

Market Analysis

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Inside Market Analysis

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Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

A Wall Street adage states “A Bull Market climbs a wall of worry” - so while investors remain cautious and sceptical, share prices are likely to climb higher. “Ultra easy” global monetary conditions will likely continue to drive share prices significantly higher. Remain fully invested in the recommended shares.

Investment Outlook.

Two weeks ago *The Economist* ran an article entitled “Semi-rational Exuberance: The world economy is improving. But not as much as some investors seem to think”.

That, of course, is a play on “Irrational Exuberance”, a term used by Federal Reserve Chairman Alan Greenspan in December 1996 to warn that low inflation was over-inflating stock prices! The market then entered the Technology boom - with the S&P500 Index more than doubling over the next four years (while Internet stocks soared!) through to a peak in early 2000.

What can we learn from Greenspan's stockmarket analysis?

Some may suggest that intelligent analysis of stockmarket fundamentals is a waste of time. This newsletter would strongly disagree! The dumb investors who piled into Internet stocks from 1997 to 2000 - without any consideration of the value of those businesses - were virtually wiped out in the early 2000's when 90% of Internet companies failed and the successful ones still fell 90% in value! Over the last century, the people who have been successful at stockmarket investing all tended to focus upon the value of the businesses, including successful growth investors (who focus upon the growth in value that a company may be able to build in the future). What about investors who ignore value? Well, despite all the spam, internet sites and “free seminars” promising otherwise, there are no rich share traders!

What the four year doubling of stock prices after Greenspan's “irrational exuberance” warning does tell us is that stock prices can (and do!) fluctuate to extremes of valuation. So shares can be over-valued and still rise further, or under-valued and still fall further. Investors need to make a rational assessment of value - but then be flexible in how to apply that to investment decisions.

If you can find a good company whose shares appear to offer value at 100 cents, then a decline in price to 75 cents or 50 cents may not mean that the original assessment was wrong (although it would be wise to reassess that value based upon any new information). Similarly, a rise in the share price to 150 cents or 200 cents, may not be a reason to sell out of a good company.

Stockmarket Forecasts

	One-Month	One-Year
Australia:	81% (Bullish)	69% (Bullish)
New Zealand:	71% (Bullish)	61% (Bullish)

The Economist article is in response to stockmarkets rising 20% since the start of 2012 and “the gap between financial market optimism and economic reality” especially in Europe where “economies are still in deep trouble”. But this lacks the important “flexible application” we mentioned above. *The Economist* - although perhaps a little more intelligent than other media - is still written by journalists who are just as likely as most other people to be surprised when stockmarkets start rising off their lows when economic conditions are at their worst. Or that stock prices have peaked and are falling when the economy is booming!

In reality, the stockmarket anticipates likely changes in economic activity 3-12 months in the future - but economic statistics are often collected and reported after a 3-6 month delay. So is the recent rise in stock prices justified? *The Economist* should be able to give you the definitive answer to that question in about 18 months time! As investors we can't wait that long and have to make real money decisions in real time based upon less exact information!

As we wrote last month, we believe stock prices are rising in response to further easing in global monetary policy. That could lead to a significant increase in share prices over the next few years. So when, eventually, intelligent and knowledgeable people start warning about “irrational exuberance” then share prices could still double in value! From the current “semi-rational exuberance” level, monetary driven financial asset price inflation (plus consumer price inflation increasing reported profits) plus an eventual improvement in those “deep trouble” economies could see nominal share prices rise 5-10 fold over the next several years!

So should we even consider selling shares after a 20% stockmarket rise over 13 months? We are sure you already know the answer as we have given this advice many times over the last 32 years: “You will never get rich taking small profits”.

Performance Forecasts

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

Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield			
AMP Limited	A	643	1.45	15	6.1	Inv Research Gr	D	0.4	1.00	NE	Nil	Pyne Gould Corp	D	28	2.01	NE	Nil
AMP Office Trt	C	99	7.75	22	5.7	Jasons Media	C	18	0.29	8	Nil	Rakon Ltd	D	36	0.39	NE	Nil
ABNO Health.	A	627	0.49	63	4.8	Just Water Int.	C	16	0.49	8	Nil	Renaissance	C	20	0.14	34	Nil
Air New Zealand	B	126	0.31	20	4.4	Kathmandu Ltd	A	223	1.29	13	6.4	Restaurant Brds	B	283	0.90	16	8.1
Akd Int Airport	B	284	8.80	26	5.3	Kermadec Prop.	D	67	6.58	11	4.5	Rubicon Limited	E	32	0.29	NE	Nil
Allied Farmers	E	2.9	0.12	NE	Nil	Kingfish Ltd	A	116	N/A	15	7.6	Ryman Health.	A	455	N/A	19	1.0
Allied Work.	A	255	0.56	14	7.3	Kirkcaldie & St	D	275	0.73	NE	Nil	Sanford Limited	C	441	0.90	20	7.5
Argosy Property	D	94	7.33	NE	6.4	Kiwi Property	C	115	5.41	13	7.0	Satara Co-op	E	54	0.17	NE	Nil
Barramundi Ltd	C	71	N/A	NE	8.8	L&M Energy	E	7.3	N/A	NE	Nil	Savoy Equities	D	2.0	N/A	NE	Nil
Blis Technology	C	2.5	2.91	NE	Nil	Lytelton Port	D	215	2.10	13	Nil	Scott Tech. Ltd	A	283	1.81	17	4.0
Briscoe Group	A	250	1.21	19	5.7	Mainfreight Grp	B	1205	0.66	18	3.1	Sealegs Corp	E	13	1.12	NE	Nil
Burger Fuel	B	175	9.12	NE	Nil	Marlin Global	D	71	N/A	NE	10.5	Seeka Kiwifruit	D	110	0.12	NE	Nil
CDL Investments	D	54	N/A	37	3.7	Mercer Group	B	30	2.14	NE	Nil	Skellerup Hold.	C	165	1.53	13	6.7
Cavalier Corp	D	187	0.59	30	Nil	Methven Limited	B	150	0.94	15	8.2	Sky City Ltd	C	409	2.77	17	5.1
Cavotec MSL	C	245	1.08	20	1.6	Metro. LifeCare	C	312	7.00	NE	Nil	Sky Network TV	C	518	2.39	16	6.1
Charlie's Group	D	43	4.00	51	Nil	Michael Hill	B	121	0.91	13	4.5	Smartpay NZ Ltd	C	17	0.42	NE	Nil
Chorus Ltd	C	315	1.15	7	11.4	Mid-Cap Index	D	259	N/A	NE	Nil	Smiths City	B	63	0.15	8	5.6
Claridge Cap'l	E	1.5	N/A	NE	Nil	Millennium & C.	B	56	1.97	9	3.1	Sol. Dynamics	E	16	0.19	NE	Nil
Col Motor Co	A	400	0.24	11	8.9	Moa Group Ltd	E	126	N/A	NE	Nil	South Port NZ	B	330	3.27	14	8.7
Comvita	B	386	1.14	13	5.2	Mowbray Collect	D	46	1.82	NE	Nil	Speirs Group	D	12	0.10	NE	Nil
Contact Energy	C	518	1.39	20	6.3	NPT Limited	E	60	3.73	NE	6.7	Steel & Tube	B	254	0.55	17	6.7
Cynotech Hold.	E	0.2	0.08	NE	Nil	NZ Exchange Ltd	B	133	6.83	26	5.6	Summerset Group	C	257	N/A	NE	Nil
DNZ Property	C	163	N/A	19	5.2	NZ Experience	C	37	1.18	10	11.2	TeamTalk Ltd	B	312	2.25	13	9.2
Delegat's Group	B	317	1.45	13	4.1	NZ Finance Hold	E	0.3	0.05	NE	Nil	Telecom Corp	C	235	0.95	4	11.4
Diligent Board	C	539	N/A	NE	Nil	NZ Farming Sys.	E	65	1.53	NE	Nil	Tenon Ltd	C	109	0.17	NE	Nil
Dorchester Pac	C	34	6.10	NE	Nil	NZ Oil & Gas *	N/R	95	3.27	19	9.1	Tourism Hold.	C	72	0.35	16	7.9
Ebos Group Ltd	B	860	0.31	16	5.6	NZ Refining Co	C	275	2.65	22	6.2	Tower Limited	B	191	1.06	12	5.8
Ecoya Ltd	E	94	2.44	NE	Nil	NZ Wool Service	E	42	0.19	NE	Nil	Trade-Me Ltd	B	428	N/A	22	2.6
F & P Health.	B	236	2.37	19	7.5	NZ Windfarms	E	11	3.10	NE	Nil	Training Sol.	E	0.1	N/A	NE	Nil
Finzsoft Sol'ns	D	38	0.41	NE	Nil	NZSX 50 Port.	D	151	N/A	NE	Nil	Trust Power Ltd	C	840	3.27	20	6.8
Fletcher Build.	A	896	0.69	33	5.4	NZSX 10 Fund	D	104	N/A	NE	Nil	Turners & Grow.	C	165	0.22	16	3.6
Foley Fam Wines	C	115	0.74	NE	Nil	NZX Aust MidCap	D	515	N/A	NE	Nil	Turners Auction	A	211	0.77	16	11.5
Fonterra S/H Fd	C	733	4.71	NE	4.4	New Image Group	C	27	0.85	NE	Nil	Vector Ltd	C	290	2.31	15	7.1
Freightways Ltd	B	447	1.80	19	5.8	Northland Port	A	252	N/A	14	4.8	Velo Capital	D	7.0	N/A	NE	Nil
Genesis Res.	D	1.8	N/A	NE	Nil	Nuplex Indust	B	339	0.41	10	6.2	Veritas Invest.	C	270	N/A	NE	Nil
Goodman Prop.	D	104	9.29	26	6.0	Opus Int'l Cons	B	208	0.76	12	5.8	Vital Health PT	C	126	6.58	41	6.2
Guinness Peat	C	60	0.09	2	2.5	Ozzy (Tortis)	D	384	N/A	NE	Nil	WN Drive Tech.	D	16	0.31	NE	Nil
GuocoLeisure	C	69	1.71	10	2.9	PGG Wrightsons	C	44	0.25	13	Nil	Wakefield Hlth	B	565	1.22	16	4.3
Hallenstein G.	B	522	1.44	15	8.6	Pac Edge Bio.	E	61	N/A	NE	Nil	Warehouse Group	B	334	0.60	12	8.6
Heartland BS	C	68	1.17	11	Nil	Pharmacybrands	E	120	1.37	15	Nil	Widespread Port*	N/R	1.2	0.03	NE	Nil
Hellaby Hold.	C	332	0.50	13	5.6	Pike River Coal	E	88	N/A	NE	Nil	Windflow Tech.	D	23	1.24	NE	Nil
Heritage Gold *	N/R	1.8	N/A	NE	Nil	Port Tauranga	B	1375	8.11	25	4.1	Wool Equities	E	10	9.52	NE	Nil
Horizon Energy	C	340	2.33	13	7.1	Postie Plus Grp	D	22	0.09	39	6.5	World Index Fd	E	100	N/A	NE	Nil
Infratil NZ	C	241	0.64	27	4.7	Property F Ind.	D	123	8.19	27	6.7	Xero Ltd	C	698	N/A	NE	Nil
Insured Group	D	2.0	0.26	NE	Nil	Pumpkin Patch	B	135	0.76	22	Nil	Zintel Comm.	E	44	0.54	NE	Nil
												Ave of 135 Cos	C	207	0.42	25	3.3
AGL Energy Ltd	B	1513	1.11	72	4.0	David Jones	B	263	0.74	14	6.7	Oil Search Ltd	B	763	N/A	51	0.5
AMP Limited	A	1141	2.74	17	3.9	Deutsche Div Tr	B	131	6.10	14	7.1	Orica Ltd	A	2699	1.48	15	3.4
AMP Ltd	B	528	2.61	22	5.7	Dexus Property	C	109	N/A	NE	Nil	Origin Energy	B	1227	1.03	14	4.1
ANZ Bank	A	2812	2.11	13	5.2	Djerriwarrh	B	409	N/A	20	6.4	Paladin Energy	C	109	2.54	5	Nil
APA Group	A	585	3.55	29	10.0	Downer EDI Ltd	B	462	0.25	18	Nil	Panaust Ltd	C	300	3.13	14	Nil
ARB Corporation	A	1161	3.10	22	2.2	DuluxGroup Ltd	A	416	1.44	17	3.7	Perpetual Ltd	A	3943	4.14	80	2.3
ASX Limited	A	3595	8.03	19	4.9	Echo Ent Group	C	359	1.83	70	Nil	Perseus Mining	E	192	N/A	NE	Nil
Abacus Property	A	215	3.96	NE	7.7	Envestra	B	99	3.32	21	5.9	Platinum Asset	A	509	N/A	23	4.1
Adelaide Bright	A	339	1.96	15	4.9	Evolution Min.	C	157	2.36	30	Nil	Premier Invest	A	762	1.36	17	4.7
Ainsworth Game	A	317	6.77	16	Nil	Fairfax Media	B	52	0.52	9	5.8	Primary Health	B	467	1.68	20	2.4
Alumina Ltd	B	115	N/A	23	5.1	Federation Cent	C	235	9.90	NE	Nil	Q.B.E. Insur.	B	1232	0.72	19	7.1
Amalgamated Hld	B	770	1.52	15	5.1	Flexicorp Ltd	A	401	4.66	19	3.1	Qantas Airways	C	159	0.23	NE	Nil
Amcor Ltd	B	881	0.87	26	4.2	Flight Centre	A	3131	1.54	16	3.6	Qube Holdings	B	173	2.04	43	2.4
Aneka Tambang	C	125	N/A	60	0.0	Fortescue Metal	B	494	2.36	10	1.6	REA Group Ltd	A	2325	N/A	35	1.4
Ansell Ltd	B	1679	1.79	17	2.1	GPT Group	C	388	N/A	NE	Nil	Ramsay Health	A	3023	1.54	25	2.0
Aquila Res.	D	292	6.10	NE	Nil	Goodman Fielder	B	69	0.61	NE	Nil	Reece Australia	B	2275	1.49	20	2.7
Argo Investment	B	670	N/A	25	3.9	Goodman Group	A	470	N/A	48	3.8	Regis Resources	C	500	N/A	60	Nil
Aristocrat Leis	A	369	2.85	30	1.8	Graincorp	A	1210	0.76	12	2.9	Rio Tinto Ltd	B	6960	0.51	2	2.0
Arrium Limited	B	101	0.18	6	6.0	Growthpoint Pro	A	237	7.25	18	7.4	S/Tracks ASX200	B	4638	N/A	NE	3.7
Asciano Limited	B	508	1.45	21	1.2	Harvey Norman	B	220	1.66	14	4.1	SAI Global Ltd	B	434	1.96	21	3.5
Atlas Iron Ltd	B	167	2.45	21	1.8	Henderson Group	A	243	2.54	26	4.4	SP Ausnet	B	118	2.25	14	6.8
Aurizon Hold.	B	404	2.81	22	2.1	IOOF Holdings	A	828	3.08	98	4.5	Sandfire Res.	C	769	N/A	NE	Nil
Aurora Oil Gas	D	366	N/A	NE	Nil	IRESS Limited	A	858	5.32	26	4.4	Santos Ltd	B	1228	4.58	15	2.4
Ausdrill Ltd	B	289	0.83	8	5.0	Iuka Resources	B	932	2.38	7	8.0	Seek Ltd	A	864	6.54	21	2.0
Aust Infra.	B	311	N/A	10	3.4	Incitec Pivot	A	321	1.49	10	3.9	Seven Group	A	958	0.66	18	4.0
Aust Foundation	B	538	N/A	25	3.9	Independ. Group	B	480	5.16	NE	0.6	Seven West Med.	B	238	0.82	7	10.5
Australand Prop	B	340	2.83	14	6.3	Insurance Aust.	A	519	1.26	52	3.3	Sims Metal Mgmt	B	1032	0.23	58	1.9
Automotive Hold	B	389	0.26	19	4.6	Investa Office	B	312	N/A	19	5.0	Sonic Health	B	1429	1.67	18	4.1
BHP Billiton	A	3795	1.73	8	2.9	Invocare Ltd	B	964	3.22	39	3.1	Soul Pattinson	B	1390	3.65	23	3.2
BWP Trust	A	243	N/A	18	6.0	JB Hi-Fi Ltd	B	1101	0.35	10	5.9	Spark Infrastru	B	167	7.63	27	6.0
Bank of Q'land	A	860	0.95	NE	6.0	James Hardie	B	976	3.62	7	4.1	Steamships Trad	B	2750	2.11	12	3.0
Beach Energy	A	135	2.74	10	1.7	Jupiter Energy	C	62	N/A	NE	Nil	Sth Cross Media	B	117	1.20	9	8.5
Bendigo Bank	A	955	1.03	20	6.3	Kardoon Gas	C	653	N/A	NE	Nil	Stockland	B	341	3.70	15	7.0
Bluescope Steel	C	366	0.24	NE	Nil	Leighton Hold	B	2030	0.67	20	5.9	Suncorp Group	B	1091	0.88	19	3.7
Boat Longyear	B	202	0.46	6	5.1	Lend Lease Grp	A	1034	0.51	12	3.7	Sundance Res.	D	30	N/A	NE	Nil
Boral Limited	A	500	0.80	18	2.2	Linc Energy Ltd	C	231	N/A	NE	Nil	Super Retail Gr	A	1065	1.26	25	3.0
Bradken Ltd	B	627	0.73	11	6.5	Lynas Corp Ltd	E	62	N/A	NE	Nil	Sydney Airport	B	322	5.75	73	6.5
Brambles Ltd	B	805	2.25	22	3.2	Macquarie Group	A	3778	1.21	17	3.7	TPG Telecom Ltd	B	274	3.20	24	2.0
Breville Group	B	686	2.09	19	3.5	Magellan Fin Gp	A	645	N/A	72	0.7	Tabcorp Holding	B	328	0.79	7	7.3
Brickworks Ltd	B	1245	3.30	42	3.3	McMillan Shake.	B	1420	3.50	19	3.3	Tatts Group Ltd	B	337	1.18	14	6.5
C'wth Prop Off.	B	113	5.91	10	5.4	Medusa Mining	B	506	N/A	20	1.4	Telstra	B	462	2.25	17	6.1
C.S.R. Ltd	B	215	0.60	14	6.0	Mermaid Marine	A	398	2.30	17	2.8	Toll Holdings	B	533	0.44	13	4.7</

Recommended Investments

South Port NZ has reported half year revenues to 31 December 2012 up 11.4% to \$13.9 million and net profit up 14.2% to \$2,904,000 (11.1 cents per share). The interim dividend will be 18.2% higher at 6.5 cents (plus full imputation tax credits).

The net operating cash surplus rose 23% to \$1.8 million.

Port volumes were down 8.8% to 1,268,000 tonnes, but other activities - such as the acquisition of the **Southland Cool Store** cold storage operation -

contributed to revenues and earnings.

The Southland Cool Store business has been "successfully integrated" with the company's existing *Island Harbour* cold storage business. An additional dry warehouse of 5900m² is being constructed at the west end of Island Harbour for bulk cargoes (e.g. stock feed and fertiliser) and - expanding outside the harbour area - the company has acquired a 0.63 hectare site adjacent to the Invercargill railroad where it plans to establish a container packing (Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company		Initial Recommendation		Performance	Issued	Vola-	Price/	Price/	Gross	Recent	Cash	Total
	NZ Shares	Code	- Date -	Price	Forecast	Shares (mil.)	tility Ratio	Sales Ratio	Earnings Ratio	Dividend Yield	Share Price	Dividends Rec'd	Return %
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	258.2	1.3	12.39	37	3.7	54	21.7	+203%
BUY	Cavalier Corporation	CAV	05/12/95	156*	D	68.3	1.0	0.59	30	Nil	187	278.0	+198%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	A	32.7	0.5	0.24	11	8.9	400	362.3	+496%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	D	102.3	0.8	2.10	13	Nil	215	77.7	+95%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	B	382.8	0.9	0.91	13	4.5	121	41.9	+3158%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	523*	B	196.7	1.0	0.41	10	6.2	339	430.0	+47%
HOLD	Postie Plus Group	PPG	08/05/06	71	D	40.0	2.2	0.09	39	6.5	22	8.5	-57%
HOLD	Renaissance Corp	RNS	13/08/96	85*	C	45.7	3.4	0.14	34	Nil	20	53.9	-13%
HOLD	Smiths City Group	SCY	09/10/06	64	B	53.0	1.1	0.15	8	5.6	63	19.5	+29%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.5	3.27	14	8.7	330	174.3	+320%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	B	88.4	0.8	0.55	17	6.7	254	266.6	+257%
	<u>Australian Shares (in Aust cents)</u>												
HOLD	AJ Lucas Group	AJL	13/05/03	120	C	103.0	0.6	0.34	NE	Nil	165	41.0	+72%
BUY	ALS Limited	ALQ	12/10/99	78*	A	337.5	0.5	2.74	17	3.9	1141	201.8	+1622%
BUY	Atlas South Sea Pearl	ATP	14/05/96	73	C	169.1	3.9	0.54	12	Nil	5	17.5	-70%
BUY	Brickworks Ltd	BKW	12/11/12	1115	B	147.6	0.3	3.30	42	3.3	1245	Nil	+12%
HOLD+	Cardno Ltd	CDD	14/12/09	391*	B	138.2	0.5	0.99	13	5.2	690	97.3	+101%
HOLD	Cellnet Group Ltd ¹	CLT	12/02/02	147*	B	55.7	2.0	0.14	7	6.3	16	55.9	-48%
BUY	Chandler Macleod Group	CMG	14/08/01	51*	A	444.5	1.2	0.17	16	4.7	60	25.7	+67%
HOLD	Circadian Technologies	CIR	10/02/04	188	D	48.5	1.6	9.64	NE	Nil	30	65.0	-50%
HOLD+	Clarius Group Ltd	CND	08/04/03	82*	B	89.4	1.5	0.11	15	2.9	34	70.5	+27%
BUY	CPT Global Ltd	CGO	10/03/08	88	B	36.7	1.5	0.31	22	4.5	33	11.3	-50%
HOLD+	CSG Limited	CSV	11/10/10	175	C	282.6	1.2	0.86	NE	4.0	62	28.0	-49%
HOLD	Devine Ltd	DVN	13/11/06	334*	A	158.7	1.0	0.46	13	4.4	90	79.6	-49%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	B	84.9	2.0	0.38	17	Nil	21	Nil	-57%
HOLD+	Fiducian Portfolio Ser	FPS	11/02/08	260	B	31.8	0.9	1.29	13	5.4	92	36.8	-50%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	214.2	0.8	2.36	10	7.1	127	21.0	+39%
BUY	Iluca Resources Ltd	ILU	12/10/04	471	B	416.4	0.6	2.38	7	8.0	932	172.0	+134%
HOLD	Integrated Research	IRI	14/01/08	40	A	167.5	0.7	4.19	23	4.1	122	19.0	+251%
HOLD	Mnemom Ltd ¹	MNZ			C	208.3	4.6	0.64	NE	Nil	3	Nil	
HOLD	M2 Telecommunications	MTU	09/10/06	33	A	156.6	0.6	1.75	21	4.1	440	57.5	+1408%
BUY	Melbourne IT	MLB	10/02/04	53	B	81.4	0.6	0.88	12	7.7	195	89.0	+436%
BUY	Nomad Building Solutio	NOD	16/08/10	13*	B	277.5	2.6	0.28	5	Nil	12	Nil	-12%
HOLD+	Novarise Renewable Res	NOE	14/03/11	25	C	415.1	2.1	0.81	4	Nil	16	Nil	-36%
HOLD+	Penrice Soda Holdings	PSH	11/07/11	17	C	91.4	2.7	0.06	NE	Nil	10	Nil	-41%
HOLD+	Probiotec Ltd	PBP	11/02/08	116	B	52.9	1.3	0.30	9	Nil	38	9.3	-59%
HOLD	Prophecy International	PRO	08/09/08	26	A	50.2	1.2	3.22	27	5.2	43	9.5	+102%
HOLD	Skilled Group Ltd	SKE	12/03/02	126	B	233.5	0.7	0.36	15	4.5	290	148.0	+248%
HOLD	Technology One Ltd	TNE	11/11/03	44	B	305.4	0.6	2.98	21	3.1	165	37.0	+359%
HOLD+	TFS Corporation Ltd	TFC	08/01/07	45	B	279.6	1.1	1.26	6	Nil	57	14.2	+58%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	A	26.1	0.4	0.76	20	2.0	1640	321.5	+663%
HOLD	Village Roadshow	VRL	10/08/09	77	A	153.2	0.5	0.75	21	4.8	455	159.0	+697%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +268.7%. This is equal to an average annual rate of +30.2%, 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 153 closed out) is +31.1%, compared with a market gain of +4.2% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

(1) Cellnet Group includes 1½ shares in Mnemom distributed to shareholders.

Recommended Investments

(Continued from Page 3)

and “de-vanning” operation and warehousing.

The company is expecting a June 2013 full year profit 0-7% higher at around \$6.0-6.4 million (23-24 cents per share) and aims to maintain a steady 20.0 cents annual dividend.

Long term, oil and gas exploration of the *Great South Basin* - based out of South Port - is possible over the summer of 2014/15 and **Solid Energy** is conducting a full feasibility study for its lignite-to-urea conversion process (which would ship the urea out through South Port).

Australian Shares

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

AJ Lucas Group's 43% owned **Cuadrilla Resources** has held preliminary discussions with a number of parties, reportedly including **Centrica**, the owner of **British Gas**, relating to the appraisal and development of the *Bowland Basin* shale gas. Bringing in a large oil and gas partner - probably by selling it a stake in the *Bowland Basin* prospect, rather than in Cuadrilla Resources - could help “enhance the credibility of the venture” and assist with regulatory approvals.

The *Bowland Basin* prospect is 75% owned by Cuadrilla Resources and 25% by AJ Lucas Group (i.e. giving AJ Lucas Group a total direct and indirect interest of 57.25%).

Atlas Pearls and Perfumes' cash issue was 63.8% subscribed, raising \$1,512,037 from the issue of 30,240,735 new shares and options. The directors *may* place the remaining shares and options with investors over the next three months.

The Indonesian 2007 tax refund (plus interest) has been finalised at around A\$2.3 million (up from the \$2.0 million previously estimated). This should be paid to the company by the end of March.

Brickworks has sold its 62 hectare *Oakdale South* site for \$62.6 million (42 cents per share, before allowing for cross-shareholdings) to its 50% owned joint venture property trust which will develop the land for industrial use and construct properties for leasing. That leaves Brickworks with the 154 hectare *Oakdale West* site - worth perhaps \$155 million for industrial use but a significantly higher value if approved for residential use!

The group's *Austral Masonry* division is to acquire the NSW masonry businesses of **Boral** - which offers “significant manufacturing, sales and administrative synergies”. This acquisition will also make Austral Masonry the second largest masonry manufacturer in Australia.

Circadian Technologies has received \$1.3 million in cash relating to its Research & Development tax incentive (i.e. equal to 45% of eligible R&D spent in Australia).

CPT Global expects a first half loss of around \$1.0 million - down from a \$792,000 profit for the same period a year earlier. The company has continued to make “significant investments” in pursuit of new contacts but “until recently contracts have not been completed”.

The company has won three new contracts (and expects to win two more over the next two months) but first half revenues “have fallen short of target” and resulted in the loss for the period.

The company expects to return to profitability in the second half.

While CPT Global has struggled to expand and grow its business since the start of the Global Financial Crisis, in a more favourable business environment it should be able to expand and - given the relatively fixed cost nature of its business - become significantly more profitable. That is why we rate CPT Global shares as an attractive long term investment.

CPT Global



Devine reports revenues down 11.6% to \$170.8 million for the six months to 31 December 2012. Net profits were down 43.1% at \$4,151,000 (2.6 cents per share). No interim dividend will be paid (down from 2.0 cents last year), but the directors will decide about a dividend when the full year result is known.

The net operating cash surplus was very high at \$30.1 million (but is very volatile owing to the timing of settlements and fluctuations in debtors and creditors).

Housing and Land revenues were up 13% to \$115.4 million, with earnings of \$2.6 million (up from a loss of \$3.8 million a year earlier), but Development & Construction revenues were down 39% at \$57.0 million and earnings down 66% at \$5.5 million.

Ellex Medical Lasers expects its first half revenues to be down 16%, with pre-tax profits 90-95% lower at just \$50-100,000.

With “a strong sales order backlog” the company expects an “improved sales performance in the second half”.

Ellex Medical Lasers



Finbar Group expects a first half profit of around \$14 million and a full year result “to exceed” last year’s \$28.3 million profit.

The company has been appointed to manage the development of an \$18.5 million project to build eight luxury apartments at 52 Mill Point Road, South Perth. This project will begin this year and be completed in the June 2015 year. Typically Finbar Group enters joint venture developments, contributing 50% of the development capital and receiving 50% of the development profits plus a small management fee. In this case the company will earn 50% of the development profits for managing the development but will contribute no capital to the project.

Finbar Group



Iluka Resources reports 2012 annual production of Zircon down 42.9% to 343.2 thousand tonnes, with sales down 58.4% to 213.8 thousand tonnes. Rutile production was down 21.7% to 220.3 thousand tonnes, with sales down 60.3% to 105.5 thousand tonnes. Synthetic Rutile production was 13.1% lower at 248.3 thousand tonnes, while sales were 34.2% lower at 169.6 thousand tonnes. Ilmenite production was 12.9% lower at 576.5 thousand tonnes, with sales down 22.4% at 443.2 thousand tonnes.

Annual revenues were 30.4% lower at \$1,069.8 million.

The company will return to mining “normal, higher grade” deposits at *Jacinth-Ambrosia* this month. This will increase production - but reduce “unit cash costs” following the reduction in Zircon prices since the end of August 2012. The company has also received approval to increase on-site stockpiles of heavy mineral concentrate.

Iluka Resources believes that “modernisation, thrifting and substitution activities” impacted on demand in 2012 but “have largely worked through”. Lower Zircon pricing and “inefficiencies from the use of some partial substitutes for zircon in ceramic tile manufacturing” should at least partially reverse the reductions in zircon usage. Demand, however, remains low and Iluka Resources has built up substantial stockpiles during 2012 which can be drawn down in the future before restoring production levels.

To reduce costs the *Eneabba* mining operation will be idled in March - with the loss of 65 jobs. Other operations including the Hamilton mineral separation plant, Murray Basin mining and Virginia mining and

processing will begin “operating on a reduced roster/ utilisation basis”.

As we have pointed out previously, this response by Iluka Resources to cut production and sales when prices (and profit margins) are low is exactly the same strategy that Warren Buffett uses to manage his insurance businesses. Revenues and cashflows suffer in the short term, but profits and shareholder wealth are maximised over the medium to long term.

Iluka Resources



Mnemom (previously Mnet Group) has received shareholder approval for the sale of its business, capital return and share consolidation. The sale of the business has been completed.

The company has confirmed it will receive \$1,000,000 this month from the previous sale of its **Ring Back Tones Australia** business, plus \$750,000 (subject to certain performance conditions) in January 2014.

Novarise Renewable Resources International reports December quarter Receipts of \$32.4 million and a net operating cash surplus of \$16.8 million.

For the full 2012 year, receipts were 7% higher at \$94.4 million and the operating cash surplus was 95% higher at \$24.0 million.

Penrice Soda Holdings' two existing independent directors have been re-elected (each with around 78% of votes), while the three **London City Equities** nominees were defeated (each receiving only 25% support).

Penrice Soda Holdings is to restructure its loss making soda ash business by closing its soda ash manufacturing plant and importing soda ash from the United States through a joint venture. The significant factor here is that “imported soda ash continues to be over 40% cheaper” than local manufacturing! Soda ash production will be scaled down from May and cease by June 2013. Penrice Soda will take a 33% interest in a joint venture with a subsidiary of **Soda Ash Holdings BV**, a Dutch holding company and the world’s largest independent distributor of soda ash. Soda ash for the Australian market will be sourced from the **American Natural Soda Ash Corporation**, which provides marketing for three US manufacturers.

Penrice Soda Holdings will provide the joint venture with logistics, warehousing, packaging and transport services at commercial rates. The joint venture will provide Penrice Soda with an \$8 million loan to finance the restructuring and

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Recommended Investments

(Continued from Page 5)

transitioning costs - to be repaid from its share of the JV profits.

The plant closure and joint venture will transform the soda ash from a loss-making operation to profitability in the June 2014 year!

There will be some (non-cash) write-downs in the value of soda ash manufacturing plant, but on-going capital expenditure will reduce, improving future free cash flows. Around 50% of capital expenditure in recent years has been to maintain the aging soda ash plant.

The company's demand for limestone from its Angaston mine will reduce significantly - "reducing extraction and overburden stockpiling, leading to improved cash generation". The kilns will be used to produce carbon dioxide as Penrice Soda will continue to use imported soda ash to produce high quality sodium bicarbonate (mainly for export), plus low cost quicklime for sale on the local market.

Penrice Soda has a long term "take or pay" supply contract with **Ridley Ltd** to purchase salt from the Dry Creek salt operation, expiring in 2019 (but with Penrice Soda having the right to renew this contract on the same terms until 2033). Ridley recently sold their other salt businesses but kept Dry Creek as its value will be "significantly higher" from redeveloping the land for residential use than from earnings as a salt business. Ridley plans to redevelop this 5000 hectare site, just 12km from the Adelaide CBD, into a Master Planned Community and states "A closure of the soda ash plant would open the door for the redevelopment and realisation of the Dry Creek site which is expected to create significant value for shareholders". So the early cancellation of the salt supply contract (which could have delayed redevelopment until after 2033) should be in the best interests of both Penrice Soda and Ridley.

It is also significant for Penrice Soda (but not yet mentioned in any company announcements or media reports) that the Dry Creek salt fields are low lying land that will require large volumes of landfill as part of any redevelopment . . . and the closest large stockpile of suitable landfill is at Penrice Soda's Angaston mine! The realisation of that stockpile should boost net cashflows and enable Penrice Soda Holdings to begin to reduce its high debt levels.

We recommended Penrice Soda Holdings in July 2011 as a "recovery situation". There is still a long way to go, but the company could be making important progress. The Australian soda ash production has become uneconomic, so the company has moved to importing product (through a joint venture) which it will package and distribute. This will transform a capital intensive, loss-making manufacturing business into a non-capital intensive, profitable importing and distribution business. The company still has very high debt levels (around \$95 million) but the potential to realise some of its huge (>\$20 million) landfill stockpile may be improving. Without cash operating deficits from soda ash

manufacturing - and capital expenditure to maintain the old soda ash plant - the company should be able to finance high return capital investments to expand its sodium bicarbonate business. Ultimately the value of our investment in Penrice Soda will also depend upon demand for limestone, gravel and landfill from its quarry (although this is usually an attractive business, providing reliable cashflows and high profit margins) as well as its ability to grow its new *Selective Salts Recovery* division into an expanding, profitable business providing environmental solutions to the emerging Coal Seam Gas industry.

Penrice Soda Holdings



Prophecy International Holdings expects its first half pre-tax profits to be nearly 25% higher at \$1.5 million from revenues up 3% to \$4.1 million. Cash on hand at the end of December was \$3.1 million and directors expect to declare a 2.0 cents interim dividend.

Prophecy International Holdings



TFS Corporation's 50% owned joint venture **Santalisis Pharmaceuticals** has announced its first commercial product, an acne treatment kit, "available through the company website". Unfortunately, TFS Corporation (and presumably its joint venture) do appear to have a habit of over-promising and under-delivering! The new product *may* "be available through the company website", but not for delivery to Australia or New Zealand or any other country outside of the United States!

The new product is "designed to provide effective anti-bacterial and anti-inflammatory benefits without dryness and irritation of the skin" . . . or at least that is what the company promises. Your Editor attempted to

purchase the product - to test on his own children - but it is not available!

The Reject Shop reports no flooding at its Ipswich Distribution Centre. Forecasts indicated no flooding at the centre, but inventory and equipment were moved to higher levels within the centre, picked stock was despatched to stores and the flood barrier system was erected.

Some stores in Queensland and New South Wales were closed owing to local flooding, but with no damage to stores. Road and rail closures temporarily disrupted the delivery of stock to some other stores.

The Reject Shop



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	Brokers Following	Price to NTA	Return on Equity	Volatility	Price 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													
Guinness Peat	60	+6.8	-1.1	33	1-3	3	0.1	5	1.5	2	2.5	0.09	180
Smiths City	63	+9.3	-0.1	24	0-1	-	0.8	10	1.2	8	5.6	0.15	33
Turners & Grow.	165	+0.9	+1.9	68	1-0	-	0.6	4	0.8	16	3.6	0.22	186
Col Motor Co	400	+7.5	+0.2	31	0-0	1	1.1	10	0.5	11	8.9	0.24	131
Air New Zealand	126	+11.6	-0.4	18	0-2	7	0.9	4	1.0	20	4.4	0.31	1,386
Ebos Group Ltd	860	+3.9	-0.4	48	0-0	2	2.1	13	0.5	16	5.6	0.31	448
Tourism Hold.	72	+5.5	-3.1	37	0-0	3	0.5	3	1.3	16	7.9	0.35	71
Nuplex Indust	339	+7.5	+1.1	30	2-0	6	1.2	12	1.0	10	6.2	0.41	667
Abano Health.	627	+14.3	-1.0	13	0-0	2	1.2	2	0.7	63	4.8	0.49	102
Hellaby Hold.	332	+2.8	+1.1	57	3-0	2	1.6	13	1.2	13	5.6	0.50	249
Steel & Tube	254	+5.2	+3.1	39	0-0	4	1.5	9	0.8	17	6.7	0.55	224
Allied Work.	255	+3.7	+1.4	51	1-1	-	3.2	22	1.0	14	7.3	0.56	67
Warehouse Group	334	+4.8	-0.7	42	1-1	8	3.3	28	0.7	12	8.6	0.60	1,039
Infratil NZ	241	+6.7	+0.1	34	0-4	4	1.3	5	0.7	27	4.7	0.64	1,415
Mainfreight Grp	1205	+9.5	+1.2	23	0-4	5	3.4	19	0.5	18	3.1	0.66	1,193
Fletcher Build.	896	+16.6	+3.8	11	2-9	-	1.7	5	0.5	33	5.4	0.69	6,118
Turners Auction	211	+8.8	+0.7	25	1-2	-	3.4	21	0.7	16	11.5	0.77	58
Restaurant Brds	283	+12.8	-0.7	16	0-0	3	4.6	28	0.8	16	8.1	0.90	277
Sanford Limited	441	+3.3	-1.0	55	1-0	4	0.7	4	0.4	20	7.5	0.90	413
Michael Hill	121	+6.8	-1.5	32	2-2	2	2.4	19	0.9	13	4.5	0.91	463

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Jasons Media	18	+16.3	+9.0	12	0-0	-	1.0	12	1.5	8	Nil	0.29	4
Restaurant Brds	283	+12.8	-0.7	16	0-0	3	4.6	28	0.7	16	8.1	0.90	277
Air New Zealand	126	+11.6	-0.4	18	0-2	7	0.9	4	1.0	20	4.4	0.31	1,386
PGG Wrightsons	44	+11.5	+4.5	18	0-0	5	0.6	4	1.3	13	Nil	0.25	332
Mainfreight Grp	1205	+9.5	+1.2	23	0-4	5	3.4	19	0.4	18	3.1	0.66	1,193
Smiths City	63	+9.3	-0.1	24	0-1	-	0.8	10	0.9	8	5.6	0.15	33
Turners Auction	211	+8.8	+0.7	25	1-2	-	3.4	21	0.6	16	11.5	0.77	58
Just Water Int.	16	+7.8	+1.7	29	1-0	-	2.7	32	2.8	8	Nil	0.49	15
Nuplex Indust	339	+7.5	+1.1	30	2-0	6	1.2	12	0.9	10	6.2	0.41	667
Col Motor Co	400	+7.5	+0.2	31	0-0	1	1.1	10	0.4	11	8.9	0.24	131
Michael Hill	121	+6.8	-1.5	32	2-2	2	2.4	19	0.7	13	4.5	0.91	463
Guinness Peat	60	+6.8	-1.1	33	1-3	3	0.1	5	1.2	2	2.5	0.09	180
Methven Limited	150	+5.7	+1.3	37	0-0	5	2.1	13	0.8	15	8.2	0.94	100
Tourism Hold.	72	+5.5	-3.1	37	0-0	3	0.5	3	1.1	16	7.9	0.35	71
Steel & Tube	254	+5.2	+3.1	39	0-0	4	1.5	9	0.7	17	6.7	0.55	224
Warehouse Group	334	+4.8	-0.7	42	1-1	8	3.3	28	0.6	12	8.6	0.60	1,039
Ebos Group Ltd	860	+3.9	-0.4	48	0-0	2	2.1	13	0.5	16	5.6	0.31	448
Allied Work.	255	+3.7	+1.4	51	1-1	-	3.2	22	0.9	14	7.3	0.56	67
Sanford Limited	441	+3.3	-1.0	55	1-0	4	0.7	4	0.3	20	7.5	0.90	413
Hellaby Hold.	332	+2.8	+1.1	57	3-0	2	1.6	13	1.1	13	5.6	0.50	249

INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													
Telecom Corp	235	-2.6	+0.0	83	4-8	11	2.7	71	0.5	4	11.4	0.95	4,363
Chorus Ltd	315	-5.8	-2.1	89	3-1	10	2.3	33	0.4	7	11.4	1.15	1,213
NZ Oil & Gas	95	+4.2	-0.5	46	4-0	6	1.1	6	1.0	19	9.1	3.27	380
Col Motor Co	400	+7.5	+0.2	31	0-0	1	1.1	10	0.3	11	8.9	0.24	131
Hallenstein G.	522	+10.8	-1.6	20	0-1	5	4.7	32	0.5	15	8.6	1.44	311
Warehouse Group	334	+4.8	-0.7	42	1-1	8	3.3	28	0.6	12	8.6	0.60	1,039
Restaurant Brds	283	+12.8	-0.7	16	0-0	3	4.6	28	0.6	16	8.1	0.90	277
Kingfish Ltd	116	+7.6	+0.3	29	0-2	-	1.1	7	0.7	15	7.6	N/A	111
F & P Health.	236	+6.4	-1.6	35	1-0	7	3.5	18	0.4	19	7.5	2.37	1,226
Sanford Limited	441	+3.3	-1.0	55	1-0	4	0.7	4	0.3	20	7.5	0.90	413

Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price 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													
NZ Oil & Gas	95	+4.2	-0.5	46	4-0	6	1.1	6	1.0	19	9.1	3.27	380
Hellaby Hold.	332	+2.8	+1.1	57	3-0	2	1.6	13	1.0	13	5.6	0.50	249
Comvita	386	+3.3	-1.7	54	3-0	1	1.5	11	0.5	13	5.2	1.14	110
GuocoLeisure	69	+5.2	+2.1	40	2-0	-	2.7	7	0.9	10	2.9	1.71	944
Trade-Me Ltd	428	+3.9	-1.6	49	2-0	9	2.7	12	0.5	22	2.6	N/A	1,695
Nuplex Indust	339	+7.5	+1.1	30	2-0	6	1.2	12	0.8	10	6.2	0.41	667
Pharmacybrands	120	+4.0	-1.6	48	2-0	-	2.3	16	0.6	15	Nil	1.37	144
Veritas Invest.	270	+18.1	+20.2	9	3-1	-	-	-	0.4	NE	Nil	N/A	6
Just Water Int.	16	+7.8	+1.7	29	1-0	-	2.7	32	2.4	8	Nil	0.49	15
Smartpay NZ Ltd	17	+17.0	-8.2	10	1-0	-	-	-	1.5	183	Nil	0.42	20
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Goodman Prop.	104	-0.2	-1.0	75	2-1	6	1.1	4	0.5	26	6.0	9.29	1,034
Vital Health PT	126	-58.3	-0.0	98	3-0	4	1.3	3	0.5	41	6.2	6.58	370
Charlie's Group	43	-58.3	+0.0	97	0-0	-	7.7	15	1.2	51	Nil	4.00	126
NZ Windfarms	11	-14.0	+1.4	92	0-0	1	0.4	-	1.6	NE	Nil	3.10	30
NZ Refining Co	275	-1.9	-0.3	82	0-0	5	1.3	6	0.5	22	6.2	2.65	770
Sky Network TV	518	-1.1	-0.1	80	0-0	10	1.6	10	0.4	16	6.1	2.39	2,016
Horizon Energy	340	-0.8	-0.7	78	0-0	-	1.5	11	0.3	13	7.1	2.33	85
Lyttelton Port	215	-0.9	+0.2	79	0-0	2	1.3	10	0.5	13	Nil	2.10	220
Pyne Gould Corp	28	-7.0	-1.3	89	0-0	1	0.6	-	1.1	NE	Nil	2.01	61
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Vital Health PT	126	-58.3	-0.0	98	3-0	4	1.3	3	0.5	41	6.2	6.58	370
Charlie's Group	43	-58.3	+0.0	97	0-0	-	7.7	15	1.2	51	Nil	4.00	126
NZ Windfarms	11	-14.0	+1.4	92	0-0	1	0.4	-	1.5	NE	Nil	3.10	30
Rakon Ltd	36	-11.3	-1.2	91	0-0	4	0.4	-	1.0	NE	Nil	0.39	69
Ecoya Ltd	94	-10.6	-0.9	90	0-0	-	2.8	-	0.7	NE	Nil	2.44	55
Pyne Gould Corp	28	-7.0	-1.3	89	0-0	1	0.6	-	1.1	NE	Nil	2.01	61
Cavalier Corp	187	-4.5	-0.2	86	1-0	3	1.4	5	0.7	30	Nil	0.59	128
Rubicon Limited	32	-3.5	+3.8	86	0-0	1	0.7	-	0.7	NE	Nil	0.29	122
WN Drive Tech.	16	-3.4	-0.4	85	0-0	-	0.9	-	1.8	NE	Nil	0.31	11
Opus Int'l Cons	208	-2.2	+0.5	83	0-0	4	2.7	22	0.5	12	5.8	0.76	302
NZ Refining Co	275	-1.9	-0.3	82	0-0	5	1.3	6	0.5	22	6.2	2.65	770
Sky Network TV	518	-1.1	-0.1	80	0-0	10	1.6	10	0.4	16	6.1	2.39	2,016
Heritage Gold	2	-1.0	+0.3	80	0-0	-	1.6	-	3.5	NE	Nil	N/A	6
Lyttelton Port	215	-0.9	+0.2	79	0-0	2	1.3	10	0.5	13	Nil	2.10	220
World Index Fd	100	-0.5	+0.2	77	0-0	-	-	-	0.5	NE	Nil	N/A	407
Moa Group Ltd	126	-0.5	+0.0	76	0-0	1	-	-	0.8	NE	Nil	N/A	38
Goodman Prop.	104	-0.2	-1.0	75	2-1								

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	Buyer's Choice	Below Average	Price to NTA	Return on Equity	Volatility	Price to Earn.	Dividend Yield	Price to Sales Ratio	Market Cap'n	Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Buyer's Choice	Below Average	Price to NTA	Return on Equity	Volatility	Price to Earn.	Dividend Yield	Price to Sales Ratio	Market Cap'n
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0																											
Breakaway Res.	2	-10.7	-4.0	68	0-0	-	-	-	2.6	NE	Nil	N/A	6	Sth Boulder Min	42	-32.1	-3.9	96	1-0	1	-	-	0.8	NE	Nil	N/A	40
Astron Corp Ltd	110	-13.6	+1.5	74	0-0	-	-	-	0.5	NE	Nil	9.91	135	Kangaroo Res.	3	-32.0	+0.6	96	0-0	-	-	-	1.7	NE	Nil	7.69	47
Circadian Tech	30	-9.6	-1.0	65	2-0	-	0.7	-	0.7	NE	Nil	9.64	14	MEO Australia	9	-31.5	-10.3	96	4-0	1	-	-	1.3	NE	Nil	N/A	46
Uranium Ltd	2	-28.4	+2.5	94	0-0	-	-	-	2.2	NE	Nil	9.52	6	Castle Minerals	7	-30.8	-1.6	95	0-0	-	-	-	1.1	NE	Nil	N/A	8
Brazoria Res.	6	-15.4	-2.1	78	1-0	-	-	-	1.5	NE	Nil	9.50	8	Quickflix Ltd	3	-30.8	-4.3	95	0-0	-	-	-	1.6	NE	Nil	0.80	14
Samson Oil/Gas	3	-23.9	+4.5	90	2-0	-	-	-	1.8	NE	Nil	9.29	59	Brisconnections	40	-30.7	-1.0	95	0-0	-	-	-	0.6	1	Nil	N/A	156
Bandanna Energy	27	-20.8	+2.0	86	0-0	5	-	-	1.1	45	Nil	8.69	140	Feore Limited	7	-30.6	-2.9	95	0-0	-	-	-	1.2	NE	Nil	N/A	37
Lochard Energy	5	-19.2	-0.1	83	0-0	-	0.4	-	1.4	NE	Nil	8.69	16	Intrepid Mines	20	-30.5	-0.4	95	0-1	2	-	-	1.0	NE	Nil	N/A	83
Gbl Geoscience	5	-0.9	-1.2	44	0-0	-	-	-	1.5	NE	Nil	8.18	6	Speewah Metals	6	-30.3	+3.9	95	1-0	-	-	-	1.6	NE	Nil	N/A	8
Malagasy Min.	4	-16.2	+0.3	79	1-1	-	-	-	1.6	NE	Nil	8.15	7	Coalbank Ltd	2	-30.2	+2.0	95	0-0	-	-	-	2.4	NE	Nil	N/A	10
WPG Resources	9	-3.3	+7.8	50	0-0	-	-	-	1.3	NE	Nil	7.95	22	Ochre Group Ltd	4	-30.2	-1.3	95	0-0	-	-	-	1.4	NE	Nil	N/A	19
Aurora Minerals	8	-3.6	+4.0	51	0-0	-	-	-	1.2	NE	Nil	7.92	8	Raisama Energy	3	-30.1	+3.8	95	0-0	-	-	-	1.6	NE	Nil	N/A	8
Gladiator Res.	2	-25.1	+0.9	91	1-0	-	-	-	2.5	NE	Nil	7.72	6	Ampella Mining	34	-29.9	-0.1	95	2-0	8	-	-	0.6	NE	Nil	N/A	70
Enaabba Gas Ltd	4	-6.1	-0.1	58	0-0	-	1.3	-	1.8	NE	Nil	7.69	6	Sino-Excel En.	4	-29.7	+0.5	95	0-0	-	0.5	-	1.8	0	Nil	0.44	6
Kangaroo Res.	3	-32.0	+0.6	96	0-0	-	-	-	1.9	NE	Nil	7.69	47	Stanmore Coal	18	-29.3	+1.2	95	0-0	-	-	-	0.8	NE	Nil	N/A	23
Smart Trans	1	-21.5	-0.6	87	0-0	-	-	-	4.1	NE	Nil	7.50	7	Water Resources	2	-29.3	-3.8	95	0-0	-	-	-	2.4	NE	Nil	N/A	8
Sth America F M	11	-19.7	-1.1	84	0-0	-	-	-	1.2	NE	Nil	7.48	27	Estrella Res.	9	-29.0	+4.1	94	2-0	-	-	-	1.3	NE	Nil	N/A	8
Oceania Capital	170	-1.8	+2.3	46	2-0	-	0.6	-	0.4	NE	Nil	7.41	60	Robust Resource	37	-28.5	-0.2	94	1-0	-	-	-	0.9	NE	Nil	N/A	31
Charter Pacific	9	-3.0	+4.2	50	1-0	-	2.8	-	1.0	NE	Nil	7.26	8	Braziron Ltd	2	-28.4	+2.5	94	0-0	-	-	-	2.0	NE	Nil	9.52	6
Unilife Corp.	39	-16.3	+1.1	79	1-0	3	5.6	-	0.8	NE	Nil	7.24	99	Elemental Min.	34	-28.3	-1.5	94	0-0	2	-	-	0.7	NE	Nil	N/A	57
New Age Explor.	6	-10.3	+2.6	67	0-0	-	2.1	-	1.5	NE	Nil	7.13	9	Azumah Res.	9	-28.2	+1.9	94	1-0	-	-	-	1.2	NE	Nil	N/A	31
Forge Resources	20	-9.8	-2.3	66	0-0	-	2.0	-	0.8	NE	Nil	6.99	5	Rialto Energy	8	-28.1	-0.4	93	1-0	4	-	-	1.5	NE	Nil	N/A	27
Monto Minerals	1	-10.1	+7.2	66	0-0	-	-	-	3.5	NE	Nil	6.92	12	Radar Iron Ltd	18	-27.7	+6.0	93	2-0	-	-	-	1.2	NE	Nil	N/A	11
Barra Resources	2	-11.2	-1.9	69	0-0	-	-	-	2.8	NE	Nil	6.82	5	Go Connect Ltd	1	-27.5	+0.6	93	0-1	-	-	-	3.1	NE	Nil	N/A	7
Hastings Hi-Yld	84	-14.1	+2.7	75	0-0	-	0.6	3	0.4	18	18.0	6.76	87	Emerald Oil & G	1	-27.3	+2.9	93	0-0	-	-	-	3.3	NE	Nil	N/A	7
Avita Medical	13	-11.8	+1.8	70	0-0	-	2.6	-	1.0	NE	Nil	6.74	31	Atlantic Ltd	24	-27.3	+2.0	93	0-0	-	-	-	0.6	NE	Nil	N/A	34
Phylogica Ltd	3	-12.8	+4.2	72	1-0	-	2.7	-	1.9	NE	Nil	6.59	13	Noble Mineral	7	-27.1	-0.2	93	2-0	1	-	-	1.3	NE	Nil	N/A	55
Shaw River Mang	2	-25.9	+3.8	91	0-0	-	-	-	2.8	NE	Nil	6.52	7	Res & Invest NL	14	-27.1	+0.2	92	0-0	-	-	-	1.0	NE	Nil	N/A	21
Deutsche Ind Tr	196	+0.0	+0.0	39	0-0	-	1.2	10	0.2	12	8.1	6.49	663	Ord River Res.	1	-26.2	+2.5	92	0-0	-	-	-	3.3	NE	Nil	N/A	6
Gindalbie Met.	28	-17.9	+0.6	82	3-0	8	-	-	1.0	18	Nil	6.44	257	Dourado Res.	4	-26.2	-7.5	92	0-0	-	-	-	1.6	NE	Nil	N/A	6
Carbon Polymers	5	-17.1	+3.4	81	0-0	-	2.5	-	1.5	NE	Nil	6.41	9	Alara Resources	15	-26.0	-4.1	92	0-0	-	-	-	1.0	NE	Nil	N/A	32
Neon Energy Ltd	23	-15.8	+1.1	78	0-0	4	1.4	-	1.1	NE	Nil	6.39	100	Kentor Gold Ltd	34	-26.0	-1.5	91	0-0	3	-	-	0.8	NE	Nil	N/A	361
Texon Petroleum	55	-3.0	+8.5	49	0-0	1	-	-	0.8	66	Nil	6.34	132	Frontier Res.	4	-26.0	-3.0	91	0-1	-	-	-	1.8	NE	Nil	N/A	11
Elixir Petrol.	4	-13.9	+8.9	74	1-0	-	-	-	2.0	NE	Nil	6.28	9	Voyager Res Ltd	1	-25.9	-0.8	91	0-0	-	-	-	2.7	NE	Nil	N/A	19
Eden Energy Ltd	2	-5.8	+14.6	57	0-0	-	-	-	2.6	NE	Nil	6.28	9	Golden Gate Pet	0	-25.9	-3.3	91	7-0	-	-	-	4.7	NE	Nil	2.21	7
Computronics	2	-12.6	+2.9	72	0-0	-	-	-	2.1	77	Nil	6.25	9	Shaw River Mang	2	-25.9	+3.8	91	0-0	-	-	-	2.5	NE	Nil	6.52	7
Impedimed Ltd	11	-35.4	+0.1	98	7-0	-	1.2	-	1.1	NE	Nil	6.25	20	Canyon Res.	15	-25.9	+0.4	91	0-0	-	-	-	1.0	NE	Nil	N/A	6
Genetic Tech.	8	-15.8	-2.9	78	2-0	1	2.7	-	1.1	NE	Nil	6.12	53	Cont'l Coal	6	-25.1	+7.1	91	6-0	-	-	-	1.3	NE	Nil	0.33	27
Aquila Res.	292	-5.9	+6.1	57	0-0	8	-	-	0.8	NE	Nil	6.10	1,202	INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Deutsche Div Tr	131	+0.0	+0.0	39	0-0	-	1.1	8	0.2	14	7.1	6.10	1,306	Troy Resources	337	-8.8	-3.9	63	1-14	3	2.3	24	0.3	10	3.0	1.44	301
White Energy Co	23	-22.5	-3.9	88	1-0	2	-	-	1.1	NE	Nil	6.10	73	Western Desert	77	-1.9	+1.3	47	0-7	1	-	-	0.6	NE	Nil	N/A	175
Pepinini Min.	6	-3.1	-12.1	50	0-0	-	-	-	1.4	NE	Nil	6.07	9	Lycopodium Ltd	640	-4.1	+2.4	53	0-4	2	4.6	41	0.2	11	5.2	1.07	247
Sino Securities	28	-0.0	+0.0	41	0-0	-	-	-	0.6	NE	Nil	6.00	19	Galaxy Res.	40	-16.8	-1.3	80	1-5	1	-	-	0.8	NE	Nil	N/A	129
Austpac Res	3	-6.8	-3.8	59	0-0	-	-	-	2.0	14	Nil	5.88	32	Bisalloy Steel	134	-2.8	+0.8	49	0-3	-	3.1	37	0.4	8	Nil	0.56	58
Tiger Resources	34	-3.0	+0.9	50	1-0	2	-	-	1.0	NE	Nil	5.51	225	Dart Mining NL	10	-5.2	+1.2	56	0-3	-	-	-	1.2	NE	Nil	N/A	12
Bounty Oil Gas	3	-2.9	+1.3	49	0-0	-	-	-	2.1	NE	Nil	5.43	19	Origin Energy	1227	-1.8	+3.5	46	0-3	15	1.9	14	0.3	14	4.1	1.03	13,369
Alcyone Res Ltd	4	-12.7	-1.2	72	0-1	1	-	-	1.7	NE	Nil	5.14	54	Ivanhoe Aust.	43	-22.8	-4.5	88	0-3	5	-	-	0.8	NE	Nil	N/A	305
Ethane Pipeline	192	-2.2	+3.2	47	1-0	1	3.4	4	0.3	85	4.1	4.99	133	Mastermyne Grp	175	-7.7	+3.3	61	1-4	5	-	-	0.4	9	4.5	0.48	132
Whitehaven Coal	300	-7.1	+4.0	60	7-0	16	0.9	0	0.4	219	1.0	4.92	3,040	Bluechip Ltd	24	-5.4	-2.7	56	0-2	-	23.5	-	0.8	NE	Nil	N/A	20
Primeag Aust.	119	-0.4	+1.8	42	0-0	2	0.9	1	0.4	64	Nil	4.89	317	Global Resource	157	-0.7	+0.7	43	0-2	-	1.1	-	0.3	NE	2.5	N/A	111
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													Gryphon Mineral	45	-20.1	-3.9	84	0-2	11	-	-	0.8	NE	Nil	N/A	133	
Murchison Metal	4	-48.4	+1.9	99	0-0	-	-	-	1.5	NE	Nil	2.55	18	Gold Road Res.	12	-21.1	-1.1	86	0-2	-	-	-	1.2	NE	Nil	N/A	36
ZYL Ltd	2	-43.7	-5.9	99	0-0	-	-	-	2.5	NE	Nil	N/A	9	Vocus Comm.	177	-0.3	+0.2	42	0-2	3	-	-	0.3	14	Nil	2.39	108
Red Emperor Res	5	-40.8	+1.6	98	0-0	-	-	-	1.5	NE	Nil	N/A	7	Macquarie C Tel	925	-0.6	-2.5	43	0-2	3	2.3	24	0.3	10	2.6	0.88	194
Ausgold Ltd	10	-38.0	+1.6	98	0-0	-	-	-	1.1	NE	Nil	N/A	13	Kingsgate Cons.	418	-10.5	-3.2	67	0-2	9	-	-	0.5	8	4.8	1.77	632
Impedimed Ltd	11	-35.4	+0.1	98	7-0	-	1.2	-	1.0	NE	Nil	6.25	20	Lincoln Min.	10	-6.2	+5.4	58	1-3	-	-	-	0.8	NE	Nil	N/A	15
Gold Anomaly	0	-35.1	+0.3	97	0-0	-	-	-	5.6	NE	Nil	N/A	6	Chargeback Ltd	490	-11.2	-0.2	69	3-5	9	-	-	0.2	10	7.1	3.07	590
Waratah Res.	3	-34.9	+4.7	97	0-0	-	-	-	2.1	NE	Nil	N/A	6	Triton Gold Ltd	5	-7.6	-6.4	61	0-1	-	-	-	1.1	NE			

Readers Ask ...

Question: I have a question about some stocks and the justification for keeping them in the portfolio. Nuplex Industries, for instance, up 44% over 16 years. This is not a great return. Does this not indicate that the company and thus management are perennial under-achievers? The same case could be made for both Atlas Pearls and Cellnet Group.

Answer: In the specific case on **Nuplex Industries** there are two factors: Firstly, the company suffered a significant loss in 2008/9 relating to debt levels during the Global Financial Crisis (requiring the business being refinanced at a very depressed level via a cash issue of seven new shares at 23 cents for every share held). Secondly, way we calculate our portfolio performance fails to accurately reflect the return on the *new* capital we invested in 2009, but measures only the performance of our initial shares bought in 1997 which were significantly diluted in value as a result of the 7 for 1 cash issue!

Nuplex Industries shares were a reasonable investment from 1997 until early 2008 (i.e. up 147% over 11 years), but we lost most of that in 2008/9.

The shares we bought in 2009 at 23 cents were consolidated, with every four old shares becoming one new share. So our cost per share in the 2009 recapitalisation was 92 cents. These now trade around 339 cents - so up over 3½ fold in four years.

Unfortunately, our portfolio does not measure the return on our 2009 investment in Nuplex Industries but the return on our 1997 investment (adjusted slightly for the small “bonus” element in the 2009 recapitalisation).

We could, of course, have boosted our portfolio's *reported* returns by “selling” our 1997 Nuplex shares in 2009 and immediately “buying” back the shares and showing a lower cost in the portfolio!! That would make the newsletter's portfolio look better (and perhaps sell some more newsletter subscriptions?) but adds not one cent to investor's real money share portfolios.

Atlas Pearls & Perfumes is another company that has needed numerous small recapitalisations. We will probably never show a profit on the few thousand shares we purchased at 78 cents (and, based on that high initial cost Atlas Pearls will likely always show a loss in the *Market Analysis* portfolio) but we bought hundreds of thousands of shares at 10-20 cents and *millions* of shares at 5 cents! Are we wrong to have persevered with this company for 17 years? Perhaps . . . but as we diversify widely this one unsuccessful investment hasn't prevented our portfolio from increasing significantly in value over that period!

What is important for investors is the overall growth in the value of our share portfolios, not the success or otherwise of any individual shareholding.

In fact, one of the reasons we diversify widely is that we can persevere with a company, if we believe it has *future* potential. Investment is *forward looking*, so month by month, year by year, we assess the possible *future* potential of an investment, not its past returns.

Atlas Pearls & Perfumes has many favourable investment characteristics: (1) Pearl farming can be a very high profit margin business, (2) its growth is not restricted by the Australian pearl quota, (3) it combines Australian capital and know-how with Indonesian low cost labour and low cost land, (4) the company is the first to apply selective breeding techniques to oysters which has the potential to significantly lower costs while increasing production quantities and quality. All of this provides a significant - an improving - competitive advantage. To date that hasn't resulted in large profits, but Atlas Pearls has survived and grown while many other pearl producers have failed owing to difficult market conditions.

The company is also expanding into marketing its pearls and pearl jewellery, producing valuable extracts from waste by-products and expanding in to perfumes.

One of our major share selection techniques (although somewhat subjective) is to invest in companies that have favourable business fundamentals, which seek to build competitive advantages (e.g. through low costs, high quality, marketing, etc) and which use and benefit from technology. Of course, some businesses may take longer than we would hope to achieve their potential (and some may never get there), but Atlas Pearls is doing enough things right to continue to warrant a place in a diversified share portfolio.

Cellnet Group? Well, this is an investment that just didn't work out. But at 17 cents - just 12% of our initial investment - this share is now virtually insignificant to our portfolio. For most investors the current dollar values of their holdings in Michael Hill or ALS or M2 Telecommunications is probably 50-100 times greater than the current value of their holding in Cellnet Group. So what we do with Michael Hill or ALS or M2 Telecommunications is 50-100 times more important than what we do with Cellnet Group.

The “skewed to the right” nature of investment returns (i.e. that losses are limited to 100%, but that there is no limit on potential gains) automatically makes unsuccessful investments of little importance in real money portfolios. Our attention should be focused upon the winners (i.e. doing the right thing with Michael Hill, ALS and M2 Telecommunications) which are large investments and important in our portfolios, not wasted on unsuccessful and insignificant investments.

In recent years we have held on to our Cellnet Group shares - which have provided a modest positive return - as the company has distributed some of its surplus cash.

Finally, your Editor started this newsletter 32 years ago to provide the independent information and unbiased advice that he needed to manage his own investment portfolio - and to share that service with other private investors. The Recommended Portfolio is the shares in which we choose to invest our own money. We always have and always will have our own money invested in all of those shares . . . but individual subscribers are, of course, free to disagree with any of our choices and manage their own portfolios accordingly.

Australian Warrant / Option Analysis

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate	Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Actinogen	1.4	20	2-7	0.1	0.3	-60	1.14	1.74	1.0	+180	Equator Resources	4.0	20	0-4	1.8	0.0	+999	0.69	9.99	1.0	+999
Adeffective Ltd	1.0	1.5	1-4	0.5	0.7	-26	1.89	1.22	1.0	+68	Erongo Energy Ltd	2.2	10	0-4	0.1	0.0	+999	0.97	6.43	1.0	+999
Alcyone Resources	3.8	6.0	2-3	1.6	1.0	+67	0.65	2.10	1.0	+37	Euroz Ltd	129	75	1-0	51.0	57.0	-10	0.34	2.19	1.0	-2
Aleator Energy	1.3	2.0	1-11	0.4	0.2	+78	0.54	2.61	1.0	+38	Exalt Resources	16	20	2-10	3.0	6.5	-54	0.70	1.68	1.0	+14
Algae.Tec Ltd	27	75	0-11	6.0	0.2	+999	0.52	5.94	1.0	+238	Exalt Resources	16	20	2-10	3.0	6.5	-54	0.70	1.68	1.0	+14
Allegiance Coal	5.7	25	1-1	0.5	0.0	+999	0.55	5.95	1.0	+299	Fairstar Resources	0.9	10	1-6	0.3	0.0	+999	0.79	3.72	1.0	+408
Ambassador Oil & G	20	25	0-8	4.0	5.0	-20	1.00	2.25	1.0	+75	Ferrum Crescent	3.8	40	0-10	0.1	0.0	+111	1.13	3.33	1.0	+999
Analytica Ltd	2.3	8.0	0-3	0.1	0.0	+999	1.02	6.22	1.0	+999	Firestone Energy	0.8	4.0	1-3	0.1	0.0	+417	0.77	3.45	1.0	+270
Anatolia Energy	7.5	18	4-4	0.2	3.7	-95	0.88	1.39	1.0	+23	Forge Resources	20	20	1-5	8.5	7.0	+21	0.73	1.96	1.0	+28
Antipa Minerals	10	8.0	1-10	5.0	6.4	-22	1.21	1.30	1.0	+15	Forté Consolidated	8.0	20	1-2	1.8	0.5	+280	0.67	3.35	1.0	+136
Antipa Minerals	10	20	0-1	0.6	0.0	+999	1.21	8.18	1.0	+999	GBM Resources	3.0	20	0-4	0.1	0.0	+999	0.80	9.99	1.0	+999
Aphrodite Gold	4.3	20	0-10	0.3	0.1	+294	0.87	3.78	1.0	+544	GRG International	9.9	20	0-4	2.0	0.3	+669	0.87	4.89	1.0	+997
Argentina Mining	6.3	20	2-0	1.0	1.9	-46	1.04	1.71	1.0	+81	General Mining	3.6	10	1-6	0.5	0.6	-20	0.91	2.16	1.0	+103
Armour Energy	37	50	1-6	13.0	13.8	-6	0.96	1.73	1.0	+43	General Mining	3.6	13	2-6	0.5	0.9	-47	0.91	1.77	1.0	+67
Ashburton Minerals	0.2	1.0	1-2	0.1	0.1	+22	1.86	1.43	1.0	+331	General Mining	3.6	7.5	0-6	0.5	0.2	+130	0.91	3.58	1.0	+381
Astro Resources	0.1	0.5	1-4	0.1	0.1	+43	2.49	1.16	1.0	+283	Gladiator Resources	1.9	10	2-4	0.2	0.3	-41	0.93	1.93	1.0	+105
Attila Resources	75	20	1-4	50.0	59.9	-17	1.22	1.19	1.0	-5	Gleneagle Gold	0.5	1.0	2-4	0.2	0.3	-30	1.29	1.31	1.0	+46
Audalia Resources	21	20	1-2	2.0	3.6	-45	0.35	3.62	1.0	+6	Global Metal Exp	0.3	2.0	2-8	0.1	0.1	-32	1.43	1.32	1.0	+107
Aura Energy	16	20	1-9	3.0	4.4	-32	0.64	2.15	1.0	+23	Global Resources	6.3	3.0	0-6	0.1	3.4	-97	0.61	1.83	1.0	-77
Ausgold Ltd	10	20	0-1	0.3	0.0	+999	0.73	9.99	1.0	+999	Global Strategic M	4.2	20	0-5	0.9	0.1	+999	1.28	3.92	1.0	+999
Aust China Holdings	0.1	2.0	0-10	0.1	0.0	+170	2.71	1.39	1.0	+999	Golden Gate Petrol	0.4	5.0	1-10	0.1	0.0	+118	1.18	1.98	1.0	+301
Aust Mines Ltd	2.4	0.2	0-4	0.5	2.2	-77	0.83	1.09	1.0	-98	Gondwana Res	6.0	1.0	0-4	0.1	5.0	-98	1.21	1.19	1.0	-99
Austin Exploration	2.3	5.5	0-4	0.1	0.0	+999	0.58	9.70	1.0	+999	Grand Gulf Energy	0.3	1.5	0-4	0.1	0.0	+999	1.36	3.98	1.0	+999
Aziana Ltd	7.1	25	0-7	1.4	0.0	+999	0.74	5.60	1.0	+850	Great Western Expl.	16	30	0-0	0.3	0.0	+999	0.61	3.98	1.0	+999
BBX Minerals	10	25	1-4	1.1	2.7	-59	1.13	1.82	1.0	+105	Green Rock Energy	0.2	3.6	0-1	0.1	0.0	+999	1.67	9.99	1.0	+999
Bannon Ltd	20	25	2-5	4.5	6.2	-27	0.59	2.00	1.0	+17	Green Rock Energy	0.2	1.2	1-11	0.1	0.1	+0	1.67	1.32	1.0	+166
Baru Resources	6.5	20	3-10	1.5	2.0	-26	0.76	1.68	1.0	+37	Greenland Minerals	37	60	1-7	5.0	4.8	+4	0.54	2.95	1.0	+42
Bass Metals	1.3	20	1-7	0.1	0.7	-87	2.30	1.22	1.0	+464	Gulf Resources	0.1	10	0-1	0.1	0.0	+999	2.00	9.99	1.0	+999
Beacon Minerals	0.5	0.5	2-7	0.2	0.4	-43	1.26	1.22	1.0	+14	Hastings Rare Metals	8.1	15	1-1	1.0	0.7	+45	0.62	3.33	1.0	+87
Benitec Ltd	1.5	4.0	0-10	0.1	0.2	-42	1.03	2.56	1.0	+234	Havilah Resources	60	75	1-1	6.0	13.2	-55	0.71	2.46	1.0	+32
Benitec Ltd	1.5	10	1-1	0.2	0.1	+208	1.03	2.78	1.0	+464	Havilah Resources	60	50	0-8	19.0	18.6	+2	0.71	2.38	1.0	+23
Berkeley Resources	45	75	0-3	3.0	0.0	+999	0.45	9.99	1.0	+999	Hawkey Oil & Gas	15	20	1-1	2.0	3.2	-37	0.77	2.36	1.0	+47
Biodiem Ltd	4.0	8.0	1-10	0.4	0.8	-48	0.72	2.25	1.0	+50	Hawthorn Resources	0.7	10	0-0	0.1	3.2	-97	0.89	2.36	1.0	+999
Bioprospect	0.1	3.0	0-10	0.1	0.0	+611	2.19	1.75	1.0	+999	Healthinx Ltd	0.1	10	0-10	0.1	0.0	+570	2.64	1.62	1.0	+999
Bioxyne Ltd	2.8	33	0-1	5.0	0.0	+999	2.21	7.51	1.0	+999	Helix Resources	4.4	1.5	1-7	2.8	3.1	-9	0.74	1.36	1.0	-1
Black Mountain Res.	17	20	2-2	4.1	4.5	-8	0.51	2.29	1.0	+17	Hill End Gold	1.5	10	1-3	1.2	0.0	+999	0.58	5.98	1.0	+428
Botswana Metals	2.2	10	0-4	0.1	0.0	+426	1.23	4.46	1.0	+999	Hot Chili Ltd	74	75	1-9	22.0	19.9	+11	0.49	2.42	1.0	+17
Boulder Steel	2.8	10	2-4	0.6	0.6	+2	0.87	1.93	1.0	+77	Hydrotech Int'l	0.1	0.1	2-1	0.1	0.1	+7	2.50	1.04	1.0	+39
Brazilian Metals	1.4	20	1-1	0.1	0.1	+12	1.40	2.25	1.0	+999	IM Medical	0.1	1.0	3-7	0.1	0.1	+80	1.41	1.25	1.0	+95
Breaker Resources	34	25	1-10	12.5	15.2	-18	0.60	1.80	1.0	+5	Immuron Ltd	1.4	4.0	2-2	0.2	0.4	-50	0.95	1.75	1.0	+66
Broken Hill Prosp	8.1	20	0-12	1.8	0.2	+939	0.57	4.67	1.0	+181	Ind Minerals Corp	3.9	35	0-3	0.1	0.0	+999	0.63	9.99	1.0	+999
Burleson Energy	1.6	10	0-7	0.1	0.0	+999	0.94	4.90	1.0	+999	Invictus Gold	5.1	25	2-9	0.5	3.2	-84	1.55	1.22	1.0	+80
Buxton Resources	38	30	2-11	15.5	26.0	-40	1.07	1.24	1.0	+7	Isonea Ltd	7.0	0.7	1-4	2.8	6.6	-58	2.17	1.04	1.0	-41
Capital Mining	1.1	2.0	3-10	0.4	0.6	-36	0.97	1.32	1.0	+23	Jacka Resources	19	35	1-11	4.0	2.8	+43	0.58	2.63	1.0	+46
Caravel Minerals	3.1	7.0	2-4	0.7	0.9	-24	0.86	1.79	1.0	+49	Jatenergy Ltd	3.4	25	1-0	0.1	0.0	+999	0.64	6.28	1.0	+638
Carbon Polymers	5.0	30	1-1	1.0	0.0	+999	0.68	4.85	1.0	+421	Kaboko Mining	0.9	3.0	0-4	0.1	0.0	+999	0.89	6.26	1.0	+999
Cardia Bioplastics	0.4	1.5	2-4	0.1	0.2	-42	1.25	1.44	1.0	+81	Kairiki Energy	0.1	0.4	0-4	0.1	0.0	+494	2.25	2.03	1.0	+999
Cardinal Resources	17	20	1-4	2.4	4.8	-50	0.72	2.14	1.0	+23	Kalgoorlie Mining Co	0.8	25	1-3	0.1	0.2	-56	2.16	1.47	1.0	+999
Carnavale Resources	3.0	20	0-0	0.1	4.8	-98	0.61	2.14	1.0	+999	Kidman Resources	18	20	0-9	4.5	5.7	-21	1.09	1.95	1.0	+57
Celamin Holdings	15	20	1-1	2.0	2.3	-13	0.59	2.99	1.0	+42	Korab Resources	9.3	25	1-6	1.5	0.8	+94	0.68	2.90	1.0	+101
Cellmid Ltd	2.0	3.4	3-8	0.7	0.9	-20	0.77	1.53	1.0	+22	Labtech Systems	5.0	20	0-4	8.0	0.0	+999	0.68	9.99	1.0	+999
Central Petroleum	12	16	1-1	0.1	2.7	-96	0.77	2.34	1.0	+31	Labtech Systems	5.0	20	0-4	0.3	0.0	+999	0.68	9.99	1.0	+999
Central Petroleum	12	16	1-1	3.8	2.7	+39	0.77	2.34	1.0	+59	Latin Resources	22	30	0-1	0.1	0.3	-66	0.84	9.24	1.0	+999
Chrysalis Resources	13	20	0-4	2.0	1.5	+31	1.11	3.12	1.0	+385	Liberty Resources	5.0	10	0-4	2.0	0.1	+999	0.74	5.99	1.0	+999
Citation Resources	2.4	4.0	2-10	1.6	1.7	-4	1.37	1.20	1.0	+35	Lindian Resources	8.7	8.0	1-10	4.0	4.3	-8	0.91	1.54	1.0	+19
Citation Resources	2.4	7.0	0-5	0.3	0.2	+56	1.37	2.83	1.0	+999	Lion Energy	3.2	3.0	0-10	1.0	0.9	+8	0.71	2.36	1.0	+31
Clancy Exploration	2.0	15	0-5	0.1	0.0	+999	1.12	5.20	1.0	+999	Liontown Resources	3.3	5.0	2-7	1.1	1.3	-18	0.82	1.62	1.0	+27
Con Tin Mines	11	20	0-10	2.5	1.4	+76	0.89	2.66	1.0	+150	Lonrho Mining	0.8	2.0	0-9	0.2	0.1	+230	0.91	3.05	1.0	+285
Condor Blanco Mines	4.2	20	1-1	1.0	0.2	+407	0.93	2.93	1.0	+342	MEC Resources	7.6	20	0-5	0.2	0.0	+999	0.53	9.99	1.0	+999
Copper Range	1.6	3.5	0-10	0.5	0.1	+269	0.82	3.08	1.0	+200	MRG Metals	20	25	3-7	4.0	13.1	-69	1.08	1.24	1.0	+12
Corazon Mining Ltd	2.4	20	0-2	0.4	0.0	+999	0.98	1.00	1.0	+999	Magellan Financial	645	300	3-4	330.0	386.4	-15	0.36	1.59	1.0	-1
Cott Oil & Gas	17	20	2-10	5.2	0.6	+783	0.09	9.99	1.0	+15	Magellan Flagship	101	105	4-8	22.0	14.2	+55	0.10	5.12	1.0	+5
Cove Resources	10	25	0-11	1.8	1.0	+86	0.89	2.79	1.0	+193	Magontec Ltd	3.0	2.0	0-10	0.8	1.3	-40	0.79	1.86	1.0	-8
Cradle Resources	20	20	1-11	7.0	9.8	-28	0.92	1.54	1.0	+17	Malachite Resources	1.0	1.5	2-1	0.3	0.5	-36	1.03	1.50	1.0	+33
Crossland Uranium	3.3	15	1-9	1.0	0.2	+303	0.80	2.60	1.0	+146	Mamba Minerals	49	5.0	0-4	20.0	44.1	-55	1.69	1.11	1.0	-87
Diatreme Resources	2.2	15	0-7	0.1	0.0	+999	0.77	7.01	1.0	+999	Mantle Mining	5.3	7.5	0-9	1.4	1.0	+35	0.89	2.48	1.0	+100

Company	Share Price	Yr/Mth Exercise Price	to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate	Company	Share Price	Yr/Mth Exercise Price	to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Naracoota Resources	3.5	9.0	2-7	0.8	1.5	-48	1.08	1.46	1.0	+49	Sentosa Mining	3.3	25	0-10	0.2	0.0	+746	0.96	3.98	1.0	+999
Navigator Resources	0.1	4.0	1-5	0.1	0.0	+479	1.84	1.64	1.0	+999	Sierra Mining	37	10	1-10	25.5	27.5	-7	0.66	1.29	1.0	-2
Nemex Resources	8.0	20	1-1	2.2	2.7	-18	1.42	1.65	1.0	+157	Silver City Minerals	9.2	25	1-10	2.4	1.1	+116	0.71	2.52	1.0	+83
New Horizon Minerals	8.0	20	1-10	3.0	0.9	+248	0.64	2.70	1.0	+78	Silver Mines Ltd	5.1	10	0-9	1.0	0.4	+185	0.76	3.52	1.0	+196
Newera Resources	2.7	3.0	0-4	0.4	0.6	-30	1.09	2.66	1.0	+100	Silver Stone Res	19	20	2-2	0.1	7.5	-99	0.69	1.77	1.0	+3
Noble Mineral Res	7.0	35	0-5	0.1	0.0	+999	0.81	8.05	1.0	+999	Sinovus Mining	0.5	5.0	0-9	1.0	0.0	+999	1.42	2.60	1.0	+999
Noble Mineral Res	7.0	48	2-2	1.5	0.5	+217	0.81	2.48	1.0	+147	Sprint Energy	1.6	30	0-10	0.1	0.0	+999	0.75	8.70	1.0	+999
Nthn Mining	1.3	6.0	0-10	0.2	0.0	+364	0.98	3.40	1.0	+552	Sprintex Ltd	2.0	2.0	0-4	0.2	0.5	-64	1.20	2.34	1.0	+33
OBJ Ltd	1.8	1.0	0-4	0.9	0.8	+11	0.50	2.19	1.0	+18	St George Mining	19	20	1-9	5.6	12.6	-56	1.45	1.25	1.0	+19
Odyssey Energy	2.4	5.0	1-10	0.5	0.3	+69	0.60	2.72	1.0	+57	Sth Amer Ferro Metals	11	20	1-10	2.2	2.2	-2	0.69	2.25	1.0	+47
Oil Basins	2.6	4.0	1-4	0.9	0.9	+4	1.01	1.79	1.0	+61	Structural Monitoring	4.1	0.9	0-1	0.1	3.3	-97	0.59	1.26	1.0	-100
Oilex Ltd	7.6	15	2-6	2.0	2.1	-5	0.73	1.90	1.0	+38	Structural Monitoring	4.1	0.9	0-4	0.1	3.3	-97	0.59	1.26	1.0	-99
Orinoco Gold	27	25	2-3	11.5	13.4	-14	0.81	1.55	1.0	+14	Style Ltd	0.2	0.5	1-5	0.2	0.0	+999	0.58	3.56	1.0	+142
Oroya Mining	0.3	0.3	2-4	0.1	0.2	-59	1.68	1.12	1.0	+13	Synergy Metals	8.5	20	2-9	0.6	3.3	-82	0.94	1.56	1.0	+38
Otis Energy	0.3	5.0	2-10	0.1	0.1	+22	1.27	1.54	1.0	+172	TZ Limited	15	14	0-8	3.0	5.6	-46	1.16	1.84	1.0	+27
Otis Energy	0.3	1.0	0-4	0.1	0.0	+999	1.27	3.76	1.0	+999	Tag Pacific	24	20	4-7	10.0	11.2	-11	0.44	1.70	1.0	+5
Padbury Mining	0.5	2.0	1-4	0.1	0.2	-42	1.50	1.56	1.0	+193	Tamaska Oil & Gas	0.1	0.5	2-6	0.1	0.1	+41	1.85	1.16	1.0	+107
Panax Geothermal	0.3	4.0	1-4	0.1	0.0	+458	1.22	2.30	1.0	+590	Tangiers Petroleum	30	16	0-8	15.0	15.2	-1	0.73	1.81	1.0	+5
Panax Geothermal	0.3	1.0	1-10	0.1	0.1	-4	1.22	1.50	1.0	+103	Thundelarra Expl.	6.7	20	0-1	0.4	0.0	+999	0.98	9.99	1.0	+999
Panterra Gold	12	18	1-10	4.5	2.6	+76	0.60	2.37	1.0	+39	Trafford Resources	17	30	1-7	3.5	2.5	+40	0.61	2.67	1.0	+52
Paynes Find Gold	1.1	3.0	2-4	0.2	0.7	-70	1.49	1.25	1.0	+58	Transol Corporation	1.1	2.0	1-10	0.6	0.4	+44	1.03	1.63	1.0	+61
Peak Resources	17	25	1-5	5.0	3.2	+57	0.64	2.53	1.0	+49	Triton Gold Ltd	5.1	25	0-10	1.1	0.2	+605	0.99	3.25	1.0	+609
Pelican Resources	1.0	4.0	1-4	0.1	0.1	-30	1.05	2.16	1.0	+188	Tuc Resources	12	20	1-6	2.8	4.4	-36	1.07	1.69	1.0	+55
Peninsula Energy	3.7	3.0	2-10	2.0	1.8	+13	0.60	1.64	1.0	+11	Tyrian Diagnostics	0.1	1.2	0-10	0.1	0.0	+590	1.85	1.86	1.0	+999
Petratherm Ltd	2.9	3.0	1-8	0.5	0.9	-43	0.59	2.16	1.0	+12	United Orogen	0.7	20	3-1	0.1	0.0	+999	0.56	4.51	1.0	+197
Pharmanet Group	0.1	1.3	0-4	0.1	0.0	+999	2.40	2.35	1.0	+999	VDM Group	1.4	5.0	0-9	0.1	0.1	+53	0.98	3.17	1.0	+461
Pharmaust Ltd	0.8	10	0-1	0.1	0.0	+999	1.49	9.99	1.0	+999	Vector Resources	6.1	25	1-11	1.0	0.1	+750	0.54	3.91	1.0	+113
Pharmanet Group	0.1	0.5	2-10	0.1	0.1	+10	2.40	1.04	1.0	+88	Victory Mines	8.8	20	2-1	1.1	0.2	+364	0.37	4.66	1.0	+51
Phoenix Gold	26	25	1-9	11.0	7.9	+39	0.52	2.25	1.0	+20	Vmoto Ltd	2.1	4.0	1-10	0.8	0.6	+31	0.88	1.86	1.0	+57
Phylogica Ltd	2.7	9.0	3-4	0.9	0.9	-3	0.88	1.60	1.0	+48	Volta Mining	23	20	1-4	4.2	7.3	-42	0.54	2.29	1.0	+4
Proto Res & Inv.	0.6	5.0	1-6	0.1	0.1	+76	1.12	2.19	1.0	+316	Voyager Resources	1.4	6.0	2-4	0.4	0.5	-14	1.13	1.58	1.0	+92
Proto Res & Inv.	0.6	25	0-10	0.1	0.0	+999	1.12	4.60	1.0	+999	Voyager Resources	1.4	3.0	1-10	0.5	0.6	-10	1.13	1.56	1.0	+65
Quest Petroleum	0.5	1.5	3-4	0.2	0.3	-37	1.31	1.23	1.0	+44	WAM Active	116	108	0-9	7.6	12.6	-40	0.15	7.28	1.0	-0
RMG Ltd	0.3	2.0	1-2	0.1	0.0	+116	1.37	1.95	1.0	+430	WAM Capital	167	160	0-5	5.6	10.3	-46	0.10	9.99	1.0	-2
Ram Resources	0.2	3.0	0-7	0.1	0.0	+448	2.09	2.05	1.0	+999	WHL Energy	2.7	4.0	1-9	1.1	0.5	+114	0.58	2.51	1.0	+44
Redstone Resources	12	20	3-0	4.0	4.4	-8	0.73	1.70	1.0	+26	West Wits Mining	1.7	8.0	1-5	0.4	0.1	+611	0.75	3.24	1.0	+209
Regalpoint Resources	1.7	20	1-1	0.1	0.0	+999	0.88	4.11	1.0	+878	Western Manganese	28	20	0-4	5.5	8.4	-35	0.59	2.86	1.0	-20
Regis Resources	500	50	0-11	442.0	451.4	-2	0.34	1.11	1.0	-2	Whitestar Resources	2.0	20	0-2	0.1	0.0	+999	0.75	9.99	1.0	+999
Resource & Invest	14	60	0-3	0.6	0.0	+999	0.65	9.99	1.0	+999	Wild Acre Metals	10	20	0-11	4.0	0.7	+489	0.67	3.51	1.0	+160
Royal Resources Ltd	5.6	12	0-8	0.5	0.1	+344	0.60	5.16	1.0	+233	Wolf Petroleum	9.0	20	2-10	3.0	7.7	-61	1.94	1.08	1.0	+39
Rumble Resources	11	35	2-8	0.9	3.1	-71	0.88	1.75	1.0	+56	Xstate Resources Ltd	1.9	24	0-4	0.1	0.0	+999	1.43	4.90	1.0	+999
Rumble Resources	11	25	1-5	4.0	2.1	+92	0.88	2.18	1.0	+98	Yowie Group	14	20	2-10	3.3	2.1	+57	0.37	2.99	1.0	+20
Saracen Mineral Hold.	41	10	0-4	25.0	31.1	-20	0.62	1.32	1.0	-38	Zeta Petroleum plc	4.5	20	0-4	0.1	0.0	+999	0.85	8.86	1.0	+9
Select Exploration	16	20	0-5	2.3	4.1	-44	1.29	2.22	1.0	+122											

Black Mountain Resources Options

Black Mountain Resources (codes BMZ and BMZO). This company is re-opening three low cost, high grade, narrow seam silver mines in the United States. Production is expected to start very soon, with the *New Departure Silver Mine* expected to begin production in March (at 250 tonnes per day, graded 600-800 grams/tonne of silver) and the *Conjecture Silver Mine* around May/June 2013 producing 300-400 tonnes daily. This should produce “robust cash flows” which will then be used to finance “extensive exploration programmes” to confirm the existing resources and to target and identify new mineralisation.

New Departure has a “non-jorc compliant”^{Note 1} resource of 2½ million ounces of silver at high grades around 400-600 grams per tonne. Cash operating costs are estimated at around US\$6-8 per ounce, so with silver currently over US\$30 per ounce this operation should generate high cash flows and profits. Current resources will give an initial mine life of at least 3-4 years.

Conjecture has a non-jorc compliant resource of 8½ million ounces at grades higher than 350g/t. The 1981 Reserve Report identified an area known as “31 mining block” to contain 50-60,000 tonnes at grades of 350-375g/t. This block will be intersected by a new decline being constructed and recent drilling has provided jorc compliant confirmation of these historical estimates. Preliminary drilling at a site identified by an induced polarisation survey indicates a potential new mineralisation zone. Cash operating costs are expected at around US\$8-11 per ounce. The initial mine life will be at least five years.

The *Conjecture* mine had operated for over 100 years, producing over 800,000 ounces of silver, from grades better than 220g/t, but mining ceased in the 1970's owing to the low silver price.

A major target for future exploration at *Conjecture* is the deep *Revett Formation* - a major copper/silver formation in north Idaho (Continued on Page 12)

Note 1: In Australia the *Joint Ore Reserve Committee* sets minimum standards for public reporting of ore reserves and this includes that original samples or drilling cores are still available. The mine data is reliable but dates back to the 1980's or earlier and the original samples have not been kept - making the data “non-jorc compliant” and restricting the company's ability to publicly refer to these earlier resource estimates.

Black Mountain Resources Options

(Continued from Page 11)

and western Montana. Black Mountain intends to mine ore down to 200 metres and then set up underground drill stations to explore the Revett Formation which lies 600 metres below ground.

The company listed in late 2010 after an initial public offering at 20 cents. In February 2012 it finalised the acquisition of a 70% interest in the US silver mines, funded by the issue of 25.0 million ordinary shares and 25.0 million "performance" shares (i.e. which convert to ordinary shares if the venture produces the silver equivalent of 2000 ounces of gold before February 2017 - or otherwise expire worthless). At the same time the company also issued a further 10.0 million shares to shareholders to raise \$2.0 million in cash.

In April 2012 the company made a 1 for 2 issue of the listed share options at an initial cost of 3 cents. These options give investors the right to buy an ordinary share on 7 May 2015 at 20 cents.

The issued capital is currently 68.8 million ordinary shares, 25.0 million "performance" shares and 36.1 million listed options (to buy shares in May 2015). That values the company at just \$17.9 million. Cash on hand at 31 December was \$1.6 million. Any additional cash needed to bring the company into production will be raised via an "off-take pre-purchase" agreement (i.e. the company will pre-sell some of its future silver production).

In July 2012 the company secured a 15 year lease (with the right to renew for two further periods of 15 years) of the **Lakeview Mill** just 3½km from its *Conjecture* mine. The mill capacity is 300 tonnes per day, with the ability to be upgraded.

In July 2012 Black Mountain Resources also paid US\$500,000 for an option to acquire the **Weber** mine, an open pit mine 2½km from the *Conjecture* mine. If the company exercises this option it will issue 11.0 million shares (worth about \$1.9 million) for the Weber mine and pay a fee of US\$10 for every tonne of ore processed. The site would also be useful to dispose of the processed ore from the *Conjecture* underground mine.

Total Return Index for All Listed Shares

Jan 14	1449.69	Jan 21	1458.05
Jan 15	1453.63	Jan 22	1450.56
Jan 16	1452.79	Jan 23	1451.19
Jan 17	1459.14	Jan 24	1450.86
Jan 18	1445.00	Jan 25	1450.47
Jan 28	1450.95	Feb 4	1465.54
Jan 29	1455.60	Feb 5	1467.70
Jan 30	1459.73	Feb 6	Holiday
Jan 21	1461.22	Feb 7	1465.25
Feb 1	1460.16	Feb 8	1466.86

Summary and Recommendation

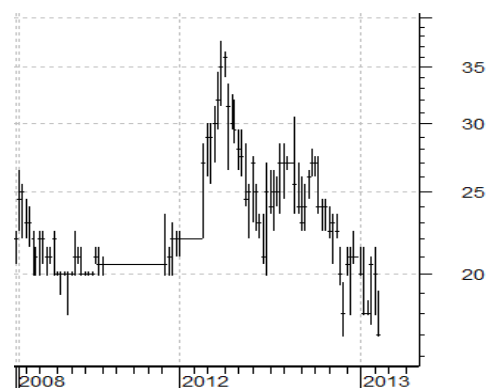
With low cost silver production from two mines expected to start over the next six months, Black Mountain Resources should be able to generate significant cashflows to finance continued exploration and the expansion of its business. That will avoid the need to keep issuing new shares to raise cash - and diluting the value of the business.

The listed options allow us to obtain an interest in this developing silver mine at a low initial cost (i.e. about 4.1 cents) rather than buying the shares directly at 17½ cents. We will then have over 26 months (i.e. until 7 May 2015) to assess the success of this venture before deciding whether to exercise the options and buy the ordinary shares at 20 cents.

So an investor can use these options to either (1) minimise the initial capital put at risk (e.g. buying 10,000 options for \$410 rather than 10,000 shares for \$1750) or (2) increase leverage (e.g. with a \$1750 investment, acquiring 42,500 options rather than just 10,000 shares).

We are not formally recommending Black Mountain Resources, but the options are a speculative leveraged investment for investors seeking to invest a very small percent of their portfolio in a high risk/high return security.

Black Mountain Resources



Dividend \$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Smiths City Group	1.00	08-02	15-02	Nil
South Port NZ	6.50	25-02	04-03	Full
<u>Australian Shares</u>				
None				

Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday March 11, 2013.

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

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