JENNINGS CAPITAL INC.

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JENNINGS CAPITAL INC.
FOCUS LIST - 2006

GOLD & PRECIOUS METALS
Ron Coll, Head of Research
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- Barrick Gold Corp.
- Glamis Gold Ltd.
- Yamana Gold Inc.
- Greystar Resources Ltd.
- Cassidy Gold Corp

METALS & MINING
Ron Coll, Head of Research
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- TeckCominco Limited
- Inco Limited
- Aur Resources Inc.
- Global Alumina Products Corporation
- Formation Capital Corporation
- Mercator Minerals Ltd.
- GlobeStar Mining Corporation

OIL & GAS
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- Canadian Natural Resources Ltd.
- Calvalley Petroleum Inc.
- Eastshore Energy Ltd.

PAPER & FOREST PRODUCTS
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- Abitibi-Consolidated Inc.
- Norbord Inc.
- Cascades Inc.
- International Forest Products Limited
- Hanfeng Evergreen Inc.
- Cathay Forest Products Corp.

MERCHANDISING & CONSUMER PRODUCTS
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- Jean Coutu Group Inc.
- Cott Corporation.
- La Senza Corporation
- easyhome Ltd.

HEALTHCARE & BIOTECH
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- Extendicare Inc.
- Imaging Dynamics Company Ltd.
- LAB International Inc.
- Chemokine Therapeutics Corp.
- Theratechnologies Inc.
- Liponex Inc.

INDUSTRIAL PRODUCTS & SPECIAL SITUATIONS
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- Linamar Corporation
- Xantrex Technology Inc.
- MagIndustries Corp.

We have compiled a 2006 “Focus List” of companies that we believe will provide investors with superior returns in anticipation of an exciting and rewarding 2006. Our selections are presented by sector and further subdivided by market capitalization as follows:

Large Cap:	**>$2.0 billion**
Mid Cap:	**$500 million to $2.0 billion**
Small Cap	**<$500 million**

Jennings Capital Inc.
2006 Focus List Picks

	Exchange/ Ticker	Current Price	Target Price	% Gain
Gold & Precious Metals				
Barrick Gold Corp.	TSX-ABX	$33.97	$45.00	32%
Glamis Gold Ltd.	TSX-GLG	$34.02	$40.00	18%
Yamana Gold Inc.	TSX-YRI	$8.69	$9.50	9%
Greystar Resources Ltd.	TSX-GSL	$8.04	$9.75	21%
Cassidy Gold Corp.	TSXV-CDY	$0.57	$1.00	75%
Metals and Mining				
Teck Cominco Limited	TSX-TEK.SV.B	$64.09	$75.00	17%
Inco Limited	TSX-N	$51.19	$60.00	17%
Aur Resources Inc.	TSX-AUR	$12.58	$13.50	7%
Global Alumina Products Corporation	TSX-GLA.U	US$1.69	US$4.00	136%
Formation Capital Corporation	TSX-FCO	$0.38	$1.70	347%
Mercator Minerals Ltd.	TSX-ML	$1.00	$2.50	150%
Globestar Mining Corporation	TSXV-GMI	$0.52	$1.05	102%
Oil & Gas				
Canadian Natural Resources Limited	TSX-CNQ	$60.71	$72.50	19%
Calvalley Petroleum Inc.	TSX-CVI.A	$4.49	$6.75	50%
Eastshore Energy Ltd.	TSXV-EST.A	$1.39	$2.50	80%
Paper & Forest Products				
Abitibi-Consolidated Inc.	TSX-A	$4.40	$6.75	53%
Norbord Inc.	TSX-NBD	$12.24	$17.00	39%
Cascades Inc.	TSX-CAS	$10.30	$14.00	36%
International Forest Products Limited	TSX-IFP.SV.A	$7.00	$10.00	43%
Hanfeng Evergreen Inc.	TSX-HF	$2.55	$4.00	57%
Cathay Forest Products Corp.	TSXV-CFZ	$0.79	$1.25	58%
Merchandising & Consumer Products				
Jean Coutu Group Inc.	TSX-PJC.SV.A	$13.50	$24.40	81%
Cott Corporation	TSX-BCB / N-COT	US$14.68	US$20.50	40%
La Senza Corporation	TSX-LSZ.SV	$19.00	$26.00	37%
easyhome Ltd.	TSX-EH	$15.80	$19.00	20%
Healthcare & Biotech				
Extendicare Inc.	TSX-EXE.SV / TSX-EXE.MV / N-EXE	$18.15	$22.00	21%
Imaging Dynamics Company Ltd.	TSX-IDL	$3.45	$3.75	9%
LAB International Inc.	TSX-LAB	$1.08	$2.50	131%
Chemokine Therapeutics Corp.	TSX-CTI / OTCBB-CHKT	$1.30	$2.00	54%
Theratechnologies Inc.	TSX-TH	$1.11	$3.75	238%
Liponex Inc.	TSX-LPX	$0.90	$2.00	122%
Industrial Products & Special Sits				
Linamar Corporation	TSX-LNR	$12.00	$18.00	50%
Xantrex Technology Inc.	TSX-XTX	$7.90	$12.50	58%
Magindustries Corp.	TSXV-MAA	$0.95	$2.25	137%

Jennings Capital Inc.
2005 Focus List Picks & Performance

	Price *Jan/05*	High *year*	Price *Dec 31/05*	% Return *High*	% Return *Dec 21/05*
Gold & Precious Metals					
Placer Dome Inc.	$21.20	$27.22	$26.62	28.4%	25.6%
Glamis Gold Ltd.	$19.00	$31.97	$31.97	68.3%	68.3%
Aurizon Mines Ltd.	$1.50	$1.80	$1.74	20.0%	16.0%
Greystar Resources Ltd.	$3.40	$8.60	$7.65	152.9%	125.0%
RNC Gold Inc.	$1.40	$1.63	$0.92	16.4%	-34.3%
Mena Resources Inc.	$0.70	$0.75	$0.55	7.1%	-21.4%
average				48.9%	29.9%
Base Metals					
Inco Limited	$41.00	$55.89	$50.50	36.3%	23.2%
TeckCominco Limited	$36.00	$62.05	$62.05	72.4%	72.4%
Global Alumina Products	$1.90	$2.75	$1.71	44.7%	-10.0%
Formation Capital Corporation	$0.40	$0.71	$0.33	77.5%	-17.5%
average				57.7%	17.0%
Oil & Gas					
Canadian Natural Resources Limited	$49.28	$62.00	$57.63	25.8%	16.9%
PanOcean Energy Corporation Ltd.	$23.40	$37.49	$27.00	60.2%	15.4%
Connacher Oil & Gas Corp.	$0.56	$4.20	$3.84	650.0%	585.7%
Kodiak Oil & Gas Corp.	$0.90	$2.48	$2.40	175.6%	166.7%
Corridor Resources Inc.	$1.10	$4.15	$4.12	277.3%	274.5%
Rally Energy Corp.	$1.80	$1.99	$1.37	10.6%	-23.9%
Virtus Energy Ltd	$0.50	$0.56	$0.56	12.0%	12.0%
Vulcan Minerals Inc.	$0.40	$0.68	$0.34	70.0%	-16.3%
Centurion Energy International Ltd.	$13.95	$19.00	$11.29	36.2%	-19.1%
True Energy Inc.	$3.95	$5.20	$5.20	31.6%	31.6%
Canoro Resources Ltd.	$3.35	$4.98	$1.00	48.7%	-70.1%
Innova Exploration Ltd.	$3.85	$9.35	$6.80	142.9%	76.6%
Eastshore Energy Ltd.	$3.25	$5.10	$1.36	56.9%	-58.2%
average				145.2%	90.2%
Paper & Forest Products					
Canfor Corporation	$15.65	$18.50	$13.43	18.2%	-14.2%
West Fraser Timber Co. Ltd.	$48.20	$54.87	$41.22	13.8%	-14.5%
Norbord Inc.	$12.40	$13.90	$12.25	12.1%	6.9%
Cascades Inc.	$13.40	$13.95	$10.05	4.1%	-25.0%
International Forest Products Limited	$6.90	$7.94	$7.70	15.1%	11.6%
Cathay Forest Products Corp.	$0.80	$0.85	$0.78	6.2%	-2.5%
average				11.6%	-6.3%
Merchandising & Consumer Products					
Alimentation Couche-Tard Inc.	$19.00	$23.67	$23.40	24.6%	23.2%
RONA Inc.	$20.00	$27.10	$21.45	35.5%	7.3%
Gildan Activewear Inc.	$20.35	$51.09	$50.00	151.1%	145.7%
average				70.4%	58.7%
Healthcare & Biotech					
Imaging Dynamics Company Ltd.	$1.76	$3.39	$3.48	92.6%	97.7%
LAB International Inc.	$1.14	$1.23	$0.98	7.9%	-14.0%
Theratechnologies Inc.	$2.20	$2.30	$1.07	4.5%	-51.4%
Wex Pharmaceuticals Inc.	$3.10	$3.30	$1.16	6.5%	-62.6%
average				27.9%	-7.6%
Industrial Products & Special Sits:					
Martinrea International Inc.	$4.75	$6.90	$6.50	45.3%	36.8%
average				45.3%	36.8%
total average				**58.1%**	**31.25%**

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2006 GOLD PRICE OUTLOOK

The weakness in the US dollar, low real interest rates, improving supply-demand fundamentals, limited Central Bank selling, renewed investment demand and a decidedly more negative view of producer hedging continue to provide a solid platform for Gold to trade higher. Gold closed 2005 at US$516.60/ounce, up 21% on the year and near its highest level in 23 years. This performance follows gains of 5% in 2004 and 20% in 2003. Gold price averaged US$445/ounce for the full year 2005. The S&P TSX Gold Index responded with a 21.0% gain. The 2005 Jennings Capital Focus List Gold Picks outperformed the S&P TSX Gold Index and Gold price by 9%, to post a one-year return of 30%.

Central Bank activity, scrap and producer hedging have historically filled the gap between global mine supply (2,500 tonnes) and annual fabrication demand (3,100 tonnes). We believe this gap could remain unsatisfied over the next several years, leading the way for firmer Gold prices. Our earnings and cash flow estimates are based on an average Gold price of US$550/ounce for 2006 and 2007.

LARGE CAP

Barrick Gold Corp.[1, 3] (TSX-ABX $33.97) Target $45.00; Mkt Cap $18,000 MM
Barrick is North America's second largest Gold producer, with 2006 production targeted at 6.0 million ounces of Gold. Costs are forecast to be US$230/ounce. Production growth will come from a series of new mines including Lagunas Norte (Peru), Veladero (Argentina), Cowel (Australia), East Archimedes (Nevada) and Pasqua-Lama (Chile). During January 2006, we expect the friendly merger with Placer Dome Inc. (TSX-PDG) to close, thereby creating the largest (9 million ounces/year) and best reserved (150 million ounces) Gold company in the world. The transaction is accretive to net asset value, production preserves and resources on a per share basis. Barrick offers superior growth, competitive costs, a strong balance sheet, experienced management and a much reduced hedge book.

Glamis Gold Ltd.[3] (TSX-GLG $34.02) Target $40.00; Mkt Cap $4,500 MM
Glamis continues to provide superior growth, low costs and operating excellence. The Company's two newest mines, El Sauzal, (Mexico) and Marlin (Guatemala), will propel production to 600,000 ounces in 2006, at a cash cost of less than US$150/ounce and to greater than 700,000 ounces in 2007. Glamis is proceeding to a final feasibility study on the 100% owned high grade Cerro Blanco Project (Guatemala). Production could commence late in 2008, at 150,000 ounces Gold/year.

MID CAP

Yamana Gold Inc. (TSX-YRI $8.69) Target $9.50; Mkt Cap $1,600 MM
Yamana holds a 100% interest in three operating Mines in Brazil, and is in the process of acquiring RNC Gold Inc., owner of two operating mines, one in Nicaragua and one in Honduras. Gold production will soar from 105,000 ounces in 2005 to 350,000 ounces in 2006 and to 520,000 ounces in 2007, with two new mines currently under construction. Costs are expected to decline to US$275/ounce in 2006 and to US$250/ounce in 2007. Yamana maintains a strong balance sheet with US$200 million in cash and US$106 million in long-term debt.

SMALL CAP

Greystar Resources Ltd.[1, 2, 3] (TSX-GSL $8.04) Target $9.75; Mkt Cap $295 MM
Greystar Resources Ltd. is a Canadian growth oriented junior mining company, focused on the exploration and development of Gold deposits in Colombia, South America. The Company holds a 100% interest in the Angostura Gold-Silver Project, a large, near surface vein and stockwork hosted Gold-Silver deposit located within the Guyana Shield. Work to date has outlined an indicated resource of 5.4 million ounces of Gold and an additional inferred resource of 5.1 million ounces of Gold. Excellent potential exists to significantly upgrade and expand the resource. The Company plans to complete detailed metallurgical work and a scoping study in 2006.

Cassidy Gold Corp.[2] (TSXV-CDY $0.57) Target $1.00, Mkt Cap $ 30 MM
Cassidy Gold Corp. is a junior exploration company focused on the development of Gold deposits in Guinea, West Africa. The 85% owned Kouroussa Project hosts a near surface resource of 4.93 million tonnes averaging 2.7 grams Gold/tonne for a contained 433,000 ounces of Gold. The ongoing drilling program is expected to significantly expand this resource to more than 1.0 million ounces. The Company is well funded with cash of $6.0 million and no debt.

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2006 BASE METALS OUTLOOK

2005 was an outstanding year for commodity prices. Nickel closed above US$6.00/lb; Copper was up 47% to US$2.06/lb; Zinc was up 53% to US$0.86/lb; Aluminum was up 36% to US$1.03/lb; Uranium was up 72% to US$36.25/lb and Coal prices doubled. The TSX Metals and Mining Index was up 45.3% in 2005. Is the base metal rally over? We don't think so, because of continued tight markets, limited scrap, potential production disappointments, labour disruptions and an ever increasing demand for all raw materials from Asia… specifically China. Strong economic growth (9.5% in 2005), combined with an estimated one-third of the Chinese population expected to migrate from poverty to middle class over the next five years, means the consumption of all metals will continue to soar.

For 2006, we expect Nickel prices to remain firm in the US$6.00 range, which is exceptionally profitable for all Nickel producers, while supplies of the metal will remain tight through 2006 and 2007. Copper should remain strong in 2006, in response to low inventories and limited new mine production. We have seen a recent spike to more than US$2.10/lb in Q4/05, and we anticipate an average price of US$1.70/lb in 2006 and US$1.50 in 2007. Zinc prices are expected to perform well in 2006, as inventories continue their decline. Look for Zinc to average US$0.80 in 2006 and US$0.75 in 2007.

LARGE CAP

TeckCominco Limited[3] (TSX-TEK.SV.B $64.09) Target $75.00; Mkt Cap $12,600 MM
TeckCominco is a major diversified metals mining company. The Company's operations include Zinc, Copper and Lead mining and smelting, Gold mining and the operatorship and 40% ownership of the Elkview Coal Partnership (Fording Coal Trust owns the remaining 60%). Teck's balance sheet has never been stronger, with cash in excess of C$2.5 billion. Strong Zinc, Copper, Lead, Gold and Coal prices will generate higher cash flow (C$1.5 Billion/year) and earnings in 2006 and 2007.

Inco Limited[3] (TSX-N $51.19) Target $60.00; Mkt Cap $9,600 MM
Inco currently supplies approximately 25% of world Nickel demand and is the world's largest Nickel producer outside of Russia. The Company has mining and refining operations in Ontario, Manitoba and Indonesia. The Company has announced its plan to merge with Falconbridge Limited (TSX-FAL.LV), to create the world's largest integrated Nickel producer and a significant producer of Copper, Zinc, Cobalt and Platinum group metals. Production at the Voisey's Bay Ni-Cu-Co project commenced during Q4/05. This 100 million lbs Ni/year mine should reach full production in early 2007. The $1.9 billion Goro development project is under construction, with start-up anticipated in 2008, at 100MM lbs per year. With current Nickel, Copper and Cobalt prices and strengthening Zinc prices, Inco's cash flow is expected to reach record levels in 2006 and 2007.

MID CAP

Aur Resources Inc.[3] (TSX-AUR $12.58) Target $13.50; Mkt Cap $1,200 MM
Aur is a low cost Copper producer operating two open-pit SX-EW mines in Chile and developing a new Copper-Zinc-Gold-Silver underground mine in Newfoundland. High Copper and Zinc prices will propel earnings and cash flow higher. The Company is expected to resume exploration drilling in Q1/06 at La Verde, Mexico, a new Copper discovery, and to announce a production decision and the development of the Andacollo primary Copper milling project, Chile in Q2/06.

Global Alumina Products Corporation (TSX-GLA.U US$1.69) Target US$4.00; Mkt Cap US$315 MM
Global Alumina Products Corporation is a Canadian company at the development stage, focused on the permitting, financing, construction and start-up of a state-of-the-art alumina refinery in the Republic of Guinea (Guinea). The Alumina processing facility would be located adjacent to one of the largest Bauxite mines in the world. Milestones for 2006 include the completion of a final feasibility study and project financing (US$2.4 billion) for the 2.8 million tonne/year Alumina Refinery. Construction could start in Q2/06, followed by low cost production of alumina as early as Q1/09.

SMALL CAP

Formation Capital Corporation[2,3] (TSX-FCO $0.38) Target $1.70; Mkt Cap $58 MM
Formation Capital has a 100% interest in the Idaho Cobalt Mining Project, central Idaho, and a 100% interest in the fully permitted Big Creek Hydrometallurgical Complex, a Cobalt and Silver refinery located in northern Idaho. The completion of a final feasibility study on the Idaho Cobalt mining project is expected in Q2/06, and permitting is expected to be complete in Q3/06. Reserves and resources stand at 3.6 million tons averaging 0.60% Cobalt and 0.60% Copper, sufficient for a 10-year mine life, with excellent potential for further expansion with additional drilling. The 100% owned precious metals refinery (Silver & Gold refinery) was successfully restarted in Q3/04 and is operating profitably.

Mercator Minerals Ltd.[2,3] (TSX-ML $1.00) Target $2.50; Mkt Cap $45 MM
Mercator is rapidly growing its Copper production profile from the 100% owned Mineral Park open-pit, SX-EW mine in northern Arizona. Copper production totalled approximately 6.0 million lbs in 2005, is scheduled to grow to 14 million lbs in 2006, and with the successful development of the primary Copper-Molybdenum million project in 2007, we estimate 35 million lbs of Copper and 8 million lbs of Molybdenum at a cost of US$0.75/lb (net of credits) commencing in 2008.

GlobeStar Mining Corporation[2,3] (TSXV-GMI $0.52) Target $1.05; Mkt Cap $26 MM
GlobeStar Mining holds a 100% interest in a fully permitted, near surface, high-grade Copper-Zinc-Gold-Silver massive sulphide deposit located in central Dominican Republic. A recently completed feasibility study indicates low cost open-pit mining and excellent recoveries to produce 30 million lbs of Copper and 10 million lbs of Zinc per year in concentrates with excellent precious metals credits. Capital costs have been estimated to be US$45 million. The Company is currently negotiating project financing; construction is expected to commence in Q2/06, and start-up is scheduled for Q3/07.

Sector: OIL & GAS

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LARGE CAP

Canadian Natural Resources Ltd.[1] (TSX-CNQ $60.71) Target $72.50; Mkt Cap $33 Billion
Enterprise Value $39 Billion; Q3/05 Production 571,900 BOE/d, weighted 41.5% to natural gas.
Initiating Coverage with a BUY Recommendation
This is a tremendous value play. Canadian Natural trades at a mere 8% premium to our estimate of current Net Asset Value of $55.95 per share (FD). At $65,600 per BOE/d (based on trailing quarter production), it is arguably trading at half the level of other large E&P companies despite a reserve life index of nearly 12 years. Its Debt Adjusted Cash flow Multiple based on Q3 cash flow is 6.6, also well below other large cap peers.

None of the above measures give any value for the Horizon oil sands project. Horizon is due to come on-stream in H2/08 at 110,000 Bbl/d of synthetic crude oil, rising to 500,000 Bbl/d by 2018. The largest risks in the development of Horizon are capital costs and schedule. To date, the Company has been both proactive and innovative in managing and controlling the development process and capital costs, and we expect that to continue.

SMALL CAP

Calvalley Petroleum Inc.[2] (TSX-CVI.A $4.49) Target $6.75; Mkt Cap $410 MM
Enterprise Value $369 MM; Positive working capital $41 MM; Current production 2,000 Bbl/d, 100% weighted to oil.
Initiating Coverage with a BUY Recommendation
Calvalley began production in Yemen on December 10, 2005 at 2,000 Bbl/d (gross oil rate, net 565 Bbl/d to Calvalley). We expect production will reach 10,000 Bbl/d in Q1/06, and with the construction of a sales line and continued development drilling at Hiswah and Al Roidhat, could exit 2006 at 34,000 Bbl/d (over 9,400 net). Our cash flow estimate for 2006 is US$0.89/share (C$1.06/share), with an exit rate of US$2.07/share (C$2.46/share). These values could increase if additional production from Auqban is brought on line sooner than anticipated.

Eastshore Energy Ltd.[2] (TSXV-EST.A $1.39) Target: $2.50; Mkt Cap $37 MM
Enterprise Value $39 MM; Current Production 600 BOE/d, weighted 75% to natural gas.
Initiating Coverage with a SPECULATIVE BUY Recommendation
Eastshore appears as good value on almost every measure. It trades very close to our estimate of NAV (~ $1.44 per share FD). At $64,900 per BOE/d, it is well below trading values for other juniors of its size, only partly explained by a short reserve life index of approximately six years. Its Debt Adjusted Cash Flow Multiple is 4.2, based on the mid point of the Company's estimate of cash flow for Q1. ***These trading measures include no value for reserves or production from Hanlan.***

Hanlan is both Eastshore's largest opportunity and the reason for its low valuation. The results to date have been disappointing, mostly related to difficulties with completion techniques. While it remains to be seen if the problem has been solved, the Company's analysis of its experience to date seems reasonable to us, and we are cautiously optimistic for the next well to be drilled at the end of Q1. The reserves potential is 20+ Bcfe per section, and Eastshore controls approximately 21 sections of land. Success at Hanlan combined with other projects at Niton and Ricinus could allow the Company to more than double production by the end of 2006.

Sector: PAPER & FOREST PRODUCTS

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2005 IN REVIEW

Our top picks for 2005 generated an average return of -6.3%. Our top pick, Norbord, generated a return of 6.9% when the $1.00 special dividend paid on May 20, 2005 is factored in. By comparison, the ***Random Lengths Canadian Forest Products Index*** fell by 29.3% in 2005.

Our top three Sells for 2005 were Abitibi-Consolidated Inc., Domtar Inc., and Tembec Inc. Abitibi's share price ended 43.6% lower, Domtar's was 53.7% lower and Tembec's was 82.7% lower.

We were ranked #1 paper and forest products analyst out of 22 analysts in North America in 2005 by ***StarMine Investor.*** We recorded an "industry excess return" of +29.5% on the 16 stocks we follow. The industry excess return is a comparison between a portfolio of the analyst's recommendations and a market-cap weighted portfolio. The second ranked broker was **Goldman Sachs** with a return of 26.5%. The next highest ranked Canadian broker was **Raymond James** at +13.1%.

COMMODITY PRICE REVIEW

In our **Focus List 2005**, we had projected an average price of US$350/msqft for OSB and US$390/mfbm for 2X4 lumber in 2005. OSB prices for 2005 averaged US$335 and lumber was averaged US$354. Pulp and paper prices, with the exception of containerboard and tissue paper, remained depressed during 2005, as we had predicted.

COMMODITY PRICE OUTLOOK

We remain very bullish on the wood products sector. We are forecasting strong OSB and lumber markets in 2006, particularly in the first six months of the year. OSB, currently trading at US$335 (US Southeast), is forecast to average US$300/msqft in 2006, and SPF 2X4 lumber, currently trading at US$366, is forecast to average US$365/mfbm in 2006.

Newsprint and containerboard are expected to perform the best amongst all pulp and paper grades in 2006. We expect newsprint, which averaged US$604 per tonne in 2005 and is currently transacting at US$630, to end the year at US$700. We expect linerboard, which averaged US$425 per ton and is currently transacting at US$425 per ton, to end the year at US$500. We continue to remain negative on pulp.

LARGE CAP

Abitibi-Consolidated Inc.[3] (TSX-A $4.40) Target $6.75; Mkt Cap $1,937 MM
We put a **STRONG BUY** recommendation on Abitibi in a Research Report dated December 13, 2005, after several years as a sell. The Company has closed several high cost newsprint mills, improved its balance sheet and is focused on its two core businesses: newsprint and groundwood based printing papers. A successful February 1 newsprint price increase of US$40 per tonne will return the Company to profitability. We expect a second price increase of US$30 per tonne in mid-2006 that will bring newsprint prices to US$700 per tonne – the highest price in over ten years.

MID CAP

Norbord Inc.[1,3] (TSX-NBD $12.24) Target $17.00; Mkt Cap $1,793 MM
We reiterated our **STRONG BUY** on Norbord in a Research Report dated November 14, 2005. The Company remains our #1 pick in the sector for several reasons: little or no exposure to the higher Canadian dollar; most of its 16 plants are energy self-sufficient; the Company has a 70% market share of the US South OSB market as compared to an industry average of 26%, a strong balance sheet, and strong earnings and cashflow that will result in the payout of another special dividend in 2006.

Cascades Inc.[1,3] (TSX-CAS $10.30) Target $14.00; Mkt Cap $835 MM
We reiterated our **STRONG BUY** on Cascades in a Research Report dated November 24, 2005. Cascades will benefit from higher profit margins attributable to strong paper packaging and tissue paper prices coupled with low waste paper prices in 2006. As projected, the Company did divest of its money losing fine papers division in 2005.

SMALL CAP

International Forest Products Ltd.[3] (TSX-IFP.SV.A $7.00) Target $10.00; Mkt Cap $344 MM
Interfor had a mixed year that included: the acquisition of **Floragon Forest**, the closure of the Marysville, Washington and Courtenay, B.C. sawmills and a remanufacturing plant in Coquitlam, B.C., and the sale of non-strategic assets consisting of surplus properties, a Tree Farm Licence near Squamish, B.C. and an interest in an ocean freighter. The Company ended 2005 with a strong balance sheet with an estimated $80 million in cash and total debt of $70 million. The Company also stands a good chance to recoup over $100 million in lumber duties.

Hanfeng Evergreen Inc.[1,3,4] (TSX-HF $2.55) Target $4.00; Mkt Cap $112 MM
We put a **STRONG BUY** on Hanfeng and increased our 12-month target in a Research Report dated December 14, 2005. In February, the Company will bring into production its new state-of-the-art 100,000 tpy SCU slow-release fertilizer plant in China. Later in 2006, the Company will complete the construction of a 100,000 tpy NPK compound fertilizer plant also in China. By 2007, fertilizer will represent 65% of Hanfeng's total sales.

Cathay Forest Products Corp.[2,3,4] (TSXV-CFZ $0.79) Target $1.25; Mkt Cap $45 MM
2006 will be a significant growth year for this Chinese-based forest plantation company. The Company has a number of new initiatives underway to increase its relatively small plantation base. In east central China, the Company will have established 30,800 hectares of fast growth poplar plantations in four provinces and will commence harvesting in late 2006. In northern China, Cathay has commenced harvesting 70,000 hectares of existing timber in Heilongjiang Province and in 2007, will commence the conversion of these lands to fast growth poplar plantations. Revenues are expected to grow almost eightfold between 2006 and 2008.

Sector: MERCHANDISING & CONSUMER PRODUCTS

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LARGE CAP

Jean Coutu Group Inc.[3] (TSX-PJC.SV.A $13.50) Target $24.40; Mkt Cap $3,544 MM

Jean Coutu's share price was badly beaten up in the last quarter of 2005, as investors became concerned about the costs associated with the integration of Eckerd, high company debt and U.S. sales growth that was slower than the market anticipated. The Eckerd integration is complete. Jean Coutu has eliminated the duplicate costs of running Largo, Florida, the former Eckerd head office, and has completed the expensive and disruptive IT systems conversion. These costs are gone. In addition, U.S. same-store sales growth improved in November 2005 to 2.0%, with both pharmacy and front-store achieving positive growth. We continue to believe that margins will begin to expand quite rapidly in the fiscal second quarter ended November 2005. Accordingly, we maintain our earnings estimates of US$1.08 per fully diluted share for May 2006 and US$1.45 for May 2007. Drugstore retailing is a non-cyclical, growth business with an excellent long-term outlook. As such, we tolerate much more debt. The past year was transformational for Jean Coutu. The Company has absorbed the pain of acquiring and integrating Eckerd and thereby transformed itself into a major North American industry presence. As Jean Coutu's profitability recovers, we expect a widening P/E multiple as the market accords the shares a more typical drugstore stock multiple. Rising earnings and a richer P/E multiple are expected to generate good share price performance.

MID CAP

Cott Corporation[1,3] (TSX-BCB $17.08/N-COT US$14.68) Target US$20.50; Mkt Cap US$1,075 MM

2005 was a dismal year for Cott as deteriorating profits and steadily reduced management guidance resulted in a market capitulation during the fourth quarter, which took the share price down to lows not seen for several years. That said, Cott is making money and is a fundamentally good business, if managed properly. Insiders were recent buyers. The issues are can the management team engineer an earnings recovery and if so, when and by how much? We have been favourably impressed by the new CFO, Clyde Preslar, who appears to bring the necessary discipline to the management team to seriously address the Company's cost and operational problems. We believe that the realignment of the Company to a North American platform and the full implementation of the new ERP information technology system will enable an earnings recovery to begin in the second quarter of 2006. We expect earnings to rebound from an estimated US$0.70 per fully diluted share in 2005 to US$1.12 in 2006 and US$1.67 in 2007. What happens if the management team cannot fix the problems? We expect that because Cott is fundamentally a good business, the depressed share price and lack of a control block will probably result in the Company being acquired by someone who can fix it. In late November 2005, Blackstone and Lion Capital, two buy-out groups, bought the European assets of Cadbury Schweppes for 9.5X forecast 2005 EBITDA. That valuation applied to Cott generates a value of US$1.7 billion or US$23.25 per share. Cott shares have limited downside and offer good upside potential if earnings begin to recover, and if they do not, on a possible take-over.

SMALL CAP

La Senza Corporation[1,3] (TSX-LSZ.SV $19.00) Target $26.00; Mkt Cap $266 MM

La Senza hit its stride in 2005 as demonstrated by dramatically improved earnings. We have contended for several years that LSZ's lingerie business was a unique and very strong retail operation that increasingly dominates its niche with some 39% market share of the bra and 41.4% of the panties market in its core demographic – women from 15 to 29 years of age. The Company is focused upon operating its stores and growing its international licensing business.

So where does the growth come from? We expect La Senza to continue to expand its 300 store network by adding 15 to 20 stores per year, including mall stores, power centre stores twinned with LSZ Girl, and street front stores such as the recently opened St. Catherines Street store in Montreal and Bloor Street store in Toronto. More importantly, the Company will continue to double and sometimes triple the size of successful mall stores. This is the lowest cost and most profitable growth. So what do you put in a bigger store? Bras drive sales and a bigger store allows more depth and breadth of product. Bras are what women come in to purchase and if you do not have the product in stock – the customer needs a 36B and if it is out of stock - a sale is lost, because a 36A or a 36C will not fit. Sell them a bra and they will probably buy panties to go with it. A larger store also allows the Company to add new lines such as "Love La Senza" - sort of soft porn for the holiday season, "Candy" – a more youthful line to transition the LSZ Girl customer, "Spirit" – loungewear/yoga wear and LSUOMO – a small offering of men's underwear for women that purchase for the men in their lives. In addition, the Company is also converting the 32 remaining "Silk & Satin" stores to "La Senza Express", which specializes in bras. This should prove to be a more productive use of real estate. On the licensing front, La Senza International continues to rapidly expand and now has some 263 stores in 26 countries. International has become a meaningful source of income and is expected to continue to do so.

We estimate earnings for the fiscal year January 2006 of $1.65 per fully diluted share, rising to $1.95 in January 2007 and $2.25 in January 2008. La Senza has $3.78 per share of cash and investments and cash less all debt of $1.91 per share. Our $26.00 target price represents 13.3X January 2007 earnings.

easyhome Ltd.[3] (TSX-EH $15.80) Target $19.00; Mkt Cap $164 MM
In 2004, easyhome shifted from a turnaround to a growth business. We expect significant earnings growth for the next several years through the combination of three key factors. Firstly, with first mover advantage, easyhome will reinforce its industry dominance by adding 15% to 20% to its square footage each year. The Company opened some 24 new stores in 2005 and 30 are planned for 2006. Secondly, the Company will strive to achieve annual same-store sales growth of 7% to 9%. For the first nine months of 2005, easyhome achieved 8.5% same-store sales growth. We believe that the targeted rate of sales productivity growth is attainable as new stores mature and the Company adds new customers through its marketing efforts. Thirdly, easyhome is expected to maintain a 14% to 15% EBITDA margin. A mature store generates a 16% EBITDA margin and we expect that the dilutive impact of new stores will be partially offset by the increasing scale of the business. We estimate a 28.1% increase in 2005 earnings to $0.82 per fully diluted share, followed by a 26.8% gain in 2006 to $1.04 and a 20.2% gain in 2007 to $1.25.

Sector: HEALTHCARE & BIOTECH

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The status of the Canadian healthcare/biotech sector in 2005 is best described as average, as it lingered in the shadows of the stellar performance and financing environment of the oil and gas, gold and income trust sectors. As investors seek diversification and profit-taking, we present healthcare/biotech as a viable alternative. The healthcare/biotech industry is beginning to show early signs of maturity. We are seeing more fundamental, stock-specific performance and less of the blue-sky, sector movement opportunities. We have no reason to believe that 2006 will be different from 2005.

Globally, biotech financings for the year came in at US$20.1 billion, down from the 2004 amount of US$22.6 billion. The BioCentury 100 Index, an international industry metric, rose in 2005 by only 2% as compared to 10% in 2004. The AMEX Biotech Index gained 25% due to its weighting of only 17 large market cap biotech stocks, while the Nasdaq Biotech Index experienced a rise of just 3%, representing a wider selection of 160 biotech stocks across more capitalization tiers. The S&P TSX Capped Healthcare Index lost 4% on the year, driven by losses in Angiotech and QLT, partially offset by gains in Biovail, MDS and Extendicare. The Nasdaq Composite Index gained 1%, the Dow Jones Industrial Average was down 1% and the S&P 500 Index increased 3%. Overall, this was not a boom year, but it was not a bust either.

We continue to believe the environment is positive for biotech. Companies with positive data from products in critical, acute and life threatening areas will be rewarded with share price appreciation. As always, we believe investment opportunities are enhanced by great management, as exemplified by each of our focus list picks below.

MID CAP

Extendicare Inc.[3] (TSX-EXE.SV $18.15/TSX-EXE.MV $18.35/N-EXE $15.79) Target $22.00;
Mkt Cap $1,261 MM

Initiating Coverage with a BUY Recommendation (Full Research Report to Follow.)

Extendicare is an owner and operator of 442 nursing and assisted living facilities in the US and Canada. The Company has been earnings and cashflow positive for the last three years, after exiting the litigious nursing home markets in Florida and Texas. The fragmentation of this industry has provided consolidation opportunities such as the January 2005 acquisition of Assisted Living Concepts Inc., which added 177 US-based assisted living facilities. This significant acquisition has diversified the revenue base and expedited the continuum of care approach to horizontally marketing healthcare services. The management team is strong and experienced, with a proven ability to target acquisition opportunities and efficiently divest of problem situations. Extendicare is poised to benefit from the aging demographic patterns in Canada and the US where healthcare service demand will outstrip supply.

SMALL CAP

Imaging Dynamics Company Ltd.[3] (TSX-IDL $3.45) Target $3.75; Mkt Cap $200 MM

Imaging Dynamics is an emerging world leader in providing affordable Digital Radiography (DR) systems. Imaging Dynamics' technology replaces conventional film based X-ray and provides a cost effective alternative to inefficient cassette based Computed Radiography (CR) systems. The marketing and sales efforts of the last three years are bearing considerable fruit. Most notable in 2005, were new product introductions covering high and low end purchasers, the contracts with two significant Group Purchasing Organizations and a fourth national OEM deal for a newly introduced Tier 2 product targeting very large, price sensitive markets. We are forecasting 489 units (OEM and system units) to be sold in 2006, generating $44.1 million in revenue and producing $0.13 in earnings per share. We continue to carefully watch the accounts receivable as revenue grows.

LAB International Inc.[2,3] (TSX-LAB $1.08) Target: $2.50; Mkt Cap $110 MM
LAB is an integrated pharmaceutical product development and contract research organization. LAB is addressing a US$13 billion cancer pain market with its lead drug, Fentanyl Taifun, an inhaled opiate analgesic that has shown an ability to reach peak blood concentration in one minute and treat breakthrough pain in 6.5 minutes. This product has been licensed to two international strategic partners for commercialization. We expect additional strategic partners to be announced. Phase IIa trial results in breakthrough cancer pain patients are expected in Q2/06.

The contract research capabilities are expected to generate $47.9 million in revenue and $12.3 million in EBITDA for 2006 from its facilities in San Diego, Montreal, Denmark and Hungary. Management has decades of experience in successfully managing contract research businesses. The contract research reduces LAB's investment risk, while retaining the upside of product development.

Chemokine Therapeutics Corp.[2,3] (TSX-CTI $1.30 / OTCBB-CHKT US$1.15) Target $2.00;
Mkt Cap $56 MM
Chemokine is developing novel drugs in the field of chemokines and cytokines. From its ability to rationally design peptide drugs, CTI has created a number of compounds. The leading products are CTCE-9908, expected to begin Phase II in Q1/06 for the treatment of cancer metastasis, and CTCE-0214, currently in Phase Ib for stem cell, white blood cell and neutrophil mobilization. Results of the CTCE-0214 trial are expected in H2/06, at which time PPD Inc. will have 30 days to execute its option agreement to license CTCE-0214, triggering an upfront payment of US$1.5 million, various future milestones and royalties. The management team brings experiences from Inflazyme, Angiotech, Altarex, and GlaxoWellcome, while the Board comes from Baxter, Smith & Nephew, Amgen, Axys, and ILEX.

Theratechnologies Inc.[3] (TSX-TH $1.11) Target $3.75; Mkt Cap $47 MM
Theratechnologies is developing peptide therapies for endocrine and metabolic disorders. The lead product, a growth-hormone releasing factor (ThGRF) for HIV-related lipodystrophy, will complete enrollment in Q1/06 with results by Q4/06. We expect a commercialization deal by year end. The Company continues to be well capitalized with $42.2 million in cash, or two years of burn. The new management team has been in place for one year and is actively utilizing its broad industry experience from major pharmaceutical companies and Canadian biotech. We believe management has successfully turned the Company around with a clear strategic business plan focused on commercialization of ThGRF and strict value creation criteria for future development projects.

Liponex Inc.[2,3] (TSX-LPX $0.90) Target $2.00 Mkt Cap $24 MM
Initiating Coverage with a SPECULATIVE BUY Recommendation (Full Research Report to Follow.)
Liponex is developing new approaches to the treatment of heart disease, infectious diseases and targeted drug delivery. The lead candidate, CRD5, is a plasma lipid modifying therapeutic, targeted at raising HDL levels (good cholesterol). CRD5 has completed three Phase I trials, and is preparing to enter Phase II in Q1/06. Very few drugs are capable of effectively raising HDL cholesterol levels. HDL cholesterol is the primary risk determinant for heart disease. CRD5 shows an ability to increase HDL (up to 23%), decrease LDL (down15%) and decrease triglycerides (down 60%), while no other developmental drug can make these three claims. Only a modest decrease in cardiac events is associated with LDL cholesterol (bad cholesterol) management (statin therapy). The US$26 billion statin market is focused on reducing LDL, and many of these blockbuster products will be encountering patent expirations over the next five years. Clinical success of CRD5 will position Liponex for high value strategic partnership opportunities.

Sector: INDUSTRIAL PRODUCTS & SPECIAL SITUATIONS

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AUTOMOTIVE INDUSTRY OUTLOOK 2006

The relevant economic measures: continued job creation, disposable income, individual net worth, consumer confidence and GDP growth support the view that North American auto demand will be sustained near the robust level of recent years. Calendar 2005 wrapped up at 15.8 million light vehicles, essentially equal to light vehicle production in 2004. With an expectation of continued strength in the U.S. economy, we see little basis for erosion in auto demand. We are forecasting 2006 North American light vehicle production in line with recent years at 15.8 million. Chrysler reversed its share decline in 2005; we expect GM to stabilize in 2006 and Ford in 2007. The European outlook is a bit patchier, varying by country, but in the aggregate, we think European production will be slightly higher in 2006 than in 2005, up by approximately 2%.

MID CAP

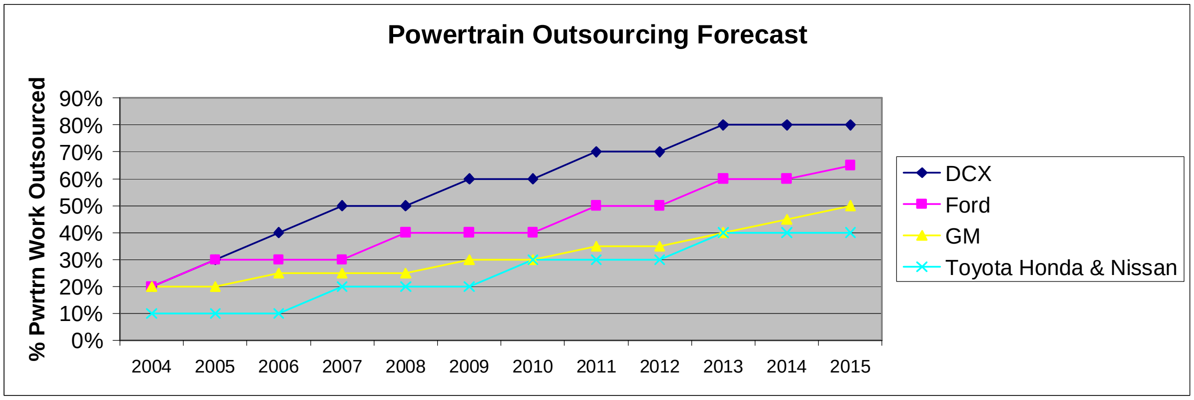
Linamar Corporation[3] (TSX-LNR $12.00) Target $18.00; Mkt. Cap $852 MM

Look Beyond 2006 for a Resumption of Double Digit Sales and Earnings Growth in 2007

Linamar has indicated that it expects flat earnings in 2006, after a strong performance in 2005. The main factor in the earnings growth slowdown is that, for cost reasons, the North American auto companies have backed off from the aggressive introduction of six speed automatic transmissions in 2006. Linamar has done all the right things to position itself for growth, but it cannot control customer delays on putting new drivetrain technologies on vehicles. However, eventually competitive pressures, regulatory fuel efficiency requirements and customer demands will continue to force innovation in powertrain, to the benefit of Linamar as a key supplier of powertrain systems and technology. **We are recommending Linamar as a BUY with a 12-month target of $18.00.**

Linamar continues to implement the core strategy it has followed throughout its history: the capability to process every vehicle component that requires precision machining. This capability continues to evolve and Linamar now designs, develops and manufactures precision machined components, modules and systems for engine, transmission and chassis systems for the automotive, heavy truck and off highway equipment industries. Linamar has always been partially diversified away from an exclusive focus on automotive light vehicle sector, to include various industrial or agricultural precision equipment markets. With the acquisition of Skyjack (in two stages in 2001 and 2002), Linamar began a more aggressive expansion of its industrial side. Skyjack, is a leading manufacturer of aerial lift platform products.

Linamar's addressable market will double over the next 10 years. We are encouraging investors to look beyond 2006 for a resumption of double digit sales and earnings growth in 2007, and to take advantage a Linamar's unreasonably depressed valuation of 11.4 times estimated 2006 earnings per share of $1.40 and 3.3 times cash flow.



Source: Linamar Corporation

RENEWABLE ENERGY TECHNOLOGIES

SMALL CAP

Xantrex Technology Inc.[3] (TSX-XTX $7.90) Target $12.50; Mkt Cap $237 MM

Initiating Coverage with a BUY Recommendation – Xantrex is ready to realize on its potential as a growth company in a growing industry.

Xantrex Technology Inc. is a leading developer, manufacturer and marketer of advanced power electronics and controls. The Company is based in Vancouver, British Columbia, and has facilities in Arlington, Washington and Livermore, California. Xantrex's advanced power electronics and controls cover a full spectrum of applications from 50 watts to 2.5 megawatts in size for commercial, residential and recreational markets, as well as distributed and renewable energy markets. The Company's products are sold under the Trace, Statpower, Heart and Xantrex brands to a range of customers including industry leaders such as Applied Materials, Astropower, Ballard, BP Solar, Cisco, Clipper Wind, Compaq, Fleetwood, Kyocera, Monaco, Plug Power, Schlumberger, Siemens, Sun Microsystems, Xcellsis and channel partners such as Canadian Tire, Costco, Sam's Club, TestEquity, US Marine and West Marine.

Power electronics refers to control and conversion of electrical power, from one form to another. These control and conversion functions are essential to exploiting all alternative energy sources, such as solar panels, wind vanes and fuel cells, which produce a steady stream of electrons called direct current. Direct current needs to be converted to alternating current, in which electrons slosh back and forth, for standard household or industrial applications.

Unquestionably, Xantrex's two-year history as a public company has been disappointing, but the stock price has fully corrected to reflect the difficulties of the past several quarters. In our opinion, Xantrex is an exciting, high capability company, which can begin to realize on its potential under the new leadership of its new CEO, John Wallace, appointed on November 1, 2005. Xantrex is winning new orders (e.g. Clipper Windpower) and getting a handle on its cost issues through better procurement and supply chain management and a continued shift to lower cost, outsourced manufacturing. We expect renewed revenue growth and margin improvement to be reflected in earnings in 2006 and 2007. Our earnings estimates are $0.04 for 2005, $0.32 for 2006 and $0.50 for 2007. **We are recommending Xantrex as a BUY with a 12-month target of $12.50 per share, 25 times our 2007 earnings estimate.**

SPECIAL SITUATIONS

SMALL CAP

MagIndustries Corp.[2,3,4] (TSXV-MAA $0.95) Target $2.25; Mkt Cap $117 MM
MagIndustries is a unique energy development and industrial materials company, developing several major projects in the Republic of Congo (ROC) and the Democratic Republic of Congo (DRC). Its head office is in Toronto, Ontario. **We rank MagIndustries as a SPECULATIVE BUY with a 12 month target of C$2.25**. (Note that the Company now trades in Canadian dollars but continues to report its financial results in US dollars.)

MagIndustries has three wholly owned operating subsidiaries: MagEnergy Inc., managing the rehabilitation of a major hydro-electric on the Congo River; MagMinerals Inc., developing a 400,000 tonnes per year potash operation in the Republic of Congo; and MagMetals Inc., the developer of a 72,000 tonne per year magnesium smelter. In addition, MagIndustries has acquired a controlling interest in a profitable eucalyptus plantation that overlies its magnesium and potash mineral lease. MagIndustries is now a revenue generating company; first sales of forest products were recorded in November 2005, and as of January 2006, is receiving US$200,000 per month under its INGA II refurbishment agreement.

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