

Market Analysis

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Inside Market Analysis

ACCEPT Ammtec Takeover (share alternative) 5
 Challenger Wine Trust investigates
 "strategic alternatives" 6
 Iluka Resources increases production
 and again raises prices 7

Company Analysis:
 Rubik Financial 10, 11
 Warrant / Option Analysis 14,15,16

Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

A popular - and accurate - stockmarket adage is "Don't fight the Fed". The US Federal Reserve plans to pour a further US\$600 billion into financial markets over the next eight months. This is the time to be owning shares!

Investment Outlook.

Just last month the doom and gloom merchants were predicting stockmarkets were about to collapse as the US Federal Reserve had been "plying brokerage firms with free money" to inflate stock prices through to the end of September. So now that the Federal Reserve really *is* actually going to pour US\$75 billion per month into financial markets over the next eight months (i.e. a total of US\$600 billion, plus re-invest the US\$250-300 billion maturing over that period) are they predicting a stockmarket boom through to June 2011?

No way! The stockmarket - we are now told - had "anticipated" this latest announcement of *quantitative easing* (called "QE2" by the media) and stockmarkets are about to collapse!

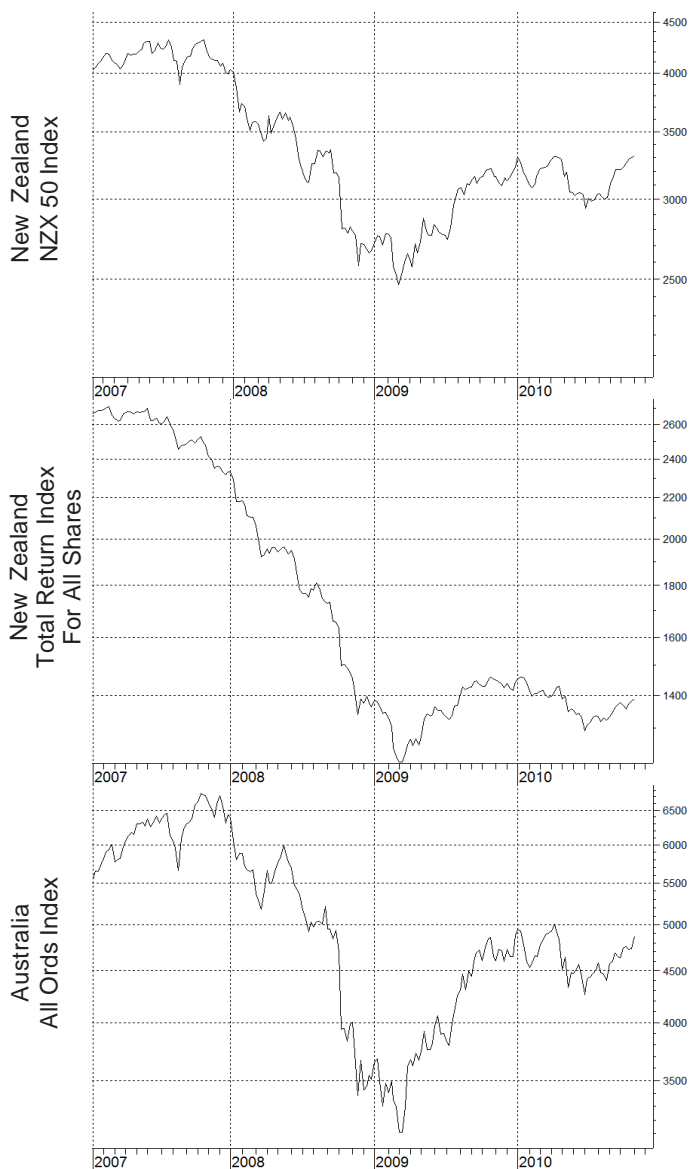
By now you probably *know* what we think about all of this: Firstly, as long as the doom and gloom people continue to predict the end of the world, some stockmarket investors will keep getting richer! *When* the doom and gloom people go silent (and perhaps secretly buy their first shares?), then the stockmarket will be getting near a peak - and it will be time for us to worry. In the meantime, as long as we are bombarded with predictions of doom, everything is just fine in our world!

Secondly, if you are reading some economic report with cutesy names like "GFC 2.0" or QE2" then it was probably written by an idiot who doesn't understand the subject. Continue reading, study the conclusions carefully . . . and then expect the *opposite* outcome! While the term "quantitative easing" is fairly modern, this process has been going on for most of the last 65 years! We are probably at QE50 or QE100, so the person who coined the phrase "QE2" has no understanding of economics.

Thirdly, creating money supply during a period of slow economic growth will ultimately result in financial asset price inflation (i.e. a boom in financial asset prices). By purchasing bonds and lowering interest rates the Federal Reserve has already boosted the capital value of long term bonds. Eventually it will probably lead to a stockmarket boom - which may impact upon share prices in general or a particular sector (e.g. previous booms centred on Technology) (Continued on Page 12)

Stockmarket Forecasts

	One-Month	One-Year
Australia:	87% (Bullish)	59% (Neutral)
New Zealand:	77% (Bullish)	52% (Neutral)



Recommended Investments

Lyttelton Port Company is uncertain of the financial impact of the earthquake on its reported profits. While the company is insured for damage *and* any loss of profits, International Financial Reporting Standards will determine how the company needs to account for the impairment of assets and the receipt of insurance

proceeds. This could result in some “significant positive and negative impacts” in one accounting period and perhaps the opposite impact in the following year.

“Underlying *trading* profits”, however should be “at least \$10 million” (up from \$9.8 million last year) and the company is “ahead for the first quarter this year”.

(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation Code	Initial Recommendation - Date -	Initial Recommendation Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<u>NZ Shares</u>													
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	E	243.4	1.5	12.74	52	1.1	27	29.9	+128%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	A	67.8	1.0	0.96	13	8.3	311	249.0	+259%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	A	32.7	0.5	0.18	15	8.9	242	316.3	+336%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	B	102.3	0.6	2.76	27	2.7	236	77.7	+109%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	B	382.5	0.9	0.66	11	5.2	77	29.4	+2028%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	523*	B	192.2	1.0	0.46	9	6.1	347	377.0	+38%
HOLD	Postie Plus Group	PPG	08/05/06	71	C	40.0	1.7	0.11	21	Nil	30	8.5	-46%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	C	44.2	1.6	0.09	NE	Nil	39	53.9	+9%
HOLD	Smiths City Group	SCY	09/10/06	64	C	53.0	1.5	0.09	12	5.3	38	13.0	-20%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.6	3.17	14	6.7	276	134.3	+242%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	B	88.4	0.7	0.56	22	5.0	242	234.5	+226%
<u>Australian Shares (in Aust cents)</u>													
BUY	AJ Lucas Group	AJL	13/05/03	120	C	65.3	0.6	0.43	NE	2.3	236	41.0	+131%
TENDER	Ammtec Ltd	AEC	11/01/10	257	A	36.5	0.5	2.78	22	4.2	414	27.5	+72%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	C	89.2	2.2	1.42	NE	Nil	11	17.5	-61%
HOLD	Breville Group Ltd	BRG	13/11/06	171	A	129.5	0.6	0.82	15	4.1	268	27.0	+73%
HOLD	Campbell Brothers Ltd	CPB	12/10/99	389*	A	63.0	0.3	2.63	29	2.9	3446	539.0	+924%
BUY	Cardno Ltd	CDD	14/12/09	399*	A	90.5	0.5	0.91	12	6.0	480	28.6	+27%
HOLD	Cellnet Group Ltd ¹	CLT	12/02/02	147*	B	73.5	1.3	0.33	22	Nil	34	32.4	-55%
HOLD+	Challenger Wine Trust	CWT	12/01/09	30	C	190.8	1.7	1.16	NE	22.4	19	6.7	-15%
HOLD+	Circadian Technologies	CIR	10/02/04	188	D	45.2	1.0	11.78	NE	Nil	59	65.0	-34%
HOLD+	Clarius Group Ltd	CND	08/04/03	82*	B	85.8	1.0	0.23	20	2.8	72	65.5	+67%
HOLD+	CPT Global Ltd	CGO	10/03/08	88	E	36.9	1.0	0.46	NE	Nil	47	7.3	-38%
BUY	CSG Limited	CSV	11/10/10	175	B	242.9	0.8	1.53	14	3.1	175	Nil	+0%
BUY	Devine Ltd	DVN	13/11/06	84*	A	634.9	1.4	0.32	22	3.5	29	17.9	-45%
HOLD+	Ellex Medical Lasers	ELX	14/03/06	49	A	84.9	1.5	0.50	6	Nil	29	Nil	-42%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	B	32.2	0.8	2.05	12	5.7	148	21.8	-35%
BUY	Finbar Group Ltd	FRI	12/04/10	106	A	162.5	0.7	1.36	9	5.8	129	5.5	+27%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	B	418.7	0.4	5.07	NE	Nil	710	64.0	+64%
BUY	Integrated Research	IRI	14/01/08	40	C	166.8	1.2	1.45	10	7.7	33	10.0	+6%
HOLD	Mnet Group ¹	MNZ			C	208.3	3.8	0.88	NE	Nil	4	Nil	
HOLD	M2 Telecommunications	MTU	09/10/06	33	A	121.5	0.5	0.79	20	3.8	264	23.5	+771%
BUY	Melbourne IT	MLB	10/02/04	53	B	79.0	0.6	0.67	8	8.8	171	59.0	+334%
BUY	Nomad Building Solutio	NOD	16/08/10	15	C	138.1	2.0	0.09	2	Nil	15	Nil	+0%
HOLD-	Photon Group Ltd	PGA	10/11/08	132*	C	187.4	3.1	0.02	NE	52.6	6	11.8	-87%
BUY	Probiotec Ltd	PBP	11/02/08	116	B	52.8	0.9	0.61	9	4.0	87	9.8	-17%
HOLD+	Prophecy International	PRO	08/09/08	26	B	47.2	1.5	2.52	38	9.3	27	6.8	+30%
HOLD	Ross Human Directions	RHD	14/08/01	92	A	83.5	0.9	0.15	8	5.1	69	37.8	+15%
HOLD+	Skilled Group Ltd	SKE	12/03/02	126	C	190.7	0.8	0.16	21	Nil	143	132.0	+118%
HOLD	Technology One Ltd	TNE	11/11/03	44	B	300.3	0.8	2.38	19	3.9	97	21.4	+169%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	B	227.4	0.8	2.09	7	4.4	107	9.4	+159%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	A	26.0	0.2	1.02	21	3.6	1851	248.5	+717%
HOLD	Village Roadshow PREF	VRLPA	10/08/09	77	B	166.5	0.6	0.31	6	Nil	237	9.0	+220%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +170.5%. This is equal to an average annual rate of +25.2%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 41 current and 148 closed out) is +29.6%, compared with a market gain of +4.4% (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 includes 1½ shares in Mnet Group distributed to shareholders.

Recommended Invesments

(Continued from Page 3)

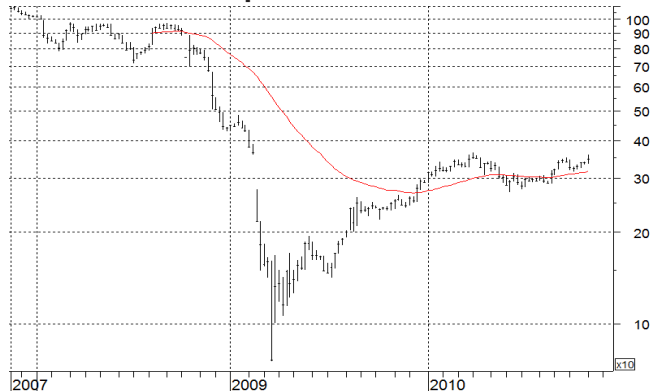
Michael Hill International plans to open 63 more stores over the next three years, mainly in Australia and Canada.

Michael Hill International



Nuplex Industries is forecasting a net profit of \$68-75 million this year, up 6-17%.

Nuplex Industries



Renaissance Corporation has opened a 24/7 Contact Centre, using one 0800 number for all of its businesses. The company has also invested in a clean-room for repairing high definition displays - which has helped cut repair times by 80%!

Renaissance Corporation has signed a contract with **Penguin Group (USA)** to develop and host an iPhone/iPad application for one of its books - and this may be repeated for other books in the future. The company has also secured exclusive distribution rights in New Zealand for new products: the full range of **Micronet Communications Inc's** network infrastructure products and **Audioengine's** A5 and A2 audio speakers.

Renaissance Corporation



Smiths City Group reports second quarter revenues (to 31 October) down 11.5% on the same quarter the previous year. That makes its first half revenues down 4.2%.

The company has lodged an insurance claim for *Business Interruption*, owing to disruption to business in its Christchurch stores, which has been “accepted in principle”. The value of the claim, and supporting documentation, have yet to be determined.

The group expects the furniture and appliance retail business to remain difficult, but is taking some steps for growth. On 8 December it will open a new store in the *Harvey Norman Centre* in Rutherford Street. 90% of furniture and home appliance stores in Lower Hutt are clustered in this area. The company will also merge its *Smiths City* store and *LV Martin & Son* stores in Porirua, “providing a larger floor area and an improved product range”.

Smiths City Group



Australian Shares

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

AJ Lucas Group's depressed share price started to recover over the last month, possibly as result of the Federal Environmental Minister approving the Coal Seam Gas export projects planned by **BG** and **Santos**. If these projects proceed, then AJ Lucas Group's drilling and pipeline businesses will benefit.

The group also reports that 40.9% owned **Cuadrilla Resources Holdings** expects to complete the *Preese Hall #1* well by the end of October - a slight delay caused by the hole passing through ultra-fine silica cemented sandstones. The company will then drill the *Grange Hill #1* well 15 km away. Both wells will later be fraced and tested for gas. Cuadrilla Resources owns 75% of these two prospect licences, with AJ Lucas Group directly owning the remaining 25%, giving the company a 55.675% interest in these prospecting licences.

AJ Lucas Group reports that the “calendar year 2011 will be a lot more positive than 2010”. The second half of 2010 (which is the first half of the June 2011 financial year) has been “impacted by unseasonably high rainfall” and customer “delay in expenditure on a number of larger construction projects”. The first half year will remain depressed and the company expects a “much stronger” second half.

The *Marais-Lucas Technologies* joint venture has

completed its trial program laying conduit and fibre optics cable for the **National Broadband Network** in Tasmania - and reports installation speeds 5-10 times faster than conventional trenching.

AJ Lucas Group



The takeover offer for Ammtec was declared unconditional on 29 October and we sent an email to subscribers recommending acceptance of the share alternative.

Campbell Brothers reported that acceptances reached 89.53% by the end of Thursday 4 November, so the company will achieve 90% ownership and be able to apply for compulsory acquisition of the remaining shares. Shareholders who have not yet accepted the takeover should do so immediately!

As we already have a shareholding in Campbell Brothers, for the purposes of our track record in this newsletter, we shall record Ammtec as “sold” at 418 cents (i.e. the current value of the Campbell Brothers shares to be received). We have also received dividends of 27.5 cents, so this is a total return of 73.3% over just ten months!

What individual investors should do will depend upon their personal circumstances. We originally recommended Campbell Brothers 11 years ago, so some more recent subscribers may not own any Campbell Brothers shares and these investors should retain the Campbell Brothers shares received in this takeover.

Most subscribers, however, have been receiving this newsletter since *before* we first recommended Campbell Brothers in October 1999 - and the shares have since grown 9-fold in value - so most subscribers are probably already *over-weighted* in Campbell Brothers shares! In this situation it would be appropriate to sell off some or all of the new Campbell Brothers shares received from the takeover, to maintain a well diversified share portfolio.

While we were never unhappy with the Campbell Brothers takeover (although we were equally happy to remain shareholders in Ammtec), we are unhappy about the actions of Ammtec's *directors* who appear to have suddenly sold their souls to Campbell Brothers for some undisclosed reason (or undisclosed consideration). In a letter to shareholders dated 21 October, the Ammtec directors make inaccurate and misleading statements to their own shareholders. For example, “Campbell Brothers will not extend the offer whilst it remains conditional, so

there is very little time remaining to accept the offer and to avoid missing out”. That is absolutely incorrect. If you accept a conditional offer and it *remains conditional*, then the bidder will not take your shares and you still “miss out”.

The directors also stated should the bid become unconditional at below 90% “the share price could fall substantially to pre-bid trading levels”. That is the misinformation one expects from the bidder, but not from the directors of the target company! We don't believe that *anyone* who has any experience in the stockmarket would believe there was any reasonable basis to suggest the share would fall “to pre-bid trading levels” which were around 240-280 cents!

Ammtec



Atlas South Sea Pearl has announced plans to increase pearl production 80-100% over the next five years - requiring capital expenditure of \$8-9 million.

The expansion will be possible by upgrading the East Nusa Tenggara farm sites acquired in April this year. Expanding production is also expected to lower per unit costs owing to economies of scale and “significant cost saving synergies”, as well as “reduce production risks through geographic diversification”.

The required capital expenditure will largely be financed from operating cash surpluses, but \$3-4 million will be required over the next two years and “\$1.5-2.5 million will be required from external sources” - either new equity capital or debt or a combination of both.

The company has already refurbished a hatchery at East Nusa Tenggara which has had one successful spawning early this season. The North Bali hatchery has had three spawnings in the early part of the breeding season. Later in the existing five year plan the company will establish a third hatchery to minimise breeding risk.

The company will need to *double* the number of oysters seeded each year at specialist facilities in North Bali and East Nusa Tenggara. Additional personnel are being recruited and trained, with “a strong focus on quality supervision”.

Additional equipment and assets will be needed as the number of oysters in the farms increase, but larger capital expenditure will also be required. For example, a second large transport vessel will be required in the first half of 2011.

Land based assets at East (Continued on Page 6)

Recommended Investments

(Continued from Page 5)

Nusa Tenggara are sufficient to allow the expansion phase to begin, but will need expanding and upgrading over the next few years.

In December, Atlas South Sea Pearl will open its fifth retail outlet in Bali. Retail revenues are up 50% this year and now account for about 10% of company revenues. Further expansion of its retail business will require some capital to finance stocks.

This year the company began marketing and distributing its own loose pearls to jewellery manufacturers, completing sales to 35 wholesale customers around the world - with plans to increase the distribution of pearls and jewellery into Europe by establishing a representative office in France. This sector of its business also requires some capital to finance pearl stocks.

Atlas South Sea Pearl



Cardno is forecasting its first half profit to 31 December 2010 to be 81-93% higher at \$29-31 million. Earnings per share will be 45-55% higher at 27½-29 cents. The first quarter was boosted by work involving the Gulf of Mexico oil spill, as well as contributions from new businesses and organic growth. The second half year is “not expected to be as strong” as the first half, but we estimate that could still see the full year earnings per share 20-30% higher at around 50-55 cents.

Cardno



Challenger Wine Trust units rose sharply last week before being suspended while the trust continues discussions with third parties in relation to “strategic alternatives for the fund”. That could involve anything

from debt refinancing, to capital raising, to a merger with another entity - any of which should strengthen and improve its financial position.

Challenger Wine Trust



Cellnet Group has extended its on-market share buy-back, which can now continue until November 2011.

The group will streamline its flash memory product range by discontinuing distribution of *Scandisk* product in Australia from January 2011, focusing solely on *Lexar* (which is the largest selling USB drive in Australia) and *Transcend* products. This change is expected to have no impact upon profitability, but realise \$500,000 in working capital.

Circadian Technologies believes that the LAM test being developed by the **Cincinnati Children's Hospital Medical Centre** (as discussed last month) will become available in early 2011 and with the potential for 50-100,000 tests annually at a cost of US\$100-200 each. That would generate gross revenues of US\$5-20 million, with **Circadian Technologies** receiving a “good double digit [percentage] royalty on this sales income” - or perhaps \$0.5-2.0 million (1-4 cents per share) annually. That is a sizeable amount of high margin (i.e. royalties are 100% profit) revenues from a non-core licencing agreement.

Circadian Technologies



Devine has formed a joint venture with the land owner to develop a new community, to be called *Woodvale*, consisting of 244 residential lots and a 3000m² childcare centre 35km north of Brisbane and 8km south of Caboolture. This project will have a completed value of \$90 million. Work has already commenced and the first sales should be completed in the current financial

year to June 2011.

The group is expecting its full year profit to be around last year's "underlying profit" of \$21.4 million (3.4 cents per share, with the first and second halves making approximately equal contributions.

Ellex Medical Lasers entered an exclusive distribution agreement in early October with Italian based **CenterVue SpA** to market that company's **MAIA** fundus perimetry system in the United States and Australia.

This diagnostic tool will complement the *Ellex 2RT* retinal regeneration therapy lasers which will be released early in 2011. CenterVue already markets its machines in Europe, but will enter the larger US market via a strategic alliance with Ellex Medical Lasers, which has established direct sales and distribution channels in that country. Each machine will sell for around US\$35,000 - raising Ellex Medical Lasers' presence in the diagnostic market where the company markets ultrasound equipment from its wholly owned *Innovative Imaging* (acquired in 2006) and increasing revenues from the sale of third party products.

Last week, Ellex Medical Lasers further expanded its relationship with CenterVue with a non-exclusive agreement to market its *DRS* high resolution digital retinal camera in the United States. This will expand the company's customers to include optometrists and expects the *DRS* to "generate high-volume sales, contributing to increased growth" in the current financial year.

The group's long term plan is to expand its product range in the \$12 billion global market for ophthalmic devices.

Ellex Medical Lasers



Fiducian Portfolio Services reports September quarter receipts of \$6,553,000 - up 16% on the same period a year ago. The net operating cash surplus was 60% higher at \$1,508,000. After the payment of the final dividend for 2010, cash on hand is \$9,459,000 (4.7 cents per share).

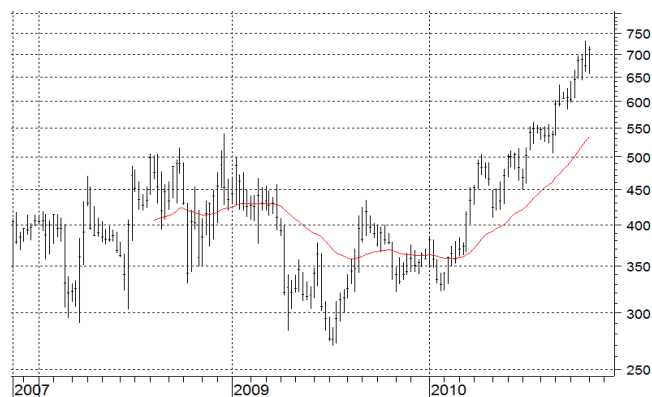
The company continues to pursue growth in a number of areas: expand services to self managed superannuation funds and to accountants, acquire suitable businesses (subject to opportunities and funding), tightly control operating expenses and further improve the administration system.

Iluka Resources reports revenues up 97% to \$592.6 million for the nine months to 30 September. With a

recovery in Zircon demand "in excess of the company's ability to supply" it has raised the price - for the third time this year - on 1 October to US\$1000 per tonne. That is up 30% on prices at the end of 2009. High grade titanium dioxide is also in "short supply".

Iluka Resources produces one-third of the world's Zircon and is the second largest producer of titanium dioxide.

Iluka Resources



Integrated Research has announced that it is the first *HP NonStop Alliance Partner* to be certified "*Converged Infrastructure Ready*". This *CI Ready* certification indicates that the company's *PROGNOSIS* software has been validated to support modern standards and can be used in converged infrastructure computing environments, providing visibility and monitoring across operating systems, middleware and into business applications.

This current certification is further evidence that **Integrated Research** has a competitive and efficient software product for monitoring critical computer applications - yet the market values these shares on a Price/Earnings ratio of only 10 and with a Dividend Yield of 7.7%. This is a high quality company, trading at a low valuation! "Buy".

Integrated Research



Mnet Group reports first quarter receipts of \$3,374,000 and a small cash operating surplus of just \$4,000. Cash on hand is \$674,000.

M2 Telecommunications believes it is well placed to benefit from the government's **National Broadband Network (NBN)** plan. The NBN would replace the existing copper wire network (Continued on Page 8)

Recommended Investments

(Continued from Page 7)

with high speed fibre optic cable (plus wireless and satellite) to end users. Deploying the network could take around eight years at a cost of \$36-43 billion plus a further \$11 billion compensation to **Telstra** to decommission the existing copper wire network and for use of existing conduit to relay fibre optic cable. This network would deliver 1 gigabyte/second broadband download speeds.

NBN would be a wholesale telecommunications business, with all other telecommunications companies reselling voice and data services. This would significantly benefit a business like M2 Telecommunications which has no network assets but is already a low cost reseller of other companies network services, while its competitors seek to restructure.

M2 Telecommunications' "virtual network" (i.e. reselling services from other companies' networks) is, of course, why we originally bought these shares - and why we have always avoided telecommunications companies with significant network assets like **Telecom NZ** and **Telstra**. As we wrote in our original buy recommendation in October 2006 "The Telecommunications industry is growing but traditional network operators are not attractive for investment. Technology is lowering the cost of building networks - and lowering the revenues those networks generate. So a network operator faces the risk of investing in expensive infrastructure which can quickly become obsolete (or be duplicated more cheaply by a competitor). Falling revenues will fail to provide network operators with a good return on their investment."

And when - in perhaps 10-15 years - the government seeks to sell-off its shares in the aging NBN (just as it sold of its Telstra shares in the past) we shall not be lining up to receive an allocation!

While NBN offers M2 Telecommunications significant potential to grow and expand market share the company's shares are becoming a little expensive at almost 20 times last year's profits as the market "discovers" the growth potential in this business in the new telecommunications environment. The company, however, expects to grow profits 40% this year which would improve the P/E ratio to around 15.

We recommend holding M2 Telecommunications shares to profit from further growth in the business and the re-rating of the shares - with the possibility that the shares will become *too popular* and rise to become very over-valued.

In New Zealand, M2 Telecommunications has merged its business with **Black and White Group**. Under the merger, the NZ subsidiary will acquire the telecommunications business assets and intellectual property of Black and White. As consideration, the Black and White shareholders will be issued shares equal to 30% of the capital in the NZ subsidiary (which will then be 70% owned by the Australian parent company).

This combined business will be very small - with revenues of only \$5 million - but is profitable and will seek to grow further.

M2 Telecommunications



Melbourne IT has warned that the higher Australian dollar will result in the December 2010 profit being 5-10% lower than last year at around \$15-16 million (18½-20 cents per share).

The **Digital Brand Services** business "in particular continues to be impacted by the strong Australian dollar" - although a major acquisition for this division in April 2008 was funded with a US\$55 million loan which is a natural currency hedge - and by the depressed economies in America and Europe. This division's profit will be up, but "not as great as initially anticipated".

The \$25 million project to develop *Integrated Web Services* and *Operational Support Systems* is "in line with expectations, with New Zealand to be our first site integrated" by the end of the March 2011 quarter. Around \$3.9 million of costs from this project will be expensed this year - depressing the current result - but providing a platform for future growth.

Melbourne IT is a lower risk business, with recurring revenues and strong cashflows. The shares offer a high current income yield of 8.8% and also the potential for steady growth in profits (and dividends) over the medium to longer term. So a slight dip in current year profits - resulting from development expenditure and fluctuations in the exchange rate - does not change our belief Melbourne IT is a "must BUY", long term investment for income and growth.

Melbourne IT



Nomad Building Solutions has formally renewed its banking facilities through to 29 July 2011.

Trading in Nomad Building Solutions' shares was halted last Thursday, pending the announcement of a share placement and rights issue to shareholders. The company has not indicated how much cash it intends to raise, but has "some opportunities" that require additional investment. Investors should note that raising cash for investment in new business opportunities is significantly better than raising cash to repay existing debt.

Nomad Building Solutions has manageable debt levels, but - as we have indicated over recent months - needs more work to recover and grow the company. While we don't yet know the details, raising capital to take advantage of new opportunities should be a positive development for this recovery situation - and investors should probably seek to take up their entitlements to the new shares.

Nomad Building Solutions



Photon Group is to consolidate 18 existing shares into one new share (of 18 times the value).

Ross Human Directions has earned a profit of \$2,518,000 for the three months to 30 September 2010, from revenues of \$100.6 million. The company now predicts its first half profit will be up 40-80% to \$4.0-5.0 million (4.8-6.0 cents per share).

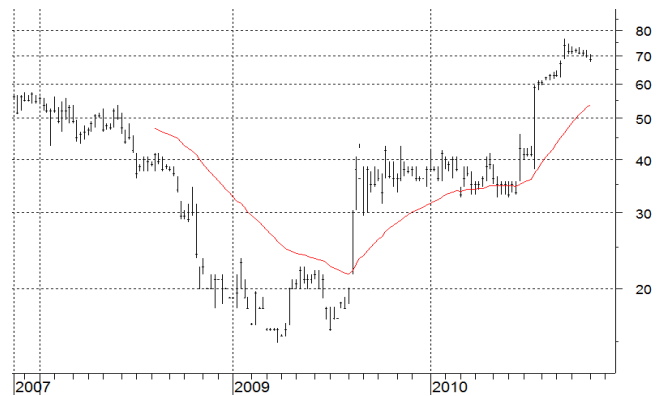
It would be reasonable to expect a similar profit in the second half of the year, giving earnings per share of 9.6-12.0 cents. **Peoplebank's** 70 cents takeover is therefore priced at only 5.8-7.3 times this year's earnings. That is a low valuation, but the outcome depends upon how the major shareholders vote at the 11 November meeting.

Peoplebank has declared their 70 cents offer "final" and will not raise it if **Corom** decides to make a rival bid. Corom has not disclosed its intentions but (unless a third buyer should appear) could acquire Ross Human

Directions at 72 cents per share.

In the medium to longer term, shareholders would probably do best if the current takeover offer fails, but obviously the major shareholder (with 44.6%) wants to sell out. If the takeover fails, the share price would fall back in the short term - but the shares would be an attractive "Buy" at 60 cents or below.

Ross Human Directions



Skilled Group reports that the "signs of improvement and recovery" during May and June have continued during the first quarter of the new financial year.

Skilled Group



Village Roadshows' Theme Park division is seeking to raise a \$250 million, four year bank loan, plus a \$25 million revolving facility, to refinance existing debt and for "general corporate purposes".

Village Roadshow



Company Analysis: Rubik Financial

Rubik Financial (code RFL) is a technology company seeking to provide e-commerce solutions for Australian Deposit Taking Institutions (ADI), excluding the “Big 4” trading banks. The company has client relationships with 180 ADIs, including regional banks, credit unions and building societies. At present, however, this business is operating at around a break-even level and cashflow neutral - but, *if* it could win new customers to use its technology to offer internet banking, telephone banking and other financial services, then Rubik Financial *could* generate significant one-off licence revenues and significant recurring revenues from transactional fees and web hosting services.

There is certainly *potential* here - but winning new customers takes time (particularly in the current environment and with financial services customers) and Rubik Financial is predicting it will operate around a break-even and a cashflow neutral level over the current financial year to June 2011.

There is one other factor that *could* make Rubik Financial shares attractive for a small investment in a diversified investment portfolio... this debt-free company holds \$15,664,000 in cash (6.8 cents per share) and has investments in other listed technology companies in the financial sector worth \$3,503,000 (1.5 cents per share). Trading on-market at only 5.8 cents these shares trade at a 30% discount to their cash and investments - and that share price places no value on its financial services technology!

Company History and Developing of its Business

The present business was formed out of the listed shell of **Ausron** in November 2007 when there was a change of directors and direction of the company, to provide a “flexible, low-cost, hosted *Bank in a Box* technology platform for Tier 2 and Tier 3 Australian Financial Institutions. The “new” company raised \$32.5 million in cash from the placement of 162,500,000 shares at 20 cents.

In January 2008, the company completed the acquisition of **Swift Call Pty**, a provider of phone banking, internet banking, mobile banking and Interactive Voice Response technology for \$7 million (i.e. \$5.6 million in cash and \$1.4 million in shares) with 165 ADI customers.

In March 2008 it acquired the business assets and interests of **El-Ten Technology**, which offered services in internet banking, core system/BPay interfaces, credit card origination, teller terminals and delinquency management systems, for an upfront cash payment of \$320,000 plus capped incentives of up to \$980,000 (payable in shares) based upon earnings over the next three years.

In April 2008, Rubik Financial sought to acquire e-

Commerce Holdings Pty (trading as **The System Works**) for \$8.7 million, but that acquisition - which would have doubled its internet banking market share to 33% (from 19%) - was not completed.

In April 2008 it acquired **Shelf Companies Australia** for an upfront payment of \$1.5 million (plus up to another \$500,000 based upon performance), or about a P/E ratio of 8. The business provides company incorporation and self managed super fund setup, but has strategic importance to the development of “a hub/conduit to accountants and lawyers” which will be required by its *Bank in a Box* service (e.g. legal documentation for mortgage processing).

It also acquired **Qcorp** - “a provider of testing and monitoring capabilities” - for \$160,000 payable over three years.

In September 2008, Rubik Financial entered a long term agreement with Swiss based **Temenos Group AG** involving the purchase of a licence for the *Temenos T24 R08* banking software (for “developing key components of the *Bank in a Box* offering) for an undisclosed upfront fee plus ongoing maintenance payments for 12 years. Rubik Financial also became the exclusive hosting partner of *Temenos T24* in Australia and New Zealand. The companies also signed partnership agreement for joint sales and the sale of Rubik products by Temenos, and a service agreement for Temenos to support Rubik Financial *T24* services.

In December 2008 the company acquired the Collections Systems software business operations of **Admerex** (for an undisclosed, but “not material” sum) and related businesses in Australia, New Zealand, the Middle East and the United Kingdom. The business generates annual revenues of around \$5 million, including \$1.8 million annually in recurring, high margin, software licence income from over 100 clients.

In December 2008 Rubik Financial secured its first (and to date, only) *Bank in a Box* client, with **Maleny and District Community Credit Union** agreeing to work with Rubik Financial through the “localisation and implementation phase” of the *Bank in a Box* project. This was a year-long project involving many one-off costs of preparing the *Bank in a Box* offering. Rubik Financial and Temenos worked for eight months until September 2009 on the (one-off) localisation and channel integration of the T24 core banking system. Rubik Financial spent three months (till September 2009) customising the offering to the Maleny Credit Union requirements, with the customer then spending three months testing this new offering, before the system (successfully) went live at the end of January 2010.

Completion of this project also marks Rubik Financial moving from the development stage of its banking technology and into the marketing and sales of that product.

Recent Results

For the period to June 2008 the company generated revenues of \$2.3 million and traded at a net *loss* of \$262,000 (*minus* 0.2 cent per share). There was a net operating cash surplus of \$1.1 million. Cash on hand was \$29.5 million.

Revenues almost *quadrupled* to \$8.8 million for the year to June 2009, but there was a *loss* of \$2,402,000 (*minus* 1.0 cent per share). There was a cash operating *deficit* of \$1.3 million. Cash at year end was \$24.0 million.

For the year to June 2010, revenues increased 28.5% to \$11,320,000 with a trading profit of \$35,000 (0.01 cent per share). The company also wrote-off intangible assets (i.e. licence fees paid and capitalised development costs of its *Bank in a Box* product) of \$8.5 million and deferred tax assets of \$7.9 million, which gave a bottom line *loss* of \$16.4 million.

There was an operating cash *deficit* of just \$350,000 with cash at 30 June 2010 of \$16.0 million.

The September quarter report shows receipts of \$3.3 million and a small operating *deficit* of \$88,000.

Investments

In December 2009, Rubik Financial acquired a 17.11% shareholding in New Zealand listed **Finzsoft Solutions**.

In February 2010 it purchased 10,066,134 shares (at 12 cents) in Australian listed **CCK Financial Solutions** or 19.76% of that company.

Investment Criteria

Rubik Financial is currently not earning a profit or paying dividends, so it is impossible to value the shares using the Price/Earnings ratio or Dividend Yield. The Price/Sales ratio is 1.09 - which is low for a technology/software company. This business is *capable* of earning high profit margins (if the business can generate sufficient revenues to cover fixed costs), so can trade at P/S ratios of 1.5-2.5 or more.

Around 50% of revenues are recurring under long term contracts. Having developed its *Bank in a Box* software, “on-going operations will not require any further cash investment”. The company now has relationships with 180 ADIs, 29 New Zealand financial institutions and 38 international financial institutions but currently earns “only 5% of these customers' total IT spend”, but with the potential to “capture more of this”.

Rubik Financial is seeking growth from two areas: Firstly, “to grow earnings from technology investments made to date” and secondly to use its cash to make “a sensible and material acquisition” which can deliver “proven and quality earnings”.

The company has no debts and has cash and investments of \$19.2 million - or 8.3 cents per share - so the company *could* be liquidated for this value, even ignoring the value of its technology and software.

The issued capital, after repurchasing some shares on-market last financial year, is 229,129,415 shares. That gives the company a market capitalisation of just \$13.3 million. This makes it a *microcap* company. The volume of shares traded daily is obviously low, but

investors should be able to build a small holding over a period of time.

There have been no *insider* trades over the last year, but the directors and management do have a reasonable investment in this company. The Chairman, C Coleman, owns 8,350,000 shares or 3.6% of the company. Non-Executive Director, A Moffat, has 9,058,653 shares (4.0%) and another Non-Executive Director, I Hunter, has 2,600,000 shares. The Chief Executive, B Jackson, owns 2,665,000 shares (and 4,000,000 executive share options).

The shares - as one would expect from a microcap company - are virtually ignored by institutions and stockbrokers.

Technically, the shares are a little weak, with a Relative Strength rating of just -8.2% and ranked 75 (on a scale of 0-99).

Summary and Recommendation

We are not formally recommending these shares, but a small investment in Rubik Financial *may* be appropriate for a diversified share portfolio.

Microcap company shares do involve high risks, but can also produce the very highest stockmarket returns. Very wide diversification (i.e. a very small investment per company) is therefore a necessary strategy to successfully invest in microcap shares.

The financial risks with Rubik Financial are reduced as the company has no debt (or any significant off balance sheet liabilities), has completed the expensive *development* of its software and is now operating at a cash neutral level - with the potential to grow high margin revenues. The company also holds significant cash and investments.

Trading at a significant discount to its cash and share investments, Rubik Financial shares are clearly under-valued and could be *significantly* re-rated at some stage in the future. This cash rich company *could* become a takeover target. Or growth in its technology business - aided by using its cash to finance an appropriate acquisition - *could* see profits grow strongly.

That makes an investment in Rubik Financial shares an under-valued asset situation as well as having the potential to develop into an emerging growth business. Downside risk is limited by its cash and investments, while there is potential for the shares to be significantly re-rated.

Rubik Financial



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

For an explanation of this table see the *Share Selection Methods* report 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.

STRENGTH RATING													STRENGTH RATING																																					
			= 0-99				= 0-1		= 0-1		= 0-1							= 0-99				= 0-1		= 0-1		= 0-1																								
Company	Share Price	Cur. Chg.	4-Wk Rank	Yield	Volatility	Price to Earnings	Return on Equity	Vola-til	Price-to-Earn	Dividend	Price-to-Sales	Market Cap'n	Company	Share Price	Cur. Chg.	4-Wk Rank	Yield	Volatility	Price to Earnings	Return on Equity	Vola-til	Price-to-Earn	Dividend	Price-to-Sales	Market Cap'n	Company	Share Price	Cur. Chg.	4-Wk Rank	Yield	Volatility	Price to Earnings	Return on Equity	Vola-til	Price-to-Earn	Dividend	Price-to-Sales	Market Cap'n												
UNDER-VALUED SHARES: Lowest Price/Sales, Yld>0, RelStrength>0																																																		
Smiths City	38	+0.9	+1.4	42	0-0	-0.4	4	1.5	12	5.3	0.09	20	Hellaby Hold.	197	+17.3	+2.4	3	8-0	-3.0	9	1.0	33	5.8	0.74	144	Blis Technology	9	-1.3	-4.5	60	0-1	-9.3	-1.7	NE	Nil	7.10	13	Charlie's Group	15	-58.3	+0.0	98	0-0	-2.6	15	1.2	17	Nil	1.36	43
Col Motor Co	242	+4.8	+1.4	17	0-0	-0.7	4	0.5	15	8.9	0.18	79	Scott Tech. Ltd	137	+3.8	+3.9	22	6-0	-2.0	18	0.5	11	5.5	0.92	43	Vital Health PT	128	-58.3	+0.0	97	0-0	-1.2	5	0.3	25	7.4	6.46	183												
Ebos Group Ltd	745	+7.6	+1.7	10	0-3	1	2.1	13	0.4	16	5.9	0.28	378	Briscoe Group	146	+2.7	+3.0	27	6-0	-2.4	16	0.7	15	6.8	0.74	310	Allied Farmers	2	-42.5	-2.1	97	0-0	-1.1	-2.1	NE	Nil	0.47	49												
Satara Co-op	100	+26.7	+8.3	0	0-0	-0.5	3	0.9	18	2.9	0.29	16	Nuplex Indust	347	+5.2	+2.6	13	6-0	1	1.3	14	0.9	9	6.1	0.46	667	Just Water Int.	14	-20.1	+0.7	93	2-0	-4.7	-0.8	NE	Nil	0.35	13												
Air New Zealand	137	+5.5	+4.8	12	0-4	1	0.9	5	0.9	18	7.3	0.36	1,475	Port Tauranga	743	+1.6	+1.6	36	4-0	-1.5	7	0.4	22	5.6	0.73	996	NZ Windfarms	20	-15.3	+2.1	92	0-0	-0.6	-1.2	NE	Nil	N/A	58												
Seeka Kiwifruit	310	+2.5	+1.3	28	1-0	-0.7	1	0.4	121	9.2	0.37	45	Infratil NZ	182	+4.1	+2.5	20	6-2	-1.2	3	0.6	36	2.9	0.56	1,033	CER Group Ltd	1	-11.0	-3.6	86	0-0	-1.2	-4.1	NE	Nil	0.43	20													
Nuplex Indust	347	+5.2	+2.6	13	6-0	1	1.3	14	1.1	9	6.1	0.46	667	Xero Ltd	180	+1.6	+2.2	35	3-0	-3.3	-0.9	NE	Nil	N/A	81	NZ Wine Company	135	-10.3	+1.7	86	0-0	-0.6	-0.5	NE	2.1	0.90	12													
Allied Work.	126	+9.9	+3.1	7	1-0	-1.8	11	0.8	16	5.1	0.47	33	Guoco Leisure	69	+4.8	+2.4	15	3-0	-1.7	5	0.6	13	2.2	1.79	944	Kathmandu Ltd	180	-9.2	+0.6	84	1-1	-1.5	4	0.5	38	5.6	1.46	360												
Turners Auction	140	+1.1	+1.6	41	2-0	-1.9	16	0.6	12	12.2	0.54	38	Michael Hill	77	+2.0	+2.8	31	3-0	1	1.8	11	5.2	0.66	295	Ecoyal Ltd	75	-8.5	+0.5	83	0-0	-18.7	-0.8	NE	Nil	6.33	25														
Infratil NZ	182	+4.1	+2.5	20	6-2	-1.2	3	0.8	36	2.9	0.56	1,033	Warehouse Group	385	+1.9	+2.8	32	4-1	1	4.0	14	8.9	0.72	1,198	Pyne Gould Corp	43	-6.9	+2.9	80	4-3	-0.7	5	0.8	15	Nil	1.62	333													
Mainfreight Grp	739	+8.3	+0.5	9	0-1	-2.4	12	0.5	20	3.6	0.64	728	Mowbray Collect	75	-6.4	+1.7	79	0-0	-2.0	-0.4	NE	Nil	2.27	8																										
Michael Hill	77	+2.0	+2.8	31	3-0	1	1.8	17	0.9	11	5.2	0.66	295	Sky City Ltd	321	-2.3	+0.8	68	7-0	1	2.4	19	0.5	13	6.9	2.22	1,846	NZ Finance Hold	15	-6.3	-3.1	78	0-0	-0.8	-0.7	NE	Nil	0.35	12											
Warehouse Group	385	+1.9	+2.8	32	4-1	1	4.0	27	0.5	14	8.9	0.72	1,198	W Drive Tech.	8	-1.6	-0.6	65	2-0	-1.8	-1.2	NE	Nil	2.09	47	NZ Oil & Gas	128	-5.8	+2.7	78	0-0	-1.1	-0.4	NE	5.6	5.07	504													
Fletcher Build.	816	+1.3	+2.0	38	3-6	2	1.6	9	0.5	18	4.3	0.73	4,953	Oyster Bay	185	-5.8	+4.8	77	0-0	-0.4	-0.3	NE	Nil	2.00	17	NZ Exchange Ltd	158	-5.5	+3.3	76	0-2	-2.0	3	0.6	79	5.9	4.45	191												
Hellaby Hold.	197	+17.3	+2.4	3	8-0	-3.0	9	1.3	33	5.8	0.74	144	Wakefield Hlth	655	-5.0	+0.8	76	0-0	1	1.0	6	0.2	15	3.9	1.21	93	NZ Exchange Ltd	158	-5.5	+3.3	76	0-2	-2.0	3	0.6	79	5.9	4.45	191											
Briscoe Group	146	+2.7	+3.0	27	6-0	-2.4	16	0.9	15	6.8	0.74	310	AMP Limited	677	-4.1	+2.5	75	0-0	-1.6	9	0.4	17	3.0	1.08	13,715	Smartpay NZ Ltd	3	-2.7	+2.8	73	0-0	-2.9	-1.7	NE	Nil	0.71	28													
Restaurant Brds	273	+12.4	-0.1	4	2-0	-5.5	40	0.5	14	6.5	0.83	266	Pumpkin Patch	194	-2.6	+2.7	73	0-1	1	4.0	32	0.4	13	7.0	0.85	324	INSIDER SELLING: Most Insider Selling, Relative Strength<0																							
Cavotec MSL	340	+3.7	+6.2	23	1-0	-0.8	4	0.6	21	0.9	0.86	227	PGG Wrightsons	54	-1.5	+1.9	61	0-6	1	0.6	4	0.5	17	Nil	0.36	410	Telecom Corp	207	-1.4	+1.9	60	0-4	1	1.6	16	0.4	10	11.6	0.75	3,976										
Methven Limited	178	+4.2	+3.4	19	1-1	-2.2	15	0.9	15	8.8	0.91	119	F & P Health	300	-2.5	+2.6	71	0-3	2	5.2	24	0.3	21	5.9	3.05	1,537	NZ Exchange Ltd	158	-5.5	+3.3	76	0-2	-2.0	3	0.6	79	5.9	4.45	191											
Scott Tech. Ltd	137	+3.8	+3.9	22	6-0	-2.0	18	0.6	11	5.5	0.92	43	Blis Technology	9	-1.3	-4.5	60	0-1	-9.3	-1.6	NE	Nil	7.10	13	NZ Exchange Ltd	158	-5.5	+3.3	76	0-2	-2.0	3	0.6	79	5.9	4.45	191													
Briscoe Group	146	+2.7	+3.0	27	6-0	-2.4	16	0.8	15	6.8	0.74	310	Oyster Bay	185	-5.8	+4.8	77	0-0	-0.4	-0.3	NE	Nil	2.00	17	NZ Exchange Ltd	158	-5.5	+3.3	76	0-2	-2.0	3	0.6	79	5.9	4.45	191													
Michael Hill	77	+2.0	+2.8	31	3-0	1	1.8	17	0.6	11	5.2	0.66	295	Guinness Peat	74	-2.4	+3.2	69	1-2	-0.6	-0.7	NE	3.0	0.51	1,321																									

Investment Outlook

(Continued from Page 1)

shares, Emerging Markets shares, Investment and Property shares, Resource shares). Shares still offer good value, high dividend yields and are generally still very out of favour today, so we are not in the boom yet. Shares are attractive to buy as investments for income and growth - but a stockmarket boom would also be extremely profitable for those who are in early and ride the wave (and get out, or at least reduce their exposure) before the yet-to-be-inflated bubble finally bursts!

Fourthly, if governments continue to print money and go deeper into debt, this will result in the equal and opposite creation of wealth in some other sectors of the global economy (i.e. boosting the assets of high wealth individuals, private pension funds, Sovereign Wealth

funds and the Foreign Exchange Reserves of oil producers and manufacturing exporters). Clearly - at the macro-economic level - this increase in global economic imbalances (between countries and between individuals within countries) is not a good thing and will lead to major problems in the future. At the micro-economic level, however, it offers the potential for individuals to capture a share of the “equal and opposite” wealth being created.

At the present time, shares offer good value. Expanding money supply and low interest rates - guaranteed for at least the next eight months (and probably longer) - offer a monetary environment that should encourage economic growth and which should also encourage financial asset price inflation! Investors should remain fully invested in shares.

Table with columns: Company, Share Price, Cur rent, 4-Wk Chg, Rank 0-99, Strength Rating (Insider Buy/Sell, Proxies Following), Price Return, Volatility, Dividend Yield, Price to Earnings, Dividend Sales Ratio, Market Cap. Includes sub-headers for 'INCOMESHARES: Highest Yields, Capitalisation > A\$250 million' and 'INSIDER BUYING: Most Insider Buying, Relative Strength > 0'.

Continuation of the table from the left, listing various companies like Ipernica Ltd, Transurban Grp, Platsearch NL, etc., with their respective financial metrics.

Australian Warrant / Option Analysis

Table with columns: Company, Share Price, Yr/Mth Exercise Price, Yr/Mth to Expiry, Black-Scholes Under-Valued, Option Over-Valued, Share Volatility, Option Leverage, Options to Buy 1 Share, Break-Even Rate. Lists companies like ADG Global Supply, ADX Energy Ltd, Actinogen Ltd, etc.

Continuation of the table from the left, listing companies like Aust China Holdings, Aust Leaders Fund, Aust Minerals & Mining, etc., with their respective financial metrics.

Company	Share Price	Yr/Mth Exercise Price	to Expire	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
PrimaBiomed	13	2.0	1-1	7.7	11.1	-31	0.66	1.17	1.0	-24
Proto Res & Inv	4.3	5.0	1-1	0.3	1.4	-78	0.86	2.01	1.0	+21
Proto Resources & Inv	4.3	25	3-1	0.5	0.9	-44	0.86	1.83	1.0	+78
Proto Resources & Inv	4.3	20	0-9	0.2	0.1	+275	0.86	4.12	1.0	+687
QRScienceHoldings	7.0	45	1-7	0.1	0.0	+191	0.59	4.55	1.0	+224
Quantum Resources	2.3	10	1-5	0.3	0.3	-9	1.04	2.14	1.0	+188
Quantum Resources	2.3	5.0	2-0	0.1	0.9	-89	1.04	1.60	1.0	+49
QueenslandMining	8.9	20	1-6	2.4	0.9	+169	0.64	2.90	1.0	+85
QuestPetroleumNL	1.2	2.5	0-4	0.0	0.0	-100	0.71	6.52	1.0	+804
Ram Resources	2.7	3.0	1-4	0.7	1.4	-51	1.29	1.43	1.0	+27
Range Resources	8.9	5.0	1-1	5.0	5.0	-1	0.92	1.54	1.0	+11
RedSkyEnergy	3.0	2.0	0-9	0.5	1.4	-65	0.96	1.74	1.0	-22
Regal Resources	1.3	6.0	0-11	0.6	0.2	+192	1.37	2.04	1.0	+470
Republic Gold	1.2	4.0	0-6	0.3	0.0	+999	0.76	5.65	1.0	+999
Resolute Mining	142	60	1-1	30.0	86.9	-65	0.64	1.56	1.0	-34
Resource Mining Corp	0.6	0.8	1-4	0.4	0.2	+99	0.91	1.86	1.0	+68
Resource Star Ltd	16	20	1-10	0.0	13.8	-100	2.44	1.06	1.0	+15
Resources Base	2.0	5.0	1-0	2.0	0.3	+659	0.94	2.48	1.0	+250
Rialto Energy Ltd	59	60	0-7	7.5	19.0	-61	1.09	2.04	1.0	+28
Richmond Mining	40	20	0-1	7.5	20.1	-63	1.05	1.97	1.0	-99
Rimfire Pacific Mining	2.8	4.0	0-9	0.0	0.8	-100	1.12	2.04	1.0	+61
Riviera Resources	22	10	4-1	8.0	17.5	-54	0.90	1.17	1.0	-5
Rox Resources	7.3	10	0-7	0.7	2.6	-73	1.49	1.78	1.0	+93
Rox Resources	7.3	1.5	0-8	2.0	6.0	-67	1.49	1.18	1.0	-67
Royal Resources	19	10	0-11	14.0	10.2	+38	0.86	1.61	1.0	+33
Royal Resources Ltd	19	12	2-11	0.0	12.3	-100	0.86	1.31	1.0	-14
Safety Medical Prod	3.7	100	0-1	0.1	0.0	+999	0.12	9.99	1.0	+999
Samson Oil & Gas	6.4	1.5	2-1	6.0	5.3	+14	0.96	1.17	1.0	+8
Saracen Mineral Hold.	65	10	2-7	19.5	56.2	-65	0.53	1.15	1.0	-26
Scandinavian Res	17	25	0-11	2.0	1.6	+22	0.55	3.64	1.0	+66
Sierra Mining	34	20	0-1	3.5	13.9	-75	1.30	2.26	1.0	-99
Sihayo Gold	20	20	0-2	2.0	2.2	-8	0.64	5.21	1.0	+77
Sino Gas & Energy	6.3	50	1-1	0.2	0.4	-51	1.20	2.43	1.0	+579
Souls Private Equity	9.0	20	4-2	1.6	0.5	+251	0.27	4.11	1.0	+23
Sthn Cross Goldfields	10	15	0-0	1.0	0.5	+120	0.77	4.11	1.0	+999
Stirling Minerals	22	14	3-0	2.9	14.1	-79	0.80	1.33	1.0	-9
Stirling Resources	4.5	15	1-7	2.0	0.6	+214	0.88	2.26	1.0	+132
Stirling Resources	4.5	4.0	1-7	0.8	2.1	-63	0.88	1.61	1.0	+4
Stonehenge Metals	12	10	2-0	4.0	8.3	-52	1.29	1.24	1.0	+8
Stratatel Ltd	5.1	10	0-10	0.8	0.1	+968	0.45	6.16	1.0	+146
Structural Monitoring	0.8	1.5	0-1	0.3	0.0	+999	1.35	6.54	1.0	+999
Syndicated Metals	19	20	1-1	2.0	6.4	-69	0.84	1.98	1.0	+14
Synergy Metals	0.8	3.0	0-9	0.3	0.0	+999	0.61	6.28	1.0	+562
Talisman Mining	97	20	0-1	70.0	77.1	-9	0.83	1.26	1.0	-59
Tango Petroleum Ltd	14	20	0-6	0.0	2.4	-100	1.00	2.70	1.0	+104
Target Energy Ltd	2.2	10	1-11	0.7	0.3	+161	0.86	2.25	1.0	+128
Tasman Resources	11	10	1-7	5.6	4.9	+14	0.81	1.69	1.0	+25

Company	Share Price	Yr/Mth Exercise Price	to Expire	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Tawana Resources	4.6	10	0-4	0.1	0.6	-83	1.51	2.60	1.0	+958
Terrain Minerals Ltd	2.7	8.0	2-1	0.0	0.5	-100	0.79	2.13	1.0	+68
Teys Ltd	0.7	20	0-6	0.8	0.0	+999	1.66	3.45	1.0	+999
Thundelarra Explo.	67	20	2-4	80.0	50.5	+58	0.71	1.27	1.0	+19
Trafford Resources	48	70	1-8	0.0	19.6	-100	1.02	1.61	1.0	+26
Transol Corporation	0.3	2.0	0-6	0.1	0.0	+999	1.32	3.40	1.0	+999
Triton Gold Ltd	16	25	3-1	5.0	6.7	-25	0.76	1.60	1.0	+23
Union Resources Ltd	0.5	2.0	0-1	0.2	0.0	+999	1.04	9.99	1.0	+999
United Uranium	15	20	1-7	3.9	5.3	-27	0.87	1.80	1.0	+34
Uran Ltd	2.2	8.0	1-8	0.6	0.3	+82	0.92	2.18	1.0	+131
Vector Resources	10	20	1-7	1.8	2.4	-26	0.86	2.02	1.0	+64
Venus Metals Corp	133	40	0-8	0.0	94.5	-100	0.71	1.40	1.0	-84
Victory West Moly Ltd	15	20	1-3	2.9	5.3	-45	0.99	1.81	1.0	+41
Voyager Resources	3.9	2.0	0-10	0.3	2.5	-88	1.33	1.38	1.0	-47
WAM Active	102	115	0-5	1.6	2.4	-34	0.24	9.99	1.0	+39
WHL Energy Ltd	2.7	7.5	1-7	0.0	0.5	-100	0.91	2.08	1.0	+91
Western Desert	38	18	1-0	31.0	21.8	+42	0.76	1.58	1.0	+31
Westoz Invest.	111	100	1-7	6.0	23.2	-74	0.23	3.74	1.0	-3
Westralian Gas & Pow	1.1	5.0	0-10	0.3	0.0	+999	0.72	4.87	1.0	+560
Whinnen Resources	11	20	2-5	2.1	3.3	-35	0.77	1.82	1.0	+36
White Cliff Nickel	19	25	0-7	1.0	4.5	-78	1.11	2.24	1.0	+79
Xstate Resources Ltd	16	24	2-7	0.0	8.8	-100	1.10	1.35	1.0	+18
Yellow Rock Res	2.2	7.0	1-10	0.5	0.3	+65	0.79	2.32	1.0	+95

Living Cell Technologies (codes LCT and LCTO).

As discussed three months ago, our Living Cell Technologies options (to buy shares at 24 cents on 31 December 2010) will almost certainly expire worthless at the end of next month.

We have, however, purchased some Living Cell Technologies shares on-market at prices around 16-16½ cents (and the shares continue to trade around 16½-17 cents) - and this is an attractive price to acquire shares for investors wishing to continue an investment in this company.

Even though our options are worthless, they were better than buying the shares directly a year ago at 29 cents. Our total cost - the options at 7½ cents and buying shares on-market at 16½-17 cents - is 24-24½ cents.

Total Return Index for All Listed Shares

Oct 11	1370.28	Oct 18	1357.24
Oct 12	1363.49	Oct 19	1357.04
Oct 13	1364.02	Oct 20	1357.40
Oct 14	1367.31	Oct 21	1365.25
Oct 15	1358.56	Oct 22	1372.44
Oct 25	Holiday	Nov 1	1384.38
Oct 26	1374.34	Nov 2	1387.74
Oct 27	1375.64	Nov 3	1392.35
Oct 28	1378.49	Nov 4	1390.58
Oct 29	1381.00	Nov 5	1388.16

Next Issue:

The next issue of *Market Analysis* will be emailed in five weeks time on **Monday December 13, 2010**.

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

Dividend\$

Company	Cents per Share	Ex-Date	Payable	Tax Credit
Allied Workforce	3.80	12-11	19-11	Full
Ebos Group special	20.00	12-11	22-12	Full
Finzsoft	2.00	15-11	22-11	Nil
Hallensteins Glasson	17.00	30-11	07-12	Full
Hellaby Holdings	5.00	05-11	12-11	Full
Kathmandu	7.00	15-11	25-11	Full
Kirkcaldie & Stains	5.00	12-11	19-11	Full
Pyne Gould Corp special	1.50	19-11	03-12	Full
Restaurant Brands	7.00	12-11	26-11	Full
Scott Technologies	4.00	29-11	03-12	Full
TrustPower	19.00	26-11	10-12	5.571
Warehouse Group	8.50	05-11	17-11	Full
Warehouse Group special	8.00	05-11	17-11	Full
<u>Australian Shares</u>				
TFSCorporation	3.50	25-11	22-12	

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