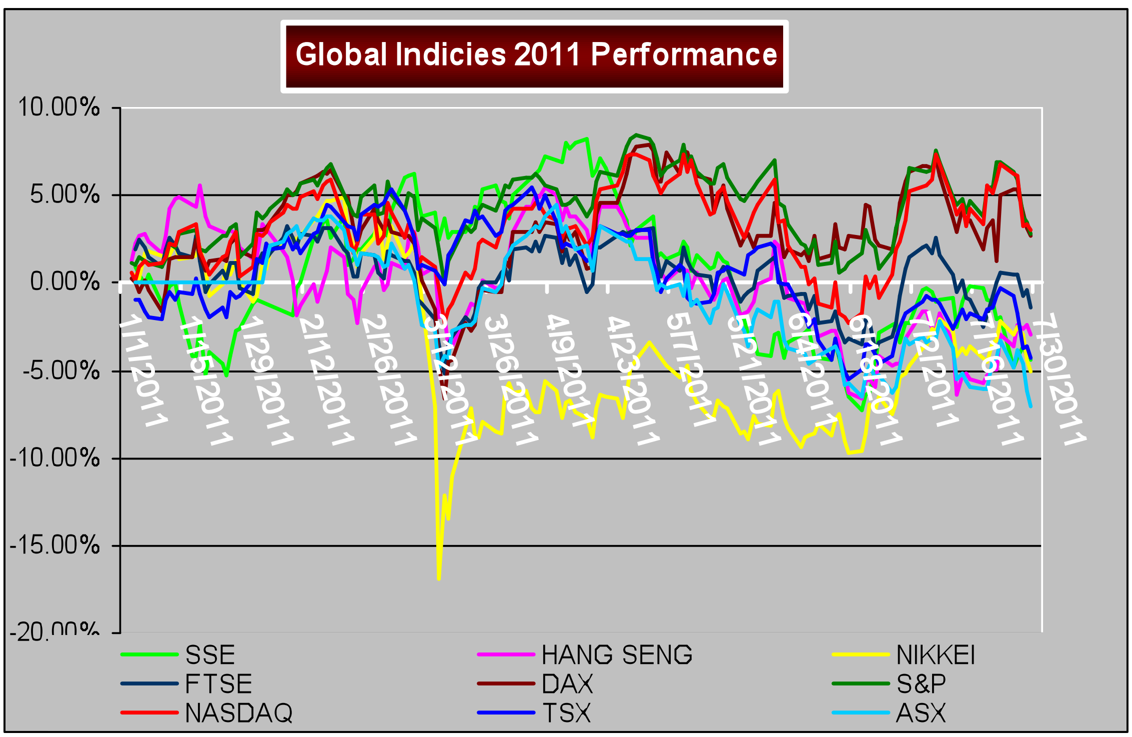
GDB August 2011 Newsletter

Monthly Market Summary:

2011 July Market Activity		
SSE COMPOSITE	***2,701.73***	-66.10 (-2.39%)
HANG SENG	***22,440.25***	-373.00 (-1.64%)
NIKKEI 225	***9,833.03***	-45.66 (-0.46%)
FTSE 100	***5,815.20***	-130.50 (-2.19%)
DAX	***7,158.77***	-215.71 (-2.93%)
DOW	***12,143.24***	-268.83 (-2.17%)
S&P 500	***1,292.28***	-28.36 (-2.15%)
NASDAQ COMPOSITE	***2,756.38***	-18.70 (-0.67%)
ASX 200	***4,424.60***	-187.60 (-4.07%)
TSX COMPOSITE	***12,945.63***	-369.79 (-2.78%)
TSX VENTURE	***1,965.72***	195.54 (11.05%)



Investment Themes:

1. The equity markets spent much of July oscillating between the positive news from the US earnings season and the uncertainties from the US debt limit debacle.

As the smoke screen cleared in the beginning of August with the passing of the US debt limit increase, we are seeing some fundamental weaknesses in the economy. The North American economies are facing headwinds from a bout of negative economic data:

- The Institute of Supply Management's (ISM) factory index slumped to 50.9 in July from 55.3 a month earlier, the lowest reading since July 2009

- ISM non-manufacturing index also dropped to a reading of 52.7 in July from 53.3 in June

- US Consumer spending unexpectedly fell in June by 0.2%, posting its first decline in nearly two years

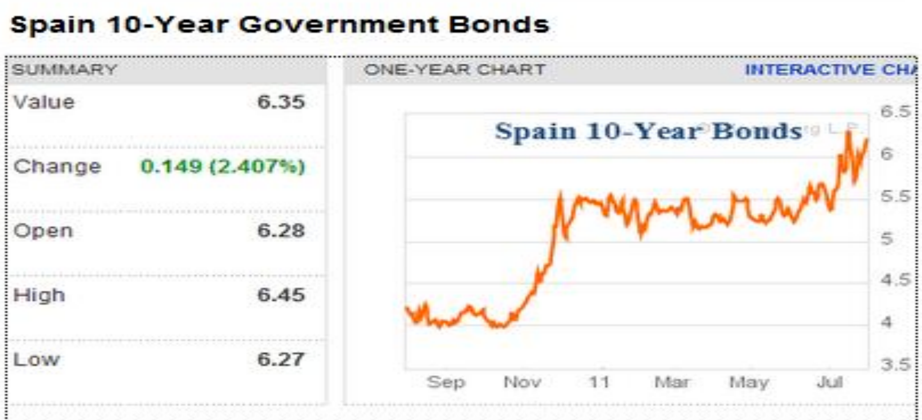
- US income rose 0.1%, the smallest gain since September last year, while personal savings rate rose to 5.4%, the highest level since August 2010

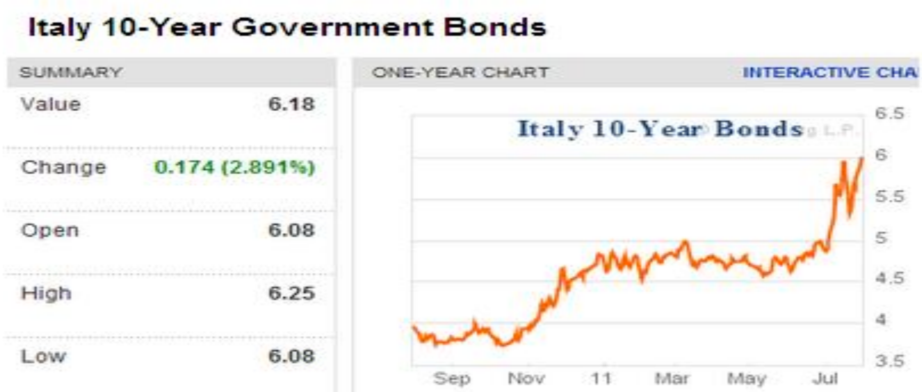
- US second quarter GDP growth registered at 1.3% which was below market estimates. Visible slow down in imports observed

- Canadian's GDP in May unexpectedly dipped by 0.3% from the previous month, hitting a two-year low; albeit, the wild fires in Alberta may have caused a temporary slow down the oil and gas industry

At the time of publishing this newsletter, the Dow Jones Industrial Average has closed down eight consecutive days, shaving off 6.7%, and posting its longest losing streak since October 10, 2008. In our last month's newsletter, GDB warned against the market's complacency reflected through the low VIX reading. The VIX has since risen over 50%.

Across the pond in Europe, the economic outlook is even direr. With the Greek bailout not too far behind in the rear view mirror, sovereign debt contagion is spreading infectiously to Italy and Spain with relentless force. The ability for the two countries to finance in the global bond markets is under serious scrutiny as the borrowing costs of both countries surge to record highs.





Banks across Europe are retrenching and dumping Italian and Spain government debt in volumes and replenishing capital.

Fear is drawing blood in the markets…

GDB is exerting caution treading water in this sluggish market, yet we want to shed some lights from a different perspective. Firstly, the negative economic news including consumer spending and factory output in Q2 are definitely not encouraging news for the outlook of the US economy. However, contradictory to the above, we are seeing many US companies reporting higher quarterly earnings and raising their full year forecasts in the last quarter (e.g. Apple, Yum Brands, Coach, Steve Madden, Under Armour…). This divergence provides support to the thesis that the US multi-nationals are generating growth outside of US in the face of a stalling US economy.

Going forward, the global economic engine will be ever more propelled by non-US, non-European markets, namely China, India, and other emerging markets in Asia due to their deep consumer markets constituted by population and demographics. More attention should be allocated to the economic data and consumer sentiment readings from these emerging countries, especially China. As the state government in China has experienced tentative success in taming inflation and the interest burden for the average Chinese with mortgages has not increased considerably thanks to the restrained rounds of interest rate hikes, we are not anticipating any drastic weaknesses at this point from consumers in China as the China GDP engine continues to rev at a healthy RPM. With that said, we are keeping a close eye on the slowing Chinese export sector and the tightening of credit to the SMEs which could throw a wrench in our forecast.

In terms of the European debt contagion, GDB expects the situation to worsen as speculators and vultures continue to drive up the yields in the Spanish and Italian bonds. However, we are confident that the policy makers will intervene if situation does not improve to force down yields and prop up confidence in the Euro region. Too much time, effort and capital have been committed and sacrificed to protect the unity of the European Union. The EU leaders will not let Spain and Italy falter which will see their prior rescue efforts in Greece, Ireland, and Portugal vanish into thin air.

Investment Opportunities:

1. **Sino-GDB Fund**
   Fund managed by GDB Capital. Investments using hedging strategies and combinations of long/short positions in derivatives of public traded equities. Also private equity investments with a focus on mid-markets growth companies, distressed assets, M&A, and buyout opportunities. Industry focus targeted at metals and mining, oil and gas, clean energy, fertilizer and agricultural chemicals, real estate, and technology. Fund targets gross pre-tax IRR of 20% per annum, minimum investment US$500,000.

2. **Clear Hill – Iron Ore**
   The Clear Hills properties consist of ten Metallic and Industrial Mineral permits and four Mineral Leases comprising 76,652 hectares. The Clear Hills property encompasses three main project areas, Rambling Creek, Whitemud Creek and Worsley.

   Estimate on Rambling Creek portion of the Clear Hills iron deposit contained 139,777,000 tons grading 33.04% Fe classified as Indicated Mineral Resources and 62,824,000 tons grading 33.70% Fe classified as Inferred Mineral resources.

   It is noted that the Rambling Creek Iron deposit is associated with appreciable concentration of vanadium pentoxide (0.21%). Early work indicates that the vanadium may be recoverable during the DRI process.

3. **Tampoon Resources Inc – Oil**
   $50,000,000 private placement. Proceeds used for oil and gas exploration in Western Canadian Basin Oil Property Acquisition and Farm-in opportunity. Currently producing ~300bbls/d with significant reserve/deliverability (Est. 600bbls/d flush; 200bbls/d aver prod); 600,000 barrels 38-42 API/well.)

4. **Open Range – Oil**
   $10,000,000 private placement of preferred and common shares. $5,000,000 preferred shares Series B – 8% Cumulative Dividend, Voting, Redeemable December 31, 2012 priced at $1.00 per share. $5,000,000 Common Share priced at $1.50 per share. Proceeds used to increase land ownership from 11,000 acres to 70,000 net acres. Projected production is estimated at 2,000 BOPD for 2011.

Properties located in North Dakoda where large US oil companies such as Hess, and Occidental Petroleum have both recently acquired a number of smaller firms.

5. **Congolese Potash Corp.**
   Consolidating up to nearly 50% of Congolese Potash belt in Democratic Republic of Congo, Angola, and Gabon, as well the Republic of Congo. Management team in place. Seeking $5 mil and listing over the next 6 months**.**

6. **Ethiopian Potash Corp.**
   Potash development project in Danakil Depression (largest potash depression in the world). Excellent logistics, largest land package in the belt 481 sq km. Other players include BHP. Shallow, high-grade, existing resource of 128 mil tons at 21%, feasibility within 18 months. Publicly listed TSX-V: FED.

7. **Fugra Potash Corp.**
   1,095 sq km land package south of basin adjacent to BHP and north-west adjacent to Ethiopian Potash Corp. Seeking financing and go public listing this summer.