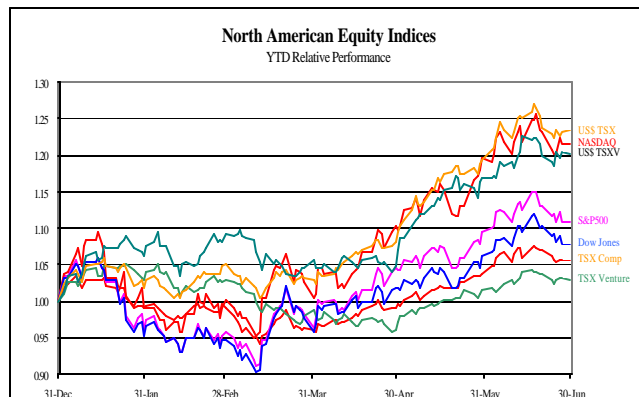




Market Overview

The second quarter of 2003 has been an excellent three months for the North American equity markets, particularly for US Technology. **While the Canadian stock markets have not performed as well as their American counterparts based on their domestic dollar returns, if one were to add in the increase of the Canadian dollar, the TSX Composite goes from only a 7% return to almost 25% over the first six months of the year.** Only the tech laden NASDAQ Composite comes close in overall performance.



As the North American economic recovery continues to sputter slightly, we expect that inflation and interest rates will remain low, with no dramatic drops, for the remainder of the year. The risks of deflation are once again being bantered about, but the likelihood of a deflationary spiral is low due to a reasonable level of projected GDP growth for both 2003 and 2004 in the United States and in Canada. Our July 2003 Investment Outlook newsletter discusses these points more fully. However, **we feel that the recent run-ups in the North American equity markets has resulted in valuations which are ahead of the fundamentals.** The recent step back at the end of June was about half of the expected adjustment, and further uneasiness should be expected. While the summer looks quiet, **the overall trend for the remainder of the year looks promising, both economically and financially.**

Compared to the other principals North American indices, the Golden Capital Small and Micro Cap Companies generally underperformed their benchmarks. **We have noticed a persistent reluctance by investors to commit funds to companies with smaller capitalizations,** particularly those that might be “concept” stories like pharmaceuticals and other developmental companies; and we can understand this reluctance. Why would an investor purchase an illiquid, micro cap security when many large blue chip companies are trading at discounts to historically normal prices? Plus, the average market capitalization of our Micro Cap coverage list is only \$53 million, compared to \$760 million for the TSX’s SmallCap Index, which exaggerates the illiquidity of our micro cap portfolio. When compared to the TSX Venture Index, the Buy and Strong Buy recommendations outperformed, but not by as much as we would have thought. **Several of the Companies in our Buy and Strong Buy category are trading well below their fundamental value,** and one or two are close to their cash value. If there was ever a question as to whether the small and micro cap markets were inefficient, this quarter’s report has several examples of excellent companies stock prices being driven down and companies with no developments, being bid up.

Index	Three Month Return Since	March 31, 2003
S&P/TSX Composite Index		10.1%
S&P/TSX SmallCap Index		11.3%
S&P/TSX Venture Composite Index		4.3%
S&P 500		14.9%
NASDAQ Composite Index		21.0%
Russell 2000 Index		23.0%
Wilshire Small Cap Index		21.6%
Golden Capital Research Universe		1.8%
Buy and Strong Buy		4.9%
Spec Buy		0.1%
Hold		-0.7%
Sell		0.2%

Coverage Review

A relatively mixed quarter for Golden Capital's Small and MicroCap Portfolio. Seven companies had positive returns, while eight were lower than March 31st. Top performers during the quarter were **Cardiome Pharma** (COM-TSX), which was up almost 60% on no news. Speculation around a potential licensing deal at the conclusion of their RSD1235 Phase IIa clinical trial was likely the reason, but nothing has been formally announced by the Company at this time; we are taking a "wait and see" approach. **Home Capital Group** (HCG.b-TSX) had several developments which strengthened its fundamental investment story. HCG's stock was up by 41% in just a three month period, and while we do expect the trend to continue, and have therefore increased our target price, investors should not expect the rate of the increase to be as dramatic in such a short period of time.

The laggards on the list include Rainbow Group of Companies, Omni-Lite Industries and Resin Systems Inc. The **Rainbow Group of Companies** (RBP-TSXV) was down dramatically on a percentage basis, but only 4¢ on an absolute basis. When the stock has dropped as much as it has, little movements have big effects. During the quarter **Omni-Lite** (OML-TSXV) was been pushed down to our near term target price and we have now reversed our Sell recommendation to a Speculative Buy and increased its target price to \$1, from 50¢, based on stronger projected future earnings. Finally, after a significant amount of investor interest shortly after their acquisition announcement, **Resin Systems Inc** (RS-TSXV) has fallen off as targeted dates for certain milestones passed without any news. We feel that the current price is an appropriate valuation given the significant potential, but also its speculative nature.

Current Coverage	Recommended		Price	Price	Price Target	% Price Change		Recommendation
	Price	Date	Mar 31-03	Jun 30-03		vs. Recommended	vs. Last Quarter	
ACD Systems International Inc	\$ 2.10	02 Q4	\$3.00	\$2.80	\$5.00 ▲	33%	-7%	Strong Buy ▲
Cardiome Pharma Corp	\$4.60	98 Q3	\$2.40	\$3.80	\$4.50	-17%	58%	Speculative Buy
Computer Modelling Group Ltd	\$0.54	00 Q3	\$1.99	\$1.95	\$2.50 ▼	261%	-2%	Buy
Home Capital Group Inc	\$15.35	03 Q1	\$14.50	\$20.50	\$25.00 ▲	34%	41%	Buy
Imaging Dynamics Company Ltd	\$10.00	00 Q3	\$0.38	\$0.40	\$0.75	-96%	5%	Hold
International Road Dynamics Inc	\$1.54	02 Q2	\$0.94	\$1.01	\$1.00 ▲	-34%	7%	Hold ▲
International Wex Technologies Inc	\$1.85	01 Q1	\$2.08	\$1.76	\$5.00	-5%	-15%	Speculative Buy
IP Applications Corp	\$1.60	00 Q4	\$0.30	\$0.29	\$0.75	-82%	-5%	Buy
Mad Catz Interactive Inc	\$2.17	01 Q4	\$0.86	\$0.88	\$2.00 ▲	-59%	2%	Speculative Buy
Northstar Aerospace Inc	\$2.75	03 Q1	\$2.80	\$2.92	\$4.50	6%	4%	Buy
Omni-Lite Industries Canada Inc	\$1.33	00 Q3	\$0.70	\$0.60	\$1.00 ▲	-55%	-14%	Speculative Buy ▲
Procyon Biopharma Inc	\$1.25	00 Q4	\$0.45	\$0.48	\$1.50	-62%	7%	Speculative Buy
Rainbow Group of Companies Inc	\$0.55	01 Q1	\$0.11	\$0.07	\$0.50	-87%	-36%	Speculative Buy
Resin Systems Inc	\$1.28	00 Q4	\$1.00	\$0.84	\$1.00 ▼	-34%	-16%	Hold ▼
SynX Pharma Inc	\$1.60	02 Q2	\$0.76	\$0.74	\$3.00 ▼	-54%	-3%	Buy ▼

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

The third quarter of 2003 will likely see an uncertain and non-directional period on the North American equity markets. Summer doldrums and continued economic uncertainty, particularly in the United States and to some extent in Canada, are factors expected to temper stock performance as growth expectations are lowered. Investors have already bid up the prices of many blue chip and technology issues to levels not seen since the Internet Investment Bubble: EBay's PE (EBAY-NASDAQ) is 104 times trailing earnings, Yahoo's (YHOO-NASDAQ) is 136 times. A stock market stall, and perhaps even a correction, is not out of the question. The latter part of June saw some of this reversal, and investors should be prepared for further uncertainty as either the markets come down to meet the economic reality or stall while waiting for corporate earnings to catch up. Either way, Equity Investors will probably experience more weakness before a truly sustained rally can be maintained.

ACD Systems (ASA-TSX)

Price	Jun-30-03	\$2.80
52 Week	High	\$3.70
Range	Low	\$0.90
Shares Outstanding		22.6 million
Market Cap		\$63.4 million
Fiscal Year End		March
Sales	2003 A	\$22.3 million
	2004 F	\$33.7 million
	2005 F	\$41.4 million
Price / Sales	2003 A	2.8 times
	2004 F	1.9 times
	2005 F	1.5 times
EPS	2003 A	\$0.20
	2004 F	\$0.43
	2005 F	\$0.64
Price / Earnings	2003 A	14.3 times
	2004 F	6.5 times
	2005 F	5.8 times
12 Month Price Target		\$5.00
Recommendation		Strong Buy

ACD Systems, a developer of digital image management software, has experienced a dramatic quarter in terms of corporate developments. Over the last three months ACD announced in early in April the acquisition of two companies: Linmor's (LIR-TSX) Canadian subsidiary and Deneba Systems. The release of their Fiscal 2003 financial results, which were excellent for the year, were lower than expected in the fourth quarter. The outlook for the Company is very positive and if the Canadian dollar remains steady, we expect strong earnings growth this year.

The first acquisition was for the Canadian subsidiary of Linmor. For just over two million dollars Canadian, ACD was able to purchase an image database technology and, more importantly, \$25 million of tax loss carry-forwards, which will dramatically reduce ACD's net tax costs for several quarters to come. This acquisition was structured so that there would be little to no capital costs, no assumptions of liabilities and no restructuring costs; a beneficial, long term acquisition.

Deneba Systems was the second acquisition which was undertaken for their Canvas software, a profitable, image editor. Competing against products like Adobe's (ADBE-NASDAQ) Photoshop and Illustrator, Canvas provides multi-product functionality in a single software package at a lower price. Terms of the acquisition were US\$4.5 in cash and a further US\$1 million in shares, with a further US\$2 million potentially payable if

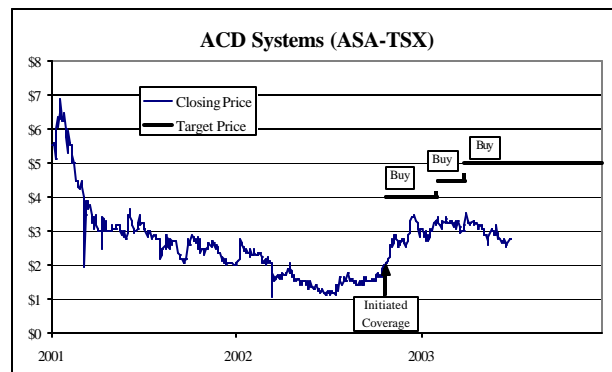
certain financial hurdles are met. ACD was able to pay the cash portion of the acquisition with a US-dollar denominated loan, which eliminated the effects of the recent exchange rate fluctuations. The newest version of Canvas (Canvas 9.0) should be launched at the end of June or in July resulting in the first of five product upgrades and launches in fiscal 2004.

During the next ten months, ACD Systems will launch five new software products which could renew revenue growth in their products as the sales cycle renews. With Canvas 9.0 launching late in the first quarter, ACD is expecting that Q1-04 revenue and earnings will not show incredible growth, but that as the new product sales cycles begin in Q2, and forward, we should begin to see dramatic increases in revenue and, more importantly, earnings. A new version of FotoSlate is scheduled for launch later in the second quarter, with a new version of the Company's flagship product, ACDSee version 6, launched in Q3. A new product, ACDSee Pro, targeting the professional and commercial user of ACDSee will be launched in the fourth fiscal quarter of 2004, which ends March 31st, 2004. ACDSee Pro will contain increased network and large image management functionality. The refreshed sales cycle for several *key* products should energize the Company's stellar growth rates for several quarters to come.

ACD Systems' Product Launches – Fiscal 2004		
Q2 – Jul-Sep '03	Q3 – Oct-Dec '03	Q4 – Jan-Mar '04
Canvas 9.0		
FotoSlate		
	ACDSee 6.0	
		ACDSee Pro
		Add'l Product

The strength of the Canadian dollar vis-à-vis the US dollar has hindered the Company's revenue growth to a degree as approximately 37% of their sales come from the US. However, an increasingly global and diversified distribution network and the Company's high margin Electronic Sales and Distribution systems over the Internet has allowed them to maintain their profitability even with the rising Loonie. ACD's focus is on their earnings and not revenue directly; earnings have not been as directly affected by changes in the foreign exchange rates.

During their most recent conference call, the Company still feels comfortable with their 40¢ EPS guidance for the year. Given our expectations about sales growth and profitability, we have estimated an even slightly higher EPS figure as a result of the launch of several new and upgraded products. Therefore, **we are going to increase our recommendation on ACD Systems to a Strong Buy from a Buy and maintain our \$5 twelve month target price.** The recent drop in the Company's stock represents an excellent buying opportunity for long term investors.



Cardiome Pharma (COM-TSX)

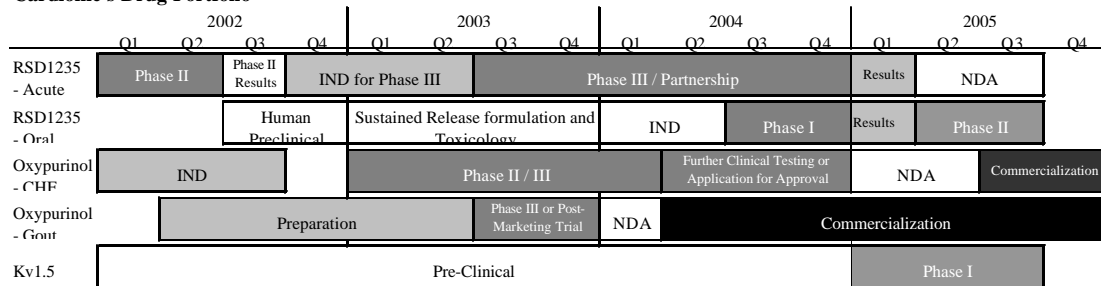
Price	Jun-30-03	\$3.80
52 Week	High	\$4.18
Range	Low	\$1.35
Shares Outstanding		31.1 million
Market Cap		\$118.2 million
Fiscal Year End		November
Sales	2002 A	\$2.4 million
	2003 F	\$2.2 million
	2004 F	million
Price / Sales	2002 A	49.3 times
	2003 F	53.7 times
	2004 F	times
EPS	2002 A	(\$0.60)
	2003 F	(\$0.58)
	2004 F	
Price / Earnings	2002 A	- times
	2003 F	- times
	2004 F	times
12 Month Price Target		\$4.50
Recommendation		Speculative Buy

Cardiome Pharma has had an unexpected run-up in the price of their stock on no published news. The drug development company focusing on cardiac disease treatments has had few announcements over the last three months, but investors have bid the price on the stock up to over \$4, before falling back a little at the end of June. Our only guess is that investors are starting to speculate that a licensing deal for RSD1235 and further Oxypurinol developments are close at hand. Time will tell.

During the last three months, Cardiome has closed a very successful \$8 million bought-deal financing, which at \$2.10 appears in hindsight to have been an excellent deal. Then from May 26th onwards, there has been an increased level of interest in the stock, driving the trading price to a high not seen since February 2002. Investors have begun to speculate on the timing of a potential partnership and clinical results announcements which are both expected in the second half of 2003. Hinting to this, the Company also created a Preferred class of shares which would be used to facilitate a partnership or further corporate developments.

Cardiome's product portfolio currently consists of five main products: RSD1235 (in both acute and oral applications), Oxypurinol for Congestive Heart Failure (CHF) and for Gout and finally, their preclinical candidate, Kv1.5. RSD1235 targets atrial arrhythmia, for which there is currently few options which are both safe and effective. Cardiome

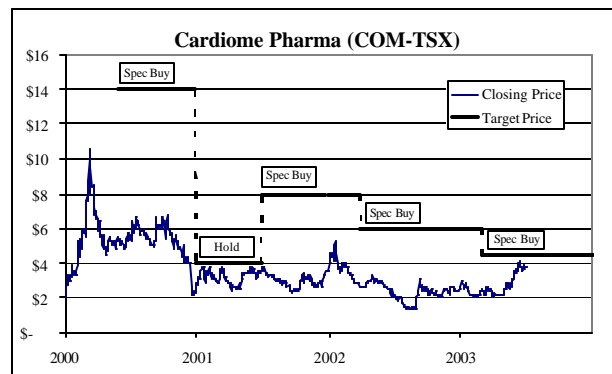
received allowance to begin Phase III trials for the acute application and has completed all developments to this point without a partner. Phase III is expected to begin in the second half of 2003 and will include a total of 420 people at 40 sites over a 12-18 month trial. We could also see a partnership or licensee lined up in the near future. Recent corporate developments (like the creation of the preferred shares) seem to indicate that a deal may be close at hand. The oral availability of RSD1235 has been very promising and the Company hopes to begin Phase I clinical trials in a year's time to address the market for those with chronic atrial arrhythmia.

Cardiome's Drug Portfolio

The Company's other principal product, Oxypurinol, was acquired as part of the purchase of Paralex in 2002. Originally developed as a treatment for Gout for those intolerant to the incumbent allopurinol treatment, Oxypurinol has shown promise for the treatment of CHF as well. A pivotal Phase II/III trial was initiated in March and is expected to conclude in 2004, with three other proof-of-concept trials expected during 2003. Cardiome also owns the rights for Oxypurinol as a treatment for Gout and the Company hopes to file a New Drug Applications (NDA) with the US Food and Drug Administration in the Second half of 2003. They are currently reanalyzing some data from the trials done prior to the acquisition. Finally, Kv1.5 is still in preclinical and is expected to stay there for the foreseeable future.

Over the next twelve months we would expect to see the filing of an NDA for Oxypurinol for Gout and a development partnership or licensing deal for RSD1235. The Company's other principal projects will be in clinical trials for the remainder of this year and in to 2004. Barring some substantial licensing deal, a further equity offering in the first half of 2004 is also a distinct possibility.

Therefore, while we await a deal for RSD1235 and the filing of the NDA for Oxypurinol for Gout, **we are going to maintain our Speculative Buy recommendation and \$4.50 target price on Cardiome Pharma.** The recent run up in price has been quite dramatic and the stock may have gotten a little ahead of its fundamentals in the near term. The current price is betting that a significant deal for the licensing of RSD1235 is very close.



Computer Modelling Group (CPU-TSXVen)

Price	Jun-30-03	\$1.95
52 Week	High	\$2.24
Range	Low	\$1.19
Shares Outstanding		7.4 million
Market Cap		\$14.3 million
Fiscal Year End		March
Sales	2003 A	\$11.4 million
	2004 F	\$11.8 million
	2005 F	\$12.2 million
Price / Sales	2003 A	1.3 times
	2004 F	1.2 times
	2005 F	1.2 times
EPS	2003 A	\$0.33
	2004 F	\$0.25
	2005 F	\$0.29
Price / Earnings	2003 A	6.0 times
	2004 F	7.8 times
	2005 F	6.8 times
12 Month Price Target		\$2.50
Recommendation		Buy

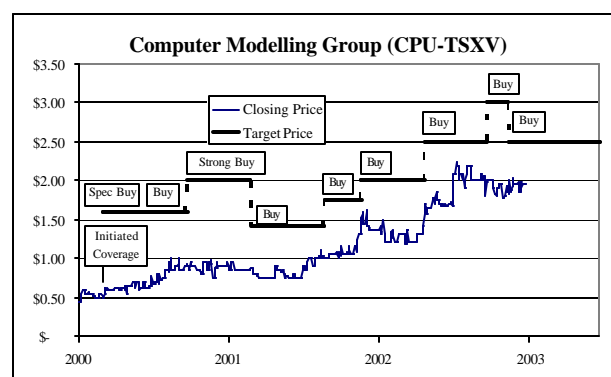
Computer Modelling Group's only announcement this quarter was the results of their fiscal 2003 year, which ended on March 31st, 2003. The developer of oil and gas extraction simulation software experienced revenues which were slightly lower than we had expected and net earnings which were dramatically lower than expected. Union strife in Venezuela and an appreciating Canadian dollar were credited with the weaker results. However, future earnings are expected to improve.

With 80% of the Company's revenues coming from the US, revenue and earnings tend to be highly sensitive to fluctuations in the Canadian dollar relative to the US dollar. We have lowered our expected Earnings Per Share from 33¢ per share in 2004 to 25¢ and 29¢ in 2005. For the First Quarter of 2004 we are expecting EPS of 5¢ per share on \$2.66 million in revenue; the first and fourth quarters of the fiscal year tend to be CMG's weakest.

A point of interest is the Company's estimated \$1.13 per share in cash which makes the current valuation even more surprising. While there are no immediate plans for the cash, CMG's management has indicated that they are actively looking for accretive acquisitions and other strategic activities. Plus, as the Company continues to generate positive cash flow from their operations, this cash balance will continue to grow. We are hopeful that the Company does do something with the cash soon as it is dramatically under-utilized in its current state.

The current valuation of under \$2 for Computer Modelling Group appears to be an overly conservative valuation based purely on the cash generated by its business, even when discounted by small company, low liquidity and convoluted capital structure factors. If one was to add back the \$1.13 we estimate in cash as of the end of June, the fundamental valuation of Computer Modelling Group is well above the Company's current stock price, particularly for a Company which has seen a Return-On-Equity of 28% in fiscal 2003 and is expected to achieve 20% in 2004.

On May 22nd, we reduced our target price based on the combination of lower projected revenue and earnings. However, once the long dormant, but steadily growing, cash is deployed, we hope to see significant long term value in Computer Modelling Group. Therefore, **we are going to maintain our Buy recommendation on Computer Modelling Group and our \$2.50 target price.** Until something is done with the estimated \$8.3 million in cash on CMG's books, the Company will likely trade at a significant discount to its fundamental value.



Home Capital Group (HCG.b-TSX)

Price	Jun-30-03	\$20.50
52 Week Range	High	\$21.76
	Low	\$10.90
Shares Outstanding		16.7 million
Market Cap		\$343.1 million
Fiscal Year End		December
Sales	2002 A	\$101.2 million
	2003 F	\$126.7 million
	2004 F	\$165.3 million
Price / Sales	2002 A	3.4 times
	2003 F	2.7 times
	2004 F	2.1 times
EPS	2002 A	\$1.25
	2003 F	\$1.54
	2004 F	\$1.85
Price / Earnings	2002 A	16.4 times
	2003 F	13.3 times
	2004 F	11.1 times
12 Month Price Target		\$25.00
Recommendation		Buy

Home Capital Group, a provider of residential mortgages and other lending products to non-traditional clients, had an excellent quarter for the performance of its stock, up over 40% in the quarter. Strong Revenue growth, an excellent improvement in Earnings and a simplification of the capital structure can explain the increase, and indicate continued strong performance going forward.

Although the revenue figure for Q1 came in a little under our estimates, \$27.5 million vs. our expectation of \$28.6 million, the Company's EPS was higher, 36¢ per share vs. an expected 34¢. During our discussions with Management, they reaffirmed their internal targeted growth rates of:

- 20% ROE – which has been achieved each year for five years
- 20% Asset Growth – achieved 22.7% in 2002.
- 20% Increase in Net Inc – seven consecutive years
- 20% Increase in EPS – seven consecutive annual increases as well.

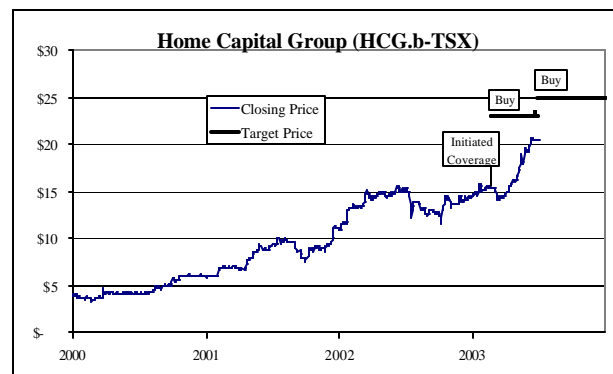
Our forecasts have indicated that the performance targeted by the Company is achievable and we do expect that HCG will be able to meet and in some cases exceed their targets during fiscal 2003.

Results from the Second Quarter 2003, for the period ending June 30th, 2003, should be available late in July and we are expecting that revenue and earnings should continue to grow. Gross revenue of \$30.8 million with Earnings-Per-Share of 37¢ per share, plus a dividend, should be achievable and support a further appreciation of the Company's share price. By the end of fiscal 2003, we expect that Home Capital should earn in the neighbourhood of \$1.54 per share in Net Income, a 23% increase from fiscal 2002.

Corporately, at the Company's AGM the multiple voting class-A shares have been fully converted to single voting, common B-shares. The simplification of the capital structure has resulted in a slight increase in the number of outstanding shares, but no change in the Fully Diluted figure. The Board of Directors also increased the Company's quarterly dividend from 3¢ per share to 3.75¢. The first payment of the new, higher dividend will be payable on September 1st.

The growth in Home Capital Group's business will come from continued expansion in Western and Eastern Canada. Increased marketing efforts, particularly in British Columbia and Alberta will drive business growth over the next several quarters, while Ontario continues to generate the lion's share of HCG's revenues. During this period of low interest rates, strong mortgage demand is expected to continue for the remainder of the year. A strong domestic economy and relatively low interest rates have greatly increased the demand for housing, and thus mortgages, across Canada. Robust demand, excellent profitability, geographic expansion and a growing dividend make Home Capital Group a very compelling investment story.

Therefore, **we are going to maintain our Buy recommendation on Home Capital Group and raise our twelve-month target price to \$25, from \$23.** While performance will not likely continue at the rate it has over the last two months, long term investors should be rewarded.



Imaging Dynamics (IDL-TSXVen)

Price	Jun-30-03	\$0.40
52 Week	High	\$0.90
Range	Low	\$0.23
Shares Outstanding		23.1 million
Market Cap		\$9.3 million
Fiscal Year End		December
Sales	2002 A	\$0.8 million
	2003 F	\$4.8 million
	2004 F	million
Price / Sales	2002 A	12.0 times
	2003 F	1.9 times
	2004 F	times
EPS	2002 A	(\$0.29)
	2003 F	(\$0.04)
	2004 F	
Price / Earnings	2002 A	- times
	2003 F	- times
	2004 F	- times
12 Month Price Target		\$0.75
Recommendation		Hold

Imaging Dynamics has further developed their high quality, low cost digital x-ray imaging equipment with the launch of a smaller format 15x15 inch unit and new in-house proprietary algorithms. Sales of the Company's existing 17x17 inch system reached an all time high in the first quarter of 2003 and we are expecting an even better quarter for the period ending June 2003. However, increased marketing and administrative costs have made profitability elusive.

In mid-May, Imaging Dynamics announced disappointing fiscal year end 2002 results with lower than expected revenue and a dramatically increased loss due to delayed installations, higher R&D costs and an inventory write-off. However, since the expected revenue was not cancelled, just delayed, the first quarter of fiscal 2003 was the Company's best ever quarter with revenue of \$934,000, but a continued net loss. We have projected for several quarters now that the Company would require sales of 6 to 8 units per quarter to breakeven, and the first quarter saw only four sales recognized.

Looking forward to the current quarter, we are expecting that five or six sales could be made in the quarter with revenue in the neighbourhood of just over \$1 million.

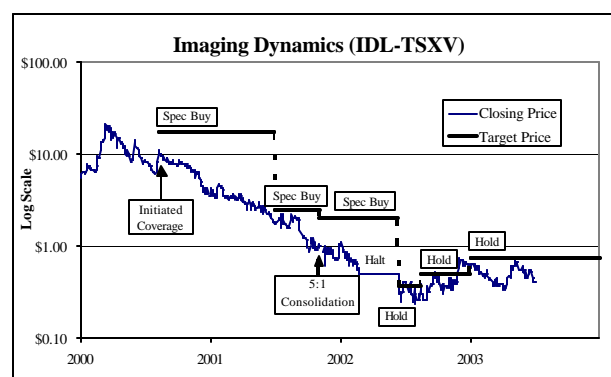
However, even with another "best ever quarter", we are still forecasting a loss as sales will be short of the magic 8 unit sales in a quarter. At this point we are hopeful that if the current sales momentum can be maintained, when Imaging Dynamics goes to the Radiologist Society of North America (RSNA) show in November they will be able to carry that sales strength as a banner. If the momentum is maintained, we would expect that the Company's first breakeven quarter could occur in the third or fourth quarters of 2003. The key will be the control of their internal costs structure. Manufacturing has been outsourced, sales is largely outsourced, maintenance contracts for distributor sourced sales is outsourced, but the Company *must* control its administrative and development costs to prevent continued losses as revenues increases.

Even with the potential of breakeven close at hand, the share price of IDL's stock will likely remain around the 75¢ mark until the end of February 2004. By that time the vast majority of the Company's 8.25 million warrants will have expired or been exercised. If they are exercised, it will place a further \$5.6M in the Company's coffers. The cash in-flow from any exercised warrants could fund operations for several quarters even if sales rates do not take off as the Company expects.

Key milestones over the next 12 months will be:

- The continued adoption of digital x-ray, by medical facilities,
- Multiple installations and trouble free operation at these facilities,
- RSNA Show – with several recent installs and positive opinions in-hand.

Therefore, based on the significant overhang of warrants and the expected continued losses, or at best break-even, over the next several quarters, **we are going to maintain our Hold recommendation on Imaging Dynamics, with our 75¢ target price.** Once the remaining warrants are either exercised or expire in February 2004, the stock will hopefully more accurately reflect the Company's position.



International Road Dynamics (IRD-TSX)

Price	Jun-30-03	\$1.01
52 Week	High	\$1.50
Range	Low	\$0.89
Shares Outstanding		13.4 million
Market Cap		\$13.6 million
Fiscal Year End		November
Sales	2002 A	\$29.0 million
	2003 F	\$29.0 million
	2004 F	\$34.8 million
Price / Sales	2002 A	0.5 times
	2003 F	0.5 times
	2004 F	0.4 times
EPS	2002 A	\$0.10
	2003 F	\$0.05
	2004 F	\$0.11
Price / Earnings	2002 A	10.1 times
	2003 F	20.2 times
	2004 F	9.2 times
6 Month Price Target		\$1.00
Recommendation		Hold

International Road Dynamics (IRD), is currently marketing a broad range of Intelligent Transportation Systems (ITS) like their Weigh-In-Motion, traffic data collection and driver management systems. While the industry is widely acknowledged to be an area of key interest at many levels of government in the United States, Canada and abroad, the dollars available to these projects has been under close scrutiny as other, more pressing, geopolitical situations have arisen. However, the Company has begun to see a renewed interest in their products and services.

On June 23rd, IRD announced the results of their second quarter of fiscal 2003. Revenue was \$0.5 million greater than expected, and our expected \$345,000 loss turned out to be a \$327,000 profit, or 2¢ per share. The dramatic change in the direction of earnings resulted from the improved gross margins and controlled internal costs. We have modified our projections slightly and increased our estimated revenue for 2003 to \$29 million, from \$28.5 million, and moved from an expected loss over fiscal 2003 to a profitable year with 5¢ per share.

The Company also repurchased a total of 262,000 shares over the first six months of their fiscal year at an average price of \$1.03. While this represented only 18% of the volume for the period, it indicates to us that there was a somewhat artificial support level for the stock at the \$1 level. While we are expecting the Company's financial situation to

improve over the next twelve months, our projected earnings indicate that the current \$1 stock price is very fairly valued given the historical trading ranges.

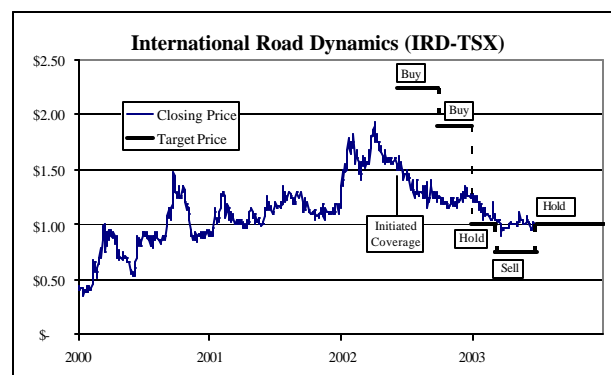
Several new announcements during the quarter of both new sales and service renewals:

While all of these contracts will not necessarily be completed over the three month period, the revenue flow is what is key to the overall profitability of IRD. The Company's order book stood at a reported \$18.5 million as of May 30th, compared to \$17 million in February and \$16.7 million at fiscal year end. The only new, announced sale since the end of the quarter has been the extension of the Data and Maintenance contract with the State of New York, valued at C\$500,000.

Location	Amount (C\$)
Oregon Green Light Maintenance Contract	\$490,000
Wyoming	430,000
South Dakota	650,000
Indiana W-I-M Maintenance	500,000 (\$2M over 4 years)
Georgia W-I-M	350,000
Illinois – Dynamic Lane Change	215,000
Total Announced This Quarter	2,635,000

The Company's third quarter has historically been one of IRD's best due to the seasonality of installation projects. The fourth quarter is usually higher still in terms of revenue, but due to industry weakness was slightly lower in 2002. We are expecting that this year will be a return to more historical averages, and in fact, more pronounced due to the combination of seasonality and renewed interest in the ITS industry. As mentioned above, we have forecast revenue of \$29 million in 2003 and \$35 million in 2004, with earnings of 5¢ and 11¢ per share, respectively. IRD has historically traded at approximately 10 times its trailing twelve month earnings, but with the support of the buy-back, the stock price has not dropped to expected levels.

Looking forward we would expect that over the next six months, IRD's share price will remain relatively constant as demand in the ITS industry renews and the Company's buyback tries to minimize any selling pressure. It will likely only be after the announcement of the Company's third and, more importantly, their fourth quarters of fiscal 2003, that we will likely see the fundamental increase in the price of IRD's stock. Therefore, **we are going to raise our recommendation on International Road Dynamics to a Hold, from a Sell, and increase our six month target price to \$1, from 50¢.**



International Wex Technologies (WXI-TSXVen)

Price	Jun-30-03	\$1.76
52 Week	High	\$2.50
Range	Low	\$1.60
Shares Outstanding		21.5 million
Market Cap		\$37.9 million
Fiscal Year End		March
Sales	2002 A	\$0.3 million
	2003 F	\$1.0 million
	2004 F	\$3.3 million
Price / Sales	2002 A	114.8 times
	2003 F	37.9 times
	2004 F	11.5 times
EPS	2002 A	(\$0.26)
	2003 F	(\$0.09)
	2004 F	(\$0.16)
Price / Earnings	2002 A	- times
	2003 F	- times
	2004 F	- times
12 Month Price Target		\$5.00
Recommendation		Speculative Buy

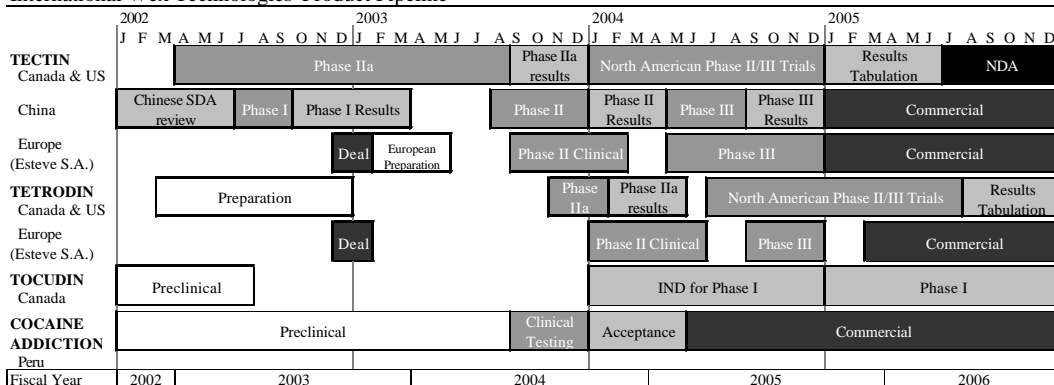
International Wex Technologies (Wex) is developing a non-addictive pain management compound for chronic pain. The Company is currently wrapping up Phase IIa clinical tests in Canada and awaiting initiation of Phase II trials in China. Both should occur over the next three months, although they had been expected to occur about six months ago. The next three to six months will be key to the Company's long-term development

Wex is currently in a holding pattern as they await the next phase for their two primary programs. **Tectin**, a pain management compound for chronic cancer pain, is undergoing Phase IIa clinical trials in Canada; trials which may wrap up within the next couple of weeks. The Company has said that they have met with the Health Protection Branch in Canada and may be able to cut off enrolment and base their trials on the patients processed so far. However, there has been no mention from Wex as to when this might occur. At this point we have estimated that results from the trials might be released as soon as September 2003, but this might be a little optimistic due to previous delays. Hopefully, the interim results will be strong enough to permit Wex to skip Phase IIb clinical trials and to proceed directly to a North American Phase II/III pivotal trial. If everything goes according to plan, that would allow for a New Drug Application in late 2005 and commercial revenue, if approved, in 2006. This three year timeline is an aggressive goal, particularly if a major partner is brought in to assist or take-over development. If the abbreviated development is not allowed by either HPB or the US FDA, then at least a

further 12 months should be added to the development timetable to allow for a Phase IIb trial.

North American development of **Tetrodin**, a compound for pain management associated with drug addiction withdrawal, is also on hold awaiting the completion of Tectin's Canadian Phase IIa trials and the hopeful in-flow of funds associated with its completion. Canadian trials on Tetrodin are all lined-up and are only awaiting the funds with which to pay for them. Peruvian trials for cocaine addiction withdrawal pain are reportedly working their way passed all the local requirements, but are now a year behind original developmental expectations.

International Wex Technologies' Product Pipeline



International Wex is also pursuing development in China on both products, as initially it was thought that development and approval would be very rapid and allow the Company to begin to generate revenues in a short period of time. However, Phase I trials in China were completed in September 2002 and while results are reportedly available in Chinese, an English translation of the results has not yet been made available. Additionally, Phase II clinical trials which were to have begun early in 2003 were delayed due to the SARS outbreak in China. The Company is now hopeful that Phase II trials should begin in the third quarter and be completed by the end of the calendar year.

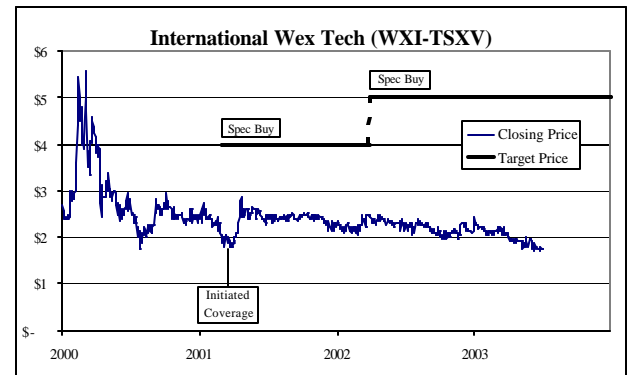
Similarly, European development of both Tectin and Tetrodin is waiting for the release of results from the Canadian trials. Esteve S.A., a Barcelona-based pharmaceutical development company, has licensed the development rights to both Tectin and Tetrodin in the EU. The completion of the Phase IIa trials will allow Esteve to file for European Phase II trials with the data, which would trigger a milestone payment payable to Wex. However, development is on hold until results from the Phase IIa results are released.

Financially, there is the potential for a multi-million dollar offering in the near future to shore up their financial situation in order to:

- 1) Appear healthy to prospective suitors
- 2) Fund clinical trials if necessary

As mentioned above, the release of positive Phase IIa results is the biggest foreseeable development at International Wex over the next six months. Without its completion, the Company's other projects cannot progress, a potential offering has no sizzle and milestone payments from Esteve will not be paid.

While timelines have been pushed back significantly, which is a little disheartening, if a favourable agreement is struck with a major pharmaceutical company, with a recognizable name, for North American, or even global rights, the stock could easily exceed our \$5 target price. Therefore, we expect that these questions will get answered within the next six months as the results of the Canadian Phase IIa trials will hopefully be available before the end of the year. **We are going to maintain our Speculative Buy recommendation and \$5 target price on International Wex Technologies.** While the stock has dipped slightly over the last quarter, it has also held up under intense industry-wide downward pressure and development delays. Once the story begins to turn, investors who have supported the stock over the last two years should be rewarded for their patience.



IP Applications (IAP-TSXVen)

Price	Jun-30-03	\$0.29
52 Week Range	High	\$0.46
	Low	\$0.25
Shares Outstanding		29.5 million
Market Cap		\$8.4 million
Fiscal Year End		March
Sales	2002 A	\$1.8 million
	2003 F	\$2.9 million
	2004 F	\$5.3 million
Price / Sales	2002 A	4.7 times
	2003 F	2.9 times
	2004 F	1.6 times
EPS	2002 A	(\$0.05)
	2003 F	(\$0.02)
	2004 F	\$0.00
Price / Earnings	2002 A	- times
	2003 F	- times
	2004 F	285.0 times
12 Month Price Target		\$0.75
Recommendation		Buy

IP Applications (IPA) provides back office solutions to internet service providers (ISPs) such as e-mail management, virus scanning and internet access & provisioning. With the collapse of many ISPs over the last several years, IPA has been able to steadily grow their business as the remaining companies outsource their non-strategic services. Several recent successes will have meaningful increases in the Company's revenue starting in the first quarter of their fiscal 2004 year.

At the end of June, IP Applications announced that they had entered into an agreement with Telus (T-TSX) to provide its corporate clients with back office infrastructure services. The agreement had been initiated in late March but was not made public for three months. Limited information about the size and nature of the contract was made available in the release. The Company did acknowledge that this was a first step to increasing their relationship with the large telecommunications company.

Another recent deal with an un-named, major US communications firm has seen the U.S. Company exit the VISP business and transfer the management of their clients directly to IPA. This agreement has reportedly resulted in a dramatic increase in the revenues generated by IP Applications, but also a compression of the margins, at least temporarily, in order to acquire the clients. Whether it was a good strategic decision to sacrifice profitability for increased revenues over the next several quarters, only time will tell.

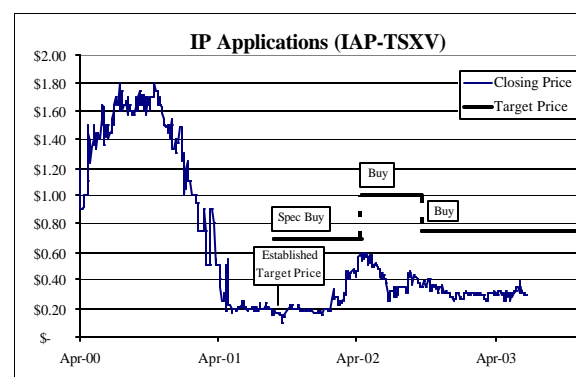
However, the percentage increase in sales from the fourth quarter ending March 31st, 2003 compared to the first quarter of fiscal 2004 will be dramatic. We are not expecting an increase in net loss at this time; currently estimated to be about breakeven, compared to a previously expected small profit.

Other IPA clients include iVillageAccess, a division of iVillage (IVIL-NASDAQ), which was to offer low-cost Internet access to its members. However, the success of iVillageAccess has been very limited and has not brought many customers, nor fees, to IPA. Sprint Communications (FON-NYSE) is still rolling out IPAs services to their ISP customers, with some success, but not to the level that either Sprint or IPA had expected. Additional business development programs are reportedly underway as well, and we are expecting that announcements will be made regarding these developments in the near future.

Financially, prior to the acquisition of the VISP business, we had expected that the Company would breakeven in either the first or second quarter of fiscal 2004. As a result of the VISP customer acquisition, revenue growth is dramatic, but the Company's breakeven has been pushed out to the third quarter of fiscal 2003, or the period ending December 31st, 2003. Full Year 2003 and First Quarter financial results are expected to be released in August and we are expecting Q4 to show reasonable revenue growth, but a slightly greater loss, than the third quarter due to higher Sales & Marketing expenses. The first quarter of 2004, for the period ending June 30th, should reflect the first quarter of the VISP business and a continued loss. The projected results are the same for the second quarter. It is now not until the third quarter of fiscal 2004 (December 2003) do we expect IPA to report an accounting profit.

Overall, we like the general direction in which IP Applications is heading, we just wish the speed was a little greater. While the temporary movement away from profitability will likely not help the stock in the short term, once the new Telus and VISP clients begin to generate positive cash flow the increased number of clients will improve long-term profitability.

Therefore, while we await the fourth and first quarter's financial results **we are going to maintain our Buy recommendation and 75¢ target price.**



Mad Catz Interactive (MCZ-TSX)

Price	Jun-30-03	\$0.88
52 Week High		\$1.60
52 Week Low		\$0.65
Shares Outstanding		53.2 million
Market Cap		\$46.8 million
Fiscal Year End		March
Sales (US\$)	2003 A	\$91.7 million
	2004 F	\$116.1 million
	2005 F	\$142.1 million
Price / Sales	2003 A	0.4 times
	2004 F	0.3 times
	2005 F	0.2 times
EPS (US\$)	2003 A	\$0.02
	2004 F	\$0.08
	2005 F	\$0.13
Price / Earnings	2003 A	26.4 times
	2004 F	7.8 times
	2005 F	4.6 times
12 Month Price Target		\$2.00
Recommendation		Speculative Buy

All figures in US Dollars (except share price)

Mad Catz Interactive, a developer of controllers and other peripheral equipment for the Playstation, PS2, Xbox and Nintendo platforms, has had quite a successful quarter, but that success has translated into only temporary increases in the Company's stock price. A more sustained increase may come after Mad Catz reports its first quarter figures in August.

The first quarter of fiscal 2004 will see the first full quarter with the GameShark brand name as part of the Company. Conversely, the first quarter of fiscal '04 will also be the first quarter with no Playstation2 memory card sales as the contract with Sony's SCEA was cancelled a year and a half ago. We are hopeful that the loss will be more than offset by new GameShark sales and that total revenue should continue to increase on a year-over-year basis.

At this year's Electronic Entertainment Expo (E3), Mad Catz announced several new products and interesting corporate developments which could help the Company's revenue figures. First, an announcement that Mad Catz would be developing a microphone and adaptor for Microsoft (MSFT-NASDAQ) to be used with the Xbox's Music Mixer. The software, microphone and adapter will retail for approximately US\$40. Assuming that the retail price is marked up 100% from

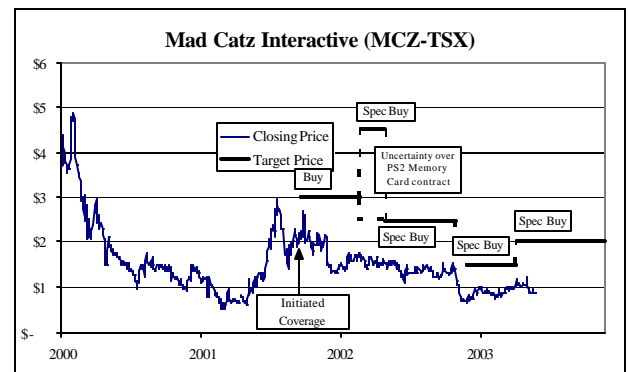
wholesale, we would estimate that MCZ will receive a maximum of \$10 in revenue from the sale of each Music Mixer package. The package should be ready for the holiday selling season.

Also at E3 this year, a partnership with Brady Games was announced to develop a pocket guide under the GameShark brand name. GameShark Pocket Guides will offer cheat codes and hints to gamers for all the major platforms for all the most popular games. The guides will retail for US\$9.99 and while Mad Catz may only realize approximately US\$3.50 from each sale, we would expect that many more times the number of unit sales would occur compared to their Music Mixer agreement.

In forecasting our revenue and earnings projections for fiscal 2004, our model is built on an expected further price drop on both PS2 and Xbox platforms in the August to October period in anticipation of the Holiday Season. We would speculate that a higher number of platform unit sales, at a lower cost, might encourage not only a greater number of users buying additional peripherals, but also a greater number of peripheral purchases per user. What will be interesting over the next twelve months is the level of sales which Mad Catz is able to generate as a result the GameShark brandname acquisition. At the time of the acquisition, the Company indicated that the prior owner generated US\$30 million in revenue from the GameShark name in 2002. We have conservatively estimated that the revenue from this division will be US\$18 million, but could exceed this figure due to Mad Catz broad distribution and brand extension efforts, like their agreement with Brady Games.

During the Company's last conference call, they stated that they plan to focus on improving profitability. Key areas of focus will be working capital requirements, manufacturing and shipping costs, sales efficiency and a review of product profitability and sales volume across their entire product range. Mad Catz is generating significant sales revenue, the challenge now is to control multiple factors in order to maximize both revenue and earnings.

On May 7th, 2003, we increased our twelve month target price on Mad Catz Interactive to \$2, from \$1.50. We are going to maintain that target price and our Speculative Buy recommendation.



Northstar Aerospace (NAS-TSX)

Price	Jun-30-03	\$2.92
52 Week Range	High	\$3.25
	Low	\$1.35
Shares Outstanding		28.8 million
Market Cap		\$84.2 million
Fiscal Year End		December
Sales	2002 A	\$179.6 million
	2003 F	\$188.2 million
	2004 F	\$202.0 million
Price / Sales	2002 A	0.5 times
	2003 F	0.4 times
	2004 F	0.4 times
EPS	2002 A	\$0.02
	2003 F	\$0.17
	2004 F	\$0.64
Price / Earnings	2002 A	146.0 times
	2003 F	17.2 times
	2004 F	4.6 times
12 Month Price Target		\$4.50
Recommendation		Buy

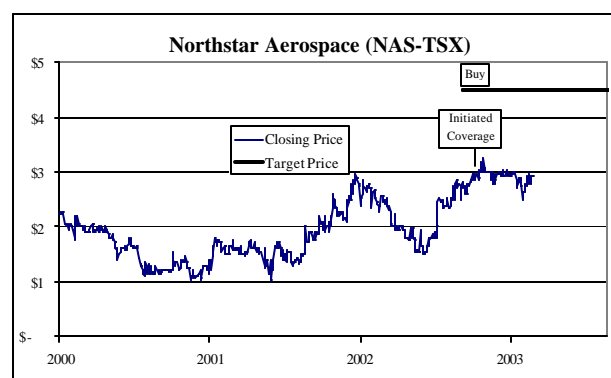
Northstar Aerospace's stock may finally be poised for significant growth in value as both internal and external conditions at the Maintenance, Repair and Overhaul (MRO) supplier improve. Orders for commercial aircraft have increased recently for both Boeing (BA-NYSE), which is a client of Northstar, and for Airbus, which is not, indicating that the industry is beginning to pick-up. Several large carriers have emerged from bankruptcy protection, and many others are undergoing the restructuring process, making for a potentially healthier industry going forward. And finally, the SARS scare seems to be abating, which will hopefully allow for increased travel and thus wear and tear on planes, which would benefit Northstar's MRO business.

Internally, now that the Pump operations have been discontinued, settled and written off, the second quarter of 2003 is expected to be a completely clean quarter. We are currently expecting 14¢ per share in reported earnings, on \$47 million in revenue for the three month period ending June 30th, 2003. A dramatic reversal from the 24¢ per share loss in the first quarter as a result of the final \$9.5 million write-off of the Pump operations. Excluding the discontinued items, Northstar earned 9¢ per share in the first quarter. Results from the second quarter

should be available in August.

Apart from the earnings release, Northstar made few other announcements during the quarter. The only corporate release was an attempted shareholder action at Vector Aerospace (RNO-TSX). Prior to Vector's Annual General Meeting, Northstar's management had been approached by a group of dissenting shareholders of Vector who liked what Northstar's management had done for the Company and wanted change at Vector. Northstar, as a shareholder in Vector, put forward an alternative slate of directors for election to the board. The action failed to generate enough votes from other shareholders and the slate backed by Vector's management was elected. Northstar reportedly continues to hold a position in Vector as an investment.

Otherwise, the second calendar quarter of 2003 was a period of heads down work for Northstar. We will be looking forward to the results from the Company's second quarter. Improvements inside the Company and within the aircraft industry make Northstar an interesting value investment over the next 12 months. Therefore, **we will maintain our Buy recommendation on Northstar Aerospace and our \$4.50 target price.**



Omni-Lite Industries (OML-TSXVen)

Price	Jun-30-03	\$0.60
52 Week Range	High	\$2.00
	Low	\$0.50
Shares Outstanding		9.2 million
Market Cap		\$5.5 million
Fiscal Year End		December
Sales (US\$)	2002 A	\$2.3 million
	2003 F	\$2.8 million
	2004 F	\$3.6 million
Price / Sales	2002 A	1.7 times
	2003 F	1.4 times
	2004 F	1.1 times
EPS (US\$)	2002 A	(\$0.04)
	2003 F	\$0.05
	2004 F	\$0.08
Price / Earnings	2002 A	- times
	2003 F	8.3 times
	2004 F	5.2 times
3 Month Price Target		\$1.00
Recommendation		Speculative Buy

All figures in US Dollars (except share price)

Omni-Lite Industries, appears to have turned the corner from the economic downswing which has dogged them for several quarters. The manufacturer of high strength, fine tolerance components has announced preliminary revenue figures for the first six months of 2003 and they are ahead of our estimates.

Omni-Lite Industries has four main divisions, three of which are reportedly growing strongly. **Aerospace** components are the Company's top performing sector in terms of year over year growth. While this is a relatively new segment, several contracts with Alcoa, Monogram Aerospace and other suppliers and manufacturers will grow this portion of the business from 21% in 2002 to an estimated 27% in 2003.

Military shipments had been an area of concern in late 2002 and early 2003. Large, profitable orders were delayed and the components were inventoried in anticipation of future requests. However, on June 19th, Omni-Lite announced two renewed orders for their military components and a more consistent order flow is now expected. In 2002 the Military segment represented 20% of the Company's revenue, while in 2003 it is expected to represent only 16%, due to the slow order period over the first six months of the year.

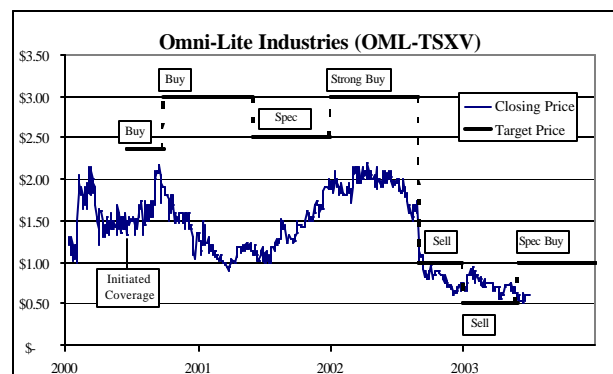
The **Automotive** Segment has seen a very promising growth profile with the Company's allowance as a Tier 1 supplier to BorgWarner (BWA-NYSE). Omni-Lite has received several new contracts to replace existing products and this segment has grown from only 11% in 2002 to a projected 15% of revenue in 2003. We see this segment generating significant sales volume once the economic conditions in North America improve and auto sales pick up.

The fourth segment, and the one upon which Omni-Lite originally built its name, is the **Sports & Recreation market**. Omni-Lite produces composite track spikes for several shoe manufacturers and has become the industry standard for light weight, durable spikes. While this is a profitable, predictable segment, the industry is mature and significant growth is unlikely. There does tend to be some cyclicalality which coincides with the Summer Olympics, but the segment's importance is declining as the Company continues to diversify its product lines. Sports & Rec is still expected to generate 35 – 37% of the Company's revenue in 2003, compared to 45% in 2002.

Over the past two years, Omni-Lite has made some relatively large investments in order to build up their capabilities in anticipation of future sales. The purchase of a new building, five additional cold-forging machines (bringing their total to 16) and an in-house metallurgic testing lab have given the Company the ability to produce several million dollars of components a year. Now, Omni-Lite must generate the sales to effectively utilize their investment in their capital assets.

We are currently targeting revenue from sales of US\$620,000 for the second quarter of 2003 with EPS of 1¢ per share and US\$2.8M and US5¢ (C7¢) for all of fiscal 2003. While a forward PE ratio of 14 times, based on our targeted price is not cheap, now that all the large, fixed assets have been purchased, profitability margins should increase as volume does.

Therefore, **we are going to maintain our Speculative Buy recommendation and \$1 target price on Omni-Lite Industries**. We raised our target and recommendation on June 2nd, 2003, based on the Company's projected increasing sales and improved profitability.



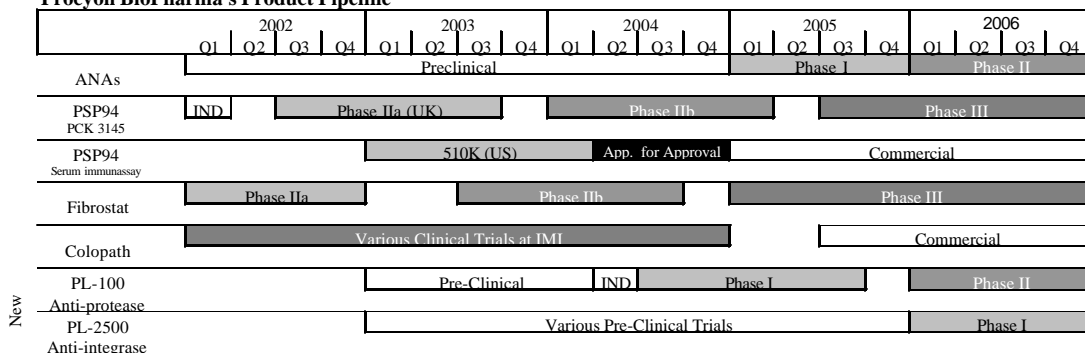
Procyon Biopharma (PBP-TSX)

Price	Jun-30-03	\$0.48
52 Week	High	\$0.80
Range	Low	\$0.26
Shares Outstanding		66.6 million
Market Cap		\$32.0 million
Fiscal Year End		December
Sales	2001 A	\$0.1 million
	2002 A	\$0.1 million
	2003 F	\$0.3 million
Price / Sales	2001 A	- times
	2002 A	399.8 times
	2003 F	94.1 times
EPS	2001 A	(\$0.21)
	2002 A	(\$0.14)
	2003 F	(\$0.14)
Price / Earnings	2001 A	- times
	2002 A	- times
	2003 F	- times
12 Month Price Target		\$1.50
Recommendation		Speculative Buy

Procyon Biopharma, a drug development company focusing on the treatment for Cancer, HIV and scar management, has further diversified their developmental pipeline to include a potential HIV treatment in order to offer further value to their investors. A concurrent \$3.25 million offering bolstered the Company's cash position, but the two transactions have increased the number of shares outstanding to over 66.6 million.

The acquisition of Pharmacor, which closed in April, brought two preclinical products targeting the treatment of HIV to Procyon. The more advanced of the two technologies, PL-100 (a Protease Inhibitor), is currently expected to enter clinical trials within the next 12 to 15 months, with fast-track development allowance possible. PL-2500 (an Integrase Inhibitor) is even earlier in its development cycle and will likely be in preclinical trials for at least another 24-36 months. While the acquisition of Pharmacor's technologies do appear to be a departure away from Procyon's focus, the acquisition of these technologies, and their development teams, for only \$3.25 million appears initially to have been a good move.

PCK3145, a synthetic version of **PSP⁹⁴**, is expected to complete its Phase IIa clinical trials in the UK later this year, with results of the prostate cancer treatment released shortly afterwards. October is the targeted completion date, after which the scope of the North American Phase IIb trials will be set. During this time, Procyon is hopeful that a development partner will be found in order to pay for the development of the drug, provide some cash inflows to Procyon and allow the Company to focus on advancing their other projects. Procyon is also developing an Immunassay test as a point-of-care test for prostate cancer and the technology is currently undergoing proof of concept and validation tests as it moves towards an application for approval and eventual commercialization.

Procyon BioPharma's Product Pipeline

Fibrostat, a topical scar management cream, has finally received clearance to begin the long awaited Phase IIb trials, which are expected to begin in July. Although the trials have been delayed and redirected slightly during their development, the Phase IIb trials are designed to test a specific concentration of the compound and hopefully remove the placebo effect which plagued the Phase IIa trials last year. Thankfully, Biovail (BVF – TSX, NYSE) has licensed the North American rights to Fibrostat and is funding the trials. At this time, we expect that results from the IIb trials will be available in July 2004.

IMI International Medical Innovations (IMI-TSX) is currently undertaking trials for a test for colorectal cancer which has combined IMI's own test with Procyon's **Colopath** to create the ColorectAlert point of care test. IMI reports that they are currently in discussions with potential marketing partners, but that nothing has been definitively agreed upon at this time. Once the test has been licensed and approved for sale, Procyon will receive a royalty stream from the sale of the test.

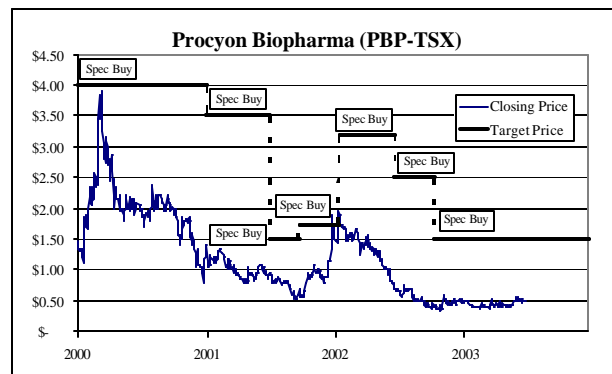
Finally, Procyon's **Anti-nucleosome Antibodies (ANsA)** continue in preclinical development and will likely remain so for the foreseeable future. ANsA is a platform technology for the treatment of multiple types of cancer, but will initially target two indications: small cell lung cancer and renal carcinoma.

Over the next six months we see there being three key developmental milestones for Procyon:

1. The initiation of Phase IIb clinical trials for Fibrostat – July 2003
2. The conclusion of Phase IIa clinical trials on PCK3145 in the UK – October 2003
3. Potential licensing agreement for PCK3145 with a major pharmaceutical company.

While the achievement of a licensing agreement would be highly beneficial to the Company, there is also the potential that an agreement will not be signed until *after* the Phase IIb trials are complete. While this would increase the cash requirement of Procyon to fund the development, a successful IIb trial could dramatically increase the value of any subsequent licensing agreement. The costs versus the benefits must be weighed.

Therefore, **we are going to maintain our Speculative Buy recommendation on Procyon Biopharma and our twelve-month target price of \$1.50.** Our target price assumes that milestones #1 and #2 will be achieved, but the achievement of milestone #3 over that period would likely result in an increased target price.



Rainbow Group of Companies (RBP-TSXVen)

***Disclosure: Golden Capital Securities, its principals and/or employees own shares in the Rainbow Group of Companies.**

Price	Jun-30-03	\$0.07
52 Week	High	\$0.35
Range	Low	\$0.05
Shares Outstanding		31.2 million
Market Cap		\$2.2 million
Fiscal Year End		December
Sales	2002 A	\$2.0 million
	2003 F	\$3.4 million
	2004 F	million
Price / Sales	2002 A	1.1 times
	2003 F	0.6 times
	2004 F	times
EPS	2002 A	(\$0.03)
	2003 F	(\$0.03)
	2004 F	
Price / Earnings	2002 A	- times
	2003 F	- times
	2004 F	times
12 Month Price Target		\$0.50
Recommendation		Speculative Buy

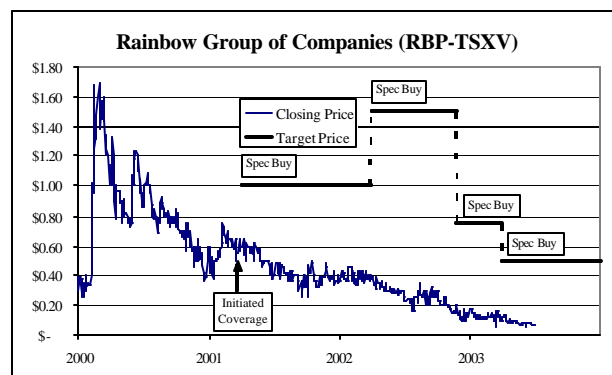
A quiet quarter for the **Rainbow Group of Companies**. The Company is commercializing an infrared imaging technology developed by NASA, the Jet Propulsion Laboratory and CalTech, but due to delays in product development and sales contracts, the Company is keeping a low public profile in order to conserve cash.

Rainbow Group has two operating divisions, QWIP Technologies and InTransTech. **QWIP Technologies**, the manufacturer of the QWIP FPA has recognized some sales in the first six months of 2003, but they have been very limited in number. The Company's developmental contract with the US Department of Defense's DARPA agency continues and approximately \$700,000 has been billed for the second quarter. Payments from the two DARPA development contracts are projected to continue until February or March of 2004, three months longer than originally expected due to specification changes initiated by DARPA. The Company has not yet heard what will transpire at the end of the contracted period, but they are hopeful that more information will come to light before that time.

As part of a joint venture with the Insurance Corporation of BC, **InTransTech** (ITT) is involved in the development of traffic safety products using several diversified technologies. Field testing on the Company's *Wildlife Protection Systems* (WPS) has resumed and is expected to continue until the Fall. The current round of testing will focus on optimization of the algorithms to differentiate animal from inanimate object on roadways and to specify parts to reduce the cost of the units. The Company reports that other projects using the technology are also underway. The other announced project at ITT is a *Roadway Friction Sensor*, which is being tested in Kamloops, B.C., Walla Walla, WA, and Norway. Some recent upgrades to the system were funded by ICBC and should be ready, installed and testing within the next 45 days. ITT is reportedly exploring several potential commercial opportunities for the Friction Sensor, which will likely be the Company's first commercial product.

Our outlook for the next six months shows that the Company *should* have sufficient funds to last until the end of the year, based on existing contracts and DARPA milestone payments. However, for the Company to last much beyond the first quarter of 2004 will require at least some level of meaningful sales, licensing agreements or anything which would generate some positive cash flow. The next twelve months will make or break the Rainbow Group of Companies.

Therefore, while there are a substantial number of opportunities presented to the Company, and its subsidiaries, there is also a great deal of risk as they currently have no sales contracts, other than a few one-off FPA chip sales. **We are going to maintain our Speculative Buy recommendation on the Rainbow Group of Companies and our 50¢ target price.** RBP is likely the most speculative investment on our current coverage list.



Resin Systems Inc (RS-TSXVen)

**Disclosure: Golden Capital Securities, its principals and/or employees own shares in Resin Systems Inc.*

Price	Jun-30-03	\$0.84
52 Week	High	\$1.56
Range	Low	\$0.31
Shares Outstanding		47.3 million
Market Cap		\$39.7 million
Fiscal Year End		August
Sales	2002 A	\$0.3 million
	2003 F	\$0.8 million
	2004 F	million
Price / Sales	2002 A	132.4 times
	2003 F	51.6 times
	2004 F	times
EPS	2002 A	(\$0.06)
	2003 F	(\$0.08)
	2004 F	
Price / Earnings	2002 A	- times
	2003 F	- times
	2004 F	- times
12 Month Price Target		\$1.00
Recommendation		Hold

Resin Systems Inc (RSI), a developer of a physically superior, environmentally friendly resins composite, has finally started to generate some sales revenue from their principal products. Sales of their NVS Hockey Sticks began in March and in mid-June the Company announced their first Utility Pole order. While orders for both projects are limited in terms of revenue, they are movements in the right direction. The key for RSI in their fiscal 2004 year will be to grow their business from these little successes.

The investing public has been greatly interested in RSI's Composite Utility Pole business. An agreement on June 17th, 2003 with NorthwesTel, a subsidiary of Bell Canada, was the Company's first pole order after production and testing were delayed due to reported machining problems which were outside of RSI's control. The 450 thirty foot pole order will hopefully ship before the end of June and be recognized as revenue in RSI's fourth quarter, which will end August 31st. No orders have yet been received from Harwell Hesco, the exclusive distributor for the Ontario market and shareholder in RSI, but may be forthcoming once production of the 45 foot pole lengths has begun and the poles tested. Finally, a

previously announced "introduction" of UK-based Euro-Projects has seen no further clarification of the relationship between the two companies, although paperwork is reportedly being passed back and forth. Further news will likely be made publicly available in the near future.

RSI's NVS subsidiary received their first order of 5,000 composite hockey sticks in February and the sale of some of those sticks has occurred, but the Company has not released how many have been purchased. A further 5,000 sticks are on order, with another 5,000 stick order possible in the near future as NVS ramps up for hockey season. As mentioned in previous reports on RSI, we do have some concerns about the Company's plan to market the NVS sticks without the backing of a recognized brandname, but the Company feels confident that their approach will generate significant sales. As part of this marketing program, NVS has signed up the Williams Lake Timberwolves, a BC Junior A hockey team, as the club's exclusive composite stick supplier.

As an update on previous announced projects:

- February 2001 – Agreement with Creative Pultrusion, which would have seen up to 2 million pounds of composite resin annually, seems to have fallen to the wayside, but the Company is reportedly still working with Creative on other projects.
- January 2002 – Agreement with an unnamed construction company to supply up to \$500,000 worth of composite resin annually was never enacted due to the construction company's bankruptcy.
- February 2002 – Agreement with Omniglass for an exclusive supply agreement for the window frame market, with minimum order commitments has not seen those minimums met, so the exclusive aspect of the agreement has expired.

Resin Systems Inc. has had a series of unlucky supply announcements with companies that have failed to live up to their requirements. Hopefully the Company's current agreements will bear more fruit.

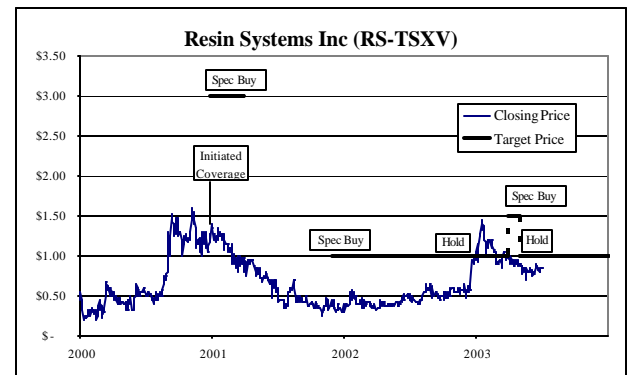
At the end of the quarter, Resin Systems finally received the first of three long awaited comparison reports from the Alberta Research Council. The testing began in June 2002 and the results from all three rounds of testing were expected before the end of the year. Problems with pultrusion techniques, resin supply from their competitors and several other issues have resulted in the results of the only polyester composite being released thus far. We are still awaiting the results of the vinyl and epoxy composite testing, which could take several additional months. While these delays have no immediate bearing on the business of the Company, the testing results will be used for marketing efforts to show the physical superiority of the Company's *Version* resin. We are hopeful that all three reports will be available before the end of calendar 2003.

Financially, the Company's third fiscal quarter for the period ending May 31st is expected to be released in July. The power pole order from NorthwTel will not be recognized until the fourth quarter, and we are expecting that the Company will see a continued loss of \$822,000 or 1.9¢ per share in Q3, based on around \$75,000 in composite resin sales and a further \$100,000 from NVS Hockey Stick sales. The fourth quarter and whole fiscal year of 2003 are expected to see continued losses as well of 1.7¢ and 8¢ per share, respectively. We have not forecast revenue nor earnings estimates for fiscal 2004 at this time as there are too many unknowns.

It is unlikely that Resin Systems will be required to undertake any near term equity offerings if they are able to generate some meaningful sales and maintain the stock's price above the 75¢ mark. Several recent offerings have resulted in there being approximately 8.25 million warrants outstanding, with exercise prices of 60¢ and 75¢. On June 30th, 3.75 million warrants expired with an exercise price of 60¢. It is likely that the vast majority of these warrants were exercised before expiry, bringing in a further \$2.25 million into RSI. The second tranche of 4.5 million warrants expire in January 2004 and are exercisable at 75¢. If RSI is able to execute on their business plan, most of these warrants will likely be exercised as well, increasing both the cash on hand and the number of shares outstanding.

Resin Systems Inc.'s current share price has a very large built-in premium. Investors have bid up the price of the stock expecting big sales; big sales that have yet to materialize. With a projected 47.3 million shares outstanding at the end of June, the market capitalization of RSI is \$40 million, or 52 times its projected 2003 sales. While we do agree that there is a significant level of potential in Resin Systems, there is an equivalent level of optimism built in to the stock's price as well.

We feel that a per share value in the range of 80¢ to \$1 is an appropriate speculative valuation level considering the prospects presented to the Company. Therefore, **we are going to maintain our Hold recommendation on Resin Systems and a \$1 target price.** Once further sales agreements are announced a re-evaluation of our targets would be appropriate.



Syn•X Pharma (SYY-TSX)

***Disclosure: Golden Capital Securities, its principals and/or employees own shares in Syn•X Pharma.**

Price	Jun-30-03	\$0.74
52 Week Range	High	\$2.90
	Low	\$0.50
Shares Outstanding		10.3 million
Market Cap		\$7.6 million
Fiscal Year End		December
Sales	2002 A	\$6.4 million
	2003 F	\$13.3 million
	2004 F	million
Price / Sales	2002 A	1.2 times
	2003 F	0.6 times
	2004 F	times
EPS	2002 A	(\$0.89)
	2003 F	\$0.28
	2004 F	
Price / Earnings	2002 A	- times
	2003 F	2.6 times
	2004 F	times
12 Month Price Target		\$3.00
Recommendation		Buy

Syn•X Pharma is currently developing a line of Point-of-Care tests for a number of health conditions by identifying the occurrence and then quantity of a specific protein in a drop of blood. These proteins were identified using Syn•X's Proteomic Development Platform (PDP). Tests currently approved for sale or under development include tests for Heart Attack (approved in Canada), Traumatic Brain Injury (approved in Canada), Congestive Heart Failure (approved in Canada, pending in EU), Alzheimer's Disease (licensed to Ortho-Clinical Diagnostics), Stroke (licensed to Genzyme) and Insulin Resistance (a precursor to diabetes). In addition, the Company has agreements with Princeton BioMeditech to sell PBM's POC tests in Canada and with VWR to market Syn•X's cardiac products in Canada.

The first quarter of 2003 saw a revenue figure which was in-line with expectations as a milestone payment from Ortho-Clinical Diagnostics was received. We had expected slightly better PBM Point-of-Care test sales in the first quarter, and so too had Syn•X, but the Company has indicated that they expect more meaningful revenue to be generated in the second half of the year. The SARS epidemic in Toronto has restricted salespeople's access to the hospitals. However, the

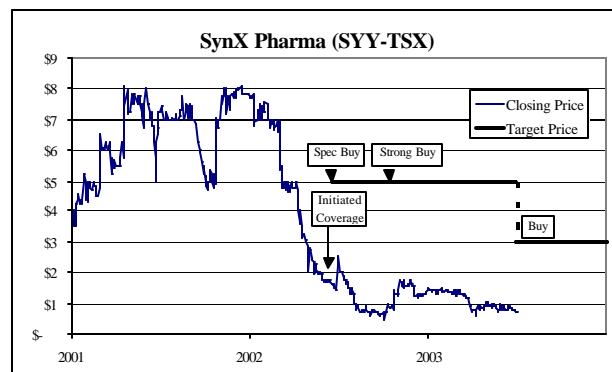
Company's continued losses have necessitated a reduction its labour force and to look for ways to reduce costs, increase revenue and potentially undertake an equity offering.

At this point, for the three month period ending June 30th, we are expecting an increased loss over the first quarter, entirely as a result of lower milestone payments. Administrative and Research & Development costs will be lower given the cut backs that were announced in April, but until the financial results are released, we are unsure as to their magnitude. The second quarter is expected to see a loss of 17¢-19¢ per share.

Looking forward, we are hopeful that the second half of 2003 will be more successful for Syn•X, than the first. During the latter half of 2003 European sales of the Company's POC tests should begin in earnest, Canadian sales should benefit from the VWR agreement being officially launched and increased hospital access as the SARS issue begins to recede. Corporately, we would expect that Syn•X will continue to attempt licensing agreements for their lead blockbuster test and the completion of milestones for both their existing agreements with Ortho-clinical Diagnostics and Genzyme. Continued cost cutting will also make the Company leaner with a lower fixed cost base to preserve cash now and to improve profitability once that goal has been achieved.

Finally, as we mentioned in last quarter's MicroCap Report, until sizable revenues begin, and likely in anticipation of them, Syn•X will require some additional funding. We currently expect that the Company will undertake an equity offering in the third, or maybe as late as the fourth, quarter of 2003, looking to raise several million dollars. The funds raised will be used to augment their current financial position in order to strengthen their bargaining power with a potential partner and to give the Company more breathing room to fund their current operations.

These next six months will be very important to Syn•X Pharma as their ability, and that of their partners, to sell the Company's POC tests will likely indicate the future success of the upcoming offering and, ultimately, Syn•X itself. Hopefully, as revenue ramps up in the latter half of the year, so too will the Company's share price. However, due to the slower than expected sales and the potential dilution of an equity offering **we will be lowering our target price to \$3, from \$5, and our recommendation to a Buy, from Strong Buy.**



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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.