

Market Analysis

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Inside Market Analysis

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Summary and Recommended Investment Strategy.

World stockmarkets have dipped sharply over the last month, but too many shares already look under-valued. We recommend that investors remain close to fully invested in the *Recommended Portfolio*.

Investment Outlook.

The global stockmarket correction that began in February has accelerated with prices falling rapidly over the last month. This is no doubt flashing big "Sell" signals for all the technical analysts and other *trend* followers. Sometimes, however, a stockmarket dip is simply a random fluctuation.

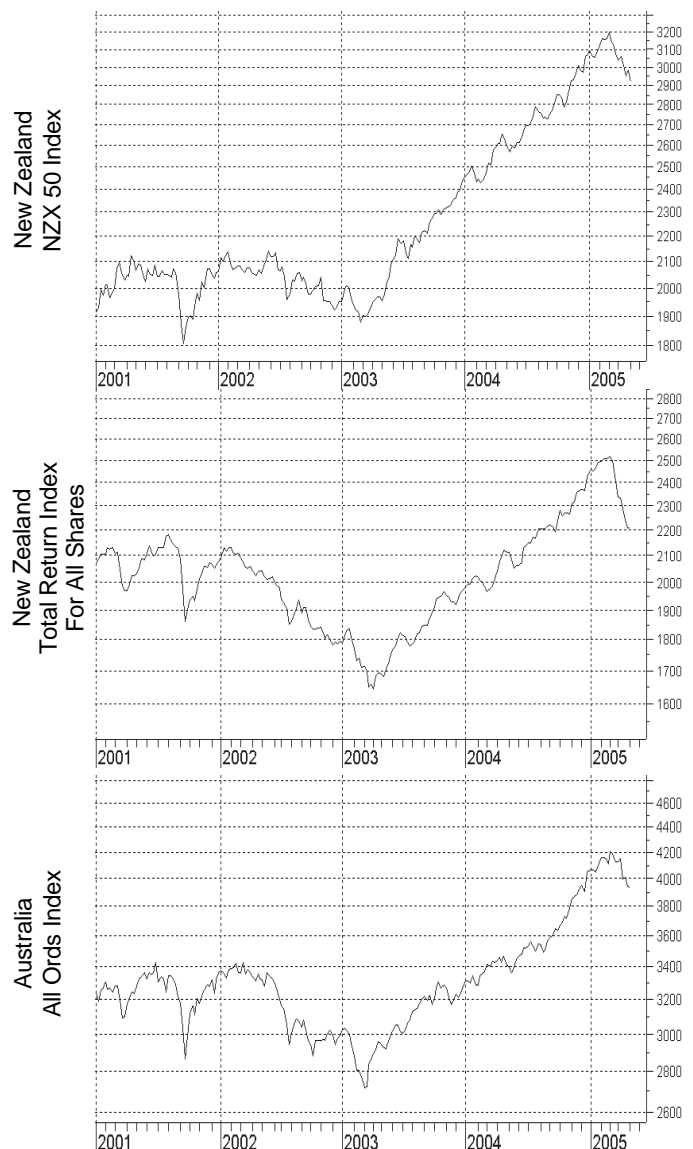
A sharp decline does make us a bit nervous. So this is probably a time to be cautious. Investors should seek to invest with the trend- so if prices are going down then the best option is usually to sit on any surplus cash and buy additional shares once prices have stabilised and started to go back up.

The main reason we think this is a short (albeit very sharp) decline and not a major long term downtrend is simply that too many good quality shares *already* appear to offer excellent value. Many of these companies have a few problems (and that is fairly normal for most businesses) but **F&P Appliances** on a yield of 11.4%, **Restaurant Brands** yielding 11.3%, **Cavalier** 10.6%, **Colonial Motors** 10.5%, **Nuplex** 10.4%, **Hallenstein Glasson** 9.8% and **Hellaby** 9.2% would look to be a pretty good high yield portfolio. These are the sort of yields we would expect to see at a market *low*. If the stockmarkets were to continue to decline rapidly then we will be seeing some outstanding value and a major buying opportunity.

We were happy that our *Recommended Portfolio* offered good value 2-3 months ago. If prices are 10-20% lower today then these shares must now offer even better value. Slower economic growth may impact unfavourably on the current year's profit - or delay profit recovery and growth - but these shares still remain attractive long term investments. The current decline will also create a favourable opportunity for investing cash from dividends and new savings.

Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	55% (Neutral)	67% (Bullish)
New Zealand:	52% (Neutral)	38% (Bearish)



Recommended Investments

Colonial Motor Company has announced the unconditional sale of its nine storey office building in Courtenay Place, Wellington, and will lease back the ground floor offices. Settlement will be 25 August when the company will receive \$11.6 million. We believe this cash could be distributed to shareholders as a special dividend or capital repayment of 40 cents per share.

Lyttelton Port Company's new collective employment contract will provide average pay increases of around 3% per annum over the next three years and should provide a more stable industrial environment. As a result the company is seeking tenders for a third container crane which should be in operation before the end of this calendar year.

Colonial Motor Company



(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation Code	Initial Recommendation - Date - Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/Sales Ratio	Price/Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares												
HOLD+	CDL Investments Ltd	CDI	12/01/99 25	D	200.5	1.7	3.28	8	7.2	33	11.3	+77%
HOLD	Cavalier Corporation	CAV	05/12/95 156*	C	64.9	0.5	1.24	12	10.6	380	155.5	+243%
HOLD+	Colonial Motor Company	CMO	10/11/92 150	B	27.9	0.5	0.20	9	10.5	285	271.3	+271%
HOLD+	Lyttelton Port Company	LPC	12/12/00 150	C	102.1	0.8	2.86	15	9.5	173	47.0	+47%
BUY	Metlifecare Ltd	MET	10/08/04 236	B	86.5	0.7	2.83	18	1.5	356	5.5	+53%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91 46*	A	38.7	0.4	1.08	19	4.3	730	159.0	+1833%
BUY	Nuplex Industries Ltd	NPX	11/02/97 350	C	62.1	0.7	0.33	7	10.4	350	113.0	+32%
HOLD	Renaissance Corp	RNS	13/08/96 85*	C	38.2	1.0	0.31	16	11.4	96	25.9	+43%
HOLD+	Richina Pacific	RPL	03/11/95 94*	C	148.7	1.1	0.20	24	2.5	79	11.4	-4%
HOLD	South Port New Zealand	SPN	13/02/96 120	D	26.2	0.9	2.05	15	8.4	116	77.3	+61%
HOLD	Steel & Tube Holdings	STU	08/08/00 146	C	88.0	0.6	0.96	13	9.5	423	115.0	+268%
HOLD+	Taylors Group Ltd	TAY	09/11/99 102	A	24.3	0.6	0.95	14	6.8	240	50.0	+184%
Australian Shares (in Aust cents)												
BUY	AJ Lucas Group	AJL	13/05/03 120	B	51.2	0.8	0.69	8	4.8	165	20.5	+55%
HOLD+	Atlas Pacific Ltd	ATP	14/05/96 73	D	87.8	1.9	3.02	NE	Nil	20	7.0	-63%
BUY	Austin Group Ltd	ATG	08/02/05 93	B	62.2	1.0	0.85	12	7.7	78	4.0	-12%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99 418*	B	40.1	0.5	0.91	24	3.7	890	153.5	+150%
BUY	Candle Australia	CND	08/04/03 86	B	39.6	0.8	0.40	16	4.9	182	15.5	+130%
BUY	Cellnet Group Ltd	CLT	12/02/02 152	B	49.8	1.0	0.15	7	8.6	134	31.5	+9%
HOLD+	Centennial Coal Ltd	CEY	16/01/01 70*	A	195.5	0.6	1.74	17	2.9	446	Nil	+537%
HOLD	Circadian Technologies	CIR	10/02/04 188	B	40.1	1.1	N/A	9	Nil	133	65.0	+5%
BUY	Citect Corporation Ltd	CTL	12/04/05 110	A	52.3	1.1	0.75	15	6.3	88	Nil	-20%
HOLD+	Commander Comm.	CDR	11/09/01 92	A	154.6	0.8	0.65	34	1.0	208	13.2	+140%
HOLD+	Computershare Ltd	CPU	12/08/03 189	B	542.4	0.8	2.83	38	1.6	493	15.5	+169%
HOLD	Int'l AllSports	IAS	11/02/03 180	D	52.5	1.9	0.02	NE	Nil	23	2.5	-86%
BUY	Iluka Resources Ltd	ILU	12/10/04 471	A	232.9	0.6	1.62	15	3.7	591	12.0	+28%
BUY	Keycorp Ltd	KYC	10/08/04 154	A	81.7	1.1	1.43	19	1.7	177	Nil	+15%
BUY	LongReach Group Ltd	LRX	11/01/05 23½	C	167.0	2.1	0.59	42	Nil	17½	Nil	-26%
HOLD+	Melbourne IT	MLB	10/02/04 53	A	52.8	0.8	1.11	18	4.3	127	7.5	+154%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03 84*	B	386.1	1.0	3.08	37	2.3	100	2.3	+22%
BUY	Ross Human Directions	RHD	14/08/01 92	C	59.1	1.3	0.22	9	5.7	61	19.0	-13%
HOLD+	Skilled Engineering	SKE	12/03/02 126	B	95.6	0.8	0.30	14	6.9	232	47.5	+122%
BUY	Sonnet Corporation	SNN	07/09/04 31½	C	82.0	1.8	0.66	5	20.9	22	3.0	-21%
HOLD	Technology One Ltd	TNE	11/11/03 44	B	298.7	1.3	3.07	17	5.4	53	4.3	+30%
BUY	The Reject Shop Ltd	TRS	11/01/05 257	B	24.1	0.8	0.32	11	1.0	244	10.0	-1%
HOLD	Toll Holdings	TOL	08/09/98 60*	A	321.3	0.4	1.18	23	1.7	1218	75.0	+2055%
HOLD	UXC Limited	UXC	11/01/00 55*	B	144.8	1.1	0.61	13	6.3	80	26.3	+92%
BUY	Vision Systems Ltd	VSL	10/11/98 69*	B	173.4	1.0	1.22	15	4.2	100	30.3	+89%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +179.9%. This is equal to an average annual rate of +41.2%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 37 current and 130 closed out) is +32.1%, compared with a market gain of +8.7% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

Recommended Investments (Continued from Page 3)

MetLifeCare completed the development of 105 villas and apartments during 2004, raising its portfolio of properties 6.3% to 1768. Similar growth rates are expected over the next 5-6 years, with land available for the development of a further 535 villas and apartments which will be built to meet market demand.

In addition to the steady expansion of the business, profitability grows from the re-sale of occupancy licences - on average every seven years - with the company benefiting from the appreciation in property values. The average sales price increased 17% during 2004 to \$242,000 per unit. "Amenities Contributions" also increased 16% to \$11.3 million.

Founder C Cook has offered his 21.7 million shares (25% of the company) to Todd Capital (which owns 35% of the company) at 372 cents each until 20 May. If Todd Capital decides to buy these shares then it will also need to make a full takeover at 372 cents - although, of course, the public minority shareholders will not need to sell and Todd Capital would probably not wish to acquire 100% of this business.

If Todd Capital does not buy these shares, then Mr Cook can try to sell them - at an equal or a higher price - to one or more of the parties that have shown interest in the company. If a sale is made to only one party, then the purchaser will need to make a full takeover bid at the same price. The purchaser would need to obtain sufficient acceptances to raise its holding to 50% or would be required to reduce its holding to 19.99%.

If Todd Capital does not take up its option to purchase the shares (and make a full takeover bid) then the most likely outcome is that another party will acquire 19.99% (or less) of Mr Cook's shares, with the remainder either retained or placed with institutional investors or sold on-market.

MetLifeCare

Nuplex Industries has lowered its full year profit forecast from \$32-35 million to \$28 million owing to continued low demand in Australia, its inability to fully recover higher raw material costs in some businesses and the additional depreciation and goodwill amortisation from its recent Coating Resins acquisition.

The current unfavourable conditions in Australia "are not expected to have the same negative impact" in the next financial year. Fluctuations in raw material costs also have only a short term impact on profit margins which eventually adjust to reflect expected long term costs. The directors are therefore "confident that the group is strategically well placed to achieve

superior results in the future".

The market's negative reaction to unfavourable, but short term, factors should therefore provide an attractive buying opportunity. Nuplex Industries shares are currently down 44% from a recent peak of 620 cents and at this price look very under-valued on a Price/Sales ratio of 0.33, a Price/Earnings ratio of 7 and a gross Dividend Yield of 10.4%. The Relative Strength rating, however, is unfavourable at -7.2%, ranked 79.

Nuplex Industries shares are therefore under-valued and the potential for further decline must be limited - although such weak shares may remain depressed in the short term. Overall, however, Nuplex Industries shares offer excellent value and have good long term growth potential so we shall continue to rate them as a "Buy".

Nuplex Industries

Renaissance Corporation reports a strong start to the current financial year to December 2005. Trading profits for the first three months is "in excess of the \$1.2 million" pre-tax profit earned in the first six months last year - although trading has become more seasonal with most profits being earned in the second half of the year.

As previously reported, the company exhausted its imputation tax credits, so only partial tax credits were attached to the last dividend. Renaissance Corporation now expects to be paying income tax (and generating new imputation tax credits) by the end of this year, which will allow fully imputed dividends to be paid in 2006.

Renaissance Corporation**Australian Shares**

(This section is in Australian currency, unless stated.)

Atlas Pacific reports that prices for high quality pearls "have improved and demand appears to have stabilised" over the last 18-24 months. Pearl production will increase significantly this year with plans to harvest from over 200,000 oysters, compared with only 76,000

oysters in 2004. Most of this harvest will be in the second half of the year, so pearls carried forward and sold in 2006 will not contribute to the current year's revenues and profits.

Atlas Pacific has again stated its objective of reinstating dividend payments as well as financing capital expenditure and future development from operating cashflows.

Centennial Coal has extended its takeover for **Austral Coal** until 17 May. To date it has received acceptances for 82.37% and has taken control of Austral Coal and refinanced the company's \$130.3 million of interest bearing debts. **Glencore** remains the only significant investor not to have accepted the takeover.

Centennial Coal has taken the decision to close its unprofitable *Munmorah* mine which has been "losing more than \$10 million per year". This was acquired as part of the **Powercoal** acquisition three years ago and was "known to be the most difficult and highest cost mine". The Powercoal acquisition involved a three year moratorium on forced redundancies which has now expired and with continued deterioration in physical conditions, "extreme thinning" of the coal seam and poor quality, the mine will now be closed. Operating losses and closure costs of \$22 million (pre-tax) from *Munmorah* will have a negative impact on profitability for the current year to 30 June which is now forecast to be around \$36-42 million (13.5-15.8 cents per share).

The closure, however, removes a loss making mine and leaves the company "well positioned to benefit from the strong coal market" and to "enjoy a significant growth in earnings" in the year to June 2006. This will be helped by the acquisition of Austral Coal where "all equipment is working well", and the new *Mandalong* coal mine commissioned in January "which is expected to be one of the group's lowest cost and most efficient producers". The company also reports "continued strong export prices for both coking and thermal coal, with no sign of weakening in demand or over-supply" so prices - and profits - are expected to remain high for at least the next 2-3 years.

Centennial Coal's share price dropped sharply in response to the mine closure and associated costs, but this is a one-off cost and future profitability should grow strongly. So we rate Centennial Coal shares an attractive long term investment.

Centennial Coal



Cellnet Group is to buy a second warehouse in Brisbane. The 3000m² warehouse, close to its existing distribution facility at Brisbane Airport, will be

purchased for \$2.95 million and used for pre-packaged accessories and logistic operations.

Citect Corporation reports revenues up 6% in the March quarter, but has spent an additional \$1 million on developing its *Industrial Information Management* products which will have a "short term impact on earnings". The first half profit may therefore be "more than 15% less" than last year, although the full year result is still expected to be ahead of 2004.

The Citect Corporation share price has weakened in response to this short term profit downgrade and the general stockmarket weakness - providing an attractive opportunity to acquire an investment in this company at a 20% discount to our initial recommendation price just last month! "Buy".

Citect Corporation



Commander Communications has been awarded a "major IT Managed Services" contract by **Foster's Group**. The contract will run for two years, with a two year extension option. This contract advances the group's expansion plans in *Enterprise Managed Services* by 12 months. Expected revenues will vary depending upon the volume of services provided. There will be little impact on profitability this financial year - owing to implementation costs - but there will be "both revenue and margin benefits in future years".

Computershare has agreed to purchase Canadian based **Pacific Corporate Trust Company** for C\$8 million (A\$8.5 million) in cash. This share registry business generates C\$4.8 million in revenues and is the third largest in Canada with 600 mainly small company clients. We would expect this business to be merged into Computershare's existing Canadian share registry operations.

Iluca Resources has transferred part of an exploration licence to **Bemax Resources** for a deferred payment of \$3.9 million. The licence contains an extension to Bemax Resources' *Snapper* mineral sands deposit.

Iluca Resources is referring to its high Zircon *Jacynth* and *Ambrosia* discoveries as "company-changing" and "industry-changing" deposits. These two deposits hold around \$3 billion of minerals - equal to about four years global consumption of Zircon - and at a time when Zircon is increasing in value by around US\$100/tonne per annum. Exploration was halted over summer, owing to the extreme heat of the Nullarbor Plain, but has now resumed and could lead to further significant discoveries in this region. Mining of these deposits could begin in as little as three years.

(Continued on Page 6)

Recommended Investments (Continued from Page 5)

Iluka Resources



International All Sports' March quarterly cashflow report shows that this business is continuing at close to break-even levels. Receipts rose 27.6%, compared with the March 2004 quarter, to \$170.5 million, but there was a net cash *deficit* of \$1.0 million compared with a surplus of \$3.1 million last year. The company's cash holding is \$25.3 million (48.2 cents per share), up from \$20.9 million last year.

Keycorp has agreed to purchase a 70% interest in **Fox Technology** - a leading software company "specialising in applications for EFTPOS, POS terminals, mobile devices and value-added POS transaction solutions". Financial details are not disclosed except that this acquisition will "not have a negative impact" on Keycorp's "target of zero net debt" (i.e. the purchase price is not large) but is "expected to be a solid earnings contributor".

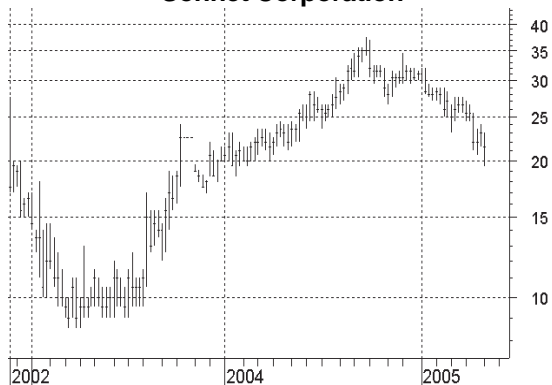
Sonnet Corporation's March quarterly cashflow report shows receipts just 1.1% lower than in the same period last year, but there was a cash *deficit* of \$173,000 compared with a *surplus* in the March 2004 quarter of \$1,277,000. The current result was depressed by a delay in collecting \$1.1 million from its major client, which was received in April.

The cash holding at 31 March was \$3,787,000 (4.6 cents per share) but this is expected to be around \$4.0-4.5 million (4.9-5.5 cents per share) by the end of June.

Managed Services work for the "primary client" is expected to conclude in mid-May, although with some "project by project" work until the end of June.

Sonnet Corporation is currently completing due diligence on the acquisition of a **Mobile Virtual Network Enabler** business that is expected to generate revenues of \$23-25 million in the year to June 2006.

Sonnet Corporation



This mobile telephony business would be run as a separate subsidiary and remove the group's historical dependence on one major client. A report to shareholders on this proposed acquisition is expected later this month. No details are available at present, but a *virtual network* is the current positioning for this type of business to avoid the massive - and often uneconomic - investment in infrastructure in an industry where prices are trending downwards.

Sonnet Corporation's earnings (before interest and tax) for the last nine months were \$2.7 million and it is still aiming to earn \$3.7-4.0 million for the full year.

Toll Holdings has signed a pre-lease deal for the construction of a new 17,000m², \$19 million terminal in Port Melbourne for its overnight express delivery business. The company is planning to build a further five new terminals around Australia for this express delivery business.

Toll Holdings

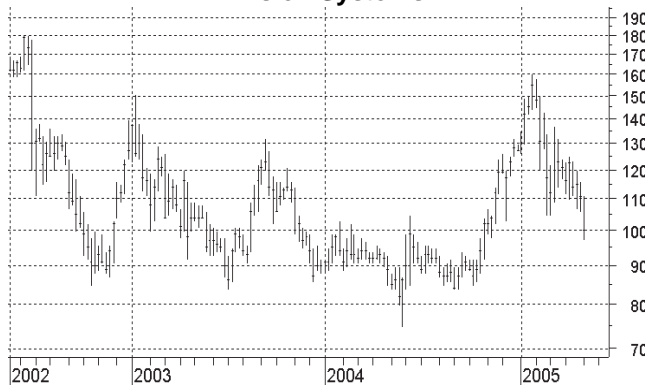


UXC's ILID subsidiary has secured a contract to install its electronic pricing system, controlled by existing store lighting, in "every existing and new **Ritchies IGA** store" over the longer term. The system has been trialled by Ritchies IGA supermarkets in four stores since 2004 and the company will now install the system in all new stores as well as converting at least ten existing stores over the next two years.

Vision Systems has announced an agreement with US based "leading pathology practice" group **Ameripath** for the placement of an undisclosed number of *Bond* staining systems and *Peloris* rapid tissue staining processors - plus on-going reagent sales.

The group has also completed the design and development of a DNA/RNA extraction instrument for a European biomedical company and has been awarded the contract to manufacture these instruments.

Vision Systems



Company	Yr/Mth			Black-Option	Scholes	Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
	Share Price	Exercise Price	to Expiry							
NGM Resources	8	20	1-10	2.5	1.5	+64	0.78	2.18	1.00	+75
NGM Resources Ltd	8	20	1-10	2.5	1.5	+64	0.78	2.18	1.00	+75
Namakwa Diamond Co	14	20	1-4	3.0	1.7	+76	0.51	3.20	1.00	+49
Navigator Resources	11	20	2-1	3.5	2.3	+50	0.64	2.24	1.00	+44
Neptune Marine Serv	109	20	5-7	86.0	101.1	-15	0.98	1.06	1.00	-0
New Hope Corporation	112	45	3-3	60.0	76.2	-21	0.42	1.42	1.00	-2
New Horizon Energy	8	20	1-1	1.2	0.8	+53	0.81	2.80	1.00	+146
Nido Petroleum	6	2	0-1	3.8	4.1	-8	0.77	1.48	1.00	-45
Northwest Resources	24	20	2-8	18.0	9.4	+92	0.40	2.04	1.00	+19
Novera Energy	29	55	0-6	1.0	1.3	-24	0.76	4.23	1.00	+273
Nuenco NL	4	5	0-9	2.3	0.5	+329	0.64	3.29	1.00	+142
Olea Australia	2	25	0-6	0.1	0.0	+999	0.80	8.56	1.00	+999
Olympia Resources	20	25	1-1	5.0	3.6	+38	0.62	2.75	1.00	+49
Open Telecommunication	41	2	0-8	0.1	39.6	-100	0.75	1.04	1.00	-99
Optum Health	0	1	1-1	0.1	0.0	+116	1.10	2.19	1.00	+232
Orchid Capital	14	5	1-6	9.1	9.8	-7	0.77	1.36	1.00	+0
ORT	7	20	2-9	1.1	1.4	-23	0.69	2.05	1.00	+49
ORT	7	10	2-9	3.5	2.7	+32	0.69	1.73	1.00	+27
Oropa Ltd	2	5	2-7	0.9	0.4	+145	0.58	2.37	1.00	+47
Ottoman Energy	18	20	1-6	6.9	3.8	+82	0.45	2.83	1.00	+31
Pacific Magnesium Corp	1	5	1-6	0.1	0.0	+252	0.88	2.81	1.00	+276
Paradigm Gold	6	25	2-12	1.5	0.8	+90	0.67	2.24	1.00	+66
Paramount Mining Corp	9	20	1-7	2.0	2.4	-18	0.97	1.87	1.00	+77
Pelican Resources	5	20	0-10	0.4	0.0	+999	0.63	5.84	1.00	+482
Peninsula Minerals	1	20	0-1	0.1	0.0	+999	0.79	9.99	1.00	+999
Perseus Mining	13	20	3-10	3.2	2.6	+22	0.36	2.58	1.00	+16
Peters MacGregor Inv	97	100	0-5	0.6	1.3	-53	0.06	9.99	1.00	+9
Pharmanet Group	4	5	1-7	2.1	3.5	-40	2.46	1.07	1.00	+44
Phosphagenics	33	20	4-0	17.0	20.2	-16	0.55	1.42	1.00	+3
Platinum Australia	13	20	1-6	6.5	2.1	+215	0.57	2.77	1.00	+61
Polaris Metals NL	20	20	3-7	6.1	11.1	-45	0.72	1.44	1.00	+8
Precious Metals	18	200	0-6	0.2	0.3	-23	1.52	3.20	1.00	+999
Premier Bionics Ltd	25	20	1-7	10.0	8.9	+13	0.45	2.25	1.00	+12
Prima Biomed	9	20	1-6	2.5	0.6	+343	0.51	3.68	1.00	+79
Progen Industries	324	250	0-0	70.0	0.6	+999	0.44	3.68	1.00	-100
Proteome Systems	25	120	0-4	4.1	0.0	+999	0.57	9.99	1.00	+999
Q-Mastor	11	25	0-7	0.3	0.0	+999	0.42	9.99	1.00	+317
QRScience Holdings	13	40	0-8	1.0	0.0	+999	0.58	7.24	1.00	+569
Quantum Resources	2	10	5-5	1.8	1.2	+54	1.07	1.23	1.00	+40
Quantum Resources	2	5	7-6	0.8	1.5	-48	1.07	1.11	1.00	+16
Ramelius Resources	14	20	2-7	3.5	7.6	-54	1.02	1.39	1.00	+22
Range Resources	2	5	2-4	0.5	0.8	-39	1.00	1.57	1.00	+51
Reefton Mining NL	7	10	4-6	3.0	5.0	-39	0.93	1.24	1.00	+13
Regis Resources	10	5	8-8	6.1	9.4	-35	1.08	1.04	1.00	+1
Regis Resources NL	10	20	6-11	5.2	8.2	-36	1.08	1.11	1.00	+14
Republic Gold	13	25	1-6	3.0	2.1	+43	0.73	2.42	1.00	+71
Resolute Mining Ltd	106	80	0-1	25.0	25.7	-3	0.46	4.10	1.00	-11
Resonance Health	14	40	2-8	4.0	2.7	+48	0.69	2.10	1.00	+55
Resonance Health	14	15	1-8	6.8	4.9	+39	0.69	1.95	1.00	+31
Resources Mining	10	2	1-1	1.7	8.2	-79	0.90	1.21	1.00	-60
Rimfire Pacific Mining	2	8	1-4	0.6	0.0	+999	0.65	3.84	1.00	+199
Ritract Ltd	32	75	1-7	6.0	1.9	+211	0.53	3.51	1.00	+80
Riversdale Mining	42	20	0-3	24.0	22.4	+7	0.87	1.85	1.00	+25
S8 Ltd	186	300	1-11	60.0	19.7	+205	0.41	3.40	1.00	+41
SP Telecom.	167	25	0-12	160.0	143.3	+12	0.38	1.17	1.00	+11
Sandfire Resources NL	16	10	0-4	3.0	6.2	-51	0.81	2.23	1.00	-41
Saracen Mineral Hold.	8	10	8-1	2.0	5.2	-62	0.55	1.33	1.00	+5
Select Vaccines	36	20	3-0	21.5	22.5	-4	0.61	1.43	1.00	+5

Company	Yr/Mth			Black-Option	Scholes	Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
	Share Price	Exercise Price	to Expiry							
Senetas Corporation	26	8	0-0	16.0	19.9	-20	0.79	1.62	1.00	-100
Skywest Ltd	19	20	0-8	1.3	1.7	-25	0.30	5.76	1.00	+19
Solbec Pharmaceuticals	10	20	0-4	1.9	0.0	+999	0.53	9.91	1.00	+950
Solbec Pharmaceuticals	10	30	1-4	1.9	0.2	+897	0.53	4.48	1.00	+139
Souls Private Equity	20	30	4-7	8.5	1.8	+385	0.18	4.45	1.00	+16
Stirling Products	27	20	2-7	8.9	15.8	-44	0.78	1.43	1.00	+3
Stratatel Limited	9	25	0-3	0.1	0.0	+999	0.63	9.99	1.00	+999
Striker Resources	3	15	0-6	0.2	0.0	+999	0.37	9.99	1.00	+999
Structural Monitoring	10	20	1-11	3.5	2.0	+71	0.70	2.22	1.00	+56
Style Plantation	10	20	3-8	2.1	2.3	-9	0.51	2.15	1.00	+24
Sun Resources NL	23	15	0-1	8.0	7.6	+5	0.64	2.93	1.00	+30
Sunnycove Mgmt	98	150	4-0	18.0	25.4	-29	0.42	2.21	1.00	+14
Sylvannia	45	20	0-1	23.0	25.1	-8	0.43	1.79	1.00	-42
Synergy Metals	8	10	1-9	3.5	1.8	+91	0.60	2.30	1.00	+40
Tasgold Ltd	9	20	2-6	3.6	1.8	+95	0.64	2.17	1.00	+47
Tasman Resources	15	20	0-9	4.7	4.7	-1	1.23	1.86	1.00	+103
Tawana Resources	90	75	0-6	26.0	20.0	+30	0.39	3.66	1.00	+26
Tiger Resources	19	10	0-1	9.0	9.1	-1	0.98	2.08	1.00	+0
Tomahawk Energy	85	20	3-7	65.0	71.8	-9	0.79	1.15	1.00	+0
Tox Free Solutions	2	3	0-8	0.4	0.4	+4	0.97	2.46	1.00	+122
Transol Corporation	21	25	1-0	8.1	5.2	+57	0.74	2.37	1.00	+58
Trent Capital	75	125	4-0	2.7	9.5	-71	0.28	3.28	1.00	+14
Universal Resources Ltd	15	20	0-2	0.4	0.0	+716	0.51	9.99	1.00	+999
Verus Investments	25	20	1-1	6.0	9.7	-38	0.69	1.99	1.00	+4
Virax Holdings	33	25	0-8	14.0	9.9	+42	0.51	2.72	1.00	+34
Virax Holdings Ltd	33	50	0-7	7.4	1.1	+582	0.51	5.70	1.00	+186
Visioned Group	3	12	2-10	0.7	0.4	+63	0.69	2.21	1.00	+66
Voyager Energy	21	25	0-10	5.1	2.4	+109	0.46	3.97	1.00	+54
Vulcan Resources	25	25	0-7	4.5	6.9	-35	0.88	2.35	1.00	+33
WAM Capital	141	155	0-1	0.1	0.0	+999	0.12	9.99	1.00	+881
Webpsy Ltd	4	8	1-0	0.3	1.3	-77	1.45	1.63	1.00	+131
Wedgetail Exploration	4	5	0-7	0.7	0.4	+92	0.53	4.33	1.00	+84
Westcoast Mining	6	20	1-5	1.6	0.1	+999	0.57	4.08	1.00	+150
Westonia Mines Ltd	10	20	1-3	1.5	0.7	+109	0.57	3.51	1.00	+88
Wilson Leaders	90	100	0-1	0.1	0.0	+999	0.12	9.99	1.00	+999
Yilgam Gold Ltd	2	10	0-0	0.1	0.0	+999	0.70	9.99	1.00	+999
Yilgam Mining	14	25	2-1	4.4	2.4	+83	0.59	2.44	1.00	+45

NZ Warrant / Option Analysis

Company	Yr/Mth			Black-Option	Scholes	Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
	Share Price	Exercise Price	to Expiry							
Forty Two Below (05)	58	50	0-5	18.0	11.1	+61	0.37	4.2	1.00	+46%
Forty Two Below (06)	58	50	1-5	25.0	16.8	+49	0.37	2.7	1.00	+20%
Dorchester Pac (05)	230	170	0-4	73.0	64.0	+14	0.20	3.6	1.00	+18%
Dorchester Pac (06)	230	170	1-4	76.0	76.0	-0	0.20	2.9	1.00	+5%
Heritage Gold	10	7	2-0	5.1	5.8	-13	0.85	1.4	1.00	+10%
Kingfish	90	100	2-7	15.0	13.6	+11	0.18	4.4	1.00	+10%
Salvus Strategic	82	100	2-7	10.0	9.6	+4	0.19	4.6	1.00	+12%

Warrant / Option Analysis

New Option

Aurox Resources (codes AXO and AXOO).

Aurox Resources is a *micro-cap* company currently evaluating a major mining project - so a successful outcome would probably have a significant impact upon the value of the shares. The company will complete the evaluation over the next 18-27 months - so the 20 October 2007 options (i.e. which expire in 29 months) to buy shares at 20 cents are an excellent way to (1) minimise our initial capital being put at risk, while (2) benefiting from the outcome of this evaluation *before* we need to exercise the options and invest further cash.

Aurox Resources listed on the Australian Stock

Exchange in October 2004 and had a few small Copper/Gold mineral exploration interests. The issued capital is 24,740,747 shares and 13,148,000 options, giving the company a market capitalisation of about \$5.8 million. It has cash of about \$1.4 million.

What gives Aurox Resources its leveraged potential is an option to acquire the **Balla Balla** vanadium-titanium-iron ore project which could produce 6000 tonnes of V₂O₅ per annum for over 30 years. Exploration and testing in 1998-2001 produced a feasibility study indicating that high quality V₂O₅ could be produced but the project was abandoned owing to a V₂O₅ price below US\$9/kg. V₂O₅ is currently (Continued on Page 12)

Warrant/Option Analysis *(Continued from Page 11)*

worth around US\$83-95/kg.

Aurox Resources has paid \$200,000 for a 6-9 month option to *review* existing information about the Balla Balla project. The company may then choose to pay a further \$800,000 for a 12-18 months extension during which it would prepare a bank feasibility study and then have the option to purchase a 100% interest in the project for \$15 million (plus pay a 50 cents per tonne royalty on ore mined and processed). Aurox Resources must therefore evaluate this project within 18-27 months and decide whether to proceed or abandon the Balla Balla project *before* we need to decide whether or not to exercise the share options. This is clearly a *very big* project for a *very small* company, so if it is attractive to proceed the impact upon Aurox Resources' shares (and options) could be very great.

The options allow us to participate in this highly speculative situation with a much smaller initial investment. That is, we can buy options for around 5½-6½ cents which puts at risk only about 30% of the capital needed to buy the shares at this time. Alternatively, an investment of \$1000 will buy around 15,000-18,000 options but only 4,880 shares. So - if this situation works out successfully for Aurox Resources - an investment in the options offers a much higher potential for profit!

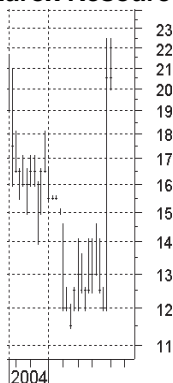
There have been five *insider* buys in Aurox Resources since listing only seven months ago, including the purchase of 1,100,000 shares on-market at 21-21½ cents last week.

Summary and Recommendation

Aurox Resources is a highly speculative situation but offers *huge* leverage - so there is potential for significant profits. This is a \$5.8 million company with an option to buy a major project for \$15 million that will then require *massive* capital expenditure but be capable of generating annual revenues of US\$550-600 million for 30 years. Clearly Aurox Resources is not in a position to proceed with this development, but a successful feasibility study would significantly increase the value of the project which could either be sold off to a major mining company or in which Aurox Resources could retain a very small, but very valuable interest.

Quite likely we could lose all of our investment in Aurox Resources - or the options *could* increase 5-100 fold in value. We certainly wouldn't "bet the farm" here (or on any option, or on any single share), but a very small holding could prove interesting!

Aurox Resources



Review of Existing Options

Biotech Capital (codes BTC and BTOA).

The good news here is that Biotech Capital has lifted its net asset value 6.0% to 51.3 cents over the last quarter - helped by its \$2.5 million investment in **Phylogica** which has a market value of \$5.8 million. The bad news is that the share price has weakened 21% to 33 cents.

The options (to buy shares at 55 cents on 10 October 2006) are down 52% to 2 cents. At this price the options are both significantly over-valued and the "break-even rate" is a difficult to achieve 49% per annum. So the options are likely to expire worthless in 17 months.

We are therefore recommending selling these options which will recover about one-fifth of the 9 cents we originally paid for them in November 2003. "Sell" to recover some value.

DCA Group (code DVC and DVCO).

Since we first reviewed these options in August 2003 the shares have appreciated 37% to 319 cents, resulting in a *quadrupling* of the value of our options! The final exercise/expiry date is 30 September 2005 so we need to review our intentions with this investment.

Over the last quarter the shares have dipped 10% to 319 cents and the more volatile options 28% to 88 cents.

DCA Group is a fine company, but we don't see any compelling reason to exercise our options and continue our investment as shareholders. The options were originally attractive as they offered high leverage (i.e. around 3.2 times) and a low break-even rate in a sound company that was performing well. We pointed out that "if the shares appreciate only 10% per annum then the options will be worth 45-50 cents" but "should the shares rise 20% per annum then the options will quadruple in value". The options have achieved those potential gains but the approaching final exercise/expiry date now limits the potential for further gains.

Therefore we recommend selling off the options over the next 3½ months to realise the significant profit on this investment. Investors with a very small holding in DCA Group options may wish to wait until early September to allow time for further capital appreciation (although, of course, the share and option prices *may* decline if the general market remains weak). Investors with larger holdings should consider selling perhaps one-third of their options over each of the next three months to average the price received.

DCA Group



Farsands Corporation (code FCO and FCOO).

Farsands Corporation has re-purchased 50,364,800 of its options (75.8%) but we did not participate in this buy back which leaves 16,065,200 options outstanding.

The company has acquired 66% of property and events management company **APP (WA)** which is “not a major acquisition” but “contracts with APP are expected to give rise to a solid contribution” to the group.

The options have 3½ years until their final exercise/ expiry date - so there is still plenty of time for the company to grow and potentially increase the value of its shares and options. The options are *fairly* priced at present, offer a high 2.50 times leverage but require the share price to appreciate at 17% per annum to “break-even” (i.e. so a *higher* rate of gain is needed to increase the value of our options). These options are still a reasonably attractive “Buy”.

Financial Resources (codes FRL and FRLO).

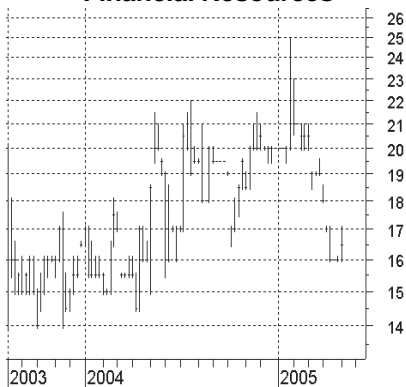
This is a *very* small company that is seeking to build its finance business which mainly involves equipment leasing to mining companies. The business is profitable, earning a net profit of \$524,535 (0.34 cent per share) for the six months to December 2004.

In March the company issued a prospectus seeking to raise up to \$20 million from fixed interest investors. Achieving that additional level of borrowings will approximately double the size of the company's business.

The options have 3 years until their final exercise/ expiry date - so if the company can successfully grow its business over the next few years then the share price could increase significantly and multiply the value of our options many-fold in value. Of course, if on the other hand the company is unsuccessful and the share price stays below 20 cents then our options will eventually expire worthless. So while we seek the potential for significant gains, investments in individual company options can become completely without value.

The options are *fairly* valued, the leverage is 2.23 times and the break-even rate is 14%. Options are a particularly attractive way to invest in this type of *micro-cap* start-up business which is likely to either succeed or fail with a large percentage gain or loss in value of the shares over the next three years. The options are a high risk “Buy”.

Financial Resources



Global Mining Investments (code GMI and GMIO).

The share price has dipped 10% to 97 cents over the last quarter, with the highly leveraged options down 35% to 9.1 cents. The options remain an attractive leveraged

investment in the further appreciation of global mining company shares over the next 18 months. The leverage is an extremely high 5.77 times, so if mining shares appreciate at a higher rate than 9% per annum (i.e. the “break-even” rate) then the options will soar in value. “Buy”

Global Mining Investments

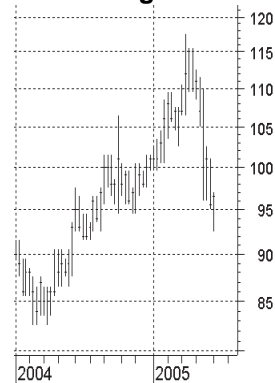


Image Resources (codes IMA and IMAO).

The Image Resources share price has risen 3% to 38 cents over the last quarter while the option price is up 4% to 12 cents.

The options offer a high leverage of 2.12 times and trade at a 25% discount to their *fair* value - but this is an extremely speculative mineral exploration company! So only a *small* investment in this company would be appropriate. There is, however, currently a very wide bid/offer spread of 9½-12 cents on the options - so investors should seek to make trades somewhere closer to the middle of those quotes.

Image Resources



Metroland Australia (code MTD and MTDO).

The Metroland Australia share price fell 16% over the last quarter to 18½ cents with the options down 33% to 3 cents! The options have 4 years until the final exercise/ expiry date, are very *under-valued* at a 48% discount to *fair* value and still offer a high leverage of 2.02 times. The decline in the share price, however, has lifted the “break-even” rate from 8% to 12% - but that is still easily achievable.

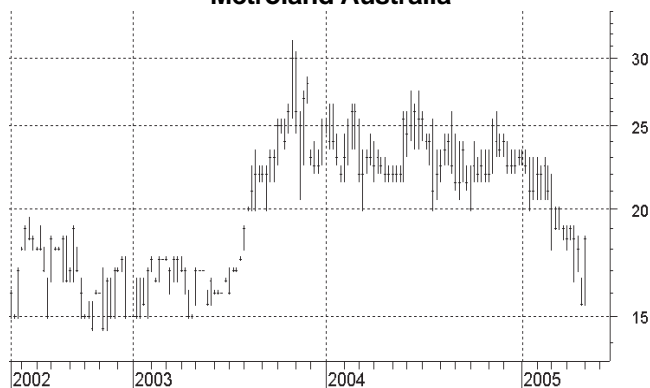
The company has sold out of its investment in the *Ridge* development, receiving around \$4.5 million. A heritage building at 16-20 Mountain Street, Ultimo, Brisbane has been acquired for \$8.45 million and this 4930m², 4 story building will be converted to commercial spaces and student accommodation.

Property development is a high risk business - but can yield high returns. *(Continued on Page 14)*

Warrant/Option Analysis (Continued from Page 13)

These options still have four years until their final exercise/expiry date, so if Metroland can build shareholders wealth over that period then option holders' wealth should soar.

This is an attractive leveraged investment, but like any option, can become worthless if the share price fails to climb above the exercise price (i.e. 26 cents) before the expiry date. "Buy".

Metroland Australia**ORT** (code ORT and ORTO).

ORT continues to explore ways to finance the development of its business. The options are a speculative "Hold".

Orchid Capital (codes ORC and ORCO).

Orchid Capital options have been an extremely successful speculative investment over the last quarter. The shares are up 75% to 14 cents, with the options up a further 225% to 9.1 cents.

We originally reviewed Orchid Capital in August 2003 when the option price was just 0.8 cents - so this holding is up 11½-fold in value!

The appreciation in the share price relates to its interest in a large copper, lead and molybdenum mineral project in Tibet. That project is still at an early stage - and will no doubt present a number of problems before any metal is extracted from the ground - so investors should probably seek to sell 30-40% of this holding and realise part of this significant gain.

Total Return Index for All Listed Shares

Apr 11	2323.53	Apr 18	2225.64
Apr 12	2328.62	Apr 19	2245.57
Apr 13	2336.05	Apr 20	2248.95
Apr 14	2316.69	Apr 21	2232.81
Apr 15	2287.42	Apr 22	2244.88
Apr 25	Holiday	May 2	2222.66
Apr 26	2240.65	May 3	2222.33
Apr 27	2217.19	May 4	2225.26
Apr 28	2215.16	May 5	2210.53
Apr 29	2211.47	May 6	2210.40

PharmaNet Group (code PNO and PNOO).

PharmaNet Group has sold its **Medical Products Group** business to **Advance Healthcare** for \$600,000 in convertible notes paying 10% interest and converting to \$750,000 worth of Advance Healthcare ordinary shares (based upon the market value at conversion). PharmaNet has also received \$400,000 in cash from the repayment of loans, with further outstanding loans earning interest at 12% and repayable over the next four quarters (subject to achieving sales and margin targets). This improves the cash position of the company while it continues to seek to develop its business related to its Tripeptofen discovery.

The shares, however, have fallen significantly over the last quarter - down 43% to 4 cents. The options are down 46% to 2.1 cents. The decline in the share price has boosted the "break-even" rate from 19% to 44%. Normally we would consider that virtually unachievable, but this is an extremely volatile situation where just about anything is at least possible. So we rate the options a "Hold", although wouldn't buy more at the present time.

WAM Capital (WAM and WAMO).

The share price has declined 10% to 141 cents - which is below the option exercise price of 155 cents. The final exercise/expiry date for the options is 17 June, so - unless the stockmarket jumps very strongly in the next few weeks - we shall let these options expire worthless next month.

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Calan Healthcare Properties	2.15	16-05	01-05	0.3512
CanWest MediaWorks NZ	4.00	09-05	16-05	Full
Kingfish	2.00	30-05	10-06	Full
Kirkcaldie & Stain	7.00	16-05	23-05	Nil
National Property Trust	2.10	23-05	03-06	Nil
NZ Exchange - special	40.00	02-05	11-05	Full
Restaurant Brands NZ	5.50	30-05	10-06	Full
Urbus Properties	4.60	09-05	20-05	Nil
	<u>Australian Shares</u>			
AJ Lucas Group	3.50	07-03	24-06	

Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday June 7, 2005 (and delivered in most areas on Wednesday 8).

Subscribers who have updated their account online with an e-mail address will also receive the Electronic version in their e-mail Tuesday morning.

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