

Discovery Investing Workshop 2

Michael A. Berry, Ph.D.

Energy Security

March 31, 2007

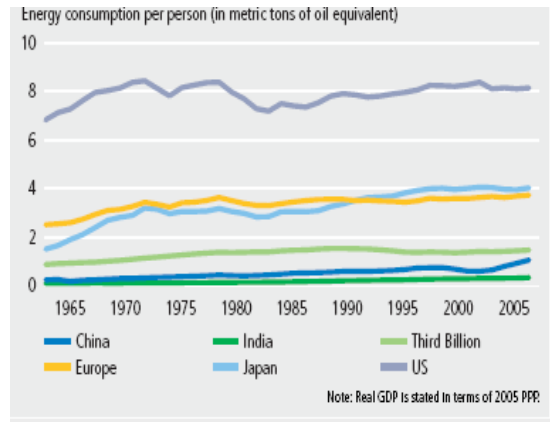


Email: kberry@discoveryinvesting.com

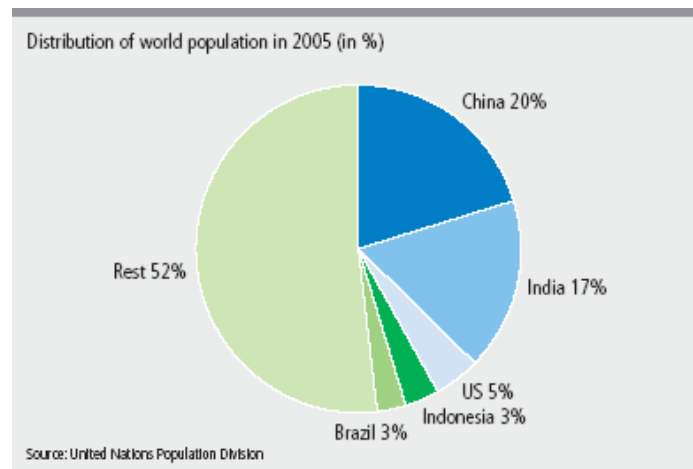
Disclaimer

- 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 from time to time we mention investments that are not registered in the U.S. **Dr. Berry owns shares in the securities which have been discussed in this informational bulletin. He is an advisor to the companies in this presentation. Please consult your own financial advisor before considering an investment in recommendations in this presentation.**

Higher Oil Here's Why

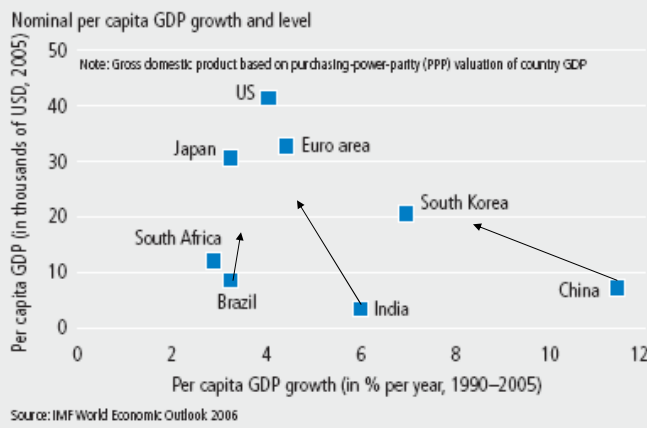


Population Distribution



Per Capita QOL Transition

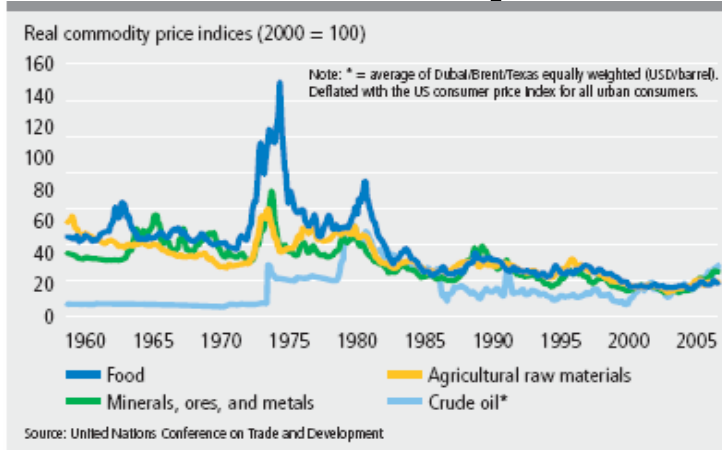
Fig. 1.10: Per capita incomes of China and India still low



Discovery: Independent of Growth?

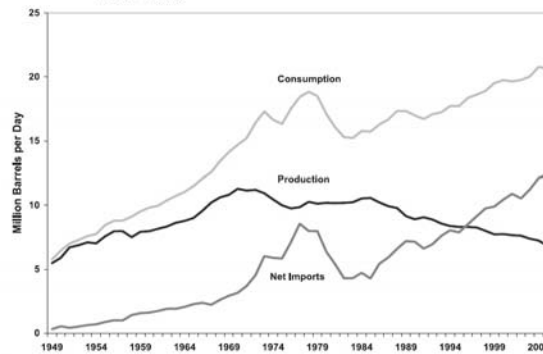
- Environmental discoveries such asCO₂ sequestration, uranium spent fuel storage, biofuel generation.
- Resource discoveries – titanium, rhodium, tungsten, moly
- Medical discoveries –in the area of cancer, immune related diseases, diabetes and infectious diseases.
- Clean water and food processing discoveries will be key.
- Ongoing communications and computing discoveries
- Nanotechnology - Intel
- Discovery Investing will be a key wealth creator.

Real Commodity Prices



US Demand / Supply Disparity

Figure 2: U.S. Consumption, Production, and Imports of Oil, 1949–2005



Source: EIA, Annual Energy Review 2005.

Next Oil Decline Iran?

- Under the Shah the country produced 6 million barrels per day. During the Iran / Iraq war that production fell to 1.8 million BPD. Today the country is straining to produce 4 million BPD. It exports almost 2.4 million, Primarily to China. The WSJ reports however that that could end – soon. One fact of life that I keep emphasizing is that a global QOL cycle is underway.

The 3 Top Suppliers to The US

- Venezuela, Canada and México are the largest oil suppliers to the US. Oil production in two of these countries is in decline. The other is currently taxing its resource sector.
- It is time for our leaders to “fess up.” We need a workable energy policy unencumbered by taxes and overt environmentalism.

Few Alternatives in the Next Three Decades

TIMESCALES FOR NEW TECHNOLOGIES

New designs for vehicles may eventually bring down overall energy consumption for transportation in the U.S., but they do not offer a quick fix. Estimates from M.I.T.'s Laboratory for Energy and the Environment indicate how long it might take for new technologies to have a significant impact.

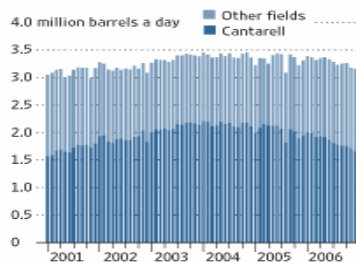
VEHICLE TECHNOLOGY	IMPLEMENTATION PHASE			
	Market competitive vehicle	Penetration across new vehicle production *	Major fleet penetration †	Total time for impact
Turbocharged gasoline engine	5 years	10 years	10 years	20 years
Low-emissions diesel	5 years	15 years	10-15 years	30 years
Gasoline hybrid	5 years	20 years	10-15 years	35 years
Hydrogen fuel-cell hybrid	15 years	25 years	20 years	55 years

* More than one third of new vehicle production † More than one third of mileage driven

Mexico's Decline

Plunge in Production

Declining crude-oil output at Mexico's biggest oil field, Cantarell, is further squeezing global supply.



Source: Mexico's Energy Ministry

China and Russia: Uneasy Alliance

- China and Russia second largest oil importer and exporter respectively.
- China growing auto fleet 25% plus per year.
- By 2015 will require imports of 6 million BPD.
- Iran may not even support its own habit of 9 cents per litre subsidy.

Canada's Oil Sands and Stranded US Energy Resources - Critical

- Emerging world class discoveries such as **OilSands Quest (BQI)** in Saskatchewan and **Ridgeway Petroleum (CO2)** in the Permian Basin are critical.
- At present the “bloom is off the rose” in Canada's oilsands.
- All that will change once again. These are becoming excellent contrarian plays.

Discovery; Independent of Investment Style and Cap Size

- Value and growth stocks may at various times in their cycle be Discovery stocks
- Mid and Large cap stocks can also be discovery stocks: Research in Motion, Apple,

Why Discovery Works

- Discovery is a “natural” Catalyst
- Often a Contrarian Investment (When Cry’n s/b Buy’n)
- Share liquidity and price builds to value over time
- Favorable Risk / Reward tradeoff
- Independent of economic growth and bear markets.
- Often there is a natural takeout / liquidity event.

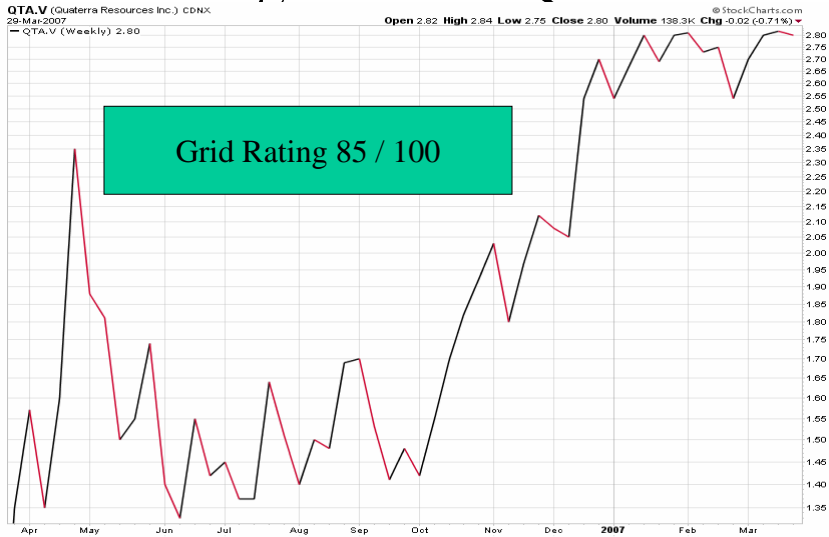
How Discovery Works

- Proper Diversification
- Relative Risk / Reward analysis
- Asset Allocation
- Risk Customization
- Discovery Incubation (Penny Dreadfuls)
- Discovery Maturation (Dollar Darlings)
- Legacy

Discovery Analytics: A Ten Point Grid for Selecting Discovery Companies

1. **World class character of Assets / Technology / IP.**
2. Ownership, Control and Disposition: 100%, Infrastructure.
3. Immediacy - Potential – Carryover of Asset / Technology / IP.
4. **Management and Board:** Execution track record. Independence, Shareholder concern, Personal stake, Remuneration, Value orientation.
5. **Diversification:** A portfolio across properties / applications.
6. **Cycle, Exit Potential and Catalyst** identification.
7. **Contrarian** disposition.
8. Financial **Soundness / Sustainability / Dilution** awareness.
9. **Stakeholder** relations.
10. Investor **Behavior:** Patience, Courage, Willingness to absorb loss.

Ranking A Stock: Quaterra



Example of A Ten Point Discovery Grid Ranking

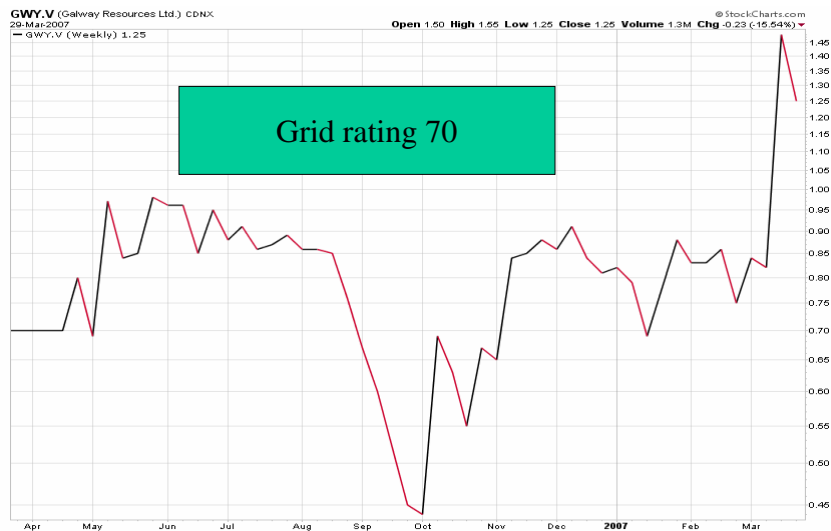
Quaterra Resources - 85

- World Class Asset Potential. 9
- Ownership and control. 9.5
- Asset / Technology potential. 9.5
- **Management's** operating track record. 9.5
- Diversification: A portfolio. 9.5
- **Cycle** and **Catalyst** identification. 8
- **Contrarian** story. 5
- Financial **Soundness / Sustainability**. 9
- **Stakeholder** relations. 9
- Investor **Behavior**: Patience and Courage. 8

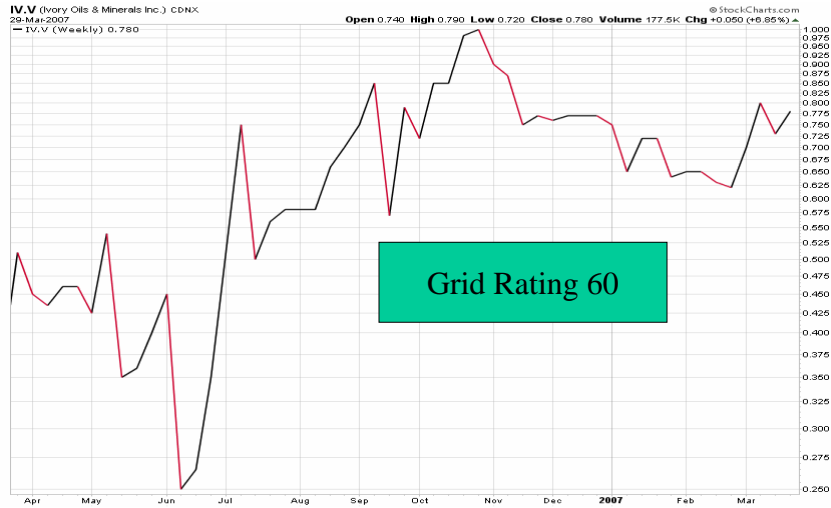
Discovery Case Study #2:Derek



Discovery Case #4: Galway Resources



Discovery Case #12: Ivory



De Jour Enterprises



Oil Sands Quest (BQI 77)



Energy Metals (EMU NYSE 81)



CGX Energy (OYL/U TSXV 68)



Oilexco (TSE 83)



A Few New Incubator Names for Your Due Diligence

- **Valcent Technologies** (VCPTF OTC BB)
- **Senesco Tech** – Cancer, Agriculture, Immune (SNT AMEX)
- **Immtech Int'l** – Infectious Disease Platform (IMM AMEX)
- **Beaufield Resources** - Gold (BFD TSXV)
- **Ridgeway** – CO2, Helium (RGW TSXV)
- **Longview Capital** (LV TSXV)
- **DataMeg** – VoIP Monitoring (DTMG BB)
- **Benton Resources** – Uranium, Gold, Nickel (BTC TSXV)
- **Oragenics** (ONI AMEX)
- **Senesco Technologies** (SNT AMEX)
- **MegaWest Energy** (MGSWF OTCBB)

Performance Correlation

- Statistical Correlation between historical Grid Ranks and ex post performance of the stock.
- Correlation coefficient .89 over 4 years of running the portfolio.
- Aggregate return (Average annual 71%)

Michael A. Berry, Ph.D.

KBerry@Discoveryinvesting.com

Morning Notes

973 515 1252