GOLDEN CAPITAL SECURITIES

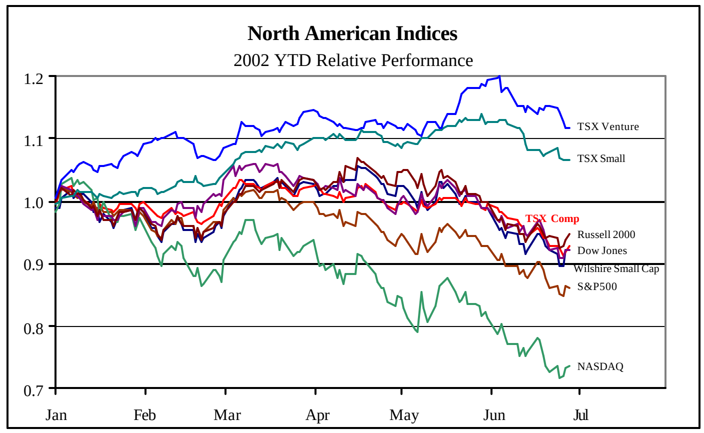
MICRO-CAP TECH REPORT

Quarterly Review

July 1st, 2002

Micro-Cap Technology Stock Report
Third Quarter 2002

What started out as a wonderful quarter for small and micro-cap issues has turned, once again, into a bear market. Technology issues have been particularly hard hit (for example the NASDAQ Composite), and it is only by the virtue of the Gold Companies and other mining stocks, that the TSX Venture and Small Cap Indices are flat over the last three months, but still up reasonably over the first half of the year. In our Investment Outlook for June 2002, we proposed that the current spike in gold prices was based more on investor speculation, rather than any fundamental increase in the demand or decrease in the supply of gold. Whether or not this will be the result when the final analysis is available, we do not yet know, but the relative strength of the smaller companies in Canada has unquestionably risen as a result of the increased price of gold.



Conversely, the weakness in technology issues is indicative of the ongoing problems that Companies in this sector are experiencing. Bond rating downgradings in Telecom, no investor interest in biotechnology and continued accounting issues at all levels of market capitalisation have resulted in investors completely closing off access to their wallets. Additionally, as the US Dollar continues to weaken vis-à-vis its international counterparts, foreign investors are selling their US Dollar-based investments and repatriating to other currencies, particularly the Euro. This repatriation causes a spiral effect as the US Dollar drops, more international investors withdraw their money, US-based investors are reticent to invest due to the current economic and market uncertainty, so there is no demand, which causes a further drop in equity prices, and encourages further withdrawals. And down, down, down we go.

Our outlook for the US Dollar is not particularly positive for two principal reasons. First, US-based manufacturers *want* a low US Dollar as it increases their competitiveness on the international markets and makes imports more expensive domestically, thus increasing demand. There has been a significant amount of lobbying by US Manufacturers for exactly this reason and there is little political will to support the dollar at a high relative level when the economy may be weak. Secondly, as alluded to above, a relatively weak domestic economy and low interest rate gives international investors little reason to invest in US Dollars. Although we do not expect to see the Canadian dollar up anywhere near the 80¢ mark, a value nearing 70¢ could be possible later this year. Adding insult to injury, US-based investments may have the double whammy of a drop in value *and* a drop in the currency once local total return is calculated.

Overall, our Golden Capital Micro-Cap portfolio experienced a negative quarter over the last three months. However, if broken down according to rating, the Buy and Strong Buy recommendations were up 5.5% for the second quarter, while the Speculative Buy, Hold and Sell ratings were down 14.1%, 33% and 9% respectively. Since January 2001 our Buy and Strong Buy recommendations are up 38%, while our Speculative Buys are down 28%, reflecting the increased volatility in those Companies. Hold rating are down 73% over the same period, but Sells are up 1%.

Index	Q2-02 Return
S&P/TSX Composite Index	-9.0%
S&P/TSX Canadian SmallCap Index	-2.7%
S&P/TSX Venture Composite Index	-1.8%
S&P/TSX Canadian Information Technolog	-45.1%
NASDAQ Composite Index	-20.6%
Russell 2000 Index	-8.7%
Wilshire Small Cap Index	-10.6%
Golden Capital Micro Cap	**-10.0%**
Buy and Strong Buy	5.5%
Spec Buy	-14.1%
Hold	-33.3%
Sell	-9.0%

The Quarter's superior performers were Computer Modelling Group and Resin Systems Inc. At one point CMG was up over 55%, but has since fallen off and ended the quarter up approximately 30%. Just in the last month, Resin Systems broken above its 40¢ trading range and hit a quarterly high of just over 50¢. However, the list of outperformers is short and the number of companies in the portfolio decreasing in value was much greater than the number increasing.

Top decliners include Procyon Biopharma, Alternative Fuel Systems and Imaging Dynamics Corp. A little bit of a surprise, Procyon had topped out at an intraday high of $2.14 in January on very positive news, but has since been in a downtrend to its current sub-80¢ price range. Both AFS and ID are down for not being able to generate meaningful sales.

We also added two new companies to our Micro-Cap Research portfolio and suspended coverage on another. International Road Dynamics (IRD-TSX) is a developer of Intelligent Transportation Systems and has targeted revenue growth to $55 million by the end of 2005. Syn•X Pharma (SYY-TSX) is currently testing a point-of-care test for Alzheimer's disease, Congestive Heart Failure, Insulin Resistance and Traumatic Brain injury. The test for Alzheimer's disease could go commercial in Europe before the end of this calendar year. We have suspended coverage on Proginet Corporation (PRF.u-TSXVenture) due to our belief that growth in the network security software market will come from technological change and not increased demand. More information about all of these companies is available in this report.

Current Coverage	Recommended		Price	Price	Price Target*	% Price Change		Recommendation
	Price	Date	Mar 28-02	Jun 28-02		vs. Recommended	vs. Last Quarter	
Alternative Fuel Systems Inc	$1.95	00 Q2	$0.35	$0.23	$0.50	-88%	-33%	Hold
Cardiome Pharma Corp	$4.60	98 Q3	$2.75	$2.45	$6.00	-47%	-11%	Speculative Buy
Computer Modelling Group Ltd	$0.54	00 Q3	$1.05	$1.38	***$2.00*** ▲	156%	31%	Buy
Imaging Dynamics Company Ltd	$10.00	00 Q3	$0.50	$0.41	***$0.35*** ▼	-96%	-18%	ST Sell / MT Hold
International Road Dynamics Inc	$1.54	02 Q2	new	$1.45	***$2.25*** ◀	-6%	new	Buy
International Wex Technologies Inc	$1.85	01 Q1	$2.44	$2.20	$5.00	19%	-10%	Speculative Buy
IP Applications Corp	$1.60	00 Q4	$0.45	$0.38	***$1.00*** ▲	-76%	-16%	Buy
Mad Catz Interactive Inc	$2.17	01 Q4	$1.70	$1.50	$2.50	-31%	-12%	Speculative Buy
Omni-Lite Industries Canada Inc	$1.33	00 Q3	$1.96	$1.97	$3.00	48%	1%	Strong Buy
Procyon Biopharma Inc	$1.25	00 Q4	$1.42	$0.75	***$2.50*** ▼	-40%	-47%	Speculative Buy
Proginet Corp	$1.80	00 Q2	$0.29	$0.29	Suspending Coverage	-84%	0%	Sell
Rainbow Group of Companies Inc	$0.55	01 Q1	$0.40	$0.29	$1.50	-47%	-28%	Speculative Buy
Resin Systems Inc	$1.28	00 Q4	$0.40	$0.49	$1.00	-62%	23%	Speculative Buy
SynX Pharma Inc	$1.60	02 Q2	new	$2.09	***$5.00*** ◀	31%	new	Speculative Buy

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

Research Subscription

Golden Capital Securities Equity Research is a timely and knowledgeable source of insight on the MicroCap markets. Advance access to our Research Publications is now available to subscribers prior to its release to the general public.

GC Research Subscribers will receive advanced access to all of our Research Publications, including:

- Research Reports,
- Company Updates,
- Quarterly MicroCap Reports and
- Monthly Investment Outlooks.

For more information on subscribing to GC Equity Research, please call (604) 688-1898 and ask for Equity Research, or e-mail research@goldencapital.com.

Robert Peets, MBA CFA
Research Analyst
Golden Capital Securities
168-1177 West Hastings St
Vancouver, B.C.
research@goldencapital.com

Alternative Fuel Systems (ATF-TSX)

Price	Jun-28-02	$0.23
52 Week Range	High	$0.81
	Low	$0.20
Shares Outstanding		46.8 million
Market Cap		$10.8 million
Sales	2001 A	$2.8 million
	2002 F	$3.6 million
	2003 F	million
Price / Sales	2001 A	3.9 times
	2002 F	3.0 times
	2003 F	times
EPS	2001 A	($0.12)
	2002 F	($0.07)
	2003 F	
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	times
6 Month Price Target		**$0.50**
Recommendation		Hold

In mid-May, **Alternative Fuel Systems** announced their first quarter financial results for fiscal 2002 and they were better than we had expected. The developer of natural gas fuel management and conversion systems for internal combustion engines had greater sales and healthier margins than our forecasts, but continued losses were a drag on the Company's cash position and sales were less than the same period a year ago. However, as financial losses and lethargic sales continue at AFS, their principal competitor announced 148 engine system sales in the last quarter.

AFS has announced that they will no longer talk to investors and analysts individually, but instead speak "through their press releases" in order that everyone gets information equally and consistently. This policy would be perfectly reasonable if the Company disclosed on a frequent basis what was actually occurring at the Company other than the election of directors and historical financial statements. In our most recent discussions with management, they indicated that the next scheduled corporate update would be with the second quarter financials, which are due in August. Barring some significant development that requires disclosure (new contract, financing, etc.) prior to the release, we will likely not receive any further insight into the Company until then.

What we have been told is that the contract with Ecomex, the Mexican engine conversion company, continues to ship units, but that the number of units will not be disclosed. Over the lifetime of the two year contract, Ecomex must purchase a minimum of 920 units, or an average of 40 units per month. The Company's contract with IDEM, the Iranian DaimlerChrysler licensee, is still on hold with a further 1,500 Sparrow engine management systems not yet shipped. However, IDEM has purchased multiple units of the new throttle body assembly, so orders *may* resume later. In 2001, an agreement with Alternative Fuel Technologies, located in Texas, was to have seen field trials of the Company's conversion systems and potential orders. AFS Management reports that these trials are on-going, but that there have been no subsequent orders have been placed.

A development contract for a Cummins-based, L10 engine is reportedly underway and being paid for principally by the customer. The L10 engine will use the Company's new lean burn engine management system and is projected to achieve Ultra-low Emission Vehicle (ULEV) status. AFS's H2 Fuel division, which is developing a dual fuel natural gas and hydrogen based engine, is currently in discussions with a number of parties, private and public, and hopes to make an announcement on the developments in the near future. No developmental timelines were disclosed for either project.

Revenue during the last quarter was principally generated by shipments to Ecomex, IDEM and several European Original Equipment Manufacturers. We have forecast that the Company has $3 to $3.2 million in cash as of the end of June, enough to fund current operations until early 2003, if current revenue streams and expenses are maintained. Investors should expect that the Company will look for a further cash infusion late in 2002. AFS's target revenue forecast for fiscal 2002 is to beat 2001 and perhaps have the best year ever, which to this point is 1999 when the Company generated $3.5M in revenue. Revenue for the second quarter is expected to be similar to that of the first. We believe that if sales continue to the existing customers, the fiscal 2002 target should be achievable, but without additional sales, earnings will still be negative.

The major challenge facing Alternative Fuel Systems over the next six months will be the addition of meaningful sales in order to increase shareholder interest, boost the stock price and then undertake a multimillion dollar financing with which to fund their operations in 2003. The Company's continued losses will have to be addressed within the next twelve months and a sensible path to profitability, whether through cost reduction, revenue expansion or a combination of the two, will be required before any financing is closed. Failing a plan to profitability, the Company will find it exceedingly difficult to raise money for their operations.

Therefore, there seems to be some potential for an increase in the value of the stock over the next six months. We feel that if Alternative Fuel Systems is able to augment their existing sales with new contracts and control their costs, the financing in late 2002, or early 2003, may sustain them through to profitability. However, as the competition continues to get sizable and meaningful NEW sales, AFS receives small and follow-on orders. **We are going to maintain our Hold recommendation on Alternative Fuel Systems and our six month target price of $0.50.** The orders are obviously available; Management now has to close on those orders.

Cardiome Pharma (COM-TSX)

Price	Jun-28-02	$2.45
52 Week Range	High	$5.20
	Low	$1.60
Shares Outstanding		28.16 million
Market Cap		$69.0 million
Sales	2001 A	$0.6 million
	2002 F	$1.1 million
	2003 F	$2.0 million
Price / Sales	2001 A	109.5 times
	2002 F	62.7 times
	2003 F	34.5 times
EPS	2001 A	($0.17)
	2002 F	($0.31)
	2003 F	($0.24)
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	- times
12 Month Price Target		**$6.00**
Recommendation		Speculative Buy

After the excitement surrounding **Cardiome Pharma** late last year and early 2002 had ended, the last three months have been relatively quiet and uneventful. The developer of treatments for cardiac-based ailments is now nearing the completion of one clinical trial and preparing for at least two others. As a result of their very successful public offering earlier this year, the Company now has in excess of $25 million in cash with which to fund their ongoing operations and clinical trials. Several near term milestones could mean significant upside to investors.

RSD1235, the Company's lead product for atrial arrhythmia, is just completing their Phase II clinical trials, which are to wrap up at the end of June. Management has indicated that indications to this point have been encouraging, but that full results will be available at the end of the third quarter (end of September). The results will be available quickly due to the binary results of the test; either it works in the allotted time, or it does not.

The recently acquired compound Oxipurinol has two potential commercial products, each of which has progressed within this last quarter. The indication for **Congestive Heart Failure** (CHF) will file for a Phase II Investigative New Drug (IND) Application some time during the summer months. After the filing, it could take up to 90 days for the US FDA to rule on whether the trials can proceed. If approval is received, the Phase II/III trials could begin as early as the fourth quarter of 2002. At this time, the Company is planning to undertake three targets to their clinical trials: the CHF indication, which will be 400 patients and should wrap up in 2003 and two, as of yet, unannounced alternate indications, which are also expected to conclude in 2003.

Although a slight departure from their core mission, Cardiome has decided to pursue the development of the original indication of Oxypurinol, as a treatment for **Gout**. Oxypurinol was originally intended as a secondary treatment option for gout, for those that were sensitive to allopurinol, the most common treatment for the condition. Cardiome recently exercised an option for the patent rights to the compound for the gout indication and will be pursuing clinical development in the latter part of this year, with clinical trials beginning in the first half of 2003. Once approved, Cardiome will have seven years of exclusive distribution rights. Revenue from its sale will help fund the development of the Company's other compounds.

The only negative announcement over the past three months has been the future of **RSD1122** for Atrial Arrhythmia. In late March, Cardiome announced that the rights for the compound had been returned by AstraZeneca and since then the Company has decided that RSD1122 will move to the back burner. The early indications are that RSD1235's oral availability, the in-house atrial arrhythmia compound, is at least as good as RSD1122 and Cardiome has decided to develop one compound rather than two. Relations between AstraZeneca and Cardiome are reportedly still positive.

We are currently expecting that the second quarter 2002 financial results will be made available in July. While no significant revenue is expected to be generated (other than interest earned from their cash balance), R&D costs are expected to be similar to Q1 as RSD1235 has been in clinical trials and the cost of filing an IND with the FDA will not be overly significant. We are expecting a loss of around 7¢ per share in Q2, and a loss of around 30¢ for the whole 2002 fiscal year.

Upcoming milestones:

1) Announcement of the completion of RSD1235 clinical trials – late June/July.
2) RSD1235 clinical results – end of the third quarter.
3) Filing of IND documentation for Oxypurinol for CHF – Q3
4) Initiation of Phase II/III clinical trials for Oxypurinol CHF – Late 2002 or early 2003.
5) Filings with FDA for Oxypurinol for Gout – Late 2002
6) Initiation of clinical trials for Oxypurinol for Gout – Early 2003.
7) Potential developmental / licensing agreement for RSD1235 – Second half of 2002 or 2003.

Therefore, given the magnitude of several near term milestones (#2,4,6&7) and the Company's healthy cash balance, **we are going to maintain our Speculative Buy recommendation on Cardiome Pharma and our 12-month target price of $6.**

Computer Modelling Group (CPU-TSXVenture)

Price	Jun-28-02	$1.38	
52 Week Range	High	$1.63	
	Low	$0.70	
Shares Outstanding		6.86 million	
Market Cap		$9.5 million	
Sales	2002 A	$9.9 million	
	2003 F	$10.3 million	
	2004 F	$10.6 million	
Price / Sales	2002 A	1.0 times	
	2003 F	0.9 times	
	2004 F	0.9 times	
EPS	2002 A	$0.32	*$0.17*
	2003 F	$0.26	*$0.22*
	2004 F	$0.28	*$0.25*
Price / Earnings	2002 A	4.3 times	
	2003 F	5.3 times	
	2004 F	4.9 times	
12 Month Price Target		**$2.00**	
Recommendation		Buy	

The top performer of the companies in our MicroCap portfolio, **Computer Modelling Group** surprised us slightly with a better than expected gross revenue for the fourth quarter fiscal 2002 and a significantly stronger EPS of 8¢ per share compared to our expectation of only 3¢. We are expecting continued growth through fiscal 2003, which ends March 31st of that year from the maker of oil and gas extraction simulation software.

Over the next year we expect that revenue growth will be reasonably strong, but that the low increase in internal costs and high gross margin will see much of that increase in revenue translate into profit. Due to the ongoing cancellation of shares as a result of the amended Research and Development agreement with the CMG Reservoir Simulation Foundation, there will still be a slight overstatement of reported earnings, but far less than seen in fiscal 2002. Therefore, we are expecting reported earnings of 26¢ and 28¢ per share in fiscal 2003 and 2004 respectively, while net income before reorganization, in italics on the chart, could be 22¢ and 25¢ respectively. Finally, the Company has 70¢ per share in cash as of the end of March and we are anticipating that this number will increase to over $1 per share by the end of fiscal 2003.

The only negative item that jumped out at us in the annual financials was a slight decrease in the level of pre-sold revenue, which was down only slightly to $2.4 million (23% of projected revenue) as of March 2002 as compared to $2.9 million (29%) in 2001.

Although it fell off a little during the last couple of weeks of the quarter, CMG's stock price was as high as $1.63, a level the stock has not seen since October of 1997 when it was trading on the Toronto Stock Exchange. In support of the stock, there has been increased interest from institutional buyers in CMG, and on June 17th, Devon Ventures announced that it had purchased 268,000 shares, representing 7.4% of the voting shares and 3.5% on a fully diluted basis. If we remove the $5 million in cash currently on CMG's books, the public markets are only valuing CMG's business at $4.6M or 66¢ per share. Based on our projected actual EPS of 22¢ for 2003, CMG's stock is trading at 4 times trailing earnings and only 3 times forecast earnings.

We believe that there are three reasons that CMG's stock price is trading a just a fraction of other software companies with similar fundamentals:

1) CMG Foundation ownership discount – Since the CMG Foundation still retains ownership of approximately 48% of the outstanding shares, the likelihood of an unsolicited takeover bid is very low.
2) Excess cash is not being put to good use – On the $5.2 million in cash as of the end of March 31st, 2002, the Company earned approximately 4% in interest. If management can't find a good use for the money, dividend it out to the shareholders who will then decide what to do with it.
3) No leverage through debt – While excessive debt is not good, some debt would allow for growth of a profitable business beyond what equity investors alone would be able to achieve. It would also magnify earnings for the equity holders.

Therefore, although there is no sign of a dividend, the fundamentals of the Company still are very strong. **We are going to maintain our Buy recommendation on Computer Modelling Group and our $2 price target.** On May 29th, we raised our target price from $1.75 to $2.

Imaging Dynamics (IDL-TSXVenture)

Price	Jun-28-02	$0.41
52 Week Range	High	$2.25
	Low	$0.24
Shares Outstanding		12.09 million
Market Cap		$5.0 million
Sales	2001 A	$0.2 million
	2002 F	$1.0 million
	2003 F	- million
Price / Sales	2001 A	31.2 times
	2002 F	5.0 times
	2003 F	times
EPS	2001 A	($0.74)
	2002 F	($0.16)
	2003 F	-
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	- times
3 Month Price Target		**$0.35**
Recommendation		ST Sell / MT Hold

After almost four months of being halted, **Imaging Dynamics Company** has resumed trading, but at a level well below its value in February. During the halt, there has been a change in management, the arrangement, collapse and subsequent rearrangement of financing and a new corporate focus on installing four luminary sites to use in the sales process. IDC's main challenge now is to close the financings.

Darryl Stein has taken the reigns as President and CEO of IDC, after several years as the VP of Sales and Marketing with the Company. IDC's management is focusing on closing two stages of financing in order to complete the installation of three sites in the US and one in Australia. Mika Technology and Seventh Wave Capital, two capital pools on the TSXVenture Exchange have agreed to be acquired for the cash that they have on their books in exchange for stock of IDC valued at 45¢. These acquisitions will give IDC the cash required to see them through the next several months, but a larger financing must be closed before this cash runs out.

A larger, $2.5 million financing has been announced, but we question whether this will be completed with the Company's stock currently well under the financing price. Each units is being offered at $1,000 and in return an investor receives 1,000 shares, a $550 convertible bond and 2,100 warrants at 60¢ to 75¢. This implies a value of 45¢ on the initial shares and 50¢ per share from the convertible bond. Investors would have to be very resolute in their belief that IDC is going to succeed to be willing to pay a 67-85% premium over the current price. The pricing may also be adjusted downwards to reflect current market prices, but that would add further dilution to investors who have already undergone a 5-into-1 consolidation, followed by a continued decline in the stock's price. If the financing is not completed, Imaging Dynamics should begin looking for other alternatives to realize some shareholder value.

With the funding, IDC will attempt to install as many of the "luminary sites" as possible. Portland, Denver and Boston in the United States and Perth, Australia will hopefully all be installed by September. Installation of the Company's Xplorer1700 at several of these sites has already been delayed, but we are hopeful that they will be completed within the proposed time frame. Again, the Company will need at least some of the larger financing to complete the manufacturer, calibration and clinical testing of the digital x-ray units before they go completely on line.

However, for the Company to breakeven, we have estimated that a minimum of six to eight units per quarter must be sold, assuming no large increase in overhead costs. For a firm with only four units sold in its history, this may be a tall order to achieve, on average, every three months. IDC has indicated that once the luminary sites are installed, they can focus on actual sales, but if no sales materialise until September, then the Company is going to be under significant financial pressure, just as they are trying to expand their marketing efforts.

The next six months will be key to the Company's development. On June 12th, **we issued a short-term Sell recommendation on Imaging Dynamics' stock, and we are going to maintain that recommendation and our three-month target price of 35¢.**

International Road Dynamics (IRD-TSX)

Price	Jun-28-02	$1.45
52 Week Range	High	$1.97
	Low	$1.01
Shares Outstanding		13.1 million
Market Cap		$19.0 million
Sales	2001 A	$28.4 million
	2002 F	$33.4 million
	2003 F	$39.4 million
Price / Sales	2001 A	0.7 times
	2002 F	0.6 times
	2003 F	0.5 times
EPS	2001 A	$0.16
	2002 F	$0.19
	2003F	$0.22
Price / Earnings	2001 A	9.06 times
	2002 F	7.63 times
	2003 F	6.6 times
6 Month Price Target		**$2.25**
Recommendation		Buy

The first of the two recent additions to our MicroCap coverage, **International Road Dynamics** designs and markets Intelligent Transportation Systems (ITS). Their products are led by the Weigh-in-Motion (WIM) system, which can accurate weigh and identify freight vehicles at speeds up to 60 miles per hour, greatly improving highway efficiency. Other products include vehicle tracking, toll collection, vehicle safety monitoring, data collection and maintenance contracts. IRD's management plans to grow revenue to $55 million, organically, in 2005 and total revenue could grow to $100M if the Company undertakes acquisitions and strategic relationships.

The Company has made three, key announcements since we published our report on June 10th. First, IRD entered into a joint promotional agreement with Central Weighing of the UK. IRD will supply the high and medium speed WIM for off-ramp and highway speed weighing and sorting. Central will supply the slow speed WIM, which can automatically classify vehicles passing over the scales. Although no figures were announced with the agreement, the two product lines are very complementary and could be a more marketable solution to highway managers.

The second announcement was the initiation of a contract with the Province of New Brunswick to supply an "Automated Mainline Commercial Vehicle Sorting System". The system will classify trucks, while they are in motion and display, on a bilingual sign, a message for the driver with actions to be taken. The estimated value of the components and the 2 year service contract is over $500,000.

The third and most recent sale was announced near the end of the month and was for three further WIM and Virtual Weigh Station systems in Alaska. The data collection systems will allow the State to observe trends in truck operation and as a tool for random vehicle enforcement. Like the contract in New Brunswick, these two Alaskan contracts will be for the system design, hardware, installation and a three year maintenance contract.

International Road Dynamics is a leader in a market niche that is experiencing a great deal of interest. Demand for the Company's products is primarily from the US at this time, but Management is actively pursuing opportunities globally. Pakistan and countries in South America and South East Asia have expressed interest in the ITS products that IRD is selling and could diversify some of the single contract risk that IRD currently has with the US Government, which currently represents over 80% of revenue.

We believe that investors in IRD will be looking for strong earnings growth and a consistently profitable business. The valuation of the Company is based on projected earnings per share of 19¢ in 2002 and 22¢ in 2003. If we apply a 12 times price to earnings ratio on fiscal 2002 earnings we achieve a price of $2.25 by December 2002. The Company's second quarter financial results were released just prior to quarter end and though slightly lower than our expectations, they were slightly above the same three month period last year.

In the subsequent conference call, Management of IRD felt that the remaining portion of 2002 would be slightly lower than originally expected due to continued spending delays by various levels of the U.S. Government. The Company is attempting to diversify their level of single client risk away from the U.S. but it is the largest potential market and a slow down here will adversely affect IRD. At this time, we are going to maintain our revenue and earnings targets for fiscal 2002. However, if in September the third quarter financial results reflect a continued lethargic ITS marketplace in the US, without a corresponding increase in international revenues, we will review our forecasts.

Therefore, since nothing overly adverse, nor positive, has occurred since we published our research report on International Road Dynamics, **we are going to maintain our Buy recommendation and 6-month target price of $2.25** that we established when we initiated coverage on IRD on June 10th.

International Wex Technologies (WXI-TSXVenture)

Price	Jun-28-02	$2.20
52 Week Range	High	$2.60
	Low	$1.99
Shares Outstanding		15.75 million
Market Cap		$34.7 million
Sales	2001 A	$0.2 million
	2002 F	$0.3 million
	2003 F	$1.2 million
Price / Sales	2001 A	216.6 times
	2002 F	123.8 times
	2003 F	28.9 times
EPS	2001 A	($0.24)
	2002 F	($0.28)
	2003F	($0.17)
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	- times
12 Month Price Target		**$5.00**
Recommendation		Speculative Buy

Although progress is slow, progress is being made. **International Wex Technologies** is currently undertaking the clinical development of three pain management products for Cancer Pain, Heroin Addiction and Cocaine Addiction. A further preclinical product for local anaesthetic is also under development. We are hopeful that once Phase II clinical results are available in the Fall, interest in WEX will increase significantly.

Financially, the Company has been surviving on a steady stream of Private Placements, which is tricky due to the hand-to-mouth nature of the financings. Although this method can be dangerous, the Company seems to have had no difficulty raising cash in this form. However, in our discussions with Management, their preference would be to do a larger financing in the near future. Investors should look for this potential in the late summer or early fall.

Tectin, the clinical candidate for cancer pain management, is currently undergoing clinical trials in six centres across Canada. Three patients have completed the trials and others are currently being screened to determine whether they meet the required criteria. At this time we are still expecting that the trials will be completed by September of this year, but if enrolment in the trials continues at its current slow pace, they could stretch on into later in the fall. After Phase IIa is complete in Canada, the next round of trials will take place in the U.S.

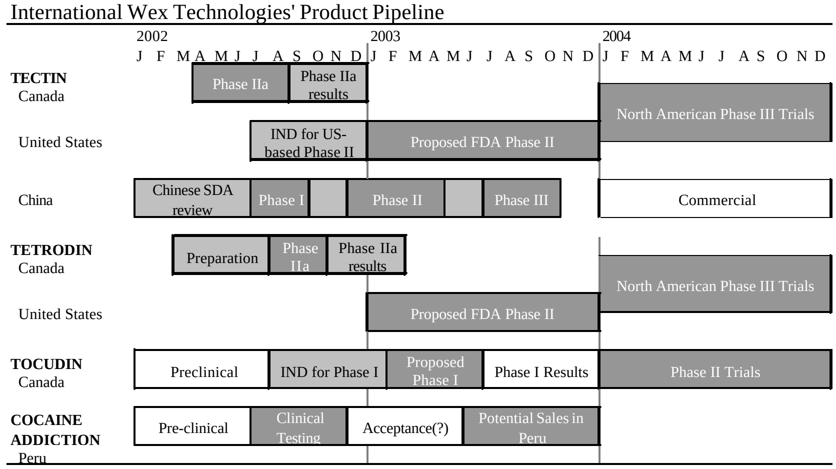
Earlier this month, WEX announced that they had signed a Memorandum of Understanding and subsequently a nonbinding Letter of Intent with an established European Pharmaceutical company. Although few details were available, due to the early nature of negotiations, we would expect that any agreement will likely be for development and marketing in Europe and perhaps Asia for Tectin. Upfront, developmental milestones and royalty payments should be expected if a formal agreement is reached, likely within the next quarter.

Tectin is also going to be tested in China, where clinical trials are currently expected to begin in July. The Management of WEX feels confident that due to the single approval process in China, they will be able to complete all three levels of clinical trials in rapid succession. If trials are begun shortly, investors could expect to see Phase III completed in late 2003.

Tetrodin is targeted at the management of pain resulting from the withdrawal from heroin addiction. North American Clinical Phase II trials are set to start in late summer, or early fall. If the agreement with the European company can be reached early, then the funds could be used for Tetrodin trials, thus speeding up the timeline.

A medical distribution company in Peru is currently testing Tetrodin's ability to manage pain associated with the withdrawal from cocaine addiction. Although the technical work leading up to the trials is reportedly complete, the trials have not yet begun, but are expected to during the summer. As there is only one level of trials, and the test is binary (either it works or it does not), sales in Peru could begin in 2003.

International Wex Technologies' Product Pipeline



Over the next three months, we would expect to see the completion of the Canadian Tectin trials, the initiation of Canadian Tetrodin trials and perhaps even the signing of a significant agreement with the unnamed European pharmaceutical company. Therefore, due to the multiple and meaningful, near term milestones during the summer, **we are going to maintain our Speculative Buy recommendation and our $5 target price on International Wex Technologies.**

IP Applications (IAP-TSXVenture)

Price	Jun-28-02	$0.38
52 Week Range	High	$0.60
	Low	$0.10
Shares Outstanding		25.1 million
Market Cap		$9.5 million
Sales	2001 A	$1.0 million
	2002 F	$1.9 million
	2003 F	$9.1 million
Price / Sales	2001 A	9.9 times
	2002 F	5.2 times
	2003 F	1.1 times
EPS	2001 A	($0.05)
	2002 F	($0.05)
	2003 F	$0.01
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	38.0 times
12 Month Price Target		**$1.00**
Recommendation		Buy

What a quiet quarter for the provider of back office internet solutions. **IP Applications** had only one public release during the last three months, but it was an announcement of a new customer, that has since begun to generate revenues for the Company. Investors can take some comfort in the fact that although there has not been many achievements publicly announced, IPA is building their business and working on expanding their agreements with large Internet Service Providers (ISPs).

Due to the launch and expansion of these ISP agreements, IPA hopes to become EBITDA (Earnings generated directly by the business) positive by August or September and break even on a cash flow basis (after the effects of interest and taxes) by year-end. The financial results from the fourth quarter of fiscal 2002 (March 2002) and the first quarter of fiscal 2003 (June 2002) will be made available in August and we are expecting that the string of revenue growth will continue in these quarters as well. Finally, by the time the full fiscal 2003 year rolls around a year from now, we are expecting that the Company will be net earnings positive and still growing.

Although IP Applications reports that they have approximately $750,000 in cash available, currently, we would expect that they will undertake an equity offering with the next six months. The Company's stock price has strengthened greatly in the last quarter hitting a high of 60¢ between mid-April and early May, but has fallen off recently with very little volume. Once IPA begins announcing the results of their Q4-02 and Q1-03 in August, we expect that a renewed level of interest will put upward pressure on the stock.

Due to the near term profitability and strong projected revenue growth for **IP Applications, we are going to maintain our Buy recommendation and our twelve month target price of $1.** On April 23rd, we raised our recommendation from Speculative Buy and our target price from 70¢.

Mad Catz Interactive (MCZ-TSX)

Price	Jun-28-02	$1.50
52 Week Range	High	$3.04
	Low	$1.00
Shares Outstanding		52.8 million
Market Cap		$79.2 million
Sales (US$)	2002 A	$83.3 million
	2003 F	$100.0 million
	2004 F	$120.0 million
Price / Sales	2002 A	0.6 times
	2003 F	0.5 times
	2004 F	0.4 times
EPS (US$)	2002 A	$0.03
	2003 F	$0.10
	2004 F	$0.16
Price / Earnings	2002 A	51.7 times
	2003 F	9.3 times
	2004 F	6.0 times
12 Month Price Target		**$2.50**
Recommendation		Speculative Buy

All figures in US Dollars (except share price)

Mad Catz Interactive, as a developer of game controllers for the Playstation2, Xbox and GameCube, is positioned as a premium branded product in an industry that is just twelve to eighteen months into its current five to seven year cycle. Now that each of the game base unit manufacturers have lowered their prices, the demand for the units may increase dramatically, which will convert into increased component sales a couple of months down the road.

Mad Catz recently confirmed their revenue and earnings guidance for fiscal 2003 (ending March 31st), which they had initially given earlier in the year. Revenue is expected by the Company to be around US$100 to 105 million with net earnings per share of US11¢. We concur with the guidance for the revenue, but at the lower end and a fractionally lower EPS of US10.4¢. Although we expect unit sales to be strong, the per unit price will likely be lower than last year and it is this lower margin per item that has reduced our EPS estimates below that of the Company's.

Although no official announcement has been made, it is clear that Sony Computer Entertainment America (SCEA) did not renew the licensing agreement for the Playstation2 memory card. However, Mad Catz has expanded whole heartedly into Europe by setting up both a European warehouse and distributor agreement. We should see some significant growth from European sales in fiscal 2003. Add the multiple new products which have been launched (the Lynx wireless controller, the MicroCon controller for smaller hands and many others) and Mad Catz has a full range of peripheral components with which to approach a retailer to stock their line of controllers and peripherals.

Therefore, we are going to maintain our Speculative Buy recommendation on Mad Catz Interactive and our $2.50 target price in twelve month's time.

Omni-Lite Industries (OML-TSXVenture)

Price	Jun-28-02	$1.97
52 Week Range	High	$2.20
	Low	$1.00
Shares Outstanding		9.1 million
Market Cap		$17.9 million
Sales	2001 A	$3.5 million
	2002 F	$4.9 million
	2003 F	$6.3 million
Price / Sales	2001 A	5.1 times
	2002 F	3.7 times
	2003 F	2.8 times
EPS	2001 A	$0.18
	2002 F	$0.19
	2003 F	$0.25
Price / Earnings	2001 A	10.9 times
	2002 F	10.4 times
	2003 F	7.9 times
12 Month Price Target		**$3.00**
Recommendation		Strong Buy

We are expecting that the earnings for the second quarter of 2002 for **Omni-Lite Industries** will be strong; about 50% above the same period last year and that the third quarter will be even higher, due to the seasonal nature of its business. The manufacturer of fine tolerance components has achieved several milestones this quarter and we are expecting that the Company's profitability will reflect this increased level of sales.

Since March, Omni-Lite has been designated as a Tier One auto parts supplier and is now selling directly to BorgWarner (BWA-NYSE), an autoparts supplier with $2.7B in revenue annually. BWA has been a customer of Omni-Lite's for some time, although indirectly, and the Company felt that they should deal directly with OML. Omni-Lite has also increased the number of parts contracts they have with Monogram Aerospace to nine. Further contracts within their military and recreational segments and we are hopeful that OML will achieve a 40% annual growth in revenue from fiscal 2002 to 2003.

Internally, the Company will not move into their new facility until early July, as opposed to the originally planned date in June, due to delays in the finishing of the space. But Omni-Lite's Management has assured us that they will be in the new building in time to receive their new cold-forging machines, the first two of which are coming after the 15th of July. Once all five are delivered the Company's total number of cold forging machines will be up to 16. They have also bought some new testing equipment which will allow them to test the physical attributes of their components in-house, rather than sending them out to a laboratory.

During the last couple of quarters, the Company's margins have been compressed slightly due to increased overhead costs associated with the large number of research and development projects they are currently undertaking. Omni-Lite is actively looking for new, profitable projects in which to engage, but the sales cycle for a new contract can be over six months due to the development schedule. Ideally, with the newly purchased cold-forging machines, the Company will be able to both produce more *and* have more developmental projects and spread the fixed costs of manufacturing over a greater number of parts.

Looking forward, we are expecting that the Company's second quarter financials will be available in August and, as mentioned before, revenue in the range of US$730,000 (C$1.1 M could be expected). Similarly, earnings for the three month period are expected to be approximately US3¢ or C5¢. We continue to expect strong growth in Omni-Lite, even if the North American economy remains weak, as the Company's products *replace* existing components, rather than requiring them to establish new markets.

Therefore, based on the Company's continued profitability, growth in a niche sector and increasing manufacturing capacity, **we are going to maintain our Strong Buy recommendation on Omni-Lite Industries and our 12 month target price of $3.**

(604) 688-1898

Procyon Biopharma (PBP-TSX)

Price	Jun-28-02	$0.75	
52 Week Range	High	$2.14	
	Low	$0.50	
Shares Outstanding		44.9	million
Market Cap		$33.7	million
Sales	2001 A	$0.1	million
	2002 F	$1.0	million
	2003 F	$1.3	million
Price / Sales	2001 A	-	times
	2002 F	33.7	times
	2003 F	25.9	times
EPS	2001 A	($0.21)	
	2002 F	($0.15)	
	2003 F	($0.10)	
Price / Earnings	2001 A	-	times
	2002 F	-	times
	2003 F	-	times
12 Month Price Target		**$2.50**	
Recommendation		Speculative Buy	

After a mixed clinical results announcement for their lead product Fibrostat, **Procyon Biopharma** continues to pursue development of all three of their in-house products. Results were not as positive as the Company had hoped and will undertake another Phase II clinical trial on the burn management cream. Procyon's developmental products focus on products for the diagnosis and treatment of cancer and the management of hypertrophic scarring.

On June 20th, Procyon announced the results from their Canadian Phase II clinical trials on Fibrostat, which tested different concentrations of the active ingredient on patients with severe surgical scarring. Results showed that although there was some benefit of the topical cream in reducing the severity of scarring, the magnitude of the reduction in scar size was not as dramatic as hoped. The Company will now undertake a North American Phase II trial and focus on only the efficacy of the 0.8% concentration versus a placebo cream. Results from these North American trials should be available in the middle of 2003. Due to the additional round of Phase II trials, commercialization of Fibrostat will likely not occur until late 2005 or 2006, nine to twelve months later than originally expected. Biovail (BVF-TSX) has licensed the development and marketing rights to Fibrostat for North America and will be paying for the majority of the clinical trials. A European partner is currently being sought.

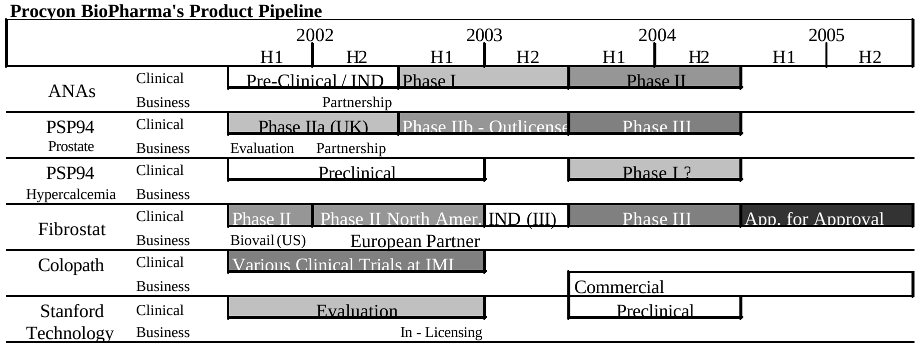
Procyon also has three other clinical and preclinical products that are progressing towards commercialization. **Colopath**, a diagnostic test for colorectal cancer, is licensed to IMI International Medical Innovations (IMI-TSX). The product is being developed along with IMI's own colorectal test as a joint test and A recent check of IMI's developmental timelines shows that they expect to commercialize the Colopath/ColoRectalAlert test in 2004 or 2005. PCK3145, a synthetic peptide of **PSP^{94}**, is about to begin dosing in clinical trials in the United Kingdom and results from these trials should be available in the first half of 2003. The potential prostate cancer therapy is currently under license option agreement with Chiron Corp (CHIR-NASDAQ), which expires in early July. No news has come from either party with respect to the licensing agreement, and a failure to reach an agreement will further harm Procyon's stock price. Finally, the Company's **Antinucleosome Antibody, 2C5,** has finally been announced as a clinical candidate and Procyon expects that they will enter Phase I clinical trials by next summer. The ANAs have been shown to have "pan-cancerous" effects in mice, and the compound's ability to affect multiple types of cancers makes it a promising clinical candidate.

Financially, Procyon recently completed a $10 million bought-deal financing that has given the Company sufficient funds to support it through over a year of operating expenses and multiple clinical trials. If Chiron decides to further pursue the development of the PSP technology, we should expect to see some upfront and milestone payments as initial compensation, which would further augment the Company's cash position. Due to the long time horizon before commercial launch of any of Procyon's products, we do expect that the Company will continue to experience operating losses for some time to come.

Over the next twelve months, investors should expect:

1) An announcement concerning the Chiron licensing deal for PSP^{94} – July 2002
2) First Dosage of PCK3145 in the UK – July/August 2002
3) Initiation of North American Phase II trials for Fibrostat – Q3-02
4) Conclusion of Phase IIa trials for PCK3145 – Q4-02
5) Initiation of clinical trials for ANA 2C5 – Q1 or Q2-03
6) European partner for Fibrostat – Early 2003 (after NA Phase II is complete).

Procyon BioPharma's Product Pipeline



Therefore, given the that there are several near term positive announcements for Procyon Biopharma over the next six to twelve months, **we are going to maintain our Speculative Buy recommendation, but lower our twelve month target price to $2.50 due to the delay in revenues and margin results from the Fibrostat product.**

Proginet (PRF.u-TSXVenture)

Price	Jun-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		Suspending Coverage
Recommendation		Sell

All figures in US Dollars

When **Proginet** announced their third quarter fiscal 2002 earlier in June they failed to meet either of their internal revenue targets for that three month period or the nine months which ended April 30th. The software developer for network security applications has achieved only a fraction of the revenue growth they had expected, but has been able to achieve a greater level of profitability through expense reduction.

After the Company's conference call in early June, we have come to the belief that the industry in which Proginet is currently competing is no longer a growth industry. The slowdown in technology spending has likely exaggerated the lack of growth, but the demand for their services is not behaving like an industry in rapid growth. We would propose that the network security software market is actually mature and that to compete in this space a low-cost market position is necessary. Therefore, to achieve profitability, internal costs must be kept to a minimum.

Looking forward, we do not foresee any reason that Proginet should experience a dramatic increase in sales, particularly to the level estimated by the Company. The security software marketplace is likely to see a resurgence in the future, but it will likely be from a technological advance, and not from solely an increase in demand. Therefore, do to the limited near term upside in the stock and our view that the industry has reached market maturity, **we are going to suspend coverage on Proginet Corporation.**

Rainbow Group of Companies (RBP-TSXVenture)

Disclosure: Principals and employees of Golden Capital Securities own shares of Rainbow Group of Companies

Price	Jun-28-02	$0.29
52 Week Range	High	$0.50
	Low	$0.15
Shares Outstanding		28.9 million
Market Cap		$8.4 million
Sales	2001 A	$0.04 million
	2002 F	$0.9 million
	2003 F	$17.5 million
Price / Sales	2001 A	209.5 times
	2002 F	9.7 times
	2003 F	0.5 times
EPS	2001 A	($0.05)
	2002 F	($0.01)
	2003 F	$0.30
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	0.97 times
12 Month Price Target		**$1.50**
Recommendation		Speculative Buy

The only public announcement that the **Rainbow Group of Companies** has made over the past three months was the arrangement of a European distributor for their infrared imaging technology. Otherwise, all other advancements in the technology have been within the Company, but progress did occur. The Company has two wholly owned subsidiaries, QWIP Technologies (infrared imaging) and InTransTech (transportation safety).

We are currently expecting that the results for the second quarter 2002 will be released in August and that they will again show limited to no revenue. The previously announced sale of $200,000 worth of infrared camera equipment was delayed due to changes requested by the customer, and will hopefully be recognised in the third quarter. Other potential contracts are reportedly being negotiated but could not be disclosed.

QWIPTech's developmental agreement with the US Department of Defense's DARPA agency is on track to meet their next milestone during the beginning of July, even after last minute changes were requested by the defense development agency. Plus, the second production run of the large format chip achieved yield rates dramatically higher than the first and the Company is hopeful that full production volumes and yields will be achievable in the near future.

Rainbow's other subsidiary, **InTransTech**, is in a co-development agreement with the Insurance Corporation of BC (ICBC) for several products that could improve road safety. No announcements were made during the last three months, but the collision avoidance signs deployed in Kamloops earlier this year are reportedly working well. We have been told that developments are currently underway and should be announced shortly.

Therefore, although this has been a very quiet quarter, we feel that the potential projects, particularly in InTransTech in the short term, will raise both the profile and revenue of the Rainbow Group of Companies. Therefore, **we are going to maintain our Speculative Buy and $1.50 target price on RBP.**

Resin Systems Inc (RS-TSXVenture)

Price	Jun-28-02	$0.49
52 Week Range	High	$0.69
	Low	$0.20
Shares Outstanding		27.3 million
Market Cap		$13.4 million
Sales	2001 A	$0.3 million
	2002 F	$0.7 million
	2003 F	$15.0 million
Price / Sales	2001 A	44.5 times
	2002 F	19.1 times
	2003 F	0.9 times
EPS	2001 A	($0.10)
	2002 F	($0.05)
	2003 F	$0.07
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	7.00 times
12 Month Price Target		**$1.00**
Recommendation		Speculative Buy

Disclosure: Principals and employees of Golden Capital Securities own shares of Rainbow Group of Companies

Resin Systems is still working on developing meaningful sales contracts for their physically superior, environmentally friendly resin composite. Numerous commercial projects are in various stages of development, but RSI still is waiting for their first meaningful purchase order. As with many early stage projects, the launch of a product often takes longer than anyone ever assumes.

During the last three months, RSI was able to initiate their developmental agreement with the Alberta Research Council (ARC) to complement the grant from the National Research Council of Canada (NRC). The ARC grant will be a total of $500,000 worth of comparative testing for marketing purposes, funded in four traunches in exchange for equity in the Company. Additionally, all of 37 patent claims on the Company's thermoset resin composite and its use which were applied for last year were allowed by the US Patent Office. At least *some* of the milestones that we laid out three months ago are being met.

However, revenues from resin composite sales have been very elusive. Contracts with Omniglass and Creative Pultrusions have yet to yield any meaningful sales and although some in-house production will generate sales for the third fiscal quarter, which ended May 31st, 2002, the level of revenue will be below what we had originally estimated. We have decreased our revenue target for the year ending August 30th, 2002 from $4.2 million to under $1 million due to the delay in orders from these primary partners. Hopefully, these orders will be made early in the Company's 2003 fiscal year to get sales growth off on a good foot.

One of the more recent agreements was a letter of intent with Canzeal Enterprises, the parent company of Fibreglass North, a manufacturer of fibreglass light standards and other utility structures. Management was indicated that several projects are underway and that sales to the Canzeal subsidiary could begin in late June or early July. In April, when the announcement was released, Resin claimed that they would be in full production within three months, which would indicate a July timeline to full production. We are hopeful that these timelines will be achieved, but like all the others we are not going to hold our breath for an on-time start date.

Financially, Resin Systems was able to attract almost $1 million in equity investment from bond holders and new investors in May. We estimate that the 40¢ offering will leave the Company with just under one million dollars in cash as of the end of the third quarter, and a projected $700,000 at year-end in August. We are hopeful that once meaningful revenues begin, that the Company will be able to achieve profitability fairly rapidly due to their lean infrastructure, limiting the need for future financings. However, it is fairly likely that in order to fund future developmental projects and physical expansion, a further round of financing may be necessary.

Over the next couple of months we are looking for the following short-term milestones to be achieved:

- Order of resin composite to Fibreglass North – July or August 2002
- Order of resin composite to Omniglass – July or August 2002
- Production run of in-house developed hockey stick – late July 2002
- Financial results for the third quarter fiscal 2002 – late July 2002
- Large purchase order from Creative Pultrusion – July or August 2002
- Results of initial round of ARC testing – August or September 2002

With all the projects currently underway at the Company, we are hopeful that revenue from resin composite sales will begin shortly. Resin Systems Inc in on the cusp of meaningful sales, but there is a fairly large adoption chasm for them to convince their customers to jump. However, once they do, we believe that additional sales will be forthcoming. Therefore, **we are going to maintain our Speculative Buy rating on Resin Systems Inc and our twelve-month target price of $1.**

Syn•X Pharma (SYY-TSX)

Price	Jun-28-02	$2.09
52 Week Range	High	$8.25
	Low	$1.40
Shares Outstanding		10.2 million
Market Cap		$21.3 million
Sales	2001 A	$1.5 million
	2002 F	$1.4 million
	2003 F	$1.5 million
Price / Sales	2001 A	14.2 times
	2002 F	15.2 times
	2003 F	14.2 times
EPS	2001 A	($1.21)
	2002 F	($1.10)
	2003 F	($1.30)
Price / Earnings	2001 A	- times
	2002 F	- times
	2003 F	- times
12 Month Price Target		**$5.00**
Recommendation		Speculative Buy

The most recent addition to our Micro-Cap Report, **Syn•X Pharma**, is a late stage developer of point-of-care diagnostic tests for Alzheimer's Disease, Congestive Heart Failure, Insulin Resistance and Traumatic Brain Injury. Each of the tests was developed using the Company's Proteomic Discovery Platform™ (PDP™) to identify protein biomarkers that indicate the disease. The test for Alzheimer's is the most commercially advanced and is expected to be available in Europe in the third or fourth quarter of 2002.

The Company's stock has been driven from a high of over $8 as recently as January of this year, to its low of around $1.40. With just over 10 million shares outstanding and several products that could become commercial within the next several months, the fundamentals of the Company are strong. Plus, the founding management of Syn•X has retaken the reigns of the Company to guide it back to being a pure R&D firm.

One of the reasons for the dramatic drop in the value of the stock was the expiration of a 30-day standstill agreement with a large, and as of yet unnamed, pharmaceutical company. Although the standstill has expired, negotiations between the companies are apparently continuing. Additionally, since then other pharmaceutical and medical device companies have expressed interest in the diagnostic tests. We believe that selling of Syn•X's stock has been overdone and that there is significant upside potential for the stock.

The Company also announced the commencement of North American clinical trials for Alzheimer's disease. The first two of up to 530 patients were enrolled at Monroe Community Hospital in Rochester, NY and Edmonton's Glenrose Rehabilitation Hospital, but will expand to a total of six centers in the US and three in Canada. At this time the Company expects to complete the trials within a year.

Right at the end of the quarter, Syn•X was granted an Allowance of Patent from the US Patent Office for their Congestive Heart Failure diagnostic test. While not approval to begin selling the test, the patent allowance does give the Company protection against others trying to duplicate their technology. The key will be to partner with a strong Pharmaceutical or Medical Device marketing company.

In our Research Report on Syn•X we laid out six milestones that we will be watching for over the next twelve months:

- Alzheimer's clinical trials to begin in Q2-02 – **Initiated June 26th, 2002**,
- A European partner for the Alzheimer's test to be arranged in latter half of 2002,
- European partner(s) for CHF, IR and TBI test in late 2002 or early 2003,
- European distribution to start for Alzheimer's test in late 2002 or early 2003,
- European distribution for CHF, IR and TBI to begin in first half of 2003,
- Results from the North American Alzheimer's clinical tests mid-2003.

Therefore, **we will maintain our Speculative Buy recommendation on Syn•X Pharma and our twelve-month target price of $5.** More information about the status of the marketing agreements will hopefully be available shortly.

Rob Peets, MBA CFA
Research Analyst
Golden Capital Securities
#168 – 1177 West Hastings St.
Vancouver, B.C.
V6E 2K3