

Today's Notes:

- 1. TGIF**
- 2. Upcoming Events**

1. TGIF

Thank goodness it's Friday. We started off well enough this week with a great announcement from Senesco Technologies that they had received orphan drug status from the FDA for their lead cancer drug for the treatment of multiple myeloma. Many people missed this announcement. The stock traded several million shares this week on the announcement. Orphan drug status for Senesco means that they have the opportunity to move into clinical trials for multiple myeloma more quickly and obtain some financial support from government. Multiple myeloma is their first human cancer target. We expect clinical trials to move quickly this year and we hope they will be successful. A very large part of Discovery Investing is about its social investing aspect. That's why we developed and teach it. If we can assist a company like Senesco Technologies in creating an effective cancer treatment through our investing strategy then we have done something very positive not only for the economy and the shareholders of SNT's stock but also for those afflicted with cancer in the world.



It's been a long seven years since I've been invested in Senesco. I participated in several of the financings and watched a new management team take over the company. I am hopeful that we will see significant value creation from Senesco's successful clinical trials this year for multiple myeloma patients. Since multiple myeloma is a blood cancer I would expect to see at least two more therapies from the company that will target other blood cancers such as lymphoma and

leukemia. People should know that in SCID mice, 95% tumor load reduction was realized in preclinical tests of Senesco's Factor 5A gene technology by both the company and the Mayo Clinic. Wouldn't it be wonderful if this sort of result was realized in human trials? Please say your prayers for the success of these upcoming human clinical trials. The shares have certainly been beaten up but perhaps they have seen the bottom.

People often ask how the agricultural side of Senesco is coming along. Yesterday I was reading an article in the New Yorker magazine titled *"We Have No Bananas."* This is a most interesting article about a fungal disease, Tropical Race Four, ravaging banana crops around the world. Most people do not realize that bananas are a staple food in Africa. At present Black Sigatoka, a fungal disease, is ravaging the world's banana crops. Six years Senesco Technologies ago teamed up with the Israeli company, Rahan Meristem, and they have now completed several successful field trials that have shown that the Factor 5A technology, the same technology that kills cancer cells, also may be used to inhibit this fungal disease ravaging banana plants around the world. At present Senesco's shareholders have gotten no positive valuation from the Ag side of the business even though companies such as Monsanto and Bayer (and others) have licensed the intellectual property of Factor 5A gene technology from the company. In fact the Factor 5A gene technology has now been introduced into cotton, soybeans, canola, corn and trees by the company. The results have been successful in promoting increased yield and increased tolerance to disease and stresses such as drought and salt. One wonders what Senesco's gene might do if it were introduced into biofuel sources such as Jatropha or algae.

If you're a longtime holder you know that the shares are cheap. When the first cancer results were announced Senesco shares traded at \$4 dollars. Today the trade at \$.30. We think the shares are a good proposition given the new management team headed by CEO Dr. Les Brown and Chairman Harlan Waksal. The clinical results will tell the tale. We take our hats off to our dear friend Dr. John Thompson Chief Scientist of Senesco and Professor at the University of Waterloo our alma mater for his diligent work over the years and his team's discovery of Eukaryotic Initiation Factor 5A1 gene that regulates cell death in both plants and animals. As always in discovery investing risks are high so please perform your own due diligence

On Monday we also discussed the opportunities that abound with Quaterra Resources. This is a company we have written on dozens and dozens of times over the years and one which we also own. The shares traded up to \$2.20 before finally closing at \$2.10. The stock clearly has broken out. Given dollar strength and commodity weakness during the rest of the week the shares have traded back to \$1.95. Perhaps Quaterra is a partner at this level as well.

Then came Black Tuesday - and with it the strength of the US dollar and concurrent global commodity weakness. Apparently the world believes once again that the dollar is the place to be invested. We do not agree but then why fight the trend? We believe, as do the Brazilians and the Chinese (and many others), that the Great Currency War is now hotting up to determine who can reach the depths of the currency bottom first. Brazilians intend to control inflation by all means possible - which ultimately implies undoing their currency's recent strength. China also announced its intentions to control its increasingly uncomfortable inflation rate, particularly its food inflation, by raising interest rates, though gingerly at present, allowing the Yuan to appreciate very slowly and otherwise restricting foreign currency inflows.

We are convinced that the only plausible exit position for the United States from its \$14 trillion self-imposed debt trap is a dramatic depreciation of the world's reserve currency. Since the reverse is now occurring, the dollar strengthening, we think dollar strength must be relatively short-lived. However in the meantime much damage is being done in the commodity space. This

seems on cue with the desires of most central bankers and most of the countries where food inflation is becoming a serious problem. This downward pressure is not only affecting metals but includes soft commodities, grains as well as energy commodities. Still our Congress persists with irrational ethanol subsidies for corn growers in the Midwest. The recent strength of the dollar is evident from its bottom (75.73) in early November to .81 today an increase of about 7.6% to date.

The Canadian Loonie has, for a few short days, traded to a premium with respect to the US dollar. Should this strength continue to any appreciable effect it would restrict the flow of investment into the Canadian economy and hence into the Canadian mining sector on which we focus.



Gold has fallen from its lofty perch of \$1421 to \$1359 this AM. This is a 4.4% decline – to date and time. Silver has also fallen from \$31.09 per ounce at its top to \$28.46 (7AM Eastern Friday) an 8.3 % decline. It is most interesting to note that JP Morgan, according to Ted Butler, increased its short futures position in silver immediately before this decline. Think what you will, perhaps they are just lucky or good silver speculators. Didn't see many other silver shorts on Monday though. It certainly makes one wonder, particularly when the CFTC has failed to approve the position limits for all commodities defined in the Frank Dodd legislation. It may well be that JP Morgan is now trapped in its huge short position in silver. But if the dollar must decline, as we believe it must in the longer run, we think there is little hope they can easily escape this trap that they've set up for themselves over the past several years. We see first support for silver and \$27.90. Silver is trading this morning \$28.46.



If you have been a benefactor of the run-up in commodity prices that has occurred from March 2009 until now we suggest you may want to take some profits. We are not suggesting that you should liquidate your positions, simply take some of the wealth you have created from your discovery opportunities, off the table. Standard practice we have here at D.I. is that on a double or triple in value to take a half of the profits to cash. We are not big fans of the US dollar but presently the US dollar is rising while commodities are declining.

At present the world wants to believe that all is well with the US economy. It is not. The 112th Congress will now tackle the unenviable but crucial tasks of cutting spending to the bone, raising taxes, whittling down entitlements and struggling with the repeal or disembowelment of Obamacare. The President is moving as quickly as possible to the center apparently leaving his left wing ideologies and ideologues in the dust. This may bode well for the next two years of government from Washington DC.

2. Upcoming Events

On Tuesday January 11, 2011 at 5 PM Eastern I will be presenting my discovery investing story in a 30 minute webinar to over 7,000 locations around the world. For those of you who are new to discovery investing or have never heard the Discovery Investing presentation or subscribed to Morning Notes I invite you to attend. You may find the information on this presentation at the following website:

www.retailinvestorconferences.com

I will be open for questions during this webinar and the presentation will be maintained on the site for the next 90 days.

As many of you know from my writings I am now heavily involved with the important task of Value Chain creation and subsequent industrial base revitalization in the United States. By this I mean the creation of new industrial enterprises supported at their all foundation by the discovery process. The discovery process is not totally defined by a focus on mining, biotech, infrastructure or extractive industries. It also includes the development of the intellectual property and the processes that take natural resources and new discoveries in biotech and high-tech and builds self-sustaining industrial enterprises from them. The Chinese have been excellent at doing this and the Rare Earth elements is a singular example of why China now leads the world in all aspects of Rare Earth processing. Spinoffs from this include yesterday's

announcement of a new stealthy Chinese jet fighter comparable to the F-22, a new ballistic missile targets aircraft carriers for which we apparently have no defense at this time and the buildout of the blue ocean navy by the Chinese. It all begins with discovery. I hope to work with members of the 112th Congress on this issue and others in Washington to discuss new ways to think about industrial infrastructure development in this country based upon an aggressive discovery investing program.

On January 20-22 Cambridge House will be conducting **A Global Critical Metals Symposium** in Vancouver, Canada. Representatives from China, Canada and the United States will be present. I will be Chairman of this symposium and I invite you to attend. The list of speakers and companies is significant. Please see Cambridge House website for a description and gene of the symposium.

We want to assure you that with the advent of resource nationalism, the increasing aggressiveness of emerging countries not only wrt currency disputes but also relative to natural resources and development of intellectual property, this is a most important gathering for researchers, scientists, government observers and investors.

On February 3, I will be chairman of the Rare Earth symposium in New York City. We will have six of the top Rare Earth Incubator companies in the world today. Our keynote speaker will be geologist Mickey Fulp. For further information on this important symposium please contact: CBerry@house-mountain.com.

Have a great weekend in the New Year. It is snowing hard here in New York City this morning. So much for global warming.

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