



CARMICHAEL RESEARCH

WEEKLY BRIEF

15TH DECEMBER, 2006

Upcoming Economic Events

Monday 18th December

Nov. Int'l merchandise Imports

Thursday 21st December

Nov. Sale of New Motor Vehicles

Upcoming Company Events

Tuesday 19th December

Float: Bondi Mining

Thursday 21st December

Float: Southern Cross Airports Corp.

Friday 22nd December

Float: AMP Capital China Growth Fund

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Week in Review

Gold closed at US\$625/oz this week, at similar levels to last weeks close. Volatile year end Christmas trade, better than expected manufacturing, imports and unemployment figures in the US propelled the Dow to new highs, buoying the dollar and weakening gold in the process. OPEC announced mid-week that they would be cutting production of crude oil by another 500,000 barrels per day in February 2007 which encouraged oil prices to move once again to US\$62.48. Nickel rose to its highest level in nineteen years to over US\$35,000/t on the LME based on the news from PT International Nickel Indonesia that they wouldn't hit their production targets due to power supply problems, further enhancing the supply gap issues so prevalent in the metals market lately. Concerns about low LME stock levels also drove Aluminium, Lead and Zinc up during the week, with Copper languishing behind, supported by general buying interest at low levels not seen since June 2006.

MERGERS & ACQUISITIONS:

Qantas Airways (QAN):

Airlines Partners Australia has submitted a revised bid to purchase 100% of QAN for **\$5.60** cash per share. The proposal will be implemented by way of an off-market takeover bid, which will be subject to certain conditions including a 90% minimum acceptance condition.

Transurban Group (TCL):

TCL announced that it intends to make an offer for all the stapled securities in Sydney Roads Group (SRG). Under the offer TCL has given SRG security holders two alternatives. They are: (1) **One TCL security for every 5.7 SRG Securities**; or (2) **\$1.32 cash per SRG security up to a maximum amount of cash consideration of \$500m.**

STOCKS IN THIS ISSUE

- Brambles Ltd (\$12.87) – ACCUMULATE, Risk Rating 3
- Wedgetail Mining Ltd (\$0.26) – ACCUMULATE, Risk Rating 5

DOMESTIC MARKET			
CLOSE			
INDEX	07/12/06	14/12/06	% CHG
S&P/ASX200	5465	5573	+2.0
All Ind. (XJI)	8430	8655	+2.6
All Res. (XJR)	4188	4159	-0.7

WORLD MARKET			
CLOSE			
INDEX	07/12/06	14/12/06	% CHG
Dow Jones	12278	12417	+1.9
S&P500	1407	1426	+1.3
NASDAQ	2428	2454	+1.1
FTSE 100	6132	6228	+1.5
Nikkei	16473	16829	+2.1

COMMODITIES			
CLOSE			
INDEX	07/12/06	14/12/06	% CHG
Gold US\$/Oz	633.30	625.00	-1.3
WTI Oil US\$/bbl	62.54	62.48	-0.1
Copper US\$/t	6945	6710	-3.4
Nickel US\$/t	34805	34155	-1.9
Alum. US\$/t	2776	2828	+1.8
Lead US\$/t	1759	1690	-4.0
Zinc US\$/t	4515	4419	-2.1
Platinum \$/oz	1125	1113	-1.1

Source: IRESS

Industrial Briefs

Brambles Limited (BXB)

BUY

BXB, having completed a wholesale restructure, divestment and unification program and is now focusing on the growth of its two business units: CHEP (pallets and plastic containers) and Recall (document management). On the 27th November 2006, the formerly dual listed company was readmitted to the official list of the Australian Stock Exchange and is secondary listed on the London Stock exchange.

BXB 2 WEEK SHARE CHART


Source: IRESS

Equipped with a war-chest of US\$2,119m (proceeds of US\$1,102m from the sale of Cleanaway UK is expected to be completed in first half 2007), BXB is set to grow its business and deliver value to shareholders. Some of the sale proceeds were used for debt reduction with total debt reducing by 24.18% or US\$577m to US\$1,820m in FY06. BXB also announced a US\$926m share buyback on the 19th November aiming to buy 93.4m shares or 5.7% of issue capital.

Less than one year into its new strategy, BXB is already producing results above expectations. It's FY06 NPAT from continuing operations increased by 39.1%. Sales rose 7.5% or US\$247.2m to US\$3,522.1m while operating expenses growth was more modest in comparison, increasing only by 2.9%. Moving forward, profit growth will be aided through lower depreciation expense and interest payable due to asset sales and debt reduction respectively.

The balance sheet is robust with net debt/equity of 57.3% (from 92.8%) and interest cover 6.6 times (from 4.5 times) benefiting from the retirement of debt. Investments in operational efficiencies such as the Ausdoc asset control system have already enhanced EBIT margins which have risen to 21.3% from 17.7%. ROE increased to 14.6% from 13.0% and is expected to continue to rise as sales growth continues and further operational improvements keep costs in check.

CHEP is the main business for BXB. In FY06 it accounted for 84.4% of total revenue and 57.6% of total assets. It is the largest pallet provider internationally and has some of the world's largest retailers and automotive manufacturers as customers including WalMart, Procter & Gamble, Kellogg's, Kraft and Nestle. Future earnings growth will be driven by further penetration into existing markets, especially North and Central America and an expansion into Asia, particularly China.

Competitors will not be a significant impediment to CHEP's growth. In the US, CHEP competes against locally owned independent suppliers whose reach is limited. In Europe, while competition is higher, the larger participants are regionally pooled and only cover a handful of European countries at best. None have the extensive regional coverage and logistics that CHEP possess.

The outlook for BXB is positive with strong momentum heading towards FY07. There are modest capital expenditure requirements and the businesses provide strong cash generation which will support future investments. The new simpler and cleaner corporate structure make the company more of a takeover target which is something that we do not believe is reflected in the share price. EPS growth over the next four years is expected to be over 17%pa. It is trading at a 17.6% discount to our 12 month valuation.

Year End June	2003A	2004A	2005A	2006A
NPAT (\$m)	545.0	519.0	633.8	2,059.6
EPS (¢)	32.2	30.7	37.2	119.9
EPS Growth (%)	-6.1	-4.7	21.2	222.3
PE Ratio (x)	16.8	17.1	19.8	8.2
DPS (¢)	20.0	20.0	21.5	59.3
Dividend Yield (%)	3.7	3.8	2.9	6.0

Source: Aspect Huntley Estimates.

Resource Briefs

Wedgetail Ltd (WTE)

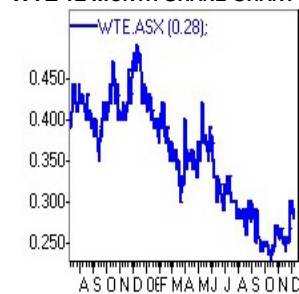
ACCUMULATE

SITE VISIT CONFIRMS POTENTIAL

We recently made a site visit to the Nullagine Project with company management. Our visit confirmed the considerable potential of WTE's assets to realise a significant gold mining operation, producing in excess of the 70,000 ounces of gold per year, as outlined in the feasibility study. Exploration potential to add high grade, high margin ounces to supplement the base load coming from the Golden Eagle mine, is considered excellent. We believe the parameters used in the feasibility study are conservative and that management have the vision and expertise to develop a successful operation in an area that has been overlooked until only recently.

KEY POINTS

WTE 12 MONTH SHARE CHART



- WTE have recently completed a 1 for 10 share consolidation, a \$18.7m equity raising and have secured a \$42m debt facility through Westpac Institutional Bank, to shore up the finance required to develop their Nullagine Project in the Pilbara Region of WA.
- Producing at rates in excess of 70,000 ozs per annum, we estimate an operation spanning 7.25 years producing total revenues of \$502m over the life of mine (LOM) from the production of 603,000 ozs of gold. Total cash costs average \$518 per oz (due to slightly higher grades factored into calculation) before depreciation and amortisation, which average \$84 per oz for a total cost of \$602 per oz.
- We estimate earnings per share should reach 7cps in 2008 and rise to 9cps and 10cps in 2009 and 2010 respectively, giving forward PER's of 3.8, 3.2 and 2.6 for 2008 to 2010.
- Sensitivity analysis shows the project is most sensitive to gold price. Risk can be mitigated through the employment of flat forwards or derivatives to ensure revenues. A 10% upside movement in the A\$ gold price raises our valuation by 10cps. The use of 160,000 ozs of flat forwards over the first four years has been included in the valuation calculations
- Potential exists for a heap leach operation at Golden Eagle, for which we have given a nominal value of \$14.0m or 6cps. Additional tonnage at Golden Eagle from the Angela deposit has been factored into the assumptions.
- Considerable exploration potential exists at Golden Gate, providing high grade, high margin ounces to supplement the Golden Eagle ore feed. Regional soil sampling and follow up drilling has already resulted in a number of new discoveries, including the Angela deposit, just a few hundred metres from the design pit at Golden Eagle.
- We value WTE at \$0.35 per share as a base case and recommend WTE as an **ACCUMULATE** below 30cps for the value inherent in the Nullagine project and the considerable exploration upside, which we believe will result in additional reserve ounces at high grades and therefore, high margins, adding disproportionately to cash flow. We recommend WTE to risk tolerant investors seeking exposure to gold through a company making the transition to producer status.

Note: For a full report on Wedgetail Mining Ltd, please contact your advisor

IMPORTANT NOTICE:**Disclosure Disclaimer****WBCAN0282**

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DJ Carmichael Pty Limited, its directors and employees advise that they may hold securities, may have an interest in and/or earn brokerage and other benefits or advantages, either directly or indirectly from client transactions in companies mentioned in this report. **DJ Carmichael Pty Limited received a fee of \$114,480 from Wedgetail Mining Ltd on the funds raised of \$2,887,000 in a placement.**

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Declaration

The Authors of this report made contact with the companies mentioned in this report for assistance with verification of facts, access to industry/company information. No inducements have been offered or accepted by the companies.

The recommendation made in this report is valid for four weeks from the stated date of issue. If in the event another report has been constructed and released on the companies mentioned in this report, the new recommendation supersedes this and therefore the recommendation in this report will become null and void.

Recommendation Definitions

BUY – 10% or more outperformance

ACCUMULATE - 10% or more is contingent on entry price and suggests exploiting any share price weakness

HOLD – 10% underperformance to 10% over performance

SELL – 10% or more underperformance

Period: During the forthcoming 12 months, at any time during that period and not necessarily just at the end of those 12 months.

1. Stocks included in this report have their expected performance measured relative to the ASX All Ordinaries index. DJ Carmichael Pty Limited's recommendation is made on the basis of absolute performance. Recommendations are adjusted accordingly as and when the index changes.

Risk Rank is developed to incorporate both market and total risk. The rankings for each category are based on the position of each stock relative to all other stocks covered in ASX300. The risk ranking is based on the following percentages:

1 = best 10%

2 = next 20%

3 = middle 40%

4 = next 20%

5 = bottom 10%

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