

June 1, 2009

A clarion is a medieval trumpet that had clear, shrill tones. Trumpets were often used to get people's attention when making announcements. We are also using "clarion" in the context of making announcements, as well as being thought-provoking when sharing our information and opinions with those people who are interested in new investment ideas.

for your Information

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Topic: Assessing Research (Part 2)

Investors are constantly seeking sources of credible information on public companies, but because the sheer availability of it can be daunting, it leaves investors asking the question, "What information can I trust?"

This underlines the merit of independent, fee-based, equity research. The following discussion focuses on equity research: its role, where to access it, what the different types of research are, and the benefits to the investor.

1. Role of Research:

Equity research can be defined as analytical information made available to the marketplace. Inefficiencies in the market caused by inaccurate, misleading, or absent information result in the over or under valuation of securities. The value of research is that it fills these information gaps which are absent in the market and allows investors an opportunity to make better informed decisions without actually having to do their own analyses on stocks. The market, therefore, becomes more efficient, and the pricing of stocks better reflects the increased information publicly available.

2. Sources of Research:

Corporate research is provided by research departments of large investment banking institutions, by independent research firms and small boutique brokerage companies, and by management consultants and investor relations organizations.

The types of research provided by the different research firms differ markedly. The research from the big investment firms is concentrated on large capitalization companies that have good liquidity, and ignores much of the remaining universe of publicly-traded equities. This has evolved from industry deregulation and consolidation. To increase profitability, the large brokerage companies learned to focus on "big-cap" stocks in order to generate lucrative corporate finance deals and trading profits.

The exclusion of research coverage by the big brokerage firms of the multitude of mid-cap and small-cap companies trading on the main stock exchanges opened up opportunities for the independent research organizations to fill this information gap. In addition, the proliferation of electronic trading by investors occurred because of their reluctance to pay the higher commissions charged by both the big brokerage and the small boutique brokerage companies.

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Stock-of-the-Week

(Will return)

Assessing Research (continued)

Their higher commissions are necessary to help offset the cost of providing free research material to their clients. But, as their focus narrowed to mainly the liquid, big-cap companies, where the market was becoming more efficient, the need for brokerage reports on these companies diminished. Consequently, the investor is forced to seek alternate sources of research information on the majority of publicly-traded companies that do not fit the large-cap definition. Fee-based equity research organizations are increasingly filling that role.

3. Paying for Research:

Although the independent research firms are becoming the primary source for information on the majority of stocks, investors are used to receiving research material for free and, therefore, are still reluctant to pay for it. However, as the need for information grows, investors seem increasingly willing to pay a reasonable price for research that deals with under-covered companies with inefficiently-priced stocks.

4. Fee-based Research:

Management of publicly-traded companies that are not followed by Wall Street/Bay Street are increasingly accepting the reality of paying for research on their stocks. This fee-based research has the dual advantage of, first, increasing market efficiencies through the provision of otherwise unpublished research material and, secondly, bridging the disparity between investors who want research but do not want to pay for it and company management that realize that the big brokerage firms are not going to provide coverage on their stock.

Shareholders of under-covered companies are beginning to demand from management that their stock receive greater coverage, particularly in written form. At the same time, management is coming to realize that, although the company writes the cheque for fee-based research, it is the shareholders that ultimately pay for it.

5. Independent equity research:

Independent research organizations provide an objective analytical analysis and opinion on a company's investment potential, ensure objectivity by providing full and clear disclosure of the relationship between the researcher and the company, and receive an agreed fee, before the analysis begins, that is paid only in cash and never in shares, warrants, convertible securities, or options.

The market is slowly becoming cognizant of the activities of the independent research firms and the value of fee-based research as a useful source of information. The CFA Institute issues standards for fee-based research.

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**New eResearch
Material Since
May 25, 2009:**

1. Initiating Reports

[Luir Gold Limited](#)
05/28/2009

[ZENN Motor Company](#)
05/27/2009

[Canadian Mining
Company Inc.](#)
05/27/2009

[Chai Cha Na Mining](#)
05/26/2009

[EnCana Corporation](#)
05/26/2009

**2. Update Reports,
Bulletins, Analyst
Comments**

[Anglo-Canadian
Uranium Corp.](#)
05/28/2009

[Sage Gold Inc.](#)
05/26/2009

3. Analyst Articles

[Pinnacle Digest](#)
05/31/2009

In addition to these reports and articles, our full complement of research is available at www.eresearch.ca

BriefCase

NewsBytes from May 25 – May 29, 2009

Complete coverage on these companies is available at www.eresearch.ca. For the latest eResearch publications, see sidebar opposite.

Homeland Energy Group Ltd. (\$0.22 - May 25, 2009; HEG:TSX) Homeland Energy Group has received formal notification from the South African Department of Mining & Energy that a mining right has been approved for the Company's Eloff coal project in Mpumalanga Province. Homeland is in the final stages of completing pre-feasibility work on Eloff, after which bankable feasibility work will begin. Further details are contained in the Company's May 25, 2009 news release, available on SEDAR at www.sedar.com.

May 28, 2009: Homeland has also issued an update on (a) its Kendal colliery near Witbank, South Africa, following a shut-down for plant improvements, and (b) the Company's key exploration projects in South Africa. The Company's plans for Kendal include further production expansion in 2010 to increase monthly run-of-mine (ROM) coal from about 120,000 tonnes per month to about 180,000. For more on the update, see Homeland's May 28, 2009 news release.

Macusani Yellowcake Inc. (\$0.37 - May 26, 2009; YEL:TSX-V) Macusani Yellowcake has completed its non-brokered private placement of 8,990,000 units at \$0.25 per unit, for gross proceeds of \$2,247,500.

Quorum Information Technologies Inc. (\$0.065-May 26, 2009; QIS:TSX-V)... Quorum Information Technologies has passed certification testing for the new Customer Delivery Reporting integration with General Motors. Quorum is the first Dealership Management System supplier to be certified. Pilot testing began in April 2009, and deployment to the Company's customers in Canada started in May and is scheduled to begin in the U.S. in June. For further details, see Quorum's May 26, 2009 news release, available on SEDAR at www.sedar.com.

Adex Mining Inc. (\$0.15 - May 29, 2009; ADE:TSX-V) Adex Mining Inc. has announced that the appointment of Errol Farr as interim President and Chief Executive Officer has been made permanent effective May 29, 2009. Also on that date, Alan Marshall became Chairman of the Board (he was formerly Lead Director), and William C. Burton moved from Controller to the Chief Financial Officer position, replacing Errol Farr.

Opportunity Knocks

These are challenging times, and we at eResearch are not immune to what is happening all around us. But, we are adapting to this difficult operating environment. In this respect, we need more business development personnel. Anyone with a penchant for sales, please contact us.

Also, having recently become a Limited Market Dealer, our Capital Services division requires someone with financing experience to lead our efforts.

If you are interested in either of the above, I can be reached at bweir@eresearch.ca.

"Research is the
bedrock underpinning
all capital markets"

eResearch's Newest Partners

1. **StockResearchPortal** ("SRP").

SRP has an impressive investor-information website with an extensive library of data, including linked or referenced economic reports, in-depth industry research, and an impressive collection of company research. SRP is focused solely on the mining and oil & gas sectors. It has an extensive information databank on most of the 1,500-1,600 mining companies, oil & gas production and services companies, and oil & gas income trusts that are quoted on the TSX or TSX Venture exchanges. The SRP website can be accessed at www.stockresearchportal.com.

eResearch Corporation is pleased to provide our Subscribers with the bi-weekly **StockResearchPortal** Newsletter. It features independent and objective experts in gold, silver, base metals, uranium, geology, oil & gas valuation, and equity valuation who each have agreed to write an article sequentially each quarter.

2. **Objective Capital Research Limited**

Objective Capital of London and New York is a dedicated corporate research firm providing institutional-quality research on under-followed small- and mid-cap companies. It focuses on providing widely-distributed, high-quality corporate research coverage of public and private companies, both listed and pre-listed. It is retained by a company to ensure its shareholders, as well as the wider investment community, are provided with an objective view of the company's progress.

eResearch and Objective Capital, two leading providers of issuer-sponsored research, have agreed to collaborate in increasing the awareness of the advantages to small- and mid-cap companies of receiving fair and impartial research coverage.

Monthly Top Ten

The top ten downloads from www.eresearch.ca since May 1, 2009:

1. Weekly Clarion
2. Canadian Stock Market Outlook, May 3
3. StockResearchPortal Mining Article, May 19
4. Avante Information Report, May 5
5. Globex Mining Enterprises Inc. Information Report, May 20
6. North Atlantic Resources Ltd., *StockPotentials*, May 15
7. Synergex Corporation, Bulletin, May 1
8. Garson Gold Corp. *StockPotentials*, May 13
9. Pinnacle Digest, Featured Company #2, May 1
10. Integrated Asset Management Corp. June 8, 2006

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