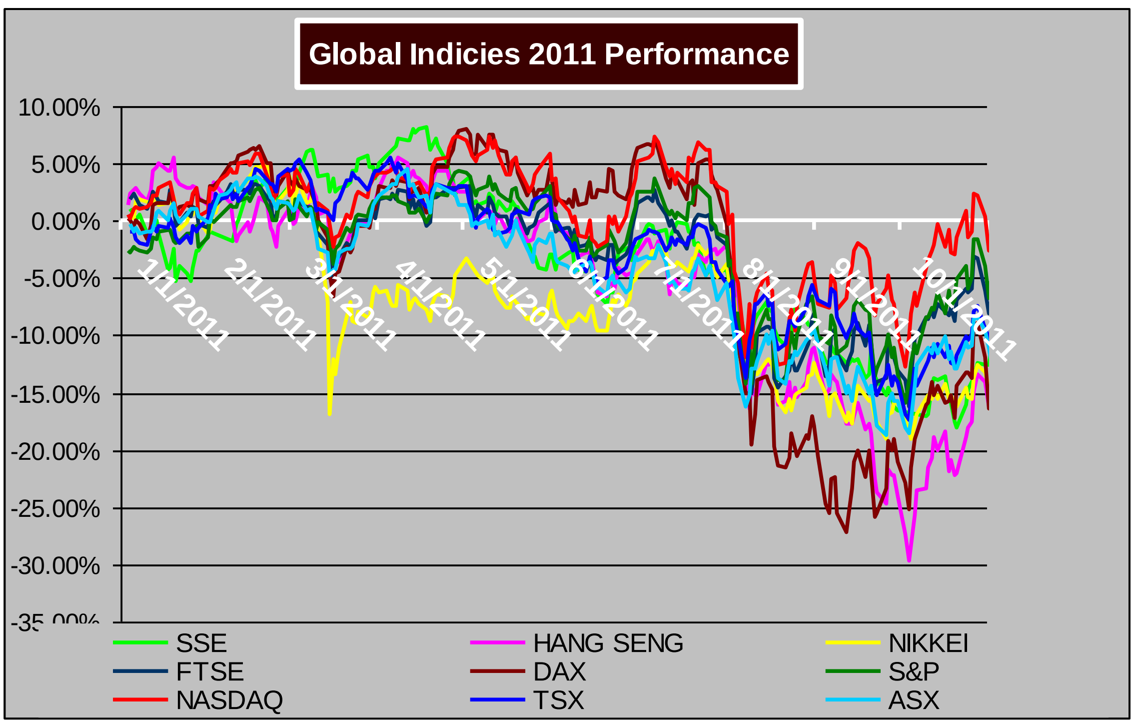
GDB Capital Inc.

GDB December 2011 Newsletter

Monthly Market Summary:

2011 November Market Activity		
SSE COMPOSITE	***2,412.39***	-37.94 (-1.55%)
HANG SENG	***17,989.35***	-1,471.73 (-7.56%)
NIKKEI 225	***8,434.61***	-446.14 (-5.02%)
FTSE 100	***5,505.40***	-38.80 (-0.70%)
DAX	***6,088.84***	+154.30 (+2.60%)
DOW	***12,045.01***	+94.07 (+0.79%)
S&P 500	***1,246.96***	-4.04 (-0.32%)
NASDAQ COMPOSITE	***2,620.34***	+13.03 (+0.50%)
ASX 200	***4,119.80***	-158.30 (-3.70%)
TSX COMPOSITE	***11,732.50***	-230.71 (-1.93%)
TSX VENTURE	***1,548.45***	-31.16 (-1.97%)



Investment Themes:

1. Situation continues to deteriorate in Europe with sovereign borrowing costs rising across the region in November. The yield on 10 year Italian bond has risen above 7.20%; while in Spain, the 10 year yield is above 6.50%. Even core European economies such as France and Germany are feeling the strains. French spread over German bund hit a euro record, while a sale of 10-year German bund near month end missed sales target by 35%.

The markets continue to act in a schizophrenic fashion, oscillating violently to any news of a rescue plan by the EU leaders to avert a full blown crisis.

Instead of speculating and reacting to news out from Europe on a day to day basis with a myopic focus on whether a rescue plan will materialize, we take a step back and look at the broader horizon of Europe's future. Below we present two scenarios on different extremes of the pendulum. Actual outcome may pan out in between the two, but we think the final consequence will point to the same direction.

- Worst case scenario - EU leaders fails to establish a rescue plan, and the EU economy tailspins into disaster.

  Outcome: Possible collapse of EU, or at least in its current form. European economy undergoes severe economic recession.

- Best case scenario – a cohesive plan is put in place to avert a full blow crisis, governments implement austerity measures to control their budgets.

  Outcome: Economic impact will not be as severe as the worst case scenario; nevertheless, fiscal tightening will undoubtedly slow spending and reduce economic activities in the region.

In either circumstance, EU economic activity will slow from its present state. So why participate in the current game of political speculation, why not look beyond and make the necessary adjustments to our investment portfolios? When EU economic activities do slow down, EU's demand for goods abroad will decline, which sectors and which of EU's trading partners will be most affected?

EU (EU27) is the largest trader in the world. Its leading trading partners are US and China. In 2010, US and China represented 14.4% and 13.9% of all bi-lateral trades with EU, amounting to €411.6 billion and €395.1 billion respectively.

Leading Client and Supplier Countries of the EU27 in Merchandise Trade (value %)
(2010, excluding intra-EU trade)

Source: Eurostat (Comext, statistical regime 4) — Last update: 14/06/2011

The Major EU Import Partners

Rk	EU Imports from?	Millions of euro	%
	Extra EU27	1,501,843	
1	China	282,011.1	18.8%
2	USA	169,466.8	11.3%
3	Russia	158,384.9	10.5%
4	Switzerland	84,126.2	5.6%
5	Norway	79,178.9	5.3%
6	Japan	64,898.1	4.3%
7	Turkey	42,088.0	2.8%
8	South Korea	38,651.6	2.6%
9	India	33,147.3	2.2%
10	Brazil	32,320.4	2.2%

The Major EU Export Partners

Rk	EU Exports to?	Millions of euro	%
	Extra EU27	1,348,834	
1	USA	242,129.3	18.0%
2	China	113,117.7	8.4%
3	Switzerland	105,433.4	7.8%
4	Russia	86,507.6	6.4%
5	Turkey	61,189.7	4.5%
6	Japan	43,730.1	3.2%
7	Norway	41,860.1	3.1%
8	India	34,798.8	2.6%
9	Brazil	31,282.9	2.3%
10	South Korea	27,984.8	2.1%

The Major EU Trader Partners

Rk	EU Trade with?	Millions of euro	%
	Extra EU27	2,850,677	
1	USA	411,596.1	14.4%
2	China	395,128.9	13.9%
3	Russia	244,892.6	8.6%
4	Switzerland	189,559.5	6.6%
5	Norway	121,039.0	4.2%
6	Japan	108,628.2	3.8%
7	Turkey	103,277.7	3.6%
8	India	67,946.1	2.4%
9	South Korea	66,636.4	2.3%
10	Brazil	63,603.3	2.2%

Source: EUROSTAT

Which countries have the most exposure to a slow down in EU imports? Let's drill down to the countries with trade surpluses with EU and compare the surplus to that country's GDP.

Trading Partner	2010 Trade Surplus (Billions of USD)	GDP (PPP) (in Billions of USD)	% of GDP
China	223.9	10,220	2.2%
Russia	95.3	2,231	4.3%
Norway	49.5	255	19.4%
Japan	28.1	4324	0.6%
South Korea	14.1	1,466	1.0%
Brazil	1.4	2,179	0.1%

Source: ECB. Used average exchange rate of 1.3257 EUR/USD

From the above, we can see the most at risk countries are Norway, Russia, and China. The following are breakdowns of EU's imports from these countries by products.

EUROPEAN UNION IMPORTS, BY PRODUCT GROUPING*

European Union, Imports from... Norway

SITC Rev.3 Product Groups	2006		2008		2010		Share of total EU Imports
	Millions euro	%	Millions euro	%	Millions euro	%	
0000 - Total	79.167,4	100,0%	95.930,6	100,0%	79.179,4	100,0%	5,3%
1000 - Primary products	55.404,8	70,0%	65.517,4	68,3%	54.733,4	69,1%	9,6%
1100 - Agricultural products	3.619,4	4,6%	3.631,2	3,8%	4.738,8	6,0%	4,1%
1200 - Fuels and mining products	51.785,4	65,4%	61.886,2	64,5%	49.994,6	63,1%	11,0%
2000 - Manufactures	11.689,3	14,8%	13.128,4	13,7%	10.840,3	13,7%	1,2%
2100 - Iron and steel	981,8	1,2%	1.661,1	1,7%	1.016,5	1,3%	3,9%
2200 - Chemicals	3.030,0	3,8%	3.526,4	3,7%	2.990,9	3,8%	2,2%
2300 - Other semi-manufactures	1.800,5	2,3%	1.716,8	1,8%	1.436,3	1,8%	1,9%
2400 - Machinery and transport equipment	4.463,3	5,6%	4.861,5	5,1%	4.185,9	5,3%	0,9%
2410 - Office and telecommunication equipment	604,8	0,8%	792,7	0,8%	706,3	0,9%	0,4%
2420 - Transport equipment	1.925,6	2,4%	1.732,7	1,8%	1.551,2	2,0%	1,4%
2430 - Other machinery	1.932,9	2,4%	2.336,2	2,4%	1.928,4	2,4%	1,4%
2500 - Textiles	122,8	0,2%	109,3	0,1%	76,9	0,1%	0,4%
2600 - Clothing	40,1	0,1%	45,7	0,0%	38,0	0,0%	0,1%
2700 - Other manufactures	1.250,8	1,6%	1.207,5	1,3%	1.095,8	1,4%	0,8%
3000 - Other products	323,7	0,4%	338,5	0,4%	303,9	0,4%	1,1%

EUROPEAN UNION IMPORTS, BY PRODUCT GROUPING*

European Union, Imports from... Russia

SITC Rev.3 Product Groups	2006		2008		2010		Share of total EU Imports
	Millions euro	%	Millions euro	%	Millions euro	%	
0000 - Total	140.916,3	100,0%	178.144,0	100,0%	158.384,9	100,0%	10,5%
1000 - Primary products	106.759,7	75,8%	135.251,6	75,9%	128.728,6	81,3%	22,6%
1100 - Agricultural products	3.217,4	2,3%	3.226,9	1,8%	2.753,2	1,7%	2,4%
1200 - Fuels and mining products	103.542,2	73,5%	132.024,7	74,1%	125.975,4	79,5%	27,8%
2000 - Manufactures	13.391,9	9,5%	16.193,8	9,1%	13.721,9	8,7%	1,5%
2100 - Iron and steel	4.732,3	3,4%	6.536,9	3,7%	4.332,1	2,7%	16,7%
2200 - Chemicals	4.037,8	2,9%	5.320,6	3,0%	4.705,3	3,0%	3,4%
2300 - Other semi-manufactures	2.819,7	2,0%	2.427,0	1,4%	2.986,1	1,9%	4,0%
2400 - Machinery and transport equipment	1.188,6	0,8%	1.431,8	0,8%	1.317,2	0,8%	0,3%
2410 - Office and telecommunication equipment	112,2	0,1%	92,9	0,1%	77,2	0,0%	0,0%
2420 - Transport equipment	385,9	0,3%	407,9	0,2%	351,0	0,2%	0,3%
2430 - Other machinery	690,5	0,5%	931,0	0,5%	889,0	0,6%	0,6%
2500 - Textiles	106,0	0,1%	45,2	0,0%	50,9	0,0%	0,3%
2600 - Clothing	75,0	0,1%	35,5	0,0%	17,2	0,0%	0,0%
2700 - Other manufactures	432,5	0,3%	396,8	0,2%	313,0	0,2%	0,2%
3000 - Other products	2.097,4	1,5%	2.482,3	1,4%	2.892,3	1,8%	10,2%

EUROPEAN UNION IMPORTS, BY PRODUCT GROUPING*

European Union, Imports from... China

SITC Rev.3 Product Groups	2006		2008		2010		Share of total EU Imports
	Millions euro	%	Millions euro	%	Millions euro	%	
0000 - Total	194.932,3	100,0%	247.933,3	100,0%	282.011,1	100,0%	18,8%
1000 - Primary products	7.578,2	3,9%	9.611,0	3,9%	8.716,1	3,1%	1,5%
1100 - Agricultural products	4.455,7	2,3%	5.459,4	2,2%	5.886,4	2,1%	5,1%
1200 - Fuels and mining products	3.122,5	1,6%	4.151,6	1,7%	2.829,8	1,0%	0,6%
2000 - Manufactures	186.729,0	95,8%	237.191,0	95,7%	272.047,3	96,5%	30,1%
2100 - Iron and steel	4.003,1	2,1%	7.643,7	3,1%	3.151,4	1,1%	12,1%
2200 - Chemicals	6.266,8	3,2%	9.294,4	3,7%	10.962,0	3,9%	8,0%
2300 - Other semi-manufactures	15.579,3	8,0%	21.169,9	8,5%	21.264,3	7,5%	28,6%
2400 - Machinery and transport equipment	93.783,3	48,1%	114.706,8	46,3%	145.044,9	51,4%	32,7%
2410 - Office and telecommunication equipment	64.093,1	32,9%	74.259,1	30,0%	94.741,2	33,6%	49,4%
2420 - Transport equipment	4.132,1	2,1%	6.971,5	2,8%	12.729,8	4,5%	11,6%
2430 - Other machinery	25.558,1	13,1%	33.476,2	13,5%	37.573,9	13,3%	26,5%
2500 - Textiles	4.882,8	2,5%	5.686,3	2,3%	6.559,5	2,3%	32,5%
2600 - Clothing	20.782,6	10,7%	27.210,0	11,0%	30.181,4	10,7%	45,7%
2700 - Other manufactures	41.431,0	21,3%	51.479,8	20,8%	54.883,8	19,5%	40,4%
3000 - Other products	408,4	0,2%	717,8	0,3%	837,7	0,3%	2,9%

Source: EUROSTAT

We can see Russia and Norway are the energy (crude oil) providers to the EU while China is the manufacturing hub to the region, especially in products such as office and telecommunication equipments, machineries, and clothing. While energy consumption will likely decline if EU's economy enters a slowing or declining phase, we think China's manufacturing exports faces a much larger threat.

In term export volume, EU imports most of its goods from China and it is also the largest buyer of Chinese exports. About 20% of all China's export is destined for the European shores. China's trade surplus with Europe represents 2.2% of China's GDP in 2010. The impact of a slow down in EU economy will have very real and damaging impact to the Chinese export market, especially for the domestic manufacturers.

We therefore, caution our clients, especially the ones with investments in the manufacturing sectors mentioned above to be extra vigilant and prepare adequately for the potential storm cloud that is traveling East as the European financial crisis unfolds.

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.

8. **SKKY Hotel**
   32 room boutique hotel property in Yukon, Canada. Property is 1.23 acre in size and is located directly across from the Whitehorse International Airport fronting the Alaska Highway. First high-end, quality boutique hotel in the Whitehorse airport and Alaska Highway area. $5,650,000 investment, hotel operator will lease back land and property from investor at 6% annual yield.