

ACTIVE CONTROL TECHNOLOGY INC.

Price (November 2, 2009)	\$0.09
52-Week Range	\$0.33-\$0.04
Shares O/S	170.4 million
Market Cap	\$15.3 million
50-day Average Volume	504,500
200-day Average Volume	610,500
Year-End	July 31
Symbol	TSX-V: ACT
Website	www.activecontrol.com

Financial Data

Selected Income/Cash Flow

CS ('000) 12 months ended	Jul-08	Jul-09
Revenues	\$1,031	\$1,251
EBITDA	(\$4,100)	(\$5,398)
Net Income	(\$4,134)	(\$5,482)
Cash Flow (CF) From Ops	(\$3,503)	(\$4,441)

Selected Balance Sheet

	At Jul-08	At Jul-09
Cash (& Equivalents)	\$1,015	\$27
Total Debt	\$0	\$21
Shareholders' Equity	\$3,159	\$306
Total Assets	\$3,543	\$1,987
Working Capital	\$2,946	\$113
Working Capital Ratio	8.67x	1.07x

Per Share Statistics

	Jul-08	Jul-09
Earnings Per Share	(\$0.03)	(\$0.04)
Cash Flow Per Share	(\$0.02)	(\$0.03)
Cash Per Share	\$0.01	\$0.00
Equity Per Share	\$0.02	\$0.00

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Note: Report prepared with public information only.



Source: www.bigcharts.com

PROFILE

Active Control Technology Inc. is a Burlington, Ontario-based technology company involved in the design, manufacture, and marketing of wireless devices for: (1) underground and surface mining communications and tracking (including digital two-way voice communication with miners); and (2) the commercial access-control industry (building and community security/parking control).

INVESTMENT CONSIDERATIONS

Strengths

- *ActiveMine* product has exciting potential, initially in the U.S. and eventually in other major coal-mining countries.
- Several other countries are expected to introduce legislation for improved coal-mine safety.
- Recent private placements have strengthened the Company's balance sheet, which remains debt-free. An expected equity issue will strengthen it further.
- Significant barriers to entry into the Company's market; these include a lengthy U.S. federal government approval process and the need to have extensive in-field testing.

Challenges

- Not yet profitable and requires periodic equity issues to provide funding.
- Dependent on a few key management and engineering individuals.
- Relies on a few key suppliers for components.

BACKGROUND

Active Control, which was organized in its current form in 1997 and was listed on the CDNX in 2000, has two product lines: (1) *ActiveMine*, a fully integrated, 100% wireless communications and locating technology (for extreme environments including underground coal mines); and (2) *Active Secure*, a family of products supporting access control products (e.g., for building security, parking control, and gated-community security).

Since 2006, Active Control has focused its efforts on the development and commercialization of its *ActiveMine* product, which is expected to benefit from measures resulting from the U.S. Mine Improvement and New Emergency Response Act of 2006. The Act requires underground coal mines to improve their safety measures significantly. One requirement is that Initial Emergency Response plans must be filed in 2009 for electronic personnel tracking and communications among miners. The Company focused its efforts on delivering two requirements of the new Act: (1) wireless communications; and (2) the location and tracking of miners. In late 2008 and early 2009, Active Control received Mine Safety and Health Administration (“MSHA”) approvals for the three key components of the *ActiveMine* system: the Wi-Fi Tracking Tags; the Wi-Fi Nodes; and the Wi-Fi Phones. *ActiveMine* is now fully approved by the MSHA. For fiscal 2009, approximately 59% of revenues were generated by the Company’s *ActiveMine* product line.

OUTLOOK

Active Control’s initial target market for *ActiveMine* is the underground coal-mining industry in the U.S.A. There are approximately 600 underground coal mines there, with 43 major customers producing most of the industry’s output. The Company currently has seven customers, which have installed systems at three mines, and it has multiple purchase orders from these customers to install *ActiveMine* in additional mines.

Active Control generates its revenue through an initial installation charge and a recurring annual expansion node charge as the mine expands and additional nodes are added to the system. At July 31, 2009, the Company’s order backlog plus visible expansion node revenue was over \$3 million.

At this early stage of commercialization, it is difficult to develop precise estimates of the sales growth for *ActiveMine* over the next few years. However, the potential market for this product is very large.

In the U.S. alone, MSHA estimates that initial installations of communications and tracking equipment for underground coal mines could reach \$275 million.

Over the longer term, potential growth opportunities exist in other coal-mining countries, such as Australia, South Africa and China. Thus, we believe that Active Control should be able to achieve significant sales and earnings growth as it proceeds with the development of this high-potential product line.

FOURTH-QUARTER FINANCIALS

For the fourth quarter of fiscal 2009 (ending July 31, 2009), the Company incurred a loss of \$1.754 million (\$0.01 per share) compared with a loss of \$1.398 million (\$0.01 per share) for the same period in fiscal 2008. The loss in the latest period was further increased by a \$579,334 write-down of licences; there was no similar item in fiscal 2008. Revenues declined 48% to \$264,898 as a result of reduced sales of the Company’s *Active/Secure* product line. The increased loss reflected the impact of higher wages and benefits as staffing levels rose; other costs were incurred (related to the MSHA approval process for the *ActiveMine* product).

Fourth-Quarter Results (*\$000s except per share*)

	Q4/09	Q4/08
Revenue	\$ 265	\$ 507
Gross profit	\$ (85)	\$ (76)
Net income	\$ (2,351)	\$ (1,398)
EPS (\$)	\$ (0.01)	\$ (0.01)
Shares O/S (000)	145,900	124,950

FISCAL 2008 AND 2009 FINANCIALS

The fourth-quarter results brought the loss for fiscal 2009 to \$4.9 million (\$0.03 per share) compared with \$4.1 million (\$0.03 per share) for fiscal 2008. The fiscal 2009 loss was further increased by the \$597,334 writedown of licenses which brought the full-year loss to \$5.5 million (\$0.04 per share). Revenues increased 21.4% to \$1.25 million, as a result of sales of the Company’s *ActiveMine* product. The latter reached \$743,275.

Selling, general and administrative costs rose \$1.49 million in the latest year, led by a \$511,000 increase in wages and benefits, a \$314,000 increase in management salaries, higher marketing costs, and higher professional and consulting fees. The bulk of these increases were related to the development and commercialization of the *ActiveMine* product line.

Full-Year Results

(\$000s except per share)

		F2009	F2008
Revenue	\$	1,251	\$ 1,031
Gross profit	\$	150	\$ 6
Net income	\$	(5,482)	\$ (4,134)
EPS (\$)	\$	(0.04)	\$ (0.03)
Shares O/S (000)		148,025	132,087

CORPORATE DEVELOPMENTS

Since Active Control's fiscal 2009 year end (July 31), the Company has raised gross proceeds of approximately \$1,045,000 through two private placements of equity. On October 14, 2009, the Company announced that it had filed a preliminary short-form prospectus in British Columbia, Alberta and Ontario in connection with an offering of common shares.

COMPARISONS

Since Active Control is at an early stage of development and has not yet generated significant sales or earnings, we cannot use conventional valuation methods in comparing its share price with those of other companies. In addition, the Company is producing a unique product line and there are no other directly comparable companies. We have selected four other small technology companies to give an idea of the valuations that could be expected over the near term. For our criteria, we have used price-to-sales multiples.

These calculations do not reflect the impact of the Company's proposed equity issue.

COMPARISONS

Company	Symbol	Stock Price	Shs. O/S (million)	Mkt. Cap. (\$million)	Sales/Share	Price/Sales
Ipico	RFD	\$0.22	55.5	\$12.2	\$0.12	2.0x
Peer 1 Network	PIX	\$1.11	119.3	\$132.4	\$0.78	1.5x
Sangoma Tech.	STC	\$0.67	28.7	\$19.2	\$0.63	1.1x
call Genie Inc.	GNE	\$0.16	82.8	\$13.2	\$0.04	5.3x
Active Control	ACT	\$0.10	170.4	\$17.0	\$0.02	4.3x

Note: Stock Price is 50-day average

Source: eResearch

STOCK POTENTIAL

Since we do not have a precise estimate of Active Control's sales over the next 12 to 24 months, we have decided to use a range of estimates in our valuation.

Sales (\$million)	Sales Per Share	Price to Sales	Stock Price at 4.5x P/E	Stock Price 10% Premium	Stock Price 20% Premium
\$3.0	\$0.018	5.0x	\$0.081	\$0.089	\$0.097
\$3.5	\$0.021	4.3x	\$0.095	\$0.105	\$0.114
\$4.0	\$0.023	3.9x	\$0.104	\$0.114	\$0.125

Source: Company and eResearch

As shown, Active Control shares are trading at Price/Sales multiples of 5.0x to 3.9x as estimated sales increase from \$3.0 million to \$4.0 million. This is approximately within the 1.1x to 5.3x Price/Sales multiple range for our comparable companies. With the Company's order backlog plus visible node revenue already at over \$3.0 million at the end of July 2009 and attractive growth prospects for its *ActiveMine* product, we believe its shares should trade at a premium to the upper end of our comparable companies multiple range. This provides interesting capital appreciation potential for the stock.

MANAGEMENT

Steve Barrett, Executive Chairman
Cameron Sturgess, President and CEO
Peter Gimon, Executive Vice President Finance, CFO
and Treasurer

BOARD OF DIRECTORS

Stephen Barrett; Terence Donnelly; Richard Hazell;
William R. Johnstone; Peiwei Ni; Cameron Sturgess;
Graham Warren.

CORPORATE INFORMATION

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