

STOCKGROUP INFORMATION SYSTEMS INC

Form SB-2/A

January 27, 2004

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON ~~October 29~~ January 27, 2003 ~~4~~

REGISTRATION NO. 333-107567

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549  
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**PRE-EFFECTIVE AMENDMENT NO. ~~23~~ TO**

**FORM SB-2**

**REGISTRATION STATEMENT**

UNDER THE SECURITIES ACT OF 1933  
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STOCKGROUP INFORMATION SYSTEMS INC.

(Exact Name of Registrant as Specified in Its Charter)

COLORADO	6282	84-1379282
(State or jurisdiction of	(Primary Standard Industrial	(I.R.S. Employer
incorporation or organization)	Classification Code)	Identification Number)

SUITE 500 - 750 WEST PENDER STREET

VANCOUVER, BRITISH COLUMBIA, CANADA V6C 2T7 (604) 331-0995

(Address, Including Zip Code, and Telephone Number,

Including Area Code, of Registrant's Executive Offices)

DEVLIN JENSEN

BARRISTERS AND SOLICITORS

2550 - 555 WEST HASTINGS STREET

VANCOUVER, BC, CANADA V6B 4N5 (604) 684-2550

(Name, Address, Including Zip Code, and Telephone Number,

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Including Area Code, of Agent for Service)

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☒ [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering. ☐ [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering. ☐ [ ]

If delivery of the Prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐ [ ]

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## CALCULATION OF REGISTRATION FEE

Description of Securities (1)	Number of Shares	Maximum Offering Price Per Share (2)	Aggregate Offering Price	Amount of Registration Fee
Common shares being offered by selling security holders, originally acquired in a private placement December 31, 2002	3,403,750	\$0.3228	\$1,089,200	\$100.21
Common shares underlying warrants, originally acquired in a private placement December 31, 2002	1,701,875	\$0.3228	\$544,600	\$50.10
Common shares underlying agent's warrants, originally acquired in a private placement December 31, 2002	150,000	\$0.3228	\$48,000	\$4.42
Common shares being offered by selling security holders, originally acquired in a short form offering June 4 and July 16, 2003	3,742,800	\$0.3228	\$1,197,696	\$110.19
Common shares underlying warrants issued, originally acquired in a short form offering June 4 and July 16, 2003	1,871,400	\$0.3228	\$598,848	\$55.09
Common shares underlying agent options, originally acquired in a short form offering June 4 and July 16, 2003.	374,280	\$0.3228	\$119,770	\$11.02
Common shares underlying warrants underlying agent options, originally acquired				

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in a short form offering June 4 and July 16, 2003.	187,140	\$0.3228	\$59,885,52,399	\$5.514.82
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Totals	11,431,245	\$3,657,9983,200,749	\$336.54294.46	(3)
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1. All securities being registered are common shares, no par value
2. Calculated in accordance with Rule 457(c) under the Securities Act of 1933, solely for the purpose of calculating the registration fee. In all cases we have used the average of the bid and ask prices for SWEB as quoted on the OTCBB on ~~October 23~~ January 22, 20034.
3. We paid \$337.51 in registration fee previously in a filing dated August 1, 2003 for the same securities, therefore, no fee is currently payable.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION

STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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### PROSPECTUS

Subject to completion, dated ~~October 29~~ January 23, 20034

THE INFORMATION CONTAINED IN THIS PROSPECTUS IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

### STOCKGROUP INFORMATION SYSTEMS INC.

7,146,550 shares of common stock to be sold by certain selling security holders

4,284,695 shares of common stock issuable upon the exercise of outstanding warrants and agent options to be sold by certain selling security holders

This prospectus relates to the offer and sale of 7,146,550 shares of our common stock and 4,284,695 shares of our common stock issuable upon the exercise of outstanding warrants and agent options, by certain selling security holders. The selling security holders will offer and sell their shares of outstanding common stock and shares of common stock underlying outstanding warrants at prevailing market prices or at privately negotiated prices.

The shares will become tradable on the effective date of this prospectus. We will receive no proceeds from sales of shares by the selling security holders, other than proceeds, if any, from the exercise of the warrants and agent options. Our common stock is listed on the O-T-C Bulletin Board under the symbol "SWEB" and on the TSX Venture Exchange under the symbol "SWB." On ~~October 23~~ January 23, 20034, the closing price of our common stock was \$0.3428 per share on the OTCBB.

**See "Risk Factors" beginning on page 9 for a discussion of material issues to consider before purchasing our common stock.**

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is ~~October 29, 2003~~ January 23, 2004

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## SUMMARY INFORMATION AND RISK FACTORS

### PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. BECAUSE IT IS A SUMMARY, IT DOES NOT CONTAIN ALL OF THE INFORMATION THAT YOU SHOULD CONSIDER BEFORE

INVESTING IN OUR COMMON STOCK. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, INCLUDING THE "RISK FACTORS" AND OUR FINANCIAL STATEMENTS AND RELATED NOTES APPEARING ELSEWHERE IN THIS PROSPECTUS, TO UNDERSTAND THIS OFFERING FULLY. References herein to "we", "us", "our", "Company" or "Stockgroup" refer to Stockgroup Information Systems Inc. and its subsidiaries.

#### Company Overview

Stockgroup is a financial media and technology company which provides a wide range of financial information services including Financial Software and Content Systems, and Public Company Disclosure and Awareness Products.

We were incorporated under the laws of the State of Colorado in 1994 and have a December 31st financial year end.

In addition to our corporate headquarters at Suite 500 - 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7, we have offices in Toronto, Ontario. Our telephone number at our corporate head office is (604) 331-0995.

A full description of our company may be found elsewhere in this prospectus under the heading "Business".

#### Selling Security Holders

This prospectus relates to the registration for resale of 7,146,550 shares of our common stock and 4,284,695 shares of our common stock issuable upon the exercise of outstanding warrants and agent options, by certain selling security holders. The selling security holders will offer and sell their shares of outstanding common stock and shares of common stock underlying outstanding warrants at prevailing market prices or privately negotiated prices. We will not receive any proceeds from the sale of the securities by the selling security holders, other than through the exercise, if any, of their outstanding warrants.

#### Other Information

Common stock outstanding prior to the offering:

32,498,721 shares. This number does not include shares reserved for issuance upon the exercise of outstanding stock options or warrants.

Common stock offered by selling

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Security holders:	11,431,245 shares. This number assumes the exercise of all outstanding warrants to purchase in aggregate 4,284,695 shares of our common stock.
Common stock to be outstanding after the offering:	36,783,416 shares. This number assumes the exercise of all outstanding warrants being offered by the selling security holders.
Net proceeds:	We will not receive any proceeds from the sale of the securities by the selling security holders.
Trading Symbols:	OTCBB: "SWEB" TSX Venture Exchange: "SWB"

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### SUMMARY FINANCIAL INFORMATION

Set forth below are summary statements of operations data for the ~~quarters~~ three month and nine month periods ended ~~June~~ September 30, 2003 and 2002 and years ended December 31, 2002 and 2001, and summary balance sheet data as of ~~June~~ September 30, 2003, December 31, 2002 and December 31, 2001. This information should be read in conjunction with our quarterly consolidated financial statements for the quarters ended ~~June~~ September 30, 2003 and our annual consolidated financial statements for the years ended December 31, 2002 and 2001 and notes thereto and Management's Discussion and Analysis , appearing elsewhere in this prospectus.

1 On January 28, May 12, and May 28, 2003 the holders of our 8% convertible notes converted their principal balance into common shares at a discounted conversion rate, which produced an expense on the induced conversion and accelerated the accretion of the unamortized debt discount, for a total non-cash interest expense of \$860,351.

2 The gain on restructuring of convertible notes arose in February 2002. The note holders agreed to waive accrued interest of \$315,000 and prepayment premiums of \$288,600, and to make the notes interest free until December 31, 2003. The interest free period was a benefit to us and produced a gain of \$237,764. As well, the removal of the discount-to-market conversion calculation produced a benefit to us called a "repurchase of beneficial conversion feature," of \$247,222. A full description of this restructuring may be found in Note 7 to the 2002 annual financial statements found elsewhere in this prospectus.

## RISK FACTORS

The following factors should be considered carefully in evaluating Stockgroup and its business.

*Our limited operating history makes it difficult for you to judge our prospects.*

We have a limited operating history upon which an evaluation of our current business and prospects can be based. We have reported losses for each fiscal year since we became a public company. You should consider any purchase of our shares in light of the risks, expenses and problems frequently encountered by all companies in the early stages of its corporate development, such as lack of capital, difficulty attracting high quality personnel, lack of market exposure, and uncertainty about the viability of our business plan.

*Liquidity and capital resources are uncertain.*

Our cash used in operations for the first ~~six~~ nine months of 2003 was ~~\$552,048,720.167~~, ~~our net losses for the same period were \$1,637,817~~, and our accumulated deficit at ~~June~~ September 30, 2003 was ~~\$14,803,305~~15,079,199. ~~We repaid \$35,332 of our convertible notes, and \$47,000 in notes payable. Another use of cash was repayment of capital leases, totaling \$55,619. Sources of cash included \$95,745 for proceeds from exercise of warrants and stock options, and \$625,281 from issuance of shares and warrants under a Short Form Offering.~~

You should be cautioned that there can be no assurance that revenue, margins, and profitability will increase. We have ~~\$79,430~~58,905 of capital lease obligations due within the next 12 months. There can be no assurance that we will be successful in raising a sufficient amount of additional capital or in internally generating a sufficient amount of capital to meet our operational requirements.

*Our ability to continue as a going concern is uncertain*

In view of our liquidity conditions described above, our ability to continue as a going concern is uncertain and dependent upon achieving a profitable level of operations and, if necessary, on our ability to obtain necessary financing to fund ongoing operations. As well, our ability to absorb a large unforeseen expenditure or other disaster is limited by our current lack of capital resources. Our auditors' report and Note 1 to our 2002 consolidated financial statements also discuss substantial doubt about our ability to continue as a going concern.

*Computer equipment problems and failures could adversely affect our business.*

Problems or failures in Internet-related equipment, including file servers, computers and software, could result in interruptions or slower response times for our Web-based services, which could reduce the attractiveness of our Web site, financial tools or investor relations services to advertisers and users. Should such interruptions continue for an extended period we could lose significant business and reputation. Equipment

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problems and failures could result from a number of causes, including an increase in the number of users of our Web site, computer viruses, outside programmers penetrating and disrupting software systems, human error, fires, floods, power and telecommunications failures and internal breakdowns. In addition, any disruption in Internet access and data feeds provided by third parties could have a material and adverse effect on our businesses. Our limited resources do not currently permit us to maintain an off-site disaster recovery facility. As a result, if we experience a major disaster such as a fire, theft, or intentional destruction of our computer equipment, it could have catastrophic results for our business.

*We may not be able to compete successfully against current and future competitors.*

We currently compete with several other companies offering similar services. Many of these companies have significantly greater financial resources, name recognition, and technical and marketing resources, and virtually all of them are seeking to improve their technology, products and services. We can not assure you that we will have the financial resources or the technological expertise to successfully meet this competition.

*We are significantly influenced by our officers, directors and entities affiliated with them.*

In the aggregate, ownership of Stockgroup shares by management represents approximately 17% of our present issued and outstanding shares of common stock. These shareholders, if acting together, will be able to significantly influence all matters requiring approval by shareholders, including the election of directors and the approval of mergers or other business combinations.

*We may be unable to protect the intellectual property rights upon which our business relies.*

We have or may pursue certain trademarks, and we have brand names, Internet domain names, Web site designs, programs and certain subscriber lists which make up the intellectual property we view as important to our business. It may be possible for a third party to copy or otherwise obtain or use our intellectual

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property without authorization or to develop similar technology independently. There can also be no assurance that our business activities will not infringe upon the proprietary rights of others, nor that other parties will not assert infringement claims against us, including claims that by, directly or indirectly, providing hyperlink text links to Web sites operated by third parties, we have infringed upon the proprietary rights of other third parties. Due to the global nature of the Internet, there can be no assurance that obtaining trademark protection in the United States will prevent infringements on our trademarks by parties in other countries. We have not sought or obtained any patents on our proprietary software and data processing applications.

*We may be held liable for online information or services provided by us or third parties.*

Because materials may be downloaded by the public on Internet services offered by us or the Internet access providers with whom we have relationships, and because third party information may be posted by third parties on our Web site through discussion forums and otherwise, there is the potential that claims will be made against us for defamation, negligence, copyright or trademark infringement or other theories. Such claims have been brought against providers of online services in the past. We have been named in two lawsuits in which defamation is alleged to have occurred on our Internet discussion forum called Bull Boards. The imposition of liability based on such claims could materially and adversely affect us.

Even to the extent such claims do not result in liability, we could incur significant costs in investigating and defending against such claims. The imposition on us of potential liability for information or services carried on or disseminated through our Web site could require implementation of measures to reduce exposure to such liability, which may require the expenditure of substantial resources and limit the attractiveness of services to members and users.

We post news clippings from other news Web sites on the Stockhouse and SmallCapCenter Web sites with links to the source site. Most publishers currently encourage this practice, although certain publishers have requested that we cease posting their stories. We have complied with their request in each case. To the extent that a large majority of news publishers prohibit posting of their stories on our Web sites or begin charging royalty fees for such stories, our Web site traffic could decrease or our costs could increase, thereby adversely impacting our profitability.

Our general liability insurance will not cover all potential claims to which we are exposed or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, results of operations and financial condition.

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*Trading of our stock may be restricted by the SEC's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.*

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability

of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

*Future issuances of shares may adversely impact the value of our stock.*

We may attempt to raise additional capital through the sale of common stock in the near future. Future issuances of common stock may dilute your position in us.

*Our stock price is vulnerable to buying and selling pressures*

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As there is a limited market for our common stock, there may be considerable volatility in our stock price due to selling and buying pressures. Future sales of shares by our existing or future shareholders could cause the market price of our common stock to decline. There are currently 20,842,696 outstanding shares of our common stock which may be traded without restriction in any market. In addition, there are 8,520,300 outstanding shares which may be traded outside the United States and which will become free trading in the United States upon effectiveness of this registration statement.

There are 2,326,000 shares underlying stock options which are exercisable within 60 days of this prospectus, and which if exercised may be traded without restriction in any market. Of these options, 1,768,600 of them have exercise prices at or below the market price as of the date of this prospectus.

There are also 3,514,638 shares underlying warrants which are exercisable as of the date of this prospectus, of which 800,000 are covered by a registration statement filed July 7, 2003 and accordingly are eligible for sale by the holders thereof in the public market subject to restrictions included in our agreements with the holders. Of the aforementioned 800,000 shares, 500,000 underlie warrants which have exercise prices at or below the market price as of the date of this prospectus.

*Our board of directors may authorize and issue preferred shares*

Our board of directors has the authority to issue preferred shares with rights, preferences and/or privileges senior to or on parity with the rights of the holders of common stock. The potential consequences to our investors include a loss of perceived value of the stock in the market and a loss of future earnings and dividends, if and when dividends are declared.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements." In some cases you can identify forward-looking statements by terminology such as "may", "will", "should", "could", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of such terms and other comparable terminology.

These forward-looking statements include, without limitation, statements about:

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- our market opportunity;
- our strategies;
- competition;
- expected activities and expenditures as we pursue our business plan; and
- the adequacy of our available cash resources.

These statements appear in a number of places in this registration statement and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) trends affecting our financial condition or results of operations, (ii) our business and growth strategies, (iii) the Internet and Internet commerce and (iv) our financing plans. Although we believe that the expectations reflected in the forward-looking statement are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

The accompanying information contained in this prospectus including, without limitation, the information set forth under the headings "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Business" identify important factors that could adversely affect actual results and performance. All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement.

### USE OF PROCEEDS

We will not receive any proceeds from the sale of the securities by the selling security holders.

### SELLING SECURITY HOLDERS

This prospectus relates to the offering by the selling security holders of shares of our common stock acquired by them in an equity investment and exercise of warrants that the selling security holders received in certain private placements. 11,431,245 shares of common stock offered by this prospectus are being offered by the selling security holders for their own accounts.

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#### A. 28 SECURITY HOLDERS PARTICIPATING IN THE DECEMBER 31, 2002 PRIVATE PLACEMENT

We are registering the resale of 5,255,625 shares for this group of security holders.

555625 BC Ltd., APL Securities, C. Channing Buckland, Carpe Diem Investments Ltd., Isabel Chiarantano, James McAusland, Jasna Frakes, Jeana Traviss, Kimberly D. Hodal, Madeline McAusland, Neil Linder, Ronald Blusson, Rudy Lunter, Shane Myers, 828820 Alberta Ltd, Ming Capital Enterprises, Turf Holding, Dorothy Morrison, Sanovest Holdings Ltd., Bank Sal Oppenheim jr. cie, Belzberg Financial Market & News Inc., Clive de Larrabeiti, Darcy A. Higgs, Panorama Public and Industrial Communications Ltd., Konstantinos Tsirigotis, Les Entreprises de Richard Atkinson Ltee., Peter Krag Hansen and Thomas O'Neill (collectively, the "selling security holders") purchased an aggregate 3,403,750 units, each unit consisting of one common share and one non-transferable warrant, at a price of \$0.16 per unit for total gross proceeds of \$544,600 from us in a private placement transaction which completed on December 31, 2002. Each two warrants entitle the holder to acquire one common share at an exercise price of \$0.22 until

December 31, 2003. We also issued 150,000 agent's warrants to Bolder Investment Partners as a placement fee in the transaction. Each one agent's warrant is exercisable for one common share at \$0.16.

As of the date of this prospectus 1,223,750 common shares had been issued pursuant to the exercise of warrants, and 150,000 common shares had been exercised pursuant to the exercise of agent's warrants. The remaining warrants have expired. We relied on an exemption under Regulation S for the issuance of the shares underlying the warrants.

The following table sets forth information with respect to the common stock beneficially owned by the selling security holders as of the date of this prospectus. Beneficial ownership is determined in accordance with Securities and Exchange Commission rules and includes voting or investment power with respect to the securities.

The percentage interest of each selling security holder is based on the beneficial ownership of that selling security holder divided by the sum of the current outstanding shares of common stock plus the additional shares, if any, which would be issued to that selling security holder (but not any other selling security holder) when exercising warrants in the future.

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To our knowledge, each of the selling security holders has sole voting and investment power over the shares of common stock listed in the table below. No selling security holder has had a material relationship with us during the last three years, other than as an owner of our common stock or other securities. To our knowledge, none of these investors is affiliated with the others.

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Name	Number of Shares Beneficially Owned	Number of Shares Offered Herein	Number of Shares Underlying Warrants Offered Herein	Percentage of Stock Owned Prior To the Offering	Amount and Percentage of Stock Owned After the Offering
555625 BC Ltd.	75,000	50,000	25,000	*	0/0%
APL Securities	112,500	75,000	37,500	*	0/0%
C. Channing Buckland	354,375	236,250	118,125	1.09 %	0/0%
Carpe Diem Investments Ltd.	93,750	62,500	31,250	*	0/0%
Isabel Chiarantano	46,875	31,250	15,625	*	0/0%
James McAusland	45,000	30,000	15,000	*	0/0%
Jasna Frakes	37,500	25,000	12,500	*	0/0%
Jeana Traviss	90,000	60,000	30,000	*	0/0%
Kimberly D. Hodal	90,000	60,000	30,000	*	0/0%
Madeline McAusland	45,000	30,000	15,000	*	0/0%
Neil Linder	150,000	100,000	50,000	*	0/0%
Ronald Blusson	90,000	60,000	30,000	*	0/0%
Rudy Lunter	45,000	30,000	15,000	*	0/0%
Shane Myers	225,000	150,000	75,000	*	0/0%
828820 Alberta Ltd	468,750	312,500	156,250	1.44 %	0/0%
Ming Capital Enterprises	712,500	475,000	237,500	2.18 %	0/0%
Turf Holding	750,000	500,000	250,000	2.29 %	0/0%
Dorothy Morrison	150,000	100,000	50,000	*	0/0%
Sanovest Holdings Ltd.	468,750	312,500	156,250	1.44 %	0/0%
Bank Sal Oppenheim jr. ncie	121,875	81,250	40,625	*	0/0%
Belzberg Financial Market & News Inc.	300,000	200,000	100,000	*	0/0%
Clive de Larrabeiti	150,000	100,000	50,000	*	0/0%
Darcy A. Higgs	93,750	62,500	31,250	*	0/0%
Panorama Public and Industrial Communications Ltd.	150,000	100,000	50,000	*	0/0%
Konstantinos Tsirigotis	15,000	10,000	5,000	*	0/0%
Les Entreprises de Richard Atkinson Ltee	75,000	50,000	25,000	*	0/0%
Peter Krag Hansen	75,000	50,000	25,000	*	0/0%
Thomas O'Neill	75,000	50,000	25,000	*	0/0%
Bolder Investment Partners Ltd.	150,000	0	150,000	*	0/0%

## TOTALS

\* - Less than 1%

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## B. 215 SECURITY HOLDERS PARTICIPATING IN THE APRIL 2003 SHORT FORM OFFERING

We are registering the resale of 6,175,620 shares for this group of security holders.

The list of security holders in the table below purchased an aggregate of 3,742,800 units, each unit consisting of one common share and one non-transferable warrant, at a price of C\$0.37 (US\$0.27) per unit, for total gross proceeds of C\$1,384,836 (US\$1,010,556), from us in a short form offering which completed in two parts on June 4, 2003 and July 16, 2003. Each two warrants entitle the holder to acquire one share of us at an exercise price of C\$0.75 (US\$0.55) for 12 months from the respective completion date. In addition, a group of agents led by First Associates Investments Inc. and including Bolder Investment Partners Ltd., Canaccord Capital Corp., Haywood Securities Inc., Penson Financial Services Canada, Wolverton Securities Ltd., and Union Securities Ltd. received an aggregate of 374,280 agent options, with each agent option entitling the holder to acquire one unit as described above for 24 months from the respective completion date at C\$0.37 (US\$0.27) per unit.

As of the date of this prospectus none of the warrants or agent options had been exercised. Upon exercise of the warrants, we plan to rely on an exemption under Regulation S for the issuance of the shares underlying the warrants.

The following table sets forth information with respect to the common stock beneficially owned by the selling security holders as of the date of this prospectus. Beneficial ownership is determined in accordance with Securities and Exchange Commission rules and includes voting or investment power with respect to the securities.

The percentage interest of each selling security holder is based on the beneficial ownership of that selling security holder divided by the sum of the current outstanding shares of common stock plus the additional shares, if any, which would be issued to that selling security holder (but not any other selling security holder) when exercising warrants in the future.

To our knowledge, each of the selling security holders has sole voting and investment power over the shares of common stock listed in the table below. No selling security holder has had a material relationship with us during the last three years, other than as an owner of our common stock or other securities. To our knowledge, none of these investors is affiliated with the others.

Name	Number of Shares Beneficially Owned	Number of Shares Offered Herein	Number of Shares Underlying Warrants and Agent Options Offered Herein	Percentage of Stock Owned Prior To the Offering	Amount and Percentage of Stock Owned After the Offering
Marc Melnic	15,000	10,000	5,000	*	-
Robert Grapko	15,000	10,000	5,000	*	-
Wendy Stang	15,000	10,000	5,000	*	-
Mr Keith Pascoe-Price	15,000	10,000	5,000	*	-
Ms. Alice Linderman	7,500	5,000	2,500	*	-
Mike Svab	15,000	10,000	5,000	*	-
Margaret Bosch	7,500	5,000	2,500	*	-
Miss Raffelina Lamontagne	7,500	5,000	2,500	*	-
Wayne Young	30,000	20,000	10,000	*	-
Guy Farebrother	30,000	20,000	10,000	*	-
Roger Michaud	15,000	10,000	5,000	*	-

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Bob Pandelidis	3,000	2,000	1,000	*	-
Ann Kostiuk	15,000	10,000	5,000	*	-
Andy Kostiuk	15,000	10,000	5,000	*	-
Denis Gosselin	1,500	1,000	500	*	-
Mr. Mohammed Elsaghir	30,000	20,000	10,000	*	-
Ty Lopes	1,500	1,000	500	*	-
Robin John Wilkinson	75,000	50,000	25,000	*	-
Ralph Wallace	30,000	20,000	10,000	*	-
Colin Magee	4,500	3,000	1,500	*	-
940180 Alberta Limited	15,000	10,000	5,000	*	-
Kenneth Leong	15,000	10,000	5,000	*	-
Mr. Ben J Murphy	3,750	2,500	1,250	*	-
Cheryl Enright	1,500	1,000	500	*	-
Karen Tomter	15,000	10,000	5,000	*	-
Winsome Capital Inc	52,500	35,000	17,500	*	-
Balmon Holdings Ltd	150,000	100,000	50,000	*	-
Cibc World Markets Inc	65,700	43,800	21,900	*	-
Brian Schmidt	15,000	10,000	5,000	*	-
Oriole Energy Eastern Ltd	15,000	10,000	5,000	*	-
Barry Slusarchuk	22,500	15,000	7,500	*	-
Gary L Gray Pro Corp.	30,000	20,000	10,000	*	-
Peter-Paul Holdings	150,000	100,000	50,000	*	-
Steve Mulherin	45,000	30,000	15,000	*	-
Ms. Jan Richard	22,500	15,000	7,500	*	-
Mr. Peter Tse	7,500	5,000	2,500	*	-
International Benefits Management Corporation	150,000	100,000	50,000	*	-
Tony Smith	30,000	20,000	10,000	*	-
Mr. Dean Bristow	30,000	20,000	10,000	*	-
Michelle L Colley	3,000	2,000	1,000	*	-
Leo Verlaan	7,500	5,000	2,500	*	-
Elizabeth Verlaan	7,500	5,000	2,500	*	-
Mr. Steve Simonds	30,000	20,000	10,000	*	-
Keith Rose	52,500	35,000	17,500	*	-
Mr Raymond Pineo	43,500	29,000	14,500	*	-
Sherry Sturko	4,500	3,000	1,500	*	-
Mr John Robert Conaty And/Or Mrs Louise Conaty Jtwros	15,000	10,000	5,000	*	-
Warren Seaman	3,750	2,500	1,250	*	-
Melissa M Hart	22,500	15,000	7,500	*	-
Tom Hart	22,500	15,000	7,500	*	-

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Mr Gord Berkhold	7,500	5,000	2,500	*	-
Andrew Watts	3,000	2,000	1,000	*	-
Jenifer Gray	7,500	5,000	2,500	*	-
Heather Hankins-Bruce	7,500	5,000	2,500	*	-
Time Frame Construction Ltd	30,000	20,000	10,000	*	-
Mr. Robert J Watts	9,000	6,000	3,000	*	-
Mr Arthur Borzel	15,000	10,000	5,000	*	-
Mr. Mark Salmon	22,500	15,000	7,500	*	-
Jeff Wright	6,000	4,000	2,000	*	-
Mr. Kevin Clarkson	1,500	1,000	500	*	-
Yue Tim Pak	7,500	5,000	2,500	*	-
Aldo Marangoni For Jesse Marangoni	3,000	2,000	1,000	*	-
Flo Ibsen And Barrie Ibsen Jtwros	6,000	4,000	2,000	*	-
Mr. Randal Wilson	75,000	50,000	25,000	*	-
Jack Howorko	7,500	5,000	2,500	*	-
Bill Brandsma	6,000	4,000	2,000	*	-
Galaxy Players Ltd	37,500	25,000	12,500	*	-
Rykel Resources Ltd	22,500	15,000	7,500	*	-
Mr. David Westlund	30,000	20,000			