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## COMPANY ALERT

## Swick Mining Services

## Swick Mining Awarded \$50 million Drilling Contract

## Breaking News

## Buy

Reuters:SWK.AX Exchange:ASX Ticker:SWK

Price (AUD)	0.44
Price target (AUD)	0.69
52-week range (AUD)	0.70 - 0.25
Market cap (USDm)	82
Shares outstanding (m)	206.1
Daily volume (USDm)	0.58
Net debt/equity (%)	21.2
Book value/share (AUD)	0.46
Price/book (x)	0.9

FYE 6/30	2009A	2010E	2011E
Sales (AU-Dm)	85	105	141
Net profit (AUDm)	2.1	5.1	10.1
EPS (AUD)	0.01	0.02	0.04
PER (x)	42.8	20.3	10.2
Yield (net) (%)	0.0	0.0	0.0

**Swick Mining Awarded \$50 million Drilling Contract**

Swick Mining Services has been awarded a new underground diamond drilling contract with global gold major Newmont Mining Corporation. Under the new contract, Swick will provide underground diamond drilling services to Newmont at the Jundee and Tanami Gold Mines, commencing in April 2010 for a up to a three year term, with an option to extend for a further one year.

Swick management stated that contract will generate revenue of at least \$50 million over that period. We estimate that the actual revenue generated could be as high as \$60 million in total. Using an EBITDA margin of 28%, this implies an additional EBITDA contribution of \$14 million to \$17 million over the three year period.

Swick currently has five rigs drilling at Jundee and four rigs drilling at Tanami under the existing contract with Newmont. An additional two underground diamond drill rigs will be mobilised to Tanami for the new contract, on similar terms to the existing contract. Swick and Newmont are also in discussions in relation to a surface diamond drilling program.

Swick management continues to forecast a record number of 63 rigs in work across Australia and North America by July 2010. This guidance is unchanged as the result of this announcement. The company also continues to forecast FY10 Group Revenue of \$105 million and a Group EBITDA margin of 27%.

We had already forecast additional contract wins in Australia and North America and therefore make no changes to our forecasts at this time. Our DCF valuation and price target remain \$0.69 per share. We retain our Buy rating given where the stock currently trades relative to our price target.

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