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CRITERION

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Pan Australian Resources (PNA) 71.5c

MAYBE Criterion is missing something, but does the Laotian gold and copper hopeful warrant a \$1 billion market capitalisation? We know Owen Hegarty's Oxiana loves operating in Laos -- as did the CIA in the 1960s -- but Pan's valuation looks steep, given its lead project is yet to be commissioned.

In January last year Pan had a market cap of \$150 million, which gives some idea of the stellar run which has seen the stock promoted to the S&P All-Australian 200 index. Pan shares enjoyed further support after Pan last week announced encouraging gold and silver grades at its Ban Houayxai prospect.

Pan is talking about a 20 million tonne project grading 1.5-2 grams per tonne. But its flagship asset is its Phu Kham copper and gold project, also in Laos. Pan secured \$US240 million (\$286 million) of funding and reported that the development work was inside budget and ahead of schedule.

Phu Kham is expected to produce at an annual rate of 50,000 ounces of gold, 400,000oz of silver and 50,000 tonnes of copper. The accompanying ``starter" operation, the Phu Bia heap leach project, has produced 35,000oz of gold to date. March quarter production was a record 10,500oz, at a cash cost of \$US399/oz.

In May chairman Robert Bryan told holders: ``When we meet next year your company will be emerging as a major producer of copper and gold in Southeast Asia.

``But be warned, it is anything but easy."

On Credit Suisse's modelling, Pan will post a \$5.1 million loss this calendar year and a \$16.7 million profit in 2008. The numbers only get interesting in 2009, with a projected \$78 million earnings. Much depends on the copper price, the real swing factor.

Credit Suisse believes investors are not factoring in the risk of commissioning a ``large and logistically challenging operation".

To us, Pan looks a profit-taking opportunity for the impatient. SELL.

Clive Peeters

(CPR) \$2.10

HEADING into the new financial year, investors are in no mood for nasty earnings surprises, given that the industrial sector looks to be priced for perfection. When the culprit is a discretionary retailer,

retribution is dealt swiftly and sharply.

At least that's our version of why Clive Peeters stock lost its "market darling" crown yesterday, tumbling 40c, or 16 per cent, after late Tuesday's profit confessional.

The Victorian-based Clive Peeters said full-year net profit would be flat on the previous year, around \$12.1 million to \$13.1 million, which is really a monstrous downgrade because the market had factored in a result around \$18 million.

Clive Peeters chief Greg Smith blames the retailer's NSW expansion, which already had dragged the bottom line down by \$2.9 million in the first half.

We're not clear whether Clive Peeters' inability to gain traction in NSW reflects teething troubles, or sagging consumer confidence in the nation's delinquent state. There's no mention of the retailer's favourite tick-a-box excuses: high petrol prices, interest rates and unseasonably wet/dry/cold/warm weather.

"Our business is performing well in all states except NSW, with Victoria, Queensland, WA and Tasmania all trading above our expectation," Smith says.

"With our entry into NSW, our brand is taking longer to gain traction than we had hoped for and expected."

Clive Peeters is in the midst of an aggressive NSW rollout, recently opening its fifth superstore at Bella Vista in Sydney's northwest. Nationally it plans to open four stores a year over the next six years.

The stores are big in retail terms -- 3000 to 4000 square metres -- and starting from scratch is no mean feat in terms of staff training and start-up costs.

While Clive Peeters is lumped into the "discretionary" category, it's subtly but materially different to, say, Harvey Norman or JB Hi-Fi, which have benefited from the entertainment boom.

Clive Peeters offerings are oriented more towards premium brand whitegoods and kitchenware rather than PlayStations, so its fortunes are linked to the housing and renovated market.

NSW is crowded with competitors, but Smith says Clive Peeters needs to be there to fulfil its ambition of becoming a truly national retailer.

In a client note yesterday Austock analyst John Burgess estimates the NSW rollout incurred \$4 million in second-half losses. "Conversion of foot traffic to sales appears to be a key issue, with several management positions set to be upgraded with proven new staff," Burgess says.

But he suggests the downgrade is not specific to NSW, with overall core earnings slowing in the second half.

Clive Peeters still has much going for it in terms of buying power (second biggest to Harvey Norman) and experience (Smith was CEO of the Vox retail group).

But confidence is a fragile petal. Investors will be wary of Clive Peeters until it can prove there aren't more systemic problems than NSW growing pains. AVOID.

Gippsland Offshore Petroleum (GOP) 21.5c

GIPPSLAND Offshore Petroleum chief Cathy Norman says the junior explorer has kept a low profile since its February listing, which is no exaggeration. We've struggled to find half a dozen media mentions during that period.

But when speccie drillers bob their heads up on the lunch circuit, there's always a reason -- and it's usually related to the imperative to raise more cash.

Fortunately that's not the case with GOP, which rates as one of the bourse's great misnomers, given its only minimal interest in the famed Victorian oil province after one dry hole too many.

As with many local hopefuls, GOP is pinning its hopes on fields afar: Jamaica, Madagascar, Kenya and France's Aquitaine Basin, probably in that order.

GOP is availing itself of a mapping tool exclusively licensed from BHP Petroleum's people. The tool, Falcon, enables more accurate seismic data in tricky geographies.

The deal with the exclusive tie-up is that BHP has first dibs on farming-in on any decent discovery, so there's a sugar daddy paying close attention.

The most likely share price driver is Jamaica, where GOP shares 14,500sqkm of offshore tenements with a privately owned partner. GOP's material mentions a field of more than 10 billion barrels, along with the crucial rider ``potential".

There's enough interest in the calypso capital alone to rate GOP a SPECULATIVE BUY.