

June 22, 2010

Rating: Speculative Buy
Target Price: \$0.64

All figures in C\$, unless otherwise noted

Recent Price:	\$0.19
52 Week Range	\$0.08–\$0.38
Shares O/S	basic: 46.3 million
	f.d.: 55.6 million
Market Cap:	\$10.3 million
Enterprise Value:	\$10 million
Fiscal Year End:	Dec. 31
Cash: (Mar 31, 2010)	\$0.6 million

Financials	2009A	2010E	2011E
Revenue (\$mm)	\$2.5	\$5	\$10
EPS	-\$0.08	\$0.0	\$0.04
Net Income (\$mm)	-\$3	-\$23	\$2.46
P/E	NA	NA	4.75
EBITDA (\$mm)	NA	NA	\$3.16

Company Description: Smartcool Systems Inc. provides commercial enterprises with solutions that reduce their energy consumption. The company is based in Vancouver, British Columbia, and has distribution capabilities in the U.K., U.S., EMEA, SE Asia, Australia and Latin America. It sells two products: ESM™ and ECO3™

Al P. Nagaraj
 Special Situations Analyst
 647-426-0291
 anagaraj@byroncapitalmarkets.com

Smartcool Systems Inc. (SSC-TSXV)

Smart, Cool and Cheap

- ▶ **Business Case for Saving the Environment:** Smartcool Systems Inc. (“Smartcool”) has two products in the marketplace (ESM™ and ECO3™), that help commercial and industrial companies save money by reducing their electricity consumption.
- ▶ **Catalysts Drive Growth:** Soaring global electricity prices, worldwide government legislation and incentives for industry to reduce its carbon footprint are accelerating the adoption of Smartcool’s products and services worldwide.
- ▶ **Global Distribution Channels:** Smartcool has strong distribution channels in place in the U.S., Europe, Asia, Oceania, Africa and Latin America that will drive sales of its high-margin products in the next few years.
- ▶ **Marquee Clients:** Smartcool sells its products to some of the world’s biggest and most well-known companies, including Wal-Mart ASDA, Dell, Sainsbury’s, 7-11, Vodafone and Telefonica. These client accounts will generate revenue for years to come and also help Smartcool land other major accounts.
- ▶ **Recommendation:** We are initiating coverage on Smartcool Systems Inc. with a Speculative Buy recommendation and a \$0.64 target price.



Source: bigcharts.com

Please see end of this report for important disclosures

INVESTMENT HIGHLIGHTS

- ▶ **Easy to install products:** Smartcool provides unique, easy to install products that help companies reduce electricity consumption in their HVAC-R plants. Smartcool's products optimize the operation of compressors used in air conditioning, refrigeration and heat pump systems, thus reducing electricity consumption by industrial and commercial companies.
- ▶ **Growing blue-chip customer list:** Smartcool's products are installed in the premises of global companies including Sainsbury's, Dell, Wal-Mart ASDA, Telefonica, Vodafone and 7-11. An excellent opportunity exists for Smartcool to generate additional revenue from existing accounts as these customers decide to implement Smartcool products and services in a greater number of locations to further reduce electricity costs and acquire green energy credits. With such marquee names as accounts, it is easier for Smartcool to sell into other companies.
- ▶ **Global growth opportunity:** With soaring prices and increasing demand for electricity, keeping electricity costs in check is a priority for businesses worldwide. Smartcool has distributors in the U.S., Europe, Asia, Australia, Africa and Latin America who can sell its products to commercial accounts worldwide. Using key accounts as references, Smartcool's distributors can easily sell into newer accounts, thus ramping up the top and bottom lines.
- ▶ **Explosive growth, lower-risk company at a compelling valuation:** We expect the company to grow 100% in each of the next two years to reach revenue of \$10 million by 2011. Unlike other green technology companies that have key client risk and regulatory hurdles to overcome, Smartcool sells its proven products directly to businesses. Smartcool's technology has been proven in over 26,000 installations world wide and have independent third party testing by Oak Ridge National Laboratory and the University of Miami on behalf of Florida Power and Light. Smartcool is not beholden to a utility or any government agency that can change rates on a whim.

SSC's products reduce electricity costs and greenhouse gas emissions today

COMPANY PROFILE

Overview

Smartcool Systems Inc. (“Smartcool” or “SSC”) manufactures and distributes proven green technology solutions that make refrigeration, air conditioning and heat pump systems more energy efficient, thereby reducing electricity costs and green house gas emissions. The company has two products in the market place — ESM™ and ECO3™ — which help commercial enterprises reduce their electricity consumption significantly.

SSC began as a publicly held company in 2004. Initially it distributed its ESM™ product in Canada for Abbotly Technologies Pty Ltd., Australia. In 2006, Smartcool bought the assets of Abbotly, including the intellectual property (IP) of ESM™. Following the takeover, Smartcool became the sole manufacturer and distributor of ESM™.

SSC has three wholly-owned subsidiaries: 1) Smartcool International Inc., the owner, developer, manufacturer and worldwide distributor of the ESM™ and ECO3™; 2) Smartcool Systems USA Inc., the sales and distribution platform for North America; and 3) Smartcool Systems (EMEA) Ltd., which distributes both directly and through third-party sales channels in Europe, the Middle East, the Indian sub-continent and Africa.

Market Strategy

Smartcool focuses on the acquisition, research and development, production and marketing of energy-efficient technologies that provide long-term growth and sustainability. It also focuses on developing integrative technologies that can provide tangible benefits to companies belonging to different industry verticals.

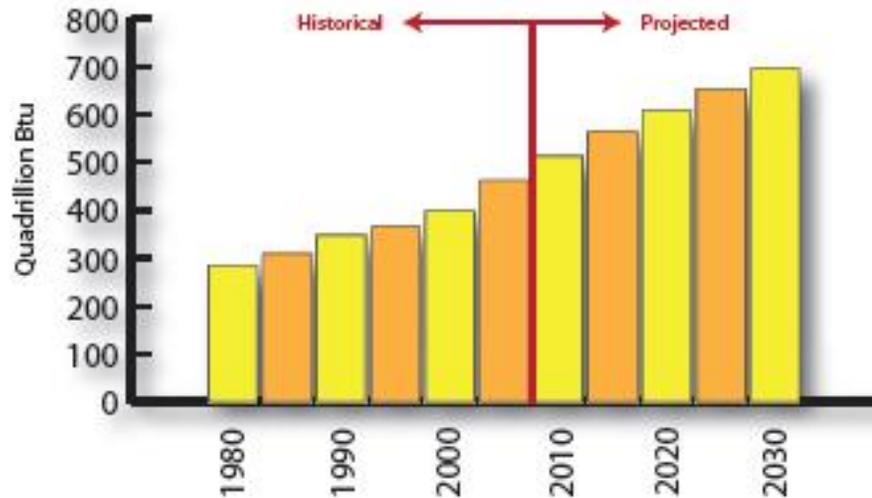
Smartcool’s objectives are: 1) to build a worldwide sales and distribution network to promote its products; 2) assess and develop energy-efficient products that are in tandem with its commitment to offer green technologies; 3) capitalize on the financial grants and assistance offered by the government and utility rebate programs; and 4) increase shareholder value.

Smartcool has developed its far-reaching and cost-effective green technology products in compliance with the economic and environmental guidelines followed across the world. The following paragraphs show how increasing greenhouse gas (“GHG”) emissions owing to electricity consumption and the associated costs drive the need for Smartcool’s products worldwide.

ENERGY CONSUMPTION AND GREEN HOUSE GAS EMISSIONS

Greenhouse gas emissions are commonly associated with factories, modes of transportation and deforestation. However, electricity generation and consumption is also a key source of GHG in the atmosphere. As shown in the chart below, world energy consumption is expected to soar, thereby drastically increasing GHG emissions.

Exhibit 1: World Energy Consumption



Source: Company Reports

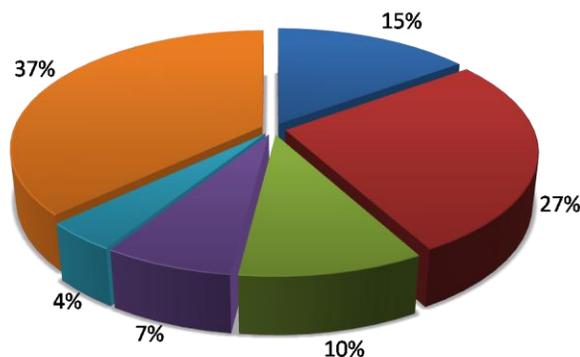
There is a pressing need to curb GHG owing to electricity consumption on all levels. There are two ways to achieve this objective: using renewable energy sources such as solar and wind power; and minimizing the amount of electricity consumed.

Electricity Consumption by Households in the U.S.

US Department of Energy data shows that lighting (27%) is the single largest use of electricity in the country, followed by cooling for refrigeration and air conditioning (15%), as shown in the following chart.

Exhibit 2: North American Electricity Consumption by Use

■ A/C & Refrigeration ■ Lighting ■ Office Equipment ■ Heating ■ Ventilation ■ Other



Source: Company Reports

Plenty of research has been conducted in the lighting field and many economical solutions are available. Developments in HVAC and refrigeration have lagged behind and often have proven to be very expensive and complicated, making it difficult for most people to adopt them.

This is where Smartcool has proven to be a boon for all kinds of users. The company has designed cost-effective and energy-efficient products to help its clients. Smartcool's retrofit technology functions in conjunction with the existing equipment and primary controller, meaning installation costs are significantly lower than most other solutions on the market.

Energy Efficiency on a Global Platform

In an attempt to cut the rate of GHG emissions that are causing environmental problems (such as global warming), government agencies and research groups worldwide have joined forces. As a result, a number of countries have announced special financial grants to motivate consumers to reduce their energy consumption. Smartcool has designed and developed green products that qualify for such special grants and incentives.

THE SMART SOLUTION

In air conditioning and refrigeration systems, the compressor acts as the biggest electricity consumer, consuming more than 70% of the total electricity. Therefore, reducing the run time of a compressor can prove to be a cost-effective means to reduce energy consumption. A compressor's capacity to remove heat is directly proportional to the operating pressure of the system. When the compressor starts up, it runs at a high suction pressure and operates at a maximum efficiency level. The suction pressure drops as the compressor continues to reduce the temperature in the controlled space, meaning it becomes less energy efficient over time. Simply put, each degree of temperature reduction calls for a higher amount of electricity consumption.

Smartcool Technology

Smartcool has developed an innovative technology to lower electricity consumption (kwh) and demand (KW) of air conditioning and refrigeration compressors. Smartcool's ESM™ and ECO³™ maximize the rate of heat removal by simply optimizing physical properties of the compressor's operating cycle, a process known as Compressor Optimization. This process can lower compressor run times by nearly 30% without affecting the temperature conditions. The lower run time equates to an average energy savings of 15% kWh, which in turn gives customers a return on investment in 18 to 36 months.

Smartcool has two products — ESM™ and ECO³™ —for large and small commercial spaces, respectively.

Energy Saving Module (ESM™)

Smartcool's ESM™ is comprised of two parts: the Network Controller ("LNC") and the Interface Module. LNC performs all the calculations for optimizing the compressor while the Interface Module is linked in series between the compressor and the LNC.

Two types of interface modules are currently available: The System Interface Module ("SIM"), and the Intelligent Interface Module ("IIM"). A LNC may have up to four SIMs. The IIM extends additional control options to the ESM™, thereby making the ESM™

compatible with complex control systems and large chillers. Two IIMs can be configured with every LNC.

Exhibit 3: Energy Saving Module



Source: Company Reports

ESM™ also provides superior solutions to monitor its performance. The LCD display shows the savings achieved by the ESM™. Alternately, a remote network can be established to assess the performance through a modem.

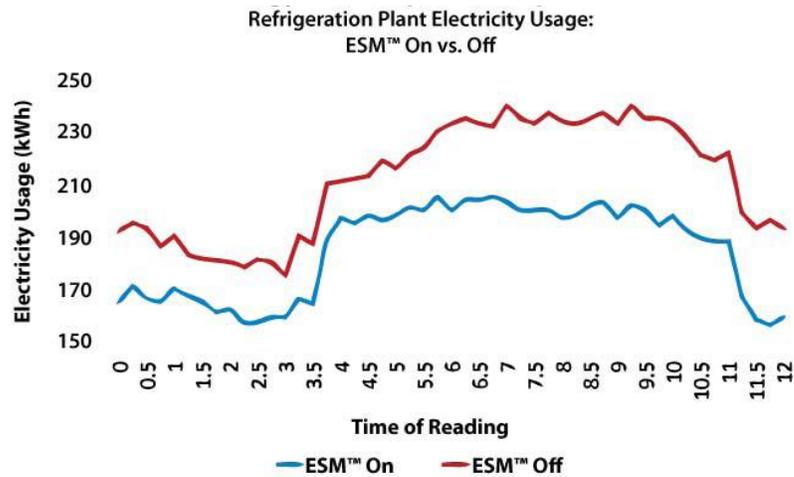
Benefits of the system include: 1) set and forget retrofit technology; 2) an average 10% decrease in KW demand; 3) an average 15% decrease in kWh usage; 4) verifiable savings; and 5) ROI in 18 to 36 months.

Features of the product include:

- Interfaces with the current equipment and controls to optimize compressors.
- Maintains temperature requirements.
- Does not impact manufacturer’s warranty.
- Averts over-cycling of compressors, thereby increasing their lifetime and lowering maintenance costs significantly.
- Will always fail safe and also has the option for manual bypass.

The following chart shows the difference in actual energy consumption when the ESM™ solution is on and off, respectively.

Exhibit 4: Energy Consumption Comparison

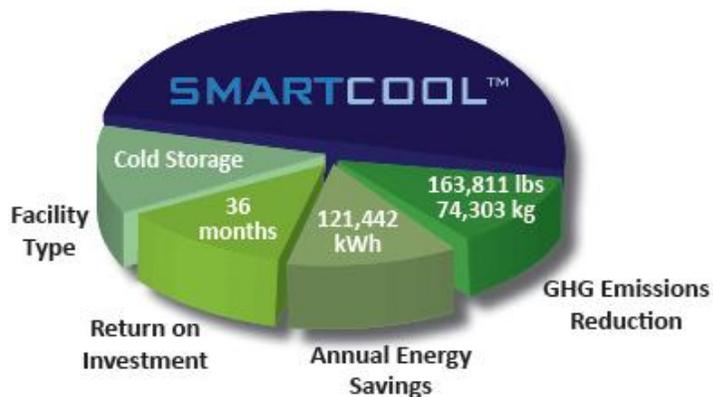


Source: Company Reports

The chart below shows the installation of the ESM™ solution in a cold storage facility. Data shows that ESM™ system results in annual savings of 121,442 kWh in electricity and a reduction of 74,303 kg in GHG emissions. In this case, the customer received a three-year ROI, which is far less than the average seven-year ROI of HVAC systems.

Exhibit 7 shows that using ESM™ in a supermarket can result in an annual savings of 40,230 kWh in electricity and a reduction of 24,777 Kg of GHG emissions. The ROI for this supermarket is less than two years, and most customers experience a return on investment between 18 and 36 months.

Exhibit 5: ESM™ Solution in a Cold Storage Facility



Source: Company Reports

The ECO³™

The ECO³™ has the unique ability to optimize heating and cooling cycles of compressor-run heat pumps, as well as providing compressor optimization to air conditioning and refrigeration systems.

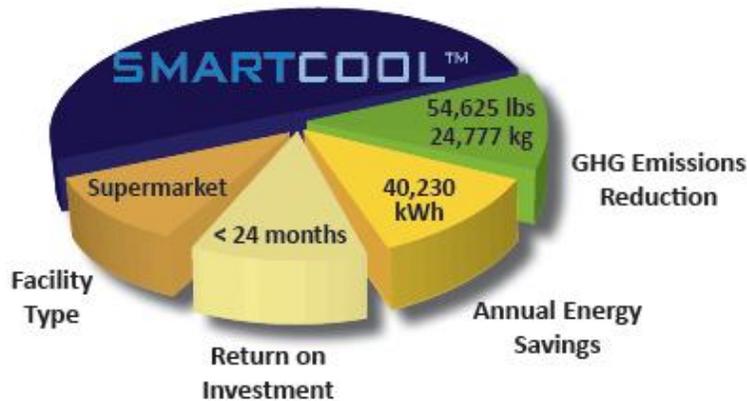
Exhibit 6: The ECO³™



Source: Company Reports

The ECO³™ has distinctive features that differentiate it from the ESM™. It is compatible with single and dual compressor air conditioning and refrigeration systems, and is able to save energy on both the heating and cooling cycles of heat pumps. The enclosure is rated to IP64, enabling installation outdoors without additional costly protection.

Exhibit 7: ESM™ Solution in a Supermarket



Source: Company Reports

Applications

Both ESM™ and ECO³™ have proven their efficiency and relevance for a variety of industries. With these two innovative technologies Smartcool has succeeded in offering cost-effective energy-efficiency retrofit solutions. Because of these offerings, Smartcool installations provide an extremely beneficial technology to the end users.

Air Conditioning Systems

The ECO³™ is compatible with packaged units with either one or two stages of control. These types of systems are most commonly found in buildings such as convenience stores, data or telecommunications facilities, homes and restaurants. The ESM™ brings compatibility to larger multi-compressor systems, such as those found in large commercial real estate, hospitals, schools and supermarkets.

Refrigeration Systems

The ECO³™ is the most economical solution for single or dual compressor refrigeration systems such as those found in convenience stores and restaurants. The ESM™ provides compatibility with multi-compressor refrigeration systems such as racks or packs. These larger refrigeration systems are common in supermarkets, process cooling facilities, and food service facilities.

Chillers

Nearly all modern chillers come with Micro Processor Chiller Management Systems that enable third-party interfaces to adjust chiller capacity control. The IIM enables the ESM™ to adjust the chiller capacity control using the remote set point control, dual-set point control, temperature reset or pulse width modulation. The ESM™ is equipped to provide electrical savings on a chiller because of the Intelligent Interface Module's ability to interface with the primary controller. This causes the unit to shed load for some time to lower the system's energy. Notably, the ESM™ is equipped to offer this set point shift through the full range of ambient conditions.

By using a direct interface with a chiller management system, the chiller safety and management guidelines are easily complied with. It is important to note that the amount of savings achieved by the ESM™ is dependent on the type of compressor used. Although it is compatible with many types of compressors, it achieves optimal savings with reciprocating and scroll compressors.

The ESM™ has helped chillers in many facilities save energy, particularly in large data centers, commercial real estate, hotels, and cold storage warehouses.

Third Party Testing

Smartcool's technology has been through rigorous inspection and testing.

Notable results include the following:

- Research proved that ESM™ reduced kWh usage by 8.9%, and also revealed that ESM™ lowered the peak demand of the system by 10.8%, according to a University of Miami study conducted for Florida Power and Light.
- Test results proved that the application brought an 11.87% decrease in kWh, according to a test performed by the Oakridge National Laboratory in 2004–2005.
- The average daily kWh usage savings was recorded at 20-24% by the Los Angeles Department of Water and Power in 1998.

Saving Energy for the Environment

Energy efficiency is imperative to ensure sustainable growth for the future. Smartcool has played a key role in helping enterprises to achieve energy efficiency and adopt green technologies. These technologies have reduced electricity consumption and demand of compressors in air conditioning, heat pump and refrigerating systems. Every year, Smartcool helps the world to lower energy consumption by 221,000 mWh. Smartcool has teamed up with leading world organizations to reach out to its clients.

Partner Organizations

US General Services Administration (“GSA”): The GSA provides workplaces by constructing, managing, and preserving government buildings and by leasing and managing commercial real estate. Smartcool Systems USA Inc. is a recognized contract holder with the GSA, allowing it to provide the ESM™ to US government operations around the globe.

The US Green Building Council (“USGBC”): The USGBC is the non-profit body that designed the Leadership in Energy and Environment Design (“LEED”) green rating system. LEED is now a globally recognized standard for compliance with green laws. Smartcool products contribute towards satisfying requirements for credits in the Energy & Atmosphere and Innovation measures within LEED.

Flex Your Power: This is California’s initiative to offer detailed information on energy efficiency. As a partner, Smartcool is actively involved in disseminating useful information on energy efficiency to its clients.

BC Hydro Power Smart: This is an innovative program providing education, information and incentives to help make the province of British Columbia more energy efficient. Smartcool is registered with the Power Smart Alliance and works with BC Hydro clients on select energy efficiency projects.

Clientele

Smartcool provides its products and services to clients from different parts of the world. The company serves some of the biggest corporations and business conglomerations from various industries, which are looking to adopt state-of-the-art green technologies that provide tangible benefits and healthy returns on investment (ROI).

Its clients include:

Retail

1. Wal-Mart ASDA (UK)
2. McDonald’s (Australia)
3. Sainsbury’s (UK)
4. Tesco (UK, Thailand)
5. Target (Australia)

Commercial

1. Dell (India, China, Malaysia, USA, Panama, Brazil)

2. Colt (UK, Netherlands, Belgium, Germany, Denmark, Spain, France, Italy, Switzerland)
3. Globe Telecom (Philippines)
4. Telefonica (Spain)
5. Vodafone (UK)

Hospitality

1. Radisson SAS Hotel (UAE)
2. Gate Gourmet (UK)
3. South Hills Country Club (USA)
4. Cairns International Hotel (Australia)
5. Tweed Heads Bowling Club Ltd (Australia)

Industrial

1. GE Healthcare (India)
2. Hellmann Perishable Logistics (USA)
3. Barbados Dairy (Barbados)
4. Olympic Fruit & Vegetable (USA)
5. FAES Farma (Spain)

Institutional

1. Kamehameha Schools (USA)
2. Jumeirah English Speaking School (UAE)
3. North Sydney Council Library (Australia)
4. Royal Devon and Exeter Hospital (UK)
5. Royal Newcastle Hospital (Australia)

RECENT RESULTS

For the quarter ended March 2010 Smartcool generated revenues of \$634,927 compared to 225,556, an increase of 181 percent. Losses decreased to \$.02 per share from \$.03 per share compared to the same period last year.

Smartcool has rapidly increased its revenue over the past year and reduced its losses as it has put its product distribution agreements in place.

Sales for the year ended December 31, 2009 were \$2.4 million compared to \$1.2 million in 2008. The company grew its revenue by more than 162% in 2008 and 100% in 2009.

Gross margins were 63.5% in 2008 and 70.3% in 2009. Gross margins increased with rising sales levels, better pricing and efficiencies in manufacturing.

Total SG&A expenses were \$4.9 million in 2008 compared to \$4.4 million in 2009.

Net operating losses fell from \$4.4 million in 2008 to \$3.4 million in 2009. Losses per share on a fully diluted basis were \$0.08 per share in 2009 versus \$0.11 in 2008. The company has moved closer to its goal of profitable growth.

OUTLOOK AND VALUATION

The company has ramped up its distribution in Europe and Asia, thus we expect sales growth to continue in 2010 and 2011. We estimate revenue of \$5 million in 2010 and \$10 million in 2011, a 100% growth in rate for the next two years.

Gross margins are expected to be 70% in both 2010 and 2011.

We conservatively expect SSC to have \$165,000 of operating losses in 2010 and \$2.46 million in earnings before taxes in 2011.

The company has almost \$10 million in net operating losses that it can use to offset any income taxes in the near future. Net income for 2011 is estimated at \$2.5 million, which translates into \$0.04 per share on a fully diluted basis. The company is expected to grow revenue to \$50 million in the next three to five years.

COMPETITION

Competitors to Smartcool include Emerson, Johnson Controls and Carrier.

Exhibit 8: Peer Group Valuation

Name	Symbol	Price	Market Cap (in millions)	P/E	EV/EBITDA	2011 P/E
Emerson Electric Co	EMR	\$ 48.45	37,000	21.25	9.94	15.55
Johnsons Control Inc	JCI	\$ 29.60	19.93	17.38	11.16	12.2
EnerNoc Inc	ENOC	\$ 31.61	778	NA	162.5	35
Itron	ITRI	\$ 68.62	2770	61.52	15	17.6
International Rectifier	IRF	\$ 21.47	1520	19	20.43	16
Average				30	44	19
Median				20	15	16
Smartcool Systems Inc.	SSC	0.21	11.68	NA	3.87	4.75

Source: Company reports

As shown in the table above, SSC's peers in this space are valued at 18x their average 2011 P/E and 16x their median 2011 P/E, respectively. SSC has much higher growth prospects and it should increase its earnings at a much faster pace compared to its peers. We believe the company can be conservatively valued at an industry median of 16x its estimated 2011 EPS of \$0.04, resulting in a valuation of \$0.64

CONCLUSION

Smart Cool's potential is not fully recognized in the current market environment. With its unique products, customer base and its excellent opportunity, SSC is well positioned to grow in the global markets for a number of years to come.

We initiate coverage of SSC with a Speculative Buy Recommendation and a \$0.64 price target.

APPENDIX 1

Smartcool Systems Inc (TSXV:SSC) Income Statement							
Income Statement							
For the Fiscal Period Ending	12 months Dec-31-2007	12 months Dec-31-2008	12 months Dec-31-2009	12 Months Dec-30-2010E	12 months Dec-30-2011E	12 months Dec-30-2012E	12 months Dec-30-2013E
Currency	CAD	CAD	CAD	CAD	CAD	CAD	CAD
Revenue	0.447	1.175	2.4	5.0	10.0	20.0	40.0
Other Revenue	-	-	-	-	-	-	-
Total Revenue	0.447	1.175	2.4	5.0	10.0	20.0	40.0
Cost Of Goods Sold	0.366	0.431	0.714	1.5	3.0	6.0	12.0
Gross Profit	0.081	0.744	1.686	3.5	7.0	14.0	28.0
Selling General & Admin Exp.	3.971	4.864	4.292	2.95	3.75	7.5	15.0
R & D Exp.	0.055	0.057	0.085	0.09	0.09	0.1	0.1
Depreciation & Amort.	-	-	-	-	-	-	-
Amort. of Goodwill and Intangibles	0.303	0.45	0.603	0.625	0.625	0.625	0.625
Other Operating Expense/(Income)	-	-	-	-	-	-	-
Other Operating Exp., Total	4.329	5.372	4.98	3.665	4.465	8.225	15.725
Operating Income	(4.248)	(4.627)	(3.294)	(0.165)	2.535	5.775	12.275
Interest Expense	(0.08)	(0.079)	(0.09)	(0.096)	(0.096)	(0.096)	(0.096)
Interest and Invest. Income	0.152	0.113	0.005	0.021	0.021	0.021	0.021
Net Interest Exp.	0.071	0.034	(0.085)	(0.075)	(0.075)	(0.075)	(0.075)
Currency Exchange Gains (Loss)	(0.03)	0.222	0.014	0.014	-	-	-
Other Non-Operating Inc. (Exp.)	-	-	-	-	-	-	-
EBT Excl. Unusual Items	(4.206)	(4.371)	(3.391)	(0.226)	2.46	5.7	12.2
Impairment of Goodwill	-	-	-	-	-	-	-
Asset Writedown	(0.117)	-	-	-	-	-	-
Other Unusual Items	-	-	-	-	-	-	-
EBT Incl. Unusual Items	(4.323)	(4.371)	(3.391)	(0.226)	2.46	5.7	12.2
Income Tax Expense	-	-	-	-	-	-	4.88
Earnings from Cont. Ops.	(4.323)	(4.371)	(3.391)	(0.226)	2.46	5.7	7.32
Earnings of Discontinued Ops.	-	-	-	-	-	-	-
Extraord. Item & Account. Change	-	-	-	-	-	-	-
Net Income	(4.323)	(4.371)	(3.391)	(0.226)	2.46	5.7	7.32
NI to Common Incl Extra Items	(4.323)	(4.371)	(3.391)	(0.226)	2.46	5.7	7.32
NI to Common Excl. Extra Items	(4.323)	(4.371)	(3.391)	(0.226)	2.46	5.7	7.32
Per Share Items							
Basic EPS	(0.132)	(0.111)	(0.08)	0.00	0.053	0.123	0.158
Basic EPS Excl. Extra Items	(0.132)	(0.111)	(0.08)	0.00	0.053	0.123	0.158
Weighted Avg. Basic Shares Out.	32.87	39.405	42.808	46.321	46.321	46.321	46.321
Diluted EPS	(0.132)	(0.111)	(0.08)	(0.00)	0.044	0.102	0.132
Diluted EPS Excl. Extra Items	(0.132)	(0.111)	(0.08)	(0.00)	0.044	0.102	0.132
Weighted Avg. Diluted Shares Out.	32.87	39.405	42.808	55.625	55.625	55.625	55.625
EBITDA	(3.945)	(4.177)	(2.69)	0.46	3.16	6.4	12.9
EBIT	(4.248)	(4.627)	(3.292)	(0.165)	2.535	5.775	12.275
Effective Tax Rate %	NA	NM	NM	NM	NM	NM	40%

Source: Company Reports, CapitalIQ and Byron Capital Market estimates

APPENDIX 2

MANAGEMENT

George Burnes, President & CEO, Director (Vancouver Office)

Prior to joining Smartcool Systems Inc., Mr. Burnes was instrumental in the development of several customer-focused enterprises engaged in new product and service deployment. Mr. Burnes most recently held the position of President & COO of Novus Entertainment Inc; a communications service provider offering consumer's choice for their entertainments needs. Prior to that, Mr. Burnes was the President & COO of Silent Witness Enterprises Inc., a leading developer of advanced security systems distributed worldwide.

Chris Lefavre, Vice President Business Development (Vancouver Office)

Prior to joining Smartcool Systems Inc., Mr. Lefavre played a key role in building and managing several business to business product and service distribution networks. Mr. Lefavre most recently held the position of Business Unit Director for UTEL Networks, the business to business sales unit of Teligence Communications; a company specializing in telecommunications and non face to face commerce solutions.

Cameron Hunter, Vice President Sales & Marketing (Vancouver Office)

Prior to joining Smartcool Systems Inc., Mr. Hunter served as President and CEO of Norsat International Inc. - a TSX listed telecommunications provider of satellite systems and sub-components. He has also held senior international sales and strategic partnership positions for leading technology brands such as SkyStream Networks (now owned by LM Ericsson), Harris Corporation, and Nortel Networks.

Ken Landymore, Director of Operations (Vancouver Office)

Ken Landymore brings a wealth of experience throughout the supply chain in the areas of manufacturing, purchasing, logistics, customer service, service, and after sales support. Most recently, Mr. Landymore was the General Manager, Parts and Service for Trail Appliances where he was instrumental in improving both the financial performance and service delivery metrics.

Russ Visser, Technical Director (Vancouver Office)

Russ Visser brings over 30 years of technical experience to the Smartcool team from such diverse industries as Oil and Gas, Food Manufacturing, Electrical Generation and Distribution, Water Purification, and Electrical Design and Construction, Custom Production Equipment Manufacturing, as well as a background in Automation and Control systems.

Andrew Sanders, Managing Director, Smartcool Systems (EMEA) Ltd. (London Office)

Working as a member of the Smartcool UK board of directors for the past fourteen (14) years, Mr. Sanders leads the organisational and planning development of Smartcool EMEA. His past career involves various financial and commercial consolidation projects and large IT installation initiatives with organisations such as Thorn EMI and Allied Domecq.

Steven Martin, Sales Director, Smartcool Systems (EMEA) Ltd. (London Office)

Mr. Martin's previous career in Estate and Property Management & Sales provide him with a wide and varied experience across a range of industry sectors. With over sixteen years experience in the delivery of innovative energy solutions, he brings a wealth of knowledge in the technical, sales and management aspects of the industry.

IMPORTANT DISCLOSURES**Analyst's Certification**

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report. The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete.

Byron Capital Markets ("BCM") is a division of Byron Securities Limited which is a Member of IIROC and CIPF. BCM compensates its research analysts from a variety of sources. The research department is a cost centre and is funded by the business activities of BCM including institutional equity sales and trading, retail sales and corporate and investment banking. Since the revenues from these businesses vary the funds for research compensation vary. No one business line has greater influence than any other for research analyst compensation.

Dissemination of Research

BCM endeavours to make all reasonable efforts to provide research simultaneously to all eligible clients. BCM equity research is distributed electronically via email and is posted on our proprietary websites to ensure eligible clients receive coverage initiations and ratings changes, targets and opinions in a timely manner. Additional distribution may be done by the sales personnel via email, fax or regular mail. Clients may also receive our research via a third party.

Company Specific Disclosures: N/A**Investment Rating Criteria**

STRONG BUY	The security represents extremely compelling value and is expected to appreciate significantly from the current price over the next 12-18 month time horizon.
BUY	The security represents attractive value and is expected to appreciate significantly from the current price over the next 12-18 month time horizon.
SPECULATIVE BUY	The security is considered a BUY but in the analyst's opinion possesses certain operational and/or financial risks that may be higher than average.
HOLD	The security represents fair value and no material appreciation is expected over the next 12-18 month time horizon.
SELL	The security represents poor value and is expected to depreciate over the next 12-18 month time horizon.

Other Disclosures

This report has been approved by BCM which takes responsibility for this report and its dissemination in Canada. This report is for the sole use of BCM's Canadian clients. Canadian clients wishing to effect transactions in any security discussed should do so through a qualified salesperson of BCM.

Informational Reports

From time to time BCM will issue reports that are for information purposes only and will not include investment ratings. These reports will be clearly labelled accordingly.

Company Directory

Executive

Campbell Becher, *President*
647-426-1657
campbell@byroncapitalmarkets.com

Sales & Trading

Main Trading Line 647-426-1670

Cyrus Osen, *Head of Institutional Sales*
647-426-1675
cosena@byroncapitalmarkets.com

David Kemp, *Head of Institutional Trading*
647-426-1666
dkemp@byroncapitalmarkets.com

Jonathan Samahin, CFA, *Institutional Sales & Trading*
647-426-1670
jsamahin@byroncapitalmarkets.com

Kariv Oretsky, *Institutional Sales*
647-426-1658
koretsky@byroncapitalmarkets.com

Nick Perkell, *Institutional Trading*
647-426-1671
nperkell@byroncapitalmarkets.com

Nick Stajduhar, *Institutional Sales*
647-426-1664
nick@byroncapitalmarkets.com

Tom Chudnovsky, *Institutional Sales*
647-426-1665
tom@byroncapitalmarkets.com

Operations

Derrick Chiu, *Head of Syndication*
647-426-1662
derrick@byroncapitalmarkets.com

Marco Beretta, *Associate*
647-426-0289
mberetta@byroncapitalmarkets.com

Robyn Lyle
647-426-1660
rlyle@byroncapitalmarkets.com

Investment Banking

Cliff Rich, CFA, *Managing Director – Vancouver*
604-616-1211
crich@byroncapitalmarkets.com

Robert Orviss, CFA, *Managing Director – Toronto*
647-426-1668
rorviss@byroncapitalmarkets.com

Alex Watson, *Associate – Vancouver*
604-616-0190
awatson@byroncapitalmarkets.com

John Rak, *Associate*
647-426-1663
jrak@byroncapitalmarkets.com

Elisa Chio, *Analyst*
647-426-0288
elisa@byroncapitalmarkets.com

Mary Stuart, *Analyst – Vancouver*
604-616-5311
mstuart@byroncapitalmarkets.com

Russell Mills, *Analyst*
647-426-0290
rmills@byroncapitalmarkets.com

Research

Guy Gordon, CFA, *Head of Research – Oil & Gas Analyst*
647-426-1672
guy@byroncapitalmarkets.com

Al P. Nagaraj, *Special Situations Analyst*
647-426-0291
anagaraj@byroncapitalmarkets.com

Drew Clark, *Mining Analyst*
647-426-1673
dclark@byroncapitalmarkets.com

Jon Hykawy, PhD, *Clean Technologies & Materials Analyst*
647-426-1656
jhykawy@byroncapitalmarkets.com

Arun Thomas, *Associate*
647-426-1674
athomas@byroncapitalmarkets.com

Gabriela Casasnovas, *Associate*
647-426-0287
gcasasnovas@byroncapitalmarkets.com