

# SWICK MINING SERVICES

Swick Mining Services Ltd  
(ABN 20 112 917 905)  
64 Great Eastern Highway  
South Guildford WA 6055

PO Box 74  
Guildford WA 6935  
P: +61 8 9277 8800  
F: +61 8 9277 8844

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ASX ANNOUNCEMENT

## REVISED REVENUE GUIDANCE & MARKET OUTLOOK

- ❑ Revenue revised downwards from \$105 million to \$97 million for FY10.
- ❑ Second half FY10 impacted by weather delays and client factors.
- ❑ Drilling activity continues to improve at brownfield and greenfield sites.
- ❑ Forecasting to enter FY11 in strong revenue position with +60 rigs in work.

**Swick Mining Services (ASX:SWK) announces revised revenue guidance for FY10 of \$97 million, down from previous guidance of \$105 million. The Company's rig fleet utilisation continues to improve, providing a solid revenue platform and significant upside moving into the new financial year.**

At the Company's Annual General Meeting in November 2009, the Company indicated that it expected to generate revenue of approximately \$105 million for FY10, underpinned by an on-going recovery in Australian drilling demand that was driving increased fleet utilisation.

Whilst that increasing demand has occurred as expected, there have been delays in the commencement of drilling activity under a number of contracts. In particular, the Company's surface divisions were significantly impacted by an extended period of wet weather in the Northern Territory, parts of Queensland and to a lesser extent the Pilbara region of Western Australia, pushing out program start dates and resulting in a reduction in revenue of approximately \$5 million against FY10 forecasts.

In addition, the Company also experienced a number of unforeseen client related delays which have adversely impacted upon revenue in HY2 FY10, causing a deferment of some activity and revenue to FY11. The Company does not anticipate that these factors will have any long-lasting impact on either of drilling activity or revenue. In the majority of cases, these issues have now been resolved.

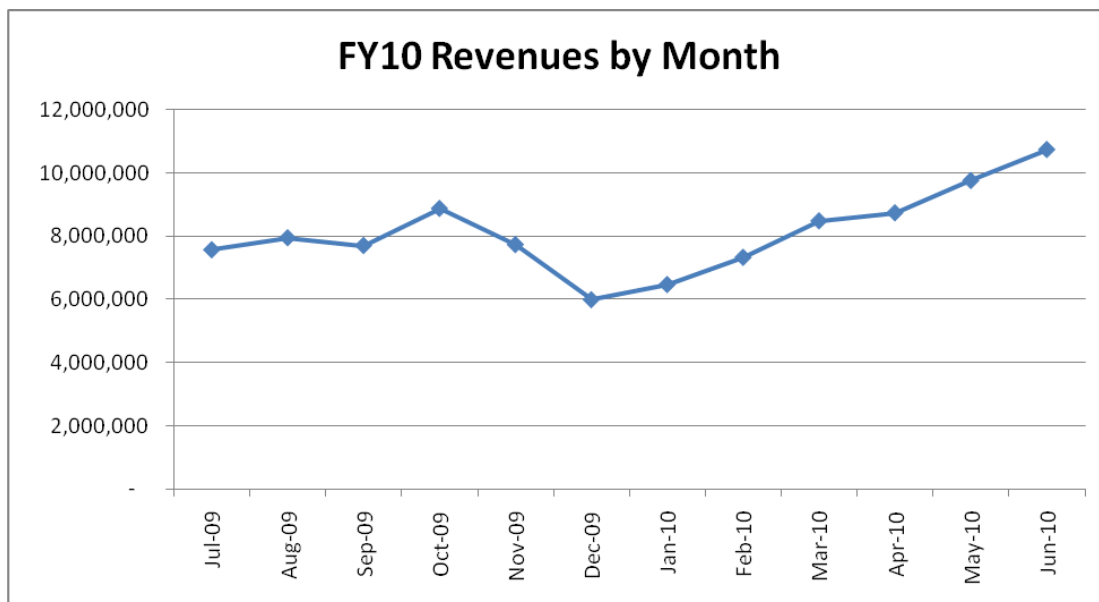
Notwithstanding the delays experienced, the Company remains pleased with the improving utilisation of its rig fleet and the outlook for FY11 based on improved drilling activity, recent contract awards and further opportunities being pursued.

### Underlying Trends

A review of income generation, rig utilisation and shifts in work all demonstrate a trend of improving performance by the Company.

### Revenue

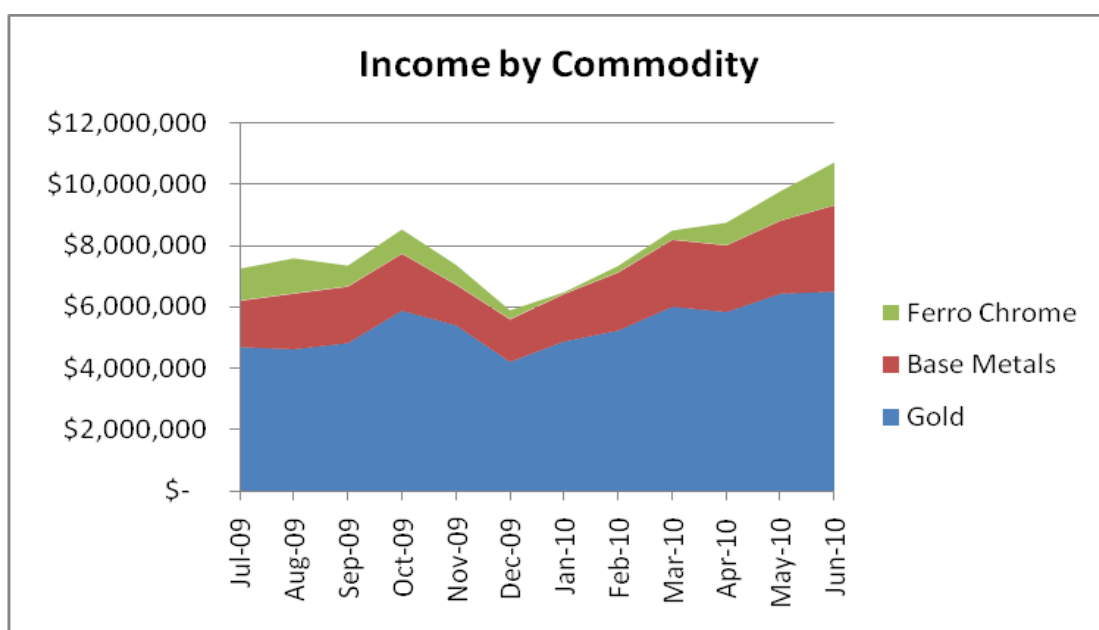
The revenue graph below demonstrates the improving monthly revenue performance currently being experienced in the fourth quarter of FY10. In addition, the graph highlights the seasonality impact that occurred in the period December 2009 through to March 2010, which had a greater effect this year as referred to above.



*Including revenue forecasts for the completion of May and June.*

### Income by Commodity

As demonstrated in the graph below, gold continues to be the primary source of revenue and revenue growth for the Company.



The Company's exposure to base metals is mostly with blue chip clients that include Xstrata and Vale Inco.

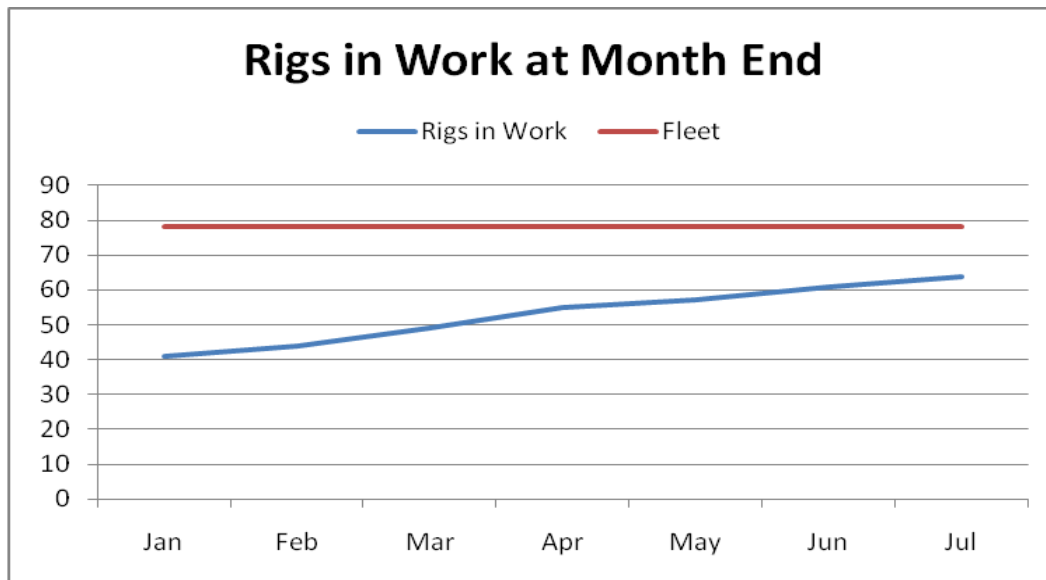
## Rig Utilisation

As demonstrated below, rig utilisation is improving and this is expected to continue based on demand from existing and new clients.

Division	Fleet		In Work at end of Month					
	Available	Jan	Feb	Mar	Apr	May	Jun	Jul
Underground Diamond - Aus	44	32	32	35	34	35	38	41
Underground Diamond - NA	9	4	5	5	6	6	4	4
Multi Purpose	4	2	2	2	2	2	2	3
Reverse Circulation	8	0	1	2	4	5	6	6
Long-hole Production*	6	2	2	3	4	4	6	6
Surface Diamond	7	1	2	2	5	5	5	4
<b>Total</b>	<b>78</b>	<b>41</b>	<b>44</b>	<b>49</b>	<b>55</b>	<b>57</b>	<b>61</b>	<b>64</b>
<i>Utilisation</i>		53%	56%	63%	71%	73%	78%	82%

\*: includes two rigs that are operated for and on behalf of a client which the Company does not own

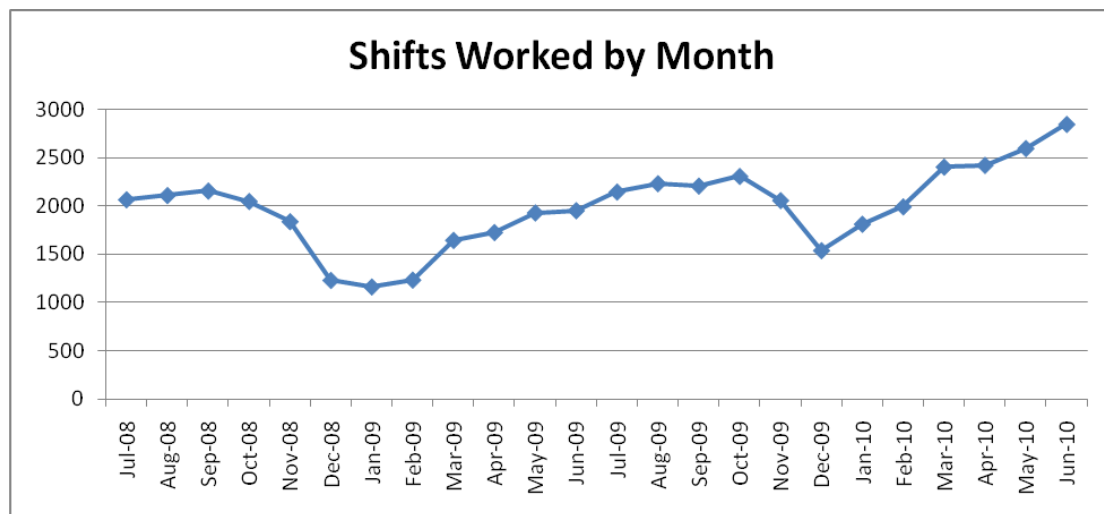
Graphical illustration of the above data is as follows:



### Shifts Worked

Shifts worked demonstrate the underlying activity within the Company. Commonly, during a period of improving rig utilisation such as is occurring at present, the income will lag the shifts worked (and the associated costs) as staff are involved in training, inductions and site set-up ahead of work commencing.

The graph below shows the ramp-up in activity that is currently underway.



### Tendering Pipeline and New Opportunities

Swick is currently progressing a number of advanced tender and trial opportunities in both North America and South East Asia for the Company's cornerstone *Underground Diamond* division, which would see an additional four underground diamond rigs in work early in FY11 and with potential for significant additional rigs into work.

As a result, and combined with the forecast rig requirements of existing clients, the Company has commenced the build of six new underground diamond rigs to meet forecast demand. These rigs are being built largely from existing componentry held in stock. The Company has no immediate plans to expand its fleet past these additional six builds, instead focusing its resources on maximising the utilisation of the existing fleet and improving operating performance and margins under existing contracts.

### Market Commentary

In general terms, despite the recent volatility in world share markets, demand within both the Australian and North American drilling markets continues to build, underpinned by significant activity in the gold sector and renewed activity in the base metals sector. Swick remains confident in its forecast of sustained drilling activity from its existing client base.

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 blue chip mining houses. The Company has a strong reputation for innovation in rig design and drilling practices, and for delivering increased productivity, safety, versatility and value to its clients. 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:

**Kent Swick**  
Managing Director

**Michael Fry**  
Finance Director