

Case Studies in Due Diligence: The Discovery Investing Scoreboard

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Why Discovery?

Great discoveries create great value and value creation is often early in the process.

Discovery Investing 10 Perceptual Factors

- **Management / Board:** Track record, competence and execution ability in achieving the goals of the business plan.
- **World Class Asset, IP and Technology:** best in class for the Asset, Intellectual Property or Technology.
- **Asset Technology Potential / Immediacy:** global “game changer” character of the asset/IP/technology. Discovery possesses immediate impact, significant potential **or** innovative disruption capability.
- **Company Diversification:** sustainable diversification to create discovery wealth or reduce discovery risk.
- **Cycle and Catalyst Identification:** Future events that may signal price changes and value / price adjustments. These include catalysts such as drill assays or results of clinical trials. They might also include cyclical bull markets or sector recoveries, S-curve geopolitics or recognition of bubbles in asset and share prices.

Discovery Investing Factors (Cont'd)

- **Contrariness of Assets:** significant under or over market valuation of current asset / technology.
- **Financial Soundness:** throughout the discovery process.
- **Company's Stakeholder Relationships:** with shareholders, bondholders, money managers, customers, suppliers, local population and NGOs.
- **Percent Project Ownership (Project Control):** the company sets its own agenda and maintains ownership control throughout the value creation process. They control the project currently.
- **Investor Sentiment:** Investors may have lost patience in the market, sector or the company. The company may be a rising or falling star that requires your careful reassessment. Your cognitive biases, given length of involvement, may be to sell. Should you stay the course?

The DiS: Computing With Words

- Human Decision making is dominated by imprecision, particularly at the initiation or your due diligence analysis.
- Different people make different judgments on the same asset and use different words to describe their intuition.
- Traditional research approaches require precise usually numeric estimates, mostly backward looking.
- DiS explicitly allows for these degrees of human imprecision and intuition in judgment through well defined vocabularies and Perceptual Computing.

Examples of Words In DiS

To describe Discovery factors:

“Poor,” “Average,” “Good,” Very Good”

To Describe the Importance of discovery factors:

Unimportant, Important, Very Important.

Note: interval ranges and numbers can also be used for specific factors.

The Crowd and its Benefit:

The Accuracy of Crowds

- One of the unique powers of the DiS is the ability to derive Crowd Scores from individual discovery company analyses.
- Research has shown that the Crowd opinion, used properly with limited social influence, is remarkably accurate.
- This permits benchmarking and due diligence analysis for a company.
- See James Surowiecki's 2004 best seller, ***The Wisdom of Crowds***.

A Few Mature Discovery Companies

- These companies scored high relative to their Mature Discovery universe.
- The overriding feeling at the Vancouver conference was that 2012 will be the year of Mergers and Acquisitions.
- DiS should perform very well in this environment.

Midway Gold

Scoring For: MDW Midway Gold Corp. (TSXV)

Score Company

World Class Assets/IP/Technology



Ignore



User-Score



Crowd-Score

Percent Project Ownership



Ignore



User-Score



Crowd-Score

Asset/Technology Potential/Immediacy



Ignore



User-Score



Crowd-Score

Management/Board



Ignore



User-Score



Crowd-Score

Company Diversification



Ignore



User-Score



Crowd-Score

Cycle and Catalyst Identification



Ignore



User-Score



Crowd-Score

Contrarianness of Assets



Ignore



User-Score



Crowd-Score

Financial Soundness/Sustainability/Dilution Mgt



Ignore



User-Score



Crowd-Score

Company's Stakeholder Relations



Ignore



User-Score



Crowd-Score

Investor Sentiment



Ignore



User-Score



Crowd-Score

Midway Gold

Company Scoring Results

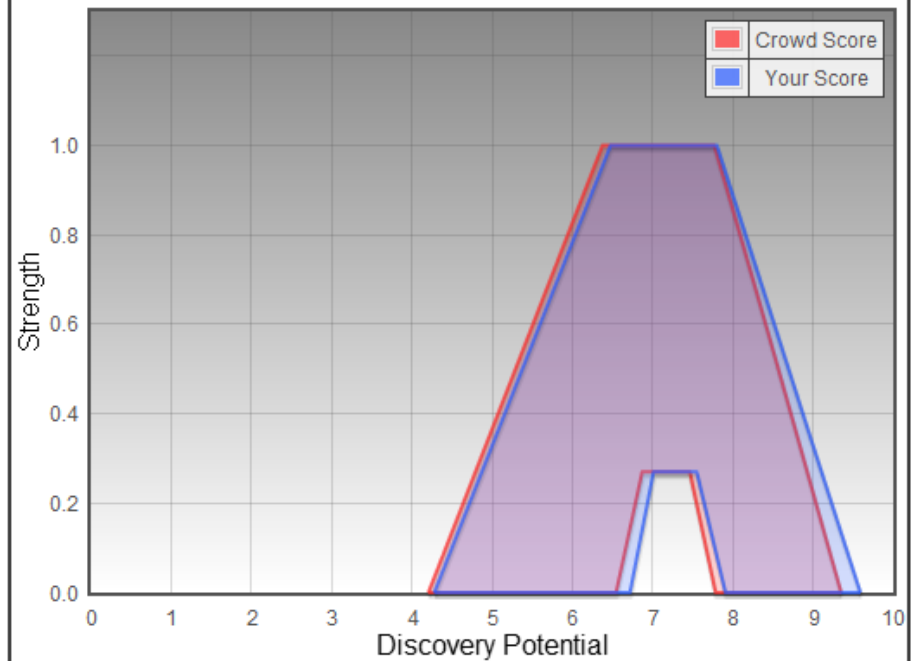
Your Scoring Result: **6.34** ?

Moderately high score

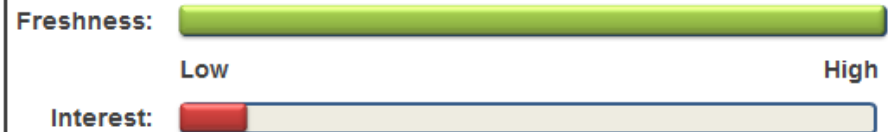
Crowd Scoring Result: **6.26** ?

Moderately high score

Score Distribution ?



Crowdscore Freshness And Interest ?



Northern Graphite

Scoring For: NGC Northern Graphite Corporation (TSXV)

Score Company

World Class Assets/IP/Technology



Ignore



User-Score



Crowd-Score

Percent Project Ownership



Ignore



User-Score



Crowd-Score

Asset/Technology Potential/Immediacy



Ignore



User-Score



Crowd-Score

Management/Board



Ignore



User-Score



Crowd-Score

Company Diversification



Ignore



User-Score



Crowd-Score

Cycle and Catalyst Identification



Ignore



User-Score



Crowd-Score

Contrarianness of Assets



Ignore



User-Score



Crowd-Score

Financial Soundness/Sustainability/Dilution Mgt



Ignore



User-Score



Crowd-Score

Company's Stakeholder Relations



Ignore



User-Score



Crowd-Score

Investor Sentiment



Ignore



User-Score



Crowd-Score

Northern Graphite

Company Scoring Results

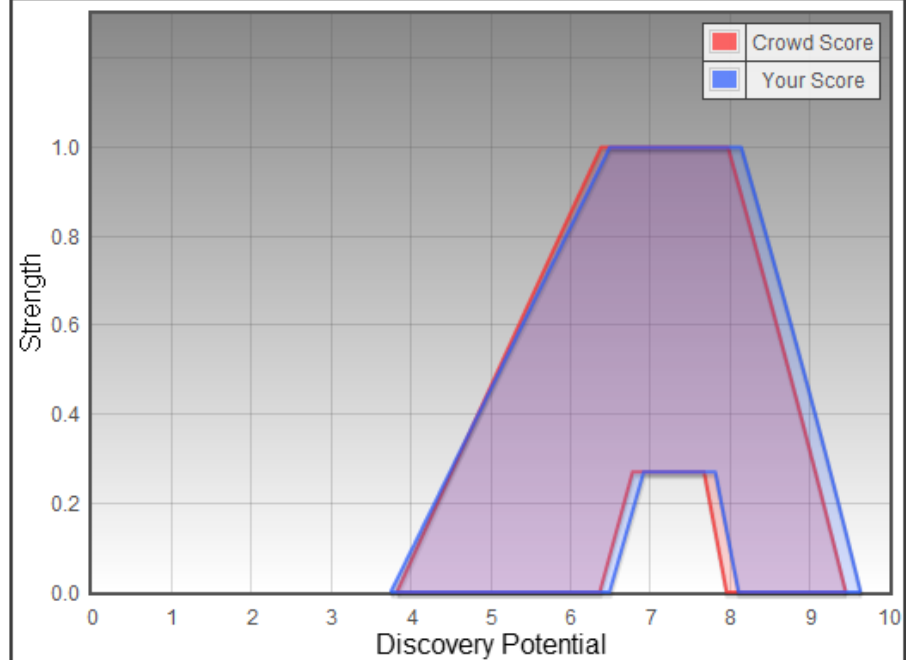
Your Scoring Result: **6.26** ?

Moderately high score

Crowd Scoring Result: **6.21** ?

Moderately high score

Score Distribution ?

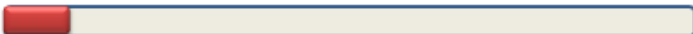


Crowdscore Freshness And Interest ?

Freshness: 

Low






























High

Interest: 

Revett Scoring

Scoring For: RVM Revett Minerals Inc. (TSX)

Score Company

World Class Assets/IP/Technology	 	 <input type="radio"/> Ignore <input checked="" type="radio"/> User-Score <input type="radio"/> Crowd-Score
Percent Project Ownership	 	 <input type="radio"/> Ignore <input checked="" type="radio"/> User-Score <input type="radio"/> Crowd-Score
Asset/Technology Potential/Immediacy	 	 <input type="radio"/> Ignore <input checked="" type="radio"/> User-Score
Management/Board	 	 <input type="radio"/> Ignore <input checked="" type="radio"/> User-Score <input type="radio"/> Crowd-Score
Company Diversification	 	 <input type="radio"/> Ignore <input checked="" type="radio"/> User-Score <input type="radio"/> Crowd-Score
Cycle and Catalyst Identification	 	 <input type="radio"/> Ignore <input checked="" type="radio"/> User-Score <input type="radio"/> Crowd-Score
Contrarianness of Assets	 	 <input type="radio"/> Ignore <input checked="" type="radio"/> User-Score <input type="radio"/> Crowd-Score
Financial Soundness/Sustainability/Dilution Mgt	 	 <input type="radio"/> Ignore <input checked="" type="radio"/> User-Score <input type="radio"/> Crowd-Score
Company's Stakeholder Relations	 	 <input type="radio"/> Ignore <input checked="" type="radio"/> User-Score <input type="radio"/> Crowd-Score
Investor Sentiment	 	 <input type="radio"/> Ignore <input checked="" type="radio"/> User-Score <input type="radio"/> Crowd-Score

Revett Minerals

Company Scoring Results

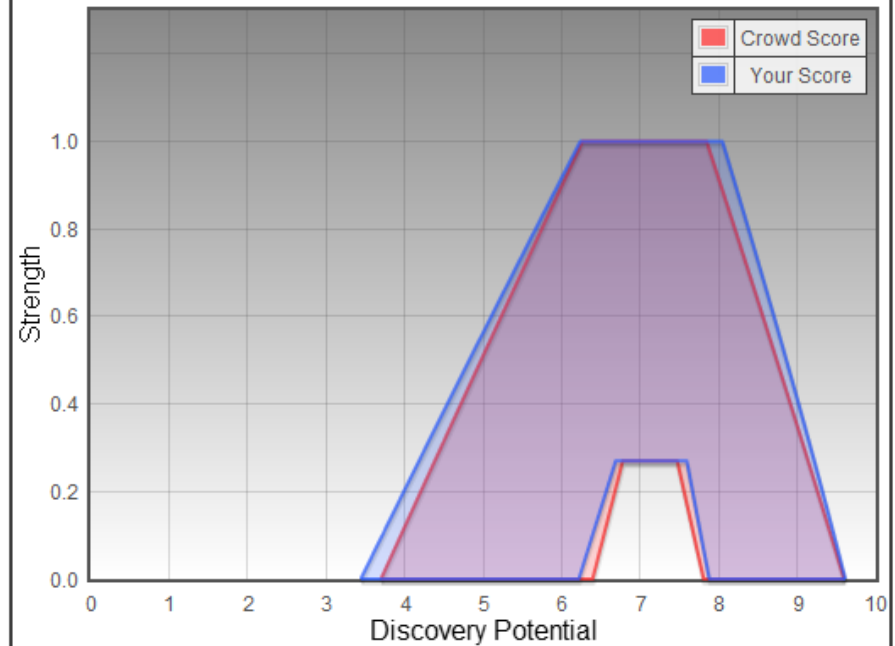
Your Scoring Result: **6.03** ?

Moderately high score

Crowd Scoring Result: **6.08** ?

Moderately high score

Score Distribution ?



Crowdscore Freshness And Interest ?

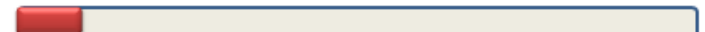
Freshness:



Low

High

Interest:



Here's an Example of an Incubator Stock

- Early in the game names!
- Scores will likely be lower because companies are less well developed and riskier.
- Even more important to use the DiS on these companies and to separate them into a separate portfolio for comparison and due diligence analysis.

Terraco Gold

Scoring For: **TEN Terraco Gold Corp. (TSXV)**

Score Company

World Class Assets/IP/Technology



Ignore

User-Score

Crowd-Score

Percent Project Ownership



Ignore

User-Score

Crowd-Score

Asset/Technology Potential/Immediacy



Ignore

User-Score

Crowd-Score

Management/Board



Ignore

User-Score

Crowd-Score

Company Diversification



Ignore

User-Score

Crowd-Score

Cycle and Catalyst Identification



Ignore

User-Score

Crowd-Score

Contrarianness of Assets



Ignore

User-Score

Crowd-Score

Financial Soundness/Sustainability/Dilution Mgt



Ignore

User-Score

Crowd-Score

Company's Stakeholder Relations



Ignore

User-Score

Crowd-Score

Investor Sentiment



Ignore

User-Score

Crowd-Score

Terraco Gold

Company Scoring Results

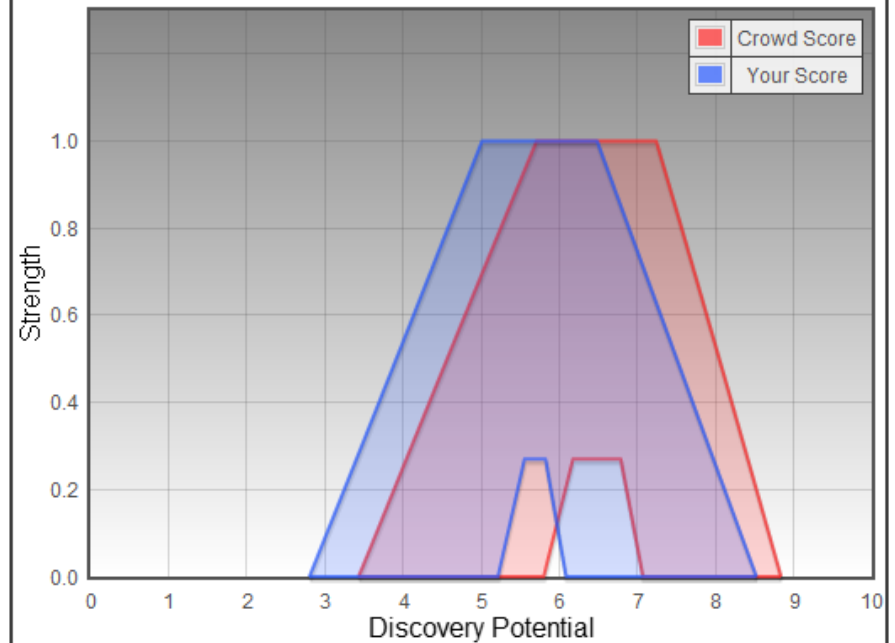
Your Scoring Result: **4.95** ?

Mid-range score

Crowd Scoring Result: **5.63** ?

Mid-range score

Score Distribution ?



Crowdscore Freshness And Interest ?

Freshness: 

Low

High

Interest: 

A Few REE Crowd Scores (1/13/2012)

Company Name	Ticker	Crowdscore	
Tasman Metals	TSM	6.37	MATURE
Rare Element Resources	RES	6.14	INCUBATOR
Great Western Minerals	GWG	6.02	MATURE
Matamec Explorations	MAT	5.97	INCUBATOR
Commerce Resources	CCE	5.92	INCUBATOR
Avalon Rare Metals	AVL	5.87	MATURE
Molycorp	MCP	5.8	LEGACY
Quest Rare Minerals	QRE	5.73	MATURE

Discovery Investing and the Future

- Why wealth creation and compounding is going to be so much more difficult in the next 5 years.
- Selection of discovery companies will no longer be a dart game. The new normal in Discovery will be much more thorough due diligence.
- DiS allows for a more judicious choice framework based on either how the Crowd scores the opportunity or your intuition.
- Trading Strategies may be formed based on the DiS data base, which is growing quickly and in real time 24/7.

The 10 Factor Discovery Engine

- Forward looking perspective
- Multi-level institutional discovery factor trees
 - 148 nodes
- Data base dynamically extended and developed 24/7 with expert, company and ordinary discovery investor analysis.

Applications

- Trading Strategies
- Due Diligence
- Performance evaluation

Can DiS be a Tutorial for New Discovery Investors?

- Our experience at the Cambridge House Symposium has indicated that the DiS will help users learn how to perform due diligence in the discovery space.
- Users can use the Crowd scores if in doubt about a factor score.
- Users can word score one or two factors as they iterate in their analysis and learn more about the company.
- DiS provides a very comfortable, user friendly technology to assist your discovery education

Conclusion

- DIS launch: January 22, 2012 (retail version)
- Unique due diligence and evaluation tool for discovery companies
 - User friendly with simple input and results
 - Three comprehensive institutional versions
 - Revolutionary crowd sourcing, portfolio theory
 - Valuable database created by expert users.
 - High definition tutorials integrated into the software.

A Discovery Caveat

“Sometimes in exploration and development success boils down to luck – or – lack thereof”

Discovery Investing Scoreboard

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<http://www.youtube.com/watch?v=Uo0FjTmkMP8&feature=youtu.be>

