

21 August 2006

- **Large-Cap Portfolio – ZFX, BHP, SUN**
- **CFD/Warrant Portfolio – ZFX, BHP, SUN**

GT
TD

Zinifex Poised For Strong Result, Possibly Special Dividend

Recommendation: BUY at market Target: \$12.25 Stop Loss: \$10.38

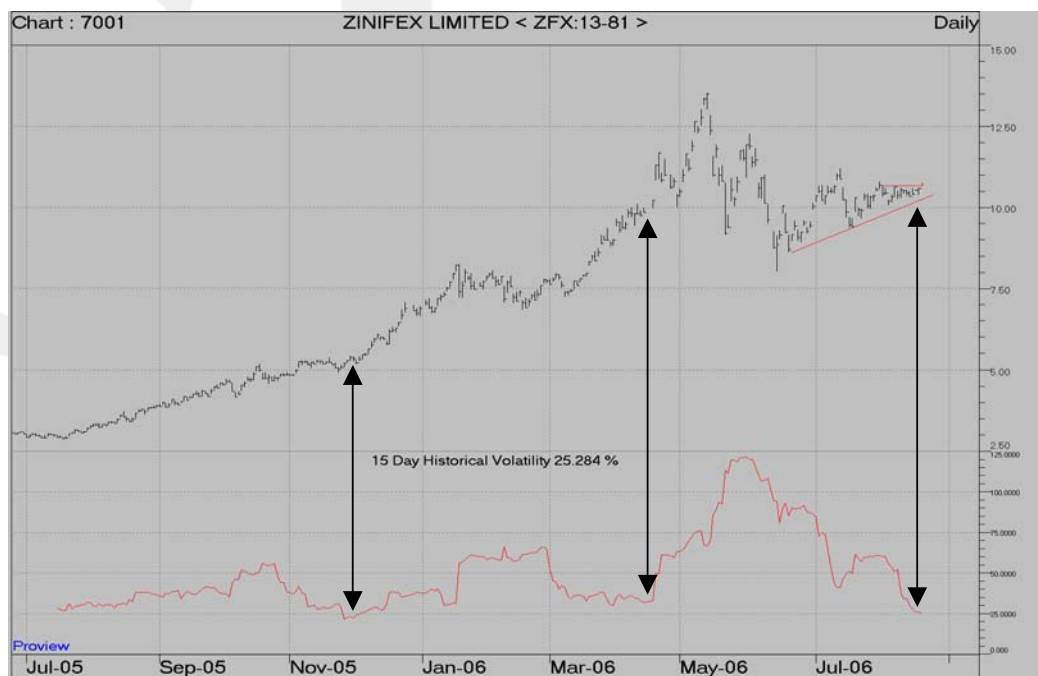
Zinifex (ZFX) has fallen off the radar screen for many investors, which is reflected in the share price being confined to a very tight range over the past month. This directionless performance from the share price has seen volatility levels in the stock drop to their lowest levels in almost nine months. Such falls in volatility regularly precede major movements in the share price, and as we have shown in the accompanying chart of Zinifex, equivalent lows in volatility before have proved to be ideal buying opportunities.

We are beginning to see an improvement in sentiment towards resource stocks in general once again, which bodes well for Zinifex breaking to the upside in very near-term – something that is surfacing this morning as ZFX lifts to three-week highs. We are already seeing some strong movements in BHP and Rio Tinto as they react to not only continued high metal prices and healthy demand, but actual new highs in commodity prices (nickel hit record highs last week). This improving sentiment generally drives all resource stocks and certainly shifts the focus to the underlying fundamentals of companies like Zinifex.

Zinifex is due to report its result on the 24 August 2006 (Thursday), where a net profit of just under \$1 billion (\$983.6m) is forecasted. With the huge generation of cash that the business is earning a special dividend of \$0.93-\$1.00 per share is likely, representing a yield of around 9.5%. An announcement of a special dividend would certainly be a major catalyst for a substantial lift in the share price.

Any lift in zinc prices could easily be the catalyst for Zinifex to break through the recent high at \$10.79 which should then trigger a rapid increase in the stock to the next key resistance level of \$12.25, representing approximately a 16% return, without considering the potential for fresh record highs on a very strong result.

With the Zinifex trading on a 2007 forecasted price/earnings multiple of just 4, the potential for capital management and the technical setup, makes the stock very attractive at current levels and in our opinion one of the best opportunities to enter into the stock. Our stop loss under Friday's low allows us to implement a low risk trade, with potential for an excellent immediate return this week.



BHP – Adding further 5% weighting

With the ASX 200 now finally breaking higher from the past month-long consolidation we are adding a further 5% weighting into BHP. Originally we adopted a two-pronged entry strategy into BHP, buying half-then and the half-now bringing the total weighting in the portfolio to 10%. BHP is due to report this Wednesday that should be a cracker with capital management issues being looked for – most likely an on-market share buy back.



Suncorp-Metway – Entered Trade

Friday saw SUN break through our \$19.95 buy stop order and has powered on since. With QBE reporting a strong result and SUN typically beating market expectations for last few years when they have reported, we feel should produce a similar result to the last week's QBE one. Once SUN breaks up through \$20.50, this recent up leg will be confirmed as such we are looking for a somewhat similar move to that back in January.



Zinifex Added to CFD & Warrant Portfolios

With the outlook improving for Zinifex ahead of its result this week and our bullish recommendation earlier, we are also advising CFD and Warrant traders to enter positions ahead of its profit result. We are recommending the following trade parameters for both portfolios:

CFD Recommendation: BUY at market

Target: \$12.25

Stop Loss: \$10.38

Weighting: 10%

Warrant Recommendation: BUY ZFXWML

Last Price: \$0.525

Strike Price: \$11.00

Expiry: 23/11/2006

Conversion: 3:1

Delta: 0.18

Target: \$12.25

Stop Loss: \$10.38

Weighting: 10%

BHP – Adding further 5% weighting

With the ASX 200 now finally breaking higher from the past month-long consolidation we are adding a further 5% weighting into BHP. Originally we adopted a two-pronged entry strategy into BHP, buying half-then and the half-now, bringing the total weighting to 10%. BHP is due to report this Wednesday that should be a cracker with capital management issues being looked for – most likely an on-market share buy back.

Suncorp-Metway – Entered Trade

Friday saw SUN break through our \$19.95 buy stop order and has powered on since. With QBE reporting a strong result and SUN typically beating market expectations for last few years when they have reported, we feel should produce a similar result to the last week's QBE one. Once SUN breaks up through \$20.50, this recent up leg will be confirmed as such we are looking for a somewhat similar move to that back in January.

Disclosure:

GT Financial owns shares in Mincor, Zinifex, Grand Hotel Group, Progen Industries, Westfield Holdings, Discovery Nickel and IBA Health.

Important Notice

This publication has been prepared on behalf of and issued by Tricom Equities Limited (ACN 067 161 755) (AFSL 238148) or Tricom Futures Services Pty Ltd (ACN 001 255 116) (AFSL 238156) (each is referred to as **Tricom**) by GT Financial Pty Ltd. GT Financial is an authorized representative of Tricom Equities Limited. Tricom and GT Financial Pty Ltd makes the statements in this Important Notice Section for itself and on behalf of each of its related bodies corporate and their respective officers, agents and employees from time to time (collectively, the **Tricom Group**). This publication is provided only on the following basis. If you retain and use this publication, each member of the Tricom Group relies on your acceptance on this basis.

References in this publication to data may rely on third parties over which Tricom has no control and for which Tricom accepts no responsibility. Whilst all of the information and statements contained in this publication have been prepared with all reasonable care, no responsibility or liability is accepted by any member of the Tricom Group for any errors or omissions or misstatements however caused or arising.

Any opinions, forecasts or recommendations reflect the judgment and assumptions of Tricom on the basis of information as at the date of publication and may later change without notice.

This publication is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. This information might contain unsolicited general information only, without regard to any investor's individual objectives, financial situation or needs. It is not specific advice for any particular investor. Before making any decision about the information provided, you must consider the appropriateness of the information in this document, having regard to your objectives, financial situation and needs and consult your adviser. Tricom is not aware that any recipient intends to rely on this publication and Tricom is not aware of the manner in which a recipient intends to use it.

Investment in financial products involves risk. Past performance of financial products is no assurance of future performance. Investors should take specific advice on the basis of current information relevant to their particular circumstances, and have regard to the risk that the future performance of investments will differ from past performance.

This publication is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of Tricom.

Each member of the Tricom Group excludes to the full extent permitted by law all liability of whatever kind, whether in negligence, tort, contract or under fiduciary duties strict liability or otherwise, for any loss or damage of any kind (including without limitation indirect, incidental or consequential loss or damage, whether reasonably foreseeable or not) however arising in relation to the publication of this document, including any reliance on it or making any transaction in respect of any financial products or strategy mentioned in it.

Each member of the Tricom Group may, from time to time hold positions in any financial products included in this report (or derivatives of them) and may buy or sell such financial products or derivatives or engage in other transactions involving such financial products or derivatives, as principal or as agent for clients. A member of the Tricom Group from time to time may earn brokerage, fees or other benefits from financial products mentioned in this publication or derivatives of them. These will be disclosed, as required, in the ordinary course of providing financial services.

No member of the Tricom Group has, or will receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any recommendation contained in this report. A member of the Tricom Group or a consultant to it may, from time to time perform paid services for the companies whose financial products are the subject of recommendations in this report. Under no circumstance, however, has any member of the Tricom Group been influenced, either directly or indirectly, in making any recommendation contained in this report.

All intellectual property rights in this report are, and at all times remain, the property of Tricom Equities Limited, unless otherwise attributed.

© Tricom Equities Limited 2004