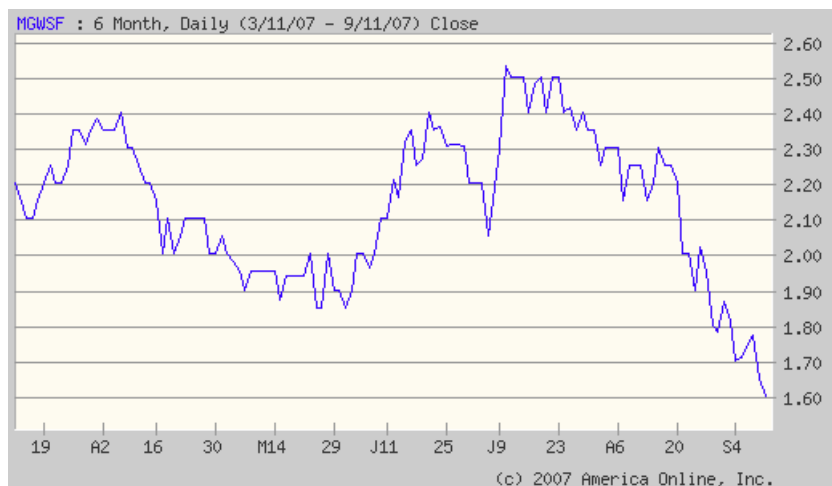


### 3. MEGAWEST ENERGY: MAKING HEAVY OIL FLOW

In keeping with my theme of North American energy independence I have introduced and followed six major discovery names in North America. They are Oil Sands Quest (BQI AMEX), Derek Oil and Gas (DRK TSXV), Ivory Energy (IV TSXV), Enhanced Oil Recovery (EOR TSXV see MN yesterday), Dejour Enterprises (DEJ AMEX) and MegaWest Energy (MGWSF OTCBB). This is a nice portfolio that diversifies the mining stocks quite well.

The following chart shows that the MegaWest shares have been beaten up. I do not see a bottom yet and the company's stock has not recovered from the August debacle that infected most of these companies. However, the company has four great projects and an even better team of oil men headed by George Stapleton and Bill Thornton. It is interesting to note that the company is already producing small quantities from its Chetopa field in Kansas. MegaWest is a heavy oil play. It will rely on secondary recovery from known fields in Kansas, Missouri, Texas and Kentucky. All in, there are approximately 5 billion barrels of original oil in place (3.621 billion net to MGWSF) in these four areas. The company believes that using SAGD and other advanced techniques that it can possibly recover about 40% of these barrels, or 1.4 to 1.5 billion barrels.



The beauty of the MegaWest opportunity is that the company's properties are located close to the heart of the pipeline and refinery country of Texas. The company expects to receive about 85% of WTI price for this oil – on average. Now suppose oil averages \$60 per barrel over the next few years (conservative I think) with costs of \$30 cash flows should be significant. But supposing that only 1 billion barrels are recoverable the company's 150 million fully diluted shares are worth at least \$3 at \$.50 per barrel in the ground. This is very conservative but you can do the math. On August the 15<sup>th</sup> MegaWest announced that drill results in Kentucky looked very promising and "as expected." The company said,

*"As of August 13, two of the eight wells had been drilled to planned total depths. Over 50 feet of core was obtained from each well over the Big Clifty formation which is the primary target. Analysis of the drill cuttings has confirmed the presence of all three*

*pay zones in each well and indicates 77 feet and 85 feet of hydrocarbon bearing formation respectively was encountered in these two wells. These initial drilling results confirm MegaWest's geological model and provide further confirmation of the Project's significant potential for commercial production”.*

I am convinced that heavy oil in the domestic US will become critically important in our energy future – and in the not-to-distant future. I suspect that a valuation of \$1.60 per barrel is more adequate for the current potential of MegaWest. Please have a look at this company and this portfolio. This management team seems to know how to make heavy oil flow.

*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) and a monthly retainer(\$3,000), 150,000 options which strike at \$2.80 from Birch Mountain and a monthly retainer (\$2,000) and 150,000 options from Ivory Energy and a monthly retainer fee (\$3000) for Corporate Finance consulting services. He is a paid consultant to Derek Oil and Gas and has been awarded 100,000 options exercisable at C\$.47. He is a paid consultant to Freegold Ventures for which he received 100,000 stock options exercisable at \$.40 and War Eagle Mining. He owns shares and/or options in Goldcorp, Senesco Technologies, Birch Mountain Resources, DataMeg, Immtech International, Horseshoe Gold, Midway Gold, Derek Oil and Gas, Terraco Gold, Stealth Ventures, Kenrich-Eskay Gold, Galway Resources, Neuralstem, Oil Sands Quest, Enhanced Oil Resources and Quaterra Resources. He has been awarded 250,000 options on Terraco Gold exercisable at C\$.50 for 5 years, for services as a financial advisor. He has also been retained as a paid advisor by Dejour Enterprises (200,000 options plus retainer of*

*\$2,500 per month), Grande Portage (210,000 options and \$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\$1.76. 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.*