

5 Mar 2010

SWICK MINING SERVICES LTD

Dilution makes valuation less compelling

Swick Mining Services Limited ("Swick", "SWK", "Company") announced a capital raising of \$17.5m (43.75m new shares at 40cps, with placement offered to only institutional and sophisticated investors). Swick needed the capital given the deterioration in operating cash flow during the half and the skinny cash in the bank (\$700k) at the end of December. The new capital is expected to take some strains off its working capital position and reduce net-debt-to-equity from 56% prior to the announcement to 30%.

Australia recovers but North America taking longer

Swick had 45 rigs in work at the end of December 2009 and forecasts the number to increase to 63 by June 2010 (versus an expected fleet of 78 rigs). Growth has been mainly driven by the Australian market (55 out of the expected 63). The North American expansion is moving forward though at a slower pace than expected. The North American operation made a loss of \$144k in 1H10 and Swick expects the outlook to remain subdued.

Recovery in earnings and cash flow still lag revenue

Swick had a disappointing 1H10 NPAT (\$1.5m versus our expectation of \$2.9m) despite an impressive recovery in rigs in work and stabilisation in EBITDA margins. This was due to 1) higher than expected depreciation as new rigs were built before the existing fleet reached full utilisation and 2) high interest expenses as Swick needed higher inventory of consumables to support its greater geographically dispersed markets (inventory as at December 2009 was \$21.8m). Consequently, we do not expect the full benefit of high operating leverage to flow into the bottom line until rigs are fully utilised (81% utilisation rate for 63 rigs in work) or the rigs running double shift.

19% downgrade FY10e NPAT, 8% upgrade FY11e NPAT

SWK provided FY10 EBITDA guidance of \$28m. Though our EBITDA estimate remains in line (\$28.5m), we have cut our FY10e NPAT to \$5.9m (from \$7.2m) due to high depreciation and lower 1H10 NPAT. We have revised our FY11e NPAT up to \$12.1m (from \$11.2) as 63 rigs in work (assuming no timing delay and/or drop out during the year) implies a 4% upgrade to our revenue estimates.

Downgrade to Spec Buy, price target cut to 47cps (from 75cps)

The capital raising dilutes our FY11e EPS by 12%. The stock trades on our FY11 revised PE of 8.2x (versus 7.2x pre-placement). While the valuation still looks attractive on earnings multiples, the stock looks less compelling on the free cash flow and ROE basis. Cash flow management appears a significant risk for Swick as this is the second time in 12 months the working capital position has become very tight. Therefore, we downgrade the stock to Speculative Buy as we need to have more confidence in operating cash flow following top line revenue. To reflect less confidence in cash flow, we have reduced our 12 month price target emphasis on DCF and increase emphasis on NTA (43cps). The price target (47cps) implies that Swick can trade on FY11 PE of 9.2x and EV/EBIT of 7.5x. We hope to increase our price target when the Company can demonstrate improvement in cash flow.

Share Price:	\$0.41
Valuation (DCF):	\$0.60
12mth price target:	\$0.47

Brief Business Description:

Mineral drilling specialist servicing predominantly the Australian mining industry

Hartleys Brief Investment Conclusion:

EPS dilution makes valuation less compelling. Need more confidence in operating cash flow following top line revenue

Chairman & CEO:

Andrew Simpson (Chairman)
Kent Swick (Managing Director)

Top Shareholders (pre-placement):

Swick Family (22.0%)
Entrust Private Wealth Mgt (7.0%)
Perpetual Limited (7.3%)
Thorney Investment Group (4.4%)

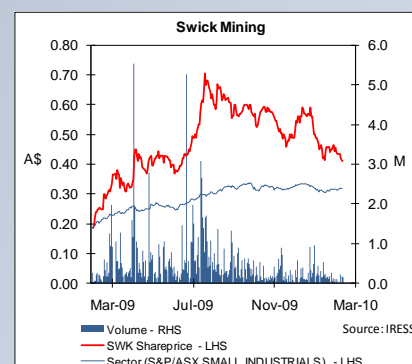
Company Address:

64 Great Eastern Highway
South Guildford, WA 6935

Issued Capital:	236.7m
- fully diluted	237.0m
Market Cap:	\$97.1m
- fully diluted	\$97.2m
Net Debt (Dec 09):	\$49.0m

	FY09a	FY10e	FY11e
Free Cash Flow	13.2	10.3	13.4
NPAT (A\$m)	2.1	5.9	12.1
EPS (\$, bas)*	1.4	2.7	5.1
P/E (basic)*	29.8x	14.9x	8.0x
P/E (diluted)*	29.8x	14.9x	8.0x
EV / EBITDA	5.8x	3.9x	2.9x
DPS (\$)	-	-	-
Div. Yield	0.0%	0.0%	0.0%
Franking	100%	100%	100%
N.D. / equity	62%	19%	7%

Source: Hartleys Research



Authors:

Nikki Ermongkonchai
Industrial Analyst
Ph: +61 8 9268 2837
E: nikki@hartleys.com.au

Trent Barnett, CFA
Head of Research / Industrial Analyst
Ph: +61 8 9268 3052
E: trent_barnett@hartleys.com.au

SUMMARY MODEL

Swick Mining Services Limited (SWK)					Recommendation: Speculative Buy				
Company Information					Profit & Loss (\$m)				
Today's Date	5 Mar 2010	64 Great Eastern Highway			6/08A	6/09A	6/10F	6/11F	
Share Price	\$0.42	South Guildford, WA 6935			Australian Revenue	82.8	83.7	100.0	142.5
52 Week High-Low	\$0.18 - \$0.72	Ph: (08) 9277 8800			growth		1.1%	19.5%	42.5%
Market Cap (\$m)	\$99.4	Fax: (08) 9277 8844			North American Revenue	0.0	0.0	4.9	1.5
Enterprise Value (\$m)	\$148.4	www.swickmining.com.au			growth				-68.7%
Ordinary Shares (m)	236.7 (assumes new shares are issued)				Group Revenue	84.2	84.9	105.1	144.4
Fully Diluted Shares (m)	237.0				growth	117.9%	1.1%	25.3%	37.4%
Valuation					EBITDA - Divisions	23.2	19.2	27.9	36.4
Spot DCF (WACC 12.1%, Terminal growth 2.50%)					EBITDA - Group	23.2	19.2	27.9	36.4
12mth fwd DCF (WACC 12.1%, Terminal growth 2.50%)	\$0.70				growth	129.0%	-17.3%	45.3%	30.4%
12mth forward P/E (diluted) of 10x (Comps Average Micro Cap)	\$0.54				EBITDA / Sales	28.1%	22.9%	26.6%	25.3%
1x Net Tangible Assets (after share placement)	\$0.43				Depreciation/Amortisation	-7.8	-13.5	-15.4	-16.5
12mth fwd Dividend Yield of 4.3% (Gross up yield = Bank Bills +200bp)	\$0.00				EBIT	15.4	5.7	12.5	19.9
12 Months Price Target (wgted avg above 4 avg)	\$0.47				EBIT / Sales	18.6%	6.8%	12.0%	13.8%
P / E (6/10F) at price target	18.8x				Net Interest	-0.6	-4.0	-4.0	-2.4
P / E (6/11F) at price target	9.2x				Pretax Profit inc abnormals	14.9	2.6	8.5	17.5
EV/EBITDA (6/11F) at price target	3.6x				Tax	-4.6	-0.5	-2.6	-5.4
Multiples (\$/price at \$0.42)	6/08A	6/09A	6/10F	6/11F	Effective Tax Rate	30.6%	20.6%	31.0%	31.0%
P / E (basic, weighted)	5.9x	30.5x	15.3x	8.2x	NPAT Pre Minorities	10.3	2.1	5.9	12.1
P / E (fully diluted, weighted)	5.9x	30.5x	15.3x	8.2x	Minorities	0.0	0.0	0.0	0.0
P / E (mkt cap / NPAT)	9.6x	47.3x	16.9x	8.2x	Normalised NPAT to equity	10.3	2.1	5.9	12.1
Dividend Yield	0.0%	0.0%	0.0%	0.0%	Norm. Net Profit / Sales	12.3%	2.5%	5.6%	8.4%
Group Free Cash Flow (f.c.f.) / EV	-27.8%	-28.0%	2.7%	8.3%	Abnormals / discontinued	0.0	0.0	0.0	0.0
Equity f.c.f. / Mkt Cap			-12.4%	-4.3%	Reported Profit to equity	10.3	2.1	5.9	12.1
Norm f.c.f. / Mkt cap			-12.4%	-4.3%	Reported EPS (basic, weighted)	7.2	1.4	2.7	5.1
Mkt cap / operating cash flow	7.0x	5.8x	4.9x	3.3x	Normalised EPS (dil, wghd)	7.1	1.4	2.7	5.1
EV/EBITDA multiple	6.4x	7.7x	5.3x	4.1x	DPS (\$)	0.000	0.000	0.000	0.000
EV/EBIT multiple	9.6x	25.9x	11.8x	7.5x	Franking	100%	100%	100%	100%
Price / Book Value	0.9x	0.8x	0.8x	0.8x	Payout Ratio	0.0%	0.0%	0.0%	0.0%
Price / NTA	1.0x	0.8x	0.9x	0.8x	Cashflow Statement (\$m)	6/08A	6/09A	6/10F	6/11F
Ratios					EBITDA	23.2	19.2	27.9	36.4
	6/08A	6/09A	6/10F	6/11F	Working Capital Change	-9.1	-2.0	-7.7	-6.0
Return on Average Equity	15.1%	2.6%	5.4%	9.9%	Cash from Operations	14.1	17.2	20.2	30.4
Return on Assets	14.4%	3.8%	8.2%	12.7%	Net interest Paid	-0.6	-3.9	-4.0	-2.4
ND / ND + Equity	19.7%	38.2%	16.1%	6.3%	Tax Paid	-1.3	-0.1	-2.6	-5.4
Net Interest Cover (EBIT)	26.0	1.4	3.1	8.3	Net Operating Cash Flow	12.2	13.2	13.5	22.5
Free Cash Flow Analysis					Capital Expenditure	-53.5	-54.8	-9.5	-10.3
	6/08A	6/09A	6/10F	6/11F	Asset Sales	0.1	0.7	0.7	0.7
Net Operating Cash Flow	12.2	13.2	13.5	22.5	Other (inc Investments)	-0.4	0.0	-0.7	0.0
Capex (Reported)	-53.5	-54.8	-9.5	-10.3	Net Investing Cash Flow	-53.8	-54.1	-9.5	-9.6
Group Free Cash Flow (rep'ted)	-41.2	-41.6	4.0	12.3	Proceeds from Equity Issues	26.7	8.4	24.2	0.0
Fixed Debt Repayments			-16.3	-16.6	Net Change in Debt & Leases	27.8	15.7	-16.4	-16.6
Equity Free Cash Flow (rep'ted)			-12.3	-4.3	Dividends Paid	0.0	0.0	0.0	0.0
HP Lease Capex (non-cash)			0.0	0.0	Net Financing Cash Flow	54.5	24.2	7.7	-16.6
Free Cash Flow (normalised)			-12.3	-4.3	Movement in Cash	12.9	-16.8	11.7	-3.6
Capex (inc HP) / depreciation			62%	62%	HP Lease Capex (non-cash)			0.0	0.0
Share Data					Balance Sheet (\$m)				
	6/08A	6/09A	6/10F	6/11F	Cash	25.3	8.5	20.2	16.6
Ord Issued shares (m)	152.5	152.5	236.3	236.3	Receivables	16.5	12.1	17.5	24.0
growth		0.0%	54.9%	0.0%	Inventories	8.5	18.3	20.1	24.5
Weighted ave shares (m)	144.0	152.6	214.4	236.3	Other	2.9	2.0	2.0	2.0
growth		6.0%	40.5%	10.2%	Total Current Assets	53.2	41.0	59.8	67.1
Fully diluted shares wgted (m)	144.5	152.6	214.6	236.6	Property, Plant & Equipment	75.2	114.2	107.7	100.7
growth		5.6%	40.6%	10.3%	Intangibles	1.3	3.0	3.7	3.7
Unpaid Capital					Other	3.2	1.5	1.5	1.5
	Year Expires	Number	% ord	Avg Price	Total Non Current Assets	79.6	118.7	112.9	105.9
					Total Assets	132.8	159.7	172.7	173.0
	31-Dec-10	75,000	0.0%	\$ 1.25	Accounts Payable	12.1	13.6	13.0	17.8
	31-Jul-11	200,000	0.1%	\$ 1.50	Interest Bearing Liabilities	9.5	17.1	11.6	6.0
					Other	3.2	1.4	1.4	1.4
					Total Current Liabilities	24.8	32.1	26.1	25.3
					Accounts Payable	0.0	0.0	0.0	0.0
					Interest Bearing Liabilities	32.5	40.7	29.7	18.7
					Other	7.0	7.2	7.2	7.2
					Total Non Current Liabilities	39.6	48.0	37.0	26.0
					Total Liabilities	64.4	80.0	63.0	51.3
					Net Assets	68.4	79.6	109.7	121.7
Directors & Senior Management					Net Asset Value / Share (\$)	0.47	0.52	0.51	0.51
Substantial Shareholders *					NTA / Share (\$)	0.44	0.50	0.45	0.50
Andrew Simpson (Chairman)	Swick Family			22.0%	Net Debt (net cash, \$m)	16.7	49.2	21.1	8.2
Kent Swick (Managing Director)	Entrust Private Wealth Mgt			7.0%					
Michael Fry (Chief Financial Officer)	Perpetual Limited			7.3%					
John David Nixon	Thorney Investment Group			4.4%					
Giuseppe Ariti	*(before placement shares)								
Phillip Lockyer									
Jason Giltay (Company Secretary)									
Analyst: Nikki Ermongkonchai					Last Earnings Estimate Changes:				
Phone: +61 8 9268 2837					5 March 2010				
Sources: IRESS, Company Information, Hartleys Research									

Fig. 1: Half year P & L and Balance Sheet

Profit & Loss (\$m)	Dec-08a	Jun-09a	Dec-09a	Jun-10e
Australian Revenue	47.8	35.9	44.6	55.4
<i>growth (sequential)</i>		-24.8%	24.0%	24.4%
North American Revenue	0.0	0.0	1.6	3.3
<i>growth (sequential)</i>				113.2%
Group Revenue	48.1	36.8	46.1	58.9
<i>growth (sequential)</i>		-23.3%	25.2%	27.8%
EBITDA - Divisions	10.0	9.2	11.8	16.1
EBITDA - Group	10.0	9.2	11.8	16.1
<i>growth (sequential)</i>		-8.2%	28.2%	36.9%
EBITDA / Sales	21.0%	25.6%	25.6%	27.4%
Depreciation/Amortisation	-6.2	-7.3	-7.6	-7.8
EBIT	3.8	1.9	4.2	8.3
EBIT / Sales	8.0%	5.2%	9.1%	14.2%
Net Interest	-1.6	-2.4	-2.1	-1.9
Pretax Profit inc abnormals	2.2	-0.5	2.1	6.4
Tax	0.1	0.3	-0.6	-2.0
Effective Tax Rate	-4.6%	52.4%	30.7%	31.3%
NPAT Pre Minorities	2.3	-0.2	1.5	4.4
Minorities	0.0	0.0	0.0	0.0
Normalised NPAT to equity	2.3	-0.2	1.5	4.4
Norm. Net Profit / Sales	4.9%	-0.6%	3.2%	7.5%
Abnormals / discontinued	0.0	0.0	0.0	0.0
Reported Profit to equity	2.3	-0.2	1.5	4.4
Reported EPS (basic, weighted)	1.5	-0.2	0.9	2.1
Normalised EPS (dil, wghtd)	0.00	0.00	0.00	0.00
DPS (\$)	0.00	0.00	0.00	0.00
Franking	100%	100%	100%	100%
Payout Ratio	0.0%	0.0%	0.0%	0.0%
Balance Sheet (\$m)	Dec-08a	Jun-09a	Dec-09a	Jun-10e
Cash	4.3	8.5	0.7	20.2
Receivables	10.5	12.1	12.9	17.5
Inventories	22.0	18.3	21.8	20.1
Other	3.2	2.0	0.6	2.0
Total Current Assets	40.1	41.0	36.0	59.8
Property, Plant & Equipment	108.2	114.2	113.9	107.7
Intangibles	1.0	3.0	3.7	3.7
Other	0.3	1.5	5.0	1.5
Total Non Current Assets	109.5	118.7	122.6	112.9
Total Assets	149.6	159.7	158.5	172.7
Accounts Payable	14.1	13.6	8.9	13.0
Interest Bearing Liabilities	7.3	17.1	16.6	11.6
Other	0.5	1.4	1.6	1.4
Total Current Liabilities	21.9	32.1	27.1	26.1
Accounts Payable	0.0	0.0	0.0	0.0
Interest Bearing Liabilities	50.8	40.7	33.1	29.7
Other	5.7	7.2	10.7	7.2
Total Non Current Liabilities	56.5	48.0	43.8	37.0
Total Liabilities	78.4	80.0	70.8	63.0
Net Assets	71.2	79.6	87.7	109.7
Net Asset Value / Share (\$)	0.47	0.52	0.51	0.51
NTA / Share (\$)	0.46	0.50	0.44	0.45
Net Debt (net cash, \$m)	53.8	49.2	49.0	21.1

Despite stabilised EBITDA margins, high interest expense and depreciation weighed down NPAT

The capital raising will reduce net-debt-to-equity ratio from 56% pre-placement to 30% but will dilute EPS by 12%.

Source: Company Data, Hartleys Estimates +

Fig. 1: Free Cash Flow

The new equity of \$17.5m will be used to fund working capital (\$4m), new rig builds (\$7.5m) and new growth opportunities (\$6m).

Cashflow Statement (\$m)	Dec-08a	Jun-09a	Dec-09a	Jun-10e
EBITDA	10.0	9.2	11.8	16.1
Working Capital Change	-3.0	1.1	-8.7	1.0
Cash from Operations	7.0	10.3	3.1	17.1
Net interest Paid	-1.6	-2.3	-2.1	-1.9
Tax Paid	-0.7	0.6	-0.2	-2.4
Net Operating Cash Flow	4.7	8.5	0.7	12.8
Capital Expenditure	-40.0	-14.8	-6.4	-3.0
Asset Sales	0.3	0.3	0.1	0.6
Other (inc Investments)	0.0	0.0	-0.7	0.0
Net Investing Cash Flow	-39.7	-14.5	-7.1	-2.4
Proceeds from Equity Issues	0.0	8.4	6.7	17.5
Net Change in Debt & Leases	14.0	1.7	-8.1	-8.3
Dividends Paid	0.0	0.0	0.0	0.0
Net Financing Cash Flow	14.0	10.1	-1.5	9.2
Movement in Cash	-21.0	4.2	-7.8	19.5
HP Lease Capex (non-cash)			0.0	0.0
Free Cash Flow Analysis	Dec-08a	Jun-09a	Dec-09a	Jun-10e
Net Operating Cash Flow	4.7	8.5	0.7	12.8
Capex (Reported)	-40.0	-14.8	-6.4	-3.0
Group Free Cash Flow (rep'ted)	-35.4	-6.3	-5.7	9.7
Fixed Debt Repayments			-8.0	-8.3
Equity Free Cash Flow (rep'ted)			-13.7	1.4
HP Lease Capex (non-cash)			0.0	0.0
Free Cash Flow (normalised)			-13.7	1.4
Capex (inc HP) / depreciation			85%	39%

Source: Various

Fig. 2: Earnings Changes

Profit & Loss (\$m)	FY08A	FY09A	FY10			FY11		
			Old	New	% Chg	Old	New	% Chg
Revenue	84.2	84.9	109.7	105.1	-4.2%	139.1	144.4	3.8%
EBITDA	23.2	19.2	28.5	27.9	-2.1%	35.3	36.4	3.1%
- Margin	28.1%	22.9%	26.0%	26.6%	2.3%	26.0%	25.3%	-2.8%
Depreciation/Amortisation	-7.8	-13.5	-14.6	-15.4	5.2%	-16.1	-16.5	-
EBIT	15.4	5.7	13.9	12.5	-9.7%	19.2	19.9	3.7%
- Margin	18.6%	6.8%	12.7%	12.0%	-5.7%	13.8%	13.8%	0.1%
Net Interest	-0.6	-4.0	-3.5	-4.0	14.6%	-2.1	-2.4	-
Pretax Profit	14.9	2.6	10.4	8.5	-17.9%	17.2	17.5	1.7%
Tax	-4.6	-0.5	-3.1	-2.6	-15.2%	-6.0	-5.4	-9.6%
NPAT (pre abnormality)	10.3	2.1	7.3	5.9	-19.1%	11.2	12.1	8.1%
Abnormality	0.0	0.0	0.0	0.0	-	0.0	0.0	-
NPAT (post abnormality)	10.3	2.1	7.3	5.9	-19.1%	11.2	12.1	8.1%
- Margin	12.3%	2.5%	6.6%	5.6%	-15.5%	8.0%	8.4%	4.4%
EPS (cps diluted)	7.14	1.38	3.78	2.74	-27.4%	5.80	5.10	-12.0%

Source: Hartleys Estimates

PRICE TARGET METHODOLOGY

Our price target is the average of four components. The assumption is there is a chance of each of the following happening.

Our price target is the weighted average of four components.

Fundamental Valuation (DCF)

Assumes our base case cash flow estimates for DCG are correct and share price trades to our fundamental valuation.

Market Put (Dividend yield)

Assumes company delivers our earnings estimates, but the equity market falls significantly so that dividend yield becomes the support level for the stock.

Earnings Disappointment (NTA)

Net Tangible Asset (NTA) Value - assumes the company misses profit estimates and market is only prepared to pay book value.

Positive Market Momentum (P/E multiple)

Attempts to capture market momentum (i.e. assumes that comparison company P/E's converge when markets are moving).

PRICE TARGET

Our twelve month price target has decreased to \$0.47 (previously \$0.75) due to the dilution effect from the capital raising and the increase in our weighting towards NTA.

SWK Price Target Methodology	Weighting	Spot	12 mth out
DCF (WACC 12.1%, Terminal growth 2.50%)	15%	\$0.60	\$0.70
12mth forward P/E (diluted) of 10x (Comps Average Micro Cap)	35%	\$0.43	\$0.54
1x Net Tangible Assets (after share placement)	40%	\$0.43	\$0.43
12mth fwd Dividend Yield of 4.3% (Gross up yield = Bank Bills +200bp)	10%	\$0.00	\$0.00
Composite Valuation (Weighted-average of Above 4)		\$0.41	\$0.47
12 Months Price Target		\$0.47	
Shareprice - Last		\$0.42	
12 mth total return (% to 12mth target + dividend)		11%	

Source: Hartleys Estimate

RISKS

The key risk for Swick is earnings appointments given its core market is cyclical and the industry is volatile. Earnings can disappoint due to cost overruns, project delays, loss/early termination of contracts or slower than expected new project wins, particularly in regard to commercial realisation of its North America expansion.

Although some earnings disappointments can be short term and just a timing issue, other disappointments can be materially value destructive and can sometimes overhang stocks for a long period of time (for example contract disputes). Such disappointments can be very difficult to predict and share price reactions can be severe and immediate upon disclosure by the Company. Working capital funding could also be a risk for a small company with high capex and debt repayment commitment like Swick in the tight credit environment. In addition, as North America becomes a larger part of the business, foreign exchange could be a risk.

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage		Hartleys Research					
Name	Ticker	Last Price*	M. CAP (A\$m)	EV (A\$m)	Recommendation	Industry	
Oil & Gas							
1.	Woodside Petroleum Ltd	WPL	44.54	34,618	38,796	Buy	Major
2.	Eastern Star Gas Ltd	ESG	0.715	628	573	Ceasing Coverage	Producer / Explorer
3.	Carnarvon Petroleum Ltd	CVN	0.495	340	311	Buy	Producer / Explorer
4.	Nexus Energy Ltd	NXS	0.230	220	401	Speculative Buy	Developer / Explorer
5.	Tap Oil Ltd	TAP	0.945	148	88	Buy	Producer / Explorer
6.	Cooper Energy Ltd	COE	0.480	140	44	Buy	Producer / Explorer
7.	Red Fork Energy Ltd	RFE	0.830	114	86	Buy	Explorer / Producer
8.	Strike Energy Ltd	STX	0.270	89	81	Buy	Explorer / Producer
9.	Amadeus Energy Ltd	AMU	0.220	67	114	Buy	Producer / Explorer
10.	Adelphi Energy Ltd	ADI	0.280	41	34	Speculative Buy	Junior
11.	First Australian Resources Ltd	FAR	0.054	35	16	Speculative Buy	Explorer / Producer
12.	Sun Resources NL	SUR	0.080	27	18	Speculative Buy	Explorer / Producer
13.	European Gas Ltd	EPG	0.120	24	88	Speculative Buy	Producer / Explorer
14.	Oilex Ltd	OEX	0.091	20	0	Neutral	Explorer / Producer
Sub-Total			36,512	40,651			
Resources							
1.	Riversdale Mining Limited	RIV	8.22	1,549	1,281	Speculative Buy	Coal
2.	Atlas Iron Limited	AGO	2.160	965	789	Buy	Iron Ore
3.	Western Areas NL	WSA	4.86	870	1,049	No Rating	Nickel
4.	Dominion Mining Limited	DOM	2.670	276	294	Speculative Buy	Gold
5.	Gold One International Limited	GDO	0.260	209	152	Buy	Gold
6.	Silver Lake Resources	SLR	1.085	194	163	Speculative Buy	Gold
7.	Jabiru Metals Limited	JML	0.345	191	165	Buy	Zinc-Copper
8.	Focus Minerals Ltd	FML	0.060	171	163	Speculative Buy	Gold Producer
9.	Magma Metals Limited	MMB	0.700	114	94	Speculative Buy	PGM-Cu-Ni
10.	Intrepid Mines Limited	IAU	0.265	113	66	Speculative Buy	Gold
11.	Peninsula Minerals Ltd	PEN	0.047	65	56	Speculative Buy	Uranium Developer / Explorer
12.	Emmerson Resources Limited	ERM	0.200	41	28	Speculative Buy	Junior Explorer
13.	Shaw River Resources Limited	SRR	0.180	36	29	Speculative Buy	Junior Explorer
14.	YTC Resources Limited	YTC	0.190	31	19	Buy	Junior Explorer
15.	Ausquest Limited	AQD	0.125	28	2	Speculative Buy	Junior Explorer
16.	Ferrum Crescent Limited	FCR	0.165	26	24	Speculative Buy	Iron Ore
17.	Orion Gold NL	ORN	0.034	25	22	Speculative Buy	Gold
18.	Impact Minerals Limited	IPT	0.185	22	18	Speculative Buy	Junior Explorer
19.	Hazelwood Resources Ltd	HAZ	0.190	19	15	Speculative Buy	Junior Explorer
20.	Southern Gold Limited	SAU	0.110	15	11	Speculative Buy	Junior Explorer
Sub-Total			4,878	4,375			
Industrials							
1.	West Australia News Hdgs Ltd	WAN	7.33	1,699	1,973	Buy	Media
2.	Monadelphous Group Limited	MND	14.630	1,259	1,127	Buy	Mining Services
3.	Macmahon Holdings Limited	MAH	0.755	554	526	Buy	Mining & Civil Construction
4.	Clough Limited	CLO	0.800	544	604	No Rating	Oil & Gas Services (Construction)
5.	Mermaid Marine Australia Ltd	MRM	2.620	488	622	Buy	Oil & Gas Services
6.	Austal Limited	ASB	2.33	438	449	Speculative Buy	Capital Goods
7.	Ausdrill Limited	ASL	2.02	423	644	Buy	Mining Services (Drilling & Contract
8.	Fleetwood Corporation	FWD	7.800	415	408	Neutral	Consumer & Mining Services
9.	NRW Holdings Ltd	NWH	1.40	352	417	Buy	Mining & Civil Construction
10.	Cash Converters Limited	CCV	0.680	247	204	Buy	Retail & Consumer Finance
11.	Neptune Marine Ltd	NMS	0.415	180	192	Neutral	Oil & Gas Services
12.	Decmil Group Limited	DCG	1.42	173	151	Buy	Mining & Civil Construction
13.	Southern Cross Electrical	SXE	1.270	154	137	Speculative Buy	Mining Services (Electrical)
14.	Lycopodium Limited	LYL	3.320	128	113	Buy	Mining & Industrial Services
15.	RCR Tomlinson Ltd	RCR	0.920	121	165	Buy	Mining & Industrial Services
16.	Imdex Ltd	IMD	0.600	116	138	Buy	Oil & Gas / Mining Drilling Supplies
17.	Swick Mining Services Ltd	SWK	0.410	97	146	Speculative Buy	Mining Services (Drilling)
18.	VDM Group Limited	VMG	0.445	94	126	Buy	Mining & Civil Construction
19.	LogiCamms Limited	LCM	1.05	63	53	Buy	Resource Services
20.	Nomad Building Solutions Ltd	NOD	0.250	35	58	Neutral	Residential & Mining Services
Sub-Total			7,580	8,254			
GRAND TOTAL			48,970	53,280			

Source: IRESS, Hartleys Research. * 5 Mar 2010

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
Andrew Muir	Senior Resources Analyst	+61 8 9268 3045
Mike Millikan	Resources Analyst	+61 8 9268 2805
David Wall	Oil and Gas Analyst	+61 8 9268 2826
Nikki Ermongkonchai	Industrial Analyst	+61 8 9268 2837
Janine Hodges	Research Assistant	+61 8 9268 2831

Corporate Finance

Grey Egerton-Warburton	Head of Corporate Finance	+61 8 9268 2851
Richard Simpson	Director Corporate Finance	+61 8 9268 2824
Paul Fryer	Director-Corporate Finance	+61 8 9268 2819
Dale Bryan	Assoc Director-Corp Finance	+61 8 9268 2829
Ben Wale	Manager - Corporate Finance	+61 8 9268 3055
Scott Weir	Corporate Finance Exec.	+61 8 9268 2821

Registered Office

Level 6, 141 St Georges Tce
Perth WA 6000
Australia

Postal Address
GPO Box 2777
Perth WA 6001
Australia

Contact Details

Telephone: +61 8 9268 2888
Facsimile: +61 8 9268 2800
Website: www.hartleys.com.au
Email: info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner:
firstname_lastname@hartleys.com.au

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No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Neutral	Take no action. Stock is already trading near the share price target and there are no foreseeable near term catalysts.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause temporary weakness.
Sell	Significant price depreciation anticipated

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Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 2887
Simon van den Berg	+61 8 9268 3062
Steven Boyce	+61 8 9268 2867
Nick Wheeler	+61 8 9268 3053

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
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Murray Jacob	+61 8 9268 2892
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Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Christian Marriott	+61 8 9268 2828
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Nicole Morcombe	+61 8 9268 2896
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Ian Plowman	+61 8 9268 3054
Margaret Radici	+61 8 9268 3051
Charlie Ransom (CEO)	+61 8 9268 2868
Elliott Rowton	+61 8 9268 3059
Conlie Salvemini	+61 8 9268 2833
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Marlene White	+61 8 9268 2806