

# Market Analysis

## Inside Market Analysis

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## Summary and Recommended Investment Strategy.

The stockmarket outlook has improved with more favourable monetary conditions. Remain fully invested in the recommended shares.

## Investment Outlook.

Our One-Year Forecast is for a slightly Bullish (i.e. favourable) 64% chance that the Australian stockmarket will rise over the next year. Our model is more Bullish for the New Zealand stockmarket, where it predicts a 75% probability that share prices will rise.

The improved outlook for the NZ market partly reflects the recent drop in the inflation rate. The economic theory here is all a little dubious, as the rise and fall of the inflation rate is mainly driven by external factors (i.e. the price of imported oil), but when inflation goes up the Reserve Bank raises interest rates. Perhaps one day the Reserve Bank can explain how it thinks raising interest rates can control higher inflation that is simply the result of higher imported oil costs? Nevertheless, the price of oil fell in late 2006 and the annual increase in the Consumer Price Index fell from 4.0% for the year to September to 2.6% in December. So, despite a lack of domestic savings and over-consumption, the risk of further interest rate rises in the immediate future has declined. In fact, short term interest rates have been relatively steady for over a year and longer term interest rates have been *declining* slightly over that period.

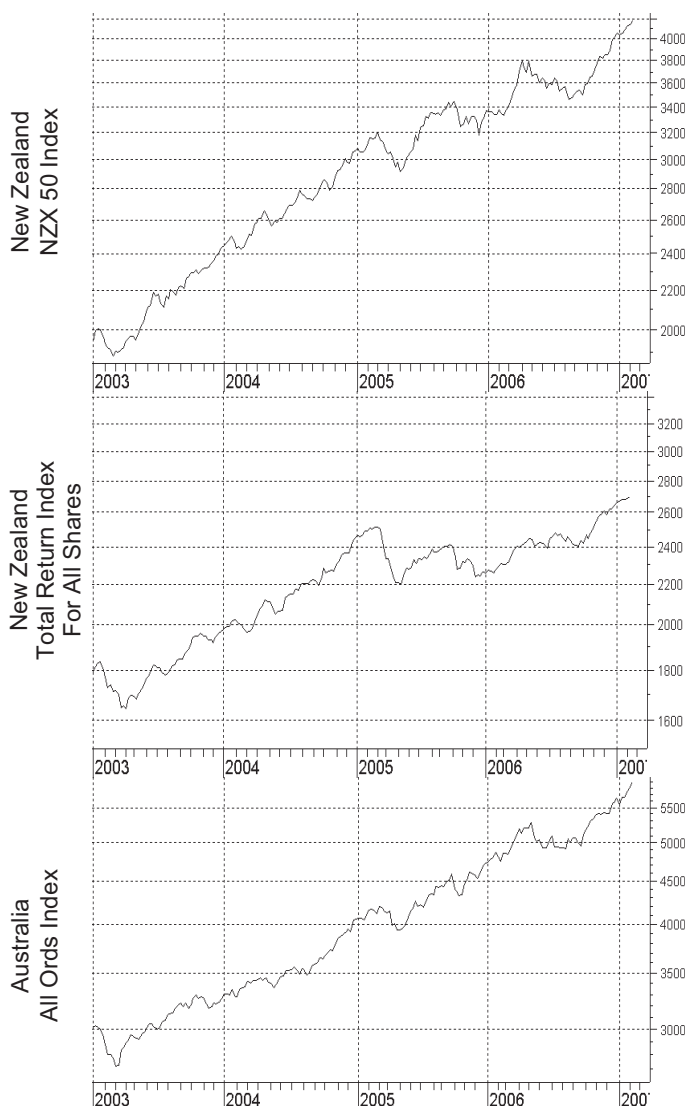
The sharp decline in Retail Sales (except at Michael Hill International) over recent months and the decline in economic growth over the last 18 months would support an easing of interest rates and monetary conditions by the Reserve Bank. The latest figures do show a rapid expansion in money supply.

Improved monetary conditions can lead to an immediate impact on financial asset values (i.e. money flows into financial markets and pushes up share prices, especially when the real economy is depressed) and over the medium to longer term can help improve economic activity and lead to the next upturn in the NZ economy.

While there is some global uncertainty, we see good value in our *Recommended Portfolio* shares - which are appreciating strongly - so investors should remain fully invested in these shares.

### Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	<b>79% (Bullish)</b>	<b>64% (Bullish)</b>
New Zealand:	<b>65% (Bullish)</b>	<b>75% (Bullish)</b>



# 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	E	8.1	6.64	NE	Nil	Just Water Int.	C	120	2.90	21	4.5	Pyne Gould Corp	B	455	0.97	12	5.9
AMP Onyx Mgmt	A	140	7.01	19	5.3	Kermadec Prop.	D	106	N/A	NE	Nil	Rakon Ltd	C	435	6.21	96	Nil
AMP Limited	B	1210	1.66	25	3.0	Kidicorp	D	23	1.27	26	Nil	Renaissance	C	143	0.35	11	10.4
Abano Health	B	290	1.02	41	Nil	Kingfish Ltd	A	155	3.87	5	2.4	Restaurant Brds	C	114	0.35	11	13.1
Affco Holdings	E	38	0.20	9	2.6	Kirkcaldie & St	C	265	0.61	22	4.5	Richina Pacific	E	43	0.08	NE	Nil
Air New Zealand	A	219	0.58	23	3.4	Kiwi Property	A	159	N/A	16	5.7	Rubicon Limited	E	92	0.39	29	Nil
Akd Int Airport	B	231	9.22	27	5.3	Life Pharmacy	D	87	4.08	22	4.7	Ryman Health	B	237	8.30	34	1.4
Allied Work.	B	125	0.44	11	11.9	Lion Nathan Ltd	C	970	2.65	21	3.6	Salvus Strat.	C	100	N/A	NE	3.7
Allied Farmers	C	215	0.40	26	4.9	Livestock Imp.	C	160	0.48	7	15.3	Sanford Limited	C	517	1.32	16	6.4
Apple Fields	B	7.5	N/A	NE	Nil	Loan & Building	B	500	1.59	19	4.5	Satara Co-op	E	108	0.56	NE	4.1
Barramundi Ltd	D	114	N/A	NE	Nil	Lombard Group	E	1.3	1.11	13	Nil	Savoy Equities	D	5.0	N/A	NE	Nil
Blis Technology	D	9.0	N/A	NE	Nil	Lytelton Port	C	218	2.81	22	3.4	Scott Tech. Ltd	D	220	1.36	NE	2.7
Botry-Zen Ltd	E	4.3	N/A	NE	Nil	MDSnews	E	0.3	N/A	NE	Nil	Sealegs Corp	D	55	N/A	NE	Nil
Brierley Invest	C	156	3.61	34	2.2	MG Property Trt	A	151	N/A	23	6.5	Seeka Kivifruit	C	390	0.48	11	7.7
Briscoe Group	C	170	1.04	14	6.6	Mainfreight Grp	A	790	0.86	26	2.3	Skellerup Hold.	C	133	0.87	10	9.0
Broadway Ind	C	90	0.45	22	4.4	Media Tech.	E	6.0	0.29	NE	Nil	Sky City Ltd	C	550	3.14	20	7.1
CACI Group Ltd	C	35	0.50	7	Nil	Methven Limited	A	212	1.86	16	6.5	Sky Network TV	B	645	4.57	42	1.9
CDL Investments	C	39	3.35	9	7.7	Metro. LifeCare	B	685	N/A	52	1.3	Smartpay NZ Ltd	D	6.4	N/A	NE	Nil
Cabletalk Group	D	41	0.36	12	7.3	Michael Hill	C	805	1.02	20	4.3	Smiths City	C	70	0.15	7	7.9
Cadmus Tech Ltd	E	20	1.87	NE	Nil	Mid-Cap Index	C	346	N/A	NE	Nil	Software of Exc	D	200	2.10	NE	Nil
Calan Hlthcare	B	151	N/A	20	6.1	Millennium & C.	C	70	1.42	10	4.5	Sol. Dynamics	E	65	0.49	NE	Nil
CanWest Media	B	240	2.17	42	3.9	Mooring Systems	D	480	N/A	NE	Nil	South Port NZ	B	186	3.29	20	6.2
Canty Bldg Soc.	B	500	1.44	13	4.5	Moorbray Collect	D	170	4.01	NE	Nil	Speirs Group	B	110	0.25	13	9.5
Cavalier Corp	C	345	1.12	16	7.8	Mr Chips Hold	D	106	0.60	87	Nil	Steel & Tube	B	470	0.94	13	10.2
Cert Organics	D	8.9	4.01	NE	Nil	NZ Exchange Ltd	A	800	9.78	42	4.7	Sthn Travel	C	35	0.13	9	12.8
Charlie's Group	E	21	4.06	NE	Nil	NZ Experience	E	27	1.15	12	11.1	Summit Gold Ltd*	N/R	393	N/A	NE	Nil
Col Motor Co	B	370	0.22	15	9.7	NZ Finance Hold	C	150	4.75	30	1.2	Tag Pacific Ltd	C	43	0.48	9	1.3
Comvita	B	380	N/A	31	2.0	NZ Invest Trust	B	1106	N/A	NE	0.7	Taylor's Grp Ltd	A	218	0.78	15	8.2
Connexion	D	35	4.23	NE	Nil	NZ Oil & Gas *	N/R	91	N/A	84	Nil	TeamTalk Ltd	B	270	2.67	17	10.5
Contact Energy	B	872	2.16	18	4.5	NZ Refining Co	C	620	4.08	11	7.8	Telecom Corp	C	491	1.66	11	10.8
Cynotech Hold.	C	19	1.86	15	3.9	NZ Wine Company	B	230	2.11	19	4.5	Tenon Ltd	D	308	0.34	16	Nil
Delegat's Group	D	249	2.92	48	1.0	NZ Windfarms	E	121	N/A	NE	Nil	Toll NZ Ltd	C	285	0.87	11	Nil
Dominion Fin.	A	206	4.08	14	5.5	NZ Wool Service	C	44	0.23	11	10.2	Tourism Hold.	C	211	1.18	19	7.8
Dorchester Pac	B	235	0.65	8	7.0	NZSX 10 Fund	D	132	N/A	NE	Nil	Tower Limited	D	248	0.65	8	Nil
Eastern Hi-Fi	A	47	0.26	9	19.1	NZSX 50 Port.	D	198	N/A	NE	Nil	Training Sol.	D	2.0	0.04	NE	Nil
Ebos Group Ltd	B	571	0.56	15	5.9	NZX Aust MidCap	D	682	N/A	NE	Nil	Trans-Tasman	E	54	4.13	92	Nil
F & P Appliance	C	363	0.79	15	7.4	Nat Property Tr	B	83	5.51	20	4.9	Trust Power Ltd	B	810	3.77	31	4.2
F & P Health.	C	430	6.75	31	4.3	New Image Group	D	12	2.07	NE	Nil	Turners & Grow.	D	270	0.41	16	Nil
Feltex Ltd	E	3.0	0.02	NE	Nil	Northland Port	B	320	N/A	70	2.8	Turners Auction	C	158	0.54	9	13.2
Finzsoft Sol'ns	C	101	1.06	16	Nil	Nuplex Indust	A	716	0.43	14	6.2	Utilico Int'l	D	70	5.49	NE	Nil
Fletcher Build.	A	1140	0.97	14	5.2	Oyster Bay	C	240	2.02	23	6.2	VTL Group Ltd	C	106	0.67	14	Nil
Freightways Ltd	A	455	2.27	24	5.7	Ozzy (Tortis)	D	354	N/A	NE	Nil	Vector Ltd	C	279	N/A	62	6.4
Genesis Res.	D	28	2.82	NE	Nil	PGG Wrightsons	C	159	0.53	17	9.4	Viking Capital	D	35	N/A	NE	Nil
Guinness Peat	D	257	0.86	11	1.1	POD Ltd	E	44	0.27	NE	Nil	WN Drive Tech.	E	46	N/A	NE	Nil
Hallenstein G.	C	515	1.55	14	10.1	Pac Edge Bio.	E	15	N/A	NE	Nil	Wakefield Hlth	B	850	2.35	34	2.5
Hellaby Hold.	C	415	0.41	9	11.1	Plus SMS Hold.	E	13	N/A	NE	Nil	Warehouse Group	C	718	1.16	23	3.3
Heritage Gold *	N/R	4.5	N/A	NE	Nil	Port Tauranga	C	611	6.69	26	4.9	Widespread Port*	N/R	3.4	5.40	8	Nil
Hirequip NZ Ltd	D	115	1.49	18	4.9	Postie Plus Grp	C	93	0.30	9	11.2	Windflow Tech.	D	275	8.38	NE	Nil
Horizon Energy	B	356	3.21	17	8.0	Property F Ind.	B	151	N/A	23	5.5	Wool Equities	D	90	0.77	NE	Nil
ING Property	B	135	N/A	17	7.4	Propertyfinance	D	128	N/A	NE	Nil	World Index Fd	E	149	N/A	NE	Nil
Infratil NZ	B	585	4.25	NE	3.2	Provenco Group	C	109	0.85	34	3.6	Zintel Comm.	B	49	0.61	8	10.6
Jasons Media	C	76	1.08	24	Nil	Pumpkin Patch	B	469	2.51	27	2.7	<b>Ave of 155 Cos</b>	C	248	0.49	22	3.8
ABB Grain Ltd	A	760	0.95	16	3.9	Corp Express	B	614	0.99	17	2.9	Newcrest Mining	B	2206	5.23	21	0.2
ABC Learning	A	764	4.76	37	1.4	DB Reef Trust	B	181	3.47	5	6.1	News Corp.	B	3260	3.23	35	0.5
AMP Ltd	B	1063	1.65	25	3.0	DUET Group	C	317	1.91	NE	7.4	Nufarm Limited	B	1140	1.17	16	2.6
ANZ Bank	C	2965	5.36	15	4.2	David Jones	B	474	1.14	26	3.4	Oil Search Ltd	B	358	4.47	15	1.9
APA Group	D	427	3.73	23	5.6	Deutsche Div Tr	C	131	6.10	14	7.1	Onesteel Ltd	B	478	0.68	15	3.0
APN News Media	C	605	2.12	19	4.0	Downer EDI Ltd	C	706	0.48	NE	2.8	Orica Ltd	B	2485	1.63	14	3.0
ASX Limited	B	3950	N/A	30	3.0	Energy Resource	A	2261	N/A	NE	0.8	Origin Energy	A	908	1.21	22	2.0
AWB Limited	B	314	0.22	10	6.4	Envestra	C	123	2.97	NE	7.7	Oxiana Ltd	B	280	N/A	48	0.4
AXA Asia Pac	C	742	2.63	24	1.9	Everest Babcock	A	300	N/A	67	14.3	Pacific Brands	B	273	0.85	14	5.5
Abacus Property	B	195	N/A	18	6.1	FKP Limited	A	701	5.67	12	2.1	Paladin Res.	C	972	N/A	NE	Nil
Adelaide Bank	C	1439	0.96	16	4.0	Fairfax Media	B	503	2.47	21	3.9	Paperlin X Ltd	C	370	0.22	25	2.7
Adelaide Bright	C	278	2.10	17	5.8	Flight Centre	B	1705	1.61	20	3.0	Perpetual Ltd	B	8067	7.82	24	4.0
Allco Finance	A	1323	N/A	39	3.1	Fortescue Metal	C	1577	N/A	NE	Nil	Primary Health	C	1310	6.67	34	3.2
Alumina Ltd	B	688	N/A	25	2.9	Foster's Group	C	706	2.79	12	3.0	Promina Group	C	737	1.92	15	3.2
Amcor Ltd	B	732	0.59	19	4.6	Futuris Corp.	B	217	0.47	18	4.1	Publishing & Br	C	2044	3.84	23	2.9
Aneka Tambang	A	310	2.71	10	0.1	GPT Group	B	552	9.41	19	4.4	Q.B.E. Insur.	C	3018	1.91	22	2.4
Ansell Ltd	B	1110	1.46	14	1.1	GWA Internat'l	B	368	1.65	18	4.9	Qantas Airways	C	537	0.77	22	4.1
Aquarius Plat.	A	3500	6.92	34	0.7	Galileo Shop Am	B	128	7.13	10	8.0	Ramsay Health	B	1165	1.01	23	2.1
Argo Investment	B	888	N/A	35	2.7	Gandel R. (CFS)	B	194	N/A	19	5.4	Reece Australia	A	2290	2.04	26	1.9
Aristocrat Leis	B	1640	5.86	32	1.8	Goodman Fielder	B	239	2.08	21	2.3	Rinker Group	B	1883	2.58	18	2.0
Aust Foundation	B	580	N/A	30	2.9	Guinness Peat	B	226	0.78	10	1.0	Rio Tinto Ltd	B	1560	1.25	5	2.6
Aust Infra.	A	270	7.64	9	5.4	Gunns Ltd	B	310	1.65	12	5.2	Rural Press Ltd	C	7351	4.59	24	4.0
Australand Prop	B	217	1.25	10	7.6	Harvey Norman	B	416	1.94	19	1.9	SP Ausnet	C	140	3.87	9	2.3
Austar United	C	123	3.22	25	Nil	Havilah Res.	C	150	N/A	NE	Nil	Santos Ltd	C	991	2.28	8	3.8
Aust Wealth Mgt	B	283	N/A	78	1.6	Healthscope	A	616	1.28	26	2.4	Seek Ltd	A	630	N/A	52	0.8
Aust W'wide Exp	E	272	N/A	NE	Nil	Henderson Group	A	358	3.60	21	0.9	Seven Network	A	1168	2.03	24	1.3
B & B Infrast.	B	192	3.27	34	6.9	ING Indust Trt	B	247	N/A	17	6.3	Sigma Pharm.	B	270	1.18	36	2.5
BHP Billiton	B	2806	2.29	7	1.7	ING Office Fund	B	163	8.14	5	6.3	Sims Group Ltd	B	2214	0.73	14	4.7
Babcock & Brown	A	2587	7.17	33	0.6	Iluka Resources	C	650	1.52	11	3.4	Smorgon Steel	B	192	0.54	12	4.7
Bank of Q'land	C	1525	1.43	18	3.7	Incitec Pivot	A	3856	1.75	42	2.7	Sonic Health	B	1485	2.65	25	2.8
Becton Prop Grp	C	349	5.79	43	0.7	Insurance Aust.	B	643	1.57	12	4.6	Soul Pattinson	B	920	2.41	24	2.9
Bendigo Bank	C	1406	1.79	18	3.7	Investa Prop.	B	242	2.78	11	7.0	St George Bank	C	3422	5.99	17	4.4
Billabong Int'l	B	1730	3.49	25	2.5	James Hardie	A	997	2.39	17	1.0	Sthn Cross Brd.	A	1605	2.05	23	4.2
Bluescope Steel	B	916	0.83	20	4.8	Jubilee Mines	A	1555	6.83	19	2.4	Stockland	B	885	5.18	11	4.7
Boral Limited	B	871	1.08	14	3.9	Kagara Zinc Ltd	B	514	8.63	28	Nil	Suncorp-Metway	B	2208	1.61	14	4.4</

# Recommended Investments

**Michael Hill International** reports a “better than expected Christmas trading period which has impacted well on the bottom line”. Same store sales were 11% higher and the company expects a first half profit 28-34% higher at \$15.0-15.7 million. The audited report will be released on 23 February.

**South Port NZ** lifted revenues 7.5% to \$7,304,000 for the six months to 31 December 2006. Profits were 14.5% higher at \$1,088,000 (4.1 cents per share). A steady interim dividend of 2.5 cents (plus full imputation tax credits) will be paid.

The cash surplus from operations rose 45% to \$1.6 million.

(Continued on Page 4)

## Michael Hill International



## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<b>NZ Shares</b>													
HOLD	CDL Investments Ltd	CDI	12/01/99	25	C	210.6	1.4	3.35	9	7.7	39	13.3	+109%
BUY	Cavalier Corporation	CAV	05/12/95	156*	C	65.5	0.8	1.12	16	7.8	345	191.0	+244%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.22	15	9.7	370	292.8	+342%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	C	102.3	0.8	2.81	22	3.4	218	59.3	+85%
HOLD+	Michael Hill Int'l Ltd	MHI	11/06/91	46*	C	39.2	0.4	1.02	20	4.3	805	196.0	+2076%
HOLD	Nuplex Industries Ltd	NPX	11/02/97	350	A	78.4	0.5	0.43	14	6.2	716	161.0	+151%
BUY	Postie Plus Group	PPG	08/05/06	71	C	40.0	0.9	0.30	9	11.2	93	4.0	+37%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	C	38.5	0.8	0.35	11	10.4	143	40.4	+116%
BUY	Smiths City Group	SCY	09/10/06	64	C	53.0	1.2	0.15	7	7.9	70	1.5	+12%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.7	3.29	20	6.2	186	89.3	+129%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	B	88.1	0.7	0.94	13	10.2	470	164.0	+334%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	A	24.3	0.6	0.78	15	8.2	218	62.0	+175%
<b>Australian Shares (In Aust cents)</b>													
HOLD+	AJ Lucas Group	AJL	13/05/03	120	B	52.0	1.3	0.36	20	Nil	119	20.5	+16%
HOLD	Allied Technologies	ATZ	11/01/05	71*	B	52.2	2.6	0.64	11	Nil	15	Nil	-80%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	A	87.8	1.4	3.64	19	2.4	42	11.5	-27%
HOLD	Austin Group Ltd	ATG	08/02/05	93	C	62.2	1.5	0.38	NE	9.2	33	7.0	-58%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	406*	A	51.0	0.3	2.24	34	2.2	2305	220.6	+522%
BUY	Candle Australia	CND	08/04/03	86	B	49.8	0.8	0.64	15	4.9	350	42.5	+356%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	B	51.5	0.8	0.13	46	1.4	140	33.5	+14%
HOLD+	Centennial Coal Ltd	CEY	16/01/01	70*	B	295.1	0.8	1.01	16	4.7	276	26.0	+331%
BUY	Circadian Technologies	CIR	10/02/04	188	C	40.1	0.9	54.98	NE	Nil	160	65.0	+20%
HOLD	Commander Comm.	CDR	11/09/01	92	C	222.9	0.9	0.58	18	2.0	205	23.2	+148%
BUY	Computershare Ltd	CPU	12/08/03	189	A	599.3	0.6	3.54	31	1.4	953	34.5	+422%
BUY	Devine Ltd	DVN	13/11/06	94	B	136.0	0.9	0.31	9	6.1	131	Nil	+39%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	B	61.2	1.2	1.57	27	Nil	90	Nil	+84%
BUY	Housewares Int'l	HWI	13/11/06	171	C	128.2	0.8	0.73	23	5.4	240	Nil	+40%
HOLD	Int'l AllSports	IAS	11/02/03	180	B	66.4	1.8	0.02	15	5.4	28	4.0	-82%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	C	232.9	0.8	1.52	11	3.4	650	44.0	+47%
HOLD	Keycorp Ltd	KYC	10/08/04	123*	D	82.2	1.2	0.63	NE	Nil	74	Nil	-40%
BUY	M2 Telecommunications	MTU	09/10/06	33	A	59.4	1.5	0.82	13	4.3	46	Nil	+39%
HOLD	Melbourne IT	MLB	10/02/04	53	A	54.3	0.7	2.31	31	2.4	307	18.5	+514%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03	84*	B	392.4	1.0	2.88	29	2.3	120	6.3	+50%
BUY	Namoi Cotton Co-op Ltd	NAM	14/03/06	65	B	112.7	1.1	0.19	5	10.7	61	3.5	-1%
BUY	Ross Human Directions	RHD	14/08/01	92	C	82.3	1.2	0.18	12	5.5	73	25.0	+6%
HOLD+	Skilled Engineering	SKE	12/03/02	126	B	103.9	0.6	0.63	24	3.3	581	76.5	+422%
HOLD	Sonnet Corporation	SNN	07/09/04	31½	C	166.6	3.0	0.42	NE	Nil	9	3.0	-64%
HOLD+	Technology One Ltd	TNE	11/11/03	44	A	296.7	1.1	4.44	24	3.4	100	9.4	+147%
HOLD+	TFS Corporation Ltd	TFC	08/01/07	44½	B	157.8	1.5	3.26	8	3.6	58	Nil	+29%
HOLD	The Reject Shop Ltd	TRS	11/01/05	257	A	25.1	0.5	1.05	28	2.3	1000	47.5	+308%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +179.6%. This is equal to an average annual rate of +36.7%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 39 current and 136 closed out) is +34.5%, compared with a market gain of +9.2% (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)

The second half will include a gain on the sale of the port's old mobile crane, but even with this the full year result is expected to be "slightly lower" than last year's \$2,450,000 annual profit.

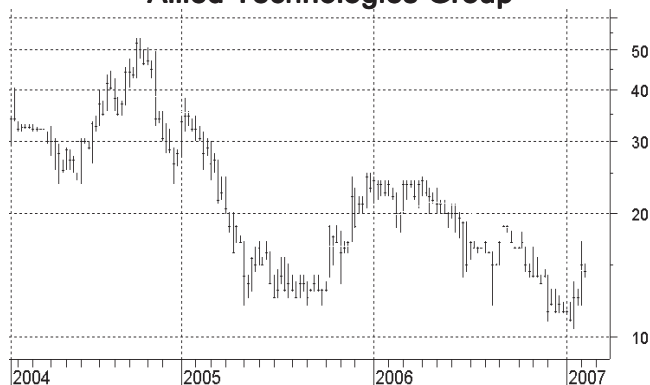
### Australian Shares

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

**Allied Technologies Group's** December quarter cashflow report shows revenues of \$7.2 million and - most significantly - an operating cash surplus of \$2.6 million. The cash surplus for the *half year* to December 2006 was \$3.6 million. Consistent cash surpluses suggest the group is operating profitably.

Allied Technologies "anticipates that future growth will come mainly through a series of quality acquisitions". The group believes there are 200-300 small and medium sized Australian businesses involved in local and offshore defence, security and intelligence sectors, and "that an opportunity exists to aggregate a number of these businesses under an ASX-listed corporate support umbrella". This is a similar growth strategy employed by UXC which, after achieving a certain size, attracted institutional and broker interest which helped bid up the share value.

### **Allied Technologies Group**



**Atlas South Sea Pearl** predicts its revenues to December 2006 will be 25-30% higher at \$12.5-13.0 million. Pre-tax profits will be "more than 80%" higher at \$4.3 million. The company has not yet calculated income tax, but we estimate the tax paid profit is likely to be around \$2.9-3.3 million (3.3-3.8 cents per share), up 50-70% on the previous year. The audited result will be released in early March.

The first major harvest for 2007 shows a "pleasing improvement in the size and weight of pearls harvested".

**Cellnet Group** expects net profits for the half year to December 2006 to be around \$900,000 (1.7 cents per share). That is up on the \$717,000 for the same period the previous year, but still an unsatisfactory result.

There will also be a \$2.0 million profit from its Auckland warehouse and office property which was sold and has been leased back from the new owner.

**Centennial Coal** reports a 29% increase in coal production to 4.7 million tonnes during the December quarter. Total production for the half year to December 2006 was up 30% to 9.4 million tonnes. The half yearly report will be released on 20 February.

**Circadian Technologies** sold 7,000,000 **Avexa** shares on 24 January for \$3,667,200 and another

2,783,073 shares on 1-2 February for \$1,575,437. These sales - plus the issue of 49,137,000 new shares in Avexa's *Share Purchase Plan* - dilutes Circadian Technologies' interest in Avexa from 14.47% to 7.63% (or 18,839,055 shares).

Circadian Technologies has also invested a further \$8 million for 40.0 million shares in unlisted **Vegenics**, raising its ownership from 57.9% to 65.2%.

Circadian Technologies shares continue to trade at a significant discount to their net asset value and we rate the shares a "Buy".

### **Circadian Technologies**



**Devine** is to raise approximately \$94.7 million in cash through the placement of 94.7 million shares to **Leighton Holdings**. This will increase the issued capital to 236.8 million shares, with Leighton Holdings as the major 40% shareholder.

The cash will allow Devine to "fast-track its diversification" and expansion plans as well as the two companies "exploring joint venture development plans".

Leighton Holdings is a very large (i.e. \$6,600 million capitalisation) company involved in construction and contract mining which has been seeking to diversify into the residential property market. This 40% shareholding in Devine could eventually lead to a full takeover of the company - but there is a 3½ year "stand still" agreement before Leighton Holdings can change its holding in Devine. This at least gives Devine a period to grow its business and to be re-rated by the stockmarket ahead of a possible full takeover that would yield a further gain over the stockmarket value of its shares.

The stockmarket has reacted favourably to this placement, re-rating Devine shares from around \$1.00 to 131 cents.

Devine is to accelerate development of its *Central Park* residential community following strong sales (i.e. 68 house and land packages) in December at two of its more advanced Melbourne estates. The company had planned to release Stage I of 60 lots, but will now release the first three stages with a total of 150 lots. The full project will involve developing around 630 lots.

Devine also reports success - after 18 months of negotiations - acquiring two adjoining sites in the Brisbane CBD. The company will pay \$22.7 million to acquire the 23 unit *Carrington* apartments plus a vacant site. This will give it a 2067m<sup>2</sup> site overlooking the Botanic Gardens and Brisbane River suitable for a "prestige six star residential complex". The development could be completed in 2011, with an end value of around \$250 million.

The company founder obviously sees good potential in the business. Immediately following the announcement of the Leighton Holdings placement he purchased 500,000 shares on-market at an average price of 121½ cents - lifting his holding to 28,650,832 shares.

### Devine

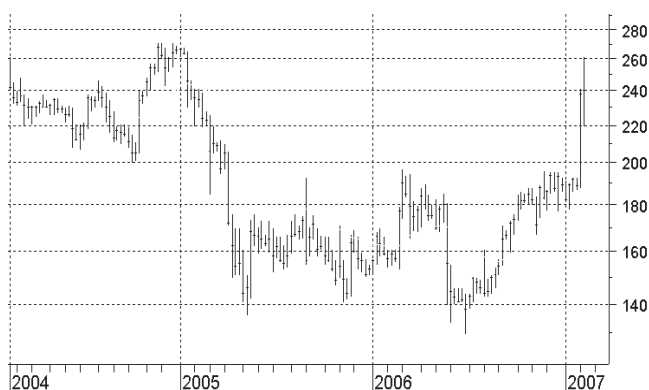


**Housewares International** is to exit its loss making Australian *Housewares* division. The company has reached an in-principle agreement to sell the business to **McPhersons** - at what that company describes as “a favourable price and deferred payment terms”. That sale, and the collection of the division's debtors and payment of creditors, is expected to yield around \$25 million in cash for Housewares International. That will require a \$45 million write-down in the value of this business.

This is not a great outcome for Housewares International, but at least it removes a loss-making business and allows the company to focus upon its profitable and growing Electrical business. The stockmarket has reacted favourably, re-rating the shares.

Housewares International has also announced it will increase its ownership of the Canadian based distribution business from 50% to 100% for around A\$7.5 million, payable over two years.

### Housewares International



**International All Sports'** cash report for the December quarter shows receipts up 52% compared to the same period the previous year to \$337.5 million. There was, however, a cash operating *deficit* of \$5.0 million, compared to a surplus of \$6.0 million in 2005.

Although details are not disclosed the deficit is the result of “other payments” increasing from \$3.1 million in 2005 to \$15.7 million in the latest quarter. This *may* include the one-off \$7 million settlement payable to the Commonwealth Bank of Australia. If so, then the report

shows the company's business is growing strongly.

Total receipts for the six months to 31 December were 37% higher at \$527.0 million.

**Keycorp** has been unsuccessful with its appeal over a \$4.6 million tax assessment. This, however, will have no impact on current profits or cashflows (i.e. as the amount was written off and paid in 2005).

**M2 Telecommunications** has launched a Third Generation (3G) mobile network service, reselling access to the **Optus** 3G mobile network. The company will make this service available to both retail and wholesale customers - with the biggest growth expected from its *M2 Wholesale* mobile virtual network operator business. The 3G service includes mobile broadband internet access which M2 Telecommunications expects “to become a highly demanded product amongst our existing and potential wholesale customers, in particular medium to large scale Internet Service Providers” with “sizeable customer bases”.

Two months ago - with M2 Telecommunications shares down from a recent peak of 61 cents and trading around 53 cents - we predicted the shares “could ease back” and “around 40-45 cents would be an attractive Buy”. There has been an imbalance of buyers and sellers in the market since December - with the larger number of sellers finally pushing the price down to that predicted price range.

The shares traded as low as 43½ cents on Friday, before closing at 46 cents. At prices around 40-45 cents we continue to view them as a “strong Buy”.

### M2 Telecommunications



**Melbourne IT** has made a small United Kingdom acquisition, agreeing to buy **IDR Management Services** for A\$1-2 million (i.e. an initial cash payment plus further cash based upon achieving revenue targets over the next two years). The business provides global domain registration and renewal services for large corporate and other organisations. Revenues for the 2007 year are expected to be around A\$1 million with pre-tax profits of around \$250,000.

**Skilled Group** paid \$7 million in cash in December to acquire **Damstra Mining Services**. That business specialises in the provision and training of skilled and semi-skilled labour to coal mining companies in New South Wales and Queensland. Annual revenues are around \$17 million with earnings (before interest and tax) of about \$2.3 million - so Skilled Group is buying this business on a Price/Sales ratio of 0.4 and a Price/Earnings ratio of about 4½-5½. This business will be merged with the **TESA** (Continued on Page 6)

**Recommended Investments**

*(Continued from Page 5)*

mining business acquired in September.

Skilled Group made two further acquisitions during January. The largest was **Swan Contract Personnel** which provides engineering and technical professionals to oil, gas, mineral and mining companies in Western Australia and Queensland. The business generates annual revenues of \$130 million and earnings (before interest and tax) of \$6.8 million. Skilled Group will pay an estimated total of \$44 million in cash (i.e. \$19 million in cash initially, plus Swan's existing debt of \$2 million, plus an earn-out based on profits for the 2007 and 2008 financial years). This is equivalent to a P/S ratio of 0.35 and a P/E ratio of about 10-12.

The company will also buy South Auckland based **ICE Personnel** which provides contract and permanent skilled and semi-skilled labour, with annual revenues of NZ\$5 million. This acquisition will help build the group's existing NZ operations.

Skilled Group's debt level is getting high as a result of many large acquisitions over the last six months. While the interest cost is well covered by earnings, if Skilled Group wishes to make further *major* cash acquisitions in the short term it may need to raise some additional capital through a Share Purchase Plan or cash issue to shareholders or a share placement to institutional investors.

The recent acquisitions, however, are transforming Skilled Group into the dominant company in the labour hire market. That will provide economies of scale that enable it to acquire other competitors and further consolidate this fragmented industry. Skilled Group will also be one of the best placed companies to benefit from the continuing long term trend for businesses to outsource labour resources.

So while the valuation of Skilled Group is a little high, we believe the long term growth potential remains very strong. "Hold+" for further gains.

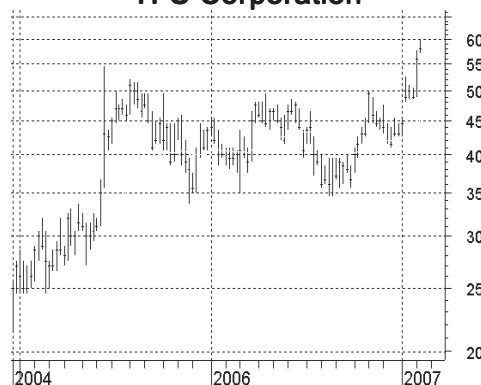
**Skilled Group**



**Sonnet Corporation's** cashflow report appears to indicate a fairly static business. Receipts were \$6.5 million for the December 2006 quarter, down on both the same period last year (\$8.8 million) and the September 2006 quarter (\$7.8 million). The business continues to operate at a small cashflow *deficit* of \$637,000 for the quarter. The directors, however, also report earnings (before interest, depreciation and tax) of \$288,000 for the six months to December 2006 - up 4-fold on the previous year.

**TFS Corporation's** contract to purchase a hay and cattle farm - which will provide land for Sandalwood plantation development from 2009 to 2012 - has become unconditional. Payment will be made in stages through to September this year.

**TFS Corporation**



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

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									
<b>UNDER-VALUED SHARES: Lowest Price/Sales, Yld &gt; 0, Rel Strength &gt; 0</b>													
Smiths City	70	+6.3	-3.1	36	3-1	-	0.9	13	1.2	7	7.9	0.15	37
Col Motor Co	370	+6.9	+1.8	34	2-0	-	0.9	6	0.5	15	9.7	0.22	103
NZ Wool Service	44	+4.0	+0.1	49	2-0	-	1.1	10	1.8	11	10.2	0.23	31
Speirs Group	110	+5.6	-3.2	41	3-0	-	1.0	7	1.4	13	9.5	0.25	11
Postie Plus Grp	93	+4.9	-5.3	46	0-1	1	1.3	14	1.0	9	11.2	0.30	37
Renaissance	143	+3.4	+3.7	53	1-5	1	4.9	45	0.8	11	10.4	0.35	55
Nuplex Indust	716	+8.5	-1.0	25	1-0	4	1.7	12	0.5	14	6.2	0.43	562
Broadway Ind	90	+1.8	+0.2	63	2-0	-	0.9	4	0.9	22	4.4	0.45	18
Livestock Imp.	160	+0.2	-2.6	73	5-0	-	0.5	8	1.0	7	15.3	0.48	52
Seeka Kiwifruit	390	+0.6	+1.2	72	2-0	1	1.0	9	0.5	11	7.7	0.48	47
Tag Pacific Ltd	43	+13.0	+4.1	16	1-0	-	1.7	18	1.8	9	1.3	0.48	28
Satara Co-op	108	+0.1	+0.4	75	0-0	-	0.8	-	1.0	NE	4.1	0.56	29
Ebos Group Ltd	571	+8.5	+1.8	26	0-0	1	2.8	19	0.5	15	5.9	0.56	210
Air New Zealand	219	+28.4	+4.8	4	1-5	4	1.4	6	0.8	23	3.4	0.58	2,198
Kirkcaldie & St	265	+3.9	-0.3	50	0-0	1	1.2	5	0.5	22	4.5	0.61	26
Taylor's Grp Ltd	218	+9.0	+4.1	22	1-0	-	1.9	13	0.6	15	8.2	0.78	53
Provenco Group	109	+11.6	+1.8	19	0-1	1	3.1	9	1.0	34	3.6	0.85	131
Mainfreight Grp	790	+20.4	-0.7	10	1-5	6	5.6	21	0.6	26	2.3	0.86	759
Guinness Peat	257	+1.7	+0.7	64	1-1	2	3.8	36	0.7	11	1.1	0.86	2,768
Skellerup Hold.	133	+0.1	-5.9	75	2-0	4	2.8	27	0.8	10	9.0	0.87	139

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									
<b>BEST PERFORMING SHARES: Strongest Shares, P/E &lt; 20, P/S &lt; 1.0</b>													
VTL Group Ltd	106	+23.8	-11.3	6	0-0	-	2.4	17	0.7	14	Nil	0.67	32
Tag Pacific Ltd	43	+13.0	+4.1	16	1-0	-	1.7	18	1.4	9	1.3	0.48	28
Fletcher Build.	1140	+12.9	+1.5	17	0-2	5	3.7	26	0.4	14	5.2	0.97	5,352
Taylor's Grp Ltd	218	+9.0	+4.1	22	1-0	-	1.9	13	0.4	15	8.2	0.78	53
Nuplex Indust	716	+8.5	-1.0	25	1-0	4	1.7	12	0.4	14	6.2	0.43	562
Ebos Group Ltd	571	+8.5	+1.8	26	0-0	1	2.8	19	0.4	15	5.9	0.56	210
CACI Group Ltd	35	+8.3	-0.6	27	0-0	-	1.6	22	1.5	7	Nil	0.50	2
Col Motor Co	370	+6.9	+1.8	34	2-0	-	0.9	6	0.3	15	9.7	0.22	103
Smiths City	70	+6.3	-3.1	36	3-1	-	0.9	13	0.9	7	7.9	0.15	37
Speirs Group	110	+5.6	-3.2	41	3-0	1	1.0	7	1.1	13	9.5	0.25	11
Postie Plus Grp	93	+4.9	-5.3	46	0-1	1	1.3	14	0.7	9	11.2	0.30	37
NZ Wool Service	44	+4.0	+0.1	49	2-0	-	1.1	10	1.4	11	10.2	0.23	31
Renaissance	143	+3.4	+3.7	53	1-5	1	4.9	45	0.6	11	10.4	0.35	55
Steel & Tube	470	+3.0	-0.2	54	0-3	4	3.1	23	0.6	13	10.2	0.94	414
Pyne Gould Corp	455	+1.8	+1.6	63	1-1	-	2.6	22	0.6	12	5.9	0.97	446
Guinness Peat	257	+1.7	+0.7	64	1-1	2	3.8	36	0.6	11	1.1	0.86	2,768
Turners & Grow.	270	+0.7	+1.7	70	3-2	1	0.9	6	0.5	16	Nil	0.41	202
Seeka Kiwifruit	390	+0.6	+1.2	72	2-0	1	1.0	9	0.3	11	7.7	0.48	47
Livestock Imp.	160	+0.2	-2.6	73	5-0	-	0.5	8	0.8	7	15.3	0.48	52
Skellerup Hold.	133	+0.1	-5.9	75	2-0	4	2.8	27	0.5	10	9.0	0.87	139

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									
<b>INCOME SHARES: Highest Yields, Capitalisation &gt; NZ\$100 million</b>													
Restaurant Brds	114	-1.2	+4.8	82	0-0	2	2.5	23	0.6	11	13.1	0.35	111
Hellaby Hold.	415	-3.9	-2.8	89	0-1	2	1.8	20	0.4	9	11.1	0.41	205
Telecom Corp	491	+3.7	+1.8	52	3-37	10	4.0	35	0.4	11	10.8	1.66	9,628
Hallenstein G.	515	+1.0	-1.6	68	0-7	5	4.7	34	0.3	14	10.1	1.55	306
Col Motor Co	370	+6.9	+1.8	34	2-0	-	0.9	6	0.3	15	9.7	0.22	103
PGG Wrightsons	159	-7.0	+1.4	95	1-1	5	1.1	6	0.5	17	9.4	0.53	447
Skellerup Hold.	133	+0.1	-5.9	75	2-0	4	2.8	27	0.5	10	9.0	0.87	139
NZ Refining Co	620	-1.8	-1.3	86	0-1	1	3.3	31	0.3	11	7.8	4.08	1,488
Cavalier Corp	345	+2.5	+0.0	57	2-1	4	3.6	22	0.7	16	7.8	1.12	226
Tourism Hold.	211	+6.6	+2.3	35	4-0	3	1.2	7	0.5	19	7.8	1.18	207
<b>INSIDER BUYING: Most Insider Buying, Relative Strength &gt; 0</b>													
AMP Limited	1210	+5.2	+1.3	43	10-0	-	7.1	29	0.4	25	3.0	1.66	22,626
Comvita	380	+9.3	-1.6	22	7-0	1	2.9	9	0.5	31	2.0	N/A	49
Livestock Imp.	160	+0.2	-2.6	73	5-0	-	0.5	8	0.7	7	15.3	0.48	52
Brierley Invest	156	+5.9	+0.3	39	6-1	-	1.3	4	0.7	34	2.2	3.61	2,134
Scott Tech. Ltd	220	+1.1	-2.7	67	4-0	1	3.7	2	0.5	175	2.7	1.36	55
Tourism Hold.	211	+6.6	+2.3	35	4-0	3	1.2	7	0.5	19	7.8	1.18	207
Vector Ltd	279	+2.4	+0.7	58	5-1	6	2.5	4	0.6	62	6.4	N/A	2,790
Wool Equities	90	+21.5	-21.3	8	3-0	-	1.2	-	0.5	NE	Nil	0.77	21
Speirs Group	110	+5.6	-3.2	41	3-0	1	1.0	7	1.0	13	9.5	0.25	11
<b>OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength &lt; 0</b>													
A2 Corporation	8	-10.5	-14.7	98	0-0	-	2.2	-	1.5	NE	Nil	6.64	8
NZ Finance Hold	150	-0.5	+0.0	80	1-1	-	7.4	24	0.4	30	1.2	4.75	115
NZ Refining Co	620	-1.8	-1.3	86	0-1	1	3.3	31	0.2	11	7.8	4.08	1,488
Charlie's Group	21	-58.3	-0.0	100	4-1	-	4.1	-	1.1	NE	Nil	4.06	60
Horizon Energy	356	-5.4	-0.5	94	0-0	1	1.9	11	0.3	17	8.0	3.21	89
Lion Nathan Ltd	970	-0.4	-0.3	80	0-0	-	1.9	9	0.1	21	3.6	2.65	5,182

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									
<b>WORST PERFORMING SHARES: Weakest Shares, P/S Ratio &gt; 0.25, Yield &lt; Twice Average</b>													
Charlie's Group	21	-58.3	-0.0	100	4-1	-	4.1	-	1.1	NE	Nil	4.06	60
Plus SMS Hold.	13	-29.1	+3.8	100	0-0	-	8.0	-	1.9	NE	Nil	N/A	42
Tower Limited	248	-22.2	-7.2	100	0-0	5	1.1	15	0.3	8	Nil	0.65	466
Lombard Group	1	-13.6	-3.6	100	0-0	-	1.3	10	3.7	13	Nil	1.11	30
A2 Corporation	8	-10.5	-14.7	98	0-0	-	2.2	-	1.3	NE	Nil	6.64	8
Blis Technology	9	-8.1	+9.8	97	0-0	-	11.8	-	1.6	NE	Nil	N/A	9
Pac Edge Bio.	15	-6.6	+0.6	94	0-0	-	8.0	-	1.2	NE	Nil	N/A	7
Allied Farmers	215	-5.3	-0.2	93	3-1	-	1.5	6	0.3	26	4.9	0.40	34
Toll NZ Ltd	285	-5.1	+2.1	92	0-0	-	1.8	16	0.3	11	Nil	0.87	599
Tenon Ltd	308	-4.2	+0.4	91	1-0	2	1.1	7	0.5	16	Nil	0.34	207
Heritage Gold	5	-4.0	+7.6	90	0-0	-	0.8	-	2.6	NE	Nil	N/A	9
NZ Oil & Gas	91	-2.7	-1.2	89	0-0	-	1.9	2	0.4	84	Nil	N/A	213
Cadmus Tech Ltd	20	-2.5	-1.6	88	0-0	-	3.4	3	0.9	124	Nil	1.87	48
F & P Appliance	363	-2.5	-0.5	87	0-20	5	1.6	11	0.4	15	7.4	0.79	961
Cabletalk Group	41	-1.7	-0.1	85	0-0	1	1.8	15	1.0	12	7.3	0.36	13
NZ Windfarms	121	-1.7	+1.1	84	0-0	-	2.1	-	0.5	NE	Nil	N/A	8
Oyster Bay	240	-1.3	+2.1	84	0-1	-	1.2	5	0.4	23	6.2	2.02	22
Botry-Zen Ltd	4	-1.2	-0.2	83	0-0	-	2.0	-	1.9	NE	Nil	N/A	7
<b>INSIDER SELLING: Most Insider Selling, Relative Strength &lt; 0</b>													
F & P Appliance	363	-2.5	-0.5	87	0-20	5	1.6	11	0.4	15	7.4	0.79	961
Affco Holdings	38	-1.1	-0.1	82	0-2	-	0.9	10	0.6	9	2.6	0.20	192
Hellaby Hold.	415	-3.9	-2.8	89	0-1	2	1.8	20	0.3	9	11.1	0.41	205
Oyster Bay	240	-1.3	+2.1	84	0-1	-	1.2	5	0.4	23	6.2	2.02	22
NZ Refining Co	620	-1.8	-1.3	86	0-1	1	3.3	31	0.2	11	7.8	4.08	1,488
NZ Experience	27	-0.8	-1.5	81	0-1	-	2.1	17	0.7	12	11.1	1.15	10

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

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									
<b>OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength &lt; 0</b>													
Tow Way Ltd	36	-8.2	-6.9	87	0-2	-	1.9	-	0.8	NE	Nil	N/A	21
Samson Oil/Gas	30	-4.9	+4.6	81	1-0	-	-	-	1.1	NE	Nil	9.97	58
Resonance Hlth	3	-19.2	+4.2	96	3-0	-	-	-	2.7	NE	Nil	9.64	6
Impress Venture	8	-1.5	-3.2	73	7-0	-	-	-	1.8	NE	Nil	9.50	32
A1 Minerals Ltd	18	-9.4	-4.8	88	0-0	-	-	-	1.5	25	Nil	9.36	10
Biosignal Ltd	15	-6.1	-2.0	84	1-0	-	-	-	1.1	NE	Nil	9.35	12
Woodside Petrol	3681	-4.8	+0.6	81	2-0	13	6.7	30	0.6	22	1.6	8.93	24,540
First Aust Res.	13	-3.6	-1.9	78	0-0	-	-	-	1.7	NE	Nil	8.84	25
Incremental Pet	131	-8.9	-2.8	88	2-0	-	1.5	5	0.7	28	Nil	8.79	88
Pelorus Prop.	57	-5.1	+0.5	82	0-0	-	-	-	0.8	31	5.3	8.74	52
Roc Oil Company	316	-5.4	+0.3	83	0-5	9	-	-	0.6	14	Nil	8.62	816
Community Life	26	-0.7	-0.7	70	6-0	-	0.5	1	1.0	93	Nil	8.61	12
Golden Gate Pet	25	-16.1	-9.6	94	0-0	-	-	-	1.3	NE	Nil	8.48	37
Bendigo Mining	40	-34.6	-4.1	99	1-0	2	-	-	1.0	NE	Nil	8.42	68
Babcock & B Cap	181	-0.5	+0.1	70	0-0	-	-	-	0.5	NE	Nil	8.14	361
BioLayer Corp.	14	-7.5	+3.8	86	0-0	-	7.0	-	1.8	NE	Nil	8.14	7
AFT Corporation	1	-8.1	+2.8	87	0-0	-	-	-	4.0	NE	Nil	8.00	11
Alco Max Sec.	87	-4.3	+1.8	80	0-0	-	1.0	3	0.6	36	2.8	7.89	149
Kimberley Diam.	83	-16.1	-2.6	94	3-3	-	2.2	-	0.8	NE	Nil	7.64	274
Tanami Gold NL	14	-22.7	-1.3	97	9-0	2	-	-	1.3	NE	Nil	7.61	80
Marine Produce	3	-18.9	+7.2	95	0-0	-	-	-	2.3	NE	Nil	7.60	13
DenX Ltd	7	-1.2	+0.4	72	0-0	-	3.7	-	1.4	NE	Nil	7.55	12
Sun Resources	9	-9.9	-0.6	89	0-0	-	-	-	1.6	NE	Nil	7.50	14
Pocket Mail Grp	4	-0.0	+18.9	68	0-0	-	1.2	-	2.9	NE	Nil	7.45	10
Brainz Instr.	50	-0.1	-2.1	68	0-0	-	3.1	-	0.9	NE	Nil	7.33	30
ASF Group Ltd	2	-0.0	+0.0	67	0-0	-	-	-	3.0	9	Nil	7.08	24
Medical Monitor	15	-9.3	+0.4	88	0-0	-	-	-	1.1	NE	Nil	7.07	9
Jumbuck Enter.	168	-6.7	-2.0	85	2-1	11.2	59	0.6	19	Nil	6.98	81	
MTM Entert'ment	5	-5.5	+7.1	83	0-0	-	2.5	1.7	10%	344.4	6.90	5	
Excalibur Min.	1	-1.9	+0.6	74	0-0	-	-	-	3.7	NE	Nil	6.84	7
Ansearch Ltd	5	-5.9	-2.3	83	1-0	-	-	-	2.1	NE	Nil	6.71	20
API Fund	204	-0.3	+0.4	69	0-0	-	1.1	6	0.4	17	7.8	6.66	24
Mineral Commod.	15	-14.5	+1.3	92	1-0	-	-	-	1.4	NE	Nil	6.44	9
Aust Biodiesel	26	-38.6	+0.5	99	0-0	1	-	-	1.0	NE	Nil	6.44	29
Blaze Intern'l	3	-9.3	-3.1	88	0-0	-	-	-	2.9	NE	Nil	6.41	5
Freight Links	31	-5.0	+1.6	82	0-0	-	0.7	1	0.8	51	4.8	6.40	6
Agri Energy Ltd	36	-15.1	+0.4	93	1-1	-	1.3	0	1.0	888	Nil	6.24	28
Engin Ltd	22	-6.4	-5.1	85	0-0	-	11.0	-	1.4	NE	Nil	6.11	53
Coonawarra Aust	55	-5.0	-1.7	82	0-0	-	0.6	8	0.6	7	12.1	6.05	10
Flinders Diam.	2	-8.8	+3.5	88	2-1	-	-	-	3.4	75	Nil	6.00	7
Cytopia Ltd	67	-6.2	+1.2	84	5-0	-	2.8	-	0.9	NE	Nil	5.86	49
Indigo Pacific	88	-1.1	-2.3	72	0-0	-	1.5	9	0.7	16	10.2	5.79	66

# 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
A1 Minerals	18	25	1-9	5.5	4.0	+37	0.60	2.33	1.00	+37	Digital & Voice Media	9	3	0-4	6.0	6.2	-3	0.90	1.39	1.00	-3
AIM Resources	23	10	2-4	15.0	16.8	-11	0.91	1.26	1.00	+4	Dycesol Ltd	53	20	1-9	35.0	37.7	-7	0.88	1.30	1.00	+3
AXG Mining	9	20	3-6	3.0	3.6	-17	0.81	1.55	1.00	+32	Dynasty Metals Aust	33	20	1-0	10.5	19.4	-46	1.13	1.46	1.00	-8
Accent Resources	13	20	2-7	4.0	4.9	-18	0.78	1.67	1.00	+29	Eagle Bay Resources	6	15	2-4	2.5	0.7	+248	0.56	2.67	1.00	+58
Acclaim Exploration	5	5	1-4	1.6	1.5	+8	0.72	2.06	1.00	+31	Eagle Eye Metals	23	20	3-4	8.5	8.5	+0	0.34	2.12	1.00	+7
Activex Ltd	12	20	2-0	2.5	4.5	-45	0.90	1.68	1.00	+37	Eden Energy	62	20	2-7	40.5	48.3	-16	0.83	1.22	1.00	-1
Adv Ocular Systems	8	110	1-4	1.5	0.0	+999	0.85	3.77	1.00	+621	Elemental Minerals	41	20	1-11	24.5	28.0	-13	0.97	1.30	1.00	+5
Advanced Healthcare	4	12	0-10	0.5	0.0	+999	0.00	9.99	1.00	+361	Emerald Oil & Gas	13	20	1-3	6.0	6.6	-9	1.45	1.43	1.00	+74
Allied Gold	37	20	0-4	16.0	17.1	-6	0.64	2.07	1.00	-4	Empire Beer Group	24	35	1-9	5.0	0.2	+999	0.14	9.99	1.00	+34
Alloy Resources	15	20	2-1	4.7	4.8	-2	0.70	1.89	1.00	+29	Eneabba Gas	27	30	2-4	6.6	13.6	-51	0.87	1.50	1.00	+14
Amcil Ltd	67	50	0-0	15.5	4.8	+224	0.20	1.89	1.00	-100	Energy Metals	381	30	1-4	340.0	353.4	-4	0.57	1.08	1.00	-2
Amcom Telecom.	21	17	2-10	5.5	9.6	-43	0.53	1.72	1.00	+3	Enterprise Energy	2	20	0-10	0.2	0.0	+999	0.56	9.99	1.00	+999
Arafura Resources	93	20	1-4	78.0	74.8	+4	0.66	1.24	1.00	+4	EnviroGold Ltd	8	20	0-10	0.5	0.1	+267	0.56	5.13	1.00	+200
Argonaut Resources	20	30	0-4	3.0	0.8	+275	0.67	5.37	1.00	+349	Eqix Limited	12	20	0-4	1.0	0.1	+999	0.50	9.50	1.00	+509
Ashburton Minerals	6	32	0-1	0.1	0.0	+999	0.73	9.99	1.00	+999	Equigold NL	155	140	0-3	15.0	19.9	-25	0.32	6.11	1.00	+1
Astro Diamond Mines	2	5	5-9	3.0	0.8	+277	0.64	1.54	1.00	+28	Erongo Energy Ltd	58	20	2-2	35.0	47.2	-26	1.19	1.16	1.00	-2
Astro Mining	2	5	5-9	1.0	0.8	+26	0.64	1.54	1.00	+22	Eureka Energy	34	20	1-1	20.0	19.4	+3	0.97	1.51	1.00	+16
Astro Mining NL	2	75	2-10	2.5	0.0	+999	0.64	4.10	1.00	+270	Evans & Tate	21	150	0-8	0.1	0.4	-72	1.17	3.37	1.00	+999
Atlantic Gold NL	13	12	0-8	4.0	3.2	+24	0.61	2.78	1.00	+37	Ezenet Ltd	17	15	0-4	2.6	3.4	-22	0.65	3.40	1.00	+21
Atlas Gold	58	20	0-12	37.0	39.4	-6	0.61	1.45	1.00	-2	Fall River Resources	9	25	0-9	1.0	0.2	+343	0.70	4.35	1.00	+294
Audax Resources	9	20	1-10	3.9	1.3	+203	0.65	2.52	1.00	+71	Financial Resources	8	20	1-3	0.7	0.2	+245	0.50	4.53	1.00	+114
Aura Energy	59	20	1-10	39.5	43.4	-9	0.81	1.29	1.00	+0	Flinders Resources	2	10	1-7	0.2	0.0	+351	0.78	3.10	1.00	+236
Aurox Resources	80	20	0-8	60.0	60.8	-1	0.56	1.32	1.00	+0	Fox Resources	140	75	0-4	68.5	67.5	+2	0.69	2.00	1.00	+8
Ausquest Ltd	22	20	2-9	7.5	16.0	-53	1.27	1.18	1.00	+9	Frontier Resources	14	20	0-9	4.0	3.0	+35	0.98	2.31	1.00	+115
Aust Oil Company	8	20	2-10	2.0	0.9	+123	0.48	2.77	1.00	+43	Gateway Mining NL	20	30	0-0	0.7	3.0	-76	0.79	2.31	1.00	+999
Aust Water Solutions	4	3	1-1	2.0	1.7	+20	0.83	1.79	1.00	+29	Genesis Biomedical	4	3	3-9	1.7	2.3	-26	0.82	1.30	1.00	+8
Australasia Gold	20	20	1-4	9.5	8.5	+12	0.91	1.71	1.00	+34	Gippsland	11	9	0-10	5.0	3.0	+69	0.53	2.65	1.00	+41
Auth Investments	6	25	3-1	0.9	2.2	-60	1.05	1.48	1.00	+64	Gladiator Resources	16	20	2-4	5.1	6.1	-17	0.69	1.77	1.00	+21
Autron Corporation	9	18	0-3	1.0	0.0	+999	0.53	9.99	1.00	+999	Gleneagle Gold	20	20	0-4	2.6	2.6	-1	0.53	4.50	1.00	+44
Avantogen Ltd	5	25	0-10	1.5	0.0	+999	0.73	4.97	1.00	+622	Globe Uranium	78	20	0-8	55.0	59.6	-8	1.08	1.28	1.00	-6
Bannerman Res	272	20	0-3	263.0	252.3	+4	0.97	1.08	1.00	+17	Gold Aura	10	13	2-1	4.6	3.9	+19	0.77	1.74	1.00	+31
Bannerman Res	272	7	0-3	60.0	265.4	-77	0.97	1.02	1.00	-100	Gold Company Ltd	28	20	4-4	11.5	20.9	-45	0.89	1.20	1.00	+3
Baraka Petroleum	21	25	1-7	12.0	6.9	+74	0.76	1.92	1.00	+45	Golden Deeps	13	15	0-0	0.2	20.9	-99	0.81	1.20	1.00	+999
Bass Metals	30	25	0-5	8.0	7.8	+3	0.70	2.81	1.00	+31	Golden Rim Res	9	105	0-7	0.7	0.0	+999	1.26	3.82	1.00	+999
Bass Strait Oil Co	9	30	0-4	0.5	0.0	+999	0.52	9.99	1.00	+999	Golden State Res.	62	10	0-4	34.5	51.8	-33	1.31	1.19	1.00	-62
Batavia Mining	12	25	0-4	2.1	0.1	+999	0.73	7.13	1.00	+999	Golden West REs	230	20	0-10	210.0	211.1	-0	0.91	1.09	1.00	-0
Batavia Mining	12	5	0-4	0.8	6.6	-88	0.73	1.72	1.00	-90	Goldsearch Ltd	8	5	0-8	3.8	4.1	-7	1.13	1.62	1.00	+18
Benitec Ltd	17	32	1-1	4.5	9.8	-54	1.87	1.31	1.00	+100	Gondwana Resources	2	1	2-4	0.7	1.1	-38	1.05	1.26	1.00	+3
Biolyser Corporation	14	35	0-8	3.0	2.2	+39	1.23	2.32	1.00	+347	Gondwana Resources	2	1	0-10	0.2	1.0	-80	1.05	1.46	1.00	-47
Biomd Ltd	16	20	0-6	1.5	2.9	-48	0.89	2.80	1.00	+81	Gondwana Resources	2	5	1-4	0.6	0.3	+92	1.05	2.03	1.00	+156
Biometrics Ltd	18	20	0-10	7.0	6.3	+11	1.05	1.89	1.00	+63	Gravity Diamonds	27	50	0-9	6.0	0.7	+780	0.51	5.31	1.00	+171
Bionomics Ltd	29	22	1-11	11.5	11.9	-4	0.46	2.01	1.00	+8	Graynic Metals	25	20	0-8	13.0	10.4	+24	1.09	1.79	1.00	+56
Bionomics Ltd	29	50	0-5	0.5	0.2	+174	0.46	8.82	1.00	+278	Great Gold Mines	5	20	5-2	3.2	1.2	+164	0.64	1.75	1.00	+37
Biopharmica Ltd	12	20	0-4	1.3	0.7	+95	0.87	4.25	1.00	+459	Great Gold Mines	5	125	3-7	0.2	0.0	+436	0.64	3.13	1.00	+153
Bioprospect Ltd	4	5	0-4	0.6	0.6	-0	1.14	2.83	1.00	+247	Great Gold Mines	5	10	6-0	2.5	2.1	+17	0.64	1.47	1.00	+19
Black Range Minerals	23	5	4-0	19.0	20.6	-8	0.94	1.09	1.00	+1	Greater Pacific Gold	5	3	1-3	2.5	3.3	-24	1.05	1.41	1.00	+3
Blackham Resources	30	20	1-9	17.0	13.4	+27	0.49	1.90	1.00	+14	Gt Australian Res	20	20	1-10	7.4	7.7	-4	0.66	1.87	1.00	+19
Blaze International	3	10	0-4	0.1	0.0	+999	0.89	6.88	1.00	+999	Gulf Resources	29	20	4-4	9.5	15.2	-38	0.38	1.66	1.00	+1
Bone Medical	20	40	0-2	5.0	0.4	+999	1.12	5.46	1.00	+999	Gulfx Ltd	5	20	2-10	2.0	2.8	-28	1.28	1.32	1.00	+66
Boulder Steel	45	20	1-9	25.0	32.3	-23	1.04	1.27	1.00	+0	Health Corporation	59	120	4-9	6.1	1.0	+513	0.14	7.37	1.00	+17
Bow Energy	15	20	1-1	8.6	3.8	+128	0.80	2.23	1.00	+81	Healthinx	2	5	0-1	0.2	0.0	+999	1.07	9.99	1.00	+999
Buka Gold	18	65	1-4	0.8	0.9	-13	0.73	3.14	1.00	+164	Helix Resources	21	14	0-1	5.9	7.1	-17	0.73	2.89	1.00	-48
Burleson Energy	24	25	3-6	8.9	9.5	-6	0.48	1.83	1.00	+11	Hill End Gold	14	15	0-3	2.6	1.8	+43	0.86	3.73	1.00	+189
C @ Ltd	4	20	1-1	2.5	1.0	+155	1.44	1.80	1.00	+361	Hillcrest Litigation	24	25	0-1	2.0	0.9	+115	0.55	9.84	1.00	+429
CO2 Group	43	12	4-8	30.5	38.5	-21	1.03	1.08	1.00	-0	Hodges Resources	22	20	0-7	5.0	6.1	-18	0.80	2.43	1.00	+30
Cadence Capital	130	116	1-1	18.5	24.0	-23	0.19	4.60	1.00	+3	Horizon Oil	30	35	1-0	11.0	6.4	+73	0.63	2.67	1.00	+53
Cape Lambert Iron Ore	32	30	1-8	18.0	11.5	+56	0.62	1.98	1.00	+29	Hunter Hall Global	107	100	0-2	6.0	8.1	-26	0.11	9.99	1.00	-5
Cardia Technologies	11	10	0-10	2.2	3.9	-43	0.95	1.91	1.00	+20	IC2 Global	5	200	2-4	0.5	2.6	-80	1.90	1.28	1.00	+371
Castlemaine Gold.	20	20	0-5	3.5	4.0	-13	0.74	3.08	1.00	+47	IC2 Global	5	15	2-4	1.0	4.2	-76	1.90	1.12	1.00	+59
Catalyst Metals	26	20	1-10	8.5	11.8	-28	0.61	1.78	1.00	+5	IC2 Global	5	15	2-4	1.0	4.2	-76	1.90	1.12	1.00	+59
Central Petroleum	22	20	0-4	3.8	4.7	-18	0.70	3.25	1.00	+27	IC2 Global	5	2	2-4	0.5	5.0	-90	1.90	1.05	1.00	-28
Centrex Metals	16	20	1-10	8.0	2.7	+201	0.42	3.01	1.00	+38	IM Medical	2	4	1-10	0.9	0.7	+26	1.12	1.56	1.00	+73
Chameleon Mining	4	20	0-10	0.6	0.0	+999	0.00	9.99	1.00	+739	ING Private Equity	101	100	0-8	4.4	7.2	-39	0.14	9.45	1.00	+6
Chemgenex Pharm.	70	125	3-1	30.0	18.2	+65	0.57	2.06	1.00	+30	Indigo Pacific Capital	88	150	0-1	0.6	0.0	+999	0.33	9.99	1.00	+999
Cheviot Bridge	15	40	0-10	0.1	0.2	-48	0.58	5.23	1.00	+225	Industrial Minerals	31	20	2-10	15.0	14.8	+1	0.35	1.87	1.00	+5
Chrome Corporation	1	2	2-7	0.2	0.1	+47	0.93	1.73	1.00	+77	Integra Mining	14	20	2-9	6.3	5.3	+19	0.69	1.74	1.00	+26
Chrome Corporation	1	5	0-7	0.1	0.0	+999	0.93	5.82	1.00	+999	Intermet Resources	24	20</								



Company	Share Price	Yr/Mth Exercise Price	to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
M2M Corporation	1	20	2-12	0.3	0.1	+391	0.88	2.22	1.00	+177
MGM Wireless	7	20	3-9	1.8	1.4	+26	0.60	2.01	1.00	+38
Macmin Silver	32	25	1-8	14.0	12.7	+10	0.55	1.97	1.00	+14
Magnesium Intern'l	147	180	0-0	19.0	12.7	+49	0.00	1.97	1.00	+999
Malachite Resources	21	20	1-6	7.9	7.3	+8	0.66	1.99	1.00	+23
Mantra Resources	90	20	2-4	70.0	72.9	-4	0.51	1.23	1.00	+0
Marengo Mining	24	20	1-0	8.0	8.4	-4	0.64	2.18	1.00	+17
Marine Produce	3	8	0-7	0.2	0.2	+27	0.99	3.32	1.00	+494
Marion Energy	69	25	0-1	44.0	44.1	-0	0.45	1.56	1.00	+0
Mawson West	24	20	0-3	5.0	5.8	-14	0.74	3.16	1.00	+18
Maximus Resources	15	20	1-4	4.6	2.5	+82	0.56	2.79	1.00	+49
Medical Therapies	14	20	0-10	3.0	2.2	+37	0.76	2.75	1.00	+90
Meo Australia	75	25	0-2	50.0	49.8	+0	0.79	1.50	1.00	+4
Metal Storm	18	0	2-6	6.0	17.9	-66	0.52	1.01	1.00	-35
Metals X Ltd	24	20	1-10	10.5	10.0	+5	0.59	1.88	1.00	+14
Metroland Australia	18	26	2-3	3.0	2.7	+11	0.41	2.97	1.00	+25
Midas Resources	24	10	2-7	17.0	18.7	-9	1.12	1.17	1.00	+6
Millepde International	3	15	1-0	0.5	0.0	+999	0.77	4.09	1.00	+454
Mindax Ltd	18	20	1-4	3.3	5.3	-38	0.67	2.18	1.00	+21
Minemakers Ltd	16	30	1-10	4.5	0.3	+999	0.29	6.14	1.00	+55
Mineral Securities	165	115	0-11	45.0	60.0	-25	0.40	2.48	1.00	-3
Minerals Commodities	15	30	0-4	0.2	0.1	+201	0.62	7.96	1.00	+803
Minerals Corporation	2	9	0-7	0.3	0.0	+999	0.72	6.14	1.00	+999
Mining Projects Group	1	1	2-5	0.3	0.5	-40	1.12	1.31	1.00	+18
Moby Oil & Gas	8	30	1-4	1.8	0.2	+999	0.63	3.97	1.00	+190
Molopo Australia	7	10	0-4	1.5	0.3	+496	0.55	6.38	1.00	+291
Monaro Mining	216	120	0-5	85.0	100.3	-15	0.57	2.08	1.00	-12
Monteray Group	8	10	1-10	1.6	3.8	-57	0.99	1.54	1.00	+22
Monteray Group	8	10	1-10	4.0	3.8	+6	0.99	1.54	1.00	+36
Montezuma Mining	18	20	4-6	8.2	6.2	+32	0.36	2.03	1.00	+11
Multi Channel Sof'n	4	7	1-10	1.5	0.7	+123	0.66	2.34	1.00	+60
Murchison Holdings	135	100	1-10	30.0	48.7	-38	0.27	2.52	1.00	-2
Murchison Metals	172	20	0-9	154.0	152.4	+1	0.51	1.13	1.00	+2
Mutiny Gold	19	20	1-7	7.5	5.1	+46	0.51	2.42	1.00	+26
My Net Fone	30	25	2-2	9.0	13.3	-32	0.61	1.75	1.00	+7
NGM Resources	27	20	0-1	7.5	7.2	+4	0.69	3.54	1.00	+25
NGM Resources Ltd	27	20	0-1	7.5	7.2	+4	0.69	3.54	1.00	+25
Navigator Resources	50	20	0-4	29.5	30.0	-2	0.68	1.64	1.00	+0
Neptune Marine Serv	50	20	3-10	30.0	38.8	-23	0.77	1.21	1.00	+0
New Hope Corp	135	45	1-6	100.0	94.2	+6	0.30	1.43	1.00	+5
New Privateer Hold	470	125	0-10	600.0	357.3	+68	1.00	1.28	1.00	+68
Newera Uranium	31	25	1-2	10.5	13.3	-21	0.83	1.77	1.00	+14
Northern Mining	18	20	1-10	5.5	4.3	+28	0.48	2.50	1.00	+23
Northwest Resources	35	20	0-11	17.0	17.1	-0	0.58	1.88	1.00	+6
Norton Gold Fields	12	20	3-7	5.0	6.1	-18	0.89	1.39	1.00	+24
Nithn Star Resources	12	20	1-7	4.0	2.2	+84	0.67	2.41	1.00	+59
Nuenco NL	15	66	0-10	3.0	0.0	+999	0.49	9.14	1.00	+550
Nuenco NL	15	6	0-10	1.8	8.8	-80	0.49	1.62	1.00	-52
Nylex Ltd	157	184	2-9	72.0	88.9	-19	0.93	1.39	1.00	+19
Nylex Ltd	157	184	2-9	55.0	88.9	-38	0.93	1.39	1.00	+16
Oceana Gold	75	93	1-10	19.0	14.1	+35	0.42	2.92	1.00	+24
Olympia Resources	16	35	2-10	3.2	2.9	+12	0.56	2.30	1.00	+37
Olympia Resources	16	25	0-10	2.0	1.1	+81	0.56	3.98	1.00	+95
On Q Group	42	30	1-3	9.0	22.3	-60	0.99	1.53	1.00	-5
Optima Corporation	14	20	0-1	0.9	0.1	+999	0.71	9.99	1.00	+999
ORT	2	14	1-0	0.1	0.2	-59	1.52	1.96	1.00	+729
ORT	2	6	1-0	0.5	0.5	+3	1.52	1.70	1.00	+282
Orient Resources	12	20	0-10	3.0	0.8	+292	0.56	4.09	1.00	+118
Oropa Ltd	9	5	0-10	2.0	4.4	-54	0.49	1.96	1.00	-26
Oropa Ltd	9	50	0-10	2.1	0.0	+999	0.49	9.99	1.00	+722
Oroya Mining	3	5	2-5	1.5	1.0	+45	0.86	1.63	1.00	+41
Pacmag Metals	49	18	1-1	30.5	33.7	-10	0.97	1.35	1.00	+0
Pan Pacific Petroleum	16	15	0-4	3.8	2.2	+74	0.41	5.03	1.00	+62
Papyrus Australia	48	20	1-1	28.0	30.7	-9	0.77	1.48	1.00	+0
Paradigm Gold	17	25	1-3	5.2	6.9	-25	1.18	1.62	1.00	+60
Pelican Resources	17	20	1-10	4.5	7.6	-41	0.96	1.56	1.00	+24
Peplin Ltd	76	84	3-4	40.0	22.9	+75	0.37	2.27	1.00	+16
Perseus Mining	46	20	2-1	30.0	29.2	+3	0.48	1.51	1.00	+4
PharmAust Ltd	9	30	0-9	0.3	0.0	+999	0.50	8.35	1.00	+445
Phosphagenics	31	20	2-3	18.0	14.9	+20	0.41	1.86	1.00	+9
Phylogica Ltd	40	25	0-6	19.0	17.1	+11	0.72	2.08	1.00	+21
Pinnacle VRB	3	5	1-10	1.0	1.3	-24	0.95	1.64	1.00	+39
Plentex Ltd	3	5	0-1	0.5	0.0	+999	0.94	9.99	1.00	+999
Polaris Metals NL	26	20	1-10	12.5	12.1	+3	0.68	1.69	1.00	+14
Portland Orthopaedics	39	25	1-9	21.0	19.8	+6	0.60	1.70	1.00	+10
Prairie Downs Metals	46	25	1-3	24.5	26.1	-6	0.77	1.57	1.00	+6
Prosperity Resources	10	12	0-3	2.2	0.9	+145	0.76	4.49	1.00	+307
Proto Res & Invest	28	20	4-6	10.0	15.9	-37	0.46	1.53	1.00	+2
Pryme Oil & Gas	44	40	1-4	20.0	21.9	-9	1.03	1.55	1.00	+26
Pure Energy Res	21	30	1-10	7.0	2.0	+249	0.34	3.99	1.00	+36
Quantum Resources	4	10	5-2	1.0	3.3	-69	1.30	1.10	1.00	+22
Quantum Resources	4	5	5-9	2.1	3.6	-41	1.30	1.06	1.00	+10
Quantum Resources	4	10	3-8	1.0	2.8	-65	1.30	1.18	1.00	+32
Quest Investments	41	15	1-10	15.0	27.7	-46	0.10	1.48	1.00	-16
Ramelius Resources	48	20	0-10	29.0	29.6	-2	0.69	1.56	1.00	+3

Company	Share Price	Yr/Mth Exercise Price	to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Ramelius Resources	48	18	0-4	28.5	30.9	-8	0.69	1.55	1.00	-12
Range Resources	3	5	0-7	0.9	0.2	+374	0.65	4.22	1.00	+201
Range River Gold	7	25	1-7	2.0	0.5	+280	0.78	2.67	1.00	+146
Reco Financial Services	3	10	1-10	0.8	0.1	+612	0.51	3.75	1.00	+94
Red Fork Energy	43	20	2-2	22.0	27.4	-20	0.60	1.46	1.00	-1
Red River Resources	16	20	3-1	5.5	8.9	-38	0.89	1.39	1.00	+16
Redbank Mines	17	28	1-3	4.5	5.7	-20	1.06	1.79	1.00	+68
Reefton Mining NL	3	10	2-9	1.0	0.4	+124	0.63	2.32	1.00	+58
Regis Resources NL	10	5	6-11	7.3	7.1	+3	0.47	1.27	1.00	+3
Regis Resources NL	10	20	5-2	2.6	2.9	-9	0.47	1.92	1.00	+18
Regis Resources NL	10	10	5-8	6.5	5.0	+29	0.47	1.55	1.00	+10
Resonance Health	3	40	0-11	0.2	0.0	+999	0.98	4.26	1.00	+999
Reward Minerals	36	20	2-4	20.0	22.5	-11	0.71	1.42	1.00	+5
Rey Resources	11	20	0-10	2.0	0.7	+186	0.66	3.68	1.00	+143
Rialto Energy Ltd	25	60	4-4	8.0	2.5	+215	0.35	3.00	1.00	+27
Richfield International	14	20	0-9	1.0	5.3	-81	1.41	1.70	1.00	+72
Rockeby Biomed	3	5	2-3	1.1	1.3	-17	0.96	1.54	1.00	+37
Rocklands Richfield	23	30	2-9	8.0	13.9	-43	1.07	1.32	1.00	+20
Royal Resources	18	20	0-9	5.9	3.1	+91	0.63	3.06	1.00	+74
Royal Resources	18	20	2-5	7.5	6.7	+13	0.63	1.82	1.00	+21
Rusina Mining NL	16	20	1-1	5.0	4.6	+10	0.83	2.11	1.00	+51
Safety Medical Prod	107	20	1-10	86.0	91.6	-6	1.03	1.14	1.00	-1
Saracen Mineral Hold.	40	10	6-4	20.0	34.6	-42	0.62	1.12	1.00	-4
Saracen Mineral Hold	40	13	2-9	14.0	30.1	-53	0.62	1.28	1.00	-13
Segue Resources	105	100	3-4	40.0	54.8	-27	0.66	1.52	1.00	+9
Select Vaccines	4	20	1-3	1.5	0.3	+420	1.03	2.46	1.00	+318
Sierra Mining	24	20	3-10	11.0	8.9	+24	0.20	2.42	1.00	+7
Souls Private Equity	21	30	2-10	3.8	1.9	+98	0.25	4.20	1.00	+20
Southern Gold	66	20	0-1	45.0	46.1	-2	0.90	1.43	1.00	-17
Stirling Products	10	20	0-10	2.0	1.0	+97	0.80	3.00	1.00	+158
Strathfield Group	6	7	1-1	1.3	1.2	+5	0.52	2.94	1.00	+29
Strike Resources	245	20	1-4	221.0	226.6	-2	0.73	1.08	1.00	-1
Structural Monitoring	17	20	0-2	2.0	1.2	+70	0.78	5.39	1.00	+369
Structural Systems	189	45	0-4	134.0	144.9	-8	0.38	1.30	1.00	-15
Style Plantation	44	20	1-11	25.0	27.7	-10	0.64	1.46	1.00	+2
Sub-Sahara Resources	8	15	2-4	4.5	1.6	+179	0.58	2.33	1.00	+46
Sun Resources NL	9	20	1-10	2.5	1.2	+114	0.59	2.72	1.00	+62
Sunnycove Mgmt	82	150	2-3	6.5	9.5	-32	0.44	3.07	1.00	+33
Synergy Metals	3	10	0-0	0.1	9.5	-99	0.93	3.07	1.00	+999
Talisman Mining	12	20	3-10	4.2	5.6	-26	0.74	1.50	1.00	+20
Tasman Resources NL	24	20	2-10	10.0	14.8	-32	0.86	1.36	1.00	+8
Tawana Resources NL	12	100	1-2	2.5	0.1	+999	0.78	4.18	1.00	+529
Teleton	31	20	1-4	13.0	18.1	-28	1.01	1.45	1.00	+5
Tennant Creek Gold	43	15	0-3	26.5						

# Warrant / Option Analysis

**Amcom Telecommunications** (codes AMM and AMMO) Amcom Telecommunications is a medium sized company with two divisions. The first provides a full range of telecommunications services via 950 km of "last mile" high speed networks in metropolitan Perth, Adelaide and Darwin, accessing 665 buildings and servicing large corporate and government customers. The second division provides broadband and voice services to other large companies, smaller and medium sized businesses and residential customers, either as a wholesale reseller of **Telstra** services or via its own network and exchanges.

The company is operating profitably and forecasting further growth. For the year to June 2006, revenues rose 38.8% to \$33.7 million, profits were 169.7% higher at \$4,796,000 (1.3 cents per share) and the annual dividend was raised 50.0% to 0.375 cents.

At 20½ cents, the shares trade on a high Price/Sales ratio of 2.45 but a low Price/Earnings ratio of 16 and a offer a small Dividend Yield of 1.8%.

The net operating cash surplus grew 134% to \$8.4 million, but capital expenditure grew 27% to \$9.0 million. Capital expenditure is forecast to decline to around \$6.7-6.9 million over the next two years which should boost free cash flow for the payment of dividends and to reduce debt.

The issued capital consists of 505,884,914 ordinary shares and 272,204,317 listed options, giving a total market capitalisation of \$119 million. Both the shares and the options are actively traded in good volumes. The exercise of the options would increase the issued capital 54%, potentially diluting earnings per share, but also raise \$46 million in new cash, allowing the company to finance further growth internally and from acquisitions. The options were distributed to shareholders as a bonus issue last November.

The listed options are an attractive leveraged investment that could appreciate strongly if Amcom Telecommunications continues to grow over the next 22 months. Each option allows the investor to buy one share at 17 cents on 31 December 2009. The shares currently trade around 20½ cents - so the options are "in the money" with an intrinsic value of 3½ cents (i.e. the 20½ cents share price, less the 17 cents exercise price) and the *fair* value of the options is 9.6 cents. The options trade *below* both of these values, with the last trade (and further sellers) at 5½ cents.

The *Break-Even* rate on the options is only 3% p.a., so the share price needs to appreciate at just 3% pa to *increase* the value of the options at the final exercise/ expiry date. The options also provide good leverage, so will multiply any gain in the share value. For example, if the shares rise a total of just 22% to 25 cents over the next 22 months then the options would increase 45% to 8 cents. If the shares rose 50% to 30¾ cents the options would appreciate 150% to 13¾ cents. Of course, if the shares drop below 17 cents in December 2009 then the options would expire worthless.

The shares appear to be in a new uptrend, with a Relative Strength rating of +7.2%, ranked 41.

The share (and option) price rose strongly over the last couple of weeks on speculation and then confirmation that "Amcom has had a discussion with a third party on a confidential basis regarding a possible transaction" relating to the "consolidation of the telecommunications industry". Amcom will make a further announcement "if and when any possible proposed transaction is sufficiently definite to warrant disclosure".

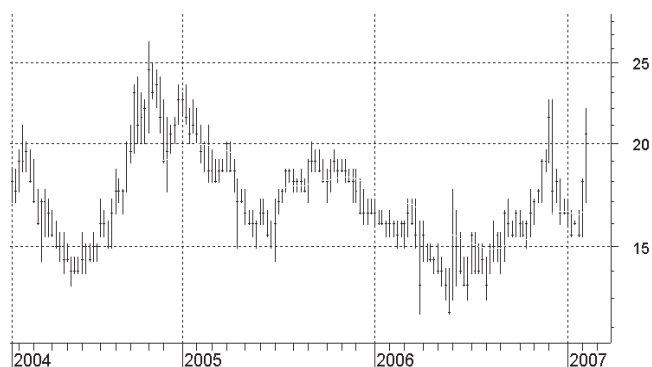
## Summary and Recommendation

Amcom Telecommunications appears to be a sound company with good growth potential. If so, then the options offer the potential to significantly leverage any gains in the share price over the next 22 months.

A merger could boost the share (and option) price, resulting in a short term gain - but we see the best potential being for leveraged capital appreciation until the end of 2009.

All options involve higher risks - and can expire worthless - but Amcom Telecommunications options are an attractive leveraged investment. Investors prepared to accept high risks with a small portion of their investment capital should consider a small investment in these options.

## **Amcom Telecommunications**



## Review of Existing Options

**Aurox Resources** (codes AXO and AXOO).

The bankable feasibility study of the *Balla Balla* vanadium project and the pre-feasibility study of the titanomagnetite project has recommended a two stage development.

The first stage would involve construction of the two million tonnes per annum titanomagnetite concentration plant at an estimated cost of A\$140-160 million. This will be a stand alone operation and produce cashflows and profits to help finance Stage II.

Stage II would be the Vanadium circuit, estimated to cost around A\$290 million.

These projects would ship the concentrates 100 km to Port Hedland, but the government is investigating a deep water port at Ronsard Island which is 25 km away from *Balla Balla* or at Depuch Island which is only 15 km from the project. This new port - to service many mining projects in the region - could be operational

within six years and would reduce transportation costs which would “significantly enhance” the returns to Aurox Resources!

These options reach their final exercise/expiry on 20 August 2007. That is now only eight months away. “Hold”



**Bounty Industries** (codes BNT and BNT0).

Our Bounty Industries options expired worthless at the end of December 2006. The options allowed us to buy new shares at 20 cents, but the market value of Bounty Industries shares was only 16½ cents - so the options had no value!

This is the risk with options - that they become absolutely valueless. Shares can fall significantly in value - but there is always the potential they can recover in the future. Options have a limited life and expire - with no second chances.

**Cool or Cosy** (codes COS and COSO).

There have been five *insider* buys on-market over the last two months and the shares are showing some signs of recovery.

The shares will need to rise strongly - at a rate of 58% per annum - over the next 15 months if the options are to increase in value by their final exercise/expiry date. That is not impossible, but a big ask after the decline in the share price during the first half of 2006 destroyed much of the value in these options. “Hold”.

**Cool or Cosy**



**Equigold** (EQI and EQIO).

Equigold options remain under-valued and continue to offer very high leverage - but time is running out! The final exercise/expiry date is 31 May 2007.

The options do have value, but at 18½ cents are down 10% on our initial cost of 20½ cents. Our return on this speculative investment will be determined by fluctuations in the share price over the next 3½ months. “Hold”.

**Equigold**



**Financial Resources** (codes FRL and FRLO).

A Financial Resources subsidiary has appointed a Receiver and Manager over four debtors whose assets include 5,592,768 Financial Resources shares (8.2% of the company) and 3,441,930 options (9.8% of the listed options). Those debts were subsequently repaid in cash and by taking over ownership of assets, including those shares and options. The potential sale of these shares and options helps depress values.

The Managing Director has also resigned owing to very bad health, while the General Manager of the *Quickcard* business died after a boating accident. The loss of senior staff can have a serious impact on a small company with few employees. The group has promoted the Group General Manager of the Finance division to become the new Chief Executive Officer.

The share price has fallen 41% to 10 cents over the last quarter, effectively destroying most of the value in our options. The options last traded at 2.0 cents, but the bid price is just 0.7 cents. There is, however, still 15 months until the final exercise/expiry date - so we can at least *hope* for a recovery.

**Financial Resources**



**Marengo Mining** (codes MGO and MGOO).

Marengo Mining plans to “fast track the 2007 work program” at its *Yandera Copper-Molybdenum* project in Papua New Guinea after a “highly successful December quarter”. Part of that success was raising \$12.3 million in share placements at 25 cents, which has depressed the share price and the value of our options!

The Pre-Feasibility Study is “well advanced” and supports a conventional crushing and grinding circuit, plus a sulphide flotation circuit to produce copper and molybdenum concentrates, with an initial throughput of 20 million tonnes annually. Crushed ore would be transported by a 100km purpose built railway which would carry it to a

(Continued on Page 12)

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

processing site on the coast. Tailings would be disposed via deep sea placement.

There is still a year until the final exercise/expiry date of these options which provide a high 2.33 times leverage but also require a high, but not impossible, 27% pa *Break Even rate*. "Hold".

**Metroland Australia** (codes MTD and MTDO).

Metroland Australia options remain inactively traded, although some are occasionally offered and could be an attractive speculation.

The company has received development consent for the **Greenway SupaCenta**. This project - covering two properties 50% owned by Metroland Australia and a third 100% owned- will involve renovating and altering the *Greenway Plaza*, constructing 28,400m<sup>2</sup> of additional bulky goods retailing space and 500 new carparking spaces. The *SupaCenta* will have a total lettable area of 35,276m<sup>2</sup> and 780 car parks. The development is expected to take 18 months and increase the annual rental income from \$1.6 million to \$5-6 million. Metroland Australia is currently seeking tenders and construction will commence in the near future.

The company has also received development consent

to refurbish *Building X*. Upon receiving a construction certificate it will settle the sale of the property which it will then refurbish for the new owner.

Metroland Australia is a very small company, with an issued capital of 97,338,433 shares and 15,744,774 listed options, giving it a total market capitalisation of under \$18 million. So just one very successful major development project can have a significant impact on shareholder (and optionholder!) wealth.

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

These options are effectively worthless - but do not expire until 28 February 2008.

**Orchid Capital** (codes ORC and ORCO).

Orchid Capital shares traded around 4 cents at the end of November, so the options (to buy shares at 5 cents) expired worthless.

As recommended in our November review, we sold our remaining options on-market and received 0.5 cents. We originally purchased these options at 0.8 cents in August 2003, sold one-third on-market at 3 cents in December 2004 and another third at 9 cents in May 2005. So - by taking profits when the share and option prices were high - we realised over five times our initial investment on an option that ultimately expired worthless!

**Stirling Products** (codes STI and STIO).

The share price recovered 71% to 12 cents over the last quarter - but is still below the option exercise price of 20 cents. The options recovered 100% to 4.0 cents - but that is still above their *fair* value of 1½ cents.

There is only 10½ months until the final exercise/expiry date - but this is a high risk/high return/very volatile situation, so we shall "Hold" for now and see how things develop.

**Total Return Index for All Listed Shares**

Jan 8	2671.70		
Jan 9	2668.45		
Jan 10	2668.78		
Jan 11	2665.40		
Jan 12	2667.70		
Jan 15	2671.36	Jan 22	2688.67
Jan 16	2672.21	Jan 23	2676.93
Jan 17	2678.38	Jan 24	2675.97
Jan 18	2670.09	Jan 25	2680.07
Jan 19	2679.88	Jan 26	2683.47
Jan 29	2687.44	Feb 5	2687.89
Jan 30	2697.00	Feb 6	Holiday
Jan 31	2701.13	Feb 7	2701.52
Feb 1	2687.11	Feb 8	2688.28
Feb 2	2687.60	Feb 9	2696.64

# Dividend \$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
AMP Office	1.892	23-02	02-03	Nil
Calan Healthcare Properties	2.00	23-02	02-03	0.35
Freightways	9.00	16-03	31-03	Full
MG Property	2.50	02-03	16-03	0.05
National Property Trust	1.25	16-02	02-03	Nil
NZ Exchange	16.00	-	-	Full
NZ Wine Company	3.00	-	02-04	Full
Southern Capital	2.50	20-02	23-02	Ful
Telecom NZ	7.00	23-02	09-03	Full
Vector	6.50	30-03	10-04	Full

## Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday March 12, 2007.

The print version will be delivered later that week, depending upon printing and postal delivery times.

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