

Market Analysis

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Inside Market Analysis

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Summary and Recommended Investment Strategy.

The outlook is favourable, the local stockmarkets continue to rise and our *Recommended Portfolio* is appreciating rapidly in value - so remain fully invested!

Investment Outlook.

Despite uncertainty over the price of oil, the future trend in commodity prices, exchange rates and economic growth rates the Australian and New Zealand stockmarkets continue to experience far above average rates of appreciation as these markets "climb a wall of worry". Widespread uncertainty, however, has removed the optimism that began to become evident in late 2004 and which *can* lead to *excessive optimism* which often signals a market peak. In fact, it was probably this optimism in late 2004 that resulted in the "healthy" correction during the first half of 2005.

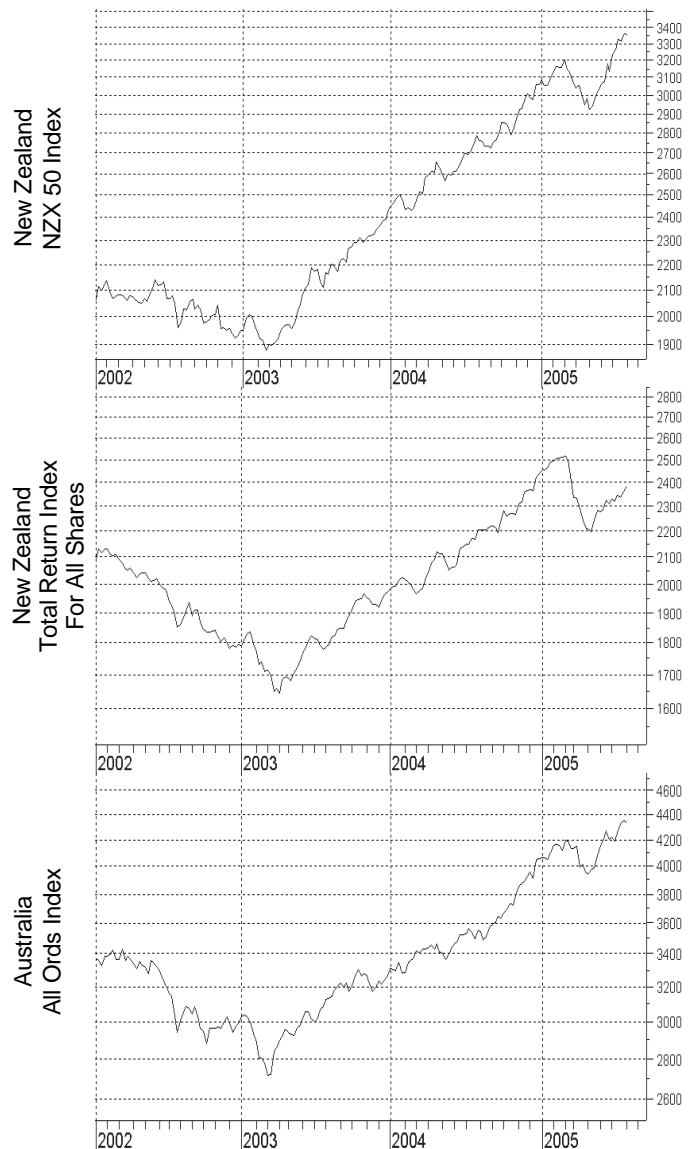
Our short and long term Forecasts are also Bullish (i.e. favourable) to Neutral for these stockmarkets.

Even more importantly for your investment wealth, our *Recommended Portfolio* is continuing to outperform the market averages by a significant margin!

So, what do you do when everything is going right? Firstly, remain fully invested in shares! Secondly, avoid taking profits and let profits run on your successful investments. This newsletter has long argued that you don't get rich taking *small* profits (i.e. 50% or 100%) and has successfully built wealth through finding - and holding on to - shares that rose 5-fold or 10-fold or more in value! Thirdly, keep on looking for potential new investments. Eventually it will be necessary to replace some existing share investments with other shares that have better *future* potential. Fourthly, don't get overconfident. Don't start putting all your money into share options. Don't leverage your portfolio with large margin loans. Fifthly, worry about some point in the future when things won't be working out as you would like. Prepare yourself for the inevitable market decline (or company failure) when your shares will plunge in value! If necessary, reduce your risk exposure so you can survive unfavourable market fluctuations. The stockmarket is very volatile, but offers higher returns than fixed interest or property investments.

Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	65% (Bullish)	77% (Bullish)
New Zealand:	74% (Bullish)	55% (Neutral)



Performance Forecasts

"Performance Forecasts" are computer generated predictions of the relative future price performance of a company's shares over the next three to six months. Performance Forecasts are calculated for every listed NZ share (except Investment Trusts) on a rating scale using the letters "A" (Highest potential for capital appreciation over the next 3-6 months), "B" (Above Average), "C" (Average), "D" (Below Average) and "E" (Lowest). These predictions are NOT buy or sell recommendations, but can be useful to help time planned purchases or sales, or to identify shares worthy of further study and analysis.

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A2 Corporation	C	16	N/A	NE	Nil	Hirequip NZ Ltd	C	115	1.69	8	2.6	Pure NZ Limited	D	2.5	8.62	NE	Nil
ABS Canterbury	A	446	1.34	15	4.7	Horizon Energy	B	425	3.96	14	7.0	Pyne Gould G.	B	220	0.76	12	6.1
AMP Linter	C	745	1.17	14	3.9	ING Property	B	122	8.47	15	8.8	Pyne Gould Corp	B	510	1.19	15	4.1
AMP NZ Office	C	98	5.13	13	7.4	Infratil NZ	A	399	4.49	17	3.9	Renaissance	B	126	0.40	21	8.7
AXA Asia Pac.	A	495	1.60	15	2.5	Jasons Media	D	52	N/A	NE	Nil	Restaurant Brds	C	154	0.47	14	9.7
Abano Health.	C	220	0.89	NE	Nil	Just Water Int.	D	94	4.72	28	Nil	Richina Pacific	E	67	0.17	20	3.0
Affco Holdings	C	48	0.27	4	Nil	KidCorp	D	15	1.08	NE	Nil	Rubicon Limited	D	114	N/A	NE	Nil
Air New Zealand	C	125	0.22	5	Nil	Kingfish Ltd *	N/R	96	2.51	3	3.1	Ryman Health.	A	412	3.40	18	2.8
Akd Int Airport	B	223	N/A	29	4.7	Kirkcaldie & St	B	260	0.62	24	4.2	Sanford Limited	B	466	1.24	8	7.0
Allied Farmers	B	260	0.55	14	6.0	Kiwi Property	C	115	8.98	15	7.5	Satara Co-op	C	96	0.45	22	9.3
Allied Work.	D	145	N/A	NE	Nil	Life Pharmacy	D	107	N/A	NE	1.7	Savoy Equities	C	1.1	N/A	NE	Nil
Apple Fields	C	3.3	N/A	NE	Nil	Lion Nathan Ltd	B	834	1.99	25	3.9	Scott Tech. Ltd	E	261	1.82	18	7.4
Blis Technology	D	15	N/A	NE	Nil	Livestock Imp.	A	140	0.44	9	14.1	Sealeggs Corp	C	23	4.38	NE	Nil
Blue Chip NZ	D	90	2.19	10	Nil	Loan & Building	C	434	1.29	14	5.2	Seeka Kiwifruit	B	455	0.71	13	6.6
Botry-Zen Ltd	D	7.5	N/A	NE	Nil	Lytelton Port	C	189	3.12	16	8.7	Skellmax Indust	B	143	1.34	12	7.3
Brierley Invest	C	109	2.91	16	2.0	MG Property Trt	B	125	N/A	24	9.0	Sky City Ltd	B	483	3.36	20	8.2
Briscoe Group	C	133	0.88	15	7.9	Mainfreight Grp	A	310	0.35	22	3.1	Sky Network TV	C	580	6.29	79	Nil
Broadway Ind	C	85	0.41	6	2.4	Media Tech.	D	10	0.42	NE	Nil	Slavus Strat. *	N/R	88	N/A	NE	Nil
CACI Group Ltd	C	20	0.26	45	Nil	Methven Limited	D	137	1.28	11	8.3	Smiths City	C	69	0.16	4	7.2
CDL Hotel NZ	D	60	1.26	9	3.5	Metro. LifeCare	C	340	2.70	17	1.6	Software of Exc	D	130	1.41	NE	Nil
CDL Investments	D	35	3.48	8	6.8	Michael Hill	B	750	1.11	19	4.2	Sol. Dynamics	D	96	0.65	NE	Nil
Cabletalk Group	B	74	0.57	10	6.1	Mid-Cap Index *	N/R	248	N/A	NE	Nil	South Port NZ	C	121	2.14	16	8.0
Cadmus Tech Ltd	D	23	3.89	NE	Nil	Mike Pero Mort.	D	77	0.98	16	11.6	Spectrum Res.	D	15	1.63	NE	Nil
Calan Healthcare	B	109	9.97	17	7.3	Mooring Systems	E	415	N/A	NE	Nil	Speirs Group	B	120	0.22	11	10.0
CanWest Media.	D	183	N/A	NE	Nil	Mowbray Collect	E	140	3.84	NE	3.2	Steel & Tube	C	498	1.13	15	8.1
Cap Properties	B	132	5.24	17	6.8	Mr Chips Hold	C	95	0.66	16	6.3	Sthn Travel	E	70	N/A	NE	Nil
Carter Holt	A	247	0.90	7	1.6	NGC Holdings	A	380	3.69	21	7.5	Summit Gold Ltd*	N/R	68	N/A	NE	Nil
Cavalier Corp	C	388	1.27	12	10.4	NZ Exchange Ltd	D	771	5.40	27	Nil	Tag Pacific Ltd	C	23	0.26	15	2.4
Cert Organics	E	5.3	4.16	NE	Nil	NZ Experience	D	32	1.51	14	9.3	Taylor's Grp Ltd	B	235	0.93	13	7.0
Col Motor Co	B	315	0.22	10	9.5	NZ Finance Hold	A	91	5.41	24	Nil	TeamTalk Ltd	A	235	2.36	18	10.5
Commsort Group	E	0.3	N/A	NE	Nil	NZ Invest Trust*	N/R	785	N/A	NE	1.1	Telecom Corp	B	632	2.15	14	9.1
Comvita	C	230	1.07	23	1.4	NZ Oil and Gas *	N/R	91	8.06	15	Nil	Tenon Ltd	B	432	0.38	NE	Nil
Connexion	D	40	2.35	59	Nil	NZ Refining Co	A	5100	4.35	13	8.8	Toll NZ Ltd	C	318	0.96	6	Nil
Contact Energy	A	751	3.39	30	5.0	NZ Wine Company	C	190	1.82	18	3.9	Tourism Hold.	B	193	1.11	17	7.0
Cube Capital	D	4.2	0.12	NE	Nil	NZ Wool Service	D	52	0.27	11	11.5	Tower Limited	C	213	0.84	16	Nil
Cue Energy Ltd *	N/R	25	N/A	83	Nil	NZSX 10 Fund *	N/R	127	N/A	NE	Nil	Training Sol.	E	0.1	0.71	NE	Nil
Cynotech Hold.	D	20	1.09	NE	Nil	NZSX 50 Port.	D	149	N/A	NE	Nil	Trans-Tasman	D	44	3.32	9	Nil
Dominion Fin.	B	120	2.68	9	8.6	NZX Aust MidCap	C	476	N/A	NE	Nil	Trust Power Ltd	A	620	3.19	27	4.7
Dorchester Pac	C	242	0.62	8	6.3	Nat Property Tr	C	96	6.52	19	9.5	Turners Auction	B	285	0.99	11	10.5
Eastern Hi-Fi	E	80	0.58	11	Nil	New Image Group	C	6.0	0.71	NE	Nil	Turners & Grow.	C	208	0.27	15	Nil
Ebos Group Ltd	B	459	0.56	15	6.5	Northland Port	A	329	N/A	41	3.6	Urbus Property	B	119	2.79	6	7.7
Evergreen	C	42	1.62	NE	Nil	Nuhaka Forestry	C	2.1	N/A	NE	Nil	Utilico Intl	D	57	3.67	NE	Nil
F & P Health.	B	342	7.23	28	4.7	Nuplex Indust	C	487	0.46	10	7.5	VTL Group Ltd	C	66	0.70	10	5.0
F & P Appliance	C	351	0.89	14	7.7	Opio Forestry	C	80	N/A	NE	Nil	Vertex Group	B	209	0.76	13	2.9
Feltex Ltd	C	61	0.28	4	9.8	Owens Group Ltd	B	116	0.27	NE	Nil	WN Drive Tech.	D	36	N/A	NE	Nil
Finmedia Ltd	D	105	2.34	3	Nil	Oyster Bay	B	342	4.70	25	Nil	Wakefield Hosp.	A	540	1.59	22	3.6
Finzsoft Solns	E	75	0.88	36	Nil	Ozzy (Tortris) *	N/R	260	N/A	NE	Nil	Warehouse Group	C	375	0.51	19	5.8
Fletcher Build.	C	714	0.79	13	5.2	POD Ltd	C	113	0.50	10	4.0	Waste Mgmt NZ	A	678	3.15	26	5.9
Forty Two Below	D	73	7.53	NE	Nil	Pac Edge Bio.	E	26	N/A	NE	Nil	Widespread Port	E	2.0	N/A	NE	Nil
Freightways Ltd	B	332	1.98	28	5.7	Pacific Retail	E	192	0.12	NE	Nil	Windflow Tech.	E	230	N/A	NE	Nil
GDC Communicat.	D	22	0.33	NE	Nil	Plus SMS Hold.	D	18	N/A	NE	Nil	Wool Equities	E	64	2.36	NE	Nil
Genesis Res.	D	32	1.89	NE	Nil	Ports Tauranga	C	467	4.14	19	6.4	World Index Fd *	N/R	119	N/A	NE	Nil
Guinness Peat	C	210	0.17	8	2.5	Ports Auckland	B	796	5.12	19	7.6	Wrightson Ltd	B	224	0.47	16	9.3
Gullivers Trv.	C	140	0.33	12	10.4	Postie Plus Grp	C	72	0.27	7	14.6	Zintel Comm.	D	66	1.36	14	5.4
Hallenstein G.	C	422	1.37	14	8.5	Property F Ind.	C	115	9.77	19	6.8	Ave of 168 Cos	C	239	0.74	18	3.7
Hellaby Hold.	C	598	0.89	14	8.7	Pumpco Group	C	97	1.22	21	Nil						
Heritage Gold *	N/R	6.0	N/A	NE	Nil	Pumpkin Patch	D	278	2.10	57	Nil						
ABB Grain Ltd	B	670	1.17	55	3.7	Energy Resource	A	1496	8.90	55	1.1	Oil Search Ltd	A	334	6.59	19	1.2
AMP Ltd	B	670	1.14	13	4.0	Energy Develop.	B	445	N/A	NE	0.3	Onesteel Ltd	A	269	0.46	12	4.5
ANZ Bank	B	2142	4.20	27	4.7	Envestra	B	114	2.93	39	8.3	Orica Ltd	B	1922	1.10	16	3.5
APN News Media	A	520	1.96	20	4.2	Excel Coal Ltd	B	770	6.42	55	1.4	Origin Energy	B	719	1.39	24	1.8
AWB Limited	B	486	0.31	17	5.1	Fairfax (John)	A	427	2.18	14	3.9	Oxiana Ltd	C	109	N/A	NE	Nil
AXA Asia Pac	B	446	1.57	15	2.6	Flight Centre	B	1520	1.79	17	4.0	Pacific Brands	B	246	3.35	NE	1.4
Adelaide Bank	A	1210	4.02	14	4.4	Foodland Assoc	B	2665	0.46	22	3.7	Pacific Hydro	B	500	N/A	19	1.0
Adelaide Bright	A	201	1.56	13	3.7	Foster's Group	B	540	2.78	14	3.6	Paperlin X Ltd	B	337	0.24	14	8.2
Alinta Limited	A	971	2.38	17	4.3	Futuris Corp.	C	217	0.53	60	3.7	Patrick Corp	B	594	2.88	17	2.2
Alumina Ltd	B	585	N/A	25	3.4	GPT Group	C	390	N/A	18	5.6	Perp Trust Aust	A	6300	7.59	27	2.4
Amcor Ltd	B	701	0.59	18	4.6	GWA Internat'l	C	309	1.27	14	5.8	Primary Health	A	965	6.58	55	1.8
Ansell Ltd	A	974	1.52	24	1.3	Gandel R. (CFS)	B	173	9.85	18	5.8	Promina Group	B	502	1.74	12	4.4
Argo Investment	A	610	N/A	35	2.7	Gt Sthn Plant'n	B	316	3.70	8	3.2	Publishing & Br	B	1514	3.16	15	2.8
Aristocrat Leis	A	1239	5.20	34	0.6	Guinness Peat	A	189	0.62	29	1.3	Q.B.E. Insur.	B	1661	1.19	15	3.3
Arrow Pharm.	A	250	2.35	41	4.0	Guinness Ltd	B	374	1.88	12	3.3	Qantas Airways	B	329	0.53	9	5.2
Aust Foundation	A	391	N/A	22	4.1	Hardman Res.	B	238	7.48	17	Nil	Ramsay Health	B	860	1.44	29	2.0
Aust Stock Exch	A	2584	9.49	24	3.7	Harvey Norman	B	272	1.57	16	2.8	Record Invest.	A	577	N/A	36	3.2
Aust Gas Light	B	1402	1.52	18	4.3	Henderson Group	B	160	0.52	47	Nil	Reece Australia	B	1255	1.43	20	2.2
Aust Pharm. Ind	A	317	0.24	27	4.1	ING Indust Trt	B	218	9.64	15	6.6	Rinker Group	A	1502	2.42	24	1.4
Aust Pipeline	A	375	3.62	8	7.5	ING Office Fund	B	133	7.54	13	7.7	Rio Tinto Ltd	A	5040	3.64	18	2.1
Austar United	B	111	3.35	NE	Nil	Iluka Resources	A	833	2.28	22	2.6	Rural Press Ltd	B	1090	3.99	24	3.6
Australand Prop	B	167	1.17	10	9.9	Intec Pivot	C	1574	0.81	12	5.7	SFE Corporation	A	1100	7.18	28	3.1
B & B Infrast.	B	165	4.89	38	6.4	Insurance Aust.	B	596	1.51	14	3.7	Santos Ltd	A	1080	3.61	17	3.1
BHP Billiton	B	1960	2.14	16	1.8	Investa Prop.	B	201	3.08	13	8.2	Seven Network	A	731	1.33	17	3.2
Babcock & Brown	A	1545	6.35	73	Nil	Invohe Mines	C	1200	N/A	NE	Nil	Sigma Company	B	932	0.62	22	2.8
Bank of O'land	A	1170	1.56	17	3.7	James Hardie	A	896	2.60	25	0.9	Sims Group Ltd	B	1574	0.76	13	4.2
Baycorp Advant.	B	381	4.40	41	Nil	Jubilee Mines	A	840	4.45	11	5.4	Smorgon Steel	B	124	0.42	24	5.2
Bendigo Bank	A	996	3.38	17	3.4	Leighton Hold	B	1254	0.69	31	3.6	Sonic Health	B	1277	3.30	59	1.6
Billabong Int'l	B	1336	4.00	31	2.0	Lend Lease Corp	B	1343	0.55	16	3.3	Soul Pattinson	B	911	4.11	14	2.2
Bluescope Steel	A	930	1.18	12	3.2	Lihir Gold	B	142	6.12	4	Nil	Spotless Group	B	545	0.46	51	4.2
Boral Limited	A	717	1.00	11	4.2	Lionore Mining	B	720	2.70	14	Nil	St					

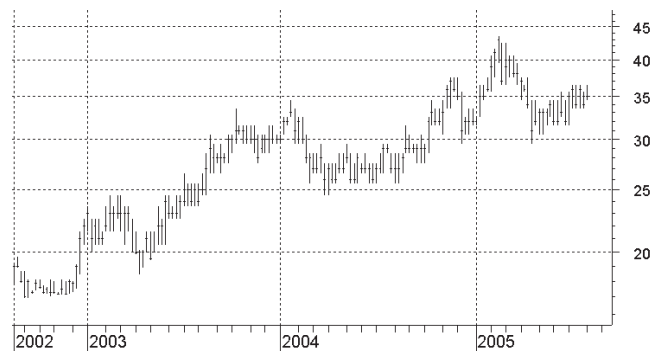
Recommended Investments

CDL Investments has reported a 35.2% drop in revenues to \$9.4 million for the six month to 30 June. Profits were down 12.4% at \$3,109,000 (1.5 cents per share). The company does not pay interim dividends.

The company sold 66 sections during the period, down from 77 sections in the first half of 2004. The operating cash flow was a *deficit* of \$4.5 million as the company re-invested in 14.09 hectares of land in Auckland, Hamilton and Havelock North. CDL Investments now holds 248.71 hectares of land for development.

Under new NZ *International Financial Reporting Standards* the company will (Continued on Page 4)

CDL Investments



Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation		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 %	
		Code	- Date - Price										
<u>NZ Shares</u>													
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	200.5	1.6	3.48	8	6.8	35	11.3	+85%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	C	64.9	0.5	1.27	12	10.4	388	155.5	+248%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.22	10	9.5	315	271.3	+291%
BUY	Lyttelton Port Company	LPC	12/12/00	150	C	102.1	0.8	3.12	16	8.7	189	47.0	+57%
BUY	Metlifecare Ltd	MET	10/08/04	236	C	86.5	0.7	2.70	17	1.6	340	5.5	+46%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.7	0.4	1.11	19	4.2	750	159.0	+1876%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	C	62.1	0.6	0.46	10	7.5	487	113.0	+71%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	B	38.2	0.9	0.40	21	8.7	126	25.9	+79%
HOLD+	Richina Pacific	RPL	03/11/95	94*	E	148.7	1.2	0.17	20	3.0	67	11.4	-17%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	0.9	2.14	16	8.0	121	77.3	+65%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	C	88.0	0.6	1.13	15	8.1	498	115.0	+320%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	0.7	0.93	13	7.0	235	50.0	+179%
<u>Australian Shares</u> (in Aust cents)													
HOLD	AJ Lucas Group	AJL	13/05/03	120	C	51.2	0.9	0.49	6	6.9	116	20.5	+14%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	E	87.8	1.9	3.24	NE	Nil	22	7.0	-61%
BUY	Austin Group Ltd	ATG	08/02/05	93	B	62.2	1.0	0.86	12	7.6	79	4.0	-11%
BUY	Campbell Brothers Ltd	CPB	12/10/99	418*	B	41.3	0.5	0.81	18	4.4	952	177.5	+170%
BUY	Candle Australia	CND	08/04/03	86	A	39.6	0.7	0.53	21	3.8	240	15.5	+197%
HOLD+	Cellnet Group Ltd	CLT	12/02/02	152	B	49.8	0.9	0.16	8	8.0	143	31.5	+15%
HOLD+	Centennial Coal Ltd	CEY	16/01/01	70*	B	195.5	0.5	1.94	18	2.6	495	6.0	+616%
HOLD	Circadian Technologies	CIR	10/02/04	188	C	40.1	1.0	N/A	NE	Nil	148	65.0	+13%
BUY	Citect Corporation Ltd	CTL	12/04/05	110	B	52.3	1.1	0.73	14	6.4	86	Nil	-22%
HOLD+	Commander Comm.	CDR	11/09/01	92	B	154.6	0.7	0.74	39	0.8	236	13.2	+171%
BUY	Computershare Ltd	CPU	12/08/03	189	A	594.5	0.7	3.54	48	1.3	618	15.5	+235%
HOLD	Int'l AllSports	IAS	11/02/03	180	D	52.5	1.8	0.03	NE	Nil	25	2.5	-85%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	A	232.9	0.6	2.28	22	2.6	833	12.0	+79%
HOLD+	Keycorp Ltd	KYC	10/08/04	154	B	81.7	1.0	1.57	21	1.5	195	Nil	+27%
BUY	LongReach Group Ltd	LRX	11/01/05	23½	C	174.5	2.2	0.77	NE	Nil	16	Nil	-33%
HOLD+	Melbourne IT	MLB	10/02/04	53	C	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	3.34	40	2.1	109	2.3	+32%
BUY	Ross Human Directions	RHD	14/08/01	92	B	59.1	1.3	0.23	9	5.6	63	19.0	-11%
BUY	Skilled Engineering	SKE	12/03/02	126	B	95.6	0.7	0.37	17	5.7	283	47.5	+162%
HOLD+	Sonnet Corporation	SNN	07/09/04	31½	C	82.0	1.7	0.80	6	17.3	26	3.0	-9%
HOLD+	Technology One Ltd	TNE	11/11/03	44	B	298.7	1.2	3.56	19	4.6	62	4.3	+49%
BUY	The Reject Shop Ltd	TRS	11/01/05	257	A	24.1	0.7	0.38	12	0.9	288	10.0	+16%
HOLD	Toll Holdings	TOL	08/09/98	60*	A	321.3	0.4	1.34	26	1.5	1380	75.0	+2325%
HOLD	UXC Limited	UXC	11/01/00	55*	A	144.8	1.0	0.68	14	5.6	89	26.3	+110%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	173.4	0.9	1.43	18	3.6	117	30.3	+113%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +204.3%. This is equal to an average annual rate of +44.2%, 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 +33.2%, compared with a market gain of +9.1% (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) in future report sales and profits when a sale is settled, not when it becomes unconditional as required under the previous standards. The impact of this for the current period would be a 51.5% increase in reported revenues to \$18.9 million and 48.1% increase in net profits to around \$7.1 million (3.4 cents per share). These higher revenues and profits would be the result of deferring sales made in the previous financial year (i.e. before 31 December 2004) but not completely settled until the current financial year.

Your Editor considers this change to be a step backwards - away from accrual accounting (i.e. which recognises a legal transaction - the unconditional sales agreement) and returns to cash accounting (i.e. recognising the sale only when the last dollar is received and in the bank).

Cavalier Corporation has confirmed it expects to report a 7% lower trading profit of \$19.5 million (30 cents per share) for the year to June 2005. It will also pay a steady 14.5 cents final dividend, making a steady annual dividend payout of 27.0 cents (with full imputation tax credits).

The company, however, is less confident about its investment in **Microbial Technologies** which "in its present form may not be sufficiently robust to assure commercial success". Cavalier Corporation will therefore write off its capitalised Research & Development expenditure of \$5.8 million (after tax) but "will continue with the development program for a period" to investigate "some important improvement potential". The R & D being written off was incurred in the past, so has no impact on the profitability and cashflow of the main carpet and wool businesses. Microbial Technologies, however, was always a potential third business - or potentially valuable technology that could be sold or licenced. If the project is less certain, then the group's future growth potential is slightly diminished.

Cavalier Corporation



Metlifecare has recorded steady revenues of \$54.6 million for the half year to June 2005 but an 8.2% increase in profits to \$8,827,000 (10.1 cents per share). The interim dividend will be raised 10.0% to 2.2 cents (with no imputation tax credits).

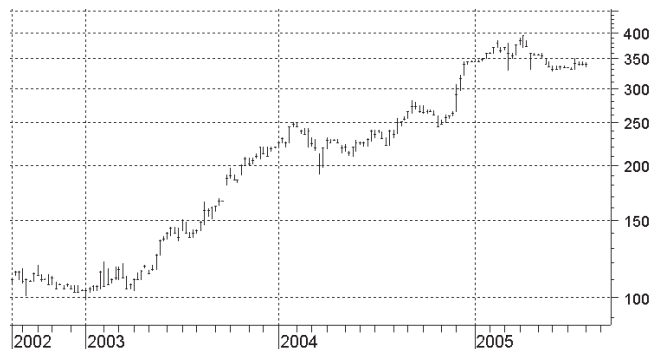
The net operating surplus rose 24.5% to \$13.0 million.

Metlifecare reports "strong [profit] margin growth in sales and re-sales that are expected to continue". The full year profit to December 2005 is forecast to rise 23% to \$21.5 million (24.6 cents per share).

At 340 cents the shares trade at 17 times last year's

profits and only 14 times this year's forecast profits. That is a relatively low valuation for a company where profits are growing at a steady 23% per annum. So Metlifecare shares remain an attractive "Buy" for medium to long term capital appreciation.

Metlifecare



Renaissance Corporation lifted revenues 35.9% to \$69.6 million for the half year to 30 June, but profits leapt 149.0% to \$1,935,000 (5.0 cents per share). The company will pay a 33.3% higher interim dividend of 4.0 cents (plus full imputation tax credits). The cash operating surplus rose 19.9% to \$5.4 million.

The company has no interest bearing debts and a cash holding of \$9.1 million (23.8 cents per share), so is in a strong financial position to continue high dividend payments to shareholders.

In earlier years Renaissance Corporation had earned most of its annual profit in the first half but now believes its business has "become more balanced" and that the second half will "show solid growth and produce another record profit". The company has significantly restructured its business over recent years. All divisions now appear to be trading well and there has been a "pronounced lift in the overall volume of business".

At 126 cents, Renaissance Corporation shares trade on a historical Price/Earnings ratio of 21, but a continuation of current trading would reduce that to a low 13. The current strong growth in profitability justifies upgrading our advice from "Hold" to "Hold+" (i.e. an attractive hold, worth considering for additional purchases).

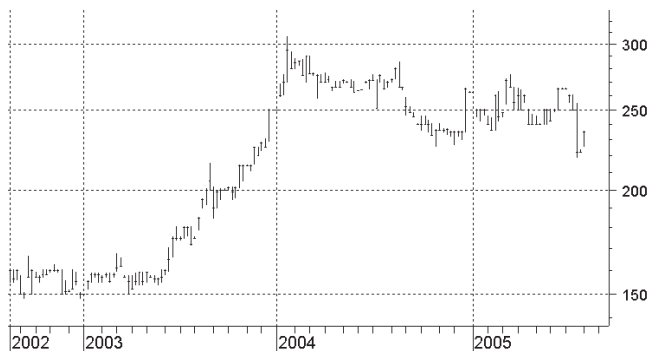
Taylor's Group has warned that profits to June 2005 will be around 18% lower at \$3.4-3.5 million (13-14 cents per share). The company traded poorly in June owing to lower sales to the healthcare sector, lower than expected sales to the hospitality sector and its Pt Chevalier facility still not yet achieving its expected synergies. Energy and labour costs have also increased strongly over the last year.

Taylor's Group shares, however, still remain an attractive investment. Firstly, the share price dropped sharply in response to this downgrade - so the impact of the unfavourable trading conditions are already reflected in the lower share price. Secondly, higher energy and labour costs affect the whole industry. In the short term this depressed profitability but in the longer term - even with competitive pressures - Taylor's Group and its competitors will pass on these higher operating costs. Thirdly, Taylor's Group is virtually debt free and generates strong operating cashflows, far in excess of its

reported profits. So the company should continue to pay high dividends, make capital repayments to distribute surplus cash and/or continue to grow through acquisitions.

We shall continue to rate Taylors Group shares as "Hold+".

Taylors Group



Australian Shares

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

AJ Lucas Group has warned the market that it now expects to report a loss of \$6.3 million for the year to June 2005.

Revenues, however, are now expected to grow strongly in the year to June 2006 to around \$150 million. The company has contracts for \$100 million and work has begun on projects worth \$80 million. This forecast includes only \$13 million of Pipelines but the company believes it is "well positioned to secure substantial amounts of this work". The current 2006 forecast is for earnings (before interest and tax) of \$8-10 million.

AJ Lucas Group has entered a joint venture agreement to use its Horizontal Directional Drilling and Coal Seam Gas extraction technologies in the United States. **Comet Ridge** and **Strike Oil** will jointly fund the acquisition and exploration of oil and gas prospects and coal seam gas prospects that are "amenable to development with horizontal or high angle deviated wells or multilateral holes". AJ Lucas Group's drilling technology will provide the venture with a "competitive advantage" in this exploration and development.

This is a small, low risk project for AJ Lucas Group but offers two areas for potential gains. Firstly, AJ Lucas Group will benefit from any successful discoveries and development, with "an option to participate with a 33.3% interest, on the same terms" as the two original partners. Secondly, AJ Lucas Group expects to be able to develop its coal seam gas technology into a large business - where it provides technology, equipment and supplies to other operators. The US operations will enable it to demonstrate the coal seam gas technology in a new and larger market.

The company's investment in the **Gloucester Basin** coal seam gas project is recorded in its books at \$3 million but it believes the real value is "substantially in excess" of that book value. Another \$4.5 million will be invested to complete Stage II by May 2006 when this asset "could be material". The company is continuing to assess ways to "restructure this investment in the project and unlock its value for shareholders". That

could mean floating the gas business on the stockmarket as a separate company, either realising cash and a valuable shareholding for AJ Lucas Group, or perhaps spinning off shares to AJ Lucas Group shareholders to participate directly in the value of this business.

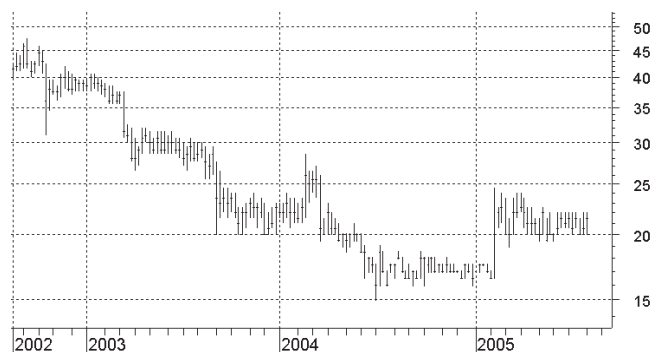
Atlas Pacific has made good progress with expansion over recent months. The company has established a *North Bali Pearl* retail and tourist centre at Penyabagan, Bali, offering pearl farm visits, pearl displays and retailing the company's pearl and mother of pearl jewellery. Development of a new pearl farm at Karangasem in East Bali has commenced which will be in commercial production by year end and later develop tourist and retail operations.

The 2004/05 hatchery season was successful, producing enough juvenile oysters for the company's own operations and surplus oysters which will be sold. The pearl farm at Alyui Bay expects to nucleate over 300,000 oysters this year, with a further 50,000 oysters to be seeded at the new Bali pearl farm.

The half year result will be announced shortly, but the company expects to generate 75% of its revenue - and probably all of its 2005 profit - in the second half of the year. The company is cautious about predicting the 2005 result at this stage but will update shareholders next month when it has begun selling pearls from the current harvest.

Using its pearl farms to develop tourist ventures and producing and marketing some of its own jewellery should help diversify revenue streams and add value to its existing pearl production business. Developing a second pearl farm diversifies environmental risks and will allow even further expansion of pearl production volumes.

Atlas Pacific



Campbell Brothers reports that it is "poised for further aggressive growth" and that trading during the June quarter "has recorded a double digit increase" over the previous year.

Candle Australia has made two acquisitions over the last month. The first was Sydney based **Parker Bridge Australia** at an estimated cost of around \$4.3 million in cash and shares, with the final cost based upon performance over the next two years. Parker Bridge Australia's main business involves recruiting senior Accounting personnel. This is a diversification for Candle Australia which plans to grow this Accounting business internally or through further acquisitions, to expand across all states in Australia.

The second acquisition is a *(Continued on Page 6)*

Recommended Investments (Continued from Page 5) small Adelaide based recruitment business, **Choice IT**, which will cost about \$1.1 million. This company operates in Candle Australia's core Information, Communications and Technology sector and will become the Adelaide branch for these services.

Both acquisitions are expected to be "earnings per share positive from day one" - which means they are being acquired at relatively low valuations that will increase earnings per share.

Centennial Coal has further extended its takeover offer for **Austral Coal**. The Takeovers Panel rejected an appeal by **Glencore** which has been ordered to offer Austral Coal shares back to investors who sold on-market from 22 March to 5 April. Glencore - which is being punished for misleading the market by not disclosing a stake in excess of 5% of Austral Coal - is now seeking a judicial review seeking to have the Takeovers Panel reconsider its decision. In April your Editor noted that Glencore's actions "really didn't make any sense".

Centennial Coal produced 531,000 tonnes from the **Tahmoor** mine during the June quarter, down just slightly on the 587,000 tonnes produced in the March quarter prior to taking control. Since the end of June the company has replaced Tahmoor's four shifts per day of seven hours with three shifts of eight hours which is reported to be showing "encouraging improvement in production levels".

Depressed by costs associated with the **Munmorah** mine, Centennial Coal expects its profit to June 2005 to be around \$36-42 million (13-16 cents per share) but brokers predict profits around \$150 million (55 cents per share) for the year to June 2006.

Computershare is negotiating with listed **Powerlan** to acquire its **FinancialBPO** subsidiary. FinancialBPO offers "business process outsourcing" to the funds management industry - covering unit trust registry, call centre, applications and redemptions, advisor commissions, management fee, distributions and client reporting services. Revenue has been growing at around 50% per annum and in March this year Powerlan announced plans to float FinancialBPO on the Australian stock exchange.

International All Sports expects to report a loss of around \$5.1 million for the year to June 2005. This is after charging depreciation and amortisation of \$4.5 million, restructuring expenses of \$575,000 and writing off sundry assets and bad debts of \$890,000.

The wagering business "strengthened in turnover and margin" during the second half of the year and the directors expect further improvement, but Ferncourt traded unprofitably in the second half with a loss of \$300,000.

UK property assets - acquired via the takeover of **Canbet** - were sold for £1.23 million (A\$2.95 million). The receipt of this money will boost the group's cash reserves from \$24 million to \$27 million.

Canbet Sports Bookmakers Pty has been granted a ten-year Sports Bookmaking Licence to operate an internet and telephone race and sports betting service.

International All Sports has also been awarded a Betting Agent Agreement in Macau (i.e. covering Macau

horse racing) and will commence operations in the near future.

The cash report shows the June quarter cash deficit of \$115,000 while the company had an operating cash deficit of \$1,005,000 for the year. Cash on hand is \$24.8 million.

Iuka Resources reports that profits for the first half year to June 2005 will be "more than \$75 million" (32 cents per share) which is "considerably higher" than the \$38 million earned in the first half of 2004.

The improvement is the result of higher prices and higher volumes for most products and a larger contribution from the non-core businesses (i.e. iron and coal).

While the company is "well placed to exceed" its "previous full year profit guidance" the second half result will be lower than the first half profit owing to the cost of mining lower grade material at Eneabba.

Keycorp has announced a contract to supply its **MULTOS** technology, **Public Key Infrastructure** security applications plus specially customised ID and health applications for ID cards to be issued by the **Turkish Armed Forces**. Two million cards will be issued within twelve months, incorporating e-purse, access control, digital signature, health and *Europay Mastercard Visa* payment applications.

M.Y.O.B. has spent RM12.8 million (A\$4.5 million) to acquire a 16.3% shareholding in Malaysian listed **UBS Corporation Berhad**. This company is a "leading player" in providing accounting software to small businesses in Malaysia and Singapore. MYOB is also seeking to expand its own software business in the Asian region and has made this "strategic investment" in a competitor to "preserve its position" in this market.

Sonnet Corporation has announced an on-market share buy-back that could see the company re-purchase up to 7.0 million shares (5.1% of its capital) over the next year. To date 475,346 shares have been repurchased at an average price of 25½ cents.

The company's cash report for the June quarter shows revenues 68.9% higher than the same period last year at \$13.5 million. The quarterly cash operating surplus was 188.6% higher at \$3.0 million. Receipts for the full year were up 38.6% to \$36.3 million and the cash surplus up 28.2% to \$5.4 million. After acquiring cash of \$2.5 million (held by **Virtel Group**) the company's cash balance is \$9.25 million (up from \$5.28 million last year). The issued capital is 136.8 million shares after this recent acquisition, so the cash holding per share is 6.8 cents.

UXC has been awarded a 2-3 year contract, worth over \$20 million, from **Sydney Water Corporation**. UXC will contact 230,000 households conducting water audits and installing water savings devices.

UXC has also entered into an agreement with **Optus** to accept that company's takeover offer for **Alphawest**. UXC owns 19.96% of Alphawest's ordinary capital so the takeover will release cash of \$5,161,000 and a gain of \$1,383,000 for UXC. It will also receive \$5,671,000 in cash from interest and capital on loans to Alphawest - generating an undisclosed profit as UXC purchased these loans at a discount to face value.

Computer Selections of NZ Shares based upon our Comprehensive Share Selection Criteria

See "Market Analysis" issues 298-301 or the Reprint sent to all new subscribers for details. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing" and "Income" shares should be considered for purchase, while the "Over-Valued" and "Worst Performing" shares can generally be sold to release money for re-investment in more attractive shares.

Company	Share Price	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank	0-99									
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0														
Guinness Peat	210	+2.1	+3.4	32	0-2	3	0.4	4	0.7	8	2.5	0.17	2,026	
Col Motor Co	315	+2.5	+2.5	31	2-0	-	1.0	10	0.5	10	9.5	0.22	88	
Speirs Group	120	+0.9	+4.3	39	1-0	-	1.1	10	1.0	11	10.0	0.22	10	
Mainfreight Grp	310	+9.5	+5.0	8	6-5	5	3.4	15	0.6	22	3.1	0.35	297	
Renaissance	126	+12.8	+4.2	5	1-7	-	4.9	23	0.9	21	8.7	0.40	48	
Livestock Imp.	140	+12.5	+4.2	5	3-0	-	0.5	5	1.0	9	14.1	0.44	46	
Restaurant Brds	154	+9.3	+3.3	9	0-0	3	2.9	21	0.9	14	9.7	0.47	149	
Wrightson Ltd	224	+4.8	+8.1	21	6-8	2	2.2	14	0.9	16	9.3	0.47	327	
Allied Farmers	260	+4.0	-5.6	25	0-0	-	2.0	14	0.7	14	6.0	0.55	41	
Ebos Group Ltd	459	+1.4	+4.0	37	0-1	-	2.7	18	0.5	15	6.5	0.56	127	
Cabletalk Group	74	+19.3	+7.4	4	2-1	-	3.3	32	1.5	10	6.1	0.57	24	
Kirkcaldie & St	260	+2.9	+0.1	28	0-1	-	1.2	5	0.6	24	4.2	0.62	26	
Mr Chips Hold	95	+0.1	-1.3	45	0-0	-	1.8	11	1.0	16	6.3	0.66	23	
Vertex Group	209	+10.3	-2.4	6	0-3	-	2.7	20	0.8	13	2.9	0.76	67	
Pyne Gould G.	220	+0.8	+5.6	40	0-0	-	2.0	16	0.7	12	6.1	0.76	220	
Fletcher Build.	714	+4.4	+3.1	23	2-2	6	2.8	21	0.4	13	5.2	0.79	3,119	
Carter Holt	247	+1.7	+7.7	35	2-2	7	0.8	11	0.8	7	1.6	0.90	3,232	

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Cabletalk Group	74	+19.3	+7.4	4	2-1	-	3.3	32	1.2	10	6.1	0.57	24
Livestock Imp.	140	+12.5	+4.2	5	3-0	-	0.5	5	0.8	9	14.1	0.44	46
Vertex Group	209	+10.3	-2.4	6	0-3	-	2.7	20	0.7	13	2.9	0.76	67
Restaurant Brds	154	+9.3	+3.3	9	0-0	3	2.9	21	0.7	14	9.7	0.47	149
Toll NZ Ltd	318	+6.5	-0.4	14	0-0	1	9.9	-	0.6	6	Nil	0.96	669
Tower Limited	213	+5.0	+3.7	19	1-0	7	1.1	7	0.6	16	Nil	0.84	878
Wrightson Ltd	224	+4.8	+8.1	21	6-8	2	2.2	14	0.7	16	9.3	0.47	327
Fletcher Build.	714	+4.4	+3.1	23	2-2	6	2.8	21	0.4	13	5.2	0.79	3,119
Allied Farmers	260	+4.0	-5.6	25	0-0	-	2.0	14	0.6	14	6.0	0.55	41
Col Motor Co	315	+2.5	+2.5	31	2-0	-	1.0	10	0.4	10	9.5	0.22	88
Affco Holdings	48	+2.3	+4.0	32	0-1	-	1.2	27	0.9	4	Nil	0.27	260
Guinness Peat	210	+2.1	+3.4	32	0-2	3	0.4	4	0.6	8	2.5	0.17	2,026
Carter Holt	247	+1.7	+7.7	35	2-2	7	0.8	11	0.6	7	1.6	0.90	3,232
Ebos Group Ltd	459	+1.4	+4.0	37	0-1	-	2.7	18	0.4	15	6.5	0.56	127
Speirs Group	120	+0.9	+4.3	39	1-0	-	1.1	10	0.8	11	10.0	0.22	10
Pyne Gould G.	220	+0.8	+5.6	40	0-0	-	2.0	16	0.5	12	6.1	0.76	220
Mr Chips Hold	95	+0.1	-1.3	45	0-0	-	1.8	11	0.8	16	6.3	0.66	23

INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													
Gullivers Trv.	140	-5.3	+0.9	72	0-0	-	0.9	7	0.7	12	10.4	0.33	140
Cavalier Corp	388	-5.1	+3.3	71	7-11	1	3.7	31	0.4	12	10.4	1.27	252
Restaurant Brds	154	+9.3	+3.3	9	0-0	3	2.9	21	0.7	14	9.7	0.47	149
Wrightson Ltd	224	+4.8	+8.1	21	6-8	2	2.2	14	0.7	16	9.3	0.47	327
Telecom Corp	632	+0.6	+1.4	43	3-18	10	5.1	38	0.4	14	9.1	2.15	12,372
NZ Refining Co	5100	+21.8	+7.4	3	0-0	2	3.2	26	0.1	13	8.8	4.35	1,224
Hellaby Hold.	598	-4.5	+1.2	67	0-0	2	3.0	21	0.3	14	8.7	0.89	294
Lytelton Port	189	+1.9	+2.8	33	0-0	4	3.8	24	0.5	16	8.7	3.12	193
Hallenstein G.	422	+3.0	+2.4	27	0-0	1	4.6	31	0.3	14	8.5	1.37	249
Sky City Ltd	483	-2.8	+3.1	61	0-7	8	9.5	47	0.4	20	8.2	3.36	2,011

INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Livestock Imp.	140	+12.5	+4.2	5	3-0	-	0.5	5	0.6	9	14.1	0.44	46
MG Property Trt	125	+4.3	+0.4	24	3-0	-	1.2	5	0.4	24	9.0	N/A	427
Evergreen	42	+1.6	+9.3	36	5-2	-	0.8	-	0.7	NE	Nil	1.62	65
Col Motor Co	315	+2.5	+2.5	31	2-0	-	1.0	10	0.3	10	9.5	0.22	88
Abano Health.	220	+29.5	+15.4	1	1-0	-	1.3	-	0.6	NE	Nil	0.89	60
Wakefield Hosp.	540	+16.5	+6.4	4	1-0	-	2.3	10	0.3	22	3.6	1.59	69
Speirs Group	120	+0.9	+4.3	39	1-0	-	1.1	10	0.7	11	10.0	0.22	10
Tower Limited	213	+5.0	+3.7	19	1-0	7	1.1	7	0.5	16	Nil	0.84	878
Ryman Health.	412	+6.7	+3.2	12	1-0	-	2.2	13	0.4	18	2.8	3.40	412
Cabletalk Group	74	+19.3	+7.4	4	2-1	-	3.3	32	1.0	10	6.1	0.57	24

Company	Share Price	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. rent	4-Wk Chg.	Rank	0-99									
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0														
NZ Oil and Gas	91	-2.6	+2.9	59	0-0	-	2.4	16	0.6	15	Nil	8.06	117	
NZ Exchange Ltd	771	-6.1	-0.1	75	1-1	-	3.3	12	0.4	27	Nil	5.40	98	
Sealegs Corp	23	-13.6	+1.6	90	2-2	-	8.8	-	1.9	NE	Nil	4.38	15	
Cert Organics	5	-12.5	+1.3	88	0-1	-	1.0	-	2.1	NE	Nil	4.16	5	
Port Tauranga	467	-5.5	+1.1	73	0-2	3	1.5	8	0.3	19	6.4	4.14	159	
Cadmus Tech Ltd	23	-8.3	+1.2	80	1-5	-	5.1	2	1.1	209	Nil	3.89	51	
Mowbray Collect	140	-2.9	+1.1	62	0-1	-	2.8	-	0.4	NE	3.2	3.84	14	
Sky City Ltd	483	-2.8	+3.1	61	0-7	8	9.5	47	0.3	20	8.2	3.36	2,011	
Kingfish Ltd	96	-4.7	+1.9	69	0-1	-	0.7	22	0.7	3	3.1	2.51	56	
TeamTalk Ltd	235	-1.6	+2.7	55	0-0	-	2.2	12	0.5	18	10.5	2.36	47	
Connexion	40	-12.1	+2.1	87	0-0	-	13.3	23	0.8	59	Nil	2.35	7	
Finmedia Ltd	105	-2.0	-7.4	57	0-0	-	0.9	32	0.4	3	Nil	2.34	13	
Blue Chip NZ	90	-6.8	+2.3	77	0-6	-	5.1	52	0.9	10	Nil	2.19	47	
South Port NZ	121	-4.7	+1.9	68	0-0	1	1.3	9	0.5	16	8.0	2.14	32	

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Spectrum Res.	15	-58.3	+0.0	98	1-0	-	20.5	-	1.1	NE	Nil	1.63	46
A2 Corporation	16	-29.1	+1.5	97	0-0	-	-	-	1.1	NE	Nil	N/A	10
Life Pharmacy	107	-22.5	+2.3	95	0-1	-	21.4	-	0.7	NE	1.7	N/A	576
Sthn Travel	70	-19.2	+2.1	94	2-0	-	-	-	0.7	NE	Nil	N/A	9
Kidicorp	15	-17.6	+4.1	92	0-0	-	2.4	-	1.1	NE	Nil	1.08	26
Genesis Res.	32	-14.2	+6.5	91	0-0	-	0.6	-	1.0	NE	Nil	1.89	8
VTL Group Ltd	66	-14.1	-1.3	91	0-2	-	1.1	11	0.9	10	5.0	0.70	20
Sealegs Corp	23	-13.6	+1.6	90	2-2	-	8.8	-	1.9	NE	Nil	4.38	15
Widespread Port	2	-13.1	+1.8	89	0-0	-	0.9	-	2.5	NE	Nil	N/A	7
WN Drive Tech.	36	-12.6	-0.0	88	0-3	-	9.7	-	0.8	NE	Nil	N/A	50
Cert Organics	5	-12.5	+1.3	88	0-1	-	1.0	-	1.9	NE	Nil	4.16	5
Connexion	40	-12.1	+2.1	87	0-0	-	13.3	23	0.8	59	Nil	2.35	7
POD Ltd	113	-12.0	+0.8	87	1-0	-	2.1	21	0.6	10	4.0	0.50	36
Sol. Dynamics	96	-11.0	+3.7	85	0-0	-	16.1	-	0.6	NE	Nil	0.65	8
Broadway Ind	85	-10.4	+2.6	84	0-0	-	1.0	18	0.4	6	2.4	0.41	17
Blis Technology	15	-9.4	-0.4	83	0-0	-	7.9	-	1.2	NE	Nil	N/A	15
Tag Pacific Ltd	23	-8.6	+1.9	82	0-0	-	0.9	18	1.0	5	2.4	0.26	15
Finzsoft Sol'ns	75	-8.5	-6.7	81	0-0	-	1.8	5	0.5	36	Nil	0.88	6
Turners & Grow.	208	-8.4	+1.9	81	1-2	-	0.8	5	0.5	15	Nil	0.27	150
Cadmus Tech Ltd	23	-8.3	+1.2	80	1-5	-	5.1	2	1.0	209	Nil	3.89	51

Computer Selections of Australian Shares based upon our Comprehensive Share Selection Criteria

See "Market Analysis" issues 298-301 or the Reprint sent to all new subscribers for details. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing", "Income" and "Insider Buying" shares should be considered for purchase, while the "Over-Valued", "Worst Performing" and "Insider Selling" shares can be sold to release money for re-investment in more attractive shares.

Company	Share Price	STRENGTH RATING				Insider Buy/Sell	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	STRENGTH RATING				Insider Buy/Sell	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur.	4-Wk	Rank	Buy/Sell											Cur.	4-Wk	Rank	Buy/Sell								
		rent	Chg.	0.99	Following											rent	Chg.	0.99	Following								
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0																											
Red 5 Ltd	11	-11.7	+4.9	74	1.0	-	-	-	1.2	NE	Nil	N/A	23	Sherlock Bay N.	4	-31.1	-2.5	96	2-1	-	-	-	2.3	NE	Nil	N/A	16
Mosaic Oil NL	19	-5.2	+2.3	57	0.0	-	-	-	0.9	NE	Nil	N/A	75	Antisense T.	4	-31.0	+2.8	96	0-0	-	1.4	-	2.1	NE	Nil	N/A	15
Contango Micro.	103	-3.2	+2.1	51	1.0	-	0.9	1	0.6	70	Nil	9.57	29	Uscom Limited	105	-29.8	+0.1	96	5-0	-	3.1	-	0.3	NE	Nil	N/A	17
Dwyka Diamonds	75	-4.4	-5.2	54	0.0	-	-	-	0.8	NE	Nil	9.46	48	Pan Palladium	18	-29.8	-2.3	96	1-0	-	-	-	1.1	NE	Nil	N/A	16
Bullion Min.	17	-10.2	+8.1	70	6.0	-	-	-	1.2	NE	Nil	9.32	11	Occupational Md	51	-29.4	+3.5	96	2-0	-	3.9	-	1.0	NE	Nil	N/A	15
Intec Ltd	7	-5.0	+8.2	56	0.1	-	2.3	-	1.9	NE	Nil	9.07	17	QPSX Limited	8	-29.3	+0.3	96	0-0	-	3.8	-	1.3	NE	Nil	N/A	11
Electro Optic	415	-2.2	+0.1	47	0.0	-	16.6	-	0.6	NE	Nil	9.05	144	Gleneagle Gold	14	-29.0	+2.1	95	1-0	-	-	-	1.1	NE	Nil	5.53	6
Wallace Abs Ret	102	-0.7	+0.8	41	0.1	-	1.0	8	0.5	12	9.3	8.83	25	Palm Springs	6	-28.7	+1.4	95	0-0	-	2.9	-	1.6	NE	Nil	0.53	10
Alkane Explor.	16	-16.1	-0.1	83	4.0	-	-	-	1.3	NE	Nil	8.76	21	Emperor Mines	30	-27.6	+1.0	95	0-0	1	0.8	-	0.8	NE	Nil	0.55	48
Strata Mining	2	-14.1	+1.1	78	0.0	-	-	-	2.9	NE	Nil	8.70	8	Namakwa Diamond	12	-26.8	+4.1	95	2-0	-	-	-	1.1	NE	Nil	N/A	10
Anadis Limited	40	-8.5	+2.0	66	0.0	-	5.0	-	0.9	NE	Nil	8.58	37	Lumacom	6	-26.7	-4.2	95	0-0	-	2.0	-	1.4	NE	Nil	N/A	6
Bounty Oil Gas	8	-8.3	+8.8	65	0.0	-	-	-	2.0	NE	Nil	8.48	9	Admerex Ltd	8	-25.7	-2.9	94	1-0	-	8.0	11	1.2	73	Nil	0.69	20
Kimberley Oil	8	-7.5	+7.9	62	1.0	-	-	-	1.7	NE	Nil	8.26	9	Haoma Mining NL	9	-25.5	+6.0	94	0-0	-	-	-	1.0	NE	Nil	N/A	16
Carnarvon Pet.	3	-6.5	+5.9	60	1.0	-	-	-	2.2	NE	Nil	8.06	8	Bone Medical	29	-25.2	-3.2	94	1-0	-	4.8	-	0.7	NE	Nil	0.80	13
Newcrest Mining	1704	-0.9	+2.3	62	2.0	3	5.4	12	0.3	46	0.3	7.87	5,599	Epitan Limited	46	-25.2	+2.7	94	2-2	-	4.2	-	0.9	NE	Nil	N/A	53
CMC Power Syst.	2	-2.0	+0.6	47	0.0	-	-	-	2.9	NE	Nil	7.73	5	BrestaGen Ltd	10	-25.2	+11.0	94	2-0	-	-	-	1.5	NE	Nil	0.50	5
Redflex Holding	307	-8.5	-1.4	66	1.3	-	5.5	7	0.4	77	Nil	7.72	255	Aust Mining Inv	3	-24.6	+0.3	93	0-0	-	-	-	2.6	NE	Nil	N/A	7
Sub-Sahara Res.	4	-12.8	+0.2	76	1.1	-	-	-	2.7	NE	Nil	7.65	10	Probiomics Ltd	9	-24.6	-3.1	93	0-0	-	8.6	-	1.4	NE	Nil	3.81	7
Metals Exp.	90	-0.2	+3.4	38	2.0	-	5.6	40	0.8	14	Nil	7.53	48	QRSciences Hold	12	-24.6	+3.1	93	2-0	-	5.8	-	0.9	NE	Nil	N/A	18
Auselect Ltd	85	-5.0	+0.8	56	1.0	-	0.8	3	0.7	26	Nil	7.40	44	Adamus Resource	40	-24.5	-0.5	93	0-0	-	-	-	1.3	NE	Nil	2.66	24
Mineral Commod.	12	-16.4	+4.4	83	1.0	-	-	-	1.7	NE	Nil	7.27	6	Tanami Gold NL	9	-24.3	+1.3	93	1-0	-	-	-	1.2	NE	Nil	N/A	31
Baxter Group	550	-2.8	+1.5	49	3.1	-	4.7	13	0.3	37	2.5	7.22	186	Bionomics Ltd	13	-24.2	+1.1	93	0-1	-	1.2	-	1.3	NE	Nil	4.15	8
Anvil Mining	50	-18.3	+2.4	86	0.1	-	0.2	0	0.8	132	Nil	7.20	145	Powerlan Ltd	31	-24.2	+10.3	93	2-0	-	-	-	1.0	NE	Nil	0.39	11
OBJ Limited	4	-0.0	+3.1	37	0.4	-	-	-	2.0	12	Nil	7.04	9	Oilex NL	28	-24.2	+3.9	93	6-0	-	-	-	1.2	NE	Nil	N/A	10
Kip McGrath EC	148	-17.3	-0.3	84	2.1	-	9.9	40	0.4	25	3.4	6.75	25	Somnomed Ltd	23	-23.7	-1.2	92	3-0	-	3.3	-	0.9	NE	Nil	N/A	10
City Pacific	422	-7.6	+0.7	62	2.4	-	6.4	73	0.3	9	7.8	6.47	382	Living Cell T.	24	-23.7	+1.7	92	1-0	-	3.4	-	1.2	NE	Nil	N/A	11
Solco Ltd	33	-4.0	+0.5	53	0.4	-	5.5	-	1.0	NE	Nil	6.45	15	Titan Resources	5	-23.6	+0.8	92	2-4	-	1.4	-	1.5	NE	Nil	N/A	20
Solbec Pharm.	8	-18.1	-1.0	85	3.0	-	4.1	-	1.3	NE	Nil	6.31	13	Intermoco Ltd	4	-23.5	-0.6	92	0-0	-	-	-	1.8	NE	Nil	N/A	22
Quantum Energy	10	-19.1	-5.3	87	1.0	-	10.0	-	1.4	NE	Nil	6.29	88	IT & e Limited	14	-23.4	+0.8	92	2-0	-	6.8	-	2.0	NE	Nil	1.87	21
Ezenet Limited	10	-12.3	+0.8	75	0.0	-	3.3	-	1.5	NE	Nil	6.29	6	Select Vaccines	26	-23.4	-4.2	92	1-0	-	6.5	-	0.8	NE	Nil	N/A	8
Biota Holdings	51	-5.2	+3.2	57	0.0	1	2.0	-	1.0	NE	Nil	6.14	49	Int'l Goldfield	23	-23.2	-1.2	92	3-0	-	-	-	0.8	NE	Nil	N/A	32
Optiscan Image	34	-4.0	-2.4	53	3.0	1	2.3	-	0.9	NE	Nil	6.13	27	Imugene Ltd	16	-23.1	+0.4	92	0-0	-	5.3	-	0.9	NE	Nil	N/A	17
IBT Education	180	-10.3	+4.1	71	0.1	-	-	-	0.5	21	4.7	5.88	624	World.net Serv.	9	-23.1	-7.5	92	0-0	-	1.4	-	1.5	NE	Nil	1.20	6
STW Comm Group	310	-2.0	+2.6	47	0.2	7	2.7	12	0.5	23	2.9	5.83	539	Cygenics Ltd	44	-22.9	+2.8	91	4-0	-	2.0	-	0.7	NE	Nil	N/A	21
Eiffel Tech.	4	-31.8	+2.0	97	0.0	-	3.7	-	2.3	NE	Nil	5.78	7	Polartechics	29	-22.9	+10.2	91	5-0	-	3.2	-	0.9	NE	Nil	3.52	18
Bass St Oil Coy	15	-34.1	+3.9	97	0.3	-	-	-	1.2	34	Nil	5.60	6	Intellect Hold	2	-22.9	+1.2	91	0-2	-	-	-	3.0	NE	Nil	N/A	16
Hitech Energy	3	-21.6	-0.8	90	0.0	-	3.0	-	2.5	NE	Nil	5.56	9	Lin Energy Ltd	1	-22.8	-2.4	91	1-0	-	-	-	5.5	NE	Nil	1.32	9
Gleneagle Gold	14	-29.0	+2.1	95	1.0	-	-	-	1.2	NE	Nil	5.53	6	Oriel Comm.	1	-22.7	+4.7	91	0-0	-	-	-	3.1	NE	Nil	N/A	13
ETRADE Aust.	188	-0.1	+5.4	38	2.1	1	5.7	30	0.7	19	Nil	5.34	183	INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Gowling Brothers	265	-1.1	+0.5	43	1.0	-	0.9	3	0.3	30	2.6	5.31	120	De Grey Mining	23	-22.4	-0.1	91	0-8	-	-	-	0.8	NE	Nil	N/A	17
Peeet & Company	165	-0.1	+4.1	38	2.0	-	7.9	68	0.7	11	6.1	5.10	330	Nexus Energy	46	-8.3	+4.8	65	2-8	-	-	-	0.7	NE	Nil	N/A	69
Antares Energy	50	-13.5	+1.2	77	13.0	-	-	-	0.7	275	Nil	5.07	79	IMF (Aust) Ltd	72	-9.3	-1.0	68	0.5	-	1.7	0	0.7	NE	Nil	N/A	65
Peptech Limited	149	-3.4	+3.1	51	4.0	1	3.4	40	0.5	9	Nil	5.04	241	Solco Ltd	33	-4.0	+0.5	53	0.4	-	5.5	-	0.9	NE	Nil	6.45	15
Visionmed Group	3	-11.3	+0.2	73	6.0	-	-	-	2.7	NE	Nil	5.00	5	Maryborgh Suga	740	-2.5	+0.4	48	0-4	-	1.0	-	0.2	NE	Nil	0.66	23
China West Int.	11	-11.7	+6.8	74	0.0	-	2.8	2	2.1	157	Nil	4.85	44	Villa World	139	-5.5	-0.3	57	0.4	1	1.6	25	0.3	6	9.4	0.90	157
West Aust News	825	-0.2	+2.8	39	2.0	8	19.6	-	0.3	19	5.2	4.62	1,726	Hunter Hall Int	621	-8.6	+0.1	66	0.4	-	11.3	67	0.4	17	6.0	N/A	147
Peplin Ltd	38	-15.2	+1.4	81	0.0	-	2.7	-	0.7	NE	Nil	4.53	36	Alumina Ltd	585	-1.4	+0.3	44	0.4	-	5.9	24	0.4	25	3.4	N/A	6,804
SuperCheap Auto	301	-1.7	+3.8	45	1.0	-	5.9	5	0.5	116	Nil	4.52	320	OBJ Limited	4	-0.0	+3.1	37	0.4	-	-	-	1.7	12	Nil	7.04	9
Argosy Minerals	6	-18.9	+0.8	87	0.0	-	-	-	2.0	NE	Nil	4.51	5	Agincourt Res.	124	-14.1	+0.1	79	0-4	-	-	-	0.7	20	Nil	1.95	74
Pan Pacific Pet	14	-2.2	+7.0	47	0.0	-	-	-	1.2																		

Australian Warrant / Option Analysis

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate	Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
AXG Mining	9	20	5.0	2.3	4.7	-51	0.79	1.39	1.00	+20	Crescent Gold	13	20	0.3	0.5	0.1	+805	0.50	9.99	1.00	+623
Adultshop.com	4	10	0.10	0.3	0.0	+999	0.40	8.19	1.00	+177	Crusader Holdings	22	20	1.4	6.1	7.8	-22	0.65	2.04	1.00	+14
Advanced Healthcare	5	12	2.4	1.2	1.7	-30	0.93	1.67	1.00	+52	D'Aguilar Gold	11	20	0.7	0.9	1.4	-37	1.00	2.77	1.00	+200
Alcaston Mining	3	15	2.1	1.4	0.1	+923	0.72	2.77	1.00	+142	DCA Group	394	235	0.1	159.0	160.1	-1	0.21	2.46	1.00	+0
Alexander Resources	11	20	1.1	3.0	1.0	+204	0.44	3.43	1.00	+47	Datafast Telecom	1	20	0.3	0.1	0.0	+999	0.79	9.99	1.00	+999
Allied Gold	23	20	1.10	10.5	7.8	+34	0.49	2.15	1.00	+18	De Grey Mining	23	45	0.10	7.0	0.9	+689	0.58	4.37	1.00	+173
Amcil Ltd	54	50	1.6	6.3	9.5	-34	0.18	4.57	1.00	+3	Denx Ltd	12	60	0.2	0.1	0.0	+999	0.76	9.99	1.00	+999
Analytica Ltd	4	9	0.0	0.1	9.5	-99	0.67	4.57	1.00	+999	Dia-B Tech Ltd	9	20	5.4	1.9	3.0	-36	0.56	1.72	1.00	+19
Anitsense Therapeutic	4	20	1.5	1.1	0.1	+802	0.71	3.42	1.00	+207	Diamondex Ltd	25	20	0.10	4.1	6.9	-41	0.39	3.00	1.00	-4
Arifura Resources	36	20	2.10	26.0	23.6	+10	0.73	1.36	1.00	+9	Dromana Estate	15	150	0.1	0.1	0.0	+999	0.84	9.99	1.00	+999
Argonaut Resources	21	30	1.10	7.7	4.9	+59	0.62	2.26	1.00	+39	Eagle Bay Resources	11	12	0.7	5.6	1.5	+275	0.60	3.54	1.00	+142
Ashburton Minerals	9	32	1.7	2.0	0.6	+240	0.74	2.82	1.00	+140	Eagle Bay Resources	11	15	3.10	5.5	4.2	+30	0.60	1.69	1.00	+19
Aspen Group	21	25	0.2	0.5	0.0	+999	0.23	9.99	1.00	+373	Ellendale Resources	5	12	0.10	1.2	0.2	+633	0.64	4.27	1.00	+213
Astro Diamond Mines NL	5	5	7.3	3.0	3.5	-14	0.83	1.16	1.00	+8	Empire Oil	1	20	0.4	0.1	0.0	+999	0.95	9.99	1.00	+999
Astro Mining	5	5	7.3	2.1	3.5	-40	0.83	1.16	1.00	+6	Enterprise Energy	7	20	2.4	2.5	2.0	+25	0.95	1.71	1.00	+69
Astro Mining NL	5	75	4.4	2.5	0.6	+287	0.83	1.85	1.00	+93	Eqtx Limited	28	20	1.10	7.5	14.2	-47	0.70	1.63	1.00	-1
Atlantic Gold	8	10	0.10	5.0	1.1	+373	0.55	3.47	1.00	+113	Equigold NL	113	140	1.9	17.0	15.5	+10	0.35	3.56	1.00	+21
Atlas Gold	21	20	2.6	10.5	9.8	+7	0.69	1.63	1.00	+16	Evans & Tate	41	150	2.2	2.0	3.3	-39	0.65	2.72	1.00	+84
Audax Resources	15	20	3.4	5.6	7.0	-20	0.77	1.50	1.00	+19	Exco Resources NL	14	20	1.0	5.0	1.9	+158	0.61	3.07	1.00	+79
Aurora Minerals	27	20	0.11	10.0	9.1	+10	0.51	2.41	1.00	+14	Ezenet Ltd	10	15	1.10	2.0	3.9	-48	0.92	1.67	1.00	+34
Aurox Resources	67	20	2.2	43.0	52.6	-18	0.91	1.21	1.00	-3	FSA Group Limited	4	20	0.4	0.3	0.0	+999	0.81	9.52	1.00	+999
Ausquest Ltd	8	20	1.3	0.6	0.5	+16	0.65	3.29	1.00	+113	Farsands Corporation	30	30	3.3	5.8	9.3	-38	0.34	2.34	1.00	+6
Aust Food & Fibre	37	32	0.10	6.3	6.0	+5	0.00	6.11	1.00	+6	Financial Resources	19	20	2.9	5.0	5.2	-4	0.36	2.49	1.00	+10
Aust Mining Investments	3	10	0.11	1.0	0.0	+999	0.66	4.96	1.00	+403	Flinders Resources	2	10	3.1	0.3	0.1	+201	0.50	3.11	1.00	+65
Aust Pure Fruits	68	30	2.9	50.0	43.5	+15	0.48	1.47	1.00	+6	Fox Resources	38	75	1.10	7.2	4.1	+75	0.53	2.97	1.00	+53
Aust United Gold	2	2	0.10	0.4	0.4	+4	0.94	2.18	1.00	+76	Fox Resources Ltd	38	20	0.5	18.0	18.1	-0	0.53	2.03	1.00	+3
Australis Mining Corp.	18	20	1.4	4.0	2.2	+86	0.29	4.43	1.00	+24	Future Corporation	2	3	0.9	6.0	0.1	+999	0.78	3.21	1.00	+900
Auth Investments	10	25	1.4	1.0	2.9	-65	1.16	1.78	1.00	+105	Future Corporation	2	3	0.0	0.1	0.1	-32	0.78	3.21	1.00	+999
Auth Investments	10	25	4.7	1.7	7.1	-76	1.16	1.18	1.00	+24	Gaming & Entertainment	9	15	0.10	2.0	1.2	+63	0.84	2.72	1.00	+127
Autron Corporation	16	18	1.9	5.2	2.7	+90	0.38	3.16	1.00	+26	Gateway Mining NL	9	30	1.6	3.0	0.2	+999	0.56	4.07	1.00	+147
Aviva Corporation	5	10	0.4	0.2	0.0	+702	0.61	8.01	1.00	+749	Gippsland	15	9	2.4	7.5	9.7	-22	0.94	1.31	1.00	+6
Ballarot Goldfields	28	15	0.1	12.0	12.6	-5	0.50	2.19	1.00	-20	Gippsland Offshore Pet.	16	20	1.3	6.5	2.2	+190	0.48	3.25	1.00	+54
Bannerman Resources	31	20	1.9	12.0	15.2	-21	0.56	1.76	1.00	+2	Gleneagle Gold	14	20	1.10	3.0	3.7	-19	0.70	2.06	1.00	+34
Barra Resources	15	20	1.0	3.6	5.4	-33	1.18	1.72	1.00	+63	Global Mining Invest	101	100	1.3	9.9	12.3	-19	0.18	5.71	1.00	+7
Batavia Mining	5	20	1.1	0.8	0.4	+98	1.03	2.51	1.00	+303	Golden Deeps	12	15	1.6	2.0	5.3	-62	1.04	1.60	1.00	+26
Batavia Mining	5	5	0.10	1.5	1.6	-5	1.03	1.94	1.00	+55	Golden State Petroleum	19	65	1.4	4.0	0.5	+742	0.61	3.92	1.00	+163
Beach Petroleum	69	60	0.10	22.0	17.0	+29	0.44	3.03	1.00	+23	Golden State Res.	8	10	1.10	4.1	3.2	+28	0.80	1.75	1.00	+34
Berkeley Resources	23	20	1.3	8.5	10.7	-21	0.95	1.64	1.00	+19	Golden Valley Mines	2	10	0.1	0.1	0.0	+999	0.72	9.99	1.00	+999
Biomd Ltd	5	20	2.0	0.7	0.4	+57	0.77	2.46	1.00	+112	Golden West Resources	24	20	2.4	8.0	9.7	-17	0.51	1.89	1.00	+8
Biometrics Ltd	5	20	2.4	0.3	1.1	-72	0.90	1.89	1.00	+82	Goldlink IncomePlus	130	100	0.10	30.0	34.7	-14	0.17	3.67	1.00	+0
Bionomics Ltd	13	50	1.11	1.0	0.2	+360	0.49	4.22	1.00	+104	Goldsearch	3	8	0.1	0.1	0.0	+999	0.65	9.99	1.00	+999
Biopharmica Ltd	9	20	1.10	1.0	2.1	-53	0.88	1.92	1.00	+64	Gondwana Resources	0	1	2.4	0.2	0.2	+16	1.37	1.30	1.00	+64
Bioproduct	3	20	0.5	0.2	0.0	+999	0.42	9.99	1.00	+999	Great Australian Res	13	20	0.5	2.0	0.9	+134	0.75	4.19	1.00	+253
Biosignal Ltd	20	50	0.10	2.0	0.3	+528	0.57	5.10	1.00	+215	Great Gold Mines	7	20	6.8	3.2	3.4	-5	0.67	1.43	1.00	+20
Biosignal Ltd	20	20	1.4	5.0	5.8	-13	0.57	2.33	1.00	+18	Great Gold Mines	7	125	5.1	0.2	0.6	-64	0.67	2.14	1.00	+76
Biotech Capital	36	55	1.2	2.3	1.1	+101	0.33	6.09	1.00	+51	Great Gold Mines	7	10	7.6	2.5	4.6	-45	0.67	1.27	1.00	+8
Blaze International	6	10	1.10	1.8	1.4	+31	0.66	2.24	1.00	+43	Great Western Explor.	17	20	3.9	5.0	9.5	-47	0.78	1.40	1.00	+11
Boulder Steel	19	20	0.3	3.0	2.0	+47	0.62	4.80	1.00	+115	Green Rock Energy	22	20	1.4	4.0	8.3	-52	0.72	1.93	1.00	+7
Bounty Industries	27	20	1.4	10.5	11.7	-10	0.66	1.87	1.00	+10	Hailian International	12	25	0.1	4.0	0.0	+999	0.00	9.99	1.00	+999
Bow Energy	19	20	2.7	7.6	5.3	+42	0.39	2.42	1.00	+16	Hannans Reward NL	11	20	0.7	1.0	0.7	+46	0.74	3.85	1.00	+203
Brandrill	8	10	0.1	0.1	1.9	-95	2.62	2.39	1.00	+999	Harrington Group	13	25	1.4	4.0	5.8	-31	1.38	1.49	1.00	+83
CBD Energy	6	2	1.5	0.1	4.3	-98	0.99	1.28	1.00	-53	Helix Resources	17	25	0.3	2.2	0.2	+999	0.53	8.92	1.00	+555
CBD Energy	6	100	1.5	10.0	0.1	+999	0.99	3.12	1.00	+740	Hillcrest Litigation	8	25	1.7	1.0	2.9	-65	1.29	1.58	1.00	+111
CO2 Group	27	12	6.2	18.0	20.7	-13	0.57	1.22	1.00	+2	Hillgrove Resources	18	20	1.4	6.0	4.2	+44	0.54	2.60	1.00	+32
CP1 Ltd	395	150	0.7	250.0	249.9	+0	0.40	1.58	1.00	+2	Hugall & Hoile	6	9	0.6	0.3	0.2	+32	0.47	6.07	1.00	+108
Cardia Technologies	3	10	2.4	1.0	0.6	+65	0.81	2.00	1.00	+75	Hunter Hall Global Value	96	100	1.8	6.1	7.6	-20	0.10	8.61	1.00	+6
Carmarvon Petroleum	3	6	1.4	0.3	0.5	-43	0.82	2.31	1.00	+79	IM Medical	1	4	3.4	0.6	0.4	+62	0.81	1.69	1.00	+50
Carpenter Pacific Res.	20	25	1.7	10.5	7.0	+49	0.81	1.85	1.00	+44	Iatvia Ltd	8	25	0.7	0.2	0.0	+999	0.53	8.65	1.00	+615
Carrick Gold	55	20	1.4	30.0	37.6	-20	0.73	1.40	1.00	-7	Image Resources	39	25	1.0	12.5	15.8	-21	0.45	2.21	1.00	-3
Cazaly Resources	28	20	0.5	9.7	9.8	-1	0.82	2.29	1.00	+20	Imugene Ltd	16	50	1.5	1.0	0.6	+62	0.61	3.59	1.00	+127
Central Asia Gold	70	12	0.3	45.0	58.2	-23	0.46	1.20	1.00	-56	Indigo Pacific Capital	102	150	1.7	19.0	20.3	-7	0.60	2.49	1.00	+38
Cervantes Seafood	3	20	0.0	0.3	58.2	-99	0.44	1.20	1.00	+999	JV Global	16	20	3.2	3.8	13.8	-72	1.70	1.08	1.00	+14
Chemgenex Pharm.	60	125	4.7	17.0	14.1	+20	0.46	2.12	1.00	+21	Jaguar Minerals	14	20	3.1	3.0	6.9	-56	0.83	1.48	1.00	+17
Cheviot Bridge	13	40	2.4	0.7	1.7	-58	0.66	2.42	1.00	+63	Jupiter Mines	12	20	1.5	1.5	1.6	-6	0.61	2.79	1.00	+56
Chrome Corporation	1	5	2.1	0.4	0.1	+220	0.67	2.65	1.00	+91	KLM Group	22	20	0.4	3.0	3.5	-15	0.52	4.13	1.00	+22
Citrofresh International	16	25	2.9	4.0	8.6	-53	1.06	1.36	1.00	+26	Karoon Gas Australia	177	20	0.10	148.0	157.9	-6	0.84	1.12	1.00	-6
City Pacific	422	30	0.10	470.0	393.4	+19	0.29	1.07	1.00												

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Macmin Silver	11	25	3-2	4.5	1.5	+196	0.47	2.61	1.00	+37
Magnesium International	147	180	1-6	19.0	37.1	-49	0.61	2.32	1.00	+22
Malachitti Resources	13	20	0-6	2.0	0.4	+372	0.57	5.43	1.00	+210
Marengo Mining	23	20	2-6	10.0	12.3	-19	0.81	1.47	1.00	+12
Marine Product Australia	10	20	0-5	1.0	0.0	+999	0.46	9.99	1.00	+508
Mariner Wealth Mgmt	28	25	0-3	2.2	5.3	-58	0.63	3.80	1.00	-11
Mawson West	10	20	1-9	2.0	1.1	+77	0.56	2.92	1.00	+57
Medusa Mining Ltd	68	20	1-5	40.0	49.7	-20	0.54	1.36	1.00	-8
Metallic Minerals	16	25	1-4	5.0	2.2	+128	0.60	2.86	1.00	+64
Metex Resources	4	10	1-1	0.6	0.0	+999	0.49	5.66	1.00	+178
Methanol Australia	11	25	0-1	1.0	0.0	+999	0.60	9.99	1.00	+999
Metroland Australia	16	26	3-9	5.0	4.2	+19	0.47	2.12	1.00	+19
Michelago Ltd	7	15	1-4	2.0	0.3	+492	0.53	3.81	1.00	+98
Midax Resources	8	25	1-3	1.8	0.2	+863	0.60	4.07	1.00	+168
Millepede International	12	20	0-4	1.0	0.3	+252	0.72	5.63	1.00	+509
Mindax Ltd	10	20	0-9	6.0	0.4	+999	0.63	4.23	1.00	+258
Mindax Ltd	10	20	0-9	2.0	0.4	+369	0.63	4.23	1.00	+186
Mineral Securities	75	115	2-5	4.1	8.5	-52	0.35	3.48	1.00	+21
Minerals Commodities	12	30	1-10	2.0	1.5	+36	0.66	2.60	1.00	+71
Minerals Corporation	5	9	2-1	1.9	0.9	+105	0.57	2.46	1.00	+44
Moby Oil & Gas	16	30	2-10	6.0	5.4	+11	0.76	1.72	1.00	+35
Molopo Australia	5	10	1-10	1.3	0.6	+125	0.55	2.90	1.00	+56
Monarch Resources	17	20	0-11	4.5	5.6	-20	1.00	1.93	1.00	+49
Monterey Group	1	1	3-4	0.3	0.4	-30	0.81	1.43	1.00	+16
Monto Minerals	5	5	1-1	1.4	1.3	+5	0.74	2.20	1.00	+36
Mosaic Oil NL	19	23	0-1	0.1	0.1	+3	0.46	9.99	1.00	+942
Moto Goldmines	68	28	0-9	35.5	41.2	-14	0.34	1.65	1.00	-9
Mt Gibson Iron	67	22	0-2	44.5	45.2	-1	0.63	1.48	1.00	-6
Murchison Holdings	165	100	3-4	50.0	82.4	-39	0.17	1.99	1.00	-3
Murchison Metals	35	20	2-3	18.5	18.3	+1	0.46	1.71	1.00	+5
NGM Resources	9	20	1-7	2.5	1.2	+102	0.74	2.45	1.00	+85
NGM Resources Ltd	9	20	1-7	2.5	1.2	+102	0.74	2.45	1.00	+85
Namakwa Diamond	12	20	1-1	3.0	1.7	+74	0.70	2.78	1.00	+82
Navigator Resources	12	20	1-10	3.5	2.3	+50	0.61	2.41	1.00	+44
Neptune Marine Serv	73	20	5-4	52.0	65.1	-20	0.97	1.08	1.00	-0
New Hope Corporation	127	45	3-0	77.0	89.3	-14	0.39	1.39	1.00	-1
New Horozon Energy	13	20	0-10	1.5	3.0	-50	0.99	2.20	1.00	+83
Northwest Resources	23	20	2-5	11.0	10.6	+4	0.62	1.69	1.00	+13
Norwood Systems	18	20	2-5	2.6	8.7	-70	0.82	1.54	1.00	+10
Novera Energy	137	55	0-3	1.0	82.8	-99	0.65	1.65	1.00	-97
Nuenco NL	4	5	0-6	1.9	0.5	+295	0.64	3.92	1.00	+195
Olea Australia	3	25	0-3	0.1	0.0	+999	0.72	9.99	1.00	+999
Olympia Resources	17	25	0-10	3.5	3.2	+9	0.84	2.53	1.00	+86
Open Telecom.	39	2	0-5	1.0	37.0	-97	0.68	1.04	1.00	-100
Optum Health	0	1	0-10	0.1	0.0	+513	1.23	2.48	1.00	+673
Orchid Capital	6	5	1-3	3.0	2.9	+4	0.94	1.63	1.00	+26
ORT	6	10	2-6	1.5	1.3	+19	0.60	2.16	1.00	+34
ORT	6	20	2-6	0.5	0.5	+6	0.60	2.69	1.00	+69
Oropa Ltd	2	5	2-4	0.6	0.1	+722	0.51	3.32	1.00	+76
Ottoman Energy	25	20	1-3	9.2	8.3	+11	0.51	2.29	1.00	+15
Pacific Magnesium Corp	1	5	1-3	0.1	0.2	-37	1.13	2.12	1.00	+241
Papyrus Australia	19	20	2-7	7.0	6.2	+13	0.50	2.06	1.00	+16
Paradigm Gold	5	25	2-9	2.0	0.5	+316	0.67	2.44	1.00	+84
Paramount Mining Corp	14	20	1-4	4.5	5.8	-22	1.13	1.62	1.00	+52
Pelican Resources	7	20	0-7	0.5	0.1	+660	0.65	5.65	1.00	+434
Perseus Mining	19	20	3-7	9.7	7.4	+31	0.47	1.87	1.00	+13
Peters MacGregor Inv.	93	100	0-2	0.1	0.0	+145	0.08	9.99	1.00	+55
PharmAust Ltd	19	30	2-3	3.5	3.3	+6	0.50	2.59	1.00	+30
Pharmanet Group	3	5	1-4	1.1	0.5	+104	0.74	2.41	1.00	+75
Phosphagenics	24	20	3-9	16.0	12.1	+32	0.51	1.62	1.00	+11
Platinum Australia	15	20	1-3	3.5	2.1	+63	0.53	3.05	1.00	+47
Polaris Metals NL	16	20	3-4	6.0	8.4	-29	0.80	1.44	1.00	+16
Precious Metals	71	200	0-3	0.8	4.1	-80	1.58	3.20	1.00	+999
Premier Bionics Ltd	20	20	1-4	5.0	4.6	+8	0.44	2.84	1.00	+18
Prima Biomed	12	20	1-3	2.6	1.1	+146	0.54	3.40	1.00	+72
Probiomics Ltd	9	25	0-10	1.4	0.1	+999	0.59	5.36	1.00	+284
Proteome Systems	31	120	0-1	0.1	0.0	+999	1.11	9.99	1.00	+999
Q-Mastor	8	25	0-4	0.1	0.0	+999	0.73	8.23	1.00	+999
QRSscience Holdings	12	40	0-5	0.4	0.0	+999	0.62	9.99	1.00	+999
Quantum Resources	3	10	5-2	0.2	1.7	-88	1.14	1.19	1.00	+31
Quantum Resources	3	5	7-3	0.8	2.1	-63	1.14	1.08	1.00	+12
Queensland Ores	17	30	1-5	6.0	1.2	+386	0.47	3.78	1.00	+70
Quest Investments	48	15	3-4	16.0	36.1	-56	0.48	1.30	1.00	-12
Ramellus Resources	16	20	2-4	5.5	8.9	-38	1.04	1.39	1.00	+22
Range Resources	3	5	2-1	0.7	1.0	-30	1.01	1.58	1.00	+49
Redport Ltd	7	5	1-10	3.5	4.3	-19	1.15	1.31	1.00	+14
Reefton Mining NL	5	10	4-3	1.3	3.0	-57	1.11	1.21	1.00	+24
Regenera Ltd	54	110	2-10	7.1	12.8	-45	0.61	2.07	1.00	+31

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Regis Resources	13	5	8-5	8.5	11.8	-28	1.08	1.03	1.00	+1
Regis Resources NL	13	20	6-8	5.0	10.4	-52	1.08	1.10	1.00	+11
Republic Gold	11	25	1-3	3.0	0.7	+337	0.63	3.35	1.00	+119
Resonance Health	18	40	2-5	3.1	3.7	-15	0.66	2.17	1.00	+44
Resonance Health	18	15	1-5	6.9	7.1	-3	0.66	1.94	1.00	+15
Resources Mining	13	2	0-10	1.5	11.1	-86	0.81	1.17	1.00	-79
Rimfire Pacific Mining	2	8	1-1	0.3	0.0	+948	0.62	4.51	1.00	+241
Rittract Ltd	30	75	1-4	6.5	0.3	+999	0.40	6.11	1.00	+112
S8 Ltd	200	300	1-8	50.5	17.5	+188	0.38	3.93	1.00	+40
SP Telecom.	154	25	0-9	131.0	130.0	+1	0.44	1.18	1.00	+2
Salus Technologies	8	10	2-10	1.6	7.4	-79	3.20	1.00	1.00	+17
Sandfire Resources NL	16	10	0-1	2.0	6.1	-67	0.92	2.55	1.00	-97
Saracen Mineral Hold.	9	10	7-10	1.1	6.7	-84	0.76	1.17	1.00	+3
Saracen Mineral Hold	9	13	4-3	0.8	4.8	-83	0.76	1.41	1.00	+11
Select Vaccines	26	20	2-9	12.5	12.2	+2	0.50	1.75	1.00	+8
Select-Tel Ltd	26	20	1-5	3.0	9.8	-69	0.50	2.14	1.00	-8
Siberia Mining Corp	6	20	1-7	1.4	0.3	+452	0.63	3.38	1.00	+131
Skywest Ltd	17	20	0-5	0.5	0.5	-6	3.31	8.91	1.00	+57
Solbec Pharmaceuticals	8	30	1-1	0.9	0.0	+999	0.55	5.37	1.00	+240
Solbec Pharmaceuticals	8	20	0-1	0.9	0.0	+999	0.55	9.99	1.00	+999
Souls Private Equity	22	30	4-4	8.2	2.9	+183	0.21	3.72	1.00	+14
Southern Gold	19	20	1-7	6.5	5.1	+26	0.52	2.40	1.00	+23
Stericorp	6	6	0-2	0.5	1.0	-50	0.89	3.72	1.00	+23
Stirling Products	29	20	2-4	15.0	16.0	-7	0.73	1.49	1.00	+9
Stratatel Limited	8	25	0-0	0.1	16.0	-99	0.63	1.49	1.00	+999
Striker Resources	3	15	0-3	0.2	0.0	+999	0.40	9.99	1.00	+999
Structural Monitoring	13	20	1-8	4.6	3.0	+51	0.72	2.15	1.00	+50
Style Plantation	13	20	3-5	3.0	4.6	-34	0.63	1.74	1.00	+20
Sunnycove Management	63	150	3-9	17.5	13.1	+33	0.53	2.14	1.00	+30
Synergy Metals	10	10	1-6	3.2	4.2	-24	0.84	1.73	1.00	+20
Tasgold Ltd	10	20	2-3	3.5	1.4	+152	0.56	2.57	1.00	+50
Tasman Resources	18	20	0-6	5.0	5.4	-8	1.26	2.02	1.00	+104
Tawana Resources	83	75	0-3	16.5	12.5	+32	0.45	4.87	1.00	+48
Tomahawk Energy	89	20	3-4	70.0	74.5	-6	0.72	1.16	1.00	+0
Tox Free Solutions	5	3	0-5	2.1	2.1	-1	0.92	1.97	1.00	+16
Transol Corporation	6	25	0-9	2.0	0.7	+181	1.37	2.24	1.00	+677
Trent Capital	67	125	3-9	2.0	8.4	-76	0.34	3.03	1.00	+19
Trojan Equity	91	100	2-10	5.1	6.8	-25	0.06	9.99	1.00	+5
Union Resources	3	10	3-7	0.9	0.2	+396	0.42	3.17	1.00	+43
Verus Investments	25	20	0-10	6.0	8.8	-32	0.68	2.18	1.00	+5
Virax Holdings	32	25	0-5	3.0	8.2	-64	0.55	3.14	1.00	-27
Virax Holdings Ltd	32	50	0-4	4.0	0.3	+999	0.55	8.24	1.00	+534
Visiomed Group	3	12	2-7	0.6	0.3	+137	0.68	2.44	1.00	+84
Voyager Energy	31	25	0-7	12.0	8.2	+46	0.47	3.04	1.00	+35
Vulcan Resources	38	25	0-4	13.0	14.7	-12	0.89	2.20	1.00	+4
Wasabi Energy	5	2	1-4	2.5	3.2	-22	1.22	1.27	1.00	+0
Webspy Ltd	3	8	0-9	0.5	0.7	-32	1.48	1.88	1.00	+301
Wedgetail Exploration	4	5	0-4	0.6	0.3	+120	0.49	5.91	1.00	+121
Westonia Mines Ltd	7	20	0-12	1.7	0.2	+784	0.63	4.22	1.00	+209
Westralian Gas & Power	14	25	4-1	4.1	1.9	+114	0.34	2.88	1.00	+21
Wilson Investment Fund	90	108	0-10	0.3	0.0	+578	0.07	9.99	1.00	+26
Yilgarn Mining										

Australian Warrant / Option Analysis

Four New Option Investments

Bounty Industries (codes BNT and BNT0).

This company was formed via a restructuring of **Ausmelt Resources** in March this year. The company's existing assets were transferred to a new unlisted company, **Discovery Capital**, whose shares were distributed to Ausmelt's shareholders. The Ausmelt shell then acquired all of Bounty Industries by issuing 15,000,000 new shares and 45,000,000 options (exercisable at 35, 40 and 45 cents in April 2008). A further 10,000,000 shares will be issued if the business generates a net profit of \$8.0 million to June 2006. A further 5,000,000 shares were issued to convert Bounty Industries' debt and 30,000,000 shares were placed at 20 cents to raise \$6 million in cash. Ausmelt Resources was then renamed Bounty Industries.

The major business of Bounty Industries is *thin seam mining* (TSM) through its 51% owned subsidiary *InCoal Pty*. Bounty Industries holds an option to acquire the remaining 49% of InCoal until June 2009 for an undisclosed consideration. The founder shareholders are experienced thin seam coal miners in the United States. Conventional underground longwall mining can only work coal seams thicker than 2.1 metres in depth, while TSM is economic on coal seams from 3.0 metres down to only 1.5 metres.

Bounty Industries is the only company involved in TSM in Australia, so the company could develop a large business mining coal seams that are currently considered uneconomic. The company is currently seeking to prove its TSM techniques at **Centennial Coal's Ivanhoe Mine** where it will seek to extract coal from a 1.6-1.9 metre seam.

Bounty Industries expects to report revenues of only \$6.1 million to June 2005 and a loss of \$500,000 - but to grow rapidly over the next few years. It predicts revenues of \$44 million to June 2006 and \$88 million to June 2007, with net profits of \$6.0 million (7.5 cents per share) and \$11.8 million (11.8 cents per share), respectively. The current share price of 27 cents is therefore only 3.6 times 2007 earnings and 2.3 times 2008 earnings. So *if* this micro-cap company with a valuation of only \$23 million can successfully develop and expand its TSM business then the share price should appreciate strongly over the next two years.

The listed options - to buy shares at 20 cents in December 2006 - offer an attractive leveraged investment in Bounty Industries. The options *minimise* the amount of capital we need risk during the commercialisation stage (i.e. over the next 6-12 months) and also *maximise* our profit potential with the 1.87 times leverage offering almost *twice* the rate of return that would be earned from owning the shares.

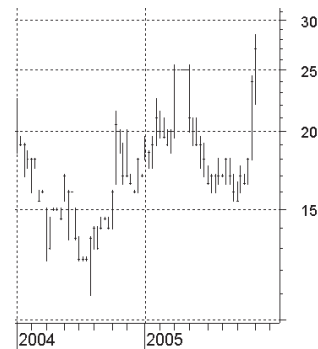
Bounty Industries shares and options have risen strongly over the last couple of weeks in response to a "research" report *commissioned by the company*. While this can inflate share and option prices, we believe

current values are still very attractive given the growth potential of this emerging business. On the positive side, these higher prices and publicity have increased the volume of shares and options trading on the market - although the options still only trade in relatively small volumes and can be difficult to acquire.

Summary and Recommendation

This is a very small micro-cap company with ambitious plans to develop a major new business based upon its TSM coal mining techniques. If successful the shares should appreciate strongly over the next several years. The December 2006 options offer investors the opportunity to participate in this emerging business with a smaller initial investment *and* leverage returns. A small investment in Bounty Industries options is therefore suitable for higher risk investors with diversified investment portfolios.

Bounty Investments



Cool or Cosy (codes COS and COS0).

This company's main business is the manufacture of Cellulose Fibre Thermal Insulation for use in residential homes but is expanding into air conditioning and other related services to offer "Total Comfort Solutions".

Cool or Cosy listed on the Australian stockmarket in mid-2003 after an initial public offering of 8,400,000 shares at 20 cents to raise \$1.7 million for expansion. The shares rose to a peak of 93 cents by late 2004 owing to the expansion of the company's business and growing revenues and profits. The expansion of its core insulation manufacturing business in Western Australia has been achieved through licensing companies in Queensland to sell and install its insulation and also benefited from the residential construction boom. Cool or Cosy entered the split cycle air conditioning business in August 2004 and revenues have far exceeded its budget and are growing rapidly. In June 2005 the company acquired Brisbane based **Grants Air-conditioning & Electrical** for \$1.0 million. This further expands the company's presence in the Queensland market as well as adding skills in ducted air-conditioning and electrical services. Grants Air-conditioning was purchased at around 2½ times earnings before depreciation, interest and tax, so was acquired at an attractive valuation.

For the year to June 2004, (Continued on Page 12)

Warrant/Option Analysis (Continued from Page 11)
revenues rose 32.8% to \$20.2 million, with profits up 33.8% to \$2,890,000 (5.8 cents per share) and the annual dividend rate was 2.852 cents.

The half year to December 2004 saw revenues grow 24.5% to \$12.4 million and profits up 24.1% to \$1,297,000. The interim dividend was raised 12.2% to 1.6 cents.

Since then, however, the shares have lost 55-75% of their value: falling to a low of 25 cents in June when the company announced that trading profits to June 2005 would be around 20% lower at \$2.2 million. The shares have since recovered slightly to now trade around 32 cents.

There have been two *insider* buys and one *insider* sell on-market over the last year, but all in late 2004 when the shares were booming.

Cool or Cosy is a very small company with an issued capital of 42,214,839 shares and 30,657,961 options to buy shares at 20 cents in May 2008. That gives a total market capitalisation of just \$18.6 million. Despite a decline in the six months to June 2005, the business appears to be growing rapidly, with excellent potential for further growth in air-conditioning. The shares offer good value, trading on a low Price/Earnings ratio and offering a high Dividend Yield.

The only negative factors appear to be (1) the usual high business risks involved with smaller companies and or high growth companies, (2) the current profit glitch, (3) dilution in earnings per share from issuing new shares when the options are exercised and (4) the sharp drop in the share price and resulting weak Relative Strength rating - although there are some signs of recovery.

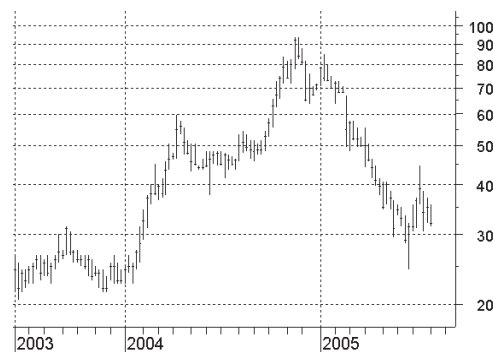
More conservative investors may wish to wait for further signs of recovery in the business and the share price trend before buying into this potential high growth company, but the low share price does offer the opportunity to seek higher leverage through an investment in the options. The option leverage is not high - just 1.49 times - but the break even rate is a low 5% p.a. making this a lower risk option in an attractive *investment quality* company that could produce strong capital appreciation over 33 months until the final exercise date. If the shares *triple* back to around one dollar, then the options will increase almost five-fold in value. If the shares grow six-fold to \$2 by May 2008 then the options would appreciate 11-fold in value.

Summary and Recommendation

Cool or Cosy is a small, emerging growth company, so an investment in its shares or options involves high risks but could yield far above average returns! Both the shares and options were quite actively traded in late 2004 when their prices were high, but volumes have shrunk as their prices dropped sharply. At present there should be little trouble buying Cool or Cosy shares, but the options now only trade infrequently in small volumes.

Higher risk investors - seeking the potential for leveraged returns over the next few years - should acquire some Cool or Cosy options as and when they become available on market over the next few months.

Cool or Cosy



Marengo Mining (codes MGO and MGOO).

Marengo Mining is an exploration company with interests in Australia and Papua New Guinea. The share price has risen strongly over the last year, which is creating value in the February 2008 options to buy shares at 20 cents.

In addition to this favourable strong uptrend there have been three *insider* buys on-market over the last year. Directors bought 110,000 shares on-market at 9 cents in September 2004, 100,000 shares at 15½ cents in April 2005 and another 100,000 shares at 14 cents in May.

The rise in the share price appears to reflect the acquisition and development of major projects: In early 2005 the company began drilling at its *Minigwai* project in Western Australia and has discovered high grade magnetite (i.e. greater than 66% iron) and ilmenite. The company is seeking a partner to fund further exploration. It also acquired two major projects in Papua New Guinea: *Yandera* and *Bolubolu*.

The *Yandera Project* covers 1163 km² and contains "one of the largest undeveloped porphyry copper-molybdenum-gold deposits in the south-west Pacific region" plus "numerous other porphyry copper and epithermal gold prospects". Marengo Mining will earn a 50% interest in this project by spending A\$500,000 over the next two years and this can increase up to 75% with an additional \$2.5 million in exploration and up to 90% by funding completion of a bankable feasibility study. Marengo Mining has also acquired data on US\$20 million of exploration carried out by **BHP**, **Kennecott Copper** and **Triako Resources** from 1970 until 1989. This data indicates over 300 million tonnes with copper grades of 0.35-0.45%.

At the *Bolubolu Project* on Goodenough Island, Marengo Mining plans to drill for gold. The geology is similar to the neighbouring Fergusson Island where the *Wapolu* and *Gameta* deposits have resources of 880,000 ounces of gold. The *Bolubolu North* prospect was discovered in the mid-1980's, with stream pan samples up to 35g/t Au reported, but the prospect was never drilled. Trench sampling has revealed 39 metres at 2.1g/t, including 6 metres at 11.9g/t, and 8 metres at 4.9g/t, including 4 metres at 6.1g/t.

Summary and Recommendation

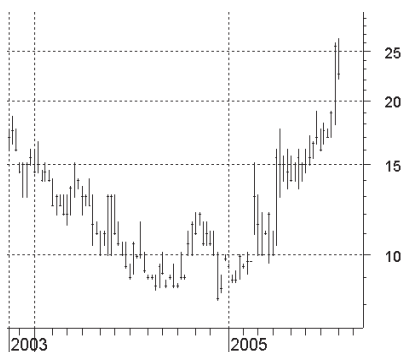
Marengo Mining is a high risk exploration company, but the large PNG projects offer good leverage as this company has a market capitalisation of just \$10.1

million. So favourable developments can have a significant impact upon the value of the shares and options.

It is difficult for any outsider to evaluate the potential of speculative exploration interests, so *insider* buying is an important indicator of potential value in Marengo Mining. The strong uptrend in the share price is also favourable - increasing the likelihood that investors will continue to re-rate the shares in the future.

In highly speculative situations, options can be the best way to limit risk while maximising exposure to a potentially profitable investment. So a small investment in Marengo Mining options may be of interest to higher risk investors.

Marengo Mining



Stirling Products (codes STI as STIO).

While it has other minor interests, Stirling Products' main product is a "livestock growth promoter" called ST810 which is still at the stage of seeking regulatory approval. ST810 is fed to livestock for about a month before slaughter, during which time it significantly slows the production of fat and increases the production of meat.

A recent test on pigs by the US Department of Agriculture shows an 11.7-12.6% increase in meat from animals receiving ST810, a 13.8-18.8% decrease in fat, an overall 15% increase in weight gain and a 3% decrease in food consumption. So the product boosts both the quantity and quality of the meat while also reducing the livestock feed costs! There were no side effects on the animals, unlike a competitor's product which caused cardiac problems and more aggressive behaviour. There was also no trace of ST810 in either the meat or body organs.

Further tests with pigs are planned and final regulatory approval for sales of this product to farmers is expected by around mid-2007.

Similar results have been found in chickens, cattle, sheep and goats and Stirling Products is conducting tests and seeking regulatory approval for use with each of these animals.

While this product probably has great commercial value, Stirling Products currently has no revenue and is spending \$2.5-3.0 million per year, but its cash holding is just \$3.2 million.

The issued capital consists of 92.4 million ordinary shares, 14.9 million listed options (to buy shares at 20 cents in December 2007) and 49.3 million unlisted vendor shares (to buy shares in December 2005 at 50 cents and at 100 cents).

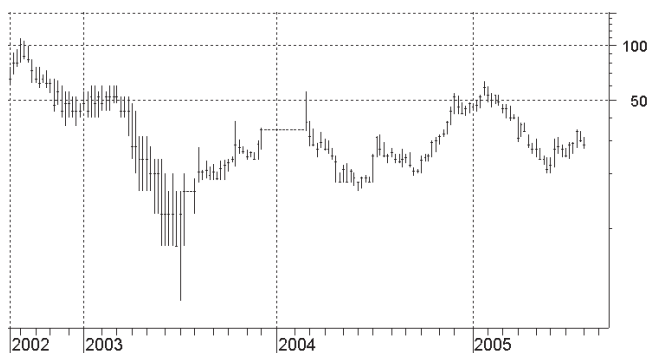
If Stirling Products' share price rises above 50 cents by the end of this year then half of these vendor options will be exercised and raise \$10.25 million in cash. Otherwise Stirling Products will need to make a share placement to raise cash which could depress the share price. As the company is dependent upon raising new cash from investors it recently paid (i.e. US\$13,500 plus 125,000 unlisted options at 20 cents) for an "independent" research report that concluded the shares will be worth A\$0.95 to \$11.35 over the *next* year! Apparently investors aren't stupid as this report failed to halt the share price decline. From around 45 cents when the report was released, the shares fell to a low of 20 cents in May, but have since recovered to 28½ cents.

Summary & Recommendation

Stirling Products is a small company that could develop an extremely profitable business. The main risk is probably *dilution* as the company needs to issue more shares to raise cash to finance development or gives away partial ownership of its product through partnerships. Higher risk investors, however, could consider making a small investment in the shares or options. In any type of high risk situation, options *can* be the most attractive entry as they minimise the initial investment that we place at risk. In this case the option exercise date of December 2007 falls *after* the expected mid-2007 receipt of regulatory approval to use ST810 commercially on animals - which should reduce the uncertainty of commercialising this product and help to boost the share price *prior* to the expiry of these options.

The options are less actively traded than the shares, but worth accumulating when they become available.

Stirling Products



Review of Existing Options

Aurox Resources (codes AXO and AXOO).

Aurox Resources shares and options have risen strongly since we first reviewed this company just three months ago. The shares have more than *tripled* to 67 cents while our options are up 7½-fold from 5.6 cents to 43 cents!!!

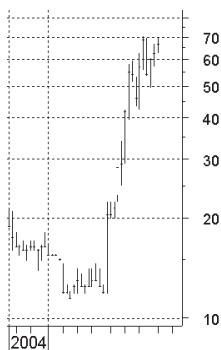
The rise in the shares and options reflects the *potential* for the *Balla Balla* deposits, some progress evaluating those deposits and finding markets for any future production and the company's excellent job of *communicating* the value of these mineral deposits to the market.

There was another *insider* buy in May (250,000 shares at 20½ cents) and in June (50,000 shares at 46½) but two *insider* sells in July (75,000 shares at 59 cents and 42,000 shares at 52½ cents) but (Cont'd on Page 14)

Warrant/Option Analysis *(Continued from Page 13)*

no indication of any significant selling out by the directors. The strong rise in the share and option prices has significantly reduced the leverage of the options. We wouldn't buy more options at this price, but neither are we in any hurry to realise the significant short term gain that has already accrued on this holding. The options are a little under-valued, trading at an 18% discount to their *fair* value of 52.6 cents and a 9% discount to their *intrinsic value* (i.e. the share price of 67 cents, less the 20 cents cost to exercise the options). Although a little volatile at times, the shares are in a strong uptrend so we are happy to hold these options and let our profits run for the time being.

Aurox Resources



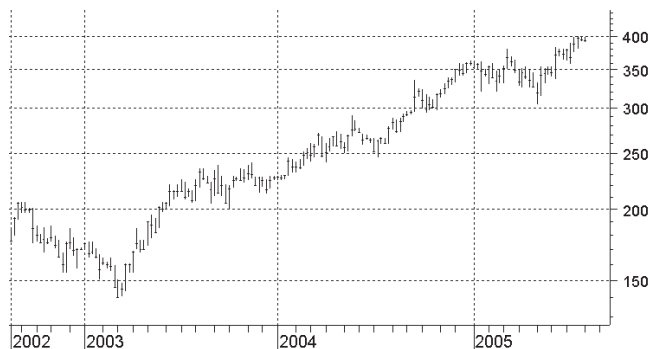
DCA Group (code DVC and DVCO).

Last quarter we discussed our plans to sell these options on-market prior to their 30 September 2005 exercise/ expiry date to realise our significant gain on this position. We suggested larger holdings be sold progressively over three months but that smaller holdings be held "until early September to allow time for further capital appreciation".

DCA Group's share price had dipped in our last report in May - to 319 cents, depressing the options to 88 cents - but have recovered strongly over the last quarter. The shares are currently at 394 cents, with the options trading around 159 cents.

We originally reviewed and informally recommended these options at 24½ cents in August 2003 - so that is a 6½-fold gain in just two years! Sell these options on-market this month or in early September to realise profits.

DCA Group



Farsands Corporation (codes FCO and FCOO).

The directors of Farsands Corporation have agreed to a

takeover offer from **Coffey International**. The takeover offers 263 cents plus one Coffey International share for every 19 Farsands Corporation shares - which was worth 27½ cents per Farsands share when announced but has since increased 8% to 29.8 cents owing to an increase in the value of Coffey shares. The offer for the options is 6 cents cash.

We originally reviewed these options in November 2004 when they traded around 4.6 cents, so if this takeover is successful then we will realise about a 30% profit in less than a year.

At this stage we recommend that investors simply continue to "Hold" the Farsands Corporation options. The takeover would realise a small gain, but our holding in the options would probably become more valuable over the next 39 months if the takeover was unsuccessful and Farsands Corporation remained a separate listed company. Our *Warrant/Option Analysis* indicates a *fair* valuation of the options at around 9.3 cents. The value of the takeover has increased for the ordinary shareholders (owing to the increase in the value of Coffey shares) and we would like to see a higher value placed upon the options before we *willingly* accept the takeover.

The takeover is conditional on 90% acceptance by the ordinary shareholders *and* 90% acceptance by the option holders. There are only 16,065,200 options outstanding - following an unattractive buy-back at 4½ cents - so quite likely Market Analysis subscribers hold more than enough options to block this takeover!

"Hold" for fair price!

Financial Resources (code FRL and FRLO).

This \$12.9 million micro-cap finance and equipment rental company announced a joint venture in May that should add significant value to the group. The company sold its patent to an "internationally proven water ingress and hydrostatic pressure treatment", called NOH₂O (i.e. No H₂O), that has been used in civil engineering and mining since 1975. The sale is to **Sovereign Hydrology**, a new joint venture company that is 50% owned by Financial Resources and 50% by **Sovereign**, a leading South African water control company.

The sale will realise a pre-tax gain of \$686,000 (1.0 cent per share) but the joint venture is also expected to become a successful business. Subject to winning contracts currently under negotiation, the joint venture is forecasting revenues of \$6.1 million to June 2006 and a net profit of \$2.6 million. Equity accounting its 50% share would add \$1.3 million (1.9 cents per share) to Financial Resources' profits over the next year. To June 2007 the joint venture predicts revenues of \$8.5 million and a net profit of \$3.8 million - adding 2.8 cents to Financial Resources' earnings per share!

Financial Resources options currently trade at a small discount to their *fair* value and they offer very high leverage (i.e. 2.49 times) and have a long time until their final exercise/ expiry date (i.e. 33 months). The sort of expansion outlined above could add significantly to the value of the shares over the next 2¾ years - boosting the value of the options which still rate a "Buy".

Financial Resources

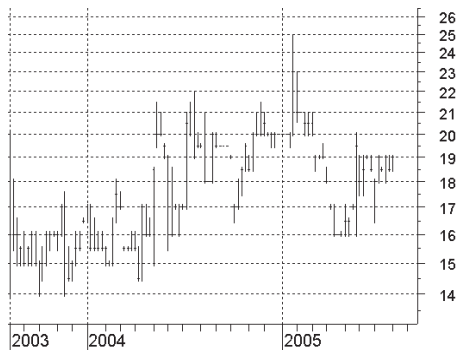


Image Resources



Global Mining Investments (codes GMI and GMIO). The shares are up 4.1% to 101 cents and the options up 8.8% to 9.1 cents over the last quarter. The company - which can leverage its portfolio with up to 20% debt - has borrowed US\$2.2 million, equal to leverage of about 3%.

The options have only 15 months until expiry, but a high 5.71 times leverage. So this is a highly speculative investment based upon the performance of global mining company shares. Suitable for a *small* investment.

Image Resources (codes IMA and IMAO).

Image Resources is a small \$20 million capitalisation company but has been aggressively acquiring new early stage exploration projects over the last quarter:

The 78km² *Bidaminna* tenement in the North Perth Basin, which contains several major mineral sands mines, was acquired. This tenement is "under-explored" although several high grade samples have been identified previously.

The company also acquired a total of 2845km² of tenements in the southern Yilgarra region - increasing its holdings to 6055km². This region is "highly prospective" for nickel, gold and uranium.

Image Resources entered a joint venture with **Mithril Resources** and will also spend \$3-500,000 over the next three years to earn a 51-70% interest in a tenement in the Zircon-rich Euclas Basin, close to **Iluka Resources'** recent high grade discoveries.

Finally, Image Resources placed 3,061,061 shares at 33 cents to raise \$1.0 million in cash - boosting its total cash holding to almost \$3.7 million.

There have been three *insider* buys over the last quarter and two sells - making 4 buys and 6 sells over the last year.

The options have only one year until their final exercise/expiry date of 25 August 2006, but are "in the money" (i.e. the shares trade above the option exercise price of 25 cents, so the options are valuable). In fact, the options trade at a 21% discount to their *fair* value and a 7% discount to their *intrinsic value*. This discount to intrinsic value gives an unusual *negative* break-even rate of -3% - that is, the shares could *fall* 3% in value (i.e. from 38½ cents to 37½ cents) and the options would still be worth their current market value of 12½ cents. The options offer high leverage, so any fluctuation in the share price will offer a greater percentage movement in the value of the options.

Metroland Australia (codes MTD and MTDO).

Metroland Australia is predicting a profit of just \$500,000 (0.5 cents per share) for the year to June 2005 and expects to declare a 0.5 cent dividend.

Since balance date it has sold its commercial property at 265 Victoria Street, Gladesville, for \$3.2 million. The council deferred redevelopment plans but Metroland will still realise a \$1.1 million profit from this income producing property that was purchased in 2001.

The company is also making good progress on a number of major projects:

The application for rezoning for the *Greenway Supacentre* has been successful and a development application will be lodged in the near future. The company paid \$32.6 million for two properties and vacant land, with the completed development expected to be worth around \$80 million.

The *Wentworth Mall* was acquired about a year ago for \$17.8 million and gross annual rentals have been increased from \$2.2 million to \$2.4 million. This is clearly a high income producing investment property and in addition the company is assessing its options to expand and refurbish the property which has "significant development potential".

Re-development plans for the 16-20 Mountain Road, Ultimo, Brisbane, property acquired earlier this year for \$8.45 million have been prepared. Converted to student accommodation and rented would provide a gross income of \$2.5 million and a capital value for the property of around \$25 million. A third party has recently come forward seeking to purchase the property after it has been converted into offices. Metroland is considering these alternative development options.

Metroland Australia is a small \$15 million capitalisation company but owns some large property development projects. Property development can be extremely profitable - but can also be risky - so one very successful development could significantly boost the value of the company! In fact, if property prices continue to rise, then Metroland Australia could make significant gains even on unsuccessful developments (e.g. its 50% capital gain on the Gladesville shops) simply as it owns significant property assets.

At 16 cents the shares trade well below the option exercise price of 26 cents and the "break-even rate" is a fairly high 19% p.a. Nevertheless, there is still 3¾ years until the final exercise/expiry date and good leverage, so these options are high risk, *(Continued on Page 16)*

Warrant/Option Analysis (Continued from Page 15) but not unattractive. A small investment may prove interesting.

ORT (codes ORT and ORTO).

ORT - which has very little cash - has been seeking over the last three months to raise \$12 million to build Stage I of its waste treatment plant. The company is seeking to raise this money as a "private equity" investment from a range of investors who will buy shares directly in its 96.5% owned subsidiary **Organic Resources Technology**.

On July 22 the company requested its shares and options be suspended "pending an announcement with respect to a capital raising". Failure to raise the needed capital will probably see ORT remain suspended, then delisted and our 28 February 2008 options (to buy shares at 10 cents) can be considered worthless. Success in raising the capital opens up the potential for ORT to create value from its technology.

The issued capital is 79,747,608 shares which last traded at 5½ cents to value the company at just \$4.4 million. Raising capital for its subsidiary would create value for ORT's remaining interest. For example, raising \$6 million from selling a 25% shareholding would imply a value of \$17.4 million (21.8 cents per share) for its 72.4% shareholding. Raising \$12 million selling a 75% interest to new investors would value ORT's interest at \$3.86 million (4.8 cents per share).

Orchid Capital (codes ORC and ORCO).

Orchid Capital's share and option prices have collapsed over the last few weeks with the company reporting "intense negotiations" with the Tibet government have "not led to the expected signing of a final contract" to acquire an 80% interest in the *Qu Long* and *Jia Ma* Copper projects.

We originally reviewed Orchid Capital in August 2003 and bought some options at just 0.8 cents. We sold some of these options at 3.0 cents in December 2004 and three months ago recommended selling further options at greater than 9 cents to "realise more of this significant gain" (i.e. up 11-fold).

Total Return Index for All Listed Shares

Jul 11	2331.79	Jul 18	2348.78
Jul 12	2339.57	Jul 19	2336.55
Jul 13	2347.58	Jul 20	2329.82
Jul 14	2343.73	Jul 21	2326.08
Jul 15	2348.44	Jul 22	2338.73
Jul 25	2338.01	Aug 1	2375.91
Jul 26	2347.42	Aug 2	2375.45
Jul 27	2355.15	Aug 3	2390.97
Jul 28	2353.16	Aug 4	2379.01
Jul 29	2361.83	Aug 5	2385.48

So we have *already* realised significant profits on this position, but still hold a few options worth 3-4 times our initial cost.

Net asset backing is 5.9 cents - and the Tibet venture could still prove valuable - so we are happy to hold our remaining options which still have 15 months until their final exercise/expiry date.

Orchid Capital



PharmaNet Group (codes PNO and PNOO).

PharmaNet Group reports success at synthesizing its Tripeptofen molecule - but the share price continues to decline. Over the last quarter the shares fell 28% to 2.9 cents and the options are down a further 48% to 1.1 cents.

We originally reviewed PharmaNet in November 2004 when the options traded around 1.5 cents. We shall hold our existing options, but wouldn't buy more at this time.

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
ABS Canterbury	7.50	23-09	30-09	Full
AMP Property Trust	1.85	19-08	26-08	Nil
Calan Healthcare Properties	1.9717	12-08	01-09	0.2283
Carter Holt	5.00	05-08	23-08	Full
Life Pharmacy	1.20	26-08	02-09	Full
Livestock Improvement	11.60	29-07	29-07	Full
Mr Chips	2.50	23-09	30-09	Full
National Property Trust	2.10	19-08	02-09	0.693
NZ Wine Company	5.00	-	23-09	Full
Property For Industry	1.425	03-08	10-08	0.319
Renaissance Corporation	4.00	30-09	07-10	Full
Telecom NZ	10.00	26-08	09-09	Full
Telecom NZ special	10.00	-	-	Full
Urbus Properties	4.60	-	-	Nil
Wrightson	10.50	-	15-09	Full

Next Issue

The next issue of *Market Analysis* will be posted in five weeks time on Tuesday September 13, 2005 (and delivered in most areas on Wednesday 14).

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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