Twenty Seven Years of Independent Information and Unbiased Advice on the Australian and NZ Stockmarkets

Market Analysis

Issue No. 428 www.stockmarket.co.nz February 11, 2008

Inside Market Analysis

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Summary and Recommended Investment Strategy.

A recent "Selling Panic" could mark the low in the recent market decline. So, while there is always uncertainty, it is more attractive to venture out into the stockmarket in search of new bargains. We are moving towards being 100% invested, re-investing any cash reserves, and the cash repayment from Centennial Coal, in new shares.

Investment Outlook.

World stockmarkets suffered a "selling panic" during the week ended 18th January 2008 (and on the subsequent Tuesday). Such a selling panic usually reflects investors *worst* expectations for the crisis of the day and often marks the low point in the stockmarket decline. At least the market *usually* hits its low in the selling panic or drifts only slightly over the next several weeks - and then begins to recover in value!

While nothing is 100% accurate at predicting the future trend in share prices, a selling panic can generally be considered an important "Buy" signal.

Supporting that view, good investment value is emerging in many shares as profits continue to grow and/or as share prices fall. Shares bought today at good valuations should prove rewarding long term investments, even though stockmarkets can move to extremes. Most investors, however, get caught up in current trends and expectations. Investors will happily buy over-valued shares near a market peak in the expectation that prices will move higher and higher. And similarly most investors will sell under-valued shares near a market low in the expectation that the market will continue to fall lower.

On financial markets, however, *current* prices reflect widely held *expectations about the future*. Prices are high at a peak, simply as people *expect* them to go higher, and low at the bottom when they are expected to go lower. Those *future expectations* are fully reflected in *current* prices - so usually the market will do the opposite to what most investors expect.

Integrated Research trades on a P/E of 14, with first half profits expected to *double* and good potential for medium to long term growth. Fiducian Portfolio Services are on a P/E of 16, with first half profits up 40% in line with historical growth rates. Probiotec trades on just 8½ times this year's expected profits. *Whatever* might happen on world credit markets or interest rates or the US economy or the general Australian stockmarket, we want to hold an equity stake in these businesses!

Stockmarket Forecasts

	One-Month	One-Year
Australia:	**36%** (Bearish)	**48%** (Neutral)
New Zealand:	**50%** (Neutral)	**39%** (Bearish)

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
A2 Corporation	D	17	3.39	NE	Nil
AMP Onyx Mgmt	C	115	7.35	19	6.7
AMP Limited	C	925	1.02	16	5.1
Abano Health.	B	451	1.16	21	3.6
Affco Holdings	C	33	0.17	13	4.5
Air New Zealand	C	173	0.42	9	6.9
Akd Int Airport	B	261	9.91	35	4.7
Allied Work.	C	86	0.27	13	9.5
Allied Farmers	B	175	0.31	NE	1.7
Apple Fields	B	8.0	3.72	14	Nil
Barramundi Ltd	D	73	N/A	3	Nil
Blis Technology	E	6.4	N/A	NE	Nil
Botry-Zen Ltd	E	3.8	N/A	NE	Nil
Brierley Invest	D	124	2.62	96	4.2
Briscoe Group	C	135	0.77	11	8.8
Broadway Ind	C	78	0.33	14	2.6
Burger Fuel	E	55	N/A	NE	Nil
CDL Investments	C	35	2.47	7	9.8
Cabletalk Group	D	18	0.14	NE	Nil
Cadmus Tech Ltd	E	12	1.23	NE	Nil
CanWest Media.	A	269	2.40	25	4.7
Canty Bldg Soc.	A	550	1.21	19	4.1
Cavalier Corp	C	260	0.80	11	10.9
Cavotec MSL	D	415	1.22	20	Nil
Cert Organics	E	8.5	2.09	NE	Nil
Charlie's Group	E	18	1.93	NE	Nil
Col Motor Co	B	340	0.21	14	10.1
Comvita	C	254	1.15	30	2.9
Connexion	E	15	1.49	NE	Nil
Contact Energy	C	779	2.25	19	5.2
Cynotech Hold.	C	20	1.78	11	3.7
Delegat's Group	B	210	1.58	14	3.2
Dominion Fin.	C	131	1.16	5	9.7
Dorchester Pac	B	83	0.30	10	16.2
Eastern Hi-Fi	D	35	0.23	NE	Nil
Ebos Group Ltd	B	490	0.59	17	6.9
F & P Appliance	C	294	0.59	14	9.1
F & P Health.	C	285	4.09	25	6.5
Feltex Ltd	D	3.0	0.02	NE	Nil
Finzsoft Sol'ns	C	115	1.28	52	5.8
Fletcher Build.	C	952	0.80	10	7.1
Freightways Ltd	C	319	1.45	16	8.4
Genesis Res.	E	20	2.50	NE	Nil
Goodman Prop.	B	137	N/A	17	7.4
Guinness Peat	D	143	0.46	17	2.0
Hallenstein G.	D	391	1.17	11	13.4
Hellaby Hold.	C	220	0.23	12	6.8
Heritage Gold *	N/R	4.5	N/A	NE	Nil
Horizon Energy	A	335	2.79	16	8.5
ING Med. Prop.	B	112	7.99	15	8.5
ING Property	B	102	7.29	15	10.3
Infratil NZ	B	248	1.64	33	7.5
Jasons Media	B	81	1.12	23	5.5
Just Water Int.	C	62	1.50	NE	8.6
Kermadec Prop.	C	86	5.89	11	Nil
KidiCorp	D	23	0.91	NE	Nil
Kingfish Ltd	B	114	N/A	2	7.9
Kirkcaldie & St	B	320	0.71	28	4.7
Kiwi Property	C	132	9.30	16	7.3
Life Pharmacy	E	51	3.06	NE	1.5
Lion Nathan Ltd	A	1060	2.71	22	3.7
Livestock Imp.	A	222	0.55	7	16.8
Loan & Building	B	560	1.64	20	4.1
Lombard Group	D	85	0.60	4	Nil
Lyttelton Port	A	256	3.43	27	2.3
Mainfreight Grp	C	580	0.58	10	3.9
Marlin Global	E	78	N/A	NE	Nil
Media Tech.	E	2.5	0.13	NE	Nil
Methven Limited	D	170	1.29	12	10.0
Metro. LifeCare	C	610	3.11	17	3.6
Michael Hill	C	115	1.26	21	3.4
Mid-Cap Index	D	283	N/A	NE	Nil
Millennium & C.	B	70	1.31	9	5.3
Mowbray Collect	D	150	3.63	NE	2.5
Mr Chips Hold	A	165	0.85	15	3.6
NZ Exchange Ltd	C	781	7.15	29	3.1
NZ Experience	B	35	1.37	10	12.8
NZ Finance Hold	C	50	0.96	12	5.2
NZ Farming Sys.	D	144	N/A	NE	Nil
NZ Invest Trust	B	1069	N/A	NE	0.8
NZ Oil & Gas *	N/R	113	N/A	18	Nil
NZ Refining Co	A	733	4.36	13	9.2
NZ Wine Company	A	250	2.02	23	4.2
NZ Wool Service	C	40	0.19	20	Nil
NZ Windfarms	D	98	N/A	NE	Nil
NZSX 50 Port.	D	165	N/A	NE	Nil
NZSX 10 Fund	E	112	N/A	NE	Nil
NZX Aust MidCap	D	665	N/A	NE	Nil
Nat Property Tr	C	56	3.54	14	9.0
New Image Group	E	16	1.36	NE	Nil
Northland Port	A	310	N/A	14	5.3
Nuplex Indust	C	559	0.31	17	7.5
Oyster Bay	A	260	2.44	59	2.9
Ozzy (Tortis)	D	347	N/A	NE	Nil
PGG Wrightsons	A	204	0.55	22	8.8
POD Ltd	D	49	0.32	NE	Nil
Pac Edge Bio.	E	10	N/A	NE	Nil
Pike River Coal	E	104	N/A	NE	Nil
Plus SMS Hold.	E	7.0	N/A	NE	Nil
Port Tauranga	B	640	6.11	23	5.1
Postie Plus Grp	D	63	0.18	9	14.2
Propertyfinance	D	21	0.08	NE	Nil
Property F Ind.	B	124	8.76	18	7.1
Provenco Group	E	50	0.41	NE	Nil
Pumpkin Patch	C	233	1.06	14	5.8
Pyne Gould Corp	D	343	1.76	11	9.1
Rakon Ltd	D	332	3.82	38	Nil
Renaissance	C	58	0.14	4	27.0
Restaurant Brds	C	80	0.26	12	10.3
Richina Pacific	C	48	0.10	7	Nil
Rubicon Limited	E	90	0.41	NE	Nil
Ryman Health.	C	178	4.68	21	2.2
Salvus Strat.	B	91	2.12	2	9.0
Sanford Limited	B	397	1.00	19	8.3
Satara Co-op	B	106	0.31	23	7.0
Savoy Equities	E	3.0	N/A	NE	Nil
Scott Tech. Ltd	C	154	1.30	13	8.7
Sealegs Corp	D	54	6.27	NE	Nil
Seeka Kiwifruit	B	275	0.36	12	10.9
Skellerup Hold.	E	82	0.45	NE	5.5
Sky Network TV	B	505	3.18	17	3.0
Sky City Ltd	C	418	2.32	19	9.3
Smartpay NZ Ltd	D	5.0	0.28	NE	Nil
Smiths City	C	54	0.10	7	10.2
Sol. Dynamics	C	45	0.38	NE	Nil
South Port NZ	A	210	3.77	25	5.5
Speirs Group	C	50	0.12	NE	9.0
Steel & Tube	C	390	0.74	12	11.1
Sthn Travel	B	37	0.17	9	12.1
Tag Pacific Ltd	D	33	0.20	3	2.8
Taylors Grp Ltd	C	160	0.58	11	11.2
TeamTalk Ltd	B	212	1.75	12	14.1
Telecom Corp	B	395	1.46	9	13.4
Tenon Ltd	D	121	0.16	12	Nil
Toll NZ Ltd	C	297	0.86	18	Nil
Tourism Hold.	C	197	1.02	14	8.3
Tower Limited	C	209	0.77	11	4.3
Training Sol.	E	0.2	N/A	NE	Nil
Trust Power Ltd	B	760	3.82	25	5.3
Turners & Grow.	B	220	0.37	12	9.5
Turners Auction	C	89	0.33	8	19.3
Utilico Int'l	C	50	2.82	7	Nil
VTL Group Ltd	D	2.0	0.01	0	Nil
Vector Ltd	B	204	1.51	20	9.5
Viking Capital	D	21	4.10	5	Nil
WN Drive Tech.	D	41	N/A	NE	Nil
Wakefield Hlth	B	760	1.62	28	3.3
Warehouse Group	C	577	1.02	16	4.5
Widespread Port*	N/R	1.4	N/A	NE	Nil
Windflow Tech.	D	300	7.38	NE	Nil
Wool Equities	D	50	0.55	NE	Nil
World Index Fd	E	124	N/A	NE	Nil
Xero Live Ltd	E	95	N/A	NE	Nil
Zintel Comm.	C	25	0.31	5	11.9
Ave of 154 Cos	**C**	207	0.34	12	4.7

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
ABB Grain Ltd	A	855	1.07	19	3.5
ABC Learning	B	431	1.19	14	3.9
AGL Energy Ltd	B	1140	1.31	12	3.1
AMP Ltd	B	809	1.07	17	4.9
ANZ Bank	C	2560	4.19	11	5.3
APA Group	C	325	2.63	22	6.2
APN News Media	C	510	1.83	15	1.9
ASX Limited	B	4592	N/A	27	3.6
AXA Asia Pac	C	579	1.66	15	3.2
Adelaide Bank	B	1558	4.93	18	4.2
Adelaide Bright	C	337	2.31	18	3.7
Allco Finance	B	305	1.94	5	14.4
Alumina Ltd	B	502	N/A	11	4.8
Amcor Ltd	B	675	0.60	11	5.0
Aneka Tambang	C	300	N/A	NE	3.6
Ansell Ltd	A	1150	1.33	17	2.1
Aquarius Plat.	A	1554	4.76	18	3.2
Aquila Res.	C	831	N/A	NE	Nil
Argo Investment	A	790	N/A	25	3.4
Aristocrat Leis	B	940	4.09	18	3.8
Arrow Energy	C	239	N/A	NE	Nil
Ausenco Ltd	A	1248	7.09	76	0.8
Aust W'wide Exp	B	323	N/A	41	Nil
Aust Foundation	A	552	N/A	20	3.8
Australand Prop	B	181	1.59	7	9.1
Aust Wealth Mgt	B	181	3.57	18	5.3
Aust Infra.	B	275	N/A	6	5.6
Austar United	B	158	3.98	10	Nil
B & B Infrastr.	B	128	1.87	22	11.1
B&B Power	C	215	0.24	NE	6.5
BHP Billiton	B	3614	2.17	8	1.5
Babcock & Brown	B	1853	2.49	16	1.9
Bank of Q'land	C	1392	1.06	12	5.0
Beach Petroleum	C	134	2.09	11	1.3
Bendigo Bank	B	1230	3.15	15	4.2
Billabong Int'l	B	1156	1.95	14	4.4
Bluescope Steel	B	1028	0.85	11	4.6
Boral Limited	B	585	0.71	12	5.8
Brambles Ltd	B	1009	3.13	28	3.0
Brickworks Ltd	B	1055	2.50	13	3.6
C'wth Prop Off.	B	132	5.00	4	7.5
C.S.R. Ltd	B	289	0.81	9	5.2
CFS Retail Prop	A	204	3.15	4	5.7
CSL Limited	A	3598	5.97	37	2.9
Cabcharge Ltd	A	975	7.69	22	3.1
Caltex Austrlia	B	1619	0.24	9	4.9
Campbell Bros	A	2590	2.10	26	2.7
Centamin Egypt	B	153	N/A	NE	Nil
Centennial Coal	A	374	1.95	NE	3.5
Chal Financial	B	313	0.68	7	4.0
Coal & Allied	A	7400	4.53	31	1.8
CocaCola Amatil	A	905	1.54	24	3.6
Cochlear Ltd	A	6770	6.63	37	1.8
Com'wealth Bank	C	5014	4.87	15	5.1
Computershare	C	790	2.82	17	2.2
ConnectEast Grp	D	142	N/A	NE	4.6
Cons Media Hold	C	448	6.21	43	12.3
Corp Express	B	577	0.86	16	3.7
DB Rreef Trust	B	160	6.58	4	7.1
DUET Group	B	303	2.17	67	8.2
David Jones	B	417	0.95	17	5.3
Deutsche Div Tr	B	131	6.10	14	7.1
Downer EDI Ltd	B	513	0.30	10	4.1
Dyno Nobel Ltd	B	215	1.08	16	2.6
Energy Resource	A	2053	N/A	90	0.8
Energy World	B	98	N/A	20	Nil
Equinox Min.	C	515	N/A	NE	Nil
FKP Limited	B	443	2.77	6	3.7
Fairfax Media	B	417	2.83	23	4.8
Felix Resources	A	900	7.00	36	0.7
Flight Centre	B	2655	2.18	21	2.5
Fortescue Metal	C	752	N/A	NE	Nil
Foster's Group	B	556	2.30	14	4.3
Futuris Corp.	B	198	0.47	14	4.8
GPT Group	B	373	8.45	6	7.4
Goodman Fielder	B	178	0.97	10	7.6
Goodman Group	B	445	8.81	12	7.1
Guinness Peat	B	127	0.43	24	2.0
Gunns Ltd	A	315	1.65	14	4.4
Harvey Norman	B	508	4.04	17	2.2
Healthscope	A	517	0.90	15	3.4
Henderson Group	B	209	6.25	38	3.7
ING Office Fund	B	127	6.93	3	9.1
ING Indust Trt	B	197	8.42	5	8.5
Iluka Resources	B	445	0.97	9	4.9
Incitec Pivot	A	12594	5.71	NE	0.8
Insurance Aust.	B	363	0.90	12	8.1
JB Hi-Fi Ltd	A	1310	1.07	34	0.8
James Hardie	B	612	1.48	15	4.1
Jubilee Mines	A	2297	7.74	17	2.9
Leighton Hold	B	5375	1.49	33	2.0
Lend Lease Corp	B	1415	0.40	11	5.4
Lihir Gold Ltd	B	361	N/A	65	Nil
Macarthur Coal	A	1100	5.68	31	1.6
Macquarie Group	C	6250	2.29	11	5.0
Macquaries C&I	C	514	1.78	22	8.2
Macquarie Air.	C	390	4.53	11	6.4
Macquarie Off.	D	115	1.80	2	9.8
Macquarie Infra	C	293	2.72	4	6.8
Macquarie C'Wde	C	158	6.50	4	9.9
Metcash Ltd	B	425	0.33	19	4.0
Milton Corp.	A	2070	N/A	15	3.9
Minara Resource	B	559	3.46	8	3.1
Mirvac Group	B	460	2.06	8	6.9
Mt Gibson Iron	D	303	N/A	50	Nil
Murchison Metal	D	395	N/A	NE	Nil
Nat'l Aust Bank	C	3343	2.99	22	5.0
New Hope Corp.	B	224	7.05	26	2.1
Newcrest Mining	A	3570	7.60	NE	0.1
News Corp.	B	2298	2.13	18	0.6
Nufarm Limited	A	1504	1.46	24	2.1
Oil Search Ltd	A	388	5.07	8	2.7
Onesteel Ltd	A	708	1.44	30	2.6
Orica Ltd	B	2910	1.91	16	2.5
Origin Energy	B	902	1.26	22	2.3
Oxiana Ltd	C	315	N/A	NE	2.5
Pacific Brands	B	272	0.75	13	6.1
Paladin Energy	E	490	N/A	NE	Nil
Pan Australian	D	93	N/A	NE	Nil
Perpetual Ltd	B	5466	4.83	12	6.6
Platinum Asset	C	475	7.90	17	Nil
Portman Limited	C	1100	4.00	17	Nil
Primary Health	B	1060	4.74	23	4.2
Q.B.E. Insur.	B	2810	1.93	15	3.4
Qantas Airways	B	482	0.63	13	6.2
Queensland Gas	C	460	N/A	NE	Nil
Ramsay Health	B	1071	0.88	17	2.7
Reece Australia	B	2350	1.79	23	2.2
Rio Tinto Ltd	A	12500	1.69	6	1.2
Riversdale Min.	B	918	N/A	NE	Nil
SP Ausnet	C	124	2.55	15	9.1
Santos Ltd	A	1340	2.90	12	3.0
Seek Ltd	B	636	N/A	33	2.2
Seven Network	A	1184	1.03	2	2.4
Sigma Pharm.	B	142	0.50	13	6.2
Sims Group Ltd	A	2964	0.67	15	4.0
Sino Gold Min.	C	706	N/A	NE	Nil
Sonic Health	A	1584	2.52	24	2.9
Soul Pattinson	B	800	2.24	19	3.6
Spark Infrastru	A	188	8.83	73	8.1
St George Bank	C	2799	1.60	13	6.0
Stockland	B	717	5.02	6	6.2
Straits Res.	A	677	1.27	36	1.5
Suncorp-Metway	B	1529	1.40	13	7.0
Sunland Group	B	368	1.85	13	3.7
Symbion Health	A	405	0.68	32	2.3
Tabcorp Holding	B	1390	1.88	16	6.8
Tatts Group Ltd	C	370	N/A	NE	4.9
Telstra	A	457	2.37	17	6.1
Ten Network	B	248	2.28	35	5.2
Toll Holdings	B	1095	0.94	27	2.5
TransPacific In	B	840	1.82	21	1.4
Transfield Serv	B	1198	1.03	21	2.6
Transurban Grp	B	648	8.77	NE	8.3
United Group	B	1449	0.78	22	3.3
Virgin Blue	B	149	0.72	7	2.7
Wesfarmers Ltd	B	3903	1.55	19	5.8
Westpac Banking	C	2497	5.01	15	4.6
West Aust News	C	1147	5.37	44	5.3
Westfield Group	C	1868	3.60	6	5.7
Woodside Petrol	C	4485	7.85	21	2.8
Woolworths Ltd	B	2899	0.82	27	2.6
Worley Group	C	3781	2.62	40	1.5
Zimplats Hold.	B	1490	5.76	14	Nil
Zinifex Ltd	B	934	2.36	5	15.0
Ave of 1948 Cos	**C**	205	0.19	20	2.1

Recommended Investments

Lyttelton Port Company's major shareholder, the **Christchurch City Council**'s **Christchurch City Holdings**, has acquired further shares on-market, lifting its shareholding from 74.06% to 75.0%. This 75.0% shareholding is to ensure "a secure controlling interest" which means the *ability to force through special resolutions* even if opposed by every other single shareholder.

Investments - especially in places like Russia, China, Iran and Christchurch - can involve "political risk"!

Michael Hill International is predicting profits for the half year to December 2007 will be 25-30% higher at $19.25-20.0 million (5.0-5.2 cents per share). This increase comes from "benefits from supply chain initiatives" undertaken over the last two years, improved profitability from existing stores plus the contribution from 15 new stores.

At 115 cents, Michael Hill *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Initial Recommendation Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/Sales Ratio	Price/Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
	NZ Shares												
HOLD	CDL Investments Ltd	CDI	12/01/99	25	C	218.9	1.4	2.47	7	9.8	35	15.6	+102%
BUY	Cavalier Corporation	CAV	05/12/95	156*	C	65.5	0.8	0.80	11	10.9	260	210.0	+201%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.21	14	10.1	340	315.8	+337%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	A	102.3	0.7	3.43	27	2.3	256	63.3	+113%
HOLD+	Michael Hill Int'l Ltd	MHI	11/06/91	5*	C	382.8	0.8	1.26	21	3.4	115	22.2	+2644%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	350	C	79.9	0.6	0.31	17	7.5	559	197.0	+116%
HOLD+	Postie Plus Group	PPG	08/05/06	71	D	40.0	1.2	0.18	9	14.2	63	8.5	+1%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	C	39.0	1.4	0.14	4	27.0	58	50.9	+28%
BUY	Smiths City Group	SCY	09/10/06	64	C	53.0	1.5	0.10	7	10.2	54	5.5	-7%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.8	3.77	25	5.5	210	94.3	+154%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	C	88.2	0.8	0.74	12	11.1	390	193.0	+299%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	C	24.3	0.8	0.58	11	11.2	160	74.0	+129%
	Australian Shares (in Aust cents)												
HOLD	AJ Lucas Group	AJL	13/05/03	120	A	54.2	0.7	0.93	31	0.7	370	22.5	+227%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	A	89.3	1.3	2.64	12	9.1	39	15.5	-26%
BUY	Austin Group Ltd	ATG	08/02/05	93	D	62.2	1.8	0.23	NE	Nil	20	7.0	-71%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	406*	A	51.6	0.3	2.10	26	2.7	2590	297.6	+611%
HOLD+	Cellnet Group Ltd [1]	CLT	12/02/02	147*	C	74.3	1.4	0.04	NE	Nil	38	32.4	-27%
HOLD+	Centennial Coal Ltd	CEY	16/01/01	70*	A	305.6	0.6	1.95	0	3.5	374	222.0	+751%
HOLD+	Circadian Technologies	CIR	10/02/04	188	C	40.1	0.9	16.20	0	Nil	105	65.0	-10%
BUY	Clarius Group Ltd	CND	08/04/03	86	B	53.4	0.8	0.32	7	10.6	180	52.5	+170%
SELL	Commander Comm.	CDR	11/09/01	92	D	228.8	2.1	0.04	NE	11.1	18	25.2	-53%
BUY	Computershare Ltd	CPU	12/08/03	189	C	590.9	0.5	2.82	17	2.2	790	51.5	+345%
BUY	Devine Ltd	DVN	13/11/06	94	B	284.2	0.8	0.55	14	6.5	124	8.0	+40%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	B	68.4	1.1	1.19	23	Nil	80	Nil	+63%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	A	33.1	0.8	3.24	16	4.0	260	Nil	+0%
HOLD+	Housewares Int'l	HWI	13/11/06	171	D	125.0	0.8	0.61	13	Nil	181	Nil	+6%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	B	232.9	0.6	0.97	9	4.9	445	64.0	+8%
BUY	Integrated Research Lt	IRI	14/01/08	40	A	166.3	1.2	2.10	14	6.5	46	Nil	+15%
HOLD+	Int'l AllSports	IAS	11/02/03	180	C	66.4	1.7	0.02	NE	Nil	29	4.0	-82%
HOLD	Keycorp Ltd	KYC	10/08/04	123*	D	82.2	1.9	0.19	NE	Nil	22	Nil	-82%
BUY	M2 Telecommunications	MTU	09/10/06	33	A	60.2	1.0	1.02	19	4.0	75	3.0	+135%
HOLD	Mercury Mobility [1]	MMY			C	105.0	1.8	N/A	NE	Nil	25	Nil	
HOLD	Melbourne IT	MLB	10/02/04	53	B	76.0	0.6	2.16	35	2.7	291	29.0	+504%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03	84*	A	385.3	0.7	3.38	36	2.6	162	9.3	+103%
SELL	Namoi Cotton Co-op Ltd	NAM	14/03/06	65	B	107.8	1.2	0.16	4	10.5	53	3.5	-14%
BUY	Probiotec Ltd	PBP	11/02/08	116	B	46.5	0.9	1.00	11	Nil	116	Nil	+0%
BUY	Ross Human Directions	RHD	14/08/01	92	C	82.9	1.2	0.11	8	8.2	49	29.0	-15%
HOLD+	Skilled Engineering	SKE	12/03/02	126	A	104.6	0.6	0.35	17	4.7	465	98.5	+347%
HOLD+	Technology One Ltd	TNE	11/11/03	44	B	297.7	0.9	3.59	19	4.0	95	13.1	+145%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	A	162.1	0.9	4.10	10	3.0	114	0.9	+155%
HOLD	The Reject Shop Ltd	TRS	11/01/05	257	B	25.6	0.4	1.00	23	2.8%	1100	78.5	+359%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +209.1%. This is equal to an average annual rate of +35.4%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 40 current and 138 closed out) is +33.7%, compared with a market gain of +7.3% (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.

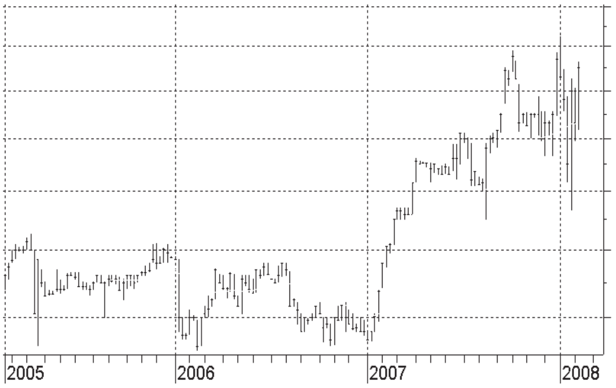
(1) Cellnet Group returns include 1½ shares of Mercury Mobility distributed to shareholders.

Recommended Investments

(Continued from Page 3)

International shares trade on a Price/Earnings ratio of 21, but 25-30% profit growth would lower that to 16-17 within a year and to around 13 within two years. The company has steady, long term growth from continued expansion of its store numbers in Canada and internationally, so remains an attractive long term investment. “Hold+”.

Michael Hill International



Postie Plus Group expects to report a first half *loss* of $2.8 million (*minus* 7.0 cents per share), which is significantly worse than last year's difficult first half when it *lost* $488,000. The company experienced flat sales and again needed to discount to clear stock, but has introduced new systems to better manage and reduce stock levels.

The full year result is expected to be around 25% lower at $2 million (5.0 cents per share) - which will require the second half year to be over 40% more profitable, at $4.8 million, compared with the same period in 2007.

Postie Plus Group will also close its remaining Westport operations and transfer all of its stock replenishment to a single distribution centre in Christchurch, outsouced to **Contract Logistics**.

Renaissance Corporation has announced further unfavourable changes in its distribution agreement with **Apple Inc** which will allow larger customers to source product from the company and/or directly from Apple. Apple is also reducing the company's distribution margin. Sales volumes and profits from the Apple distribution business will therefore fall over 2008 and 2009.

The good news is that the company's plans to diversify and to focus upon brands it controls will offset this decline. Apple distribution contributed 90% of earnings in 2006 and will be less than 40% during 2008 while total earnings will “show a modest increase over that achieved in 2007”.

Profits to December 2007, however, will be around $5.0-5.5 million before tax (as previously predicted) or down 35-45% to $3.5-4.0 million (9-10 cents per share) after tax. In recent years the company has distributed surplus cash through a high dividend, but future dividends will be around 70% of profits. That suggests an annual dividend rate of 6.5-7.0 cents - down 33-38%.

At 58 cents, Renaissance Corporation shares are trading on about 6-7 times 2007's *expected* profits and a *prospective* gross Dividend Yield of 16.7-18.0%. That would suggest that the market has, well, more than a little, *over-anticipated* the current year's drop in profits and dividends! We, however, remain cautious about buying shares in a downtrend, so would look for the share price to stabilise before upgrading the shares further. “Hold”.

Renaissance Corporation

Taylors Group expects its first half revenues to be 4% higher at $34.3 million but pre-tax profits to fall about 40% to $1.7 million. New equipment for the **Auckland Regional District Health Board** contract has resulted in an increase of $550,000 in interest and depreciation costs. Labour and energy costs also increased.

Profitability for the full year, however, is expected to be only 10% lower than 2007.

Australian Shares

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

AJ Lucas Group has announced a deal to finance and develop the 50% owned coal seam methane (CSM) gas interests of **Sydney Gas** in return for a 15-25% stake in Sydney Gas and effective management control of that company. AJ Lucas initially agreed to pay $20.0 million to acquire 52,505,665 new shares in Sydney Gas at 38 cents per share, but following the recent market weakness that was reduced to $17.9 million (or 34 cents per share).

AJ Lucas Group will also receive options to purchase a further 20,125,000 shares at 60 cents (i.e. $12.1 million) until around March 2010, subject to increasing Probable Reserves of the Sydney Gas/**AGL** joint venture by 150PJ, and a further 20,125,000 shares at 75 cents (i.e. $15.1 million) until about March 2011, subject to increasing the joint venture gas reserves by 300PJ in total.

Much of the money that AJ Lucas Group is investing in Sydney Gas will be spent with AJ Lucas who will provide exploration services over the next three years and two additional drilling rigs (i.e. in addition to the one currently working for the joint venture) over the next two years. AJ Lucas Group also appears to be taking effective management control of Sydney Gas, appointing one director to become the new Chief Executive and another to the board.

Effectively AJ Lucas Group is swapping its expertise and services in CSM exploration in return for a shareholding in Sydney Gas (and performance based options) which has joint venture interests with AGL in the *Camden Gas Project* and the *Hunter Gas Project* (which is currently in the planning and appraisal stage). AJ Lucas Group obviously sees good potential in these projects. It is familiar with the *Camden Gas Project* where it currently provides drilling services and the Hunter region where it provides coal seam degasification services to coal mining companies.

AJ Lucas Group already owned 9,296,437 shares in Sydney Gas, so the placement increases this to 61,802,102 shares or 15.35% of the company.

Atlas South Sea Pearl reports harvesting 185,600 pearls in 2007 (compared with 234,200 pearls in 2006) but revenues increased 23% to $13.3 million, mainly owing to a larger average pearl size while quality was similar to the previous year.

The company aims to harvest over 200,000 pearls this year and in excess of 250,000 pearls in 2009. Expansion into Malaysia is predicted to increase pearl production to around 300,000 within five years and lift revenues 80% to $24.4 million.

The company is currently breeding from "selected oyster families with strong growth traits" and, as we have discussed previously, faster growth rates would have a significant impact on reducing operating costs and shortening the time to harvest (i.e. effectively increasing the production capacity of the oyster farms).

Atlas South Sea Pearl also sees Malaysia as a suitable location for expanding its value added, pearl jewellery manufacturing operations, while it is also seeking to expand its owned or licensed retail outlets in Malaysia, Brunei and Thailand.

Centennial Coal - which recently paid us 188 cents per share cash as a capital repayment - reports thermal coal export prices "consistently above US$90" and expects 2008 contract prices to be around this level, up 80% on last year's US$55.65/tonne!! The company will also benefit as many long term, lower priced domestic supply contracts have expired and new contracts are negotiated at current market prices. A significant increase in revenues - with much smaller increases in operating costs - will have a significant impact on Centennial Coal's profitability which has been unacceptably low in recent years.

Newcastle Coal Infrastructure Group - a joint venture between six coal miners, including Centennial Coal - has completed financing for the $1000 million first stage of a third coal export terminal at the **Port of Newcastle**. The shareholders have provided some financing via preference shares, but mainly this project is being financed by external debt funding - secured over long term "ship or pay" throughput contracts with the coal company shareholders. Stage One will add 30 Mtpa of export capacity by early 2010, with plans to ultimately increase this to 66 Mtpa. With existing shiploading constraints, this new capacity should be fully utilised and allow the joint venture parties to increase their coal export sales.

Although Centennial Coal remains attractive - especially with strongly higher coal prices - we will use the significant cash from the capital repayment (i.e. over 2½ times our initial investment!) to help finance the purchase of newer recommended shares (e.g. Fiducian Portfolio Services, Integrated Research and Probiotec).

Computershare is offering $153 million to take over **QM Technologies** (i.e. 340 cents per share), an Australian listed communications and mail business. This will be merged with Computershare's existing *Communication Services* division. QM Technologies earned a net profit of $9.5 million in the year to June 2007 - so is being acquired on a P/E ratio of 16 - but after restructuring costs of around $10 million the merger should yield "a range of synergies", boosting profits by "approximately $8 million per annum" within three years.

QM Technologies' directors will recommend this takeover and investors holding 45% of the shares have agreed to accept the bid.

Devine has acquired the partially developed 76 hectare residential sub-division, *The Rise*, at Lyndhurst, 34 km south-east of Melbourne, for an undisclosed sum. The project involves 125 undeveloped lots with an end value around $40 million.

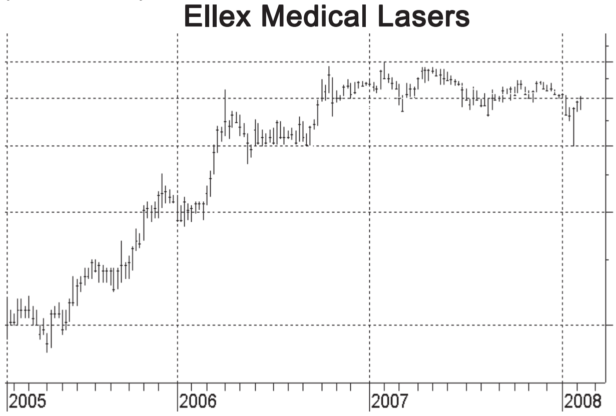
The company will also pay $6.9 million for a 21.45 hectare site in Brookfield, 35km south-west of Melbourne.

The group has pre-sold its apartment/hotel development at 131-135 Bourke Street to Singapore based **The Ascott Group** for $136 million. Construction of the 25 level, 398 room development will begin soon, with completion at the end of 2010.

Ellex Medical Lasers has spent around $750,000 over the last six months to develop direct sales channels in the United States market. Revenues for the six months to December 2007 will be 18% higher than the previous year but, owing to the market development costs, profits will be similar to the previous year. The benefits, however, should begin to show up in the second half year (i.e. the current period). With "continued sales growth" the company expects "improved profitability in the second half" which will result in the full year profit to June 2008 being "materially higher than 2007".

Ellex Medical Lasers is a quality, emerging growth company. Investments in developing new products, and building direct selling channels to its markets, should produce strong revenue and profit growth over future years. "Buy".

Ellex Medical Lasers



Iluka Resources has finalised the sale of its 50% interest in *Narama* coal mine to **Xstrata**, receiving $54.4 million in cash - which is a $30 million profit over book value.

Integrated Research reports "strong sales growth" which will result in its profit to December 2007 being 95-115% higher at $3.7-4.1 million (2.2-2.5 cents per share). That would appear to be a good improvement on the November Chairman's *(Continued on Page 6)*

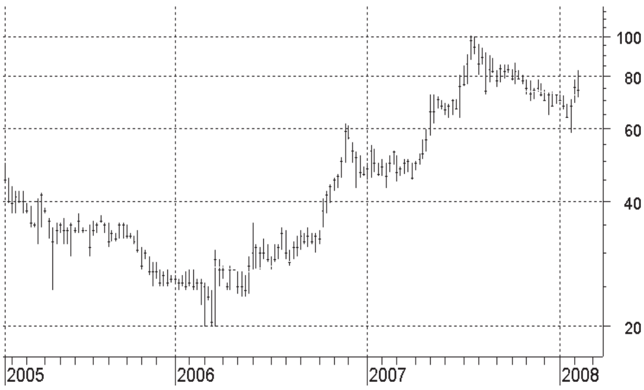
Recommended Investments *(Cont'd from Page 5)*

report that "Overall we expect the company to increase profit after tax for this financial year".

International All Sports reports December quarter receipts up 71% to $380.5 million, but the net operating cash surplus was 40% lower at $3.6 million. Cash at December 2007 was $28.5 million, down from $32.1 million a year earlier.

M2 Telecommunications is to acquire **Unitel Australia** (previously **RSL Com Partners**) from troubled **Commander Communications** for $10.0 million in cash plus up to a further $2.5 million based upon performance over the next three years. This wholesale telecommunications business will be merged with M2 Telecommunication's existing wholesale division. This acquisition is "highly strategic" and will add around $37 million to annual revenues and we estimate around $3 million to profits (before interest on the money borrowed to fund this acquisition). That puts this acquisition on a Price/Earnings ratio of 0.34 and a Price/Earnings ratio of about 4 - so looks to be an excellent expansion for M2 Telecommunications.

M2 Telecommunications



Mercury Mobility reports December 2007 quarter receipts of $1.9 million, down from $2.2 million in the September 2007 quarter. The cash operating surplus was $34,000 compared with $666,000 in the previous quarter. Cash on hand was $2.7 million, down from $3.5 million.

Of course, individual quarterly cashflows don't mean too much, except that it is encouraging to see a young company generating cash operating surpluses - rather than bleeding cash as they seek to build a business.

We obtained these shares free last year from a "spin-off" by **Cellnet Group**.

M.Y.O.B. directors have rejected a "non-binding, indicative and highly conditional" takeover offer of 190 cents per share from a private equity firm. The directors considered the offer "inadequate" - probably in relation to its conditions rather than price.

Such an approach is seldom in the interests of the target company shareholders. The *potential* bidder can seek access to the company for due diligence investigations, yet has no obligation to proceed with a takeover offer either at the price indicated or at any other price. Such an approach can be abused by a competitor or potential competitor suggesting a high takeover value to gain confidential company information with no intention of proceeding with a bid. Or it could be used to manipulate the share price by suggesting a high value for the shares.

Traditionally a genuine bidder can either make a "friendly" takeover (i.e. approach the directors and management, seek access to company information to evaluate the business, and negotiate a takeover price) or a "hostile" takeover (i.e. just send an offer to the shareholders and/or buy up shares on-market, seeking to acquire a controlling or full shareholding).

Share Recommendation: Buy Fiducian Portfolio Services

BUY Fiducian Portfolio Services (code FPS). Fiducian Portfolio Services is an investment fund manager enjoying strong growth from a steady inflow of new money from investors. This growth is helped by owned and franchised financial planning businesses which market the group's services and by its on-going investment in technology to improve efficiency and service in both the funds management and financial planning businesses.

The company has grown very strongly over recent years but this is still a relatively small funds management business and there is no reason why strong growth should not continue over many more years. The business has continued to grow strongly over the last 6-12 months, while the current stockmarket uncertainty has lowered Fiducian Portfolio Services' own share price and improved the valuation in this business to a level where we believe it is an attractive "Buy" for growth.

Company History

Fiducian Portfolio Services was formed in 1996 and listed on the Australian stockmarket after an initial public offering in late 2000. At that time the public was offered 18,673,500 shares (68.2% of the company) at 120 cents per share to raise $22.4 million. 60% of this money went to the existing shareholders, with 40% retained to finance growth and expansion.

This newsletter reviewed and informally recommended Fiducian Portfolio Services in July 2005 (*Market Analysis* Issue 397) at 75 cents owing to significant *insider* buying. Unfortunately this was a small $26 million capitalisation company and the shares were inactively traded, so we could not consider making a formal "Buy" recommendation at that time. Over the last 2½ years the share price has increased 3½-fold to 260 cents, but that reflects the growth in the company over that period so the shares still offer excellent value. Funds under management have increased 2¼-fold and profits are up almost 4½-fold.

Current Business

The company has four divisions - giving it several important competitive advantages supporting the growth and profitability of its core *Investment Management* division which earns most of the group's revenues and profits from recurring annual management fees. This business has earned good returns on its managed funds, but that alone is not sufficient to ensure either profitability or growth.

The *Financial Planning* division is important to market the group's investment funds to investors as it is the growth in funds under management that generates the growth in recurring management fees and profits for the Investment Management business. Company owned financial planning businesses in Sydney (*Harold Bodinnar & Associates*), Tasmania (*Money and Advice*) and Melbourne (*Fiducian Financial Services*) contributed around one-quarter of new money into its managed funds. 29 franchised financial planning businesses contributed almost half of the inflow of new money and independent dealers contributed about one-quarter of funds. So the Financial Planning business gives the group an important competitive advantage to market its products and attract new money to grow the Investment Management division.

Platform Administration provides portfolio wrap administration for superannuation and investment services, and reporting to both the financial planners and investors. Potential growth in revenues could be possible from offering this administration service to "external larger scale adviser groups" and smaller financial planners who are not currently associated with Fiducian Portfolio Services.

The group also has an *Information Technology* division which provides proprietary financial planning, client management, administration and practice management software to its financial planners. The company sees the potential to generate additional revenues from the distribution of this financial planning software to external advisers or overseas.

The *Platform Administration* and *Information Technology* divisions provide the group with two further competitive advantages. Firstly, lower operating costs than potential competitors and secondly better information and service, both internally and for its financial planners and investors. For example, the financial planning, client and practice management software helps the group attract and keep financial planning businesses (either as a franchise or an independent) who in turn promote the group's investment funds.

The *Investment Management* and *Administration* divisions generate almost 90% of revenues and 90-95% of earnings. Revenues are mainly from fixed annual percentages of funds under management, so not dependent upon performance fees which can vary significantly from period to period. *Financial Planning* generates 30% of revenues (although two-thirds of this is commissions from the *Investment Management* division) and just 5-10% of earnings. While financial planning makes little direct contribution to profits, this drives the growth in the investment management division.

Recent Results.

The company was profitable - earning around $1 million annually - until the year to June 2003 when there was a trading *loss* of $469,000 (*minus* 1.3 cents per share). This resulted from the expansion of its financial planning division, incurring higher operating costs ahead of generating new business, plus a downturn in the inflow of new funds owing to uncertainty relating to war in Iraq and SARS which created negative sentiment towards stockmarket investments.

Revenues rose 9.0% to $14.7 million for the year to June 2004 and the company earned a small profit of $185,000 (0.5 cents per share) but reinstated a final 0.5 cents dividend. Funds under administration rose 28% to $623 million.

In the year to June 2005, revenues grew 26.6% to $18.6 million, profits recovered - up 10-fold to $1,877,000 (5.6 cents per share) - and the dividend was increased 8½-fold to 4.25 cents. Funds under administration were again up 28% to $797 million.

Strong growth continued in the year to June 2006, with revenues up 19.0% to $22.1 million, profits up 85.2% to $3,593,000 (10.8 cents per share) and the annual dividend rate raised 64.7% to 7.0 cents. Funds under administration increased 24% to $991 million.

For the year to June 2007, revenues were 20.1% higher at $26.6 million, profits increased 47.8% to $5,309,000 (16.1 cents per share) and the dividend lifted 50.0% to 10.5 cents. Funds under administration were 29% higher at $1280 million.

As we noted back in 2005 "Funds management is an *economies of scale* business that becomes more profitable if the company can grow the volume of funds on which it earns annual management fees", so it is no surprise that profitability has increased significantly faster than revenues.

The business continued to grow strongly over the six months to 31 December 2007. Revenues increased 20.3% to $15.0 million, profits soared 39.6% to $3,107,000 (9.5 cents per share) and the interim dividend will be raised 33.3% to 6.0 cents. Funds under administration of $1402 million have increased 10% over the last six months and are 24% higher than at December 2006.

Investment Criteria

At 260 cents, Fiducian Portfolio Services shares trade on a Price/Sales ratio of 3.24, a Price/Earnings ratio of 16 and a Dividend Yield of 4.0%.

A P/S ratio is not a good measure of the value of a funds management business which can earn high profit margins. The P/E ratio and Yield show reasonable valuation for a slow growth business, but Fiducian Portfolio Services is experiencing profit and dividend growth around 40-50% which would justify a much higher valuation. If funds under management continue to grow 20-30% (i.e. owing to a steady inflow of new funds) then profits could continue to grow at 30-40% annually.

A *very* old rule of thumb is that a funds management business is worth about 5% of the funds it manages - although over recent decades a number of such companies have been valued at 2-3 times that level. The old 5% rule would value Fiducian Portfolio Services at about $70 million (210 cents per share). The slightly higher 260 cents market price looks reasonable given that Fiducian Portfolio Services has developed a successful business strategy to attract new funds and to grow strongly.

Funds Management is a *(Continued on Page 8)*

Buy Fiducian Portfolio Services

(Continued from Page 7)

non-capital intensive business and offers strong economies of scale. So growth does not require additional capital investment from shareholders (i.e. which would dilute earnings per share growth) and the company's growth rate will be determined by its ability to attract new money and increase the funds under management on which it earns an annual management fee. Cash flow from the business also does not need to be retained to grow the business, so a high percentage of profits can be distributed through a high dividend payout or used to repurchase shares. The business also has strong economies of scale, so profit margins should increase as the company grows larger (i.e. profits should grow at a higher rate than revenues).

The only negative factor is that this business is cyclical. A sharp stockmarket decline would lower the value of existing funds under management - and therefore the company's management revenues - and negative sentiment towards the stockmarket could slow the inflow of new funds or even result in an outflow of funds under management. This is partly what caused the poor results in the years to June 2003 and 2004. The current stockmarket crisis - which we believe is virtually over - has brought back the value of Fiducian Portfolio Services shares by 16% over the last year while the business appears to still be growing strongly with funds under management having grown 24%, revenues 20% and profits 40%.

The issued capital is 33,018,820 shares, giving a market capitalisation of $86 million. That makes Fiducian Portfolio Services a *smaller* listed company (and a relatively small investment management company) but the growth over the last 2½ years has significantly improved liquidity and the volume of shares trading on the stockmarket.

The directors have a significant investment in Fiducian Portfolio Services - so it is in their financial interest to grow the company for the benefit of all rather than maximise their personal income with excessive remuneration packages. For example, last year the Managing Director (and founder and major shareholder) received $439,453 in salary and superannuation, was entitled (but declined to accept) a 20% cash performance bonus and is given 100,000 share options each year. That is a nice income, but not excessive for the financial services industry.

Mr I Singh, the company's Founder and Managing Director, owns 9,494,300 shares (or 28.8% of the company). The Chairman owns 1,050,000 shares (3.2%). One of the three non-executive directors has 138,000 and another holds 11,045 shares.

There have been two *insider* buys over the last year. In February 2007, I Singh purchased 25,000 shares on-market at 249 cents and in August he bought 28,300 shares on-market at 280 cents.

The company has also used excess cash reserves to buy-back shares on-market over the last three years. A share buy-back usually indicates that the directors believe the shares are under-valued, while reducing the issued capital can help boost earnings per share growth. The company, however, uses share options to reward financial planners and executives. So the company re-purchased 1,168,075 shares (at an average cost of 120 cents) in the year to June 2006, but issued 787,758 shares (at an average of 79 cents) on the exercise of options. In the year to June 2007 it repurchased 1,172,551 shares (at an average of 254 cents) but issued 930,682 shares (at an average of 86 cents) on the exercise of options. At June 2007 there were 1,089,174 options outstanding with an average exercise price of 88 cents.

Fiducian Portfolio Services are *neglected* by stockbrokers (i.e. no firms follow the company closely enough to publish profit forecasts), but seven institutional investors own almost 40% of the company.

Since 2004 - when the company returned to profitability - until late 2006, Fiducian Portfolio Services shares performed very strongly in line with the strong growth in the business. From a low around 45 cents in mid-2004 the shares increased almost 7-fold in value to a peak of 310 cents in January 2007. The shares then dipped sharply to a low of 256 cents in March 2007, recovered back to 310 cents in August. With the *Credit Crisis* the shares slipped slightly before hitting a low of 235 cents in the January panic sell-off. The Relative Strength rating is -1.2% but ranked 32 (on a scale of 0-99) so performing in about the top one-third of the market.

Summary and Recommendation

Fiducian Portfolio Services is a small funds management business but growing rapidly owing to several competitive advantages in marketing its services, keeping down operating costs and providing superior service.

The company was just too small, the shares too inactively traded and as this newsletter has many investors seeking to follow our recommendations, we were unable to formally recommend Fiducian Portfolio Services when we reviewed this company in July 2005. Since then the shares have increased 3½-fold in value - significantly increasing the liquidity and volume of stockmarket trading. The shares, however, offer even better value now as profitability is up 4½-fold. The company has also proved the success of its business model and there is no reason why it should not continue to experience far above average growth rates over many years.

The shares offer a reasonable dividend yield - so are suitable for investors requiring current income - but their main attraction is the potential for strong *income growth* and strong *capital appreciation*. Buy for both growth and income!

Fiducian Portfolio Services

Share Recommendation: Buy Probiotec

BUY Probiotec (code PBP).
We are upgrading Probiotec shares to a formal "Buy" recommendation. We reviewed this company in November 2007, so will not repeat all of that information again this month.

Since our initial review the company has announced a 40.1% increase in revenues to $22.4 million and 112.9% increase in *pre-tax* profits to $2,752,000 for the four months to 31 October. Its higher margin, own brand sales have increased to over 55% of revenues, up from about 42% over the June 2007 year. The company's full year profit forecast is still for a 30% increase to June 2008, but this will be reviewed when the first half report is released in the middle of this month.

In the year to June 2007, inventory levels rose 72% to $15.1 million although revenues were up only 30% to $54.0 million. Despite this additional $6.3 million investment in inventory the company managed to produce a net operating cash surplus of $4.5 million. That high level of inventory at balance date was to cover the launch of its *Celebrity Slim* product and inventory levels have now been reduced with a focus on increasing the stock turn. This will minimise the investment in inventory and maximise the operating cash surplus in the current year. A higher cash surplus can help finance future growth or reduce debt levels. Major capital investments, however, will probably not be required as the company's four manufacturing sites now have "capacity of several times the current turnover of the business" which will enable expansion to meet future growth.

The shares have also dipped back slightly, so offer even better value. Probiotec shares qualify as a "Buy" under the *Most Insider Buying* section of our *Comprehensive Share Selection Criteria.*

Investment Criteria

At 116 cents, Probiotec shares trade on a moderate Price/Sales ratio of 1.00 and a low Price/Earnings ratio of just 11 but the company has not yet started paying dividends. The predicted 30% profit growth this year would reduce the P/E ratio to under 8½.

We believe the company has the potential for strong revenue and profit growth over future years - plus a re-rating from their low valuation - which offers the potential for the share price to increase several fold in value over the next few years.

With an issued capital of 46,525,000 shares the market capitalisation is $55 million, making this a *smaller* listed Australian company.

Management have a significant holding in Probiotec. The Chief Executive CW Stringer holds 7,945,662 shares or 17.1% of the company. The Chairman M Van Ryn has 332,502 shares and non-executive director GH Buckeridge owns 1,818,684 shares (3.9%). The other non-executive director has just 5,000 shares. Large shareholdings in the company help to align management interests with those of shareholders.

There have been six *insider* buys (and no sells) on-market over the last year which rates Probiotec as a "Buy" under our *Comprehensive Share Selection Criteria*. The Chairman M Van Ryn bought almost all of his 332,502 shares on-market in six trades from January to July 2007 at prices between 95 cents and 128 cents. GH Buckeridge made the best trade - buying 37,402 shares on-market at 88 cents in April. *Insiders* are the most knowledgeable shareholders, so on-market buying (or selling) by this group is often a good indicator of *future* share price performance.

No stockbrokers follow Probiotec closely enough to publish profit forecasts. There is only one institutional investor, Pengana Emerging Companies Fund, which has built up a 3,000,000 share (6.5%) holding over recent months. Shares that are *neglected* tend to be *undervalued* relative to more widely followed shares.

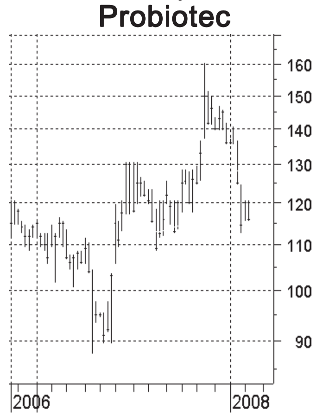
Technically, the shares could still be in an uptrend (and are outperforming the market), with a Relative Strength rating of +6.9%, ranked 14 (on a scale of 0-99). The shares initially traded on the market at around a 15% premium to their 100 cent offering price, but dipped to a low of 88 cents in April. The shares hit a peak of 160 cents after this newsletter reviewed the company in November but have since drifted back to 116 cents owing to the general stockmarket weakness.

Summary and Recommendation

Probiotec is a small company which appears to be both successfully expanding its revenues *and* changing its product mix towards high margin own brand products. Research and Development to develop a range of new products, plus acquisitions, could build strong growth in revenues and profits over several years. Success at building its export markets could also generate significant growth in both revenues and profits.

Probiotec is a small emerging growth company and while such companies do involve high risks they also hold the potential for far above average capital appreciation. Investors seeking capital appreciation, prepared to accept higher risks from individual shares within a diversified investment portfolio should consider an investment in Probiotec shares.

With the company continuing to grow its business, the lower share price and an improved stockmarket outlook, we believe it is an appropriate time to upgrade these shares to a formal "Buy" recommendation.



Share Recommendation: Sell Commander Communications

SELL Commander Communications (code CDR)

We recommend the sale of Commander Communications which despite a "turnaround plan" looks to be heading in just one direction.

These shares peaked in 2005 at 260 cents and the company appeared to be growing well. Apparently, however, there were problems and the company was probably already losing its way. The $110 million debt financed purchase of **Volante Group** - which has proved an unsuccessful acquisition and destroyed significant shareholder wealth - has helped to seal the company's fate.

Despite its latest upbeat "turnaround plan", Commander Communications has significantly downgraded its earnings forecast (before interest and depreciation) from a previous forecast of $67-75 million - which we estimated was no better than a net *loss* of about $1-4 million. Now the company predicts earnings of just $20-30 million, so after interest, depreciation and at least $17 million of restructuring costs, that will give a bottom line *loss* of $63-66 million!!! And that is *before* expected write-downs in the carrying value of its $334.9 million of intangibles assets.

At June 2007 the balance sheet showed Shareholders Equity of $261.8 million, but that included Intangibles of $334.9 million. If the company is unprofitable, the intangibles probably have little or no value. So (tangible) net assets were a *negative* $73.1 million. That is not a sound financial position from which to lose *another* $63-68 million! That would leave *negative* equity of $136-141 million!

The company now expects to be "cashflow positive" from January 2008. That sounds as though the company has stopped bleeding cash - *except* that prediction does not include restructuring costs of at least $17 million over the next six months.

Commander Communications is also selling what we considered its most important strategic business, **Unitel Australia** (previously **RSL Com Partners**), to **M2 Telecommunications** for $10.0-12.5 million in cash. This sale excludes distribution rights and associated equipment, but transfers the telecommunications "virtual network" that we considered so strategically important. Commander Communications bought RSL Com in March 2003 for $65.9 million in cash.

This sale is "the first of a number of divestments" of what are now "non-core assets". Commander Communications will instead focus on "communications products and services" and "managed IT services". The sale of Unitel Australia weakens its competitive position in communications services. Managed IT services *could* potentially be very profitable but Volante Group struggled to improve utilisation and achieve reasonable profits and that situation is obviously no better for the combined business today.

Is there any value left in Commander Communications? Probably . . . but will that value exceed the $335 million currently owed to the bank and the additional $17 million that will be borrowed to pay restructuring costs? We have serious doubts that will be the case - especially as the company continues to lose money (i.e. shareholder wealth).

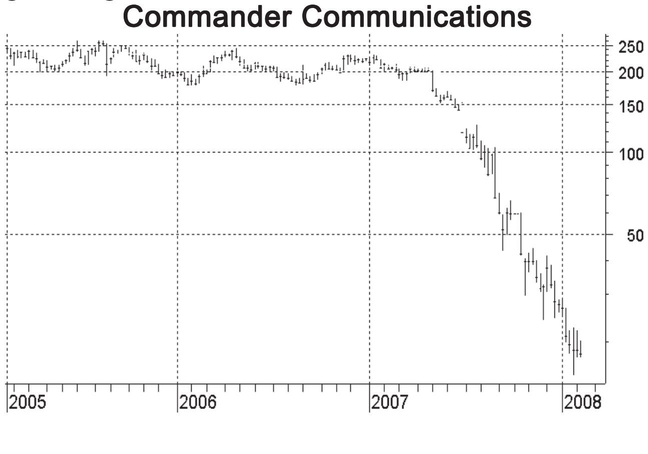
Commander Communications desperately needs new capital to recapitalise the company and reduce debt levels. But with the shares at 18 cents (i.e. giving a market capitalisation of $41 million) the potential to raise new capital is extremely limited. The company will likely linger on, growing weaker, selling its best assets and businesses, losing money and with debts increasing with accumulated interest (less the proceeds of assets sales).

With *negative* equity and selling assets to repay debt, a company will usually run out of assets *before* it has repaid the bank. So unless Commander Communications can realise *significantly in excess* of tangible assets and/or quickly generate significant profitability from its business, shareholders will see the value of this company continue to decline rapidly.

Summary and Recommendation

Unfortunately, Commander Communications has proved an unsuccesful investment and with its latest announcement we are not optimistic about the potential for a real recovery. Unfortunately, these shares have *already* lost much of their value. Helped by the 25¼ cents collected in dividends, our overall loss will be about 53%.

Our investment strategy, however, seeks to find companies which have potential to grow strongly - and then to stick with them long enough to succeed (and increase many-fold in value) or to, at worse, fail (where we can lose up to 100%). It is not always a good idea to second guess management. For example, we didn't like *Michael Hill Shoes* - and although that venture was completely unsuccessful it would have been a mistake to sell out of that company. With Commander Communications, even with the benefit of hindsight it is difficult to know for sure exactly when things *started* to go wrong.



Share Recommendation: Sell Namoi Cotton Co-Operative

SELL Namoi Cotton Co-Operative (code NAM). We are recommending the sale of Namoi Cotton Co-Operative shares as the company faces a continued difficult period over the next year - and in the current situation there are probably other shares that offer better value and better potential for future growth.

As previously reported, first half profits to 31 August fell 46.1% to $12,932,000 (12.1 cents per share), but this is a seasonal business - earning high profits in the first half and a loss in the second half year - so we estimate about a break-even result for the full year.

The balance sheet is relatively strong, with no long term debt, although the business does use significant short term borrowings to finance annual cotton stocks during processing and marketing. The company, however, did not pay an interim dividend this year (compared with 3.5 cents paid in late 2006) and has not repurchased any shares under its on-market buy back since the end of October 2007.

Drought conditions will result in a "substantially smaller" 2008 cotton crop. The *direct* impact of that will fall on the cotton farmers - but Namoi Cotton will suffer from the low volumes of cotton for ginning and marketing and likely suffer a loss for the year to February 2009 owing to this reduced volume of business.

Summary and Recommendation

Namoi Cotton Co-operative faces a difficult period ahead of any potential recovery. The business will likely break-even this year (to February 2008) but operate at a loss next year owing to the significant reduction in the Australian cotton crop.

Despite this difficult trading environment, the share price has actually recovered strongly over the last month - at a time when many other better performing businesses have seen their share prices decline.

We therefore see the potential to improve our performance by selling Namoi Cotton Co-Operative shares to realise funds which we can invest in other company shares that have the potential to perform better over the next few years.

Namoi Cotton Co-Operative

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

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Livestock Imp.	222	+12.3	+3.0	1	0-0	-	0.7	10	0.7	7	16.8	0.55	66
PGG Wrightsons	204	+7.2	-1.6	5	8-0	4	1.4	6	0.8	22	8.8	0.55	574
Kirkcaldie & St	320	+3.3	-1.0	12	0-1	-	1.4	5	0.4	28	4.7	0.71	32
Mr Chips Hold	165	+9.9	+1.9	3	2-0	-	2.2	15	0.7	15	3.6	0.85	40
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Livestock Imp.	222	+12.3	+3.0	1	0-0	-	0.7	10	0.5	7	16.8	0.55	66
Mr Chips Hold	165	+9.9	+1.9	3	2-0	-	2.2	15	0.6	15	3.6	0.85	40
Richina Pacific	48	+1.3	+1.6	17	0-0	-	0.6	9	1.0	7	Nil	0.10	73
Toll NZ Ltd	297	+0.9	-0.3	19	0-0	-	1.7	10	0.4	18	Nil	0.86	624
INCOME SHARES: Highest Yields, Capitalisation > NZ$100 million													
Telecom Corp	395	-2.9	-0.9	30	3-16	10	2.2	26	0.6	9	13.4	1.46	7,093
Hallenstein G.	391	-10.2	-2.5	78	1-3	4	3.5	32	0.4	11	13.4	1.17	233
Cavalier Corp	260	-7.7	-2.8	68	0-0	3	2.6	23	0.6	11	10.9	0.80	170
ING Property	102	-5.7	-0.9	53	1-0	3	0.8	5	0.5	15	10.3	7.29	553
Vector Ltd	204	-6.9	-0.2	65	2-0	4	1.1	5	0.7	20	9.5	1.51	2,040
Turners & Grow.	220	-2.9	-0.1	31	0-2	2	0.7	6	0.5	12	9.5	0.37	203
Sky City Ltd	418	-6.2	-5.5	58	1-9	9	5.0	26	0.7	19	9.3	2.32	1,884
NZ Refining Co	733	+1.7	-2.4	15	0-0	2	2.9	22	0.4	13	9.2	4.36	1,759
F & P Appliance	294	-6.5	-3.0	62	2-7	6	1.2	9	0.7	14	9.1	0.59	833
Pyne Gould Corp	343	-8.5	-2.5	71	3-1	1	1.5	13	0.5	11	9.1	1.76	336
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
PGG Wrightsons	204	+7.2	-1.6	5	8-0	4	1.4	6	0.5	22	8.8	0.55	574
NZ Farming Sys.	144	+1.5	-0.9	17	3-0	-	-	-	0.7	NE	Nil	N/A	244
Pike River Coal	104	+5.2	-1.6	8	2-0	1	1.3	-	0.9	NE	Nil	N/A	208
Mr Chips Hold	165	+9.9	+1.9	3	2-0	-	2.2	15	0.5	15	3.6	0.85	40
WN Drive Tech.	41	+7.5	-8.1	4	4-2	-	5.8	-	0.8	NE	Nil	N/A	125
Wakefield Hlth	760	+3.3	-0.7	13	1-0	1	1.6	6	0.2	28	3.3	1.62	108
NZ Oil & Gas	113	+3.6	+0.1	10	1-0	-	3.1	17	0.5	18	Nil	N/A	145
New Image Group	16	+12.1	-5.5	1	1-0	-	71.3	-	1.7	NE	Nil	1.36	35
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Akd Int Airport	261	-3.5	-2.9	37	0-2	8	1.6	5	0.5	35	4.7	9.91	3,189
Kiwi Property	132	-6.7	-0.8	64	0-1	3	0.7	5	0.5	16	7.3	9.30	943
Property F Ind.	124	-5.0	-2.1	46	0-0	4	0.9	5	0.5	18	7.1	8.76	259
ING Med. Prop.	112	-5.7	-0.8	51	2-0	5	0.8	5	0.5	15	8.5	7.99	156
Windflow Tech.	300	-4.5	-2.2	43	3-2	-	4.3	-	0.3	NE	Nil	7.38	25

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
AMP Onyx Mgmt	115	-5.2	-2.4	48	1-0	4	0.8	4	0.4	19	6.7	7.35	791
ING Property	102	-5.7	-0.9	53	1-0	3	0.8	5	0.4	15	10.3	7.29	553
NZ Exchange Ltd	781	-7.0	-2.7	65	0-2	1	9.1	32	0.6	29	3.1	7.15	184
Sealegs Corp	54	-1.1	+1.2	22	0-3	-	21.3	-	1.3	NE	Nil	6.27	34
Port Tauranga	640	-1.8	-3.2	26	3-0	4	1.3	6	0.4	23	5.1	6.11	858
Kermadec Prop.	86	-6.3	-0.5	60	6-0	-	0.8	7	0.7	11	Nil	5.89	53
Ryman Health.	178	-5.7	-2.9	52	3-4	4	0.7	3	0.6	21	2.2	4.68	890
Viking Capital	21	-12.9	+5.2	84	0-0	-	0.7	14	1.3	5	Nil	4.10	14
F & P Health.	285	-3.8	-0.7	40	0-20	6	7.5	30	0.5	25	6.5	4.09	1,457
Trust Power Ltd	760	-2.7	-4.8	28	0-1	3	1.7	7	0.5	25	5.3	3.82	2,396
Rakon Ltd	332	-12.6	-7.3	82	0-3	2	4.0	11	0.8	38	Nil	3.82	406
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Charlie's Group	18	-58.3	+0.0	98	0-0	-	3.5	0	1.1	NE	Nil	1.93	52
Lombard Group	85	-19.9	+3.1	93	0-0	-	72.0	-	1.3	4	Nil	0.60	20
NZ Finance Hold	50	-19.0	-0.8	92	2-3	-	1.8	15	0.5	12	5.2	0.96	38
Plus SMS Hold.	7	-17.0	+4.3	91	4-0	-	2.0	-	2.3	NE	Nil	N/A	24
Cadmus Tech Ltd	12	-16.5	-4.4	90	0-0	-	2.0	-	1.1	NE	Nil	1.23	31
Pumpkin Patch	233	-16.1	-1.1	89	3-7	4	3.5	25	0.6	14	5.8	1.06	389
Burger Fuel	55	-15.9	-1.7	89	0-0	-	-	-	0.7	NE	Nil	N/A	29
Life Pharmacy	51	-14.7	-3.2	87	0-1	-	0.7	-	0.9	NE	1.5	3.06	15
Barramundi Ltd	73	-14.5	-4.2	86	0-0	-	0.6	18	0.8	3	Nil	N/A	73
Provenco Group	50	-13.9	-2.5	85	0-0	2	1.2	-	0.6	NE	Nil	0.41	70
Just Water Int.	62	-13.1	-2.0	85	0-0	1	2.2	2	0.6	107	8.6	1.50	46
Viking Capital	21	-12.9	+5.2	84	0-0	-	0.7	14	1.2	5	Nil	4.10	14
Genesis Res.	20	-12.6	-4.3	82	0-0	-	0.5	-	1.1	NE	Nil	2.50	5
Rakon Ltd	332	-12.6	-7.3	82	0-3	2	4.0	11	0.8	38	Nil	3.82	406
Air New Zealand	173	-11.9	-1.1	79	7-6	5	1.0	12	0.5	9	6.9	0.42	1,819
INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
F & P Health.	285	-3.8	-0.7	40	0-20	6	7.5	30	0.4	25	6.5	4.09	1,457
Telecom Corp	395	-2.9	-0.9	30	3-16	10	2.2	26	0.5	9	13.4	1.46	7,093
Sky City Ltd	418	-6.2	-5.5	58	1-9	9	5.0	26	0.6	19	9.3	2.32	1,884
F & P Appliance	294	-6.5	-3.0	62	2-7	6	1.2	9	0.6	14	9.1	0.59	833
Brierley Invest	124	-3.4	+1.3	37	0-4	-	1.1	1	0.5	96	4.2	2.62	1,696
Pumpkin Patch	233	-16.1	-1.1	89	3-7	4	3.5	25	0.6	14	5.8	1.06	389
Steel & Tube	390	-9.6	-1.5	75	0-3	5	2.5	20	0.5	12	11.1	0.74	344
Sealegs Corp	54	-1.1	+1.2	22	0-3	-	21.3	-	1.2	NE	Nil	6.27	34
Rakon Ltd	332	-12.6	-7.3	82	0-3	2	4.0	11	0.8	38	Nil	3.82	406

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

For an explanation of this table see the *Share Selection Methods* report sent to all new subscribers or available from our website. 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 Cur-rent	STRENGTH RATING 4-Wk Chg.	STRENGTH RATING Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Natural Fuel	12	-40.9	-1.3	99	5-0	-	0.4	-	1.1	NE	Nil	N/A	39
Luminus Systems	2	-0.4	-8.8	30	0-0	-	-	-	2.8	14	Nil	N/A	48
Sino Securities	84	-27.9	-1.9	96	0-0	-	4.7	-	0.5	NE	Nil	9.74	27
Metals X Ltd	34	-2.0	-9.5	36	0-1	1	-	-	1.0	NE	Nil	9.68	328
Carindale Prop	420	-4.9	-2.7	47	0-0	2	0.8	14	0.3	6	5.9	9.67	294
China Education	40	-1.9	+1.0	35	8-0	-	4.4	10	1.7	43	Nil	9.66	130
Galileo Japan	80	-9.4	-1.8	63	3-0	4	-	-	0.7	7	4.9	9.58	227
Rockeby Biomed	2	-10.6	-0.4	67	1-0	-	-	-	3.1	NE	Nil	9.47	11
Golden Gate Pet	25	-6.7	-11.6	54	1-0	-	-	-	1.1	NE	Nil	9.47	44
Mirvac REIT	120	-4.6	-3.6	46	0-0	2	0.9	18	0.4	5	8.6	9.23	750
Austin Explor.	21	-10.8	+4.1	68	0-0	-	-	-	1.2	NE	Nil	9.23	23
NSX Limited	30	-15.0	-3.9	78	1-0	-	-	-	0.9	NE	Nil	9.06	15
Finbar Group	78	-3.3	-2.0	41	5-0	-	1.7	5	0.5	35	10.3	9.03	107
Fac. Digital	32	-3.2	-4.2	41	1-0	-	-	-	0.9	103	Nil	9.01	29
Trinity Group	152	-13.3	-7.1	74	2-2	3	1.5	12	0.5	13	7.2	8.94	317
BQT Solutions	10	-11.0	-5.3	69	4-1	-	5.0	-	1.2	NE	Nil	8.93	35
Cordlife Ltd	55	-8.2	-6.2	59	0-2	-	13.8	-	0.8	NE	Nil	8.86	50
Goodman Group	445	-14.7	-5.6	77	4-0	7	2.3	20	0.4	12	7.1	8.81	7,343
DKN Financial	119	-9.1	-6.0	62	3-0	2	6.6	37	0.4	18	5.0	8.78	105
Transurban Grp	648	-4.8	-0.3	47	7-3	12	1.9	-	0.2	NE	8.3	8.77	6,923
Chal K Japan Tr	85	-14.7	-3.9	77	0-0	2	-	-	0.8	1	5.0	8.73	128
North Aust Diam	2	-20.0	-3.7	87	1-0	-	-	-	2.8	NE	Nil	8.50	17
GPT Group	373	-9.3	-2.5	62	0-0	8	1.0	18	0.4	6	7.4	8.45	7,615
Proteome Syst	14	-19.4	-4.1	86	0-0	-	2.8	-	1.3	NE	Nil	8.43	22
Flexicorp Ltd	143	-18.0	-8.0	84	0-0	6	-	-	0.5	13	3.8	8.43	311
ING Indust Trt	197	-6.3	-6.6	52	3-0	6	0.9	16	0.4	5	8.5	8.42	2,181
Iatia Limited	5	-6.5	-6.8	53	0-0	-	5.0	-	1.8	NE	Nil	8.33	9
Uscom Limited	40	-12.0	+3.0	71	0-0	-	3.1	-	0.6	NE	Nil	8.23	15
PPK Group Ltd	82	-1.0	-0.2	32	1-0	-	1.1	10	0.4	11	7.9	8.22	50
Australis Aqua.	35	-11.5	-2.9	70	0-4	-	2.1	-	0.8	NE	Nil	8.05	31
B&B Japan Prop.	125	-13.9	-3.1	76	3-1	5	1.0	23	0.6	4	9.5	7.93	616
Platinum Asset	475	-16.3	+0.5	81	1-1	4	-	-	0.5	17	Nil	7.90	2,665
ING Priv Equity	81	-7.2	-2.7	56	3-0	-	0.6	10	0.6	6	9.3	7.88	35
Axiom Property	28	-6.4	-10.6	53	0-0	2	4.0	10	0.6	42	Nil	7.87	94
Intermin Res	28	-3.7	+0.4	43	11-2	-	-	-	0.8	NE	Nil	7.86	25
Desane Group	68	-2.9	-1.6	40	0-0	-	0.8	7	0.5	11	4.4	7.85	19
Adv. Magnesium	10	-25.4	-1.2	94	3-0	-	1.2	-	1.2	NE	Nil	7.85	8
Westgold Res.	25	-9.1	-7.4	62	4-0	-	-	-	1.1	18	Nil	7.81	19
Bendigo Mining	35	-1.5	+3.6	34	2-0	2	-	-	0.9	NE	Nil	7.77	171
Cabcharge Ltd	975	-2.3	-1.2	37	8-0	12	7.4	33	0.3	22	3.1	7.69	1,161
Euro Inv Gbl Pr	75	-10.3	-3.0	66	0-0	-	0.7	29	0.6	3	14.4	7.69	24
Iress Mkt Tech	647	-5.8	-4.8	50	5-0	10	10.4	35	0.3	30	3.2	7.62	723
Mooter Media	18	-21.5	-4.4	89	0-0	-	1.3	-	1.4	NE	Nil	7.59	7
Cromwell Group	98	-8.2	-5.4	59	7-0	1	1.0	1	0.4	99	5.5	7.52	682
MXL Limited	2	-27.3	-0.2	96	1-0	-	-	-	2.6	NE	Nil	7.41	13
Mint Wireless	7	-27.6	-6.6	96	1-0	-	-	-	1.7	NE	Nil	7.37	9
Wallace Abs Ret	42	-19.1	-7.2	86	0-2	-	0.4	4	0.6	11	11.9	7.34	37
Aust Zircon NL	17	-16.4	-6.0	81	0-0	-	-	-	1.0	NE	Nil	7.30	38
Pacific Energy	35	-12.4	-4.8	73	1-0	-	1.6	-	0.8	NE	Nil	7.29	8
Chal Div Prop	87	-7.1	-3.8	55	2-2	3	0.8	15	0.5	6	8.4	7.23	466
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Aust Ren. Fuels	5	-47.8	-3.9	99	0-0	-	0.2	-	1.9	NE	Nil	0.60	8
Agri Energy Ltd	3	-45.2	-2.6	99	1-0	-	0.1	-	2.0	NE	Nil	N/A	6
Natural Fuel	12	-40.9	-1.3	99	5-0	-	0.4	-	1.1	NE	Nil	N/A	39
Lafayette Min.	2	-38.7	-1.3	99	0-0	-	-	-	2.7	NE	Nil	N/A	15
Golden State	9	-36.3	-1.7	98	2-1	-	-	-	2.0	NE	Nil	N/A	17
Life Therapeut.	17	-35.1	-8.4	98	2-0	-	-	-	1.1	NE	Nil	0.28	18
Imagine UN Ltd	4	-34.3	+0.8	98	0-0	-	1.3	83	1.6	2	Nil	0.62	5
BMA Gold Ltd	2	-34.3	-10.4	98	0-0	-	-	-	2.5	NE	Nil	0.33	6
Nat'l Leisure	9	-34.2	-3.8	98	5-0	-	-	-	1.3	NE	Nil	0.46	74
Atom Energy Ltd	13	-33.7	-2.2	98	0-0	-	-	-	1.1	NE	Nil	N/A	11
QRSciences Hold	12	-33.3	-4.0	98	10-0	-	0.3	-	1.1	NE	Nil	0.61	9
Uranium Equitie	13	-32.3	-4.1	98	2-0	-	-	-	1.5	NE	Nil	N/A	25
NGM Resources	12	-32.2	-3.2	98	3-1	-	-	-	1.2	NE	Nil	N/A	14
Coziron Res.	10	-31.7	-0.5	98	1-0	-	-	-	1.1	NE	Nil	N/A	6
AFT Corporation	0	-30.5	-2.0	97	0-0	-	-	-	6.9	NE	Nil	1.63	6
Electro Optic	47	-30.3	+0.4	97	0-0	-	1.4	-	0.5	NE	Nil	0.61	32
Toro Energy Ltd	29	-30.2	-7.4	97	0-0	-	-	-	1.1	NE	Nil	N/A	41
Monax Mining	25	-29.3	-5.5	97	1-1	-	-	-	1.1	NE	Nil	N/A	14
A-Cap Resources	34	-29.3	-5.6	97	0-1	-	-	-	1.1	NE	Nil	N/A	37
AED Oil Ltd	153	-29.3	-18.1	97	0-4	4	-	-	0.6	NE	Nil	N/A	230
Fairstar Res.	24	-29.1	-6.4	97	0-0	-	-	-	1.0	NE	Nil	N/A	23
Alara Uranium	11	-28.3	-2.6	96	2-0	-	-	-	1.2	NE	Nil	N/A	8
Quiktrak Netwks	4	-28.2	-4.1	96	3-0	-	1.9	-	2.3	NE	Nil	5.36	15
Planet Gas Ltd	11	-28.2	-2.6	96	0-0	-	1.1	-	1.1	NE	Nil	N/A	19
Sino Securities	84	-27.9	-1.9	96	0-0	-	4.7	-	0.5	NE	Nil	9.74	27
Go Connect Ltd	2	-27.9	-7.2	96	0-0	-	-	-	3.0	NE	Nil	N/A	7
Erongo Energy	22	-27.8	-3.8	96	1-0	-	-	-	0.9	NE	Nil	N/A	11
Greater Pacific	2	-27.6	-1.0	96	0-1	-	-	-	2.7	NE	Nil	N/A	13
Aim Resources	10	-27.6	-9.2	96	0-1	-	-	-	1.4	NE	Nil	N/A	74
Mint Wireless	7	-27.6	-6.6	96	1-0	-	-	-	1.6	NE	Nil	7.37	9
Senetas Corp	7	-27.5	-2.7	96	2-2	-	0.1	-	1.7	NE	Nil	2.96	33
Portland Ortho.	10	-27.4	-4.6	96	1-0	-	1.9	-	1.2	NE	Nil	2.45	14
Blina Diamonds	16	-27.3	-0.7	96	0-0	-	-	-	1.3	NE	Nil	N/A	29
MXL Limited	2	-27.3	-0.2	96	1-0	-	-	-	2.4	NE	Nil	7.41	13
China Century	15	-27.1	-4.1	95	2-0	-	-	-	1.1	NE	Nil	N/A	5
Quay Magnesium	8	-26.8	-2.1	95	1-0	-	0.4	25	1.4	2	Nil	2.16	12
Safety Medical	25	-26.8	-1.6	95	2-1	-	12.5	-	0.7	NE	Nil	N/A	18
Uran Limited	18	-26.7	-3.4	95	1-0	-	-	-	1.0	NE	Nil	N/A	9
Rox Resources	10	-26.6	+0.4	95	1-0	-	-	-	1.4	NE	Nil	N/A	5
Redstone Res.	45	-26.4	-7.8	95	0-0	-	-	-	0.7	NE	Nil	N/A	24
Renison Cons	4	-26.3	-0.0	95	2-0	-	-	-	1.9	NE	Nil	N/A	21
Clinuvel Pharm.	36	-26.2	+0.4	95	1-0	1	1.6	-	0.8	NE	Nil	N/A	107
Bluefreeway Ltd	44	-26.0	-12.8	95	0-0	-	-	-	0.6	9	Nil	1.12	27
Nupower Res.	21	-26.0	-5.2	94	0-0	-	-	-	1.1	NE	Nil	N/A	9
Legend Mining	4	-25.8	-8.6	94	2-0	-	-	-	2.1	NE	Nil	N/A	33
Carpathian Res.	12	-25.7	-12.4	94	2-0	-	-	-	1.3	NE	Nil	6.90	19
Oklo Uranium	12	-25.6	-3.6	94	2-0	-	-	-	1.2	NE	Nil	N/A	11
Engin Ltd	6	-25.5	-6.8	94	0-0	-	1.0	-	1.8	NE	Nil	1.19	21
Adv. Magnesium	10	-25.4	-1.2	94	3-0	-	1.2	-	1.1	NE	Nil	7.85	8
Territory Uran.	16	-25.4	-5.0	94	1-0	-	-	-	1.3	NE	Nil	N/A	9
INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Jupiter Mines	17	-3.1	-4.9	40	0-8	-	-	-	1.0	NE	Nil	N/A	22
Roc Oil Company	197	-10.3	-7.3	66	1-9	7	-	-	0.6	NE	Nil	4.03	587
MEO Australia	33	-7.2	-17.8	56	0-7	-	-	-	0.9	NE	Nil	N/A	103
TNG Limited	35	-19.4	-7.4	86	1-8	-	-	-	0.9	NE	Nil	N/A	64
IBA Health Grp	65	-13.6	-7.3	75	0-6	3	8.1	83	0.6	10	2.3	2.99	223
Adelaide Bright	337	-0.7	-1.7	31	0-5	11	3.9	22	0.4	18	3.7	2.31	1,827
CBH Resources	41	-4.4	-6.2	45	0-5	4	1.9	21	1.0	9	Nil	1.27	342
Nomad Building	230	-3.8	-7.7	43	1-6	-	16.4	-	0.5	16	3.3	1.28	268
Southern Gold	28	-3.1	-11.5	40	0-4	-	-	-	0.9	NE	Nil	N/A	20
Compass Res	200	-21.4	-4.9	89	0-4	-	-	-	0.5	NE	Nil	N/A	249
Australis Aqua.	35	-11.5	-2.9	70	0-4	-	2.1	-	0.8	NE	Nil	8.05	31
AED Oil Ltd	153	-29.3	-18.1	97	0-4	4	-	-	0.6	NE	Nil	N/A	230
Computershare	790	-3.4	-1.8	42	1-5	14	-	-	0.3	17	2.2	2.82	4,668
Reverse Corp	322	-9.7	-4.2	64	1-5	3	35.8	-	0.3	14	6.8	5.84	297
Macmin Silver	17	-13.3	-3.6	74	1-5	-	-	-	0.9	NE	Nil	N/A	79
Pepinnini Min.	100	-16.0	-0.9	80	0-3	-	-	-	0.7	NE	Nil	N/A	63
Atlas SS Pearl	39	-4.1	+0.2	44	0-3	-	-	-	0.5	12	9.1	2.64	34
Empire Oil, Gas	2	-9.8	-5.5	64	0-3	-	-	-	2.1	NE	Nil	N/A	49
Jervois Mining	2	-5.8	+1.9	50	0-3	-	1.7	-	2.5	NE	Nil	N/A	32
Silex Systems	564	-20.5	-6.2	88	0-3	-	31.3	35	0.4	89	Nil	N/A	778
People Telecom	4	-17.5	-6.6	84	0-3	-	1.8	-	1.9	NE	Nil	0.11	11
Hills Indust.	491	-3.5	-1.7	42	0-3	6	3.9	21	0.3	18	5.6	0.84	854
Molopo Aust	56	-13.9	-11.2	76	0-3	-	18.5	-	0.6	NE	Nil	N/A	101
S/Tracks ASX200	5439	-2.1	-4.0	36	0-3	-	90.6	-	0.3	4	6.2	4.33	599
WAM Capital Ltd	148	-6.5	-2.8	54	0-3	-	0.8	20	0.4	4	10.8	N/A	128

Australian Warrant / Option Analysis

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Vola-tility	Option Lever-age	Options to Buy 1 Share	Break-Even Rate
A1 Minerals	22	25	0-9	6.0	4.1	+47	0.66	2.89	1.00	+63
AIM Resources	10	10	1-4	4.6	4.2	+11	0.93	1.69	1.00	+36
AXG Mining	9	20	2-6	3.2	5.1	-37	1.24	1.32	1.00	+46
Accent Resources	18	20	1-7	7.8	7.2	+9	0.82	1.76	1.00	+32
Acclaim Exploration	2	5	0-4	0.2	0.0	+999	0.70	8.50	1.00	+999
Actinogen Ltd	19	50	4-5	9.5	2.7	+251	0.41	2.53	1.00	+30
Activex Ltd	11	20	1-0	4.0	1.5	+176	0.74	2.80	1.00	+118
Adelaide Energy	11	25	1-4	2.2	1.3	+64	0.76	2.59	1.00	+104
Adv Ocular Systems	3	110	0-4	0.1	0.0	+999	1.19	1.00	1.00	+999
Agenix Ltd	13	30	3-4	8.0	6.6	+21	0.97	1.40	1.00	+38
Alara Uranium	11	25	1-4	2.3	1.3	+71	0.76	2.59	1.00	+105
Alexander Securities	2	4	4-4	5.0	1.1	+371	1.01	1.26	1.00	+47
Alloy Resources	13	20	1-1	3.7	3.5	+7	0.93	2.06	1.00	+74
Amcom Telecom.	22	17	1-10	6.5	8.2	-21	0.36	2.28	1.00	+4
Arafura Resources	86	20	0-4	65.0	66.6	-2	1.15	1.28	1.00	-3
Aragon Resources	14	25	2-7	2.5	4.7	-47	0.73	1.78	1.00	+30
Artemis Resources	17	25	1-7	3.0	3.7	-19	0.66	2.31	1.00	+40
Asburton Minerals	4	7	2-0	2.8	1.6	+75	0.92	1.63	1.00	+52
Astro Diamond Mines NL	2	5	4-9	5.0	1.4	+250	0.93	1.27	1.00	+36
Astro Mining	2	5	4-9	0.8	1.4	-44	0.93	1.27	1.00	+21
Astro Mining NL	2	75	1-10	0.4	0.0	+999	0.93	3.11	1.00	+571
Athena Resources	21	20	1-9	9.0	10.4	-14	0.95	1.52	1.00	+22
Audax Resources	19	20	0-10	7.0	6.4	+9	0.94	1.99	1.00	+52
Aura Energy	27	20	0-10	13.0	10.8	+21	0.71	2.04	1.00	+27
Aurium Resources	8	20	2-3	2.5	2.4	+3	0.94	1.69	1.00	+63
Ausquest Ltd	25	20	1-9	8.6	13.8	-38	0.96	1.45	1.00	+9
Aust Oil Company	12	20	1-10	5.0	5.0	-0	1.02	1.58	1.00	+49
Aust Renewable Fuels	5	60	1-2	0.4	0.4	+5	1.37	2.18	1.00	+812
Aust Water Solutions	1	3	0-1	0.4	0.0	+999	1.10	9.99	1.00	+999
Australasia Gold	12	20	0-4	0.6	0.4	+39	0.80	4.84	1.00	+475
Auth Investments	4	25	2-1	0.9	0.8	+15	1.14	1.75	1.00	+161
BQT Solutions	10	8	1-7	5.5	4.8	+15	0.76	1.67	1.00	+21
Balkans Gold	11	25	1-6	2.0	2.3	-14	0.87	2.11	1.00	+82
Baraka Petroleum	6	25	0-7	1.3	0.0	+999	0.59	8.58	1.00	+999
Bass Metals	23	40	2-2	6.0	5.4	+12	0.62	2.19	1.00	+38
Beacon Minerals	11	20	2-6	4.0	4.1	-1	0.81	1.69	1.00	+37
Benitec Ltd	13	15	3-1	8.5	6.6	+29	0.80	1.45	1.00	+23
Benitec Ltd	13	32	0-1	0.2	0.0	+999	0.80	9.99	1.00	+999
Bionomics Ltd	32	22	0-11	15.5	13.0	+19	0.57	2.11	1.00	+19
Bioprospect Ltd	4	5	2-1	1.3	1.3	+3	0.70	1.88	1.00	+29
Black Fire Energy	12	20	2-4	4.0	2.6	+56	0.54	2.35	1.00	+35
Black Range Minerals	9	5	3-0	7.0	5.9	+19	0.71	1.33	1.00	+10
Blackham Resources	79	20	0-9	56.0	60.7	-8	0.99	1.28	1.00	-5
Boulder Steel	21	20	0-9	7.5	6.0	+24	0.78	2.30	1.00	+48
Bounty Industries	6	20	3-10	0.6	1.7	-64	0.65	1.87	1.00	+36
Bow Energy	26	20	0-1	5.0	6.4	-21	1.02	3.37	1.00	-21
Bowen Energy	16	20	1-9	3.1	4.0	-23	0.55	2.35	1.00	+23
Buka Gold	29	65	0-4	1.2	2.8	-58	1.38	2.88	1.00	+999
Burey Gold Ltd	16	20	1-4	4.0	5.9	-32	0.92	1.80	1.00	+36
Burleson Energy	14	25	2-6	5.5	3.4	+62	0.59	2.14	1.00	+37
C @ Ltd	2	20	0-1	0.1	0.0	+999	0.91	9.99	1.00	+999
CO2 Group	57	12	3-8	45.0	49.3	-9	0.76	1.13	1.00	+0
Cadence Capital	100	116	0-1	0.1	0.0	+582	0.20	9.99	1.00	+499
Cape Lambert Iron Ore	31	30	0-8	13.0	8.9	+46	0.80	2.34	1.00	+63
Catalyst Metals	14	20	0-10	2.7	2.7	-2	0.82	2.52	1.00	+79
Central Petroleum	16	25	2-4	8.5	4.5	+87	0.63	2.03	1.00	+37
Centrex Metals	40	20	0-10	24.0	23.2	+4	0.88	1.57	1.00	+12
Chemgenex Pharm.	75	125	2-1	29.0	11.3	+157	0.48	2.84	1.00	+42
Chemgenex Pharm.	75	75	3-11	49.0	34.3	+43	0.48	1.71	1.00	+14
Chrome Corporation	14	2	1-7	1.0	12.4	-92	1.10	1.11	1.00	-62
Citrofresh International	3	2	4-3	1.5	2.2	-30	0.77	1.25	1.00	+4
Citrofresh International	3	25	0-3	0.1	0.0	+999	0.77	9.99	1.00	+999
Cluff Resources Pacific	1	3	0-9	0.2	0.0	+323	0.86	3.37	1.00	+333
Coal Fe Resources	10	20	1-10	2.0	3.1	-36	0.91	1.80	1.00	+54
Cobar Cons Res	14	20	0-6	2.0	3.1	-35	1.23	2.32	1.00	+168
Colonial Resources	13	20	2-10	4.0	5.4	-26	0.75	1.63	1.00	+24
Commoditel Ltd	23	2	1-4	10.0	21.1	-53	0.88	1.06	1.00	-40
Con Global Invest.	2	20	1-11	1.3	2.0	-35	3.05	1.04	1.00	+227
Contact Resources	30	20	0-4	10.0	11.1	-10	0.67	2.44	1.00	+0
Convergent Minerals	13	20	3-10	6.0	8.8	-31	1.05	1.23	1.00	+20
Cool or Cosy	12	20	0-3	0.7	0.3	+163	0.81	5.76	1.00	+950
Copper Range Ltd	10	30	2-7	4.0	2.3	+75	0.76	1.95	1.00	+61
Coretrack Ltd	11	20	2-0	5.5	4.8	+14	1.05	1.53	1.00	+52
Cortona Resources	45	20	0-1	25.0	25.1	-0	0.53	1.79	1.00	+0
Costarella Design	6	20	2-7	1.5	2.3	-34	0.99	1.58	1.00	+61
Cougar Energy	6	5	0-10	2.2	2.7	-18	1.01	1.75	1.00	+22
Coziron Resources	10	20	0-5	2.5	0.5	+395	0.90	3.95	1.00	+600
Cudeco Ltd	302	20	0-4	285.0	282.5	+1	0.46	1.07	1.00	+3
DMC Mining	59	20	1-4	45.0	45.3	-1	1.27	1.21	1.00	+8
Dart Mining NL	14	20	2-3	3.5	6.2	-44	0.94	1.53	1.00	+28
Dia-B Tech Ltd	5	20	2-10	1.6	1.2	+34	0.86	1.78	1.00	+71
Drake Resources	20	20	1-10	4.0	8.7	-54	0.76	1.70	1.00	+10
Dyesol Ltd	120	20	0-9	90.0	101.1	-11	0.79	1.19	1.00	-11
Dynasty Metals Aust	15	20	0-0	1.0	101.1	-99	0.99	1.19	1.00	+999
Eagle Bay Resources	4	15	1-4	1.1	0.3	+248	0.85	2.67	1.00	+190
Eagle Eye Metals	6	20	2-4	2.0	0.8	+152	0.72	2.28	1.00	+80
Eden Energy	38	20	1-7	17.0	22.2	-23	0.65	1.56	1.00	-2
Electrometals Tech.	9	14	3-2	3.3	4.7	-30	0.85	1.46	1.00	+22
Elemental Minerals	8	20	0-11	3.0	1.2	+142	1.02	2.37	1.00	+208
Ellendale Resources NL	7	20	4-3	4.0	2.3	+74	0.66	1.71	1.00	+34
Emerald Oil & Gas	9	20	0-3	1.0	0.3	+250	1.19	4.18	1.00	+999
Emerging Leaders	102	100	0-4	4.0	5.3	-24	0.11	9.99	1.00	+6
Empire Beer Group	14	35	0-9	0.9	0.2	+297	0.60	5.10	1.00	+251
Empire Resources	17	25	1-4	2.5	5.2	-52	0.88	1.93	1.00	+43
Eneabba Gas	15	30	1-4	5.0	3.4	+47	0.89	2.10	1.00	+89
Energy Metals	250	30	0-4	220.0	220.7	-0	0.69	1.13	1.00	+0
Entek Energy	15	20	1-10	6.5	4.3	+50	0.65	2.09	1.00	+36
Eromanga Hydrocarbons	16	10	1-5	9.1	10.0	-9	1.10	1.38	1.00	+14
Erongo Energy Ltd	22	20	1-2	3.5	10.4	-66	1.02	1.62	1.00	+6
Eureka Energy	17	20	0-1	1.9	0.9	+119	1.03	6.02	1.00	+999
Eyecare Partners	20	20	2-7	5.0	4.8	+5	0.23	3.19	1.00	+9
Fairstar Resources	24	25	1-6	10.0	9.9	+1	0.84	1.74	1.00	+29
Fall River Res.	3	10	1-2	1.5	0.2	+577	0.94	2.56	1.00	+260
Fat Prophets Aust.	97	100	0-2	1.2	0.2	+478	0.05	9.99	1.00	+29
Ferrowest Ltd	36	25	2-3	15.0	25.3	-41	1.13	1.25	1.00	+5
Financial Resources	25	20	0-3	0.4	6.9	-94	0.91	2.72	1.00	-52
Fission Energy	9	20	3-0	3.5	1.3	+168	0.49	2.55	1.00	+39
Flinders Resources	12	10	0-7	6.2	7.5	-17	2.27	1.29	1.00	+80
Fox Invest Ltd	91	130	0-4	1.5	0.6	+153	0.37	9.99	1.00	+201
Genesis Biomedical	2	3	2-9	0.7	0.3	+108	0.53	2.30	1.00	+36
Gladiator Resources	7	20	1-4	3.0	0.8	+296	0.80	2.62	1.00	+144
Gleneagle Gold	19	20	0-11	4.6	2.5	+81	0.33	4.37	1.00	+33
Gold Aura	5	13	1-1	2.2	0.1	+999	0.54	4.89	1.00	+208
Gold Company Ltd	85	20	3-4	60.0	83.0	-28	2.07	1.01	1.00	-2
Gondwana Resources	3	1	1-4	2.3	2.2	+3	1.45	1.18	1.00	+13
Gondwana Resources	3	5	0-4	1.5	0.4	+234	1.45	2.52	1.00	+999
Gondwana Resources	3	1	2-4	1.7	2.4	-28	1.45	1.11	1.00	+2
Great Gold Mines	3	20	4-2	1.0	0.7	+41	0.77	1.75	1.00	+60
Great Gold Mines	3	125	2-7	0.1	0.0	+747	0.77	3.29	1.00	+324
Great Gold Mines	3	10	5-0	1.3	1.3	-2	0.77	1.46	1.00	+30
Greater Pacific Gold	2	3	0-3	0.3	0.0	+535	0.95	4.97	1.00	+999
Green Rock Energy	10	10	0-2	1.6	1.4	+11	1.04	3.92	1.00	+255
Greenvale Mining	64	30	3-10	42.0	48.6	-14	0.77	1.22	1.00	+3
Gt Australian Resources	21	20	0-10	8.1	6.0	+34	0.68	2.39	1.00	+42
Gt Bendigo Gold Mines	18	20	1-10	7.2	10.8	-33	1.22	1.34	1.00	+25
Gt Western Explor.	10	30	4-4	3.0	2.1	+42	0.56	2.01	1.00	+33
Gulf Resources	28	20	3-4	8.5	20.0	-57	0.93	1.24	1.00	+1
Gulfx Ltd	7	20	1-10	2.0	2.6	-23	1.16	1.58	1.00	+87
Haddington Resources	23	35	2-3	8.5	14.2	-40	1.27	1.29	1.00	+33
Havilah Resources	140	160	2-2	50.0	58.2	-14	0.73	1.71	1.00	+21
Health Corporation	20	120	3-9	0.5	7.7	-94	0.99	1.47	1.00	+61
Helix Resources	31	30	1-4	13.5	13.3	+1	0.88	1.72	1.00	+29
Hemisphere Resources	18	20	2-1	7.0	7.3	-4	0.71	1.75	1.00	+21
Hill End Gold	41	15	0-6	27.5	26.7	+3	0.75	1.51	1.00	+7
Horizon Oil	30	35	0-0	0.6	26.7	-98	0.52	1.51	1.00	+999
IC2 Global	9	15	1-4	5.0	2.8	+80	0.97	1.87	1.00	+82
IC2 Global	9	2	1-4	0.7	7.3	-90	0.97	1.20	1.00	-59
IC2 Global	9	15	1-4	4.1	2.8	+48	0.97	1.87	1.00	+76
IC2 Global	9	200	1-4	5.0	0.0	+999	0.97	3.46	1.00	+943
IFC Capital	25	30	0-7	5.0	4.0	+26	0.70	3.17	1.00	+78
IM Medical	2	4	0-10	0.9	0.4	+155	1.02	2.34	1.00	+193
Imagine UN	4	125	0-10	0.1	0.0	+999	1.01	5.08	1.00	+999
Impedimed Ltd	70	72	4-8	20.0	24.9	-20	0.26	2.25	1.00	+6
India Resources	14	20	1-10	4.2	4.6	-9	0.76	1.88	1.00	+35
Industrial Minerals	33	20	1-10	10.0	19.2	-48	0.75	1.50	1.00	-5
Integra Mining	46	20	1-9	33.0	31.3	+5	0.83	1.36	1.00	+9
Iron Mountain Mining	24	20	3-11	12.5	20.2	-38	1.29	1.10	1.00	+8
JV Global	15	20	0-8	2.3	1.3	+81	0.54	4.27	1.00	+89
Jaguar Minerals	9	20	0-7	2.0	0.1	+999	0.62	5.67	1.00	+410
Jupiter Energy	8	8	2-4	3.5	4.9	-28	1.12	1.30	1.00	+19
Jutt Holdings	11	20	1-5	2.2	1.6	+33	0.65	2.67	1.00	+64
KTL Technologies	3	5	1-3	0.6	0.7	-13	1.04	1.90	1.00	+91

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/ Under-Valued	Share Vola-tility	Option Lever-age	Options to Buy 1 Share	Break-Even Rate
Kairiki Energy	15	5	0-10	10.5	9.8	+7	0.63	1.46	1.00	+8
Kalgoorlie-Boulder Res	14	20	0-5	4.1	2.4	+68	1.12	2.65	1.00	+268
Kangaroo Metals	12	20	1-6	3.0	3.5	-15	0.89	1.92	1.00	+56
Karmelsonix Ltd	13	10	0-4	4.5	5.0	-10	1.22	2.02	1.00	+39
Key Petroleum	17	35	1-1	5.0	1.6	+219	0.70	3.05	1.00	+126
L & M Petroleum	9	25	0-8	1.7	0.1	+999	0.70	5.22	1.00	+524
Labtech Systems	20	20	5-4	14.0	11.9	+18	0.62	1.37	1.00	+11
Labtech Systems	20	20	5-4	5.5	11.9	-54	0.62	1.37	1.00	+5
Lefroy Resources	10	25	1-4	2.2	1.9	+16	0.93	2.15	1.00	+112
Legend Mining	4	4	0-5	4.2	0.6	+600	0.77	3.23	1.00	+621
Lincoln Minerals	20	30	2-4	6.5	9.1	-29	0.94	1.51	1.00	+31
Lindian Resources	11	30	1-10	10.0	3.3	+206	1.06	1.70	1.00	+107
Lion Energy	12	35	3-6	2.0	3.2	-37	0.67	1.87	1.00	+38
Lion Selection	140	151	1-2	44.0	16.0	+176	0.26	4.99	1.00	+34
Lodestone Exploration	3	5	0-5	0.6	0.1	+508	0.82	4.50	1.00	+595
Lumacom Ltd	1	7	0-10	0.1	0.0	+999	0.69	5.56	1.00	+667
M2M Corporation	2	20	1-12	0.4	0.0	+999	0.73	3.25	1.00	+236
MGM Wireless	9	20	2-9	3.9	2.2	+75	0.70	1.93	1.00	+46
Macmin Silver	17	25	0-8	4.0	1.5	+161	0.62	3.79	1.00	+123
Magellan Financial	85	120	1-4	27.0	6.3	+326	0.35	4.57	1.00	+51
Magna Mining NL	2	10	1-9	0.4	0.0	+999	0.54	4.73	1.00	+191
Magnesium Int'l	5	10	4-3	2.5	4.6	-46	3.17	1.00	1.00	+27
Malachite Resources	23	20	0-6	6.5	6.0	+9	0.65	2.81	1.00	+33
Mamba Minerals	28	20	2-1	10.0	15.1	-34	0.75	1.52	1.00	+4
Mantle Mining Corp	15	25	1-2	4.0	3.6	+11	0.88	2.14	1.00	+76
Mantra Resources	200	20	1-4	150.0	181.9	-18	0.77	1.10	1.00	-11
Marengo Mining	25	20	0-0	2.5	5.0	-51	0.64	9.99	1.00	-100
Marginbet Ltd	4	20	2-7	0.7	0.3	+131	0.65	2.62	1.00	+91
Mavuzi Resource	63	20	2-4	38.0	48.0	-21	0.72	1.26	1.00	-3
Maximus Resources	16	20	0-4	5.9	2.1	+183	0.89	3.43	1.00	+324
Medic Vision Ltd	10	20	3-11	3.0	4.7	-36	0.78	1.48	1.00	+24
Metal Storm	8	0	1-6	2.9	7.9	-63	0.42	1.02	1.00	-47
Metals Australia	6	5	1-7	4.3	2.8	+51	0.71	1.73	1.00	+29
Metals X Ltd	34	20	0-10	15.0	16.2	-7	0.69	1.84	1.00	+5
Metroland Australia	11	26	1-3	0.8	0.2	+318	0.44	5.30	1.00	+104
Midas Resources	7	10	1-7	1.8	2.5	-28	0.95	1.72	1.00	+43
Millepde International	3	15	0-0	0.1	2.5	-96	1.36	1.72	1.00	+999
Millepede Int'l	3	5	4-1	1.5	2.4	-38	1.36	1.11	1.00	+21
Mindax Ltd	17	20	0-4	3.3	3.6	-9	1.24	2.48	1.00	+182
Minemakers Ltd	67	30	0-10	37.5	43.1	-13	1.14	1.41	1.00	+2
Mining Projects Group	1	1	1-5	0.3	0.3	+10	0.96	1.72	1.00	+46
Moby Oil & Gas	17	30	0-4	4.9	0.2	+999	0.58	7.63	1.00	+765
Montec International	4	10	0-4	0.2	0.1	+87	1.14	3.99	1.00	+999
Monteray Group	2	10	0-10	0.4	0.0	+999	0.70	5.43	1.00	+669
Monteray Group	2	10	0-10	5.0	0.0	+999	0.70	5.43	1.00	+999
Montezuma Mining	15	20	3-6	6.5	7.8	-17	0.77	1.46	1.00	+18
Morning Star Gold	27	25	0-10	8.0	6.6	+21	0.55	2.75	1.00	+30
Mt Magnet South	24	25	2-6	3.1	11.0	-72	0.69	1.64	1.00	+6
Multi Channel Solutions	4	7	0-10	1.2	0.7	+70	1.09	2.20	1.00	+178
Murchison Holdings	175	100	0-10	60.0	81.6	-27	0.35	2.10	1.00	-10
Mutiny Gold	15	20	0-7	0.5	1.5	-66	0.61	3.92	1.00	+71
My Net Fone	15	25	1-2	2.0	2.8	-27	0.75	2.47	1.00	+65
Neptune Marine	65	20	2-10	50.0	49.8	+0	0.59	1.27	1.00	+3
New Hope Corp	224	45	0-6	145.5	180.7	-20	0.45	1.24	1.00	-26
Newera Uranium	12	25	0-2	0.4	0.0	+999	0.84	8.97	1.00	+999
Northern Mining	8	20	0-10	2.0	0.5	+316	0.79	3.37	1.00	+237
Norton Gold Fields	47	20	2-7	31.0	34.4	-10	0.85	1.25	1.00	+4
Nthn Star Resources	10	20	0-7	4.0	0.2	+999	0.61	5.44	1.00	+390
Nthn Uranium	35	25	1-10	19.0	23.3	-18	1.16	1.29	1.00	+13
Nuenergy Capital	10	20	2-3	2.0	4.2	-52	1.05	1.50	1.00	+45
Nupower Resources	21	20	0-4	11.0	4.2	+160	0.81	3.07	1.00	+246
Nusep Ltd	13	50	0-1	2.5	0.0	+999	0.98	9.99	1.00	+999
Nylex Ltd	141	184	1-9	36.0	38.8	-7	0.62	2.17	1.00	+29
Oil Basins Ltd	9	20	1-7	2.0	0.3	+568	0.43	4.45	1.00	+78
Olympia Resources	8	35	1-10	0.4	0.3	+23	0.64	3.21	1.00	+125
Olympia Resources	8	20	2-4	1.7	1.3	+26	0.64	2.32	1.00	+53
On Q Group	15	30	0-3	3.0	0.1	+999	0.74	7.38	1.00	+999
Orchid Capital	3	5	4-0	1.1	0.7	+61	0.51	2.00	1.00	+25
ORT	1	6	0-0	0.3	0.7	-56	0.94	2.00	1.00	+999
ORT	1	14	0-0	0.1	0.7	-85	0.94	2.00	1.00	+999
Oropa Ltd	5	20	1-11	1.7	0.9	+86	0.98	1.93	1.00	+125
Oroya Mining	4	5	1-5	1.9	1.6	+15	0.88	1.75	1.00	+37
Oz Brewing	7	20	4-10	2.2	3.1	-29	0.81	1.42	1.00	+29
Pacmag Metals	28	18	0-1	20.0	10.1	+98	0.67	2.74	1.00	+999
Palace Resources	6	20	4-4	2.8	2.8	+0	0.84	1.45	1.00	+35
Papyrus Australia	60	20	0-1	35.0	40.1	-13	0.61	1.50	1.00	-65
Paradigm Gold	9	25	0-3	0.5	0.0	+999	0.83	8.90	1.00	+999
Peak Resources	13	25	1-7	3.0	2.5	+18	0.76	2.22	1.00	+66
Peel Exploration	21	20	2-9	4.2	10.6	-61	0.69	1.55	1.00	+5
Pegasus Metals	8	20	2-1	2.0	1.5	+30	0.70	2.21	1.00	+61
Pelican Resources	27	20	0-10	10.0	13.6	-26	1.13	1.60	1.00	+13
Pensinsula Minerals	3	10	2-4	1.2	0.5	+131	0.73	2.18	1.00	+73
Perseus Mining	107	20	1-1	87.0	88.6	-2	0.61	1.21	1.00	+0
PharmaNet Group	1	5	0-10	0.2	0.0	+999	0.69	5.22	1.00	+545
Phosphagenics	20	20	1-3	11.0	4.3	+157	0.39	3.12	1.00	+41
Polaris Metals NL	62	20	0-10	40.0	43.7	-8	0.78	1.39	1.00	-4
Portland Orthopaedics	10	25	0-9	0.6	0.1	+708	0.55	6.00	1.00	+275
Poseidon Nickel	62	81	1-9	22.0	39.9	-45	1.45	1.27	1.00	+33
Poseidon Nickel	62	92	3-9	32.0	51.6	-38	1.45	1.10	1.00	+20
Prairie Downs Metals	77	25	0-3	52.5	52.5	+0	0.83	1.47	1.00	+3
Primary Resources	23	20	2-6	7.3	12.6	-42	0.78	1.48	1.00	+7
Prime Minerals	61	20	1-8	39.0	45.2	-14	0.82	1.29	1.00	-2
Progen Pharm	190	840	2-3	30.0	3.8	+685	0.49	3.91	1.00	+97
Proto Resources	28	20	3-6	18.0	20.7	-13	1.02	1.19	1.00	+10
Pryme Oil & Gas	30	40	0-4	6.0	1.6	+268	0.62	5.31	1.00	+260
Pure Energy Resources	49	30	0-10	27.0	24.5	+10	0.83	1.73	1.00	+20
QRScience Holdings	12	45	4-4	4.0	5.7	-29	0.95	1.37	1.00	+40
Qld Gold & Minerals	13	20	0-4	1.5	0.5	+219	0.67	5.48	1.00	+352
Quantum Resources	2	10	2-8	1.0	0.2	+369	0.70	2.35	1.00	+90
Quantum Resources	2	10	4-2	1.0	0.5	+119	0.70	1.84	1.00	+51
Quantum Resources	2	5	4-9	2.0	0.8	+136	0.70	1.53	1.00	+30
Queensland Ores	19	35	0-9	4.8	0.7	+606	0.54	4.83	1.00	+168
Quest Investments	31	15	0-10	3.0	18.7	-84	0.98	1.50	1.00	-48
Ramelius Resources	101	100	1-4	51.0	59.5	-14	1.35	1.36	1.00	+35
Range River Gold	3	25	0-7	0.4	0.0	+999	0.92	5.42	1.00	+999
Reco Financial Services	2	10	0-10	1.0	0.1	+999	0.94	3.30	1.00	+554
Record Realty	61	100	0-1	0.1	0.0	+999	0.28	9.99	1.00	+999
Red Fork Energy	50	20	1-2	32.0	32.0	+0	0.55	1.52	1.00	+3
Red River Resources	14	20	2-1	6.0	7.6	-21	1.14	1.39	1.00	+35
Red Sky Energy	5	30	1-5	0.5	0.2	+109	0.87	2.81	1.00	+258
Redbank Mines	6	28	0-3	0.6	0.0	+999	0.59	4.02	1.00	+999
Regal Resources	9	20	0-9	1.4	0.3	+423	0.63	4.50	1.00	+222
Regis Resources	60	5	5-11	35.0	57.2	-39	0.73	1.04	1.00	-7
Regis Resources NL	60	20	4-2	35.0	48.8	-28	0.73	1.17	1.00	-2
Regis Resources NL	60	10	4-8	10.5	54.0	-81	0.73	1.09	1.00	-21
Republic Gold	7	3	0-9	4.0	5.0	-20	1.50	1.27	1.00	-6
Reward Minerals	47	20	1-4	25.0	32.7	-24	1.10	1.30	1.00	-2
Rialto Energy Ltd	40	60	3-4	15.0	20.7	-27	0.83	1.44	1.00	+21
Rockeby Biomed	2	5	1-3	0.5	0.0	+999	0.37	7.37	1.00	+144
Rocklands Richfield	23	30	1-9	3.1	9.4	-67	0.90	1.67	1.00	+23
Royal Resources	19	20	1-5	9.5	7.7	+24	0.86	1.76	1.00	+38
Rusina Mining NL	21	20	0-1	2.0	3.0	-33	1.01	4.47	1.00	+75
Safety Medical Prod	25	20	0-10	8.0	9.9	-19	0.81	1.96	1.00	+15
Safety Medical Prod	25	100	2-10	2.9	5.8	-50	0.81	1.86	1.00	+65
Sapex Ltd	19	25	3-11	11.0	10.8	+2	0.79	1.38	1.00	+18
Saracen Mineral Hold	31	10	5-4	20.0	24.9	-20	0.59	1.18	1.00	-0
Saracen Mineral Hold	31	13	1-9	14.0	19.8	-29	0.59	1.46	1.00	-7
Segue Resources	8	100	2-4	2.0	3.3	-40	1.61	1.34	1.00	+206
Select Vaccines	2	20	0-3	0.1	0.0	+999	0.76	9.99	1.00	+999
Sierra Mining	15	20	2-10	5.0	7.2	-30	0.80	1.53	1.00	+20
Souls Private Equity	22	30	1-10	2.2	1.2	+80	0.24	5.65	1.00	+25
Sovereign Metals	22	20	2-4	9.0	12.7	-29	0.91	1.41	1.00	+13
Stirling Minerals	16	20	2-4	2.0	4.5	-56	0.50	2.22	1.00	+15
Stonehenge Metals	31	25	1-10	15.0	12.9	+16	0.54	1.92	1.00	+15
Strathfield Group	4	7	0-1	0.1	0.0	+999	0.47	9.99	1.00	+999
Strike Resources	139	20	0-4	153.0	119.5	+28	0.61	1.16	1.00	+93
Style Ltd	40	20	0-11	23.0	21.7	+6	0.52	1.77	1.00	+8
Sub-Sahara Resources	7	15	1-4	2.5	0.2	+999	0.46	4.61	1.00	+105
Sun Resources NL	9	20	0-10	2.0	0.2	+999	0.56	5.08	1.00	+213
Sunnycove Mgmt	40	150	1-3	2.3	0.6	+316	0.59	4.44	1.00	+191
Swish Group	1	2	1-11	0.3	0.2	+51	0.76	2.09	1.00	+63
Synergy Metals	4	3	3-6	1.6	2.6	-38	0.75	1.34	1.00	+4
Talisman Mining	61	20	2-10	39.0	53.1	-27	1.29	1.10	1.00	-1
Target Energy	18	25	1-9	5.0	6.1	-18	0.79	1.86	1.00	+34
Tasman Resources	15	20	1-10	6.0	4.3	+40	0.64	2.11	1.00	+35
Tawana Resources	12	100	0-2	0.1	0.0	+999	0.85	9.99	1.00	+999
Telezon	20	20	0-4	2.0	4.1	-52	0.86	2.99	1.00	+33
Terrain Minerals	16	25	2-5	3.0	3.5	-14	0.53	2.32	1.00	+28
Territory Uranium	16	70	2-4	2.6	2.3	+13	0.80	2.13	1.00	+94
Texon Petroleum	42	50	1-2	9.5	7.8	+22	0.51	2.95	1.00	+34
Thundelarra Exp	33	19	1-4	17.5	18.2	-4	0.74	1.60	1.00	+8
Tidewater Investments	70	125	1-3	0.1	1.8	-94	0.35	5.83	1.00	+59
Tiger Resources	46	45	0-1	5.5	4.4	+25	0.71	6.22	1.00	+206
Torrens Energy	46	25	2-1	20.0	30.1	-34	0.84	1.36	1.00	-1

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/ Under-Valued	Share Vola-tility	Option Lever-age	Options to Buy 1 Share	Break-Even Rate
Trafford Resources	62	25	0-8	36.0	39.8	-10	0.99	1.47	1.00	-2
Transit Holdings	47	25	1-10	25.0	32.5	-23	1.04	1.29	1.00	+3
Transol Corporation	3	2	3-3	1.0	1.8	-45	1.05	1.21	1.00	+6
Trojan Equity	98	100	0-4	2.0	2.8	-28	0.13	9.99	1.00	+15
U308 Limited	21	25	1-4	8.5	7.1	+19	0.82	1.92	1.00	+42
Unilife Medical Solutions	25	50	0-4	4.5	0.1	+999	0.54	9.61	1.00	+999
Union Resources	1	10	1-1	0.3	0.0	+999	0.75	4.52	1.00	+576
Union Resources	1	10	1-1	0.9	0.0	+999	0.75	4.50	1.00	+601
United Minerals Corp	83	20	0-5	63.0	63.9	-1	1.20	1.28	1.00	+0
United Uranium	11	20	1-4	3.0	2.0	+50	0.74	2.42	1.00	+74
Uran Ltd	18	20	1-3	8.5	9.2	-7	1.25	1.48	1.00	+45
Uranium Exploration	20	20	0-1	1.8	1.6	+11	0.68	6.80	1.00	+181
Uranium Oil & Gas	9	20	2-5	3.7	1.8	+108	0.64	2.19	1.00	+50
Uraniumsa Ltd	18	25	1-11	7.0	7.4	-5	0.93	1.61	1.00	+37
Venture Minerals	28	25	0-4	14.0	5.4	+158	0.62	3.52	1.00	+185
Verus Investments	4	10	2-4	1.6	2.1	-25	1.26	1.35	1.00	+58
Victoria Petroleum	15	25	1-11	6.9	2.7	+156	0.55	2.56	1.00	+48
View Resources	13	20	0-4	1.9	0.7	+158	0.79	4.50	1.00	+378
Virax Holdings Ltd	6	20	1-10	1.0	0.1	+582	0.53	3.90	1.00	+109
Visiomed Group	1	12	0-1	0.1	0.0	+999	0.79	9.99	1.00	+999
Vital Metals	54	80	0-6	13.0	2.8	+357	0.60	4.81	1.00	+202
WCP Diversified Inv.	10	2	2-4	7.0	8.1	-13	0.67	1.18	1.00	-3
WCP Resources	10	4	2-4	5.0	6.8	-26	0.67	1.35	1.00	-3
Washington Res	21	25	0-0	0.1	6.8	-99	0.81	1.35	1.00	+999
Werstern Metals	9	35	2-2	4.4	2.5	+75	1.01	1.73	1.00	+97
West Aust Metals	23	5	0-6	17.0	18.2	-6	0.71	1.26	1.00	-9
Western Uranium	10	20	2-4	4.0	3.3	+21	0.81	1.76	1.00	+46
Westonia Mines	7	10	2-4	3.5	2.8	+25	0.71	1.76	1.00	+29
Westralian Gas & P.	7	25	1-7	2.4	3.8	-36	1.69	1.33	1.00	+138
Westside Corporation	50	50	1-1	9.0	20.0	-55	0.94	1.79	1.00	+17
Whinnen Resources	25	20	0-11	10.0	11.5	-13	1.00	1.70	1.00	+22
Xenolith Gold	8	8	3-4	4.5	5.9	-24	1.06	1.22	1.00	+13
Yellow Rock Res.	17	20	1-9	5.5	6.3	-12	0.79	1.78	1.00	+28
Zamia Gold Mines	10	20	1-4	2.5	1.7	+49	0.76	2.43	1.00	+84
Zedex Minerals	21	20	0-9	7.0	5.2	+36	0.59	2.76	1.00	+40

New Zealand Warrant / Option Analysis

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/ Under-Valued	Share Vola-tility	Option Lever-age	Options to Buy 1 Share	Break-Even Rate
Burger Fuel W/wide	55	100	1-0	1.0	1.3	-20	0.39	5.9	1.00	+84%
Infratil (B)	248	175	1-4	90.0	94.3	-5	0.26	2.5	1.00	+5%
Infratil (C)	248	425	4-4	43.0	38.8	+11	0.26	3.1	1.00	+16%

Review of Existing Options

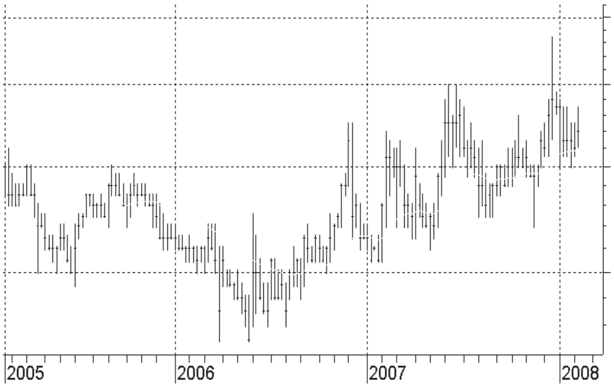
With the stockmarket sharply lower, it should not be surprising that some options have dropped significantly in value. That dip, however, could also offer an attractive opportunity to buy some new options at low prices.

Amcom Telecommunications (codes AMM and AMMO). Amcom Telecommunications shares actually *rose* against the general market trend over the last three months, up 10% to 22 cents. That lifted the options 20% to 6½ cents.

Profits are forecast to rise 20% over the current year.

The options have just under two years to their final exercise/expiry date and continue to remain an attractive investment. "Buy".

Amcom Telecommunications

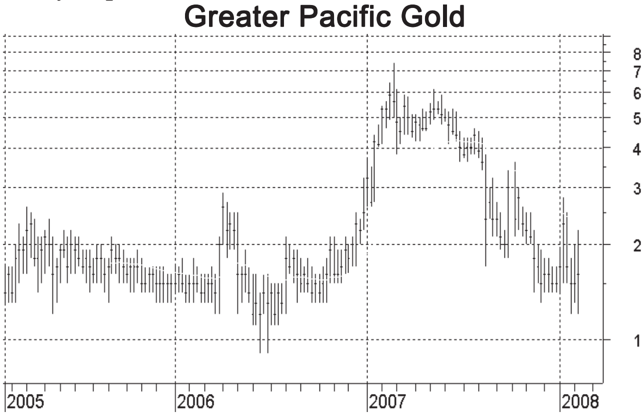


Greater Pacific Gold (codes GPN and GPNOA). Drilling at its *Peak Hill Gold Project* identified only slight gold mineralisation.

Over the quarter, the company issued 55.0 million shares and 55.0 million options to exercise an option to raise its stake in Uranium explorer **Apogei** from 60% to 80%. The remaining 20% is held by listed **Yellow Rock Resources** (21% owned by Greater Pacific Gold).

These options expire on 31 May 2008 and their exercise price of 3.0 cents is well above the current share price of just 1.6 cents. So unless the shares jump very sharply in value - and very soon - these options will likely expire worthless.

Greater Pacific Gold

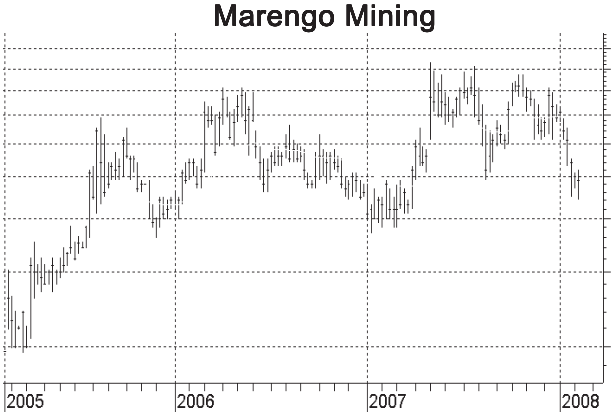


Marengo Mining (code MGO and MGOO).
The share price has fallen sharply, destroying most of the value in these options which expire at the end of this month. Fortunately we had sold about one-third of these options around 21½ cents in May 2007 - so had recouped most of our initial cost of 10 cents per option.

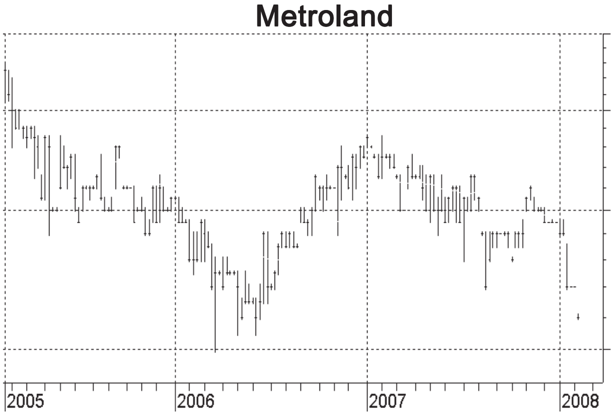
The shares are currently quoted at 23½-24½ cents, which gives the options an intrinsic value of 3½-4½ cents, although they are quoted at 2½-3 cents.

Investors can either exercise these options (i.e. pay 20 cents to buy the shares before 28 February) or sell on-market (before the close of trading on 21 February) or let the options expire for no value.

Overall we would favour selling on-market for a few cents - rather than invest a further 20 cents to buy the shares. That, plus the options sold last year, will allow us to approximately break-even on this investment.



Metroland (codes MTD and MTDO).
The shares in this property development company have slipped to 11 cents - well below the 26 cents exercise price of our options which have 15 months until their final exercise/expiry date but which are effectively worthless.



ORT (codes ORT and ORTO).
Theses options have been virtually worthless for some time and will expire at the end of this month.

Options Offer an Attractive Entry to an Emerging Growth Company

Style (codes SYP and SYPO).
Style Ltd (previous Style Plantations) is an emerging growth business producing an environmentally friendly, sustainable product (i.e. wood flooring from bamboo) in China for export to markets in North America, Europe, Asia, Australia, New Zealand and South Africa. The company reached profitability in the year to June 2007 but delays in expanding its production capacity this year has deferred expected revenue growth by five months - leaving the company short of ambitious profit targets - and the shares have been marked down from a high of 100 cents in June 2007 to around 40 cents today. The options - to buy shares at 20 cents on 29 January 2009 - trade around 23 cents and offer an attractive entry into this company.

Ten years ago Style established and took a 50% interest in a mainland Chinese company, **Anji Ya Fong Bamboo Products**, increasing its ownership to 100% in May 2007 with the issue of 4,680,157 shares (worth 86 cents at the time, or a total of A$4.0 million). This company is now an industry leader in bamboo flooring manufacture and has Chinese patent rights for its strand woven bamboo product. As a significant rural employer, it has "local government support in multiple provinces". A five month delay in an initial phase of a two stage upgrade of the factory capacity has helped delay expected revenue growth and impacted upon the share price. That initial upgrade is now completed and after the usual start up problems is producing to expected quality. Equipment for the final upgrade is on site and will be fully operational by the end of March 2008.

The company sold around 750,000 metres^2 of flooring in the year to June 2007, while capacity will soon have expanded to allow the production of up to around 4.75 million metres^2 annually.

In November 2007, Style acquired a 50 year lease on the 5,157 hectare **Wanzai** bamboo plantation, plus rights to purchase an industrial site for a second future factory, for A$10.0 million. Style will introduce an improvement program to lift yields, but will immediately enjoy a 30% reduction in bamboo costs and better security of supply, compared with buying bamboo on the market. This acquisition was funded through the placement of 7,692,308 convertible notes paying interest at 8% (and repayable in cash in July 2009 or convertible into ordinary shares at 130 cents).

The year to June 2007 saw revenues up 88.7% to $19.9 million, with a maiden profit of $112,178 (0.1 cents per share), compared with a *loss* of $705,228 in 2006. There was also a small cash operating surplus of $118,594 - up from a *deficit* of $2.9 million the previous year.

Despite delays this year, the first half should show a 66% increase in revenues to $12.1 million and earnings (before interest and depreciation) of $0.5 million. The full year to June 2008 is predicted to yield revenues 50-75% higher at $30-35 million, with earnings (before interest and depreciation) up 60-90% to $3.0-3.6 million. That could equal a 3½-9 fold increase in net profit to $0.4-1.0 million (0.4-1.1 cents per share). While that would be a good result, the company had, before the expansion delays, forecast revenues of $60-80 million and earnings of $14-20 million!

Revenues could more than *double* or *triple* in the year to June 2009 with the benefit of the full factory expansion. The company has negotiated a "number of minimum fixed quantity contracts" with distributors who will buy at least $80 million of product over the period to October 2009.

Four directors bought shares on-market last week, and there was one on-market sale in September 2007. In September the Chairman and Chief Executive sold 6.5 million listed options at 64 cents (to raise $4.16 million to buy a house), leaving him with 10.4 million shares and 6.0 million (unlisted) executive options.

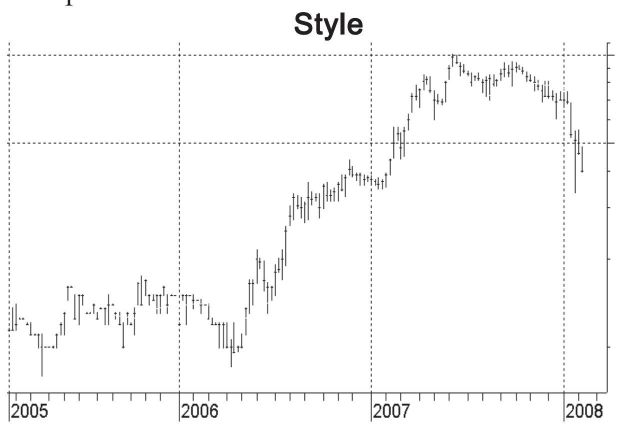
Last week, SJ Roux bought 75,000 options (at 25-27 cents) and 11,200 shares (at 46 cents) to add to his holding of 2.25 million executive options. GL Johnson bought 56,000 shares (at 42 cents). MW Freeman acquired his first 14,000 shares (at 42½ cents) in addition to a holding of 6.0 million executive options. WW Gill bought 24,000 shares on-market (at 42½ cents) and 40,000 options (at 23½ cents).

Summary and Recommendation

Style Ltd appears to have developed a high quality, environmentally "green" floor product that can be sold in first world markets through distributors to generate high profit margins. It is now gearing up production (and securing raw material supplies) which could lead to a period of extremely strong revenue and profit growth over many years. If successful, the shares could increase many, many fold in value over the next 5-10 years.

An emerging growth business, however, does involve high risks. Delays in expanding the production capacity at its Chinese factory appears to be the main reason (together with general stockmarket uncertainty) for a 60% drop in the share price over the last 4-5 months. Given the risks in an emerging business, the January 2009 options - which usually trade in reasonable volumes and at only a small premium to their intrinsic value - would appear to offer the best way to build a small stake in the company. If the business is successful, then we would look to exercise the options in 11½ months and continue to hold Style shares for further long term growth. So, for a long term investor, the options offer a lower risk way to build up a holding.

The options also offer an attractive "recovery investment" for higher risk investors over the next year. If the business successfully returns to its growth path then the shares could return towards recent highs and recover 100-150% to 80-100 cents - which would increase the option value 160-350% to 60-80 cents.



Research Report: A "Selling Panic" Buy Signal

A "selling panic" can happened on the stockmarket very close to the bottom of a decline. Investors become increasingly pessimistic as a crisis drags on and as share prices trend lower month after month. Eventually, at the moment of "maximum uncertainty", pessimism and panic (and perhaps more than a few margin calls!) sweep the market into a sell-off when share prices will drop sharply across the board.

The theory states that this will probably be the low point of the stockmarket decline. The crisis that triggered the uncertainty and falling share prices will not just go away overnight - but it probably won't be as bad as *feared* during the panic sell-off.

This expectation about a selling panic works quite well in practice. Investors who buy *during* the selling panic will be amongst those who bought at the very lowest prices - although this does require a lot of courage, excellent timing (i.e. to the right hour of the right day), high risk taking and the volume of shares available at those low prices may be limited!

Waiting to buy in a selling panic, however, is perhaps not a very practical strategy, but if the selling panic marks the low in a stockmarket decline, then it should only be necessary for investors to (1) identify the panic selloff and (2) *then* start buying shares which will be *near* their lows and *likely to recover and appreciate strongly in value over future months.*

Identifying a Panic Sell-Off

You might think you would know a selling panic when it hits the stockmarket and depresses the value of your share portfolio - but if even a small percentage of investors could accurately identify this they would be buying aggressively and the "panic" would be halted in its tracks! A selling panic requires that there be plenty of sellers wanting to quit their shares and few buyers. So the sellers "panic" and offer their shares at sharply lower and lower prices in the hope of making a trade.

Even if you could identify the panic selling in progress, jumping in and buying aggressively is probably just a bit too scary!

In fact, the sell-off must look *reasonable* to most investors. The crisis of the day is going from bad to worse to hopeless, share prices are falling so the popular consensus will be to sell while there is still some value left! A typical media heading will read "Investors Brace for Further Falls".

Even though a selling panic will likely be the moment of maximum pessimism, market sentiment will still be generally *negative* in the following weeks and months.

So how to identify a selling panic? We attempt to *quantify* and *measure* a selling panic by monitoring the market's *Advance/Decline ratio*. Our expectation is that panic motivated selling will impact on *nearly all* shares - so we would expect a period when *virtually all shares traded at lower prices*. In normal times, some shares will rise and others will fall, based upon changes to their individual outlooks. Even in a general market trend or change in sentiment, 30-35% of share movements will be against the trend (owing to either individual company factors or just random short term fluctuations). If virtually all shares move down - that could be a "panic sell-off".

We calculate the *Advance/Decline ratio* by starting with the number of shares that increase in price over a week and deduct the number that decline in price. That is the simple and widely followed *Advance/Decline Line* which simply measures the direction of the market. We then divide that Advance minus Decline number from the *total number* of shares that either advanced or declined in price. This standardises the ratio - so that we can compare the figure over time (when the number of listed shares generally increases) and between markets (i.e. between, say, NZ and Australia which has 12 times as many listed companies).

So if 70 shares rise and 30 shares fall our *Advance/Decline ratio* would be (70-30)/(70+30) = 0.40. In a larger market like Australia we could see 700 rises and 300 falls, but that would give the same ratio of 0.40.

For a panic sell-off we would look for a large *negative* ratio. In Australia anything from -0.60 to -1.00 and in New Zealand (where the ratio is more volatile owing to the smaller number of shares) a ratio of -0.70 to -1.00 would show a broadly based decline that *could* be a panic sell-off. A ratio of -0.60 would show 80% of shares falling and only 20% rising, or a *net* 60% (i.e. 0.60) declines.

A *Technical* stockmarket analyst would say a large negative *Advance/Decline ratio* identified a period when the market is "over-sold" and likely to bounce back up in the short term. Our theory is that an *extremely* over-sold market can result from a selling panic and that this is an indicator that the market is at or near a *major* low, that a decline lasting months or years will be virtually over and the future long term trend is likely to be upwards! If so, a selling panic would be an important signal to BUY shares.

Historical Panic Sell-Offs

Working with our *Advance/Decline ratio* we have sought to identify possible historical selling panics on the Australian stockmarket (where we have only about 10 years of data) and in New Zealand (where we have over 30 years of data). The most significant panic selling would likely occur on both markets at the same time.

Based upon that data we could identify about 21 weeks with "selling panics" although some occurred on consecutive weeks. For example, after a two year decline the NZ market suffered two weeks of "panic selling" in November 1982 - then rose 6½ fold through to its 1987 peak. Three weeks of consecutive "selling panic" in October and November followed the '87 crash. There were also three weeks of "panic selling" spread throughout 1990 as the market first approached post-crash lows in February, hit new lows in August and a third panic sell-off just ahead of the market's ultimate low in November.

Eliminating consequent weeks of selling, a "selling panic" may happen only 4-5 times per decade. Consequent weeks of selling, or selling panics within a shoirt period (i.e. within 6-12 months) *may* be more significant and identify particularly good periods to be buying shares!

In most cases, these selling panics were either the market low or the market drifted only slightly lower for just a few more weeks or afew more months. In these cases, the weeks and months following these selling panic proved to be excellent periods in which to buy shares.

In some cases the ultimate market low occurred about a year *after* the selling panic - with the market usually continuing to fall sharply over that period but eventually rebounding.

The 1987 selling panic proved the least attractive period to buy shares in New Zealand as the stockmarket drifted lower for three years before finally recovering strongly from the start of 1991. This situation, however, is unusual and different from that experienced by other world stockmarkets following the 1987 crash. Most world stockmarkets were near their lows following the October/November selling panics (i.e. prices didn't move slowly lower, but just dropped straight down to their lows) and by December 1987 were starting a strong, long term recovery. The New Zealand stockmarket and economy suffered severely from an extended period of tight monetary conditions - which squeezed both bad companies and good companies towards bankruptcy.

Over the last 30 years, on the New Zealand market we had selling panics on the weeks ended 17 October 1981, 12th and 19th November 1982, 3rd August 1984, 23rd and 30th October and 6th November 1987, 23rd February and 10th August and 2nd November 1990, 12th November 1993, 24th June 1994, 31st October 1997, 14th September 2001, 24th March 2004, 21st October 2005, 17th August 2007 and 18th January 2008.

In Australia, over the last ten years, there were selling panics on 22nd September 2000, 14th September 2001, 15th April 2004, 17th August 2007 and 18th January 2008.

In the latest selling panic, the peak sell-off (i.e. the sharpest falls and the most number of falls) happened on the following Tuesday (22nd January) but the market bounced back in subsequent days to give a fairly *normal* figure for the weekly *Advance/Decline ratio*.

Summary and Recommendation

No stockmarket indicator will ever work perfectly - if only because the stockmarket is driven by an endless series of external events. For example, what we now call the "1979-81 Oil Crisis" was a series of unrelated crises and just as the stockmarket was about to recover from one it was hit by the next and then the next and so on (although interestingly a selling panic did not occur until the end of that period, in October 1981) Similarly, while most world stockmarkets recovered from the 1987 crash (i.e. that "selling panic" was a good Buy signal) the New Zealand stockmarket continued to suffer owing to harsh monetary conditions imposed upon the economy. So any method of analysing the stockmarket can only *indicate* what is likely to happen in the future and what actually happens can be determined by future events (e.g. a new and worse crisis or poor inappropriate economic policy).

Nevertheless, our definition of a "selling panic" (i.e. a very broadly based decline over a week) appears to be reasonably good at identifying the moment of maximum pessimism in a crisis and the likely low of a stockmarket decline. A selling panic can therefore be considered a medium term to long term "Buy" signal.

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Total Return Index for All Listed Shares

Jan 14	2268.01	Jan 21	2172.84
Jan 15	2251.59	Jan 22	2124.72
Jan 16	2220.32	Jan 23	2141.66
Jan 17	2211.05	Jan 24	2164.28
Jan 18	2181.09	Jan 25	2179.57
Jan 28	2175.33	Feb 4	2187.85
Jan 29	2183.15	Feb 5	2180.91
Jan 30	2184.30	Feb 6	Holiday
Jan 31	2178.81	Feb 7	2167.40
Feb 1	2183.59	Feb 8	2162.79

Dividend$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Kermadec Property	1.89	08-02	15-02	0.2775
Smiths City Market	1.50	08-02	15-02	Nil
South Port NZ	2.75	22-02	07-03	Full
Tower Ltd	6.00	25-01	05-02	Nil

Australian Shares

None

Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday March 10, 2008.

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

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Birkenhead, Auckland. Subscribe online at www.stockmarket.co.nz or www.australia-stockmarket.com or email james@stockmarket.co.nz.