

Market Analysis

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Inside Market Analysis

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Summary and Recommended Investment Strategy.

If you believe the media, investors lose money in the stockmarket and the smart money is in trading. In reality, derivative and futures trading is a “zero sum game” and the stockmarket offers the highest long term returns! Remain fully invested in the recommended shares.

Investment Outlook.

European Union agreements to provide financial support based upon austerity measures have (not surprisingly) been rejected by voters in France and Greece. The French have chosen politicians promising “pro-growth” policies, while the Greeks chose a selection of minor parties unlikely to agree on anything (i.e. so unlikely to be able to ratify the austerity measures).

Meanwhile, in London, US based JP Morgan Chase has managed to lose US\$2 billion betting against hedge funds on obscure insurance related derivatives.

This increased uncertainty has lowered stockmarkets, but has anything really changed?

Keynesian economics suggests that governments should *increase* spending during a recession (when individuals and businesses are adopting austerity measures). Cutting government spending and raising taxes in a recession will just slow economic activity and make the recession worse - which is what happened in the 1930's! Of course, governments were supposed to cut back on spending and raise taxes during economic booms - to balance the economy and maintain a healthy financial position ahead of the *next* recession.

Six and a half *decades* of western governments running deficits and over-stimulating consumption has resulted in a weak government sector with few options.

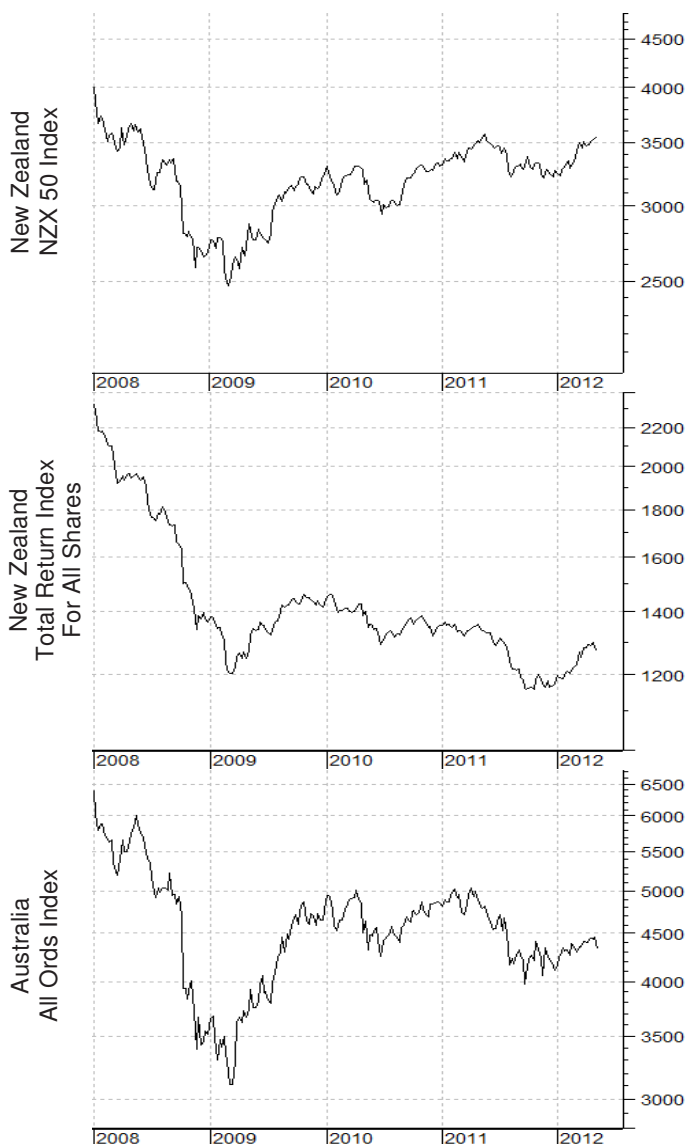
There was no guarantee that European “austerity” measures would work. At best they offered slow growth and inflation. “Pro-growth” policies are unlikely to be any better. That's just a continuation of the borrow and spend (and avoid any tough, unpopular decisions) policies of the last 6½ decades that have already weakened government finances to unsustainable levels.

In a historical perspective, JP Morgan Chase's current US\$2 billion derivative is nothing abnormal. Last year the company earned pre-tax profits of US\$26 billion - so the derivative loss is equal to about one month's profits for the whole group. JP Morgan Chase's stockmarket capitalisation, however, dropped US\$14 billion on the release of this news and triggered similar drops in the capitalisation of other companies.

Of course, derivative and (Continued on Page 12)

Stockmarket Forecasts

	One-Month	One-Year
Australia:	76% (Bullish)	60% (Bullish)
New Zealand:	69% (Bullish)	55% (Neutral)



Recommended Investments

Cavalier Corporation reports that its carpet business remains depressed with “both volumes and margins under pressure”. It predicts underlying earnings this year will be 70-85% lower at \$3-5 million (4.3-7.3 cents per share). No dividend will be paid this year.

In response to these market conditions the company has developed a business improvement plan to “reduce operating costs significantly” in the future. This plan, however, will incur one-off costs of around \$6 million, mostly in the current year.

The company is then forecasting a partial recovery in net profits - helped by lower wool prices and “a modest improvement in market conditions” - of \$10-12 million (14½-17½ cents per share) for the year to June 2013. Dividends are also expected for the June 2013 year.

The downturn should provide investors with the opportunity to buy into (or add to holdings) in this company at attractive prices. Picking the exact bottom of a decline, however, is never easy.

(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
	<u>NZ Shares</u>												
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	252.8	1.4	10.08	32	4.6	37	21.7	+135%
BUY	Cavalier Corporation	CAV	05/12/95	156*	C	68.3	0.9	0.50	7	15.3	168	278.0	+186%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	A	32.7	0.5	0.20	12	9.0	303	346.3	+407%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	C	102.3	0.8	2.39	18	Nil	215	77.7	+95%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	A	382.7	0.8	0.84	12	4.2	108	38.4	+2828%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	523*	B	196.7	1.0	0.32	8	8.2	255	419.0	+29%
HOLD	Postie Plus Group	PPG	08/05/06	71	D	40.0	1.9	0.09	15	5.7	25	8.5	-53%
HOLD	Renaissance Corp	RNS	13/08/96	85*	C	45.7	3.6	0.03	NE	Nil	14	53.9	-21%
HOLD	Smiths City Group	SCY	09/10/06	64	B	53.0	1.2	0.11	13	4.3	46	16.0	-3%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.5	3.67	15	8.0	355	159.8	+329%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	B	88.4	0.8	0.53	12	9.3	230	260.1	+236%
	<u>Australian Shares</u> (in Aust cents)												
BUY	AJ Lucas Group	AJL	13/05/03	120	D	97.9	0.8	0.45	NE	Nil	95	41.0	+13%
BUY	Atlas South Sea Pearl	ATP	14/05/96	73	C	141.0	3.1	0.68	15	Nil	6	17.5	-68%
HOLD	Campbell Brothers Ltd	CPB	12/10/99	389*	A	67.5	0.3	3.73	31	2.3	6132	774.0	+1675%
HOLD+	Cardno Ltd	CDD	14/12/09	391*	A	119.3	0.5	0.98	14	4.6	740	79.3	+110%
HOLD	Cellnet Group Ltd	CLT	12/02/02	147*	B	61.3	1.5	0.18	11	15.9	22	45.9	-52%
HOLD+	Chandler Macleod Group	CMG	14/08/01	51*	A	467.9	1.3	0.16	15	5.1	39	24.1	+24%
HOLD+	Circadian Technologies	CIR	10/02/04	188	C	46.4	1.2	11.90	NE	Nil	47	65.0	-40%
BUY	Clarius Group Ltd	CND	08/04/03	82*	B	88.2	1.2	0.14	9	9.4	43	70.5	+38%
BUY	CPT Global Ltd	CGO	10/03/08	88	B	36.9	1.1	0.48	25	5.0	50	11.3	-30%
BUY	CSG Limited	CSV	11/10/10	175	B	282.6	1.1	0.48	5	8.3	67	8.0	-57%
HOLD	Customers Ltd	CUS	11/07/11	83	A	134.9	0.8	1.34	9	4.0	124	4.0	+54%
HOLD	Devine Ltd	DVN	13/11/06	334*	B	158.7	1.1	0.23	5	3.2	62	77.6	-58%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	B	84.9	2.0	0.35	NE	Nil	18	Nil	-63%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	B	32.2	0.8	1.34	7	8.6	102	34.3	-48%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	207.7	0.8	3.57	8	9.1	93	15.5	+2%
BUY	Iluka Resources Ltd	ILU	12/10/04	471	B	416.4	0.6	3.41	10	5.6	1336	147.0	+215%
HOLD	Mnet Group	MNZ			C	208.3	1.6	0.26	NE	Nil	1.6	Nil	
BUY	Integrated Research	IRI	14/01/08	40	A	166.9	0.9	2.58	15	5.8	69	16.0	+113%
HOLD	M2 Telecommunications	MTU	09/10/06	33	A	154.7	0.6	0.95	15	5.0	317	48.5	+1008%
BUY	Melbourne IT	MLB	10/02/04	53	A	81.4	0.6	0.81	11	8.4	178	82.0	+391%
BUY	Nomad Building Solutio	NOD	16/08/10	13*	C	277.5	2.4	0.17	NE	Nil	11	Nil	-15%
BUY	Novarise Renewable Res	NOE	14/03/11	25	B	415.1	1.8	0.91	4	Nil	18	Nil	-28%
BUY	Penrice Soda Holdings	PSH	11/07/11	17	C	91.4	2.5	0.05	NE	Nil	9	Nil	-47%
HOLD+	Probiotec Ltd	PBP	11/02/08	116	C	52.9	1.3	0.21	15	Nil	29	9.3	-67%
BUY	Prophecy International	PRO	08/09/08	26	B	47.2	1.4	2.42	NE	2.0	25	8.5	+29%
HOLD	Skilled Group Ltd	SKE	12/03/02	126	A	233.1	0.7	0.29	21	1.3	236	140.0	+198%
HOLD	Technology One Ltd	TNE	11/11/03	44	A	303.4	0.6	2.34	18	3.8	121	31.9	+248%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	B	276.5	1.1	1.19	7	9.9	48	14.2	+38%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	A	26.0	0.4	0.57	18	2.7	1137	303.5	+461%
HOLD	Village Roadshow	VRL	10/08/09	77	A	151.5	0.5	0.51	17	5.2	310	149.0	+496%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +224.0%. This is equal to an average annual rate of +27.4%, 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 152 closed out) is +29.9%, compared with a market gain of +3.8% (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 Investments

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Cavalier Corporation



Postie Plus Group shareholders have approved the sale of its *Babycity* business. The consideration will be \$750,000 for plant and equipment (i.e. approximately book value), plus \$3.7 million for stock (mainly at cost), less \$400,000 for liabilities assumed by the purchaser. That gives a net consideration of \$4,050,000 (with an adjustment for the final stock value). The purchaser will also pay third party suppliers for forward order hardware stock purchases of about \$1.14 million.

Postie Plus Group operated 18 *Babycity* stores and the purchaser will take over the leases on 13 stores. The company will retain some of the five remaining stores (e.g. convert the *Babycity* store at Lynmall to a *Postie Plus* clearance store, expand some *Postie Plus* stores in the old *Babycity* space) or let leases expire.

Postie Plus also reports tough retail conditions, with third quarter sales *down 5%* on the previous year, but “expenses are well managed to offset the current sales downturn”.

Postie Plus Group



Renaissance Corporation has reported a return to profitability in the six months to 31 March 2012 - although actual figures are distorted by earthquake losses last year and partial insurance receipts this year. Overall revenues were down 24.2% to \$77.4 million but it produced a pre-tax profit (before insurance receipts) of \$239,000 (0.5 cents per share). Insurance proceeds of \$2,511,000 lifted pre-tax profits to \$2,750,000 and net profit after tax to \$1,962,000.

There are \$1.6 million of insurance claims still to be settled.

There was a net operating cash *deficit* of \$612,000. The *Education* division performed well with revenues

up 10% to \$5.6 million and earnings up 4.2-fold to \$3.3 million. *Retail* revenues were down 20% to \$22.5 million, but earnings up 3.8-fold to \$763,000. *NZ Sales* were 46% lower at \$6.4 million, with a reduce *loss* of \$225,000. *Distribution* revenues were down 25% (owing to a second *Apple* distributor) at \$42.8 million, with earnings down 56% to \$406,000. The company “has been delayed” in reaching a decision to sell or retain the *Distribution* business.

Renaissance Corporation



Australian Shares

(This section is in Australian currency, unless stated.) **AJ Lucas Group** reports that the **UK Department of Energy & Climate Change** has published a report recommending measures to mitigate the risk of seismic tremors triggered by hydraulic fracturing and is inviting public comments until the end of May.

AJ Lucas Group



Customers has the “Independent Experts” draft report on the scheme of arrangement under which **DirectCash Payments Inc** will acquire the company for 127 cents per share. The report concludes the scheme is “in the best interests of shareholders” . . . but can anyone ever remember an independent report that disagreed with the recommendation of the people who commissioned it?

Iluka Resources has updated its production forecasts for 2012. Zircon demand improved in April, after a “low first quarter”, but annual sales for 2012 will likely be about 22% lower at 400,000 tonnes. Rutile and Synthetic Rutile sales are expected to be similar to last year. The company will reduce Zircon production (in line with market demand) by mining lower grade ore and processing “less Zircon-rich” concentrate. This will maximise *long term* Heavy Mineral production but lowers *short term* Zircon production, with a corresponding increase in production costs per tonne of

heavy minerals produced.

Revenues and profits, however, should still be higher than 2011 owing to a full year of higher selling prices. Current Zircon prices are about 40% higher than their 2011 average, while rutile and synthetic rutile prices are 110-140% higher than their 2011 average. So even with slightly lower volume sales, annual revenues should be up around 80-90%. The company also expects only about one-third of annual sales in the first half of the year, with sales volumes doubling in the second half.

The company has also announced Inferred Mineral Resources at its *Sonoran* heavy mineral deposit of 2.2 million tonnes. The deposit is 9km south-east of the *Jacinth-Ambrosia* mine.

Iluka Resources has refinanced its debt with a series of five-year revolving credit facilities totalling \$800 million. The company has strong cashflows and cash holdings, but these facilities will “provide flexibility for future investment decision making”.

The share price has fallen back over the last month, so we are upgrading Iluka Resources shares to a “Buy” as investors without a holding in this company may wish to acquire some Iluka Resources shares at current prices.

Iluka Resources



M2 Telecommunications (as we reported in an email update to subscribers) is raising \$83.1 million through a 1 for 4 renounceable cash issue at 266 cents to help finance the \$192.4 million acquisition of **Primus Telecom Holdings**.

This transaction merges the seventh and eighth largest telecommunications companies in Australia to become the fifth largest. M2 Telecommunications has a strong market share with small and medium sized businesses while Primus is strong in the corporate sector. The change of ownership should also help Primus Telecom win business. The Federal Government avoided awarding contracts to a foreign owned company and other customers have been reluctant to deal with a company whose US parent, **PTGi**, had filed for bankruptcy in 2009.

Synergies and cross-selling may increase earnings per share around 11% in the year to 2013, but debt levels also increase significantly. This industry consolidation mainly produces a larger business, perhaps better able to compete in the future marketing National Broadband Network services.

M2 Telecommunications is well placed for the NBN rollout, so should continue to compete successfully and grow its market share (and shareholder wealth) in the years ahead.

M2 Telecommunications

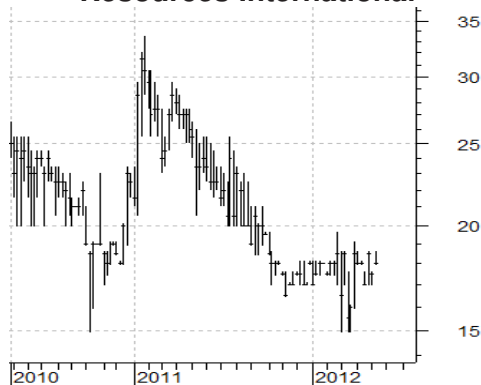


Novarise Renewable Resources International

reports March 2012 quarterly receipts of \$36.6 million and a net operating cash surplus of \$5.5 million.

Receipts are up 16% on the previous quarter (i.e. December 2011) and up 142% on the same quarter last year. The net cash surplus was up 8% on the previous quarter and 80% ahead of last year. This report shows signs of growth from the business.

Novarise Renewable Resources International



Penrice Soda Holdings' soda ash is used in glass

bottles, flat window glass, detergents and mining. The first three sectors have declined significantly over recent years - and two international detergent companies have recently closed their Australian manufacturing facilities. Soda ash sales to the mining industry have increased, with Penrice Soda Holdings having secured an export contract to supply a large mine from July 2012.

Demand for sodium bicarbonate - which earns the company higher profit margins - is “robust with strong domestic and export sales, limited only by capacity constraints”.

Bank debts have increased to \$93.8 million.

As previously reported, the group is considering the sale of its quarry to reduce debts. A mine plan, involving drilling and assaying which has been completed, indicates the size and quality of the limestone resource “at least in line with previous expectations”, plus a large resource of construction aggregates “well in excess of previous estimates”. A report on the Resource and Reserves of the mine will be released at the end of this month. Any mine sale would include a “life of mine” limestone supply agreement to maintain the competitiveness of the group's chemical business.

The group would then focus upon “specialty chemicals for food and pharmaceutical markets”

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Recommended Investments

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and develop its *Selective Salts Recovery (SSR)* technology to supply equipment, technology and services to the coal seam gas industry.

The company has “successfully built and commissioned” a multi-million dollar pilot plant for a client to demonstrate its SSR technology. This technology cleans brine-rich coal seam gas water - which is essential for the industry to develop.

With bank debts of \$93.8 million and a market capitalisation of only \$8.2 million this is a very high risk situation - but also highly leveraged. If the bank foreclosed on its loans, then our shares would be worthless (but the bank would have to learn how to run a quarry and chemical business!). The potential value of our shares will depend upon the value that the company can generate from its quarry business, developing high margin sodium bicarbonate and selling SSR technology

solutions. The company has some large businesses but the market places very little value on these. This provides a highly leveraged situation - which can be attractive (for investors holding a diversified portfolio) owing to the limit on losses (i.e. 100%) but no limit on potential gains from a successful recovery and growth of the business.

Penrice Soda Holdings



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.

Company	STRENGTH RATING				Insider Buy-Sell	Price to P/B	Return on Equity	Volatility	Price/Earnings Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99									
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Smiths City	46	+9.0	-5.4	13	0-0	-0.5	4	1.2	13	4.3	0.11	24	
Col Motor Co	303	+8.5	-1.0	15	1-0	-0.8	7	0.5	12	9.0	0.20	99	
Seeka Kiwifruit	180	+16.4	+15.9	5	1-3	-0.4	15	0.5	3	15.9	0.21	26	
Ebos Group Ltd	765	+5.4	+0.6	29	0-0	1	2.0	12	0.5	17	5.9	399	
Nuplex Indust	255	+0.2	+1.8	51	7-0	1	0.9	12	1.1	8	8.2	502	
Zintel Comm.	36	+30.9	+7.4	3	2-0	-1.7	5	1.7	38	4.0	0.34	20	
Pumpkin Patch	92	+11.7	+4.0	9	4-2	1	4.8	23	1.2	20	4.7	154	
Hellaby Hold.	298	+8.4	+2.3	16	1-0	-1.6	11	1.2	14	4.8	0.47	220	
Steel & Tube	230	+0.8	+1.4	48	2-1	-1.3	11	0.8	12	9.3	0.53	203	
Infratil NZ	204	+2.4	+0.6	40	0-2	-1.2	6	0.7	19	4.7	0.57	1,230	
Turners Auction	158	+4.3	-0.4	31	1-1	-2.2	15	0.8	14	9.9	0.61	43	
Allied Work.	250	+15.5	+4.4	6	0-0	-3.3	16	0.9	20	5.8	0.68	65	
Briscoe Group	154	+5.3	+0.5	29	3-0	-2.5	16	0.8	15	8.3	0.78	327	
Tower Limited	166	+6.0	+2.7	28	0-0	-1.0	7	1.1	13	5.2	0.81	440	
Opus Int'l Cons	219	+7.3	+2.9	20	0-0	-3.2	23	0.7	14	5.0	0.83	311	
Michael Hill	108	+10.7	+3.4	11	5-2	1	2.3	19	0.8	12	4.2	413	
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Seeka Kiwifruit	180	+16.4	+15.9	5	1-3	-0.4	15	0.4	3	15.9	0.21	26	
Michael Hill	108	+10.7	+3.4	11	5-2	1	2.3	19	0.6	12	4.2	413	
F & P Appliance	55	+9.5	+8.2	12	2-1	1	0.4	4	1.3	Nil	0.35	395	
Smiths City	46	+9.0	-5.4	13	0-0	-0.5	4	0.9	13	4.3	0.11	24	
Col Motor Co	303	+8.5	-1.0	15	1-0	-0.8	7	0.4	12	9.0	0.20	99	
Hellaby Hold.	298	+8.4	+2.3	16	1-0	-1.6	11	1.0	14	4.8	0.47	220	
Opus Int'l Cons	219	+7.3	+2.9	20	0-0	-3.2	23	0.6	14	5.0	0.83	311	
Finzsoft Sol'ns	36	+7.0	+1.0	20	0-0	-1.0	19	0.9	5	Nil	0.43	3	
Tower Limited	166	+6.0	+2.7	28	0-0	-1.0	7	1.0	13	5.2	0.81	440	
Ebos Group Ltd	765	+5.4	+0.6	29	0-0	1	2.0	12	0.5	17	5.9	399	
Briscoe Group	154	+5.3	+0.5	29	3-0	-2.5	16	0.6	15	8.3	0.78	327	
Turners Auction	158	+4.3	-0.4	31	1-1	-2.2	15	0.6	14	9.9	0.61	43	
Just Water Int.	10	+3.1	+3.1	34	1-0	-2.3	21	3.0	11	Nil	0.28	9	
Infratil NZ	204	+2.4	+0.6	40	0-2	-1.2	6	0.5	19	4.7	0.57	1,230	
Steel & Tube	230	+0.8	+1.4	48	2-1	-1.3	11	0.7	12	9.3	0.53	203	
Nuplex Indust	255	+0.2	+1.8	51	7-0	1	0.9	12	0.9	8	8.2	502	
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													
Cavalier Corp	168	-15.5	-3.0	91	0-0	1	1.2	17	0.7	7	15.3	0.50	115
Warehouse Group	267	-9.5	-0.0	85	2-4	2	2.4	29	0.6	8	11.8	0.39	652
Restaurant Brds	215	-4.4	+2.4	72	0-0	-3.6	41	0.6	9	11.3	0.65	210	
Hallenstein G.	405	+5.3	+1.1	30	0-0	-3.8	29	0.5	13	10.9	1.18	242	
Telecom Corp	259	+13.9	+2.3	7	4-2	3	2.2	8	0.5	26	9.9	2,665	
Kathmandu Ltd	161	-9.1	+2.3	84	2-2	-1.3	15	0.7	8	8.9	1.05	322	
Briscoe Group	154	+5.3	+0.5	29	3-0	-2.5	16	0.6	15	8.3	0.78	327	
AMP Office Trt	97	+6.9	+1.6	21	2-0	-1.1	1	0.5	93	8.1	7.02	962	
Sanford Limited	405	-4.8	+0.3	76	13-0	-0.7	4	0.3	17	8.1	0.82	379	
NPT Limited	56	+6.4	+0.1	25	0-0	-0.8	-	0.6	NE	8.1	3.81	107	

Company	STRENGTH RATING				Insider Buy-Sell	Price to P/B	Return on Equity	Volatility	Price/Earnings Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99									
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Nuplex Indust	255	+0.2	+1.8	51	7-0	1	0.9	12	0.8	8	8.2	0.32	502
Comvita	290	+8.2	+0.1	18	7-0	-1.1	5	0.5	23	1.5	1.00	82	
Port Tauranga	1125	+8.2	-0.1	18	5-0	1	2.2	8	0.3	26	3.9	8.13	1,508
Briscoe Group	154	+5.3	+0.5	29	3-0	-2.5	16	0.5	15	8.3	0.78	327	
Michael Hill	108	+10.7	+3.4	11	5-2	1	2.3	19	0.5	12	4.2	0.84	413
Zintel Comm.	36	+30.9	+7.4	3	2-0	-1.7	5	1.1	38	4.0	0.34	20	
AMP Office Trt	97	+6.9	+1.6	21	2-0	-1.1	1	0.4	93	8.1	7.02	962	
DNZ Property	145	+5.2	+1.3	31	2-0	-	-	0.6	NE	4.5	N/A	358	
Mercer Group	12	+0.2	+16.6	50	2-0	-0.3	-	2.0	NE	Nil	0.16	6	
Skellerup Hold.	150	+6.2	+0.8	26	3-1	-2.6	18	0.8	14	5.7	1.49	289	
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Vital Health PT	123	-58.3	-0.0	98	0-1	-1.2	2	0.5	48	6.6	8.48	357	
Property F Ind.	116	-0.2	-0.1	56	0-0	-1.1	4	0.4	25	7.1	7.69	250	
Charlie's Group	43	-58.3	+0.0	97	0-0	-7.7	15	1.2	51	Nil	4.00	126	
NZ Refining Co	274	-4.5	+1.1	73	3-0	-1.4	4	0.5	33	Nil	3.07	767	
Horizon Energy	341	-3.5	+0.8	70	0-0	-1.5	11	0.3	14	7.1	2.75	85	
Sky Network TV	555	-0.7	+1.9	59	1-0	2	1.7	9	0.4	18	4.8	2.71	2,160
Lytelton Port	215	-0.0	+1.3	53	0-0	-1.4	8	0.5	18	Nil	2.39	220	
F & P Health.	232	-4.2	+1.9	72	1-3	1	3.8	20	0.3	19	7.5	2.38	1,205
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Vital Health PT	123	-58.3	-0.0	98	0-1	-1.2	2	0.4	48	6.6	8.48	357	
Charlie's Group	43	-58.3	+0.0	97	0-0	-7.7	15	1.1	51	Nil	4.00	126	
Rubicon Limited	37	-13.3	-2.1	89	4-0	-0.6	-	0.6	NE	Nil	0.27	105	
Rakon Ltd	55	-12.8	+0.2	89	1-0	-0.5	4	0.9	12	Nil	0.55	105	
WN Drive Tech.	17	-12.4	+0.8	88	2-0	-12.5	-	1.7	NE	Nil	0.41	11	
NZ Wine Company	90	-8.8	+2.0	83	0-0	-0.4	-	0.6	NE	3.2	0.60	8	
Sealegs Corp	11	-8.8	-0.8	83	0-0	-1.9	-	1.5	NE	Nil	0.93	11	
Mowbray Collect	45	-8.7	+0.3	82	0-0	-1.2	-	0.5	NE	Nil	1.49	5	
Pac Edge Bio.	18	-6.0	+0.4	79	0-0	-24.0	-	1.3	NE	Nil	N/A	27	
Fletcher Build.	612	-5.2	-0.5	77	7-0	4	1.1	0	0.4	249	6.5	9.52	4,153
Dorchester Pac	9	-4.7	+4.5	75	2-0	-0.3	-	1.6	NE	Nil	0.87	9	
Wakefield Hlth	447	-4.6	-0.2	74	0-0	-0.7	6	0.2	13	4.8	0.83	63	
NZ Refining Co	274	-4.5	+1.1	73	3-0	-1.4	4	0.4	33	Nil	3.07	767	
INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Mainfreight Grp	953	-1.0	-0.2	60	1-4	-3.1	14	0.4	22	3.0	0.70	938	
Air New Zealand	93	-6.5	+1.9	80	2-5	1	0.6	5	0.7	13	7.3	0.23	1,014
F & P Health.	232	-4.2	+1.9	72	1-3	1	3.8	20	0.3	19	7.5	2.38	1,205
Warehouse Group	267	-9.5	-0.0	85	2-4	2	2.4	29	0.5	8	11.8	0.39	652
Satara Co-op	52	-6.7	+7.7	80	0-1	-0.3	-	0.7	NE	Nil	0.19	8	
Vital Health PT	123	-58.3	-0.0	98	0-1	-1.2	2	0.4	48	6.6	8.48	357	
Heartland BS	54	-2.5	+4.8	67	0-1	-0.1	0	0.8	23	Nil	0.89	162	

Probiotec expects revenues slightly lower at \$65.3-66.6 million for the year to 30 June 2012, with a small improvement in profit to \$1.4-2.3 million (2.6-4.3 cents per share).

Weight management products “continue to experience weakness in a difficult retail environment” although (lower profit margin) contract manufacturing is performing strongly. The *Australian Dairy Protein* business is constructing its new plant in South Australia which should be operational by December 2012 and then add \$1.8-4.0 million to group earnings (before interest, depreciation and tax).

The company has suffered from losses on its unsuccessful attempt to expand overseas. To return to former levels of profitability it needs to boost its weight management products or successfully launch other own-

brand, high margin health products. The contract manufacturing business will probably never be a major profit earner, but it is a more reliable business that produces steady revenues, profits and cashflows to keep the company going while times are tough.

Probiotec



Computer Selections of Australian 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																
Company	Share Price	Cur rent	4-Wk Chg.	Rank 0-99	Inside Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	Cur rent	4-Wk Chg.	Rank 0-99	Inside Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0																											
Vita Group Ltd	25	+1.7	-1.5	32	2-0	-	6.1	-	1.3	5	12.7	0.09	35	Village Road.	310	+0.0	+2.3	38	1-0	-	1.2	7	0.5	17	5.2	0.51	470
Tel.Pacific Ltd	5	+3.8	-7.0	27	0-0	-	5.3	-	2.9	NE	7.5	0.09	6	Ridley Corp.	120	+5.2	+3.8	23	5-0	4	1.5	12	0.6	13	6.3	0.51	369
Coffey Int'l	45	+11.4	-7.0	13	2-0	-	-	-	1.0	NE	24.4	0.10	95	News Corp.	2033	+5.8	-0.4	21	0-0	2	8.4	-	0.3	6	0.8	0.52	16,234
TTA Holdings	5	+0.8	-2.8	35	0-0	-	0.6	9	2.8	6	7.7	0.11	7	Runge Ltd	40	+4.6	+3.1	24	0-0	-	3.3	24	1.1	14	5.0	0.53	50
BSA Ltd	24	+9.8	-1.9	15	2-1	-	3.4	56	1.5	6	12.8	0.13	51	Embelton Ltd	835	+14.3	-1.3	11	0-0	-	1.7	15	0.2	12	3.3	0.53	18
Chandler McLeod	39	+9.1	+1.9	15	2-0	4	-	-	1.2	15	5.1	0.16	182	Beyond Int'l	71	+4.5	+2.4	25	3-0	-	1.6	18	0.8	9	8.5	0.53	44
Lindsay Aust	18	+5.3	+3.3	23	1-0	-	0.9	3	1.4	28	3.9	0.16	39	ERM Power Ltd	188	+8.9	+3.7	15	5-0	-	2.0	10	0.7	19	1.9	0.56	305
Caltech Australia	1345	+6.0	+1.6	21	0-0	2	1.1	-	0.5	NE	3.3	0.16	3,631	WHK Group Ltd	86	+0.5	+1.0	36	2-0	1	6.6	52	0.7	13	8.1	0.56	228
Marbletend Grp	12	+4.6	+0.2	24	2-0	-	1.0	15	2.1	7	4.2	0.17	7	The Reject Shop	1137	+7.1	-0.4	18	0-0	8	5.6	30	0.4	18	2.7	0.57	296
Brierty Ltd	31	+13.7	-0.0	11	6-0	-	0.9	0	1.4	344	1.6	0.18	34	Boral Limited	371	+0.9	-3.4	35	0-0	4	0.9	6	0.6	17	3.9	0.58	2,708
A.P. Eagers	1460	+10.7	+2.6	14	20-0	-	1.8	16	0.2	11	5.5	0.19	458	Fantastic Hold.	252	+8.6	+3.9	16	0-0	2	2.8	21	0.5	13	4.4	0.59	259
Automotive Hold	246	+13.0	+3.5	12	2-0	1	2.4	20	0.7	12	6.9	0.19	640	Woolworths Ltd	2679	+1.2	+1.8	34	5-1	5	13.8	90	0.2	15	4.6	0.60	32,590
Noni B Limited	72	+17.9	+2.2	8	5-0	-	1.9	2	0.9	100	1.4	0.20	23	Leighton Hold	1884	+0.1	-5.5	38	4-0	5	2.9	16	0.5	18	6.4	0.62	6,351
Norfolk Group	115	+3.3	+1.5	28	0-0	3	4.4	46	0.8	10	1.7	0.20	183	Korvest Ltd	490	+11.6	+0.0	12	0-0	-	1.3	13	0.4	10	5.3	0.64	43
Aust Vintage	36	+9.4	+0.9	15	0-0	-	0.3	5	1.1	7	7.0	0.20	46	Graincorp	930	+8.7	+3.7	16	0-0	5	1.9	18	0.4	11	3.2	0.66	1,841
Structural Syst	78	+2.4	-1.3	30	0-0	-	1.0	19	0.8	5	5.1	0.21	50	liNet	310	+7.4	-0.5	18	6-1	-	-	-	0.5	14	3.9	0.67	472
Mesbon China N.	24	+0.9	-0.1	35	0-0	-	0.7	2	1.4	31	4.2	0.21	32	Supply Network	100	+19.5	+0.9	7	0-0	-	2.4	17	0.6	14	5.0	0.68	34
Onesteel Ltd	118	+3.7	+11.8	27	3-1	4	0.8	12	0.9	7	8.5	0.22	1,572	Ocean Capital	18	+4.0	+5.1	26	0-0	-	0.6	-	1.5	NE	4.2	0.68	14
Pro Maintenance	252	+9.3	+3.2	15	2-0	-	3.0	22	0.5	13	3.6	0.24	298	CIC Australia	51	+6.8	+0.5	19	0-0	-	0.8	15	0.9	5	7.8	0.69	64
Spotless Group	255	+4.8	-0.5	24	0-0	-	-	-	0.6	16	4.3	0.25	670	Pro-Pac Pack.	57	+21.2	-1.2	6	0-3	-	6.3	40	1.0	16	3.5	0.69	80
Sigma Pharm.	66	+5.9	+2.0	21	1-0	4	1.2	7	0.8	16	5.3	0.27	778	Nib Holdings	156	+3.0	+1.9	28	3-0	-	2.0	18	0.6	11	5.1	0.72	728
Skilled Group	236	+14.8	+6.5	10	1-0	3	23.6	-	0.6	21	1.3	0.29	550	Logicamms Ltd	107	+17.1	+5.1	9	5-1	3	2.7	18	0.8	15	4.2	0.73	72
Sims Metal Mgmt	1341	+0.7	-2.1	36	8-2	4	1.5	11	0.5	14	3.5	0.31	2,754	Collection Hse	83	+7.1	-0.1	18	4-0	-	1.0	12	0.7	8	7.5	0.73	80
Hydromet Corp.	5	+1.0	+1.7	34	2-1	-	1.0	11	3.1	9	3.6	0.32	22	Nat'l Can	180	+27.4	+13.4	4	0-0	-	0.9	3	0.5	37	1.7	0.74	120
Landmark White	26	+1.4	+7.8	33	1-3	-	3.3	21	1.2	15	11.5	0.32	7	Sedgman Ltd	181	+8.0	-1.3	17	1-1	5	3.7	25	0.7	15	3.9	0.75	379
UXC Limited	57	+6.1	+7.4	21	3-0	2	8.1	21	1.1	39	3.5	0.33	174	Jumbo Interact.	144%+129.5+15.9	0	0-6	-	16.0	-	0.7	12	0.3	0.75	57		
Alesco Corp Ltd	206	+1.5	+9.0	32	0-0	4	2.5	17	0.6	14	4.1	0.36	194	Webster Ltd	55	+11.5	+1.3	13	5-0	-	0.6	10	0.9	6	1.8	0.75	36
Gazal Corp	175	+0.8	+1.1	35	0-0	-	2.3	23	0.5	10	7.4	0.37	100	Vita Life Sci.	32	+4.5	-0.3	25	0-0	-	2.3	15	1.2	15	1.6	0.76	19
Adcorp Aust.	19	+5.4	+1.9	23	8-0	-	2.1	25	1.4	8	10.5	0.39	12	Amcor Ltd	773	+2.8	+1.8	29	6-1	3	5.6	21	0.3	27	4.5	0.76	9,492
Goodman Fielder	64	+6.4	+4.8	20	2-0	3	-	-	1.0	NE	12.1	0.39	1,252	Tasmania Mines	170	+2.7	-0.5	29	1-0	-	1.0	19	0.5	5	3.5	0.77	31
CI Resources	60	+5.9	+4.3	21	1-0	-	0.7	8	0.9	8	5.0	0.39	44	Seymour Whyte	198	+4.2	-2.1	26	1-2	-	4.1	33	0.7	13	4.1	0.79	154
RCR Tomlinson	183	+14.6	+0.2	10	1-0	4	1.9	16	0.6	12	2.0	0.40	242	BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Schaffer Corp	375	+2.4	+2.5	30	1-0	-	1.1	10	0.4	11	5.3	0.40	53	Jumbo Interact.	144%+129.5+15.9	0	0-6	-	16.0	-	0.6	12	0.3	0.75	57		
W'bool Cheese	390	+0.5	-0.0	36	2-0	-	1.4	12	0.4	11	3.8	0.42	210	Vision Eye Inst	28	+80.2	+20.4	1	0-0	-	-	-	1.2	5	Nil	0.19	20
Delta SBD Ltd	82	+10.2	+5.4	14	3-0	-	1.9	25	0.9	8	4.4	0.43	36	Corum Group Ltd	7	+49.8	-27.6	2	0-0	-	-	-	1.7	10	Nil	0.78	17
Toll Holdings	561	+11.4	+1.2	13	1-1	4	-	-	0.6	14	4.5	0.48	3,984	Greencross Ltd	194	+32.2	-3.5	3	0-3	-	-	-	0.4	17	3.1	0.95	58
Coventry Group	280	+12.4	+2.7	12	3-0	-	0.8	3	0.5	26	7.9	0.49	112	Ausenco Ltd	403	+30.3	+2.7	4	0-0	6	8.2	44	0.5	19	3.0	0.91	497
Maxi TRANS	54	+28.2	-1.6	4	2-0	1	1.5	6	1.0	24	2.8	0.49	99	Mastermyne Grp	212	+26.5	-2.3	4	0-4	-	-	-	0.5	13	2.9	0.94	156
Regional Exp.	107	+2.4	-3.1	30	0-0	1	0.8	11	0.7	7	6.7	0.50	120	Buderim Ginger	19	+24.1	+9.4	5	0-0	-	0.5	5	1.0	10	Nil	0.20	16

(Continued on Page 8)

Company	STRENGTH RATING				Price to Buy	Return on Equity	Volatility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n	Company	STRENGTH RATING				Price to Buy	Return on Equity	Volatility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n																										
	Share Price	Current	4-Wk Chg.	Rank 0-99									Insider Buy/Sell	Brokers Following	NTA	Equity								Ratio	Yield	Share Price	Current	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Brokers Following	NTA	Equity	Ratio	Yield	Share Price	Current	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Brokers Following	NTA	Equity	Ratio	Yield	Share Price	Current	4-Wk Chg.	Rank 0-99
Tag Pacific	27	+21.5	+2.1	6	2-3	-0.9	17	0.9	5	Nil	0.19	19	GWA Group Ltd	201	-7.4	-2.8	62	1-1	4	14.4	-	0.5	10	9.0	0.83	606																							
Pro-Pac Pack.	57	+21.2	-1.2	6	0-3	-6.3	40	0.8	16	3.5	0.69	80	Aspen Group Ltd	47	+6.2	-1.3	20	7-1	2	0.7	4	0.6	16	8.9	2.86	273																							
Capital Health	4	+20.1	+0.1	7	0-0	-	-	2.5	13	Nil	0.27	12	Villa World Ltd	84	+4.2	-0.5	26	6-1	-2.3	10	0.5	24	8.9	2.94	329																								
Supply Network	100	+19.5	+0.9	7	0-0	-2.4	17	0.4	14	5.0	0.68	34	Hills Holdings	113	-2.0	+2.6	48	7-0	3	0.9	-0.6	NE	8.9	0.26	280																								
Mirvac Ind Trt	11	+18.3	+4.8	8	0-0	-0.6	43	1.9	1	Nil	0.76	40	Ardent Leisure	131	+5.7	+4.7	22	4-0	3	1.5	13	0.5	12	8.8	1.08	417																							
Cardno Ltd	740	+17.1	+1.7	8	1-1	2	-	-0.4	14	4.6	0.98	883	STW Comm Group	94	+5.2	+0.6	23	1-0	2	-	-0.5	8	8.5	1.04	341																								
Logicams Ltd	107	+17.1	+5.1	9	5-1	3	2.7	18	0.7	15	4.2	72	Onesteel Ltd	118	+3.7	+11.8	27	3-1	4	0.8	12	0.7	7	8.5	0.22	1,572																							
GLG Corporation	25	+16.8	+20.0	9	0-0	-0.5	7	0.9	7	Nil	0.08	19	Abacus Property	199	+1.0	+2.7	34	0-2	4	0.7	2	0.4	33	8.3	0.74	751																							
Super Retail Gr	730	+15.9	+3.9	9	1-0	5	5.2	29	0.3	18	4.0	0.92	1,399	Bendigo Bank	722	-7.2	-0.5	61	1-0	4	1.3	16	0.4	8	8.3	0.72	2,650																						
Roc Oil Company	38	+15.7	-0.4	9	3-0	2	0.9	9	1.0	9	Nil	0.92	256	Growthpoint Pro	206	+4.5	+1.5	25	2-0	1	1.0	9	0.3	11	8.3	5.58	6,816																						
RCR Tomlinson	183	+14.6	+0.2	10	1-0	4	1.9	16	0.5	12	2.0	0.40	242	INSIDER BUYING: Most Insider Buying, Relative Strength > 0																																			
Decmil Group	280	+14.6	+2.1	10	1-0	4	5.3	35	0.6	15	2.1	0.89	464	A.P. Eagers	1460	+10.7	+2.6	14	20-0	-1.8	16	0.1	11	5.5	0.19	458																							
Embelton Ltd	835	+14.3	-1.3	11	0-0	-1.7	15	0.2	12	3.3	0.53	18	Yellow Rock Res	2	+6.5	+1.3	19	11-0	-	-	-2.6	NE	Nil	N/A	7																								
Automotive Hold	246	+13.0	+3.5	12	2-0	1	2.4	20	0.5	12	6.9	0.19	640	Cazaly Res Ltd	26	+4.2	-1.3	26	10-0	-	-	-0.8	NE	Nil	N/A	31																							
Korvest Ltd	490	+11.6	+0.0	12	0-0	-1.3	13	0.3	10	5.3	0.64	43	Soul Pattinson	1376	+1.3	+0.1	33	9-0	1	1.2	6	0.2	20	2.9	4.33	3,284																							
Webster Ltd	55	+11.5	+1.3	13	5-0	-0.6	10	0.7	6	1.8	0.75	36	Orpheus Energy	14	+12.8	+4.3	12	8-0	-	-	-0.9	NE	Nil	N/A	2																								
Toll Holdings	561	+11.4	+1.2	13	1-1	4	-	-0.5	14	4.5	0.48	3,984	Adcorp Aust.	19	+5.4	+1.9	23	8-0	-2.1	25	0.7	8	10.5	0.39	12																								
FSA Group Ltd	36	+11.3	+5.3	13	2-0	-1.0	19	0.8	5	Nil	0.70	49	Patties Foods	170	+3.7	+1.3	27	7-0	3	4.9	38	0.3	13	4.5	1.09	236																							
Boart Longyear	371	+11.2	-0.7	13	0-0	4	2.5	24	0.7	11	2.8	0.85	1,691	Medical Dev Int	79	+15.3	+5.6	10	6-0	-8.8	38	0.5	23	Nil	3.98	41																							
Greencap Ltd	7	+10.7	+4.8	14	1-0	-	-	-1.7	5	Nil	0.32	19	Silver Chef Ltd	326	+4.2	+1.7	26	6-0	-2.5	21	0.3	12	5.8	1.22	87																								
A.P. Eagers	1460	+10.7	+2.6	14	20-0	-1.8	16	0.1	11	5.5	0.19	458	Senex Energy	87	+43.3	-9.4	2	6-0	-	-	-0.5	NE	Nil	N/A	660																								
Delta SBD Ltd	82	+10.2	+5.4	14	3-0	-1.9	25	0.8	8	4.4	0.43	36	Catalyst Metals	48	+10.7	-1.2	14	6-0	-	-	-0.6	NE	Nil	N/A	19																								
BSA Ltd	24	+9.8	-1.9	15	2-1	-3.4	56	1.1	6	12.8	0.13	51	Konekt Limited	8	+1.4	+5.5	33	6-0	-1.6	5	1.1	30	Nil	0.18	6																								
Aust Vintage	36	+9.4	+0.9	15	0-0	-0.3	5	0.8	7	7.0	0.20	46	Pan Asia Corp	15	+1.4	+1.9	33	6-0	-	-	-1.2	NE	Nil	N/A	N/A																								
Pro Maintenance	252	+9.3	+3.2	15	2-0	-3.0	22	0.4	13	3.6	0.24	298	Brierty Ltd	31	+13.7	-0.0	11	6-0	-0.9	0	0.8	344	1.6	0.18	34																								
Chandler McLeod	39	+9.1	+1.9	15	2-0	4	-	-0.9	15	5.1	0.16	182	Sundance Energy	67	+24.1	+4.2	5	6-0	-	-	-0.8	26	Nil	6.29	184																								
ERM Power Ltd	188	+8.9	+3.7	15	5-0	-2.0	10	0.5	19	1.9	0.56	305	Bradken Ltd	695	+2.1	-3.3	31	6-0	8	2.4	14	0.5	17	4.9	0.97	1,125																							
Melbourne IT	178	+8.9	+2.6	15	4-0	2	-	-0.4	11	8.4	0.81	145	Qantas Airways	151	+1.0	-0.1	34	6-0	4	0.6	4	0.5	14	Nil	0.23	3,420																							
Graincorp	930	+8.7	+3.7	16	0-0	5	1.9	18	0.3	11	3.2	0.66	1,841	Adelaide Bright	302	+0.6	-0.2	36	7-1	6	2.6	20	0.4	13	5.5	1.75	1,922																						
Fantastic Hold.	252	+8.6	+3.9	16	0-0	2	2.8	21	0.4	13	4.4	0.59	259	Aspen Group Ltd	47	+6.2	-1.3	20	7-1	2	0.7	4	0.6	16	8.9	2.86	273																						
AMA Group Ltd	14	+8.1	-0.0	17	0-1	-2.8	50	1.5	6	Nil	0.72	39	Sims Metal Mgmt	1341	+0.7	-2.1	36	8-2	4	1.5	11	0.4	14	3.5	0.31	2,754																							
Sedgman Ltd	181	+8.0	-1.3	17	1-1	5	3.7	25	0.6	15	3.9	0.75	379	Nextdc Limited	192	+13.6	-0.3	11	5-0	-2.1	-0.5	NE	Nil	N/A	221																								
PTB Group Ltd	26	+8.0	+7.9	17	1-0	-0.2	2	0.9	13	Nil	0.27	8	PPK Group Ltd	39	+5.6	-0.1	22	5-0	-0.7	-0.5	NE	2.6	2.13	21																									
Legend Corp.	34	+7.9	+1.7	17	4-0	-3.4	37	0.9	9	5.4	0.83	73	Pan Pacific Pet	15	+7.4	-0.5	18	5-0	-0.9	-0.9	NE	Nil	3.54	85																									
Macquarie C Tel	945	+7.9	+2.8	17	0-1	2	2.9	26	0.3	11	2.3	0.86	198	Aristocrat Leis	290	+13.8	+2.7	11	5-0	4	17.1	72	0.4	24	2.2	2.24	1,575																						
iNet	310	+7.4	-0.5	18	6-1	-	-	-0.4	14	3.9	0.67	472	Breville Group	430	+22.3	+8.2	6	5-0	-6.7	38	0.3	18	3.8	1.42	559																								
The Reject Shop	1137	+7.1	-0.4	18	0-0	8	5.6	30	0.3	18	2.7	0.57	296	Liontown Res.	6	+13.3	+11.0	12	5-0	-	-	-1.4	NE	Nil	N/A	12																							
Collection Hse	83	+7.1	-0.1	18	4-0	-1.0	12	0.5	8	7.5	0.73	80	MEO Australia	26	+25.6	+9.4	5	5-0	-	-	-1.1	NE	Nil	N/A	138																								
CIC Australia	51	+6.8	+0.5	19	0-0	-0.8	15	0.6	5	7.8	0.69	64	Investa Office	271	+2.8	+1.2	29	5-0	4	3.7	29	0.3	13	1.4	9.27	1,849																							
M2 Telecom. Grp	317	+6.8	-1.8	19	0-1	3	-	-0.5	15	5.0	0.95	490	Noni B Limited	72	+17.9	+2.2	8	5-0	-1.9	2	0.5	100	1.4	0.20	23																								
Gale Pacific	28	+6.2	-1.4	20	3-0	-1.5	14	0.9	11	8.0	0.83	79	Trausmin Ltd	11	+8.8	-5.9	16	5-0	-	-	-1.2	NE	Nil	N/A	17																								
Service Stream	39	+6.0	+4.2	21	5-0	1	2.6	39	0.9	7	Nil	0.17	111	ADX Energy Ltd	8	+2.3	+4.3	31	5-0	-	-	-1.5	NE	Nil	N/A	30																							
Sigma Pharm.	66	+5.9	+2.0	21	1-0	4	1.2	7	0.6	16	5.3	0.27	778	Webster Ltd	55	+11.5	+1.3	13	5-0	-0.6	10	0.5	6	1.8	0.75	36																							
CI Resources	60	+5.9	+4.3	21	1-0	-0.7	8	0.6	8	5.0	0.39	44	Rialto Energy	36	+8.8	-0.4	16	5-0	-	-	-1.1	NE	Nil	N/A	128																								
Macquarie Group	2835	+5.8	+2.1	21	2-0	4	1.1	11	0.5	10	6.6	0.84	9,832	Aust Foundation	427	+0.3	+0.4	37	5-0	-1.0	5	0.3	19	4.9	N/A	4,342																							
News Corp.	2033	+5.8	-0.4	21	0-0	2	8.4	-0.3	6	0.8	0.52	16,234	Centro Retail	190	+3.1	-0.5	28	5-0	-	-	-0.5	NE	Nil	N/A	N/A																								
Adcorp Aust.	19	+5.4	+1.9	23	8-0	-2.1	25	1.0	8	10.5	0.39	12	Milton Corp.	1555	+1.2	+0.4	34	5-0	-1.0	5	0.2	20	4.9	N/A	1,891																								
Ridley Corp.	120	+5.2	+3.8	23	5-0	4	1.5	12	0.5	13	6.3	0.51	369	ERM Power Ltd	188	+8.9	+3.7	15	5-0	-2.0	10	0.5	19	1.9	0.56	305																							
Spotless Group	255	+4.8	-0.5	24	0-0	-	-	-0.4	16	4.3	0.25	670	Service Stream	39	+6.0	+4.2	21	5-0	1	2.6	39	0.7	7	Nil	0.17	111																							
Runge Ltd	40	+4.6	+3.1	24	0-0	-3.3	24	0.8	14	5.0	0.53	50	DuluxGroup Ltd	303	+4.7	-0.1	24	5-0	5	30.3	-0.5	12	5.0	1.12	1,113																								
Marbletend Grp	12	+4.6	+0.2	24	2-0	-1.0	15	1.5	7	4.2	0.17	7	Phoslock Water	6	+4.4	-1.9	25	5-0	-5.6	-1.5	NE	Nil	6.83	12																									
Beyond Int'l	71	+4.5	+2.4	25	3-0	-1.6	18	0.5	9	8.5	0.53	44	Telstra	360	+3.9	+0.5	26	5-0	5	10.0	72	0.2	14	7.8	1.77	44,795																							
Vita Life Sci.	32	+4.5	-0.3	25	0-0	-2.3	15	0.9	15	1.6	0.76	19	Ridley Corp.	120	+5.2	+3.8	23	5-0	4	1.5	12	0.3	13	6.3	0.51	369																							
Prime Media Grp	69	+4.2	+0.3	26	0-0	2	-	-0.7	9	3.5	0.98	253	Antisense T.	2	+3.1	-9.4	28	5-0	-	-	-2.9	NE	Nil	N/A	14																								
Seymour Whyte	198	+4.2	-2.1	26	1-2	-4.1	33	0.6	13	4.1	0.79	154	iNet	310	+7.4	-0.5	18	6-1	-	-	-0.3	14	3.9	0.67	472																								
Norton Gold	22	+4.2	+1.7	26	0-0	-1.4	12	1.3	11	Nil	0.71	151	Villa World Ltd	84	+4.2	-0.5	26	6-1	-2.3	10	0.4	24	8.9	2.94	329																								
Brisconnections	90	+3.7	+0.2	27	0-0	-	-	-0.6	13	Nil	0.27	351	Amcort Ltd	773	+2.8																																		

Gladiator Resources

June 2015 options

Gladiator Resources (codes GLA and GLAO) is a small Australian company seeking to develop a low cost, high profit margin pig iron project in Uruguay which it acquired in January 2010. The company's listed June 2015 options offer a very highly leveraged way to gain an interest in this venture.

The company's issued capital consists of 225,485,222 ordinary shares plus 193,996,950 options to buy shares at 10 cents in June 2015. \$6.1 million in cash was raised in March this year from a 9 for 11 cash issue at 6 cents per share. One "free" 2015 option was issued with each new share in that cash issue (and further options were issued to the underwriter).

The cash raised will be used to advance the *Isla Cristalina* pig iron project in Uruguay where Gladiator Resources will earn up to an 80% interest upon completion of a Bankable Feasibility study. \$1 million will be used for on-going exploration, \$1 million for engineering and metallurgical testing and \$3 million for the feasibility study.

The *Isla Cristalina* project has a large, high quality magnetite deposit and the joint venture is seeking to establish a 3.5 million tonnes per annum mining operation. Stage I of this development would also include a concentrator and pellet plant to produce 1.2 million tonnes of pellets annually, plus Charcoal plants (using timber from nearby forestry plantations) and a Mini Blast Furnace to convert around 25% of the pellets into 150,000 tonnes of pig iron annually. The pellets and pig iron would be exported through Brazil.

Stage II could see the venture build additional charcoal plants and a second blast furnace to lift pig iron production to 420,000 tonnes annually. Additional charcoal plants and blast furnaces in future years could convert all of the pellets into 800,000 tonnes of pig iron annually. Converting the pellets to pig iron adds value and improves the profitability of the venture.

At 3.5 million tonnes of ore annually, the mine life would be at least 20 years.

The feasibility study could be completed by around mid-2013 and (subject to financing) Stage I development could take around 18-20 months for completion as early as mid to late 2014. Stage II development would take another year.

If developed, this would be one of the lowest cost (i.e. highest profit margin) pig iron producers in the world. Production costs are estimated at around US\$275/tonne, while pig iron will sell for around US\$500/tonne.

Capital construction costs, however, could be as high as \$800-1000 million. The venture would earn a high return on this capital investment, but Gladiator Resources is only a \$17 million micro-cap company.

This investment situation involves very high risks, but also significant leverage and the *potential* for significant gains. Gladiator Resources is a very small micro-cap company, but is earning an 80% interest in a very big, very profitable, long life mining and pig iron

producing venture. Obviously it would need to bring in additional equity partners at some stage (or sell its interest, or it could get taken over), but progressing this development through to a bankable feasibility study *could* generate significant value for Gladiator Resources shareholders.

In this high risk, highly leveraged situation, the company's listed options - which are more risky and more highly leveraged - can actually be the best way for investors to gain an equity interest in this venture - both minimising the initial capital at risk and maximising potential profit.

This is especially true when the options trade at a 55% discount to their fair value.

For example, with a \$1000 investment, an investor could acquire about 14,000 shares. But a better way - minimising risk and maximising potential gains - would be to invest just \$500 to buy around 30,000 options. That minimises risk (i.e. by simply placing less capital at risk) and maximises potential gains with ownership of more than twice the number of equity securities in the company!

As this project is still at a very high risk, high return stage an investment in the shares (at 7 cents) could fall in value to virtually nothing or a few cents (i.e. a maximum loss of 100%, if unsuccessful) or appreciate to 10, 20 or 50 cents (i.e. gains of 40-600%, if successful).

The options allow investors to *limit* their initial investment, while still participating in most of the potential gains. The options trade around 1.5 cents - or just 22% of the capital placed at risk buying the shares. The options have over three years until their final exercise/expiry date of 30 June 2015 - giving the company plenty of time to advance this project. If the venture is unsuccessful, then the options will expire worthless - for a loss of 100% (but 100% of a smaller initial investment). If the shares rise to only 10 cents, then the options would still be worthless. But if the venture is successful and the shares rise to 20 cents or 50 cents, then the options would be worth 10 cents to 40 cents - for gains of 560-2500%.

There have been no on-market *insider* trades over the last year, but the directors have significant holdings in the company and appear to have taken up their entitlements in the recent cash issue. The Chairman and two non-executive directors have small shareholdings of between 300,000 and 391,000 shares each. Two other directors are employed as consultants: J Palermo who owns 14,966,291 shares (6.6% of the company) and R Adams with 3,338,889 shares (1.5%).

Summary and Recommendation

Gladiator Resources is a very small company seeking to develop a very large, very profitable, long term mining and processing venture. At this early stage, this venture involves very high risks but, if successful, would create significant shareholder value. The options allow us to take an equity interest in the development of this venture over the next three years, (Continued on Page 12)

Investment Outlook

(Continued from Page 1)

futures trading is what economists call a “zero sum game”. One person's profit is another person's loss. The media reports JP Morgan Chase's loss but doesn't mention the counter-parties' profits. The media also reports the “loss” that some hedge funds have suffered from the drop in the value of their holding in JP Morgan Chase shares, but never mentions the gains investors make when share prices appreciate. Future historians (or aliens studying Earth?) would conclude that investors consistently lose large amounts of money in the stockmarket. Our *actual* experience over many decades consistently tells a very different story!

This current economic situation is what we consider “business as normal”. There is no easy solution to the European financial problem. In fact, the problem goes beyond Europe. Focusing upon weak government finances in Greece or Italy or France - and how voters there refuse to face up to the problem and do anything about it - simply distracts attention from similarly weak government finances in the United States, Australia and New Zealand (and how voters in those countries refuse to acknowledge the problem and do anything about it!).

Today's popular economic policy is based upon denial. If governments and voters ignore a problem, then it doesn't exist. Or if they ignore the problem long enough then it will become *someone else's* problem. Government financial policy is like a long term pyramid scheme.

This newsletter prefers to take a different approach. Weak government finances is a reason to save and invest and provide for one's own future financial requirements. Probably no-one else will.

Economic uncertainty and financial market volatility may frighten many people from investing, but this situation does not harm *long term* investment returns. Companies adapt and ultimately profit from uncertainty and change. The greatest risk to our long term investment returns is a *capital intensive, share owning* society where everyone saves and invests in the stockmarket. Plentiful capital resources will drive down returns. While most people remain frightened to own shares and capital is scarce, then *long term* investment returns to the owners of equity capital will remain high.

We believe many share prices are under-valued. In many cases, profitability remains low owing to depressed economic activity. Many of our shares trade below net asset value. Some sell at or below net asset value that consists of cash and debtors. These companies could be liquidated at values approximately equal to their share prices. That places no value on their *business*. At worst, these companies could be taken over by competitors seeking to (cheaply) acquire market share and new customers.

These conditions - low share valuations and “pessimistic” economic conditions remind us of the 1970's and early 1980's. Shares were very out-of-favour and depressed, but ultimately rose *very strongly* from those lows! Current conditions could therefore result in a similar period of much higher than average returns over the next 5-10 years. Remain fully invested in the recommended shares.

Australian Options: Gladiator Resources

(Continued from Page 11)

while placing significantly less of our capital at risk.

The Gladiator Resources June 2015 listed options are highly speculative, but a *small* investment could be attractive for investors looking for a high risk/high return investment.

Gladiator Resources



Total Return Index for All Listed Shares

Apr 16	1275.00	Apr 23	1290.41
Apr 17	1276.36	Apr 24	1290.59
Apr 18	1278.66	Apr 25	Holiday
Apr 19	1287.90	Apr 26	1297.05
Apr 20	1290.11	Apr 27	1296.84
Apr 30	1292.69	May 7	1274.64
May 1	1295.44	May 8	1268.07
May 2	1295.26	May 9	1267.90
May 3	1290.35	May 10	1271.52
May 4	1282.82	May 11	1272.60

Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
AMP Office	1.26	10-05	24-05	1649
Restaurant Brands	9.50	15-06	29-06	Full
TrustPower	20.00	25-05	08-06	Full
<u>Australian Shares</u>				
CPT Global	1.50	23-04	18-05	

Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday June 11, 2012.

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

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