INTERSUISSE
MORNING NOTES
INVESTMENT RESEARCH
- LIMITED CIRCULATION

Friday 8 December 2006

Companies Mentioned Today

Antares Energy (AZZ)	Spec Buy for Success From Current Drilling Programme
Metals Australia (MLS)	Speculative Buy

Overseas Market Report - Dow Finishes Lower

Equities	Close	% change	Commodities	US$	Close	% change
Dow Jones (US)	12278.49	-0.25	Aluminium	US$/t 3mth	2820.00	1.42
S&P 500	1407.22	-0.40	Copper	US$/t 3mth	6890.00	-1.43
NASDAQ	2427.69	-0.74	Nickel	US$/t 3mth	33700.00	-1.61
FTSE 100 (UK)	6131.50	0.68	Gold	US$/oz	636.20	0.05
Nikkei 225 (Japan)	16473.36	0.62	Oil	US$/bbl	62.49	0.48

US stocks were lower Thursday as optimism about a drop in weekly jobless claims was offset by weakness in the technology sector, sparked by speculation that Apple Computer will delay the release of its iPhone device.

The Dow Jones Industrial Average shed 30.8 points (0.25%) to 12,278.4, the Standard and Poor's S&P500 lost 5.6 points (0.40%) to 1,407.3 and the Nasdaq dipped 18.2 points (0.74%) to 2,427.7.

Apple stock was down 3% to $87.17 after analysts said the company will only release its latest multimedia device, the iPhone, late in the first quarter or early in the second quarter of 2007. Investors expected the iPhone, thought to be Apple's new blockbuster, to be released late in January.

Stocks lost ground in the tech sector and the broad market, where an absence of catalysts left investors mostly sidelined, but many investors seem to be waiting to see Friday's data on US employment growth.

Stock market participants hope that the Federal Reserve will cut interest rates to stave off an economic slowdown early next year, but strength in a service-sector survey on Tuesday somewhat dimmed those hopes, instead fueling expectations that the Fed will remain on hold for longer.

For Australian ADRs listed on the NYSE, BHP Billiton declined 32 cents (0.77%) to $41.30, Rio Tinto Plc slid $2.84 (1.28%) to $218.88, ANZ Bank increased 16 cents (0.14%) to $109.72, News Corporation increased 62 cents (2.85%) to $22.36, National Australia Bank improved $1.53 (1%) to $153.90, ResMed slipped 25 cents (0.49%) to $50.28, Rinker Group weakened 31 cents (0.43%) to $72.19, Telstra Corporation climbed 20 cents (1.32%) to $15.31, Telecom Corporation of NZ increased 26 cents (1.06%) to $24.72 and Westpac rose $1.11 (1.19%) to $94.25.

In economic news, the US Labor Department reported that unemployment claims fell 34,000 to 324,000 in the week ended Dec. 2. The market had been expecting claims to fall by 32,000.

The decline in claims came a day after private payrolls giant Automatic Data Processing and consulting firm Macroeconomic Advisers reported a 158,000 gain in private-sector payrolls in November. That excludes the jobs added by the government sector. That figure is much stronger than the 110,000 increase in total payrolls forecast for November by economists surveyed by Dow Jones Newswires. The Labor Department is set to release the official number on Friday.

In addition, Monster Worldwide Inc. on Thursday reported its Monster Employment Index rose three points in November to 175, its highest reading since benchmark was launched in October 2003.

US Treasury prices were modestly lower as investors shuffled positions amid modest trading volumes ahead of Friday's release of the US Labor Department's monthly payrolls report. At 7:45 AM (AEDST), the 10-year Treasury note was up 2 basis points to 4.5%. The five year note was up 2.4 basis points to yield 4.47%.

European stocks closed higher, helped by a rally in the tobacco sector after Gallaher Group received a takeover approach, and comments by European Central Bank Jean-Claude Trichet that left open whether it would continue to lift interest rates in the early part of next year.

The UK FTSE 100 index closed up 0.7% at 6,131.50, with shares of Gallaher Group standing out after they climbed 21.6%.

The German DAX Xetra 30 index rose 0.7 % at 6,413.03 and the French CAC-40 index added 0.5% at 5,379.21. The pan-European Dow Jones Stoxx 600 index gained 0.6% at 356.03.

The European gains came after the European Central Bank as expected lifted interest rates to 3.5% from 3.25%, and the Bank of England left its key rate unchanged at 5%. ECB President Jean-Claude Trichet said its rate policy is still "accommodative," but didn't commit to further increases.

On the FTSE 100, Rio Tinto fell 26.00 pence (0.92%) to 2,814.97 pence and BHP Billiton weakened 2.00 pence (0.21%) to 967.99 pence.

A stabilising dollar pushed copper prices sails, adding to long liquidation pressure that triggered technical selling on the London Metal Exchange. The US dollar settling into a sideways trading pattern in the days before the European Central Bank's interest rate decision has caused copper's rally to stall. This coupled with follow-on long liquidation after Wednesday's option expiry that passed without the expected gains have moved concerns for the metal consumption in the US back into focus.

LME zinc also came under pressure from systems selling and fund profit taking to fall to an 18-day low. A rise in LME zinc stocks by a net 1,175 tons to 87,700 tons following a delivery into LME warehouses in Singapore may have contributed to the pullback, but the delivery was unlikely indicating falling demand for the anti-corrosive metal.

Base metals on the LME finished mixed.

Commercial buying at the lows and a recovery in crude oil led to short covering in gold and silver futures, enabling the market to turn early losses into a gain.

Australian Market Report - Local Markets Likely to Slip

Equities/Fixed Interest	Close	% change	Currency	Close	% change
All Ordinaries	5450.60	-0.06	AUD/USD	78.90	0.62
S&P/ASX 200	5465.20	-0.03	AUD/GBP	40.20	0.78
10-year Bond Rate	5.64%	--	AUD/YEN	90.95	0.60
5-year Swap rate	6.29%	--	AUD/EUR	59.40	0.58
90-day Bank Bill Rate	6.39%	--	AUD/NZD	1.15	0.44

Local markets will likely to slip as Wall Street closed in negative territories, and metal prices finished down on the LME overnight.

Ahead of the local open the SPI futures were 12 points (0.20%) lower at 5,442.

Canada's CanWest Global Communications said if it sells its stake in Ten Network (TEN), it will ensure that any buyer will make an offer to acquire all of Ten's shares. In a joint statement, CanWest and Ten said they have agreed to manage a cooperative process to allow CanWest and other shareholders to sell their interests in the company. It said the sales option process should be completed by Aug. 31, 2007, although the date could be extended under certain circumstances. TEN gained 5 cents (1.46%) to $3.47.

Wesfarmers (WES) has entered into an agreement to acquire the trading businesses of Crombie Lockwood Holdings (New Zealand). Crombie Lockwood is a privately-owned insurance broking group and also operates a specialist underwriting agency and premium funding business. Crombie Lockwood will form part of the Wesfarmers Insurance Division and will continue to be managed and branded separately from Wesfarmers' New Zealand underwriting business, Lumley General New Zealand. The acquisition will be funded by existing debt facilities. WES gathered 43 cents (1.23%) to $35.48.

Bank of Queensland (BOQ) managing director David Liddy said its strong sales growth is continuing with first quarter results reflecting gains in market share in lending and deposits. "Total lending approval compared to the first quarter last year were up 20% with housing up 30% and total deposits up 21%," Liddy told shareholders at the annual meeting in Brisbane. "On a rolling 12-month basis we recorded increases of 23% in lending and 20% in deposits," he added. "Importantly, during this period we have also been able to hold margins steady." BOQ climbed 1 cent (0.07%) to $14.92.

GPT and Babcock & Brown (BNB) have withdrawn their proposal to create a listed Pan-European retail property fund managed by the parties' JV. Both Babcock & Brown and GPT believe the proposed IPO would not have sufficiently realised the full value of the initial portfolio. GPT shed 14 cents (2.77%) to $4.91 and BNB lost 49 cents (2.04%) to $23.51.

Australian Pharmaceutical Industries (API) anticipates normalised EBITD for the six months ended 31 October 2006 will be approximately $17m prior to incurring one off costs of approximately $24m. Reported EBITD will be a loss of approximately $7m. The one off expenses are related to obsolete stock, stock shrinkage, completion of the FY06 accounts and other restructuring provisions. The company advised none of the one offs are related to the unreconciled $17.2m that was part of the 2006 full year financial results. API dipped 13 cents (5.22%) to $2.36.

Sigma Pharmaceuticals (SIP) is reviewing its position regarding an acquisition of Australian Pharmaceutical Industries. It has advised the board of API that it remains interested in pursuing discussions which may lead to a merger of the two companies, however at a price below the previously proposed price of $2.50 per share. At this stage there is no certainty that merger terms will be agreed or that a formal offer will be made. SIP declined 10 cents (3.5%) to $2.76.

In economic news, Australia's unemployment rate remained at a stronger-than-expected seasonally adjusted 4.6% in November from October. The number of employed rose 36,200, the Australian Bureau of Statistics said. Economists on average had expected an unemployment rate of 4.8% in November, with the number of employed up 10,000. The bureau said its seasonally adjusted workforce participation rate, or the proportion of working-age persons at work or actively seeking work, rose to 64.8% in November from 64.6% in October. The bureau's trend estimate for unemployment, which further smoothes the seasonally adjusted data, was 4.6% in November, down from 4.7% in October. The total number of people employed was 10.29m in November in seasonally adjusted terms, compared with 10.25m in October. The number of people in full-time work rose 57,400 to 7.36m in November, from 7.31m in October. The number of people in part-time work fell 21,200 to 2.93m in November, from 2.95m in October.

Retail sales in Australia as measured by the Cashcard activity index published rose 1.0% in November to $18.6bn after seasonal adjustment compared with the previous month to be 5.5% higher year on year. The Cashcard Retail Activity Index is based on electronic fund transfer at point of sale, or EFTPOS, activity, the dollar value estimate for all transactions. The monthly estimate is calculated using only EFTPOS transaction data processed by Cashcard, and modelling the relationship of EFTPOS transactions to all transactions.

Australia's construction sector recorded slower growth in November, a performance gauge produced by two industry groups published shows. The Australian Industry Group-Housing Industry Association Performance of Construction Index fell 1.6 points in November from October, to 47.6. Readings below 50 indicate construction activity is generally declining. The result follows three interest rate increases in Australia in the past six months that have raised the official cash rate to 6.25% and further constrained mortgage borrowing.

Resources

Antares Energy (AZZ)

Focus on Sth Texas Conventional Gas Plays
Spec Buy for Success From Current Drilling Programme **$0.66**

Event

Antares Energy (AZZ) has been steadily refocusing its business in the US on conventional gas opportunities. In the latter part of 2006 Antares has secured three new projects being Oyster Creek (75% interest), Yellow Rose (50%), and Garcitas Ranch (23.5%). The Garcitas Ranch project is the third example, after Schafer Ranch, and Yellow Rose of a joint venture with local operator San Isidro Development Co. (SIDC), where Antares has negotiated ground floor 50/50 terms i.e. no promote, to enter. The Harrison-1 well in the Oyster Creek Project was drilled in September it encountered unexpectedly high gas pressures in the target horizon necessitating the setting of a cement plug, the well is currently being side tracked from 5100 feet. Given the known presence of gas the company has committed to preparations for the laying of a pipeline in the event that this well is commercial.

The other project of immediate interest is Garcitas Ranch where a previous owner drilled the McCan 2-R well in 1987 and tested 10 mmcf/d from a 78 foot net gas pay zone. The gas water contact was in the production zone and resulted in the well being shut in. Antares will redrill this well commencing next week.

Impact

Following the decision to exit Turkey in 2005 Antares has spent 2006 consolidating is land position in the US gradually shifting from more marginal tight gas plays in Oklahoma to concentrate in South Texas on more conventional oil and gas targets predominantely in the Wilcox formation. They take significant positions in medium and low risk gas plays, close to infrastructure in joint venture with experienced operators. Antares has four wells drilling in the current month, two of which are effectively re drills of previous discoveries and we anticipate some positive results. In the longer term we anticipate the relationship with SIDC to continue to deliver opportunities to this focused group. Following the current drilling the company anticipate having $20m in the bank. We recommend AZZ as a speculative buy for risk tolerant investors seeking exposure to the US domestic gas market last close 66 cents

Prepared by Peter Russell

Metals Australia (MLS)

Potential for significant zinc resource extensions
Speculative Buy **$0.07**

MLS is focused on its Manindi zinc project that is located in the East Murchison District of WA, 20 kilometres south east of Youanmi. The project was previously known as Freddie Well and was initially discovered and explored by CRA Exploration in the late 1970s and early 1980s. The project comprises a series of volcanogenic massive sulphide zinc deposits. The geological environment shows similarities to those of other base metal sulphide deposits in the Yilgarn Craton such as the Golden Grove deposits located to the south west of Manindi, at Yalgoo, and the Teutonic Bore and Jaguar deposits in the Eastern Goldfields.

The current global resource is 1.05 million tonnes averaging 7.64% zinc and containing 80,200 tonnes of zinc. There is strong potential for significant additions to the resource tonnage through further drilling and MLS aims to commence a diamond drilling program in January 2007. This follows on from a program of 17 reverse circulation drill holes and downhole electromagnetics that was conducted in June and September 2005. Results from this program included 18 metres averaging 14.96% zinc from 43 metres downhole. These results have not been included in the current resource estimate. The program was also successful in delineating conductors surrounding and adjacent to the existing resources as well as a significant target lying in an offset position to the main lode.

The current resource is contained within a three kilometre strike length and within four prospects. These are the Kultarr prospect which has been tested to a depth of 200 metres and the Kowari, Mulgara and Warabi prospects that have only been tested to a vertical depth of 100 metres. In comparison to drilling at Golden grove and Jaguar, the drill testing of the Manindi deposits is very shallow and at an early stage of resource definition.

A soil sampling program at 100 by 25 metre spacing, with infill sampling at 50 by 25 metre spacing has extended the geochemical signatures of the Mulgara and Warabi resource areas, and defined new target areas to the south at Bandicoot and east at Quoll.

MLS is currently reviewing processing options which include crushing and grinding followed by the flotation of a concentrate, crushing followed by heap leaching and electrowinning to produce zinc metal or the sale of ore to a third party for processing.

Previous work by BioHeap Ltd has shown that zinc recoveries of 97.1% can be achieved through the heap leaching of ore using bacterial technology. The results of further testwork carried out by AMMTEC, including ion exchange testwork, were sent to both Outokumpu and Ecotec for conceptual design and costing for ion exchange systems. Data from these companies is currently being evaluated by AMMTEC, who have also forwarded data to manufacturers of commercial electrowinning plants for conceptual design and costing for an onsite electrowinning plant.

Alternatively a conventional flotation circuit producing a zinc concentrate is also under consideration. This may prove to be the chosen option as it is likely to have a shorter lead time into production.

Prepared by Peter Russell

INTERSUISSE LIMITED ABN 14 002 918 247
ASX Market Participant AFS Licence No. 246827
Internet: www.intersuisse.com.au
e-mail: intersuisse@intersuisse.com.au

***Melbourne** - Level 37, 530 Collins Street, Melbourne, Vic, Australia 3000*
Telephone: (+613) 9629 8288 Facsimile (+613) 9629 8882
***Sydney** - Level 7, 5 Elizabeth Street, Sydney, NSW, Australia 2000*
Telephone: (+612) 9233 2100 Facsimile (+612) 9233 2117