

Market Analysis

Inside Market Analysis

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Summary and Recommended Investment Strategy.

Stockmarkets are drifting lower but despite “bad” news, shares offer good value over a medium term perspective. Remain fully invested in the recommended shares.

Investment Outlook.

As we wrote last month, the 2014 reporting season has not had many particularly “good” or particularly “bad” results. That gives analysts and investors little guidance and few trends. Throw in weak overseas stockmarkets, slow economic growth in Europe, an Ebola outbreak and a new terrorist threat . . . and it is no wonder that the local stockmarkets have drifted lower over recent months and weeks.

Who in their right mind would want to buy shares in a company that issued a profit downgrade, was suffering a decline in volumes and lower selling prices owing to competitive pressure in the market? Actually, we do! But explaining *why* is not the sort of story that investors want to hear. It won't sell newspapers, magazines or newsletter subscriptions.

Investors want to hear about new growth companies whose shares are at new highs (and probably massively over-valued). These stories are most common when the economy and stockmarket are booming! *Any* shares bought at that time will probably be worth significantly less one or two years later.

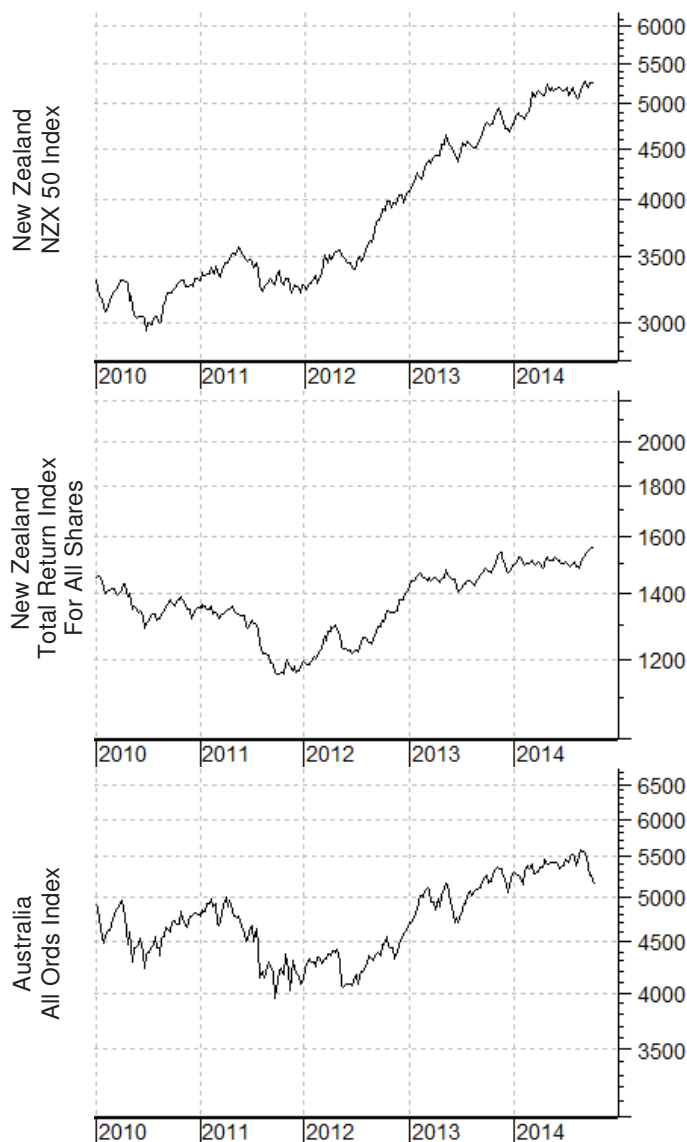
The company warning of lower profits, reduced volumes and lower prices is, of course, ALS Ltd. They did this *before* we bought into the company in 1999 . . . and they do it every few years. Somehow over the last 15 years they have repaid our initial investment 3½-fold in cash dividends and the share price (even at today's low level) is up 6½-fold on our initial purchase price.

Really there is no mystery about this “somehow”. Every few years, a cyclical and competitive market places pressure on the company's sales and pricing, depressing profitability . . . but ALS *continuously* seeks to drive down its own costs, improve efficiency and remain more competitive than others in its industry (and provide *better quality* and *lower cost* than its customers could produce from an in-house laboratory). If ALS succeeds at this, then in a market upturn it gains market share from less efficient competitors, grows its business and creates real wealth for its shareholders.

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Stockmarket Forecasts

	One-Month	One-Year
Australia:	35% (Bearish)	53% (Neutral)
New Zealand:	62% (Bullish)	40% (Neutral)



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					Performance Forecast					Performance Forecast							
Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield			
AMP Limited	B	580	1.31	13	6.8	Insured Group	D	1.5	0.20	NE	Nil	Rubicon Limited	E	34	0.35	70	Nil
Abano Health.	B	682	0.66	29	4.3	Just Water Int.	D	11	0.35	6	5.8	Ryman Health.	E	745	N/A	19	1.6
Acuity Health	A	700	1.23	13	3.4	Kathmandu Ltd	D	289	1.51	13	5.8	SLI Systems Ltd	D	111	3.00	NE	Nil
Air New Zealand	B	188	0.05	1	7.4	Kermadec Prop.	D	67	6.58	11	4.5	Sanford Limited	D	490	0.99	22	6.5
Akd Int Airport	B	385	9.63	21	2.5	Kingfish Ltd	E	131	N/A	6	8.7	Satara Co-op	D	58	0.19	NE	Nil
Allied Farmers	B	8.4	0.20	NE	Nil	Kirkcaldie & St	E	192	0.51	NE	Nil	Scales Corp Ltd	D	149	N/A	NE	Nil
Allied Work.	B	263	0.46	17	4.0	Kiwi Property	E	120	5.82	12	5.4	Scott Tech. Ltd	D	153	1.05	11	7.3
Aorere Res. *	N/R	0.6	6.33	NE	Nil	L&M Energy	E	7.3	N/A	NE	Nil	Sealegs Corp	D	11	0.82	NE	Nil
Argosy Property	C	103	7.72	9	6.0	Mainfreight Grp	A	1490	0.77	16	3.0	Seeka Kiwifruit	A	310	0.46	17	5.8
Barramundi Ltd	E	63	N/A	NE	9.8	Marlin Global	B	81	N/A	8	9.1	Serko Limited	C	102	N/A	NE	Nil
Bathurst Res.	E	18	N/A	NE	Nil	Marsden Mar.	B	280	N/A	14	5.6	Skellerup Hold.	C	149	1.46	13	7.9
Blis Technology	C	2.7	N/A	NE	Nil	Mercer Group	E	16	1.15	NE	Nil	Sky City Ltd	B	357	2.53	21	7.8
Briscoe Group	A	288	1.29	19	6.0	Meridian Energy	E	154	1.57	17	9.9	Sky Network TV	B	599	2.56	14	6.7
Burger Fuel	D	260	N/A	NE	Nil	Methven Limited	C	114	0.79	16	11.4	Smartpay NZ Ltd	D	25	1.88	25	Nil
CDL Investments	D	55	3.94	11	5.1	Metro. LifeCare	C	445	9.91	14	0.8	Smiths City	D	52	0.12	7	6.7
Cavalier Corp	B	103	0.35	12	4.0	Michael Hill	C	128	0.94	15	5.1	Snakk Media Ltd	D	9.8	7.05	NE	Nil
Cavotec MSL	C	245	1.08	20	1.6	Mid-Cap Index	C	315	N/A	8	2.6	Snosaj12 Ltd	E	10	0.19	NE	Nil
Charlie's Group	D	43	4.00	51	Nil	Mighty River	B	264	2.17	17	7.1	Sol. Dynamics	D	46	0.59	13	Nil
Chorus Ltd	C	192	0.72	5	Nil	Millennium & C.	A	127	3.72	16	1.3	South Port NZ	A	400	3.34	16	7.6
Claridge Cap'l	D	1.5	N/A	NE	Nil	Moa Group Ltd	A	41	2.67	NE	Nil	Spark NZ Ltd	D	290	1.46	16	7.9
Col Motor Co	A	550	0.26	10	8.8	Mowbray Collect	E	43	1.31	NE	Nil	Speirs Group	B	11	0.08	1	Nil
Comvita	C	400	1.10	17	Nil	NPT Limited	D	58	5.84	12	7.7	Steel & Tube	B	280	0.56	14	7.9
Contact Energy	C	603	1.81	19	6.0	NZ Exchange Ltd	C	117	4.73	25	6.6	Summerset Group	D	271	N/A	17	1.2
Cynotech Hold.	E	0.2	0.09	NE	Nil	NZ Experience	C	35	1.11	9	11.8	Synlait Milk	C	369	1.29	47	Nil
DNZ Property	B	175	8.15	12	6.5	NZ Finance Hold	D	1.0	5.55	NE	Nil	Team Talk Ltd	D	158	0.74	15	15.4
Delegat Group	A	475	2.07	11	3.2	NZ Farming Sys.	E	65	1.53	NE	Nil	Tenon Ltd	C	165	0.22	45	Nil
Diligent Board	C	443	4.72	51	Nil	NZ Oil & Gas	N/R	76	3.11	32	7.9	Tourism Hold.	A	150	0.74	15	6.5
Dorchester Pac	D	25	3.94	37	2.0	NZ Refining Co	N/D	170	2.13	NE	1.6	Tower Limited	C	198	1.45	NE	5.6
EROAD Ltd	D	360	N/A	NE	Nil	NZ Windfarms	E	5.2	1.60	NE	NE	Trade-Me Ltd	C	363	8.77	18	6.2
Ebos Group Ltd	F	885	0.23	14	5.3	NZ Wool Service	E	42	0.19	NE	NE	Training Sol.	D	0.4	N/A	NE	Nil
F & P Health.	B	522	4.61	30	3.3	NZSX 50 Port.	E	174	N/A	8	2.6	Trilogy Intern.	E	68	1.42	39	Nil
Finzsoft Sol'ns	A	200	1.76	22	Nil	NZSX 10 Fund	C	114	N/A	6	3.5	Trust Power Ltd	B	724	2.79	20	7.0
Fletcher Build.	C	872	0.71	18	5.7	NZX Aust MidCap	C	473	N/A	NE	4.1	Turners & Grow.	C	190	0.30	14	Nil
Foley Fam Wines	A	165	2.78	26	Nil	New Image Group	E	25	0.79	NE	Nil	Turners Group	A	317	0.97	18	7.0
Fonterra S/H Fd	A	639	0.22	20	5.0	Nuplex Indust	C	312	0.38	12	6.7	Vector Ltd	A	260	2.06	15	8.1
Freightways Ltd	B	509	1.82	19	5.8	Ozzy Int'l Cons	C	149	0.48	10	7.4	Velo Capital	C	7.0	N/A	NE	Nil
Genesis Res.	D	1.8	N/A	NE	Nil	Opzy (Tortis)	C	370	N/A	NE	3.3	Veritas Invest.	C	116	1.45	10	9.8
Genesis Energy	E	195	0.53	21	4.7	PGG Wrightsons	C	41	0.25	7	15.2	Vetlot Limited	C	0.4	N/A	NE	Nil
Gentech Group	F	212	N/A	NE	Nil	Pac Edge Bio.	E	90	N/A	NE	Nil	Vista Group Ltd	C	315	N/A	NE	Nil
GeoOP Ltd	D	58	N/A	NE	Nil	Pike River Coal	D	88	N/A	NE	Nil	Vital Health PT	C	144	7.23	13	7.6
Goodman Prop.	D	111	8.40	10	5.9	Port Tauranga	E	1605	8.08	27	4.3	WN Drive Tech.	E	8.1	0.40	NE	Nil
Green Cross H.	A	180	2.14	17	2.8	Postie Plus Grp	D	7.3	0.03	NE	Nil	Warehouse Group	C	310	0.43	16	9.4
Guinness Peat	E	57	0.37	14	Nil	Precinct Prop.	D	110	7.05	10	6.8	Windflow Tech.	D	7.1	0.38	NE	Nil
GuocoLeisure	C	101	2.32	23	Nil	Promisia Integ.	C	4.7	N/A	NE	Nil	Wool Equities	E	2.2	0.33	NE	Nil
Hallenstein G.	B	325	0.88	10	14.3	Property F Ind.	C	143	N/A	14	5.9	World Index Fd	D	200	N/A	NE	Nil
Heartland Bank	B	100	2.18	13	8.3	Pumpkin Patch	C	39	0.23	12	Nil	Wynyard Group	E	211	9.56	NE	Nil
Heartly Hold.	B	297	0.38	11	7.0	Pushpay Hold.	D	235	N/A	NE	Nil	Xero Ltd	E	1915	N/A	NE	Nil
Heritage Gold *	N/R	1.8	N/A	NE	Nil	Pyne Gould Corp	D	38	9.78	NE	Nil	Z Energy Ltd	E	396	0.47	17	7.7
Horizon Energy	B	330	0.79	12	6.3	Rakon Ltd	D	33	0.42	NE	Nil	Zintel Comm.	D	44	0.54	NE	Nil
IkeGPS Limited	E	99	N/A	NE	Nil	Renaissance	D	15	0.15	NE	Nil	Ave of 151 Cos	C	224	0.49	16	3.4
Infratil NZ	C	286	0.70	NE	4.6	Restaurant Brds	B	350	1.04	17	6.5						

Recommended Investments

Michael Hill International has reported its quarterly revenues to 30 September 2014. Total revenues grew 4.0% to A\$101.7 million.

Store revenues now include the *Professional Care Plan* revenues “earned” in the period (i.e. spread over the life of the plans and earned in this period, not cash receipts for the period). PCP revenues were previously reported separately.

Australia “same store” revenues fell 2.0%, but new stores kept total Australian revenues virtually unchanged at A\$64.0 million. This is the largest division, with 63.0% of group revenues.

NZ revenues rose 7.1% to A\$19.8 million (19.5% of group revenues). Canadian revenues were up 16.2% at A\$15.2 million (14.9%) and United States revenues up 22.0% at A\$2.6 million (but still a relatively insignificant 2.6% of group revenues). *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation		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 %
			- Date -	Price									
NZ Shares													
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	274.7	1.2	3.94	11	5.1	55	25.4	+222%
HOLD	Cavalier Corporation	CAV	05/12/95	156*	C	68.7	1.2	0.35	12	4.0	103	282.0	+147%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	A	32.7	0.4	0.26	10	8.8	550	427.3	+664%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	C	383.0	1.0	0.94	15	5.1	128	54.9	+3558%
HOLD	Nuplex Industries Ltd	NPX	11/02/97	523*	C	198.1	1.1	0.38	12	6.7	312	462.0	+48%
HOLD	Smiths City Group	SCY	09/10/06	64	C	52.7	1.2	0.12	7	6.7	52	24.5	+20%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.6	3.34	16	7.6	400	202.3	+402%
BUY	Steel & Tube Holdings	STU	08/08/00	146	C	88.5	0.9	0.56	14	7.9	280	299.6	+297%
Australian Shares (in Aust cents)													
BUY	Acrux Limited	ACR	12/05/14	99	A	166.5	0.8	4.22	8	5.9	137	8.0	+46%
HOLD	AJ Lucas Group	AJL	13/05/03	107*	D	267.4	1.0	0.82	NE	Nil	70	36.4	-1%
HOLD+	ALS Limited	ALQ	12/10/99	77*	B	397.8	0.5	1.33	13	7.7	507	264.5	+902%
BUY	AtCor Medical Ltd	ACG	11/11/13	15	E	157.4	3.0	2.80	NE	Nil	9	Nil	-40%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	C	319.5	2.7	1.96	18	Nil	10	17.5	-62%
BUY	Ausenco Ltd	AAX	10/06/13	191*	C	168.4	1.4	0.18	NE	4.1	49	1.8	-74%
HOLD+	Brickworks Ltd	BKW	12/11/12	1115	B	148.0	0.3	2.90	19	3.2	1315	54.5	+23%
HOLD	Cardno Ltd	CDD	14/12/09	391*	B	163.4	0.5	0.72	12	6.2	578	151.3	+87%
HOLD	Cellnet Group Ltd	CLT	12/02/02	147*	C	55.7	1.8	0.15	NE	Nil	22	55.9	-47%
HOLD+	Chandler Macleod Group	CMG	14/08/01	51*	B	548.0	1.4	0.15	15	8.2	39	32.1	+39%
BUY	Circadian Technologies	CIR	10/02/04	188	D	48.6	2.0	10.52	NE	Nil	19	65.0	-55%
HOLD+	Clarius Group Ltd	CND	08/04/03	82*	C	89.6	1.8	0.13	NE	Nil	26	70.5	+18%
BUY	CPT Global Ltd	CGO	10/03/08	88	B	36.7	1.1	0.72	15	6.0	75	15.8	+3%
HOLD	CSG Limited	GSV	11/10/10	175	A	279.6	1.0	1.66	27	7.6	119	46.0	-6%
HOLD	Devine Ltd	DVN	13/11/06	334*	C	158.7	0.9	0.56	NE	Nil	98	79.6	-47%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	C	107.6	1.7	0.64	44	Nil	33	Nil	-34%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	A	30.8	0.8	2.32	13	5.4	170	52.9	-14%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	227.0	0.9	1.12	9	7.3	137	46.5	+73%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	B	418.7	0.6	3.63	0	1.2	741	197.0	+99%
BUY	Integrated Research	IRI	14/01/08	40	B	168.8	0.8	3.12	20	5.1	99	29.0	+219%
HOLD+	M2 Telecommunications	MTU	09/10/06	33	A	180.8	0.4	1.32	20	3.5	749	79.0	+2409%
HOLD+	Melbourne IT	MLB	10/02/04	53	C	92.9	0.7	1.06	18	Nil	132	230.0	+582%
HOLD	Nomad Building Solutio	NOD	16/08/10	13*	E	277.5	4.2	0.36	NE	Nil	5	Nil	-62%
HOLD	Novarise Renewable Res	NOE	14/03/11	25	C	415.1	2.2	0.80	8	Nil	19	Nil	-26%
HOLD	Probiotec Ltd	PBP	11/02/08	116	D	52.9	1.5	0.25	18	Nil	32	9.3	-64%
HOLD+	Prophecy International	PRO	08/09/08	26	B	55.4	1.5	3.13	17	6.9	40	15.8	+114%
HOLD+	Skilled Group Ltd	SKE	12/03/02	126	B	235.8	0.8	0.28	12	7.7	220	173.5	+212%
HOLD+	Technology One Ltd	TNE	11/11/03	44	A	308.8	0.5	5.29	35	1.8	311	44.6	+708%
HOLD+	TFS Corporation Ltd	TFC	08/01/07	45	B	325.3	0.7	3.52	6	3.8	159	20.2	+298%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	B	28.8	0.4	0.35	17	3.5	859	375.5	+380%
HOLD	Village Roadshow	VRL	10/08/09	77	B	159.5	0.4	1.15	24	3.9	699	253.0	+1136%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +320.9%. This is equal to an average annual rate of +32.9%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 39 current and 157 closed out) is +30.8%, compared with a market gain of +4.1% (by the SRC Total Return Index).

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

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

Recommended Investments

(Continued from Page 3)

At this rate, Canadian revenues - driven by good store performance and new store openings - should exceed NZ revenues within about two years, although profitability will still lag behind. Profit margins should improve with economies of scale as this division grows.

The United States is a long term, relatively small scale experiment. If the company can develop a successful strategy in this market, then the US offers a massive potential for future expansion.

Michael Hill International



Nuplex Industries is holding discussions with **CHAMPS Private Equity** over the potential sale of two of its businesses: *Nuplex Specialties* (an agency and distribution business) and *Nuplex Masterbatch* (a plastic additives business).

Nuplex Industries



Australian Shares

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

Acrux Ltd reports that the **FDA's Drug Safety & Risk Management Committee** has "reviewed all available data and concluded that there is insufficient evidence that testosterone use leads to an increased risk of cardiovascular events".

The committee also noted that there are "no large studies available" and "that companies be required to conduct additional studies".

At least four studies are expected over the next six months. One by **Eli Lilly** (which is licenced to sell Acrux's *Axiron* testosterone product) and three funded by the **National Institutes of Health**. Eli Lilly's double blind study began in early 2013 and the last patient visit will be completed this month. The study specifically aims to measure "the impact of testosterone on energy level and sexual arousal, interest and drive" but also collects data on safety (i.e. has collected information on any cardiovascular events).

The FDA analysis also noted that "21% of patients prescribed testosterone did not appear to have their testosterone concentrations tested before or during treatment" despite current clinical practice guidelines that recommend "health care practitioners measure morning testosterone levels as the initial diagnostic test and confirm the diagnosis by repeating the test" and then "monitoring 3-6 months after initiation of treatment and then annually".

The FDA is not required to follow any advice from its advisory panels and physicians may not change their "prescribing habits" even if the FDA requires any labelling changes on testosterone products.

Acrux Ltd



ALS Ltd has downgraded its first half profit forecast to 30 September 2014. Earlier the company had predicted a 26½% decline to \$74 million but now expects a 36% decline to \$64 million (16 cents per share).

The September quarter had "continuing tight market conditions in all sectors". The *Minerals Division* reduced revenues 25% - in line with the 34% decline in global exploration expenditure.

Life Sciences Division samples were up, but pricing pressure will result in steady revenues. The *Energy Division* will "more than double" revenues but profits will be down. The *Industrial Division* will lift revenues 12% and profit margins - but this is only a small division (i.e. with about 10% of group revenues).

ALS operates in a cyclical business. It is "focused on cost management and right-sizing the businesses for the current market" . . . and "future growth as its markets recover".

At 507 cents, ALS Ltd shares trade on a Price/Sales ratio of 1.33, a Price/Earnings ratio of 13 and offer a Dividend Yield of 7.7% (although, of course, lower earnings and dividends this year will raise the P/E and lower the yield). That is a low valuation for a company capable of earning high profit margins, strong cashflows and with good growth potential, especially near the bottom of a mining sector cyclical downturn.

When we first bought into this company in October 1999, the shares had “declined in value reflecting the downturn in the exploration and mining sector” and traded on a P/E ratio of 12 and Yield of 5.5%.

In the *Global Financial Crises*, the shares fell 77% in value to a low of 164 cents in February 2009. Then they recovered 8½-fold in value to a high of 1378 cents in May 2012 but have again fallen 63% to their current price.

Clearly ALS Ltd shares are close to another cyclical low - but accurately predicting the *level* of that low or its exact *timing* is not possible. A recent company report suggests that the *decline* in mineral sample volumes is ending - implying a cyclical low and potential recovery for the business.

Cyclical swings in the share price can also be driven to extremes by Brokers Forecasts. Lower reported revenues and profits (or a warning of lower revenues and profits) drive brokers to downgrade their own profit forecasts and rate shares as a “Sell” (or “hold”, “under-weight” or “under-perform” in broker speak) *just as the shares are at or near their ultimate lows*. Similarly higher reported revenues and profits tend to make brokers upgrade profit forecasts and result in “Buy” ratings *just as the shares are approaching a cyclical peak*.

The best time to buy is probably when the shares are a few months into a new recovery and perhaps there is a little “good” news (or a little less “bad” news) from the company. We shall rate ALS Ltd shares as a “Hold+” at this time.

ALS Ltd



Ausenco Ltd and UK based **ARCADIS** (through their Brazilian subsidiaries) have formed a consortium that has been awarded a very large contract in Brazil.

The consortium will deliver engineering design, procurement and construction management for the US\$1,280 million expansion of **Ferrous Resources' Viga 15** iron ore project. This will increase production to 15 million tonnes annually.

The consortium will manage the design and construction of a *Beneficiation Plant* (i.e. crushing, screening, grinding, de-sliming and flotation), filter plant, rail loading terminal, power distribution, water capture and distribution, tailings and water return pipelines and access infrastructure. Work will begin immediately and continue over the next three years, with completion scheduled for December 2017.

Based upon reports issued by ARCADIS (i.e. not disclosures in Australia and perhaps over-looked by the market) Ausenco is expected to provide around 40% of the consortium work to this project, with the consortium earning around a 5% profit margin (i.e. about \$60 million).

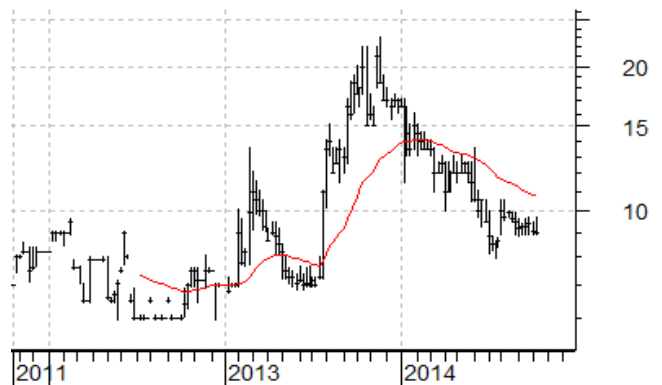
This project should therefore add around \$500 million to Ausenco revenues and \$24 million to earnings, spread over the next three years. This is a very large contract that should make a significant impact upon returning Ausenco to profitability.

Ausenco



AtCor Medical has won the contract to supply *SphygmoCor* systems to a 14-centre, publicly funded study into obesity in the United States.

AtCor Medical



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Recommended Investments

(Continued from Page 5)

Brickworks

	Year to 31/7/2014		
	Latest	Previous	Change
Revenues	\$670.3m	\$606.5m	+10.5%
Net Profit	\$101.3m	\$100.0m	+1.3%
Net Cash Surplus	\$100.5m	\$46.0m	+118.3%
Earnings per share	68.4c	67.8c	+0.9%
Dividends per share	42.0c	40.5c	+3.7%

The *Building Products* division lifted earnings 37% to \$45.1 million, *Land & Development* earnings were 26% higher at \$62.4 million but *Investment* earnings fell 26% to \$44.6 million. The first half of the current financial year is predicted to be “the strongest market for more than a decade for our Building Products group”.

The higher net cash operating surplus reflects the “rebalancing of production and sales” compared with an increase in inventories the previous year.

Brickworks



Circadian Technologies is to raise \$17.4 million cash - \$14.0 million from the placement of 80.0 million shares at 17½ cents (plus 40.0 million options) to institutions, plus \$3.4 million from a 2 for 5 cash issue to existing shareholders (i.e. 19.4 million shares plus 9.7 million options).

The options will be exercisable at 27 cents through until 25 November 2018.

This capital raising is expected to fund the company's operation until the end of 2017, allowing it to complete several clinical trials that could significantly increase shareholder value.

The only problem is that even if existing shareholders take up all of their entitlements to new shares (and options) they will only own 46% of the company after this capital raising. 54% will be owned by the new institutional shareholders. If the options are all exercised in November 2018, then the original shareholders will own only 39.3% of the company. The need to raise additional cash is therefore significantly *diluting* the interests of existing shareholders in the company and in any value that *may* be created in the future.

Nevertheless, we believe there is significant potential

for value creation, so recommend taking up entitlements to the new shares (and attached “free” options). The company is also offering a “Top-Up Facility” where shareholders can apply for additional shares (and options) not taken up by other shareholders. Applications for these new shares are payable by 31 October.

Circadian Technologies



M2 Group is forecasting 8-9% revenue growth and 15-20% net profit growth this financial year.

At 749 cents, the shares trade on a Price/Earnings ratio of 20, but 15-20% growth would lower that to 17-18. That is not *cheap*, but neither is it too expensive for a company with sound growth potential.

M2 Group has been a *very successful* investment for us - up almost 25-fold in just eight years - as it is positioned to benefit from *technology change* in telecommunications. Falling telecommunications prices have resulted in inadequate returns to the *owners* of telecommunications networks, while M2 Group, as a *reseller*, has seen those falling prices impact equally on both revenues *and* costs - so profit margins have been maintained. Technology has also reduced the cost of doing business with customers, lowering operating overheads and improving profit margins.

Now, under the *National Broadband Network*, the whole Australian telecommunications industry is moving to the role of a *reseller* of services - but this is M2 Group's core business and one where it has proven to be successful - so it is likely to expand market share at the expense of larger, less efficient competitors.

“HOLD+” for further growth.

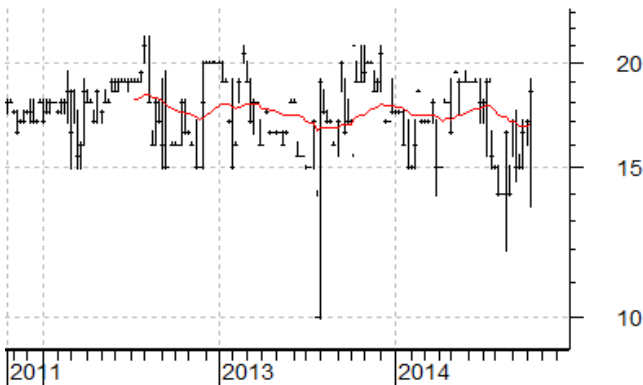
M2 Group



Novarise Renewable Resources' plans for a “selective capital reduction” (i.e. for the major shareholders to take full ownership, buying out minority shareholders at 23 cents per share) *may* be finally proceeding.

The major shareholders have agreed to provide \$7.3 million (i.e. 30% of the amount needed to fund the capital reduction) by 6 November and the balance of \$17.1 million at least ten days before a shareholders meeting - expected in “early December” - to approve the capital reduction. Payment to shareholders *could* be made by the end of December . . . or it could all just be cancelled or drag on for another year?

Novarise Renewable Resources



TFS Corporation has reported acquiring all of the timber owned by MIS investors. 40 parties expressed interest in the tender and six bidders placed 42 bids for the eight tender lots.

Plantings in the June 2014 year were up 34% to 1587 hectares and the company is planning 2015 plantings of a similar 1500 hectares.

A clonal seed orchard was established in 2009 to improve the quality of seedlings. Progeny from selected trees were planted in 2009 and by 2013 were “18% larger in diameter than the control group”. The seed orchards provided their first significant harvest in 2013, allowing 50% of the June 2014 financial year plantings to be from these genetically selected seeds (up from 10% the previous year).

During the current year, TFS Corporation will “assess the refinancing” of its US\$150 million, 11% secured notes. These mature in July 2018, but can be repaid early from July 2015 (at an 8% premium to face value) or after July 2016 (at a 4% premium to face value).

TFS Corporation



“Insider” Trades in NZ Shares

The table below shows the number of Purchases and Sales of a company's shares by its Directors over the last twelve months (excluding “Neutral” situations where the number of Buyers and Sellers were equal). Shares where many “insiders” have been buying can outperform the market for up to two years, while shares where many “insiders” have sold can under-perform for a similar period.

“Insider” Indicators
 Last 5 wks: 46.2% Buyers
 Last 13 wks: 51.0% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Acurity Health	1-0	Fletcher Build.	0-2	Methven Limited	0-1	Rubicon Limited	5-0	Summerset Group	4-3
Air New Zealand	3-10	Fonterra S/H Fd	9-0	Mighty River	2-1	Ryman Health.	3-1	TeamTalk Ltd	3-1
Allied Work.	1-0	Guinness Peat	2-1	NPT Limited	2-1	SLI Systems Ltd	0-2	Tenon Ltd	1-0
Argosy Property	2-0	Heartland Bank	1-0	NZ Oil & Gas	0-1	Sanford Limited	2-0	Tourism Hold.	7-8
Blis Technology	0-1	Hellaby Hold.	1-0	Opus Int'l Cons	2-0	Seeka Kiwifruit	1-0	Trade-Me Ltd	5-2
Briscoe Group	5-1	Infratil NZ	5-2	PGG Wrightsons	2-0	Skellerup Hold.	2-1	Trust Power Ltd	3-0
Burger Fuel	0-3	Kathmandu Ltd	1-11	Pac Edge Bio.	0-6	Sky City Ltd	3-1	Vector Ltd	2-0
Comvita	3-4	Kiwi Property	1-0	Port Tauranga	1-2	Sky Network TV	2-1	Veritas Invest.	2-0
DNZ Property	1-11	Mainfreight Grp	1-9	Precinct Prop.	1-6	Smartpay NZ Ltd	1-0	Vital Health PT	1-0
Dorchester Pac	1-0	Mercer Group	0-1	Property F Ind.	0-2	Spark NZ Ltd	0-1	Warehouse Group	4-0
F & P Health.	0-7	Meridian Energy	1-0	Pumpkin Patch	0-1	Steel & Tube	1-0	Xero Ltd	2-4

“Insider” Trades in Australian Shares

The table below shows the number of Purchases and Sales of a company's shares by its Directors over the last twelve months (excluding “Neutral” situations where the number of Buyers and Sellers were equal). Shares where many “insiders” have been buying can outperform the market for up to two years, while shares where many “insiders” have sold can under-perform for a similar period.

“Insider” Indicators

Last 5 wks: 80.2% Buyers
Last 13 wks: 80.7% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
360 Capital Grp	10-0	Anatolia Energy	1-0	Automotive Hold	2-0	CMI Limited	5-0	Cover-More Grp	1-0
360 Capital Ind	3-0	Ansell Ltd	4-0	Avalon Minerals	1-0	CML Group	1-4	Coventry Group	1-2
360 Cap Office	2-0	Antaria Ltd	5-0	Avanco Res.	1-0	CPT Global Ltd	0-1	Coziron Res.	2-0
3D Oil Limited	3-0	Anteo Diagnost.	0-1	Axiom Mining	1-0	CSG Ltd	4-0	Crater Gold M.	2-0
3D Resources	1-0	Antilles O & G	1-0	Azonto Petrol.	4-0	CSL Limited	2-1	Credit Corp	2-6
A.P. Eagers	12-0	Aquaint Capital	2-0	Azure Health.	1-2	CWH Resources	0-1	Cromwell Prop.	1-3
A1 Consolidated	2-0	Aquarius Plat.	2-0	BCD Resources	1-2	Cabral Resource	1-0	Crusader Res.	8-0
A1 Investments	2-0	Arc Exploration	1-0	BHP Billiton	2-0	Calibre Group	2-0	CuDeco Ltd	3-0
ABM Resources	1-0	Ardent Resource	2-0	BKI Invest Coy	2-0	Calliden Group	1-0	Cuesta Coal Ltd	1-0
AG Financial	1-0	Ardent Leisure	3-1	BSA Ltd	2-0	Caltex Austrlia	0-1	Cyclopharm Ltd	2-0
AGL Energy Ltd	1-0	Argent Minerals	2-0	BT Invest Mgmt	1-2	Calzada Ltd	2-0	Cynata Therap.	5-0
AJ Lucas	2-0	Argonaut Res.	1-0	BWP Trust	1-0	Capilano Honey	0-1	DUET Group	2-0
ALS Limited	1-0	Argo Investment	1-2	Bandanna Energy	1-0	Capral Limited	1-0	Dart Energy Ltd	1-0
AMA Group Ltd	2-0	Aristocrat Leis	7-1	Bank of Q'land	4-2	Cardno Ltd	4-1	Dempsey Min.	1-0
AMCIL Limited	3-0	Armidale Invest	1-0	Bega Cheese Ltd	1-2	Carnarvon Pet.	1-0	Dexus Property	1-0
ANZ Bank	2-1	Arowana Int'l	3-0	Bell Financial	8-0	Cassini Res Ltd	1-0	Dicker Data Ltd	3-0
APN News Media	2-1	Arrium Limited	6-0	Benitec Bio.	1-0	Castillo Copper	2-0	Dick Smith Hold	1-3
ASG Group Ltd	1-0	Aruma Resources	1-0	Bentham IMF Ltd	0-1	Cazaly Res Ltd	0-1	Discovery Metal	0-1
ASX Limited	5-0	Asaleo Care Ltd	1-0	Beyond Int'l	0-2	Cedar Woods Prp	1-0	Disc. Africa	2-0
AVEO Group	2-0	Asia P Digital	1-0	Billabong Int'l	2-0	Celamin Hold.	4-0	Diversa Ltd	4-0
AWE Limited	4-1	Ask Funding Ltd	0-1	Bionomics Ltd	0-1	Cellmid Ltd	1-0	Djerriwarrh	1-0
Acacia Coal Ltd	2-0	Aspen Group Ltd	1-0	Biotech Capital	1-0	Centrepont All	5-0	Dome Gold Mines	0-1
Academies Aust.	2-0	Astivita Ltd	2-0	Bioxyne Ltd	0-1	Centrex Metals	1-0	Domino's Pizza	1-8
Acom Capital	1-0	Atcor Medical	0-1	Blackham Res.	0-1	Central Petrol.	1-0	Doray Minerals	0-1
Acrux Ltd	2-0	Atrum Coal NL	0-2	Blackthorn Res.	3-0	Cent West Gold	0-1	Downer EDI Ltd	1-0
Activex Ltd	0-1	Aurelia Metals	1-0	Blackwall Prop.	6-0	Centuria Cap'l	4-0	Drillsearch	2-4
Ad Braking Tech	6-0	Aurizon Hold.	2-0	Blackmores Ltd	0-1	Century Aust In	1-0	DuluxGroup Ltd	1-2
Adcorp Aust.	2-0	Aurora Minerals	3-0	Black Ridge Min	1-0	Ceramic Fuel C.	1-0	Dyesol Ltd	7-0
Adelaide Res.	1-0	Aurora Funds	0-1	Black Star Pet.	0-1	Chalice Gold	1-0	E & A Limited	1-0
Adelaide Bright	3-0	Ausenco Ltd	3-0	Blackwall Prop.	3-1	Champion Iron	3-0	E-Bet Limited	1-3
Adslot Ltd	0-1	Ausmon Res.	0-1	Blaze Intern'l	0-1	Charter Hall GR	0-2	ERM Power Ltd	0-1
Aeon Metals Ltd	1-0	Aust Minerals	2-0	Bluescope Steel	6-1	Citation Res.	1-0	EVZ Ltd	1-0
African Energy	1-0	Austock Group	1-0	Blue Energy Ltd	1-0	Clearview With	1-0	Easton Invest.	3-0
African Chrome	1-0	Aust Vintage	4-0	Blue Sky Alt In	1-5	Clean Seas Tuna	1-0	Echo Resources	1-0
Aims Property	3-0	Aust Pharm. Ind	1-0	Boart Longyear	3-0	Clime Inv Mgmt	2-0	Echo Ent Group	2-0
Ainsworth Game	3-4	Austex Oil Ltd	5-3	Bora Bora Res.	2-0	Coal of Africa	3-0	Ecosave Hold.	2-0
Alacer Gold	0-1	Aust Gov Master	1-0	Bougainville Co	0-1	Cobre Montana	1-0	Elders Limited	4-0
Alara Resources	3-0	Austal Limited	1-0	Bounty Oil Gas	1-0	CocaCola Amatil	0-1	Electrometals	1-0
Alchemy Res.	1-0	Aust Leaders Fd	0-1	Brain Resource	1-0	Cochlear Ltd	2-0	Elemental Min.	3-0
Ale Property	6-0	Austbrokers	2-0	Brambles Ltd	0-3	Coffey Int'l	1-0	Elixir Petrol.	2-0
Alestor Energy	1-0	Aust Pac Coal	5-0	Brand New Vint.	1-0	Cogstate Ltd	2-0	Elk Petroleum	1-0
Alexium Int'l	3-0	Aust Agricult.	2-0	Breaker Res NL	0-1	Cokal Limited	2-0	Elsmore Res.	0-1
Alkane Explor.	2-0	Aust United In	1-0	Breville Group	1-0	Collins Foods	3-0	Emeco Holdings	4-0
Allegiance Coal	1-0	Aust China Hold	3-0	Brickworks Ltd	4-2	Collection Hse	6-3	Emerald Oil & G	1-0
Alliance Aviat.	2-0	Aust Wealth Inv	7-0	Brierty Ltd	3-0	Com'wealth Bank	1-0	Empire Oil, Gas	1-0
Altium Limited	0-1	Aust Foundation	4-0	Broad Invest.	2-0	Computershare	0-12	Endeavour Min.	3-0
Altona Mining	2-0	Austral Gold	1-0	Brockman Mining	1-0	Continuation In	1-0	Energia Mineral	1-0
Amalgamated Hld	3-0	Austin Eng.	10-0	Bulletproof Grp	0-1	Cont'l Coal	0-1	Energy World	3-0
Ambition Group	4-0	Aust Mines Ltd	1-0	Bulletin Res.	1-0	Convergent Min.	2-0	Entek Energy	2-0
Amcor Ltd	2-3	Aust Ren. Fuels	3-0	Burleson Energy	2-0	Cooper Energy	3-0	Enviromission	0-1
Amcom Telecom.	3-0	Aust Oil Coy	4-0	C.S.R. Ltd	1-0	Cott Oil & Gas	1-0	Equity Trustees	4-1
Analytica Ltd	1-0	Aust Rural Cap.	1-0	CFS Retail Prop	5-0	Countplus Ltd	1-0	EservGlobal Ltd	0-1

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Euroz Limited	7-0	Helix Resources	1-0	Key Petroleum	2-0	Metal Bank Ltd	2-0	Oil Basins Ltd	1-0
Evolution Min.	4-0	Helloworld Ltd	1-0	KeyBridge Cap'l	1-0	Metallum Ltd	1-0	Oil Search Ltd	7-2
Excalibur Min.	1-0	Heron Resources	10-0	Kibaran Res.	2-0	Metcash Ltd	3-0	Oilex Ltd	2-0
Excelsior Gold	1-0	High Peak Royal	4-1	Kidman Res Ltd	2-0	Metgasco Ltd	2-0	Oldfields Hold	3-0
Exoma Energy	0-2	Highland Pac.	1-0	Killara Res.	2-0	Metminco Ltd	1-0	OnTheHouse Hold	3-0
FYI Resources	0-1	Hillgrove Res.	3-0	Kimberley Diam.	2-1	Metrocoal Ltd	1-0	OnCosil Medical	3-0
Federation Cent	1-0	Hillcrest Litig	3-0	King Island Sc.	5-0	Milton Corp.	2-0	Optiscan Image	1-0
Fertoz Limited	1-0	Hills Limited	11-0	Kingsgate Cons.	0-1	Mindax Limited	1-0	Orica Ltd	3-0
Fiducian P Serv	5-0	Hodges Res.	1-0	King River Cop.	1-0	Minerals Corp.	3-0	Origin Energy	7-1
Finbar Group	3-0	Holista Coll.	0-1	Kingrose Mining	1-0	Minemakers Ltd	1-0	Orion Gold NL	3-1
Finders Res.	2-0	Horizon Oil Ltd	1-0	Konekt Limited	1-0	Minera Gold Ltd	1-0	Orocobre Ltd	1-0
Fitzroy River	1-0	Hot Chili Ltd	1-0	Korvest Ltd	1-0	Mineral Res.	1-2	Orora Limited	10-0
Flagship Invest	2-0	Hotel Property	1-0	Kresta Holdings	9-6	Mineral Commod.	4-0	Oroton Group	8-1
Fleetwood Corp	2-0	Hughes Drilling	1-4	LBT Innovations	3-0	Mineral Deposit	6-0	Orpheus Energy	1-0
Flight Centre	2-0	Hunter H Global	6-0	Lachlan Star	3-1	Minotaur Exp.	1-0	Osprey Medical	1-0
Flinders Mines	5-1	Hunter Hall Int	0-1	Lakes Oil NL	0-1	Mint Wireless	1-2	Othrocell Ltd	2-0
Folkestone Ltd	1-0	I-Cash Payment	0-1	Landmark White	1-5	Mirabela Nickel	1-0	Otis Energy Ltd	1-0
Forte Cons. Ltd	2-0	I-College Ltd	3-0	Laramide Res.	1-3	Mirvac Ind Trt	0-1	Oz Brewing Ltd	1-0
Fortescue Metal	7-0	I-Property Grp	1-0	Laserbond Ltd	2-0	Mitchell Serv.	2-0	Ozforex Group	4-0
Fox Resources	3-0	IMX Resources	2-0	Latin Resources	0-1	Mithril Res.	2-0	Ozgrowth Ltd	2-0
Freedom Foods	2-0	IOOF Holdings	8-0	Legend Mining	2-0	Mobile Embrace	0-1	PLD Corporation	1-0
Freelancer Ltd	13-0	IPB Petroleum	1-0	Leighton Hold	5-2	Moko Social Med	1-3	PM Capital Glob	4-0
Frontier Res.	0-1	IRESS Limited	1-2	Lemarne Corp	1-0	Monadelphous Gr	2-0	PM Capital Asia	1-0
Future Gen Inv	3-1	Ibuy Group Ltd	2-0	Lend Lease Grp	1-0	Monteray Group	1-0	PPK Group Ltd	5-0
G.U.D. Holdings	2-0	Icar Asia Ltd	0-1	Leopard Res. NL	3-1	Moreton Res Ltd	9-0	PS & C Limited	1-0
G8 Education	1-0	Icon Energy	2-0	Liberty Res.	0-1	Mt Gibson Iron	2-1	PTB Group Ltd	2-0
GBST Holdings	0-3	iiNet	3-0	Life Corp.	1-0	Mungana Gold.	1-0	Pacific Brands	3-0
GDI Property	1-0	Impedimed Ltd	5-0	Lindsay Aust	0-3	Mutiny Gold Ltd	3-0	Padbury Mining	0-1
GI Dynamics	0-1	Inca Minerals	1-0	Liontown Res.	3-0	My Net Fone Ltd	0-4	Pan Pacific Pet	1-2
GPT Group	4-0	Incitec Pivot	1-0	Lion One Metals	2-0	Myer Holdings	3-0	Panaust Ltd	2-0
GR Engineering	1-0	Incremental Oil	4-0	Liq Natural Gas	0-1	Mystate Ltd	2-0	Pancontinental	2-0
GWA Group Ltd	0-1	Independ. Group	1-0	Lodestar Min.	2-0	NRW Holdings	1-0	Paperlin X Ltd	5-0
Gage Road Brew.	0-4	India Resources	1-0	Logicamms Ltd	3-0	Nanosonics Ltd	1-0	Paragon Care	1-0
Galaxy Res.	1-0	Indophil Res.	3-0	Longreach Oil	1-0	Naos Emerging	5-1	Paringa Res Ltd	7-1
Galilee Energy	2-1	Industria REIT	1-0	Lynas Corp Ltd	2-1	Naracoota Res.	1-0	Patties Foods	6-1
Galileo Japan	3-0	Infomedia Ltd	4-0	M2 Group Ltd	2-1	Narhex Life Sci	2-0	Payce Consol.	1-0
Gascoyne Res.	1-0	Ingenia Com Grp	5-0	MGM Wireless	1-3	Navitas Ltd	2-0	Peel Mining Ltd	1-0
Gateway Mining	2-0	Int Research	2-0	MacPhersons R G	1-0	Nearmap Ltd	0-1	Pental Limited	3-0
Genera Bio.	1-0	Int'l Coal Ltd	1-0	Macquarie C Tel	1-0	Neptune Marine	1-0	Pepinnini Min.	0-1
Genesis Mineral	5-0	Intec Ltd	3-0	Macquarie Atlas	1-0	NetComm Wire.	6-0	Perpetual Ltd	5-0
Globe Int'l Ltd	2-0	Intermin Res	2-0	Macquarie Group	9-0	New Standard En	3-0	Perseus Mining	4-0
Global Health	1-0	Intra Energy	4-0	Magellan Flag.	2-0	New Hope Corp.	3-0	Petratherm Ltd	3-0
Global Resource	1-0	Intrepid Mines	1-0	Magellan Fin Gp	1-4	New Age Explor.	2-1	Pharmaxis Ltd	1-0
Global Resource	1-0	Investigator R.	1-0	Magnolia Res.	2-0	NewSat Ltd	5-1	Pharmaust Ltd	1-0
Goldfields Mon.	1-0	Investa Office	1-0	Malabar Coal	1-0	Newcrest Mining	1-0	Phileo Aust.	3-0
Golden Cross	1-0	Invion Limited	1-0	Mantra Group	1-0	Newera Resource	1-0	Phoslock Water	1-0
Gold Road Res.	0-2	Invocare Ltd	0-2	Marenica Energy	2-0	Newfield Res	1-0	Pilbara Mineral	1-0
Goodman Group	0-2	Ironbark Zinc	1-0	Mastermyne Grp	3-0	Nextdc Limited	5-0	Pioneer Credit	3-0
Graincorp	2-0	Iselect Limited	3-0	Matrix Comp.	4-0	Nib Holdings	4-1	Planet Metals	6-1
Grange Resource	1-0	JB Hi-Fi Ltd	0-2	Maverick Drill.	4-0	Nick Scali Ltd	0-1	Platina Res.	0-1
Greenvale Min'g	1-0	Jacka Resources	1-0	Maxi TRANS	2-1	Nine Entertain.	1-0	Platinum Asset	0-6
Greencross Ltd	0-4	James Hardie	0-2	Mayne Pharma Gr	1-0	Nomad Building	4-0	Plymouth Min.	4-0
Greenland Min.	2-0	Japara Health.	1-0	Mazu Alliance	0-1	Noni B Limited	2-0	Po Valley Ener.	3-0
Growthpoint Pro	4-0	Jervois Mining	1-0	McAleese Ltd	4-0	Novarise Renew.	1-0	Praemium Ltd	2-0
Gryphon Mineral	3-0	Jindalee Res.	2-0	McMillan Shake.	0-2	Novogen Ltd	2-1	Prairie Mining	4-1
Guinness Peat	2-1	Jumbo Interact.	0-1	McPherson's Ltd	2-0	Nthn Minerals	0-3	Predictive Disc	1-0
Gulf Minerals	1-0	K2 Asset Mgmt	0-2	Medical Aust.	1-0	Nthn Star Res.	1-0	Prima Biomed	2-0
Gunson Res.	2-1	K2 Energy Ltd	1-0	Medical Dev Int	1-0	Nufarm Limited	3-0	Prime Media Grp	0-1
HGL Limited	1-0	KBL Mining Ltd	2-0	Medtech Global	3-0	OBJ Limited	0-2	Pro Medicus Ltd	2-0
HUB24 Limited	2-0	KGL Resources	5-0	Melbourne IT	2-0	OZ Minerals Ltd	4-0	Pro Maintenance	2-0
Hansen Tech.	3-2	Kardoon Gas	3-0	Mermaid Marine	1-0	Oceania Capital	1-0	Probiotec Ltd	4-1
Hastings Rare M	1-0	Kasbah Resource	3-0	Metaliko Res.	3-0	Ochre Group Ltd	1-0		

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Progen Pharm.	3-0	Ridley Corp.	4-0	Sirius Res. NL	0-1	Tatts Group Ltd	0-1	Villa World Ltd	6-1
Promesa Ltd	2-0	Riedel Resource	1-0	Site Group Int.	6-0	Tawana Resource	1-0	Viralytics Ltd	2-0
Prophecy Int'l	5-4	Rift Valley Res	2-0	Smartpay Hold.	2-0	Technology One	0-2	Virgin Aust	0-2
Public Holdings	0-1	Rimfire Pacific	1-0	Sonic Health	2-0	Techniche Ltd	2-0	Virtus Health	1-0
Pura Vida En.	0-1	Rox Resources	0-1	Soul Pattinson	9-0	Tellus Res.	4-0	Vita Life Sci.	0-1
Q.B.E. Insur.	2-0	Royal Resources	1-0	Southern Gold	1-0	Telstra	2-0	Vital Metals	2-0
Qantas Airways	2-0	Royalco Res.	1-0	Spectrum Rare E	2-0	Templeton Globa	1-0	Vocation Ltd	1-0
Qld Mining Corp	7-1	Rubik Financial	1-2	Spitfire Res.	1-0	Teranga Gold	0-1	Vocus Comm.	0-1
Quickstep Hold.	3-0	Rum Jungle Res.	2-0	Sprint Energy	1-0	Terramin Aust	1-0	Vortex Pipes	1-0
RCG Corporation	0-1	Runge Pincock M	12-0	St Barbara Ltd	1-0	The Pas Group	1-0	WAM Capital Ltd	0-1
RCR Tomlinson	4-1	Rutila Res.	1-0	Steadfast Group	2-0	Thinksmart Ltd	2-0	WAM Active Ltd	0-1
RNI NL	1-0	SAI Global Ltd	1-0	Sth Cross Elect	5-0	Thorn Group Ltd	4-3	WDS Limited	0-2
RXP Services	1-0	SDI Limited	5-0	Sth Boulder Min	7-0	Thunselarra Ltd	0-1	WPG Resources	1-0
Radar Iron Ltd	2-0	SMS Mgmt & Tech	5-0	Sth America F M	2-0	Timpetra Res.	10-2	Waratah Res.	4-0
Rampart Energy	5-0	SWW Energy Ltd	1-0	Sth Hemi Mining	1-0	Tissue Therapy	3-0	Watermark Fund	1-0
Ramsay Health	0-2	Saferoads Hold.	3-0	Sth Cross Media	2-0	Titan Energy	11-0	Watpac Ltd	3-0
Rawson Res.	3-0	Samson Oil/Gas	0-3	Sthn Crown Res.	1-0	Toll Holdings	1-0	Webjet NL	5-1
Raya Group Ltd	2-0	Sandon Capital	2-0	Straits Resourc	1-0	Tox Free Sol.	1-2	Webster Ltd	0-1
Real Estate CP	1-0	Santos Ltd	3-0	Strategic Min.	0-3	Traffic Tech.	2-0	Wesfarmers Ltd	1-0
Recall Holdings	10-0	Saracen Mineral	0-1	Strike Energy	10-0	Transfield Serv	4-0	Western Desert	0-2
Reckon Limited	2-0	Saunders Int'l	0-2	Structural Syst	7-0	TransPacific In	2-0	Western Areas	0-4
Red Mountain	3-1	Sealink Travel	1-2	Suda Ltd	1-0	Transurban Grp	3-0	Westpac Banking	3-2
Red Hill Iron	7-0	Seek Ltd	2-1	Suncorp Group	3-2	Treasury Group	3-0	West African R.	4-0
Red Metal Ltd	3-0	Select harvest	3-0	Sundance Energy	8-0	Treasury Wine	2-0	Westoz Invest.	1-0
Redcliffe Res.	1-0	Senex Energy	5-1	Sundance Res.	5-0	Tribune Res.	0-2	Westfield Corp.	1-0
Redflex Holding	7-0	Servcorp Ltd	1-0	Sunland Group	1-0	Triton Minerals	2-0	White Eagle Res	4-0
Redflow Limited	1-0	Service Stream	2-0	Supply Network	1-0	Troy Resources	17-0	White Energy Co	4-0
Redstone Res.	6-0	Seven West Med.	1-0	Swick Min Serv	2-0	US Masters Res.	1-0	Whitehaven Coal	2-6
Reece Australia	1-0	Seven Group	5-4	TFS Corporation	3-0	UXC Limited	2-0	White Cliff Min	1-0
Reed Resources	1-0	Seymour Whyte	0-1	TNG Limited	0-1	Un. Biosensors	3-0	Wide Bay Aust.	2-0
Regional Exp.	1-0	Sheffield Res.	3-0	TZ Limited	2-0	Universal Coal	3-0	Wolf Petroleum	1-0
Regis Resources	1-0	Shopping Centre	2-0	Tabcorp Holding	1-0	Uranium Equitie	1-0	Woolworths Ltd	3-0
Renascor Res.	2-0	Sietel Ltd	3-0	Talon Petroleum	1-0	Venturex Res.	2-0	Worley Group	2-0
Renaissance Min	5-0	Sigma Pharm.	0-1	Tamawood Ltd	1-3	Venus Metals	1-0	World Oil Res.	1-0
Retail Food Grp	2-0	Silver City Min	1-0	Tandou Ltd	0-1	Victory Mines	1-0	XRF Scientific	5-1
Reva Medical	3-0	Silver Chef Ltd	4-0	Tap Oil	6-0	Viking Mines	3-0	Xanadu Mines	5-0
Rex Minerals	1-0	Sims Metal Mgmt	2-1	Target Energy	1-0	Village Road.	0-2	Xtek Ltd	2-0
Rhinomed Ltd	6-0	Sino Gas & En.	7-0					Zenith Minerals	5-0
								ZipTel Limited	1-0

Insider Buying Highlights Two Small Medical Device Companies: OncoSil Medical and Rhinomed

OncoSil Medical (code OSL).

OncoSil Medical is a small (\$39 million capitalisation) company seeking to commercialise a treatment for pancreatic cancer. There have been three on-market insider buys (and no sells) over the last year, some large investments in an Executive Share Scheme and all of the directors have significant holdings in the company . . . indicating that the knowledgeable insiders see potential value in this business.

The company's treatment is to implant a nuclear

medicine device into pancreatic cancer that produces localised beta radiation. Similar treatments have been used by other companies to treat liver and prostate cancers. OncoSil Medical's treatment is protected by two patents covering the manufacture and composition of its silicon/phosphorus radioactive material.

Pancreatic cancer is usually diagnosed at a late stage, with a median survival time of just five months from diagnosis. Only 20% of patients are eligible for surgery and only 15% respond to chemotherapy. External

radiation can be used, but the side effects can be “very damaging” to already sick patients. OncoSil Medical's treatment avoids all of those side effects (plus the time required for multiple radiation treatments).

OncoSil uses sticky silicon/phosphorus micro-particles. When the particles are placed in a neutron rich nuclear reactor the phosphorus becomes radioactive, emitting beta radiation. The particles can be suspended in a fluid to allow direct injection into the tumour, with a simple 30 minute procedure using endoscopic ultrasound to position the *OncoSil* injection. The phosphorus has a half life of 14.3 days, so loses virtually all radioactivity after three months.

Initial testing on 17 pancreatic cancer patients resulted in a median survival period of 309 days - an 80% increase in the 170 days expected with chemotherapy alone.

A second trial on six patients tested ascending doses - up to a very high 400 Gy - “with no device related adverse events”. Beta radiation travels less than one centimetre through tissue, so the radiation has a very localised impact. [By way of comparison, external radiation therapy to treat other cancer tumours can use 60-80 Gy, while preventative doses for breast cancer can involve 45-60 Gy, typically in numerous smaller doses.]

OncoSil Medical's technology is a “class III medical device” (for delivering localised radiation), not a “drug”, so requires significantly less testing, usually just involving a Pilot and Pivotal studies with fewer patients.

The company began a Pivotal clinical study in March 2014 involving just 150 patients at 20 sites in the US, Australia and Europe. Patient recruitment is expected to continue for about one year. 100 patients will receive *OncoSil* plus the usual standard of care (i.e. chemotherapy) while 50 will receive just the usual care. This study will measure survival time, progression free survival, quality of life and pain.

This Pivotal study will be considered successful if it can demonstrate a 50% or greater increase in patient survival times. For the *OncoSil* treatment to be commercially successful would then only require key opinion leaders in Oncology to accept this treatment and to offer it to patients.

The company hopes to register with *CE Marking* during 2015, allowing product sales in Europe, Canada and Australia from early 2016, with US registration and sales from early 2017.

OncoSil Medical estimates there are 280,000 cases of pancreatic cancer worldwide annually, with 192,000 in the US, Japan, Australia and Europe. It also estimates that 15-25% of these patients may choose its treatment (others choosing surgery or refusing treatment). The *OncoSil* treatment would be marketed for around US\$15,000 with one or two treatments per patient. That could generate revenues of US\$400-800 million annually.

OncoSil Medical, of course, currently has no meaningful revenues and is spending cash to advance product development and clinical studies. In the year to 30 June 2014 it earned \$305,000 in interest and dividends from investments, but recorded a net *loss* of \$4,217,103

(after expensing all development costs).

The company has cash of \$2,739,000 and listed share investments of \$4,350,000 - or a total of \$7,089,000 (2.0 cents per share). It has also pre-paid \$2.4 million of future expenses.

The issued capital consists of 355,148,122 ordinary shares.

OncoSil Medical raised \$10.3 million in cash in September 2013 through a share placement (i.e. 60.2 million shares at 13 cents) plus a Share Purchase Plan (i.e. 19.2 million shares at 13 cents).

Chief Medical Officer (and until a management restructure last week, Chief Executive Officer) Neil Frazer purchased 150,148 shares on-market at 13.6 cents in October 2013. The same month he also took up 115,384 shares in the SPP at 13 cents and 20,000,000 shares in the Executive Share Plan at 10 cents to hold 26,265,632 shares in OncoSil Medical (i.e. 7.4% of the company).

Non-executive Director (formerly Chairman) Martin Rogers (also a director of Rhinomed) acquired 115,384 cents at 13 cents in the SPP and 5,000,000 shares at 10 cents in the ESP. He also made two on-market buys of 662,000 shares at 12 cents in December 2013 and 385,000 shares at 13 cents in March 2014. This takes his interest to 10,292,384 shares (and 19,000,000 options).

Roger Aston - promoted to Executive Chairman last week - acquired 115,384 shares in the SPP at 13 cents to increase his holding to 11,016,547 shares.

Non-executive Director L Gozlan (appointed in February 2014) owns 7,500,000 shares.

Summary and Recommendation

OncoSil Medical is seeking to commercialise a treatment for pancreatic cancer, a disease for which there is currently little effective treatment. As a “medical device”, rather than a “drug”, this treatment requires little testing and has a relatively fast track to market. If the current Pivotal testing can demonstrate the effectiveness of this treatment - and if it is accepted by opinion leaders in Oncology - then OncoSil Medical could soon be generating significant, high-margin revenues.

This situation obviously still involves high risks, but offers the potential for very high returns. Directors large shareholdings - plus additional on-market buying - indicates these knowledgeable investors see potential in this business.

Higher risk investors, with diversified share portfolios, could therefore consider a small investment in OncoSil Medical shares.



Rhinomed (code RNO).

Rhinomed is developing and marketing a “medical device” to aid breathing during exercise and sports, with other projects involving snoring and obstructive sleep apnea (i.e. with a product to be released next month), wellness and drug delivery (in development).

Over the last year there have been six on-market buys (and no sells) by *insiders*.

The company launched a *Turbine* breathing product in early 2014 - a small item made of medical grade polymers that fits in the nose to increase nasal airflow by 38% during exercise. March quarter sales were just \$9000, rising to \$201,000 in the June quarter - at which point that division was considered to be at “break-even”. September quarter sales *may* be announced soon. This is a “high margin” product, so rapid revenue growth could make a meaningful contribution to revenues, cashflows and profitability.

In July, the FDA approved *Turbine* as a “class I medical device”. Prior to this the *Turbine* was sold online and through selected retail outlets in Australia. FDA registration allows sales through US retailers. Over the last three months Rhinomed has rapidly expanded the appointment of distributors in Israel, Japan, Colombia, Thailand and South East Asia.

Rhinomed is adapting the *Turbine* to provide a product to improve sleep breathing and reduce snoring that is scheduled for release next month (i.e. November 2014). It then plans clinical research to improve this and move towards a solution for obstructive sleep apnea.

The company is also seeking to use its product to deliver fragrances, particularly those that can reduce appetite and therefore offer (yet another) weight loss product to obese populations in developed countries.

Rhinomed is also investigating nasal drug delivery methods, specifically targeting the delivery of *Sumatriptan*, a widely prescribed drug for migraine. It is currently designing a product and will engage in clinical trials from 2015. The triptan drug is out of patent, with many generic products on the market. The company believes that a novel drug delivery method could be a valuable way for drug companies to differentiate their product in the market.

A non-core business is the *Vibrovein* technology to produce *Marxman* - a vibrating needle, controlled by a tablet or smartphone that “transforms a basic syringe by incorporating the patient's specific skin type and characteristics of treatment to calculate an optimal frequency for each individual” and “requires less force to penetrate the skin”. This product will target the cosmetic market (i.e. the over three million Botox procedures). A working prototype will soon be available for trial and Rhinomed is seeking expressions of interest from other companies to take the technology forward.

Hopefully Rhinomed is building meaningful revenues from its *Turbine* product. If so, then it may soon become cashflow positive and eventually profitable.

For the year to 30 June 2014, revenues were just \$210,854 and there was a net loss of \$3,534,577. Cash on hand (plus a small term deposit) were just \$1.5 million (0.4 cent per share). It also owns 25.0 million shares in listed **Imugene** worth \$325,000.

At balance date the issued capital was 395,379,445 shares, but this is increasing to 539.4 million with a recently completed share placement and a current SPP (i.e. totalling

144.0 million shares at 3.5 cents) which will raise \$5.0 million in cash.

There are also 113,150,000 listed options (code RNOOA) exercisable at 6 cents until 30 April 2017.

Earlier in the year, in February, it raised \$2.52 million from the placement of 60.0 million shares at 4.2 cents.

The directors and senior management have a reasonable interest in Rhinomed - although mainly through options (exercisable at 6.3-8.3 cents) - plus there have been six (relatively modest) on-market buys over the last year.

The Chief Financial Officer, P Hains, has the largest shareholding at 9,234,142 shares (1.7% of the company) plus 11,350,000 options.

Executive Director, M Johnson, purchased 309,943 shares on-market at 4.8 cents in February 2014, lifting his holding to 1,182,442 shares (and 41,273,056 options).

The other directors are all Non-Executive Directors. Chairman M Rogers (also a director of OncoSil Medical) purchased 320,000 shares on-market in February at 4.6 cents and 580,000 shares in March at 3.5-3.9 cents, raising his holding to 3,000,001 shares (and 35,300,000 options).

E Knight and B Scrimshaw were appointed in February 2014 and bought 333,000 shares on-market at 4.5 cents and 330,605 shares at 4.6 cents, respectively, that month. They have both been issued 10,000,000 options.

A third director - who retired in March - purchased 315,000 shares on-market at 4.7-4.8 cents in February.

Summary and Recommendation

At this stage it is difficult to judge the success of *Turbine* but this product *could* be starting to generate meaningful revenues. The company will then seek to build on that product to launch a sleep breathing/anti-snoring device next month. These are relatively low value, but high profit margin products, so could generate meaningful revenues, cashflows and profits.

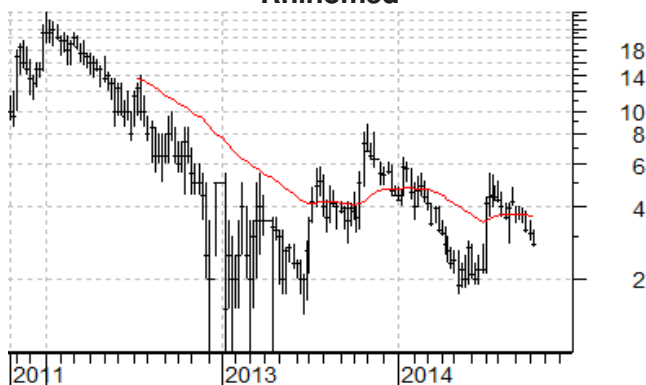
The company also has other products approaching the end of trials which could potentially go to market.

This situation is, of course, very high risk but the company appears to have been very successful at launching a product on the sports market and could build on that success with its expansion to a much larger market for a snoring product.

Buying on-market and reasonable shareholdings by the directors and senior management suggest that knowledgeable *insiders* have faith in the future potential of this company.

Rhinomed may therefore be an attractive high risk/high return investment in which investors may consider making a small investment. The shares hit a four-month low on Friday, trading at 2.8-3.1 cents.

Rhinomed



Investment Outlook*(Continued from Page 1)*

That is what they have done for longer than 15 years.
That is what they will seek to do over the *next* 15 years.

ALS is an excellent long term investment, so although it operates in a cyclical business we are reluctant to try to trade every cyclical swing in the share price . . . especially as most investors get this *timing* very wrong. The share price is, of course, high when most investors are buying (i.e. when profits are high and rising) and low when investors are selling (i.e. when profits are low and falling), so most investors buy and sell at exactly the wrong time! It is, of course, extremely difficult to guess the exact level of a cyclical high or low, or to time it accurately.

If you do want to try, the first thing to do is turn the intuitive, but wrong, conventional wisdom on its head. A profit warning, lower volumes and lower selling prices isn't "bad" news and a Sell (because profits are falling), but "good" news and a Buy (because *everyone else* is selling and the shares are near their cyclical lows). Similarly, news of higher revenues, high profits, expansion into new markets with new products should perhaps be considered "bad" news as this potential bright future filled with endless growth possibilities is probably *already* reflected in a high share price (and the future reality may include a few unexpected glitches!).

[Even my brain hurts thinking like this!]

Overall we believe it is better to be a long term investor and get very rich over 15 or 30 years, rather than to try to do it all in 15-30 months and inevitably fail miserably! There is an endless supply of inexperienced "get rich quick traders", but few (if any) *rich traders*. At least *we* haven't met any.

Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Auckland Int'l Airport	7.00	03-10	17-10	Full
Aust 20 Leaders	5.133253	30-09	20-10	Full
Colonial Motor Company	22.00	10-10	20-10	Full
Ebos Group	20.50	03-10	17-10	2.790
Fletcher Building	18.00	26-09	15-10	Full
Fonterra SF	10.00	09-10	20-10	-
Genesis Energy	6.60	03-10	17-10	Full
Hallenstein Glasson	16.50	28-11	05-12	Full
Kathmandu	9.00	10-11	21-11	Full
Meridian Energy	6.82	30-09	15-10	2.390
MetLifeCare	2.50	03-10	17-10	Nil
Nuplex Industries	11.00	29-09	13-10	Nil
NZX Aust MidCap	5.32787	30-09	20-10	Full
NZX MidCap	4.574558	30-09	20-10	Full
Aust 20 Leaders	5.133253	30-09	20-10	Full
TeNZ	1.847053	30-09	20-10	Full
Scott Technology	5.50	28-11	09-12	Full
Skellerup Holdings	5.00	03-10	16-10	Full
South Port NZ	16.00	28-10	10-11	Full
Speirs Group special	0.50	13-10	20-10	Full
Tourism Holdings	6.00	16-10	23-10	1.1667
Turners Group special	15.00	17-10	24-10	Full
Warehouse	6.00	28-11	11-12	Full

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Australian Shares				
Chandler Macleod Group	1.80	28-08	17-09	
CPT Global	1.50	10-10	30-10	
Skilled Group	9.50	16-09	17-10	
TFS Corporation	3.00	09-10	10-11	
The Reject Shop	8.50	24-09	13-10	

Total Return Index for All Listed Shares

Sep 15	1543.98	Sep 22	1554.32
Sep 16	1543.60	Sep 23	1554.12
Sep 17	1538.09	Sep 24	1556.68
Sep 18	1543.73	Sep 25	1556.98
Sep 19	1546.71	Sep 26	1550.21
Sep 29	1556.20	Oct 6	1561.41
Sep 30	1554.80	Oct 7	1562.34
Oct 1	1560.33	Oct 8	1560.18
Oct 2	1560.85	Oct 9	1560.41
Oct 3	1559.34	Oct 10	1555.22

Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday November 10, 2014.

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

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, 3/47 Boyce Ave, Mt Roskill, Auckland. Subscribe online at www.stockmarket.co.nz or email james@stockmarket.co.nz.

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