

Today's Notes:**1. The Ten Point Grid****1. THE TEN POINT GRID**

Many of you have written, especially new Discovery Investors, to ask about my references to the Ten Point Discovery grid. Since it is indispensable to the process I thought I should include it in part. The grid has been designed and used for 5 years with good results. The idea is to remove emotional buying and selling from the discovery discipline. The grid is a ranking mechanism for the discovery stocks in your portfolio, from most desirable to least. It will allow you to rebalance your portfolio as discovery progress is realized. In short, the grid allows you to rebalance your portfolio. It provides a powerful buy and sell signal. A move down in grid rankings often necessitates a sale.

Here is the Discovery 10 Point grid:

Security Selection: A Ten Point Discovery Grid

- **Assets / IP / Technology** world class?
- Percent Project Ownership?
- Asset / Technology potential and immediacy?
- **Management and Board** track record, ownership and insider buying?
-
- **Company Diversification:** Portfolio across several assets?
- **Cycle and Catalyst** identification?
- **Establish Positions in Contrarian** Assets. Virtuous Black Swan?
- Financial **Soundness / Sustainability / Dilution management?**
- **Company's Stakeholder** relations?
- Investor **Behavior:** Patience and Courage?

I have designed the grid as a series of 10 questions. In practice, of course, each question stimulates an entire analysis. The grid is divided into two parts. The initial four questions are critical. If the analysis of your target company does not pass muster on these questions then you must reject the target company. If you allocate 10 points to each of these sections my experience is that you must score at least 75% (30 points out of 40) to continue the analysis. If a company falls in grid value over time then the company becomes a candidate for trimming or outright sale.

First Question: Is the asset, intellectual property or technology “world class.” This should be simple enough. Discovery of a gold mine with the potential for 5 to 10 million ounces should qualify, at least in the early going, as potentially “world class.” But remember that world class means different things to different people. That’s what makes Discovery Investing so much fun. A promising and advanced therapy that may offer a cure for cancer or stem cell transplantation would likely qualify. Over time I have had hundreds of phone calls with promising discovery potential from many different fields of science. In many ways this is the easiest and most interesting of the 10 points because these asset characteristics are often “promoted.” Buyer beware!

You must spend time on due diligence procedures, which may imply meeting and with management and / or scientists. I like to find the world class experts (on cancer for example) and spend time with them to learn the technology and appraise its feasibility. I tend to go further with probing analyses based on the asset or the Intellectual Property.

For example, I want to know about potential economics. Is the infrastructure in place for a new mine? What about environmental concerns? Can the discovery, once made, be successful? In mining sometimes several hundred holes must be drilled before one drill hole tells the definitive story. Such an asset’s discovery potential will then either improve or decline quickly. Can the discovery be delivered on time? Many of these questions will develop themselves naturally over time as the asset discovery process progresses.

Question Two: Ownership and Control. Without any doubt this is one area where management intentions and often go astray. A senior mining executive once told me that you take your dilution (one way or the other) in the stock or the ground. The Big Mining and Pharmaceutical companies would rather “pay more to see more.” Over time many Incubator Discovery companies with very promising discovery potential are diluted in their ownership. How many times have you seen discoveries with ‘Creative Destructive’ potential simply put on the shelf? Ownership and the ability to maintain ownership and control is a very crucial aspect of your wealth creation in Discovery Investing. It is the difference between deciding on Maturation (Phase II) of the asset and having it purchased for much less than it is worth.

The case study of Western Silver is a very good example of how early control created several billions of dollars of wealth for Western’s shareholders. I think you can see how the analysis proceeds. At each question, depending upon the answers you develop, you may decide to discard the discovery opportunity to follow another. This is very important because there are thousands of potentially attractive discovery opportunities in the world today.

Question III: Potential and Immediacy: If someone were to claim he was about to make a revolutionary discovery but it would not be commercial for ten years we would be reluctant to invest even though we know that some discovery investing journeys last for several years. But take the case of uranium. We know today that uranium is likely to be in short supply in the next decade. Discovering uranium is hardly revolutionary, there is plenty of opportunity for discovery.

It will likely have tremendous immediacy as the processors of uranium seek supply. Natural gas discoveries are another example of potential and immediacy as the global energy squeeze and the trend to natural gas use in transportation increases.

Of course if a company is in final clinical trials on a cancer therapy, then a significant success in the clinic will have a high degree of potential and immediacy. If you are interested in the discovery investing discipline you ought to seek those areas of the discovery space where the impact will be quick and large. Think about that; there are only so many hours in the day.

Management and the Board of Directors: Of the four initial criteria in the 10 point grid this is, by far, the one criterion that will destroy most discovery investments. If you have decided, based upon your analysis of the first 3 criteria, that the investment has merit – **YOU MUST familiarize yourself with the management team and the Board**, its track record and the business plan. Then you will need to ascertain if the management team and the board are capable of executing the plan.

I like to participate in conference calls when possible and attend the annual meetings as often as possible. Make certain you are on the company's email list for releases. I also expect that the company will have excellent Investor Relations, an up to date web site and that the IR function will keep me fully informed.

Finally, it is a bad sign if too many options are dispensed and the team ends up exercising and selling stock. On the other hand if management and the board are inside buyers it is, universally, a good sign. I like a management and board that own a significant piece of the company. I like to know that I am sharing the risks of Discovery wealth creation with them. Management teams that raise expectations can cause tremendous problems. Beware. Watch for variances with promises.

That's enough for now – I finish the last 6 points in a later Morning Note. Please read and think about these 4 decision points; they will provide you with a good start on your Discovery journey.

The material herein is for informational purposes only and is not intended to and does not constitute the rendering of investment advice or the solicitation of an offer to buy securities. The foregoing discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (The Act). In particular when used in the preceding discussion the words "plan," confident that, believe, scheduled, expect, or intend to, and similar conditional expressions are intended to identify forward-looking statements subject to the safe harbor created by the ACT. Such statements are subject to certain risks and uncertainties and actual results could differ materially from those expressed in any of the forward looking statements. Such risks and uncertainties include, but are not limited to future events and financial performance of the company which are inherently uncertain and actual events and / or results may differ materially. In addition Dr. Berry may review investments that are not registered in the U.S. Dr. Berry has been awarded 10,000 stock options exercisable at \$7.50 from

Senesco Technologies, 200,000 options from Aura Silver (strike C\$.30), 150,000 options which strike at \$.50 from Birch Mountain for Corporate Finance consulting services. He has been awarded 100,000 options of Derek Oil and Gas exercisable at C\$.47. He is a consultant to Piedmont Mining (250,000 options), Valcent Products (300,000 options), Global Green Solutions (400,000 options) and War Eagle Mining. He owns shares in Goldcorp, Golden Predator, Senesco Technologies, Birch Mountain Resources, DataMeg, Immtech International, Horseshoe Gold, Midway Gold, Derek Oil and Gas, Terraco Gold, Stealth Ventures, Kenrich-Eskay Gold, US Silver, Galway Resources, Neuralstem, Oil Sands Quest, Enhanced Oil Resources, Piedmont Mining, MegaWest Energy, Valcent Products, CGX Energy, MacMillan Gold and Quaterra Resources. He has been awarded 250,000 options on Terraco Gold exercisable at C\$.50 for 5 years, for services as a consultant. He has also been retained as an advisor by Dejour Enterprises (200,000 options plus retainer of \$2,500 per month), Grande Portage (210,000 options, \$5,000 per month retainer and Galway Resources (200,000 options and \$5,000 per month). In his role as advisor he has been awarded 75,000 options from Polymet which strike at C\$2.76. We cannot attest to nor certify the correctness of any information in this note. Please consult your financial advisor and perform your own due diligence before considering any companies mentioned in this informational bulletin.