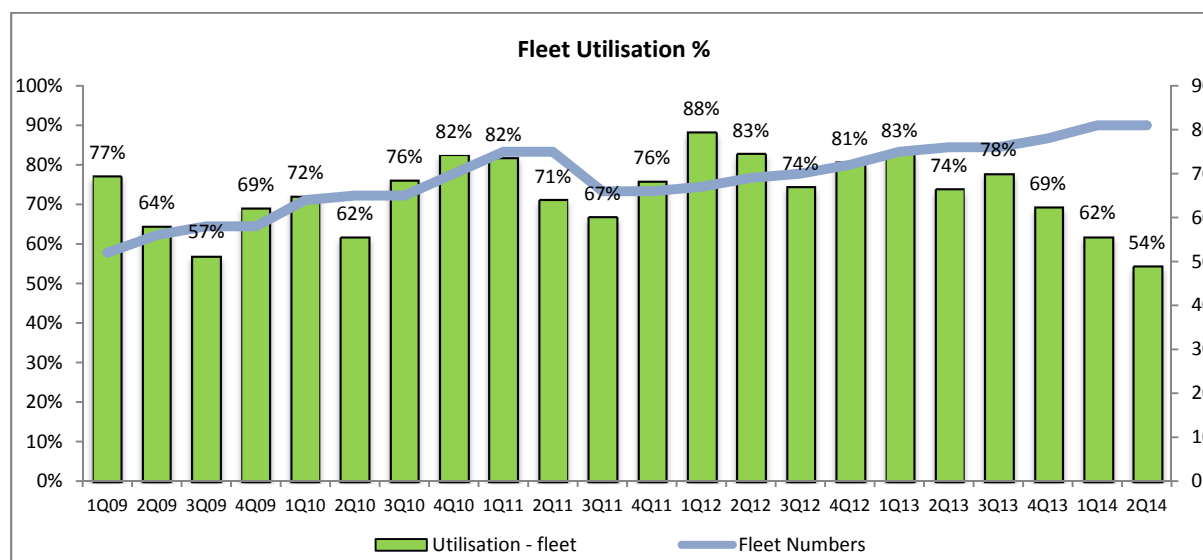
Normal business capital expenditure in the first half was \$8.1 million, of which \$2.6 million relates to specific growth capital and productivity enhancement projects including R&D projects and rig upgrades. The full year forecast remains in the vicinity of \$15m.

In the first half, Swick completed the first phase of implementation of the new Safety Management System with encouraging results to date. The current phase involves embedding the Swick specific principles and using our internal engineering expertise to introduce effective controls.

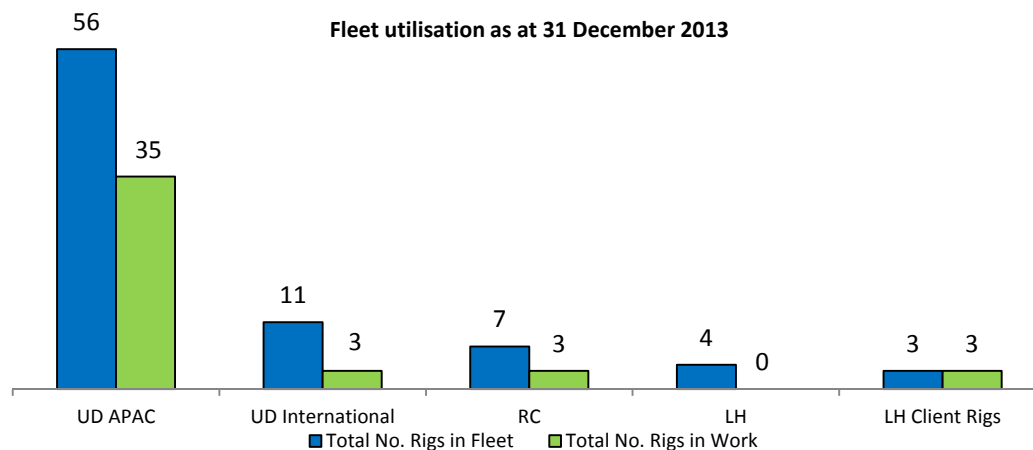
R&D initiatives remain focused on achieving the strategic objective of doubling the metres per manhour from Jun-12 to Jun-17. Numerous initiatives are in various stages of research, design and commercial release. Swick understands the critical need to improve productivity and is working with its clients to introduce many new techniques including new core retrieval techniques and semi-automated drilling into the market.

Fleet Utilisation and ARPOR

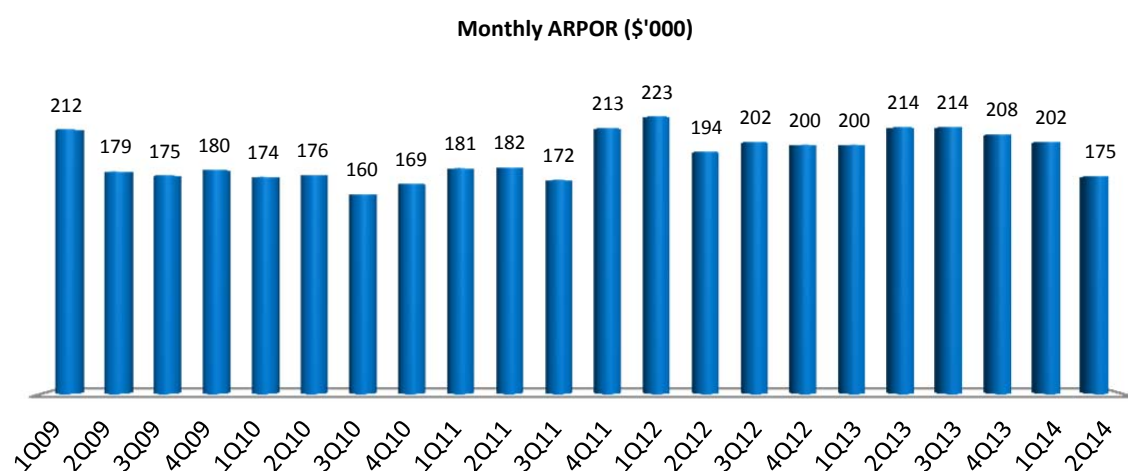
The Company's rig utilisation against total fleet number as at 31 December 2013 is shown below:



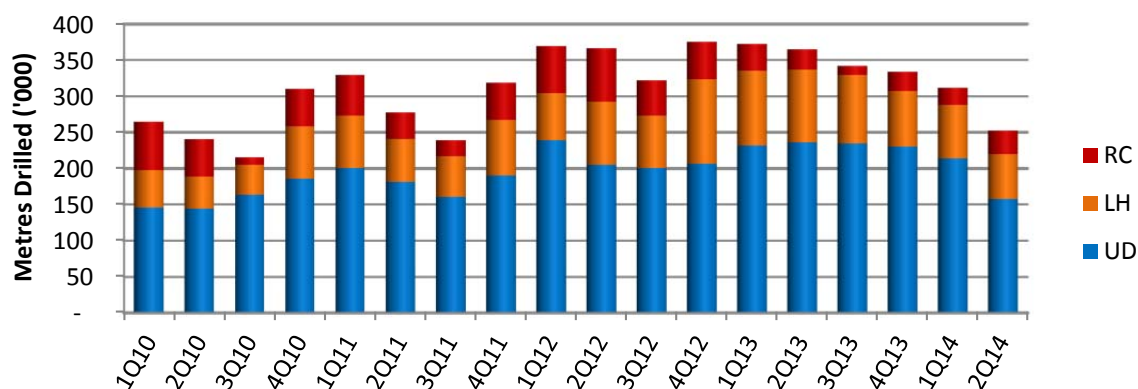
Rigs by Division as at 31 December 2013, is detailed in the graph below. As noted in the Operations update above an additional 8 rigs (6 APAC and 2 International) have been mobilised in January, with a further 4 rigs (2 APAC and 2 International) to be operational by the end of February 2014.



The Company's *Average Monthly Revenue per Operating Rig* (ARPOR) metric shown below has decreased 18% compared to Q2FY13. This reflects the tougher operating environment with clients demobilising rigs in the lead up to Christmas and some conversions from double to single shift operations. With upcoming mobilisations in the Q3FY14 and signs of demand for services increasing the ARPOR is expected to recover to levels experienced in Q1FY14.



The Company's historical metres drilled by division below illustrates the mix between the operating divisions. The reduction in overall metres in FY14 reflects the industry wide slowdown in drilling expenditure.



Commentary

Kent Swick, Managing Director stated *"The global mineral drilling market has unfortunately continued its decline during the first half of FY14. Swick, despite being a high quality provider with an excellent suite of profitable, quality clients saw its revenue decline consistently month by month during the first half as reduced drilling budgets constrained utilisation. Thankfully, a very successful period of business development has arrested the decline in revenue and the Company is evidencing a turnaround as monthly run rates increase in the second half."*

"The Company is very mindful of the responsibility to manage the shareholder's capital and as a result is being frugal with capital expenditure focusing on what is needed to improve rig efficiency and operating margins including R&D projects, rig upgrades and strategic investments. It is a period where capital is being deployed to an upgrade program to increase the capacity of the existing fleet as is required and the progression of high value, low complexity productivity projects."

"Swick has not been able to be aggressive with the share buyback as a result of lower available free cash, however this remains a key platform of the business and will continue to be undertaken when practical do so."

FY14 Outlook

Despite the challenging environment Swick enters the second half with a record forward order book estimated at \$270m. Whilst the demand for services does seem to be returning the market remains very competitive and customers are very focused on reduction of operational cash costs. Based on planned rig mobilisations Swick expects activity levels at 30 June 2014 to be similar to 30 June 2013. The recovery in the international business is on track and we maintain our FY14 annual revenue guidance in the range of \$115m to \$125m.

The group EBITDA for the full year is expected to be in the range of 13% – 16%.

Although FY14 remains a very challenging year, the diminishing negative market sentiment and the recently announced contract awards Swick believes it is well placed to enter FY15 with a robust order book and additional available assets to take advantage of any increased demand for drilling services.

Commentary

Mr. Swick states: *"It is very disappointing to report a loss to the shareholders. The mineral drilling market has been exceptionally difficult and is expected to remain subdued for some time. The important factor for Swick as a Company is that it is focussed on operating mines and in a specialist niche. This has not fully protected the revenue, but has certainly provided some cushioning in comparison to the wider mineral drilling market".*

"The business development success has allowed Swick to grow its market share in these difficult times which provides a growth opportunity when drilling budgets return to normal."

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.