



Micro-Cap Technology Stock Report
Second Quarter 2002

Commentary

One striking change in investor sentiment over the last three months has been the increased interest in Small and Micro Capitalized Companies; both the number of investors interested in smaller issues and the number of small companies looking for financing. This is a nice change from the conditions of the past two years, during which we saw investors flee from small and micro cap issues due to their volatility and business uncertainty during unsteady economic times. We believe that this increased interest is as a result of investors feeling more comfortable about the economy and their personal situations.

As an investor, if you were to hold equities during a recession, big, blue chip companies with relatively steady earnings and established businesses would be preferable to smaller start up or unprofitable companies in new markets. However, during periods of economic expansion we often see improved sentiment return to Small Cap Companies early as investors begin to speculate about the turn around in the economy, especially in the speculative markets from which they fled during the contraction. **Small and Micro Cap Companies may decline more during a slowdown, but they tend to advance more during an expansion.**

Since the beginning of the year, the small cap indices in Canada and the United States have outperformed their larger Cap compatriots, but generally only by a couple of percentage points. The Dow Jones Industrial Average, NASDAQ Composite, S&P500 and TSE300 were all basically flat, or even down slightly, for the three months ending March 31st, 2002. Conversely, the Smaller Company indices (TSE Small Cap, Russell 2000 and Wilshire Small Cap) were all up, with the Canadian Markets outperforming their US counterparts. As a gauge of MicroCap investing, the CDNX Composite was up a dramatic 13.7% in just three months. Investors are definitely revisiting smaller companies for their investment portfolios.

Index	Q1-02 Return
S&P/TSE Canadian Information Tech Inde	-17.5%
S&P/TSE Canadian SmallCap Index	9.4%
S&P/CDNX Composite Index	13.7%
NASDAQ Composite Index	-5.6%
Russell 2000 Index	3.8%
Wilshire Small Cap Index	4.2%
Golden Capital Micro Cap	17.8%

By comparison, the Golden Capital Securities MicroCap portfolio of Companies had a very positive quarter, beating out all of the comparable indices. The GC MicroCap portfolio returned 18% for the first three months of 2002, but that outperformance was entirely generated by one Company. During the quarter, **IP Applications** returned over 180%, moving from 16¢ as of December 31st, to 45¢ at the end of March. While not a huge increase in absolute terms, the percentage increase was dramatic. If we were to remove the performance of IPA, we would have basically broken even for the quarter.

Other outperforming companies were **Computer Modelling Group**, which was up 40% during the quarter that saw them announce excellent earnings, but no other significant news. **Procyon Biopharma** had several announcements of *very* positive developments that propelled their stock to an intraday high of over \$2 on January 24th, before settling back to the \$1.40 range by the end of the quarter.

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The quarter saw underperformance from **Imaging Dynamics**, which dropped over 50% before it was halted at the end of February. At the end of the quarter the stock remained halted pending several announcements. **Cardiome Pharma** was also down for the quarter, but largely as a result of investor psychology rather than fundamentals.

Looking forward over the next three months, we see continued interest in small and micro capitalised companies, but nothing like what we saw in 1999 and 2000. Investing in smaller companies takes more in depth due diligence than with larger companies, largely due to the uncertainty of both the business itself and the markets in which these companies participate. If we are now in an economic turnaround, however slow it may be, continued interest in good companies will reward investors.

Golden Capital Securities' MicroCap Portfolio

Current Coverage	Recommended		Price	Price	Price Target*	% Price Change		Recommendation	
	Price	Date	Dec 31-01	Mar 29-02		vs. Recommended	vs. Last Quarter		
Alternative Fuel Systems Inc	\$1.95	00 Q2	\$0.31	\$0.35	\$0.50		-82%	11%	Hold
Cardiome Pharma Corp	\$4.60	98 Q3	\$3.60	\$2.75	\$6.00	4:1 ▼	-40%	-24%	Speculative Buy
Computer Modelling Group Ltd	\$0.54	00 Q3	\$0.75	\$1.05	\$1.75	▲	94%	40%	Buy
Imaging Dynamics Company Ltd	\$10.00	00 Q3	\$1.05	\$0.50	-	▼	-95%	-52%	Hold
International Wex Technologies Inc	\$1.85	01 Q1	\$2.30	\$2.44	\$5.00	▲	32%	6%	Speculative Buy
IP Applications Corp	\$1.60	00 Q4	\$0.16	\$0.45	\$0.70		-72%	181%	Speculative Buy
Mad Catz Interactive Inc	\$2.17	01 Q4	\$2.10	\$1.70	\$4.50 or \$2.50		-22%	-19%	Speculative Buy
Omni-Lite Industries Canada Inc	\$1.33	00 Q3	\$1.89	\$1.96	\$3.00		47%	4%	Strong Buy
Procyon Biopharma Inc	\$1.25	00 Q4	\$1.15	\$1.42	\$3.20	▲	14%	23%	Speculative Buy
Proginet Corp	\$1.80	00 Q2	\$0.26	\$0.29	\$0.50		-84%	12%	Sell
Rainbow Group of Companies Inc	\$0.55	01 Q1	\$0.36	\$0.40	\$1.50	▲	-27%	11%	Speculative Buy
Resin Systems Inc	\$1.28	00 Q4	\$0.39	\$0.40	\$1.00		-69%	3%	Speculative Buy

*Price targets in *italics* indicate a target change since last quarter. Arrows indicate the direction of the change since last Micro Cap Quarterly Report

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Alternative Fuel Systems (ATF-TSE)

Price	Mar-28-02	\$0.35
52 Week Range	High Low	\$1.08 \$0.26
Shares Outstanding		46.8 million
Market Cap		\$16.1 million
Sales	2000 A	\$2.6 million
	2001 F	\$3.1 million
	2002 F	million
Price / Sales	2000 A	6.3 times
	2001 F	5.3 times
	2002 F	times
EPS	2000 A	(\$0.10)
	2001 F	(\$0.07)
	2002 F	
Price / Earnings	2000 A	- times
	2001 F	- times
	2002 F	times
6 Month Price Target		\$0.50
Recommendation		Hold

*2000 figures are for the twelve months ending Dec 31st, '00

As we await the annual financials for Alternative Fuel Systems (AFS), the developer of natural gas fuel management and conversion systems is being very close lipped about the developments underway and future direction of the Company. Contracts are apparently progressing and shipments are going out the factory door. That said, we will not know anything further until the annual report is released in the middle of April. When the annual financials are released, AFS's Management has said that an abbreviated business plan describing the future of the Company will be attached. We look forward to that announcement.

During the last three months, there have not been many publicly announced developments at AFS. In fact, the *only* announcement since the new year has been the appointment of John Webb as the permanent President and CEO of the Company. Mr. Webb's previous experience has been with such high profile technologies companies as Nortel Networks, Telus, Cell-Loc and AT&T Canada. The challenge facing Mr. Webb will be a dramatic reduction of the Company's cash burn rate, while still fostering the developmental and sales cultures that AFS needs to move forward.

For the year ended December 31st, 2001, we are expecting that the Company will report \$3.1 million in revenue, with a reported loss per share of 7¢. Cash on hand will be reduced to around \$6.5 million as of the end of December, but further reduced to around \$5 million for the end of March 2002, the Company's fiscal first quarter. Even after the reduction in staff, we project a breakeven level of revenue of \$4-5 million per quarter is required. For comparison, up to this point in the Company's history the highest level of revenues had been \$3.5M for the entire year of 1999. Profitability is still an elusive target.

The only insight that management was able to offer to their current situation is that the swings in revenue that occurred from quarter to quarter in the past, will now be smoother due to the wider sources of revenues. These smoother revenues will come from sales to three principal customers. EcoMex, a Mexican retrofit company for minibus taxis, has been receiving conversion systems and has promised to take, on average, 40 units per month over a 24 month period. IDEM, the Iranian DaimlerChrysler licensee, was shipped throttle bodies to augment the conversion systems shipped over a year ago. As far as we are aware, there is currently no planned resumption of the other 1500 Sparrow units that are currently on hold under the agreement. Finally, an unnamed European Original Equipment Manufacturer has been ordering AFS's natural gas regulator for inclusion on their natural gas vehicle. However, no volume figures have yet been released and due to the limited demand for CNG-powered passenger vehicles currently, initial demand may be limited.

We are hopeful that the Company's other projects like the Australian garbage vehicles, the Navistar project with Alternative Fuel Technologies, the GM Vortec engine and H2 Technologies will also be updated in the report.

With no news from the Company and limited market information from its competitors, the future direction of Alternative Fuel Systems is hazy. Unfortunately, we will have to wait until the release of the annual report, and with it the current situation of the Company and direction going forward. Until then, **we have removed our estimates on revenue and earnings for fiscal 2002 and will maintain our Hold recommendation and 50¢ target price.**

Our last Research Report on the Company was published March 5th, 2001. Please read this report for a more in depth description of the Company and its products.

Cardiome Pharma (COM-TSE)

Price	Mar-28-02	\$2.75
52 Week	High	\$5.20
Range	Low	\$1.60
Shares Outstanding		28.28 million
Market Cap		\$77.8 million
Sales	2001 A	\$0.6 million
	2002 F	\$1.1 million
	2003 F	\$2.0 million
Price / Sales	2001 A	123.4 times
	2002 F	70.7 times
	2003 F	38.9 times
EPS	2001 A	(\$0.17)
	2002 F	(\$0.26)
	2003 F	(\$0.24)
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	- times
12 Month Price Target		\$6.00
Recommendation		Speculative Buy

Since our March 14th, 2002 Research Report on Cardiome Pharma, not much has occurred. However, the last three months have been a very busy period for the developer of compounds to treat cardiac disease. Since the end of the year, Cardiome has begun clinical trials on RSD1235, had the acquisition of Paralex approved, closed a \$31 million financing and completed a four-into-one share consolidation.

The recent financing by Cardiome was offered to both US and Canadian investors and received wide spread interest from both sides of the border. The offering was originally set to a maximum of \$24 million, but due to the overwhelming interest in the financing the oversubscription allotment brought the financing up to over \$30 million. This leaves Cardiome well financed and able to accelerate the development of both their clinical and preclinical candidates. Management has also left the door open for the acquisition of promising drugs in the area of cardiac disease.

Following the closing of the financing, Cardiome also completed the acquisition of Paralex for just under 33 million shares. The acquisition and financing resulted in there being over 111 million shares issued and outstanding. In order to tighten up the capital structure of the Company and prepare it for a more senior listing in the United States, Cardiome undertook a 4 into 1 share consolidation that has left the Company with 28.3 million shares and a market capitalization of around \$80 million.

Cardiome Pharma currently has four compounds in different stages of clinical and preclinical trials. **RSD1235** is the Company's lead product and is targeted to control acute atrial arrhythmias. Dosing for Phase II clinical trials began in January of this year and the Company currently expects to have results from the trials by the end of the year. Although well off in the future, if results for RSD1235 are promising, Cardiome may be able to fund some, if not all, of Phase III clinical trials for the compound before outlicensing the development and/or marketing rights, potentially adding significantly to the value of the product and increasing its value to the Company. Additionally, preclinical testing in animal subjects has indicated that the compound has excellent oral availability, meaning that it could be taken orally as well as intravenously, broadening its potential range of applications to include both acute and chronic conditions.

The **Oxipurinol** compound was recently acquired by Cardiome as a result of the acquisition of the private, US-based company, Paralex. Targeting Congestive Heart Failure (CHF), the compound has been used for several decades in the treatment of gout and has displayed a very positive safety profile. Due to this level of safety and extended history, Cardiome will approach the FDA later this year to request that Oxypurinol enter directly into Phase II clinical trials. We are hopeful that this request will be heard, and subsequently allowed, some time in the second quarter in order that clinical trials can begin in the second half of 2002.

Drug Portfolio	2001		2002		2003	
	H1	H2	H1	H2	H1	H2
RSD1235	Phase I		Phase II		Phase III / Outlicensed	
RSD1122		IND	AZN cancel		Future???	
Kv1.5	Pre-Clinical		IND		Phase I	
Oxypurinol			IND	Phase II		

Cardiome's third in-house project is also to be used to treat atrial arrhythmia, but is still in preclinical trials. **Kv1.5** has the ability to affect exclusively atrial ion channels, thus controlling their activity during an arrhythmia. The selective nature of the compound makes its use preferential to compounds that affect several different muscle types. Although currently a preclinical candidate, we are hopeful that Kv1.5 will be declared a clinical candidate in the near future.

The final product developed by Cardiome was licensed to AstraZeneca (AZN-NYSE) late in 2000. On March 28th, the Company announced that AZN would not be proceeding with clinical trials and would be returning the development rights to Cardiome. According to the press release, AstraZeneca's decision was based on "difficulties associated with manufacturing and pharmacokinetic issues", but the relationship between the two

companies remains positive. Although this is an unfortunate development, this does not mean that the RSD1122 project is cancelled, Cardiome could chose to develop the project on their own, or license it out to another third party. Hopefully more information about the future of the compound will be made available in the future.

As discussed in our March 14th Research Report **we have adjusted our twelve month target price for Cardiome Pharma to \$6, but have maintained our Speculative Buy recommendation.** We have lowered the adjusted target price due to the increased number of shares outstanding due to the oversubscribed financing. For more information about the Company, its products and its prospects please read our Research Report on Cardiome Pharma.

Computer Modelling Group (CPU-CDNX)

Price	Mar-28-02	\$1.05	
52 Week	High	\$1.11	
Range	Low	\$0.70	
Shares Outstanding		7.1 million	
Market Cap		\$7.4 million	
Sales	2001 A	\$8.9 million	
	2002 F	\$9.5 million	
	2003 F	\$10.4 million	
Price / Sales	2001 A	0.8 times	
	2002 F	0.8 times	
	2003 F	0.7 times	
EPS	2001 A	\$0.17	<i>\$0.17</i>
	2002 F	\$0.27	<i>\$0.13</i>
	2003 F	\$0.17	<i>\$0.13</i>
Price / Earnings	2001 A	6.2 times	
	2002 F	3.9 times	
	2003 F	6.2 times	
12 Month Price Target		\$1.75	
Recommendation		Buy	

As a developer of advanced oil and gas extraction software, Computer Modelling Group's fortunes are closely tied to the value of the fossil fuels; the higher the commodity price, the more valuable their software to energy companies. In addition, considering that CMG will have approximately \$6 million in cash as of March 31st, 2002, the business is valued by the equity markets at only \$1.5 million.

Computer Modelling Group has kept a very low profile considering the strength of their business and future projected earnings. The ironic part of the valuation story is that CMG is a software company, a *profitable* software company. The industry wide average Price:Earnings multiple on the S&P500 for software companies is 50 times. Apply that to even the 13¢ expected from operations in 2003 and a valuation of \$6.50 per share is generated. Now we are not saying that CMG is worth over six dollars, but we do feel that the Company is dramatically undervalued.

Our earnings projections for CMG shown to the left are in both reported (the left column of EPS) and operational earnings (on the right, in italics). The difference occurs as a result of the CMG Reservoir's share cancellation program.

There are three reasons which we feel have contributed to the ongoing undervaluation of CMG. First, the control block owned by the CMG Reservoir Simulation Foundation still represents 48% of outstanding shares in the Company and may discourage potential take-over bids. The ownership by the Foundation has diminished significantly due to the January 2001 agreement to retire the shares, or pay cash totalling \$125,000, on a quarterly basis. Almost two million of the Foundation's original 5.4 million shares have been cancelled, with approximately 375,000 due to be cancelled in fiscal 2003 if certain stock price thresholds are not met. Secondly, there have been no near term signals that the Company will be distributing the excess cash held by CMG to its shareholders. The projected six million in cash that is in the Company has earned an average of 4% annually over the past 3 years. Significant share value could be unearthed if much of the excess cash were to be paid out to shareholders in the form of regular, or even a large special dividend. The Company would then be valued on its own profitability. Third, the low profile that CMG is presenting to the investment community is not "getting the story out". If more people were aware of CMGroup, potential investors would likely bid the price up.

Although these undervaluation factors are persistent, we do not believe that they are permanent. **We are going to maintain our Buy recommendation on Computer Modelling Group and raise our twelve month target price to \$1.75 from \$1.40.** If CMG addresses any, or all, of the three undervaluing factors, this target price could easily be surpassed.

Our most recent Research Report on Computer Modelling Group was as of September 2001. Please read this report for a more thorough description of the Company's software.

Imaging Dynamics Company (IDL-CDNX)

Price	Mar-28-02	\$0.50	Halted
52 Week	High	\$3.75	
Range	Low	\$0.45	
Shares Outstanding		10.95 million	
Market Cap		\$5.5 million	
Sales	2000 A	\$0.3 million	
	2001 F	\$1.0 million	
	2002 F	\$8.8 million	
Price / Sales	2001 A	19.4 times	
	2001 F	5.7 times	
	2002 F	0.6 times	
EPS	2000 A	(\$0.61)	adj 5:1
	2001 F	(\$0.53)	
	2002 F	(\$0.08)	
Price / Earnings	2000 A	-	times
	2001 F	-	times
	2002 F	-	times
12 Month Price Target		-	
Recommendation		Hold	

What an interesting month March has been for Imaging Dynamics. The developer of high quality, low cost digital x-ray equipment halted their stock on February 27th and it remained halted as of the end of March due to 1) the change in management and strategy and 2) the profile of the potential investors in IDC. After the 5-into-1 share consolidation in November of 2001 and the subsequent continued drop, most investors have a long way to go before they start to show a profit on their investment.

On March 18th, the Company announced that Darryl Stein had assumed the role of President and CEO following the resignation of Michael Baker. Mr. Stein has been with IDC since November 1999 as their VP of Sales and Marketing and is now tasked with turning around a Company that is hemorrhaging cash as a result of weak sales and excessive staffing levels. A significant reduction in payroll, a focus on delivery of the over 40 units in backlog and generation of future sales would help significantly in reducing the bleeding.

In our discussions with Mr. Stein and others on IDC's Management team, the Company is now going to focus its efforts in four principal areas to ensure that its near term targets and, eventually, profitability can be achieved. The four principal areas of focus will be Funding, Alliances, Sales Development and Site Management.

First, the key to the future viability of the Company is the sourcing of capital. Funding is desperately required to allow IDC to enact its new business plan. If no funding is found, the Company may as well close up shop. It is for this reason that the CDNX has required the continued halt of IDC's stock. The parties that are currently conducting their due diligence on the Company are apparently "high profile" investors, and the Exchange feels that the stock should remain halted until these parties conclude their research and a funding decision is made.

Second, the existing alliances that Imaging Dynamics has developed with Anabgic, ALI and Altman Browning are all being reviewed. IDC is meeting with each of these partner Companies to determine whether there is benefit in the relationship and, if the relationship is to continue, where costs can be reduced to improve the profitability potential for IDC. Meetings have been conducted with each of these Companies and we are awaiting the details of how the relationships will be affected.

Next, IDC is changing its sales plan from a direct sales model to one that uses distributors. When selling to medical institutions, the salesperson's relationship with the facility is key to getting one's foot in the door. IDC hopes that by using the name and power of their distributors, rather than trying to establish their own relationships, they will be able to meet with more potential customers, while still reducing costs. Existing agreements with Integra Medical Imaging and ALI will set a foundation upon which to build other distribution contracts.

Finally, by the end of the year, IDC hopes to establish ten to fifteen "luminary" sites at which their Xplorer 1700 digital x-ray unit has been deployed and the Company can point to these sites as references to potential customers. Previously announced sites at Victoria and Prince George have been already been installed and two further sites at the Cross Cancer Centre and University Health Network in Toronto will both be installed by early April. Further international sites are scheduled for installation by the end of the second quarter.

Looking forward, there are significant challenges facing Imaging Dynamics over the next twelve months. With only three quarters of one million dollars in the bank, financing is needed to support the Company, which will hopefully be solved shortly. The Board of Directors has set a goal for the Company to become profitable with the next twelve months, but this will require a significant reduction in their cost structure and several more sales

added to their backlog. Challenges? Yes. Insurmountable? No. But IDC will require several items to go in their direction.

Therefore, we are going to **maintain our Hold rating on IDC**, but remove our price target until further information is available. Please read our May 2001 Research Report on Imaging Dynamics for more information about the Company.

International Wex Technologies (WXI-CDNX)

Price	Mar-28-02	\$2.44
52 Week Range	High	\$2.95
	Low	\$1.75
Shares Outstanding		15.75 million
Market Cap		\$38.4 million
Sales	2001 A	\$0.2 million
	2002 F	\$0.2 million
	2003 F	\$1.0 million
Price / Sales	2001 A	240.2 times
	2002 F	192.2 times
	2003 F	38.4 times
EPS	2001 A	(\$0.24)
	2002 F	(\$0.25)
	2003F	(\$0.30)
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	- times
12 Month Price Target		\$5.00
Recommendation		Speculative Buy

The first quarter of 2002 has been one of mixed results for International Wex Technologies. On the positive side, their product for cancer pain relief, which is derived from a naturally occurring source, is about to begin clinical Phase II trials. However, a much needed, multimillion dollar financing has been cancelled and clinical trials for the opiate withdrawal pain compound have been delayed. However, looking forward the positives far outweigh the negatives.

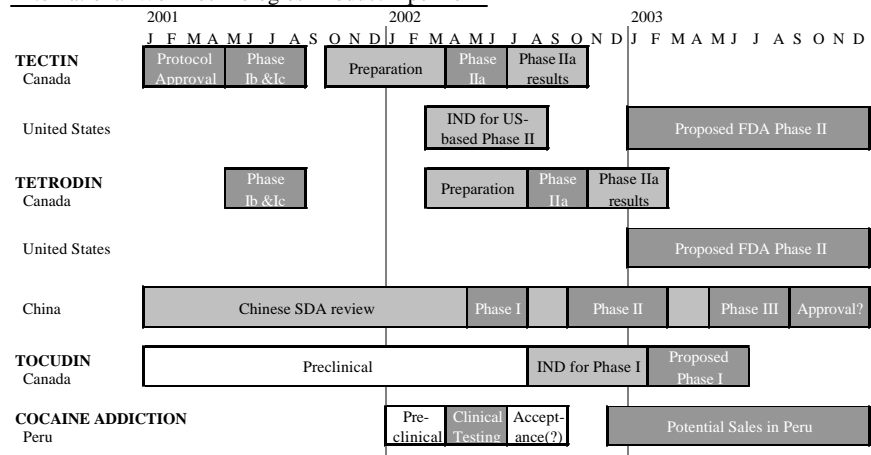
International Wex currently has two clinical candidates that are about to begin clinical Phase II trials in Canada. **Tectin**, the compound targeting the relief of chronic cancer pain, is currently undergoing the approval process from their six centres across Canada. None of the locations has yet to initiate dosing on patients, but the Company is hopeful that all six will be signed up within a couple of weeks. They are still targeting an August completion for the trials.

The other clinical candidate is **Tetrodin**, a compound for the relief of pain from the symptoms of opiate withdrawal. Like Tectin, Tetrodin was set to start clinical trials during the first, or at latest the second, quarter of 2002. However, due to the Company's current tight budget and the recent cancellation of a long proposed, multimillion dollar financing, the timeline for Tetrodin has been pushed back to alleviate some of the financial burden. Phase II trials are now scheduled to begin in the July / August time range for a six week duration. Results are still planned to be made available before the end of the year. Both Tetrodin and Tectin have received clearance from Health Canada that patients who find benefit from the TTX-based compounds can continue use even after the end of the trials.

During the quarter, the Company finally received approval from the Chinese State Drug Administration to begin clinical trials on Tetrodin in China. Like in North America, the Chinese trials will be in three phrases, but the approval process between Phases is different. The Company has indicated that approval for the testing protocols is granted upfront for all three Phases, as opposed to North America where each Phase's protocol is granted after the conclusion of the previous Phase's trials. International Wex feels that they should be able to complete all three phases of clinical trials with two years, having received formal approval to begin testing. The Company plans to begin Phase I testing at the People's Liberation Army Hospital in Beijing during early April.

The most recent product development for the International Wex Tech is the initiation of a developmental deal in Peru to determine whether the TTX compound, upon which all of their products are based, has a beneficial use for cocaine addicts. Although no

International Wex Technologies' Product Pipeline



announcements have been made since the initiation of the development deal, the Company has indicated that the Peruvian distributor is currently filing all the necessary documents for registration with the Government of Peru. The next step will be to wait for approval of the testing protocol and then the trials will be a very brief 30 days. Those trials should wrap up in mid to late summer.

Financially, the Company continues to subsist on a steady stream of Private Placement financings. Their ability to continuously fund using this method continues to surprise us, but at some point International Wex will need to undertake a larger financing in order to fund the clinical development of their two clinical products. Sales of the TTX product do continue, but on a very limited basis, to research facilities and the Company hopes that they will be allowed to sell the compound in China on a limited basis in the near future on compassionate grounds.

In our January 23rd, 2002 Research Report on International Wex Technologies, **we raised our twelve month target price on the Company to \$5** based on the clinical trials completing by year end, and perhaps a strategic alliance with a Pharmaceutical distributor in Europe, North America or Asia. **We are maintaining our Speculative Buy rating.**

IP Applications (IAP-CDNX)

Price	Mar-28-02	\$0.45
52 Week	High	\$0.80
Range	Low	\$0.10
Shares Outstanding		25.1 million
Market Cap		\$11.3 million
Sales	2001 A	\$1.0 million
	2002 F	\$1.9 million
	2003 F	\$9.1 million
Price / Sales	2001 A	11.7 times
	2002 F	6.1 times
	2003 F	1.2 times
EPS	2001 A	(\$0.05)
	2002 F	(\$0.05)
	2003 F	\$0.01
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	45.0 times
12 Month Price Target		\$0.70
Recommendation		Speculative Buy

Were you able to take advantage of the rise in the stock price of IPA last quarter? In the last three months, IP Applications' stock price rose from 16¢ to an intraday high of 50¢ on March 15th, but closed the quarter out at 45¢. Last quarter we called the stock the sleeper of our MicroCap list, but the provider of outsourced and back office internet services appears to have woken up a little.

At the beginning of March we adjusted the forecast revenue targets for IP Applications downwards in 2002 to \$1.86 million from \$2.1 million due to the renegotiation of a significant contract during the second quarter of fiscal 2002. However, we adjusted the revenue and earnings targets upwards in 2003 to \$9.1 million and a slight profit of one cent a share. The 2003 targets were formerly \$4.7 million in revenue and a loss of one cent for each share.

The major change in the fortunes of the Company has come from the long awaited launch of IPA's services at Sprint Communications (FON-NYSE). Sprint will market IP Applications' suite of back office and outsourced Internet services to their Internet Service Provider (ISP) customers. This five year contract was struck back in August of 2001 and will be launched by Sprint in IPA's fiscal first quarter of 2003, starting April 2002.

Additional contracts with Shaw Communications' BIGPIPE to market IPA's services to cable internet providers and the March 6th announcement with an unnamed "national US telecommunications company" to supply services to dial-up customers will further expand the Company's revenue growth. The latter contract will immediately increase IPA's revenue by US\$30,000 per month and could increase further as additional clients are added to the service. IP Applications' Internet Services will be marketed by the unnamed telecom company beginning in Fall or Winter of 2002.

Over the next six to twelve months, IPA will have four major milestones to achieve. First, as mentioned before, Sprint Communications will begin producing in the first quarter of fiscal 2003 (April to June 2002). Also in Q2 we might expect that a financing will be undertaken to fund further expansion and marketing costs. Then, in the latter part of fiscal 2003, investors should look for additional revenue from the "Unnamed Telecom" and the opening of a sales office in the East, servicing the East Coast US and Central and Eastern Canada.

Therefore, we are going to maintain our Speculative Buy recommendation on IP Applications and a twelve month target price of 70¢. More information about IP Applications is available in our September 2001 Research Report on the Company.

Mad Catz Interactive (MCZ-TSE)

Price	Mar-28-02	\$1.70
52 Week Range	High Low	\$3.04 \$0.50
Shares Outstanding		52.5 million
Market Cap		\$89.3 million
Sales (US\$)	2001 A	\$56.0 million
	2002 F	\$79.5 million
	2003 F	\$95.4 million
Price / Sales	2001 A	1.0 times
	2002 F	0.7 times
	2003 F	0.6 times
EPS (US\$)	2001 A	(\$0.10)
	2002 F	\$0.02
	2003 F	\$0.10
Price / Earnings	2001 A	- times
	2002 F	54.8 times
	2003 F	11.0 times
12 Month Price Target		\$4.50 or \$2.50
Recommendation		Speculative Buy

After the market close on December 31st, 2001, Mad Catz Interactive announced that their licensing contract with Sony Computer Entertainment America (SCEA) for licensed Playstation2 memory cards had expired and that Sony was reviewing all licensing agreements. During their third quarter conference call in February, the designer of game controllers and other accessories for computer and gaming systems said that they expect a decision from SCEA on the memory card issue some time during the first calendar quarter. No announcement had been made by March 28th.

The effect of any loss or retention of the licensing agreement will not have any noticeable affect on the Company's financials until the first quarter of fiscal 2003, ending June 2002. At a minimum, licensed product already in the stores will be sold through, but future sales may be in question. Interestingly, while the loss of the memory card contract will have a negative effect on revenues, it will have a positive effect on the Company's gross margin due to the comparatively low margins garnered from the cards. Therefore, the profitability of the Company

may actually improve if the memory card license is not renewed.

As part of the Company's ongoing marketing effort, near the end of the first quarter Mad Catz announced that they would be sponsoring a professional mountain biking team in the Sea Otter Classic. The sponsorship is part of the Company's decision to support extreme sports in order to position the Mad Catz brand with its target market. Mad Catz products are positioned within the gaming peripherals market as premium controllers and accessories and targeted to the 61% of all video game users that are over 18 years of age. Generally, adult gamers will look for a higher level of quality and improved feel, for which they are willing to spend more money to receive those qualities. The Company feels that this demographic will be well represented at this mountain biking event.

During the quarter, the Company opened a sales office in London, England and signed a logistical distribution agreement with PDQ Distribution, also in the U.K. As the Xbox and its full line of accessories are launched across Europe, PDQ will be the logistical distributor for all of MCZ's products in the European Union. Distributors have been Mad Catz's desired method of product dissemination in international markets, and this recent agreement extends their reach through Europe.

In our February update following the Q3 conference call, we laid out two possible scenarios given the outcome of SCEA's decision on the Memory card license. For fiscal 2003, if the license is renewed we would expect US\$111M in revenue and EPS of US\$0.14 per share. We would expect the stock price to have an immediate jump after the announcement to around the C\$3 level, and a twelve month target of C\$4.50. However, if the license is *not* renewed, then revenue in the range of US\$95 million and earnings per share of US10¢ could be seen for 2003. Stock prices for MCZ in the short term would likely see a sell off to the low C\$1 range, followed by a twelve month target of C\$2.50 under this less positive scenario.

Therefore, we have an unusual situation where a business is at a short-term crossroads. **We are going to downgrade Mad Catz Interactive to a Speculative Buy recommendation**, from a Buy, due to the variability of the outcomes from the memory card scenario. First, if the PS2 memory card license is renewed then we could see a twelve month target price of C\$4.50. However, if the license is not renewed a 12-month target of C\$2.50 would be more realistic.

We initiated coverage of Mad Catz Interactive in October 2001. Please read our Research Report for more information about the Company.

Omni-Lite Industries (OML-CDNX)

Price	Mar-28-02	\$1.96
52 Week	High	\$2.20
Range	Low	\$0.95
Shares Outstanding		9.1 million
Market Cap		\$17.8 million
Sales	2000 A	\$2.8 million
	2001 F	\$3.7 million
	2002 F	\$5.0 million
Price / Sales	2000 A	6.5 times
	2001 F	4.8 times
	2002 F	3.6 times
EPS	2000 A	\$0.09
	2001 F	\$0.16
	2002 F	\$0.22
Price / Earnings	2000 A	21.8 times
	2001 F	12.3 times
	2002 F	8.9 times
12 Month Price Target		\$3.00
Recommendation		Strong Buy

As a producer of high volume, fine tolerance components for a variety of industries, the recent economic slowdown has not had the effect on Omni-Lite Industries that it has had on many of its competitors. In fact, Omni-Lite is taking the opportunity to expand the number of contracts, purchased more cold-forging machines and further reduced their debt load.

From our recent discussions with management, they indicate that the first quarter of fiscal 2002 is going "exceedingly well". Two new contracts from Monogram Aerospace and further contracts being bid upon have boosted the high margin business for aerospace components. Demand from the Sports & Recreation and the Automotive segments have also had strong years.

Corporately, the Company is still planning to move to their new, larger facilities in June. By the time they move in, Omni-Lite hopes to have the mortgage on the property very close to, or even completely, paid off.

Shortly afterwards, the first 2 of the five newly purchased cold forging machines will be delivered. These recently acquired machines will bring the total up to sixteen and were purchased at very favourable terms.

No activity occurred in the first quarter for the share buy-back program that was announced last summer and at this point we do not expect that any significant number will be acquired during the second quarter given the support that the market is giving the stock price at its current level. Instead, the Company will use its cash to focus on paying down any debt that remains.

Although hit not as heavily as some of its competition from the economic slowdown the financials for fiscal 2001 will be slightly lower than we had expected last quarter. Revenue targets for fiscal 2001 will be the same at \$3.7 million, but we are reducing our EPS target from 17¢ to 16¢ per share. However, we are increasing our forecasts for fiscal 2002 to \$5 million in revenue and 22¢ per share in net income, from \$4.8 and 20¢ respectively.

Over the next six months there are three achievements that we can look for from Omni-Lite Industries. First, additional contracts from manufacturers in a variety of industry verticals, principally Aerospace and Automotive, but further contracts in Commercial and Sports & Recreation could also occur. Secondly, now that Omni-Lite has had several quarters of significant success we might expect that they will attempt a listing on a more senior exchange. Expanded coverage as a result of the listing may help give further support to the stock price. Finally, with the growth of the high margin business, will come improved profitability. Omni-Lite is currently trading at 12 times 2001 earnings, but around only 9 times 2002 earnings for a Company growing its earnings at a projected 37%. We feel that Omni-Lite is significantly undervalued.

Therefore, based on the future contract growth, strong earnings growth and the potential for a listing on a senior stock exchange **we are recommending purchase of Omni-Lite Industries with a Strong Buy recommendation. Our twelve month target price of \$3.00 will remain in place.**

Our most recent Research Report on Omni-Lite Industries was published in June 2001 and expands on the Company's products and prospects.

Procyon Biopharma (PBP-TSE)

Price	Mar-28-02	\$1.42
52 Week Range	High	\$2.14
	Low	\$0.50
Shares Outstanding		44.9 million
Market Cap		\$63.7 million
Sales	2001 A	\$0.1 million
	2002 F	\$1.0 million
	2003 F	\$1.3 million
Price / Sales	2001 A	- times
	2002 F	63.7 times
	2003 F	49.0 times
EPS	2001 A	(\$0.21)
	2002 F	(\$0.18)
	2003 F	(\$0.13)
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	- times
12 Month Price Target		\$3.20
Recommendation		Speculative Buy

* 2000 figures are for the twelve months ending Dec 31st, '00

Since the doldrums that plagued Procyon Biopharma going into the end of 2001, the equity markets have taken note of the Montreal-based Company. Procyon is currently developing several compounds for the diagnosis and treatment of cancer and has a late stage, scar management cream, Fibrostat.

Fibrostat is currently undergoing Phase II clinical trials targeting the minimization of scar tissue that forms as a result of burns or surgery. The Canadian marketing rights for the product were assigned to Biovail (BVF-TSE) several years ago, but on January 4th Procyon announced that they had also agreed to license the marketing rights for the United States to Biovail as well. At this time, the Companies hope to have the compound ready for commercialization in either 2004 or 2005.

On January 9th, Procyon announced that Chiron Corporation (CHIR-NASDAQ) had agreed to enter a license option agreement for their Prostate Secretary Protein compound, **PSP94**. The evaluation period for the compound will be for six months, at which time Chiron can decide

whether or not to negotiate a worldwide license on the technology on “mutually acceptable terms”.

However, Procyon is not waiting for Chiron to make up their mind. On March 11th, the Company announced that they were beginning clinical Phase IIa trials on PCK3145, the synthetic version of PSP94, in the UK. The compound was allowed to skip Phase I trials (at which level toxicology testing is done) due to its lack of toxicity and high efficacy in animal subjects. This allowance has accelerated the development of the compound by almost a year over our original expectations. PSP94 is targeted towards the diagnosis and treatment of Prostate Cancer, a disease which will affect *all* men, eventually, if they live long enough.

Procyon's other anti-cancer compound is **ANA** or Antinucleosomal Autoantibodies. A more broad based technology, the lead candidate 2C5 is expected to file its documentation to begin Phase I clinical trials in the fourth quarter of this year. In the Company's initial fiscal 2001 financial results announcement, the timeline for the ANAs seemed to have slipped by one quarter to now begin clinical trials next year. ANAs are under a co-development agreement with Biovation, a member of the Merck KGaA group.

Procyon BioPharma's Product Pipeline

		2001		2002		2003		2004	
		H1	H2	H1	H2	H1	H2	H1	H2
ANAs	Clinical Business	Pre-Clinical / IND		Phase I		Phase I		Phase II	
		Partnership							
PSP94	Clinical Business	IND (US)		Phase IIa		Phase IIb - Outlicense			
		Evaluation Partnership							
Fibrostat	Clinical Business	Phase II		IND (IND)		Phase III		App. for Approval	
				Biovail (US)		European Partner		Commercial	
Colopath	Clinical Business	Various Clinical Trials							
		Partnership							
Stanford Technology	Clinical Business			Evaluation				Preclinical	
		In - Licensing							

Colopath is Procyon's fourth compound and is for the detection of colorectal cancers. Licensed to IMI International Medical Innovations (IMI-TSE) in 2001, Colopath is being developed along with IMI's ColorectAlert for a twin testing package. IMI is currently testing the products and has announced that they plan to have their product on the market in 2002. The status of Colopath's development was not disclosed, but Procyon's Management is hopeful that Phase III testing will begin in 2002.

Late in 2001, Procyon announced that they were evaluating a **technology from Stanford University** that is complementary to their PSP program. The “Soluble 7-Transmembrane Domain G-Protein Coupled Receptor” utilises several natural hormone receptors for the treatment of breast, prostate and thyroid cancers. Procyon has 18 months from December to evaluate the technology.

Over the next six months investors can expect that Procyon will begin dosages on the PSP94 compound in the UK, Chiron will decide on whether to negotiate a worldwide license on the PSP technology and results from the Fibrostat clinical Phase II trials should be available.

On January 24th, 2002 we increased our price target on Procyon from \$1.75 to \$3.20 due to the numerous positive developments. **We are going to maintain our \$3.20 target price and Speculative Buy recommendation.** For more information on the Company and its products, please read our December 2001 Research Report on Procyon Biopharma.

Proginet Corporation (PRF.U-CDNX)

Price	Mar-28-02	\$0.29
52 Week Range	High	\$0.55
	Low	\$0.10
Shares Outstanding		13.4 million
Market Cap		\$3.9 million
Sales	2001 A	\$5.6 million
	2002 F	\$6.5 million
	2003 F	\$7.4 million
Price / Sales	2001 A	0.7 times
	2002 F	0.6 times
	2003 F	0.5 times
EPS	2001 A	(\$0.02)
	2002 F	(\$0.03)
	2003 F	(\$0.01)
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	- times
6 Month Price Target		\$0.50
Recommendation		Sell

All figures in US Dollars

Pauvre, Pauvre Proginet. After an incredibly upbeat conference call in the Fall of 2001, the Company failed to meet their first quarterly target following the projections. Proginet develops secure file transfer and password unification software, but sales of these packages has not been as robust as they had projected. The Company did say that they would have met their target if a large sale had closed during the quarter, but it was delayed and closed during the third quarter instead.

To meet their internal target for the nine months ending April 30th, the Company will have to have sales of approximately US\$2.75 million in the third quarter and then US\$3.21 million in the fourth to meet their annual target of \$9 million in revenue. Up to this point in the Company's history, the greatest single quarter of revenue was the second quarter of last year at US\$1.68 million.

One major concern about the whole industry, at least in the short term, is that during the last quarter Proginet disclosed that they had won 24 new accounts and lost 11, but 38 projects, upon which they were bidding, were *cancelled*. IT departments decided to spend their dollars elsewhere, or not at all. This could be a significant concern to the Company if this trend of IT spending on security continues.

From the Company's conference call last Fall, Proginet laid out some very lofty revenue and earnings targets for themselves. Our estimates are less rosy than their internal predictions, but do still assume some growth in the demand for their products. A comparison of financial projections are:

	Fiscal 2002		Fiscal 2003	
	Proginet's Estimate	Golden's Estimate	Proginet's Estimate	Golden's Estimate
Revenue	US\$9.0M	US\$6.5M	US\$16.0M	US\$7.4M
Net Income	US\$1.0M	(US\$0.37)	US\$2.1M	(US\$0.1M)
EPS	US\$0.07	(US\$0.03)	US\$0.16	(US\$0.01)

The targets as laid out by Proginet's Management would be wonderful if achieved. Earnings per share of seven cents for the year would mean a 70¢ to \$1.40 stock price, depending on the multiple applied. However, we do not feel that the current economic conditions will allow Proginet to meet their targets by July 2002. Our estimates of the Company's earnings for fiscal 2002 and 2003 are a loss of three cents and one cent, respectively.

Therefore, we are going to issue a Sell recommendation on Proginet for prices over 40¢. If the stock price rallies, take the opportunity to reduce your position. An investment in Proginet will likely be dead money until IT spending turns around late in 2002 or in 2003.

Rainbow Group of Companies (RBP-CDNX)

Price	Mar-28-02	\$0.40
52 Week Range	High	\$0.64
	Low	\$0.25
Shares Outstanding		50.5 million
Market Cap		\$20.2 million
Sales	2000 A	\$0.08 million
	2001 F	\$0.1 million
	2002 F	\$1.8 million
Price / Sales	2000 A	246.3 times
	2001 F	202.0 times
	2002 F	11.2 times
EPS	2000 A	(\$0.04)
	2001 F	(\$0.08)
	2002 F	(\$0.01)
Price / Earnings	2000 A	- times
	2001 F	- times
	2002 F	- times
12 Month Price Target		\$1.50
Recommendation		Speculative Buy

Disclosure: Principals and employees of Golden Capital Securities own shares of the Rainbow Group of Companies for investment purposes.

The acquisition of QWIP Technologies, by Rainbow Group, has finally been completed and the infrared imaging Company is now a wholly owned subsidiary of RBP. This merger and accompanying financing were long anticipated and now that they are complete, the combined Company can move forward with its business plan.

Right at the end of the quarter, Rainbow announced that their President and CEO, Mark Sirangelo, had resigned. Mr. Sirangelo had led the Company through this transitional period and is now going to pursue other opportunities. The Company is now interviewing experienced, infrared industry executives for the position.

As a result of the acquisition of QWIP by Rainbow, there are now over 50 million shares outstanding in the public company. However, over 25 million of the total issued and outstanding shares are under a seven-year escrow agreement and are owned by Management, ViaSpace and other insiders. Even as these shares do become freely tradable, we do not expect that a large number will be offered for sale. The number of shares that are currently tradable is only 25.4 million.

Subsequent to the merger, Rainbow Group announced their first post acquisition infrared product sale to an unnamed customer. The purchase was for C\$200,000 worth of camera systems (rather than just the chips) and will be used for non-destructive testing. This was the first sale to a company for this use and indicates the range of uses for the QWIP-Chip technology. Further sales and developmental agreements will hopefully come as a result of the upcoming Aerosense Conference, April 1st – 5th, in Orlando, Florida.

The Company currently has two developmental agreements with governmental organizations: One in Canada, the other in the United States. The Canadian agreement is with the Insurance Corporation of British Columbia (ICBC) for the development of road safety and crash avoidance systems. The development of these future products is done through Rainbow's subsidiary InTransTech. In mid-February, InTransTech announced that they had deployed the first product from the partnership in Kamploops. The system is a radar-based signage board that detects a vehicle's speed and whether a pedestrian was in the cross walk and post the appropriate message. Future planned developments from InTransTech include an animal collision avoidance system and a roadway condition sensor.

The US agreement is with the US Department of Defense's DARPA division and is for a two year, US\$1.6 million funding to further develop the QWIP-Chip technology. Some of the announced developments will include a larger format chip, which will increase the resolution, and a "multi-colour" chip which will allow for a broader spectrum of light waves to be absorbed by the sensor. The first two milestones, and their associated payments to QWIPTech, of the contract have been achieved and we anticipate that future developments will further enhance the Company's product offering.

Rainbow Group of Companies, through its subsidiaries QWIP Technologies and InTransTech, has significant growth potential over the next several years. Security, safety and military applications of infrared technologies have grown in prominence over the last six months, and will likely be at the forefront of many people's minds for some time to come. The Company's existing developmental contracts are with influential organisations and as the product is further developed, the range of potential applications becomes broader.

On February 28th, 2002, we issued a Research Report on the Rainbow Group of Companies at which time we **recommended purchase of shares of Rainbow Group under a Speculative Buy recommendation and we increased our twelve month target price to \$1.50.** We will maintain that February rating.

For more information on the Rainbow Group and its products, please read our February 2002 Research Report.

Resin Systems Inc. (RS-CDNX)

Price	Mar-28-02	\$0.40
52 Week Range	High	\$1.01
	Low	\$0.20
Shares Outstanding		27.3 million
Market Cap		\$10.9 million
Sales	2001 A	\$0.3 million
	2002 F	\$4.2 million
	2003 F	\$16.3 million
Price / Sales	2001 A	36.4 times
	2002 F	2.6 times
	2003 F	0.7 times
EPS	2001 A	(\$0.10)
	2002 F	(\$0.03)
	2003 F	\$0.07
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	5.71 times
12 Month Price Target		\$1.00
Recommendation		Speculative Buy

Sometimes we wish that the business side of Resin Systems Inc moved as fast as their composite resin through a pultrusion die, but unfortunately it doesn't. Contracts that were set to begin shipment in January or February are *just* starting to ship now, field tests have been delayed and prospective clients are taking longer to decide on whether to switch to the *Version* resin than anyone thought possible.

Since the closing of Golden Capital Securities' financing of Resin Systems last year, the Company's physically superior and environmentally friendly resin has had to overcome a great deal of resistance to its adoption. Add to that product implementation issues experienced at customer sites which are beyond RSI's control and you have a recipe for a stagnant stock price. The Company now has to capitalize on its numerous contacts, site trials and mini production runs that they have completed over the last two years and convert those into sales.

Last year, Resin Systems signed a 12-month renewable strategic alliance agreement with Creative Pultrusions, one of North America's largest composite pultruders, and another 24 month agreement with Omniglass, one of the first beta testers of RSI's *Version* resin, which will see a minimum sales volume of \$1M in the second year of the agreement. An additional supply contract with an unnamed construction supply company will produce a further \$500,000 annual minimum in sales revenue and is the third announced customer of the composite resin. Plus, in our discussions with Management, they did hint that add-on sales to these alliances were being negotiated and that new customers were testing the composite resin in late March and early April.

As we look forward there are several key milestones for the Company to achieve over the next six months:

- **Second Quarter financial results being made available in April.** Unfortunately, we likely will not see a dramatic increase in the revenue for this quarter. Omniglass's first large shipment went out in March, Creative Pultrusions has yet to ship and all the other projects are still in the testing stages. More meaningful will be the Company's third quarter, which will be out in July.
- **Product shipment or in-house production that will generate revenue.** The developmental period of RSI is over, the Company now has to begin generating revenues. Sales agreements have been signed, we will now hopefully start to see the results of these contracts.
- **New project contracts announced.** Either with Creative, Omniglass or even a new customer.
- **Final approval of the governmental grants.** We anticipate that within the next couple of weeks the Alberta Research Council (ARC) and National Research Council (NRC) grants / loans will finally be approved.

Going forward, we believe that the downside for Resin Systems has been factored in as a result of the continued delays in contracts and funding. However, over the next three to six months there is the potential for several significant announcements to be made that will attract investors back to the stock or, at the very least, to watch more closely for further developments. If RSI's management can ship their planned levels of product to their customers, we have forecast that the Company could breakeven as early as the first quarter of fiscal 2003, which ends November 2002.

Therefore, based on the start of significant revenues in the quarter ending April 2002, **we are going to maintain our Speculative Buy recommendation on Resin System Inc with a twelve month target price of \$1.** Although far from out of the woods, Resin may have at least found the path.

Additional information on the Company and its products is available in our November 2001 Research Report on Resin Systems Inc.

Recommendation Structure

Recommendation	Description
Strong Buy	Our Top Pick. A Strong Buy indicates a Company which we feel has the potential to offer superior short-term and long term capital appreciation for our clients. Characteristics of this type of Company would be a superior product or service, a high caliber management team and significant market potential with relatively high barriers to entry to their competition.
Buy	A Company whose stock is likely to appreciate substantially, relative to the overall market. When rated a Buy, a Company will have excellent potential in their market, but competition or some other factor will temper their results.
Speculative Buy	Often, early stage companies will have a high degree of uncertainty in their business model or in their market. However, if management is able to capitalize on the opportunity, there is the potential for significant upside in the stock price.
Hold	When a Company reaches a turning point in their development, investors may be uncertain as to whether to make a speculative purchase or cut loose the stock. A Hold rating indicates that we are awaiting some information regarding their development before issuing an outright sell or buy recommendation.
Sell	If a Sell recommendation is issued on a stock it could mean two things: First, that the Company's stock price has met our price target, surpassed it and is now overvalued. Or conversely, that the Company has run into difficulty, either financially or otherwise, and the near-term potential for the stock is likely negative.

Recommendation History

	Q1-01	Q2-01	Q3-01	Q4-01	Q1-02	Q2-02
Strong Buy	0	1	1	0	1	1
Buy	6	1	1	1	2	1
Speculative Buy	4	7	8	8	6	7
Hold	2	3	1	2	3	2
Sell	0	0	0	0	0	1
Suspend Coverage	0	2	0	1	0	0

Due to the speculative nature of the Companies that we cover, recommendations will predominantly be Speculative Buys.

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