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GOLFGEAR INTERNATIONAL INC  
Form 10QSB  
May 20, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the Quarterly Period Ended March 31, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-28007

GOLFGEAR INTERNATIONAL, INC.

-----  
(Exact name of small business issuer as specified in its charter)

Nevada

43-1627555

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5285 Industrial Drive, Huntington Beach, California 92649

-----  
(Address of principal executive offices)

(714) 899-4274

-----  
(Issuer's telephone number)

Not applicable

-----  
(Former name, former address and former fiscal year,  
if changed since last report.)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

As of May 15, 2003, the Company had 37,681,154 shares of common stock issued and outstanding.

Transitional Small Business Disclosure Format: Yes  No

Documents incorporated by reference: None.

1

GOLFGEAR INTERNATIONAL, INC. AND SUBSIDIARIES

INDEX

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

Consolidated Balance Sheets - March 31, 2003 (Unaudited)  
and December 31, 2002

Consolidated Statements of Operations (Unaudited) - Three  
Months Ended March 31, 2003 and 2002

Consolidated Statements of Cash Flows (Unaudited) - Three  
Months Ended March 31, 2003 and 2002

Notes to Consolidated Financial Statements (Unaudited) -  
Three Months Ended March 31, 2003 and 2002

### Item 2. Management's Discussion and Analysis or Plan of Operation

## PART II. OTHER INFORMATION

### Item 2 - Recent sales of unregistered securities

## SIGNATURES

## EXHIBITS

2

### GolfGear International, Inc. and Subsidiaries

#### Consolidated Balance Sheets

	March 31, 2003	December 31, 2002
ASSETS	----- (Unaudited)	-----
Current assets:		
Cash	\$ 50,665	\$ 117,018
Accounts receivable, net of allowance for doubtful accounts of \$116,837 and \$99,079, respectively	313,840	302,216
Inventories	483,216	492,904
Prepaid expenses	56,384	58,053
	-----	-----
Total current assets	904,105	970,191
Property and equipment, net of accumulated depreciation	94,033	98,740
Other assets:		
Patents and trademarks, net of accumulated amortization	91,966	100,515
Deferred financing costs	229,357	315,366
Prepaid marketing costs and other assets	610,134	609,534
	-----	-----
Total assets	\$ 1,929,595	\$ 2,094,346
	=====	=====

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### LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:			
Accounts payable and accrued expenses	\$	903,809	\$ 967,108
Accrued product warranties		116,249	116,102
Accrued interest payable		127,043	89,449
Bank line of credit		164,521	70,894
Notes payable to stockholders		200,000	200,000
Notes payable		83,177	83,177
Convertible debentures		2,100,000	2,100,000
Deferred licensing revenue		62,969	75,000
Other current liabilities		1,600	1,600
		-----	-----
Total current liabilities		3,759,368	3,703,330
Stockholders' deficit:			
Common stock, \$.001 par value; authorized - 50,000,000			
shares; issued and outstanding - 37,681,154 shares			
and 34,856,154 shares, respectively		37,681	34,856
Additional paid-in capital		13,086,188	12,808,763
Common stock purchase receivable note		(951,969)	(945,164)
Deferred compensation		(92,042)	(100,409)
Accumulated deficit		(13,909,631)	(13,407,030)
		-----	-----
Total stockholders' deficit		(1,829,773)	(1,608,984)
		-----	-----
Total liabilities and stockholders' deficit	\$	1,929,595	\$ 2,094,346
		=====	=====

See notes to consolidated financial statements.

3

### GolfGear International, Inc. and Subsidiaries

#### Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,	
	2003	2002
	-----	-----
Sales, net	\$ 545,245	\$ 377,780
Cost of goods sold	328,338	216,263
	-----	-----
Gross profit	216,907	161,517
Operating Expenses:		
Selling and marketing	189,951	113,339
Tour and pro contracts	21,234	8,871
Bad debt expense	17,758	11,333
General and administrative	384,683	221,902
Depreciation and amortization	19,507	13,410
	-----	-----
Total operating expenses	633,133	368,855
Loss from operations	(416,226)	(207,338)

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Other income (expense):		
Other	40,181	-
Interest income	6,809	-
Interest expense	(133,365)	(6,183)
Loss on disposal of asset	-	(26,769)
	-----	-----
Net loss	\$ (502,601)	\$ (240,290)
	=====	=====
Loss per common share - basic and diluted	\$ (0.01)	\$ (0.01)
	=====	=====
Weighted average number of common shares outstanding - basic and diluted	36,020,321	17,894,454
	=====	=====

See notes to consolidated financial statements.

4

Consolidated Statements of Cash Flows (Unaudited)

Three Months Ended March 31,

	2003	2002
	-----	-----
Cash Flows From Operating Activities		
Net loss	\$ (502,601)	\$ (240,290)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred compensation	8,367	
Depreciation and amortization	19,508	13,367
Accrued interest	86,009	
Amortization of deferred financing costs	(6,805)	
Provision for obsolete inventory	-	
Provision for bad debts	17,758	11,367
Other income	(22,626)	
Loss on disposal of asset	-	26,769
Deferred revenue	(12,031)	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(29,382)	100,000
Inventories	9,688	93,000
Prepaid expenses	1,669	(4,000)
Prepaid marketing costs and other assets	(600)	
Increase (decrease) in:		
Accounts payable and accrued expenses	(40,673)	(121,000)
Accrued product warranties	147	4,000
Accrued interest payable	37,594	3,000
Accrued officer's compensation	-	17,000
	-----	-----
Net cash used in operating activities	(433,978)	(95,000)
	-----	-----
Cash Flows From Investing Activities		
Purchases of property and equipment	(6,252)	(1,000)

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Cash Flows From Financing Activities		
Proceeds from sale of common stock	280,250	
Repayments of short term borrowings	-	(15,000)
Borrowings under bank line, net	93,627	(3,000)
Net cash provided by (used in) financing activities	373,877	(18,000)
Net Decrease in Cash	(66,353)	(115,000)
Cash at the Beginning of Period	117,018	120,000
Cash at the End of Period	\$ 50,665	\$ 4,000
Cash Paid For Interest	\$ 6,761	\$ 2,000

See notes to consolidated financial statements.

5

GolfGear International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements (Unaudited)  
Three Months Ended March 31, 2003 and 2002

1. BASIS OF PRESENTATION

The consolidated financial statements as of and for the three months ended March 31, 2003 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the consolidated financial statements do not purport to represent the realizable or settlement values. The Company has suffered recurring operating losses and requires additional financing to continue operations. For the three months ended March 31, 2003 the Company incurred losses from operations of \$416,226 and a net loss of \$502,601 and used cash in operating activities of \$433,978 and as of March 31, 2003 had a working capital deficit of \$2,855,263 and a stockholders deficit of \$1,829,773. As a result of these factors, there is a substantial doubt about the Company's ability to continue as a going concern.

The Company is attempting to increase revenues through various means, including expanding brands and product offerings, new marketing programs, and possibly direct marketing to customers, subject to the availability of operating working capital resources. To the extent that the Company is unable to increase revenues in 2003, the Company's liquidity and ability to continue to conduct operations may be impaired.

The Company will require additional capital to fund operating requirements. The Company is exploring various alternatives to raise this required capital, including convertible debentures, private infusion of equity and various collateralized debt instruments, but there can be no assurances that the Company will be successful in this regard. To the extent that the Company is unable to secure the capital necessary to fund its future cash requirements on a timely basis and/or under acceptable terms and conditions, the Company may have to substantially reduce its operations to a level consistent with its available working capital resources. The Company may also be required to consider a formal or informal restructuring

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or reorganization.

GolfGear International, Inc. and its subsidiaries (collectively, "GolfGear" or the "Company") designs, develops and markets golf clubs and related golf products.

GolfGear, formerly Harry Hurst, Jr., Inc. ("HHI") was incorporated under the laws of the State of Nevada on October 9, 1997. The Company is the successor entity resulting from December 5, 1997 reorganization between GolfGear International, Inc. ("GGI"), which has been active in the golf business since 1990, and HHI, a non-operating public shell corporation. HHI changed its

6

name to GolfGear International, Inc., and GGI changed its name to GGI, Inc. and remains a wholly-owned subsidiary of the Company. Each share of Common Stock of GGI was exchanged for 3.5235 shares of Common Stock of HHI. The shareholders of GGI, constituting 90% of the then outstanding Common Stock, became the controlling shareholders of the Company. For accounting purposes, the acquisition of GGI by HHI has been treated as a reverse acquisition of GGI with GGI considered the acquirer.

### 2. INVENTORIES

Inventories consisted of the following:

	March 31, 2003	December 31, 2002
	-----	-----
	(unaudited)	
Component parts	\$ 125,123	\$ 189,616
Finished goods	358,093	303,288
	-----	-----
	\$ 483,216	\$ 492,904
	=====	=====

### 3. BANK LINES OF CREDIT

The Company has a \$250,000 bank line collateralized by eligible accounts receivable. The line of credit matures on December 9, 2003 and bears interest at 28% annually. Interest is payable monthly. Outstanding borrowings at March 31, 2003 and December 31, 2002, were \$123,259 and \$26,253 respectively.

The Company also has an unsecured \$70,000 line of credit with another bank. Interest is payable monthly at a variable rate (10.25% at March 31, 2003). Outstanding borrowings at March 31, 2003 and December 31, 2002, were \$41,262 and \$44,641, respectively. This is a revolving line of credit with no maturity date personally guaranteed by the Company's Founder.

### 4. NOTES PAYABLE AND NOTES PAYABLE TO STOCKHOLDERS

Notes payable consisted of the following:

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	March 31, 2003	December 31, 2002
	-----	-----
	(unaudited)	
Notes payable to individuals, payable on demand plus interest at rates ranging from prime to 18%	\$ 83,177	\$ 83,177
	=====	=====

On November 20, 2002 the Company entered into a loan agreement with Peter Pocklington, its Chairman and Chief Executive Officer whereby Mr. Pocklington loaned the Company \$200,000. As consideration for the loan the Company agreed to an amendment to a stock

7

pledge agreement and released 9,029,518 shares of Common Stock held by the Company as security for payment of a promissory note due for Pocklington's purchase of 15,000,000 shares of Common Stock. The promissory note remains collateralized by 3,303,482 shares of Common Stock to secure the unpaid balance of the promissory note less the loan to the Company. The loan bears interest at 9 1/2% and is due on June 20, 2003. The Company's board of directors unanimously approved the transaction by written consent on November 20, 2002.

On June 6, 2002, GolfGear International, Inc. (the "Company") completed the sale of \$2,100,000 of convertible debentures. The debentures are convertible into common stock at \$0.25 per share for a period of twelve (12) months commencing six (6) months after the initial sale of the debentures. The Company's patents, trademarks, and other intangible assets secured the debentures. For each share of common stock issued upon conversion of the debentures, one (1) common stock purchase warrant will be issued, which will be exercisable for a period of eighteen (18) months at \$0.10 per share. The costs associated with the issuance of the Debentures have been capitalized and are being amortized over the 18 months. If the Debentures convert to equity prior to the 18-month term the unamortized portion will be debited to additional paid in capital. Pursuant to the terms as outlined above the balance of any debentures that do not convert to equity is due and payable December 6, 2003.

### 5. STOCKHOLDERS' EQUITY

During the three months ended March 31, 2002 the Company canceled 100,000 shares issued to a former employee and issued 5,000 shares in consideration to the extension granted on a certain note payable.

During the three months ended March 31, 2003 the Company issued 2,800,000 shares of common stock for exercised warrants at \$0.10 per share. During the three months ended March 31, 2003 the Company issued 25,000 shares of common stock for exercised options at \$0.01 per share.

On April 8, 2002, the Company entered into a stock purchase agreement (the "Agreement") with Wyngate Limited, a Jersey Limited Company ("Wyngate"), whereby Wyngate agreed to purchase 15,000,000 shares of the Company's Common Stock at \$0.075 per share for an aggregate purchase price of \$1,125,000. Of the purchase price, \$200,025 was paid upon execution of the Agreement and Wyngate executed a promissory note with interest at 2.88% per annum in favor of the Company for the balance of \$924,975. Pursuant to the promissory note, the balance is due and payable October 8, 2003.

### 6. SEGMENT AND GEOGRAPHIC INFORMATION; MAJOR CUSTOMERS

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The Company operates in one business segment. The Company sells to customers in the United States, the Far East and Europe. During the three months ended March 31, 2003 the Company had sales of \$545,245 (100%) in the United States. During the three months ended March 31, 2002, sales to customers in the United States, the Far East and Europe were \$303,024 (80%), \$56,032 (15%) and \$18,724 (5%), respectively.

8

During the three months ended March 31, 2003, two customers accounted for 61% of total sales. At March 31, 2003, two such customers accounted for \$227,225 (72%) of net accounts receivable. During the three months ended March 31, 2002, three customers accounted for approximately 45% of total sales. At March 31, 2002, two such customers accounted for \$213,072 (71%) of net accounts receivable

### 7. COMMITMENTS

The Company entered into an at-will employment agreement with Chris Holiday, its senior vice-president of sales and marketing, dated January 21, 2003. The agreement provides for a base salary of \$175,000 per year and a health benefit allowance of \$400 per month. The agreement may be terminated for cause, as defined in the agreement, without any severance benefits. In the event of termination without cause Mr. Holiday shall be entitled to receive a severance benefit of (i) four (4) months salary in effect on the date of termination, (ii) health benefits for the same period and, (iii) acceleration of vesting on 500,000 shares of Common Stock options if termination occurs during the first year of employment. In addition, Mr. Holiday was granted an option to purchase two million (2,000,000) shares of the Company's Common Stock at fair market value at date of grant or \$.20 per share. These shares were granted outside the Plan (hereinafter defined).

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

This Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2003 contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, including statements that include the words "believes", "expects", "anticipates", or similar expressions. These forward-looking statements include, among others, statements concerning the Company's expectations regarding its working capital requirements, gross margin, results of operations, business, growth prospects, competition and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements included in this Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2003 involve known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to differ materially from those expressed in or implied by the forward-looking statements contained herein.

Overview:

The consolidated financial statements as of and for the three months ended March 31, 2003 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the



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satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the consolidated financial statements do not purport to represent the realizable or settlement values.

9

The Company has suffered recurring operating losses and requires additional financing to continue operations. For the months ended March 31, 2003 the Company incurred losses from operations of \$416,226 and a net loss of \$502,601 and used cash in operating activities of \$433,978 and as of March 31, 2003 had a working capital deficit of \$2,855,263 and a stockholders deficit of \$1,829,773. As a result of these factors, there is a substantial doubt about the Company's ability to continue as a going concern.

The Company is attempting to increase revenues through various means, including expanding brands and product offerings, new marketing programs, and possibly direct marketing to customers, subject to the availability of operating working capital resources. To the extent that the Company is unable to increase revenues in 2003, the Company's liquidity and ability to continue to conduct operations may be impaired.

The Company will require additional capital to fund operating requirements. The Company is exploring various alternatives to raise this required capital, including convertible debentures, private infusion of equity and various collateralized debt instruments, but there can be no assurances that the Company will be successful in this regard. To the extent that the Company is unable to secure the capital necessary to fund its future cash requirements on a timely basis and/or under acceptable terms and conditions, the Company may have to substantially reduce its operations to a level consistent with its available working capital resources. The Company may also be required to consider a formal or informal restructuring or reorganization.

### Results of Operations

Three Months ended March 31, 2003 and 2002 -

Net sales increased to \$545,245 in 2003 from \$377,780 in 2002, an increase of \$167,465 or 44.3%. The increase in net sales in 2003 as compared to 2002 is a result of the Company's new marketing efforts and the public acceptance/demand for the Company's new product line. In order to continue to increase sales, the Company will require additional capital to fund the increased sales and marketing activities, as well as increased inventory levels.

Gross profit increased to \$216,907 in 2003 from \$161,517 in 2002, but decreased as a percentage of net sales to 39.8% in 2003 from 42.8% in 2002. The decrease in gross profit margin in 2003 as compared to 2002 was due to the Company's new pricing/costing structure. The Company has reduced its wholesale prices and increased some key component costs while offering a new and improved product line.

Selling and marketing expenses increased to \$189,951 in 2003 (34.8% of net sales) from \$113,339 in 2002 (30.0% of net sales), an increase of \$76,612 or 67.6%. Selling and marketing expenses increased in 2003 as compared to 2002 as a result of the Company's continued efforts to increase sales in 2003. The Company has launched several new marketing programs offering promotional point of purchase displays, printed brochures, and other promotional materials, as well as a print advertisement campaign.

Tour and pro contract expenses increased to \$21,234 in 2003 (3.9% of net

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sales) from \$8,871 in 2002 (2.3% of net sales), an increase of \$12,363 or 139.4%. Tour and pro

10

contract expenses increased in 2003 as compared to 2002 as the Company has entered into new obligations with nationally known golf professionals.

Bad debt expense increased to \$17,758 in 2003 from \$11,333 in 2002, an increase of \$6,425. Bad debt in these two periods was calculated as a percentage of sales - the increase in the bad debt expense is a reflection of the increased in sales.

General and administrative expenses increased to \$384,683 in 2003 (70.6% of net sales) from \$221,902 in 2002 (58.7% of net sales), an increase of \$162,781 (73.4%). The \$162,781 increases in general and administrative expenses are due to increase in salaries, insurance and legal expenses. The increases in salaries are due to new hires (President and SVP of Sales and Marketing), as the Company has assembled a new team of executive professionals targeted at future growth. The increases in insurance are due to expanded coverage and all of the legal expenses were in the normal course of business.

Depreciation and amortization increased to \$19,507 in 2003 from \$13,410 in 2002, an increase of \$6,097 or 45.5%. The increase is a result of the acquisition of certain intangible and fixed assets.

Interest expense increased to \$133,365 in 2003 from \$6,183 in 2002, an increase of \$127,182 or 2,057.0%. The primary reason for the increase expense was the issuance of the convertible debentures including the amortization of the finder's fees. The convertible debentures were issued in June of 2002 and they bear interest at seven percent (7%). The sale of the debenture resulted in \$516,054 in capitalized financing costs. These costs are being amortized over the 18-month life of the debenture.

Net loss was \$502,601 for the three months ended March 31, 2003, as compared to a net loss of \$240,290 for the three months ended March 31, 2002. The primary reason for the increased loss was the increase in marketing expenses (especially those associated with the new marketing efforts), the overall increase in general and administrative expenses (most notable the new salaries) and the increase in interest expense (due to the convertible debentures including the amortization of the finder's fees).

### Liquidity and Capital Resources - March 31, 2003:

The Company is attempting to increase revenues through various means, including expanding brands and product offerings, new marketing programs, and possibly direct marketing to customers, subject to the availability of operating working capital resources. To the extent that the Company is unable to increase revenues in 2003, the Company's liquidity and ability to continue to conduct operations may be impaired.

The Company will require substantial additional capital to fund operating requirements. The Company is exploring various alternatives to raise this required capital, including convertible debentures, private infusion of equity and various collateralized debt instruments, but there can be no assurances that the Company will be successful in this regard. To the extent that the Company is unable to secure the capital necessary to fund its future cash requirements on a timely basis and/or under acceptable terms and conditions, the Company may have to substantially reduce its operations to a level consistent with its available working capital

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resources. The Company may also be required to consider a

11

formal or informal restructuring or reorganization.

Operating Activities. The Company's operations utilized cash of \$433,978 during the three months ended March 31, 2003, as compared to utilizing cash of \$95,789 during the three months ended March 31, 2002. The increase in cash utilized in operating activities in 2003 as compared to 2002 was primarily a result of increased losses and cash utilized for accounts receivable. At March 31, 2003, cash and cash equivalents had decreased by \$66,353, as compared to \$117,018 at December 31, 2002. The Company had working capital deficit of \$2,855,263 at March 31, 2003, as compared to working capital deficit of \$2,733,139 at December 31, 2002, reflecting current ratios of 0.24:1 and 0.26:1 at March 31, 2003 and December 31, 2002, respectively.

Investing Activities. During the three months ended March 31, 2003 and 2002, net cash used in investing activities for the purchase of property and equipment was \$6,252 and \$1,444, respectively.

Financing Activities. The Company received \$280,250 from the exercise of common stock warrants and options during the three months ended March 31, 2003.

The Company has a \$250,000 bank line collateralized by eligible accounts receivable. The line of credit matures on December 9, 2003 and bears interest at 28% annually. Interest is payable monthly. Outstanding borrowings at March 31, 2003 and December 31, 2002, were \$123,259 and \$26,253 respectively.

The Company also has an unsecured \$70,000 line of credit with another bank. Interest is payable monthly at a variable rate (10.25% at March 31, 2003). Outstanding borrowings at March 31, 2003 and December 31, 2002, were \$41,262 and \$44,641, respectively. This is a revolving line of credit with no maturity date personally guaranteed by the Company's Founder.

On June 6, 2002, GolfGear International, Inc. (the "Company") completed the sale of \$2,100,000 of convertible debentures. The debentures are convertible into common stock at \$0.25 per share for a period of twelve (12) months commencing six (6) months after the initial sale of the debentures. The Company's patents, trademarks, and other intangible assets secured the debentures. For each share of common stock issued upon conversion of the debentures, one (1) common stock purchase warrant will be issued, which will be exercisable for a period of eighteen (18) months at \$0.10 per share. The costs associated with the issuance of the Debentures have been capitalized and are being amortized over the 18 months. If the Debentures convert to equity prior to the 18-month term the unamortized portion will be debited to additional paid in capital. Pursuant to the terms as outlined above the balance of any debentures that do not convert to equity is due and payable December 6, 2003.

During the three months ended March 31, 2002 the Company reclassified \$8,500 under short-term notes from certain of its shareholders. During the three months ended March 31, 2002, the Company repaid \$15,243 of short-term notes to unrelated parties.

New Accounting Pronouncements:

New Accounting Pronouncements - In July 2002, the FASB issued SFAS No. 146 which nullifies Emerging Issues Task Force Issue No. 94-3: "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS No. 146 requires that a liability be recognized for those costs only when the liability is incurred, that is, when it meets the definition of a liability in the FASB's conceptual framework. SFAS No. 146 also establishes fair value as the object for initial measurement of liabilities related to exit or disposal activities. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with earlier adoption encouraged. Management does not expect the adoption of SFAS No. 146 to have a material impact on the Company's financial position or results of operations.

In December 2002 the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transaction and Disclosure." SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation. It also amends the disclosure requirements of SFAS No. 123. If an entity elects to adopt the recognition provisions of the fair value based method of accounting for stock-based compensation in a fiscal year beginning before December 16, 2003, that change in accounting principle shall be reported using either the (i) prospective method, (ii) the modified prospective method, or (iii) the retroactive restatement method as defined in SFAS No. 148. SFAS No. 148 is effective for fiscal years ending after December 15, 2002. Since the Company has elected to continue accounting for stock-based compensation under APB No. 25, the adoption of SFAS no. 148 has had no impact to the Company's financial position or results of operations. The Company's financial statement disclosures have been designed to conform to the new disclosure requirements prescribed by SFAS No. 148.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(c) Recent sales of unregistered securities

During the three months ended March 31, 2003, the Company issued 2,825,000 shares of common stock. Of that 2,800,000 shares were from the exercise of common stock warrants and 25,000 were from the exercise of stock options.

During the three months ended March 31, 2002 the Company canceled 100,000 shares issued to a former employee and issued 5,000 shares in consideration to the extension granted on a certain note payable. During the three months ended March 31, 2002, the Company did not issue any stock options or warrants to purchase common stock.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 3.1 Articles of Incorporation (1)
- 3.2 Certificate of Amendment of Articles of Incorporation (1)

- 3.3 Certificate of Amendment of Articles of Incorporation (1)
- 3.4 Articles of Merger (1)

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- 3.5 Bylaws (1)
- 4.3 Binding Subscription Agreement for Purchase of Equity Securities (MC Corporation) (1)
- 4.4 Certificate of Determination (1)
- 10.1 Distribution Agreement (MC Corporation) (1)
- 10.10 GolfGear International, Inc. 1997 Stock Incentive Plan (1) (C)
- 10.13 Property Lease Agreement (2)
- 10.14 Amended and Restated Agreement for Sale and Purchase of Assets between Bel Air Golf Company and GolfGear International, Inc. (2)
- 10.15 Agreement for Sale and Purchase of Assets - Leading Edge (3)
- 10.16 Personal Services Agreement - Peter Alliss (3)
- 10.17 Exclusive Distribution Agreement (4)
- 10.18 Subscription Agreement dated March 7, 2002 (5)
- 10.19 Stock Purchase Agreement dated April 8, 2002 (5)
- 10.20 Promissory Note dated April 8, 2002 (5)
- 10.21 Stock Pledge Agreement dated April 8, 2002 (5)
- 10.22 Employment Agreement (Michael A. Piraino) (4)
- 10.23 Employment Agreement (Donald A. Anderson) (4)
- 10.24 Loan Agreement (Peter H. Pocklington) (4)
- 10.25 Employment Agreement (Chris Holiday) (4)
- 10.26 Attorney Fee Agreement (Fulbright & Jaworski LLP) (4)
- 10.27 Nike (6)
- 21 Subsidiaries of the Registrant (1)
- 99.1 Patents (1)
- 99.2 Trademarks (1)
- 99.3 Certifications Pursuant to Sarbanes-Oxley Act of 2002 (4)

### Footnotes:

- (1) Previously filed as an Exhibit to the Company's Registration Statement on Form 10-SB dated November 11, 1999, and incorporated herein by reference.
- (2) Previously filed as an Exhibit to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference.
- (3) Previously filed as an Exhibit to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2000, and incorporated herein by reference.
- (4) Previously filed as an Exhibit to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002, and incorporated herein by reference.
- (5) Previously filed as Exhibits to the Company's Report on Form 8-K dated April 15, 2002.
- (6) Filed herein.

Reports on Form 8-K - Three Months Ended March 31, 2003: None

14

### SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GOLFGEAR INTERNATIONAL, INC.

-----

(Registrant)

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Date: May 20, 2003

By: /s/ Donald A. Anderson  
-----

Donald A. Anderson  
Founder, Director and Chief Executive Officer

Date: May 20, 2003

By: /s/ Michael A. Piraino  
-----

Michael A. Piraino  
President, Chief Operating Officer  
and Chief Financial Officer

15

CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of GolfGear International, Inc. (the "Company") on Form 10-QSB for the three months ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael A. Piraino, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(b) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Company.

Date: May 20, 2003

By: /s/ Michael A. Piraino  
-----

Michael A. Piraino  
President, Chief Operating Officer  
and Chief Financial Officer

16

CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of GolfGear International, Inc. (the "Company") on Form 10-QSB for the three months ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald A. Anderson, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(b) of the Securities Exchange Act of 1934; and

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- (2) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Company.

Date: May 20, 2003

By: /s/ Donald A. Anderson

-----  
Donald A. Anderson  
Founder, Director and Chief Executive Officer

17

CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Michael A. Piraino, certify that:

- 1) I have reviewed this quarterly annual report on Form 10-QSB of GolfGear International, Inc.;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
- 3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedure as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material

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weaknesses in internal controls; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6) The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 20, 2003

18

CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Donald A. Anderson, certify that:

1) I have reviewed this quarterly report on Form 10-QSB of GolfGear International, Inc.;

2) Based on my knowledge, this quarterly report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- c. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- d. Evaluated the effectiveness of the registrant's disclosure controls and procedure as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- e. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- d. All significant deficiencies in the design or operation of



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internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

- e. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6) The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 20, 2003

NON-EXCLUSIVE LICENSE AGREEMENT

PARTIES:

-----

NIKE, Inc. "NIKE"

Pacific Golf Holdings, Inc., "GolfGear"  
dba GolfGear International, Inc.

ARTICLE I  
DEFINITIONS

1.1 "Agreement" means this Non-Exclusive License Agreement.

-----

1.2 "Agreement Year" means the period beginning at the commencement of the

-----

NIKE fiscal quarter immediately following the Effective Date and ending one year thereafter, and each succeeding one-year period during the term of this Agreement.

1.3 "Effective Date" means the date the last signer signs this Agreement.

-----

1.4 "Licensed Patents" means:

-----

1.4.1 The United States and foreign patents identified on EXHIBIT A to  
-----  
this Agreement, and any other patents relating to GolfGear's forged insert technology.

1.4.2 any patents and patent rights relating to improvements or enhancements to the inventions described and claimed in the patents listed in Section 1.4.1.

1.4.3 any and all continuations, continuations in part, divisions, reissues, patents of addition, renewals, and foreign counterparts of the

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above patents;

1.5 "Licensed Products" mean any products, the manufacture, use, sale, -----  
offer for sale, or import of which, without a license, would infringe any of the Licensed Patents.

1.6 "NIKE Affiliate" means any association, partnership, a limited -----  
liability company, corporation or other entity controlling, controlled by, or under common control with NIKE, Inc. The term "control" means the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise.

### ARTICLE II GRANT OF NON-EXCLUSIVE LICENSE

During the term of this Agreement, and subject to the terms and conditions of this Agreement (including payment of all applicable royalties), GolfGear grants NIKE a worldwide, royalty-bearing, non-exclusive license to make, have made, use, offer to sell, sell, transfer, market, and import Licensed Products and to practice any invention disclosed and claimed in the

1

Licensed Patents. GolfGear further grants NIKE the right to assign or sublicense any or all of the rights granted in the preceding sentence to one or more NIKE Affiliates. Immediately following the Effective Date, NIKE will grant sublicenses to the NIKE Affiliates listed on EXHIBIT B.  
-----

### ARTICLE III ROYALTIES

3.1 Payment.  
-----

3.1.1 NIKE will pay GolfGear royalties on sales of Licensed Products based on the applicable royalty rates indicated in Section 3.2 below. Royalties will accrue at the time NIKE issues its invoice for the Licensed Products and will be paid quarterly within 45 days after the end of each NIKE fiscal quarter ending during the term of this Agreement, or within 45 days after expiration or termination of this Agreement, as applicable. No royalties shall accrue or be payable with respect to Licensed Products that are donated or given away as promotional items, and NIKE shall be entitled to deduct from each royalty payment any royalties previously paid in respect of Licensed Products previously sold but returned to NIKE during the fiscal quarter or other period to which the payment relates. In no event will NIKE and NIKE Affiliates be required to make more than one royalty payment in respect of the same golf club (If, for example, NIKE or a NIKE Affiliate sells a golf club to another NIKE Affiliate, which in turn sells the club to a consumer, the applicable royalty would accrue only on the first sale).

3.1.2 With respect to sales of Licensed Products by NIKE Affiliates to which NIKE has assigned its rights or granted sublicenses pursuant to Article II of this Agreement, NIKE or its assignee or sublicensee, as applicable, will pay to GolfGear royalties in amounts equal to the royalties that NIKE would have been obligated to pay had NIKE sold the Licensed Products itself. NIKE guarantees the payment of royalties by NIKE Affiliates.

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3.1.3 Notwithstanding any other provision of this Agreement, if any one of the patents listed on EXHIBIT A is held by a court of competent

jurisdiction to be void or unenforceable, all obligations of NIKE and NIKE Affiliates to pay royalties to GolfGear under this Agreement based on that patent shall be suspended pending review and will terminate upon entry of a final, non-appealable order declaring the patent to be void or unenforceable. If an initial holding that a patent is void or unenforceable is overturned on appeal, withdrawn or otherwise reversed, the obligations of NIKE and NIKE Affiliates to pay royalties to GolfGear in respect of such patent shall be reinstated back to the date of suspension, and NIKE and NIKE Affiliates shall pay all such back royalties within 45 days after such reinstatement.

### 3.2 Royalty Rates and Taxes.

3.2.1 The royalty rate on [XXXX] sold during each Agreement Year. If sales during the Agreement Year exceed [XXXX], the royalty rate applicable to [XXXX] sold during the remainder of that Agreement Year will be reduced for each succeeding increment of [XXXX] drivers in accordance with the following table:

2

Number of [XXXX]	Royalty Rate [XXX]
XXX	XXX
XXX	XXX
XXX	XXX
XXX	XXX
XXX	XXX
XXX	XXX

For example, if the total number of [XXX] sold by NIKE and NIKE Affiliates during a given Agreement Year is [XXX], the total royalties payable to GolfGear for that Agreement Year would be [XXX], calculated as follows:

[XXX]

3.2.2 The royalty rate on [XXXX] on the first [XXX] sold during each Agreement Year. If sales during the Agreement Year exceed [XXX], the royalty rate applicable to fairway woods sold during the remainder of that Agreement Year will be reduced for each succeeding increment of [XXX] in accordance with the following table:

Number of [XXXX]	Royalty Rate [XXX]
XXX	XXX
XXX	XXX
XXX	XXX

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-----	-----
XXX	XXX
-----	-----
XXX	XXX
-----	-----
XXX	XXX
-----	-----
XXX	XXX
-----	-----
XXX	XXX
-----	-----

For example, if the total number of [XXX] sold by NIKE and NIKE Affiliates during a given Agreement Year is [XXX], the total royalties payable to GolfGear for that Agreement Year would be [XXX] calculated as follows:

[XXX]

The royalty rate on [XXX] will be [XXX] sold during each Agreement Year.

3.2.3 NIKE shall bear and pay all taxes imposed by any taxing authority as a result of the existence of this Agreement, the exercise of NIKE's rights hereunder or sales of Licensed Products, including without limitation all sales and value added taxes and import or export duties. Notwithstanding the foregoing, GolfGear shall bear any taxes based upon its own income, including any income or withholding tax to be levied under the laws of any foreign country on the income of GolfGear arising under this Agreement. If required to do so by applicable law, NIKE shall withhold such income or withholding tax from the amount of income to be remitted to GolfGear and pay it to the appropriate governmental authority. NIKE shall provide to GolfGear appropriate documentation of

3

such withholding and payment sufficient for GolfGear to receive credit therefor with the United States and state taxing authorities where permitted.

3.3 Advance Royalties. NIKE will pay GolfGear [XXX] within thirty days

-----  
of the Effective Date as an advance on royalties that may otherwise become due under this Agreement. This payment is non-refundable, but NIKE and NIKE Affiliates may set off this amount against amounts otherwise due and payable under this Agreement.

3.4 Reports and Records.  
-----

3.4.1 With each quarterly royalty payment, NIKE shall submit a written report to GolfGear showing the number of Licensed Products sold, broken down by product category (i.e., drivers, fairway woods, and irons), and the amount of royalties due and payable. Within 45 days after the expiration or termination of this Agreement, NIKE shall submit a written report showing all Licensed Products sold during the period prior to the date of expiration or termination and not previously reported to GolfGear.

3.4.2 NIKE shall keep true and accurate records, files or books of accounts containing the data reasonably required for the computation and verification of the royalties to be paid under this Agreement. During the term of this Agreement and three (3) years after the termination or expiration of this Agreement, NIKE shall permit GolfGear's duly authorized

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independent accountant reasonably agreeable to NIKE to inspect such records, files or books of accounts at GolfGear's expense at any reasonable time during usual business hours for the purpose of determining the amounts payable by NIKE. NIKE agrees to cooperate with and provide reasonable assistance to GolfGear's accountants as may be requested by them in conducting their inspection. If any such inspection reveals that NIKE has underpaid royalties to GolfGear by an amount that exceeds 3% of the royalties that should have been paid during the period covered by the inspection, NIKE will pay GolfGear's reasonable audit costs in addition to the full amount of unpaid royalties.

### ARTICLE IV INTELLECTUAL PROPERTY PROTECTION

4.1 Patent Maintenance. GolfGear covenants and agrees to take all  
-----  
actions necessary to maintain the Licensed Patents continuously in force for the full term available under law, including payment of all maintenance fees, annuities and the like, at GolfGear's sole expense. In the event that any of the Licensed Patents expires prematurely as a result of non-payment of a maintenance fee when due, any and all royalties otherwise due under this Agreement based on that patent shall be deemed forfeited by GolfGear for the period during which such patent is not in force.

4.2 Patent Enforcement.  
-----

4.2.1 NIKE shall have the right, but no obligation, to institute any action or suit against third parties for infringement of any of the Licensed Patents. Subject to Section 4.2.2 below, if NIKE institutes any such action, it shall be done solely at NIKE's expense with counsel selected by NIKE, and NIKE shall be entitled to any and all monetary

4

recovery, including damages, settlement payments, attorney fees or otherwise, up to the amount of NIKE's costs and expenses incurred during the litigation. Any monetary recovery in excess of the amount of NIKE's costs and expenses shall be split so that NIKE receives [XXX] of the excess and GolfGear receives [XXX] of the excess. GolfGear agrees to cooperate in any such suit and to join as a party plaintiff in any such lawsuit initiated by NIKE, if requested by NIKE, with all costs, attorneys fees, and expenses to be paid by NIKE except as provided in Section 4.2.2 below.

4.2.2 If NIKE elects to institute any action or suit against third parties for infringement of any of the Licensed Patents, GolfGear shall have the right to elect to participate actively in the litigation with counsel selected by GolfGear, in which case GolfGear shall bear the costs of its own outside counsel, and other litigation costs and expenses shall be borne equally by the parties. If GolfGear makes such an election and continues its active participation throughout the litigation, NIKE and GolfGear shall split equally any monetary recovery, including damages, settlement payments, attorney fees, etc.

4.2.3 Each party shall notify the other party in writing of any suspected infringement(s) of the Licensed Patents and shall inform the other party of any evidence of such infringement(s). Each party shall notify the other party in writing at least 30 days before commencing any action or suit against third parties for infringement of any of the Licensed Patents. If GolfGear is pursuing licensing activities with third parties and provides notice to NIKE thereof, then NIKE shall take no action

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with respect to such third parties without first obtaining written approval from GolfGear.

4.2.4 Neither party shall settle any actions covered by this Section without first obtaining the consent of the other party, which consent will not be unreasonably withheld.

4.2.5 NIKE agrees to exercise reasonable efforts to mark any Licensed Products with the patent number as may be appropriate under applicable law.

### ARTICLE V REPRESENTATIONS AND WARRANTIES

5.1 Ownership and Rights. GolfGear represents and warrants that it is -----  
the sole owner of the Licensed Patents and has full right and power to extend the rights granted under this Agreement.

5.2 No Inconsistent Agreements. GolfGear represents and warrants that it -----  
has not made and will not make any agreements with or commitments to third parties that are inconsistent with the grant of rights in this Agreement

5.3 No Encumbrances. GolfGear represents and warrants that there is no -----  
encumbrance such as a mortgage or lien on any or all of the Licensed Patents, other than the convertible subordinated debenture financing substantially completed at this time.

5

5.4 No Infringement. GolfGear represents and warrants that to the best of -----  
its knowledge, the exercise of the license rights granted under this Agreement will not result in an infringement of any third party's intellectual property rights.

5.5 Validity and Enforceability of Licensed Patents. GolfGear represents -----  
and warrants that to the best of its knowledge (including the knowledge of GolfGear's patent prosecution counsel), there are no material issues relating to the validity or enforceability of the Licensed Patents. GolfGear further represents and warrants that GolfGear and its agents have not engaged in any conduct that would make any of the Licensed Patents void or otherwise unenforceable.

5.6 No Infringement of GolfGear Patents. GolfGear represents and warrants -----  
that, except for the Licensed Patents, GolfGear does not own any patent right that NIKE would infringe should it seek to practice the inventions claimed in the Licensed Patents. GolfGear acknowledges and agrees that, to GolfGear's actual knowledge, none of the golf clubs currently manufactured and sold by NIKE and NIKE Affiliates infringes any of the Licensed Patents or any other patent rights owned by GolfGear or its affiliates.

### ARTICLE VI INDEMNIFICATION

6.1 GolfGear's Defense and Indemnification of NIKE. GolfGear will -----  
defend, indemnify and hold harmless NIKE and NIKE Affiliates and their

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respective shareholders, officers, directors, employees, agents and customers from and against all liabilities, demands, damages, expenses, fees (including attorney fees), costs or losses arising out of any breach of any representation, warranty or covenant of GolfGear in this Agreement.

6.2 NIKE's Defense and Indemnification of GolfGear. NIKE will defend, -----  
indemnify and hold harmless GolfGear and its affiliates, shareholders, officers, directors, employees, agents and customers from and against all liabilities, demands, damages, expenses, fees (including attorney fees), costs or losses arising out of any product liability claim in connection with a third party's use of a Licensed Product.

### ARTICLE VII TERM AND TERMINATION

7.1 Term. Unless earlier terminated in accordance with Section 7.2 -----  
below, the term of this Agreement shall commence on the Effective Date and expire upon expiration of the last to expire of the Licensed Patents.

7.2 Termination for Material Breach. Either party may terminate this -----  
Agreement in the event of a material breach by the other party if, after written notice detailing the alleged breach, the breaching party fails to cure the breach within sixty (60) days; provided, however, that if the breaching party commences within such sixty (60) period reasonable efforts to cure the breach and diligently and continuously pursues such efforts, the sixty (60) day cure period shall be extended for so long as such diligent efforts continue, but in no event for more than 30 additional days.

### 6

### ARTICLE VIII GENERAL TERMS

8.1 Entire Agreement. This Agreement constitutes the entire agreement -----  
of NIKE and GolfGear with respect to the subject matter of this Agreement, and unless otherwise expressly provided in this Agreement supersedes and replaces any prior or contemporaneous written or oral agreements or understandings between GolfGear and NIKE concerning the subject matter of this Agreement. No party is relying upon any representations or promises other than those set forth herein.

8.2 Amendment; Waiver. This Agreement may not be amended, supplemented, -----  
waived or modified except in a writing referring to this Agreement and signed by authorized representatives of NIKE and GolfGear. No delay or omission in the exercise of any right or remedy will be deemed a waiver of any right or remedy. No waiver will constitute a waiver of any other provision, breach, right or remedy, nor will any waiver constitute a continuing waiver.

8.3 Assignment. This Agreement will be binding upon and inure to the -----  
benefit of NIKE and GolfGear and their respective heirs, successors and assigns.

8.4 Severability. Should any term or provision of this Agreement for any -----  
reason be declared by any court of competent jurisdiction to be invalid, such decision will not effect the validity of any remaining portion, which remaining

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portion will continue in full force and effect as if this Agreement had been executed with the invalid portion eliminated, it being the intention of the parties that they would have executed the remaining portion of this Agreement without including any such invalid part, parts or portions.

8.5 Governing Law. This Agreement will be governed by and construed in -----  
accordance with the applicable laws of California, without reference to the conflict of laws principles applied in the courts of such state.

8.6 No Public Disclosure. Within five days after the Effective Date, the -----  
parties will jointly issue a press release in the form attached as EXHIBIT C. In -----  
the absence of the prior written agreement of the parties, neither party will issue or cause to be issued any further public announcement or other disclosure with respect to (i) this Agreement or any of its terms, (ii) any business relationship between the parties. Notwithstanding the preceding sentence, each party may disclose this Agreement or its terms (a) as required by law or (b) to the party's legal and financial advisors under an obligation of confidentiality. GolfGear may also disclose the fact that this license exists to other potential licensees.

8.7 Further Assistance. GolfGear shall take such further actions as may -----  
reasonably be requested by NIKE to enable NIKE to exercise and protect the rights granted under this Agreement.

8.8 Execution in Counterparts. This Agreement may be executed by facsimile -----  
and in one or more counterparts, each of which will be deemed an original and all of which will constitute one and the same Agreement.

7

8.9 Notices. Any and all notices, claims, certificates, requests, demands, -----  
and other communications required or permitted under this Agreement will be in writing and will be delivered to the party entitled to receive the same by regular mail, overnight courier or facsimile, addressed as follows:

If to NIKE:

NIKE, Inc.  
One Bowerman Drive  
Beaverton, Oregon 97005-6453  
Attn: General Counsel  
Phone: (503) 671-3849  
Facsimile: (503) 646-6926

If to GolfGear:

Donald Anderson  
President  
GolfGear International, Inc.  
5285 Industrial Drive  
Huntington Beach, CA 92649  
Phone: (714) 899-4274  
Facsimile: (714) 899-4284



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IN WITNESS WHEREOF, the parties have executed this Agreement by their respective duly authorized representatives, effective as of the date the last signer signs as set forth below

NIKE, INC.

PACIFIC GOLD HOLDING, INC.,  
dba GOLF GEAR INTERNATIONAL,  
INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

EXHIBIT A

CERTAIN LICENSED PATENTS

Jurisdiction	Patent No.
United States	5,024,437
United States	5,094,383
United States	5,255,918
United States	5,261,663
United States	5,261,664
United States	5,344,140
United States	5,720,673
Taiwan	336,518
Japan	3232320

NIKE AFFILIATES

NIKE Argentina S.A.	Av. Del Libertador 767 Floors 3 & 4 1638 Vicente Lopez Buenos Aires Argentina
NIKE Australia Pty Ltd.	28 Victoria Crescent Abbotsford 3067, Australia
NIKE do Brasil	Alameda Araguaia #1142 3 Andar, Alphaville CEP 06455 940 Barueri, Sao Paulo Brazil
NIKE Canada Ltd	175 Commerce Valley Drive west Thornhill, Ontario Canada L3T 7P6
NIKE de Chile	Isidora Goyenechea Las Condes Santiago Chile
NIKE European Operations Netherlands, B.V.****	Colosseum 1 1213 NL Hilversum The Netherlands
NIKE Hong Kong	Suite 801-6, Tower 2 Enterprises Square 9 Shueng Yuet Road Kowloon Bay, Kowloon, Hong Kong
NIKE International Ltd.	One Bowerman Drive Beaverton, Oregon 97005 USA
NIKE Japan Corporation	Sea Fort Square Center Bldg. 2-3-12 Higashi-Shinagawa Shinagawa-Ku Tokyo 140-8631 Japan

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-----  
NIKE Sports Korea Co. Ltd. Sam Hwa Building  
144-17, Samsung-Dong, Kangnam-Ku  
Seoul, Korea 135-092  
-----

NIKE Sales Malaysia SDN BHD No. 5, Block B, Lot 4898, Jalan SS13/5  
47500 Subang Jaya, Selangor Darul Ehsan  
Malaysia  
-----

NIKE New Zealand 50 Anzac Road, Browns Bay  
Auckland 10, New Zealand  
-----

NIKE de Mexico SA de C.V. Ontario 1107  
Colonia Providencia  
CP 44630, Guadalajara  
Jalisco, Mexico  
-----

NIKE Philippines, Inc. Rufino Pacific Tower, 39th floor  
6784 Ayala Avenue  
Makati City, Philippines 1226  
-----

NIKE Singapore PTE, Ltd. 300 Tampines Avenue  
#04-02/03 Tampines Junction  
Singapore 529653  
-----

NIKE South Africa Pty. Ltd. 13 Fedsure Park  
Tonnetti Street  
Halfway House 1685 South Africa  
-----

NIKE Suzhou Sports Company LTD. 9/F, Lan Sheng Building  
2-8# Huai Hai Zhong Road  
Shanghai 200021, PRC  
-----

BRS NIKE Taiwan 15F, IBM Building  
No. 2 Tun Hua South Road, Sec. 1  
Taipei, Taiwan ROC  
-----

NIKE (Thailand) Limited 12th-13th Floor  
Rajanakarn Building  
183 South Sathorn Road  
Yannawa, Sathorn  
Bangkok 10120 Thailand  
-----

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NIKE USA, Inc. One Bowerman Drive  
Beaverton, OR 97005-6453  
USA

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 \*\*\*\*NIKE European Operations Netherlands, B.V. sells NIKE brand products (either directly to NEON's retail accounts or to NIKE owned or non-NIKE owned distributors) in the following countries/territories:

Goal XCT Country Desc.	Goal XCT Country Code	Goal YSG Shipping Region Code
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-----	-----	-----
ANTILLES	ANTI	EI
-----	-----	-----
AUSTRIA	AUST	E1
-----	-----	-----
BAHRAIN	BAHR	ME
-----	-----	-----
BELGIUM	BELG	EO
-----	-----	-----
BULGARIA	BULG	EE
-----	-----	-----
CANARY ISLANDS	CNRY	E1
-----	-----	-----
CROATIA	CROA	EE
-----	-----	-----
CYPRUS	CYPR	ME
-----	-----	-----
CZECH REP.	CZRP	EE
-----	-----	-----
DENMARK	DENM	EO
-----	-----	-----
ESTONIA	ESTO	EO
-----	-----	-----
FINLAND	FINL	EO
-----	-----	-----
FRANCE	FRAN	EO
-----	-----	-----
GERMANY	GERM	EO
-----	-----	-----
GREECE	GREE	EI
-----	-----	-----
HUNGARY	HUNG	EE
-----	-----	-----
ICELAND	ICEL	EO
-----	-----	-----
IRELAND	IREL	E1
-----	-----	-----
ISRAEL	ISRA	ME
-----	-----	-----
ITALY	ITAL	EO
-----	-----	-----
KUWAIT	KUWA	ME
-----	-----	-----
LEBANON	LEBA	ME
-----	-----	-----
LUXEMBURG	LUXE	EO
-----	-----	-----
MACEDONIA	MACE	EI

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MALTA	MALT	E1
MONACO	MONA	E1
NETHLANDS	NETH	EO
NORWAY	NORW	EO
POLAND	POLA	EE
PORTUGAL	PORT	E1
ROMANIA	ROMA	EO

13

RUSSIA	RUSS	EE
SAUDI ARABIA	SAUD	ME
SLOVAKIA	SLOV	EE
SLOVENIA	SLVN	EE
SPAIN	SPAI	EO
SWEDEN	SWED	EO
SWITZERLAND	SWIT	E1
TURKEY	TURK	ME
U.K.	UK	
UNITED ARAB EMIRATES	UNIT	ME
RUSSIA	USSR	EE
YUGOSLOVIA	YUGO	E1

14

EXHIBIT C

FORM OF PRESS RELEASE

[Attach form of press release.]

15

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### GolfGear International, Inc. and Nike Golf Announce Licensing Agreement

HUNTINGTON BEACH, CA, and BEAVERTON, OR -- August, 2002 -- GolfGear International, Inc. (OTCBB: GEAR) and Nike, Inc. (NYSE: NKE) jointly announced today that effective August 1, 2002, GolfGear has granted Nike Golf a non-exclusive, long-term, world-wide license to manufacture and sell golf clubs under GolfGear's patents covering its proprietary forged-face insert technology.

The license agreement grants Nike Golf the right to institute litigation against third parties for infringement of GolfGear's patents. Economic terms of the license agreement were not announced, nor were Nike Golf's future plans regarding the manufacture and sale of woods and irons using the licensed technology.

Founded in 1989 by Don Anderson, GolfGear invented forged-face insert technology, and has been issued seven domestic and two foreign patents related to insert technology. Designed by Don Anderson, GolfGear's entire line of state-of-the-art Tsunami drivers, fairway woods and irons uses forged-face insert technology.

GolfGear's world-class Tsunami driver, available in 340 c.c., 360 c.c. and 400 c.c. sizes, has a double-forged 10-2-3 beta hybrid titanium alloy face plate attached to a titanium cast body, resulting in maximum energy transfer and one huge sweet spot. All GolfGear products comply with the most recent USGA and R&A rulings relating to Coefficient of Restitution ("COR").

Peter H. Pocklington, GolfGear's new chairman and chief executive officer, said, "We are delighted that a company of the caliber and reputation of Nike has chosen to establish a business relationship with GolfGear. This license agreement validates Nike Golf's commitment to becoming a market leader in the golf club segment, and to providing golfers with world-class products."

Pocklington added, "This agreement further validates the fact that Nike Golf does business in a very ethical manner, respecting the intellectual property rights of other companies. We look forward to a long and prosperous relationship with Nike Golf."

Anderson, GolfGear's President and founder, said, "We are honored that Nike Golf has chosen to license GolfGear's patents covering its proprietary forged-face insert technology. We believe that forged-face insert technology is the best way to build high-performance golf clubs for golfers of all levels, and we are confident that this technology will have a major impact on Nike's golf club design and manufacturing capabilities."

"Nike Golf is committed to providing golfers with the best possible equipment available, both exclusively and through partnerships with other industry leaders," said Mike Kelly, category business director for Nike Golf clubs. "We are evaluating applications for GolfGear's forged face insert technology with some of the 100 club projects we currently have in the works."

GolfGear, headquartered in Huntington Beach, California, offers a full line of golf equipment under various brand names, including "GolfGear", "Leading Edge", "Claw" (putters), "Players Golf" (junior clubs), and "Diva" (women's clubs). GolfGear's products are sold principally in the United States through pro shops and golf specialty stores, as well as in Europe and Asia through foreign distributors. For more information on GolfGear products, visit

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www.golfgearint.com.

GolfGear's patent portfolio with respect to insert technology is the largest and most comprehensive in the golf industry, with seven domestic and two foreign patents issued related to forged-face insert technology, and additional patents pending. These patents incorporate a wide variety of forged-face insert materials, including titanium, beryllium copper, stainless steel, carbon steel, aluminum, and related alloys, and include technology for variable face thickness of the insert.

Nike Golf equipment is available at on-course and off-course specialty shops and selected sporting goods retailers in a variety of specifications to meet every golfer's needs. Nike Golf, located in Beaverton, Oregon, is passionately dedicated to honoring and respecting the traditions and heritage of the game, and to providing committed golfers with the absolute best equipment in the game in every product category. For more information on Nike Golf products, visit [www.nikegolf.com](http://www.nikegolf.com).

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NOTE: Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

This news release may contain forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Expressions of future goals and similar expressions reflecting something other than historical fact are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. These forward-looking statements involve a number of risks and uncertainties. The actual results achieved may differ materially from any forward-looking statements due to such risks and uncertainties. Neither GolfGear or Nike undertake any obligations to revise or update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this news release.

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For additional information, contact Don Anderson at GolfGear at (800) 955-6440 or (714) 899-4274 or Dean Stoyer at Nike Golf at (503) 532-6018.

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