

# Morning Notes

March 25, 2008

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## Coast Wholesale Appliances (CWA.UN-TSX, \$8.74, UNDER REVIEW)

Michael Krestell – 416.603.4343

Record Sales in FY 2007 but gross margin and EBITDA slip in Q4

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MARKET INFO				
Closing Price, March 20, 2008			\$8.74	
12 Month Target Price			\$13.25	
Total Return Potential (incl \$1.20 cash distributions)			65.7%	
52 Week Range			\$7.51 to \$11.05	
Market Cap (Fully Diluted) (000's)			\$87,699	
Enterprise Value (000's)			\$109,072	
Current cash distribution per unit			\$1.23	
Current cash distribution yield			14.1%	
Avg Volume (previous 3 months)			10,000	
FINANCIAL INFO		2006A	2007E	2008E
Shares o/s (000's)				6,525
Shares o/s Fully Diluted (000's)				10,034
Insider Holdings				35%

Source: M Partners Inc., Company Estimates



- Q4 Sales of \$37.3 million vs. \$32.8 million last year and our estimate of \$36.4 million, but EBITDA of \$3.2 million was significantly below \$3.8 million last year and our estimate of \$4.1 million.
- Approximately half of the shortfall can be attributed to absence of a volume driven supplier rebate that was received in Q4 FY 2006.
- The full year payout ratio was slightly below 100% at 97.5% and in line with last year's 94.3% despite softer than anticipated retail sales conditions, additional costs incurred for two store openings and the Calgary warehouse relocation during the year, as well upgrades made to the inventory system. On the surface this is quite positive as it suggests higher levels of distributable cash can be generated when non-recurring costs are eliminated and gross margin returns to historical levels.
- Further insight into the 2007 performance and 2008 outlook should come from this morning's conference call at 11:00 am EST. The dial in numbers are 1-800-733-7560 and 416-644-3414, and we will update our forecast and possibly our recommendation and price target following the call.

# Morning Notes

March 25, 2008

**Kinbauri Gold Corp. (KNB-TSXV, \$0.90, TARGET \$2.25, BUY)**

Tara Hassan – 416.603.4343

**Proposed acquisition of Equigold supports higher valuation for KNB**

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MARKET INFO	
Closing Price, March 24, 2008	\$0.90
12 Month Target Price	\$2.25
Total Return Potential	150%
52 Week Range	\$0.36 to \$1.00
Market Cap-FD (000's)	\$62,112
Enterprise Value-FD (000's)	\$62,112
Avg Volume (previous 3 months)	264,130
FINANCIAL INFO (FYE May 31) FY2008E	
Shares o/s (000's)	43,538
Shares o/s Fully Diluted (000's)	69,014
VALUATION 2008E	
NAV/Share	\$1.83
Resources (M+I) (000 oz)	989
Total Resources(M,I,I) (000 oz)	2,063
EV/Resource (M+I)	63
EV/Resource (Total)	30

Source: M Partners, Company Information



- Last week Lihir Gold (LGG-TSX, LGL-ASX, LIHR-NASDAQ) announced a proposed acquisition of Equigold (EQI-ASX)
- Equigold holds producing gold assets in Australia and is currently developing a gold deposit in Ivory Coast
- The AU\$1.1 billion (CDN\$1.02 billion) all share offer would see Lihir acquire the following:
  - 1.9 million ounces of gold reserves
  - 2.58 million ounces of M&I resources (including reserves)
  - 0.8 million ounces of Inferred resources
  - Exploration prospects in Ivory Coast
- The acquisition values EQI's assets at \$301/oz (EV/Total oz)
- We believe the acquisition is an interesting data point to compare with KNB's valuation, which is currently trading at a 10X discount to the takeover value
- Although EQI is afforded a higher valuation due to production status, EQI's assets are much lower grade than KNB's (1.3g/t vs. 5.8g/t) and a substantial portion of its resources are located in a less politically stable area than KNB's (Ivory Coast vs. Spain)
- We continue to believe that KNB is trading at a significant discount to its peers (\$50-75/oz) and it is our view that the following factors warrant a higher valuation:
  - NI 43-101 total resource exceeding two million ounces
  - Current infill program continues to produce results to support move to production
  - Substantial exploration potential remains
  - Mine Design and Feasibility Studies to be completed in 2008
  - Average annual production of 120,000 oz of gold beginning in 2010
  - Minimal CAPEX required to enter production relative to peers as mill, tailings, and office facilities in place
  - Low geo-political risk

# Morning Notes

March 25, 2008

**COM DEV International (CDV-TSX, \$3.86, BUY, TARGET \$5.25)**

Corey Dias – 416.603.4343

**Announces European commercial satellite win**

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MARKET INFO			
Closing price March 6, 2008		\$	3.86
12 month target price		\$	5.25
Total return potential			36.0%
52 week range	\$2.96		\$6.37
Shares O/S (millions)			68.0
Market Cap (millions)			262.6
Enterprise value (millions)			213.1
Dividend/Share			\$0.00
Yield			0.0%
Avg. Daily Volume (3 months)			233,498
FINANCIAL INFO - FYE Oct 31			
	F2007A	F2008E	F2009E
Revenue (millions)	164.3	195.0	231.0
Y/Y growth		18.6%	18.5%
Gross Profit (millions)	34.6	45.4	55.6
Y/Y growth		31.4%	22.3%
Gross margin	21.0%	23.3%	24.1%
EBITDA (millions)	14.7	21.7	28.4
Y/Y growth		47.8%	30.9%
EBITDA margin	8.9%	11.1%	12.3%
EPS	\$ 0.16	\$ 0.18	\$ 0.28
Free cash flow (millions)	(3.3)	14.2	14.5
VALUATION			
	F2007A	F2008E	F2009E
EV/Sales	1.3	1.1	0.9
EV/EBITDA	14.5	9.8	7.5
P/E	24.1	21.5	13.8
FCF/share	NEG	\$ 0.21	\$ 0.21
ROE	10.2%	10.0%	13.2%

- On Monday CDV announced that it had received a \$4.7 million Authorization to Proceed (ATP) from EADS Astrium, one of the "Big 5" satellite prime contractors; no timeframe given
- CDV also stated that it expects the ATP to lead to a contract with a total value of more than \$15 million

- This is another important win for CDV as it continues to look to mitigate its exposure to US dollar-based business as the majority of its costs are in Canadian dollars
- Also reflects the strength of the worldwide commercial satellite market

- We are expecting commercial satellite revenue of \$123.9 million in F2008 (50.6% growth y/y) but we are not making any changes to our estimates on the back of this announcement

Source: Company reports, M Partners estimates



# Morning Notes

March 25, 2008

## Hot Points: Chinese support for gold?

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Headline: Little noticed Chinese regulatory change potentially supportive to gold

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On March 24, 2008, the China Banking Regulatory Commission changed banking regulations to allow commercial banks with capital ratios greater than 8% to trade gold futures in the domestic market. Only one of China's major banks would not meet this requirement. We contend that this is incrementally supportive to the gold market.

### Background:

The Chinese Sovereign Wealth Fund is Central Huijin Investment Co. (CHI), and CHI holds controlling stakes in the nation's four biggest Chinese banks.

CHI has injected \$60 billion of its foreign reserves to boost the capital of Industrial & Commercial Bank of China, Bank of China Co. Ltd and China Construction Bank Corp. since January 2004. The Agricultural Bank of China, the only state-owned bank not to sell shares to the public, may receive a \$40 billion capital injection from Huijin, China's official Xinhua News Agency reported last August.

Based upon their excess capital ratios, if the 3 top banks invested a modest 5% of their surplus capital funded assets in gold that would be approximately \$315 billion additional (US) dollars invested in the gold sector. By way of comparison, that amount is roughly 70% of the open interest (e.g. producers hedging their output) of all commodity futures. Put another way, total exchange listed gold contracts have averaged approximately 50 million ounces. At \$1,000 gold, that is \$50 billion. That 5% of the surplus capital funded assets would be over six times the current range of US listed gold contracts

While it will likely play out very slowly it is interesting to note how the Chinese Central Bank allowed the change right after the gold market corrected.

We have the following gold companies under coverage with "buy" recommendations:

Company Name	Ticker	Initiation		
		Date	Recommendation	Target
Delta Exploration Inc.	DEV-TSXV	05-Nov-07	Buy	\$1.50
GLR Resources Inc.	GRS-TSXV	19-Oct-07	Buy	\$1.25
Kinbauri Gold Corp.	KNB-TSX	16-Jul-07	Buy	\$2.25
Olympus Pacific Minerals Inc.	OYM-TSX	03-Dec-07	Buy	\$1.00

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M Partners received Investment Dealers Association of Canada (IDA) approval on April 14th 2005 and trades under broker number 97. The team currently has 19 members of varying degrees of financial experience, including principals Thomas Kofman and Steve Isenberg, who have a combined 35 years of financial experience and are well known in the field. This backbone of strong leadership will help chart the firm's course into the future. In the coming months and years, M Partners will be focusing on a number of verticals, including environmental and infrastructure, real estate, mining, merchandising and consumer products, and other special situations.

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	Coast Wholesale Appliances Income Fund	COM DEV International	Kinbaurl Gold Corp
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Does the analyst or any associate of the analyst responsible for the report or public comment hold shares in the company.	Yes	No	No
Has M Partners or a director or officer of M Partners or any analyst provided services to the company for remuneration other than normal investment advisory or trade execution services within the last 12 months, (may seek compensation for investment banking services from the company herein within the next 3 months).	No	No	Yes
Is any director, officer, employee or research analyst an officer, director or employee of the company, or serves in an advisory capacity to the company.	No	No	No
Has the analyst has viewed the material operations of the company. We define material operations as an issuer's corporate head office and its main production facility or a satellite facility that is representative of the company's operations.	Yes	Yes	Yes

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## Rating System

Buy: price expected to rise  
 Sell: price is inflated and expected to decrease  
 Hold: properly priced  
 Under review: not currently rated

Summary of Recommendations  
 as of Dec.31, 2007

Buy	17	85%
Hold	2	10%
Sell	0	0%
Under Review	1	5%
Total	20	100%