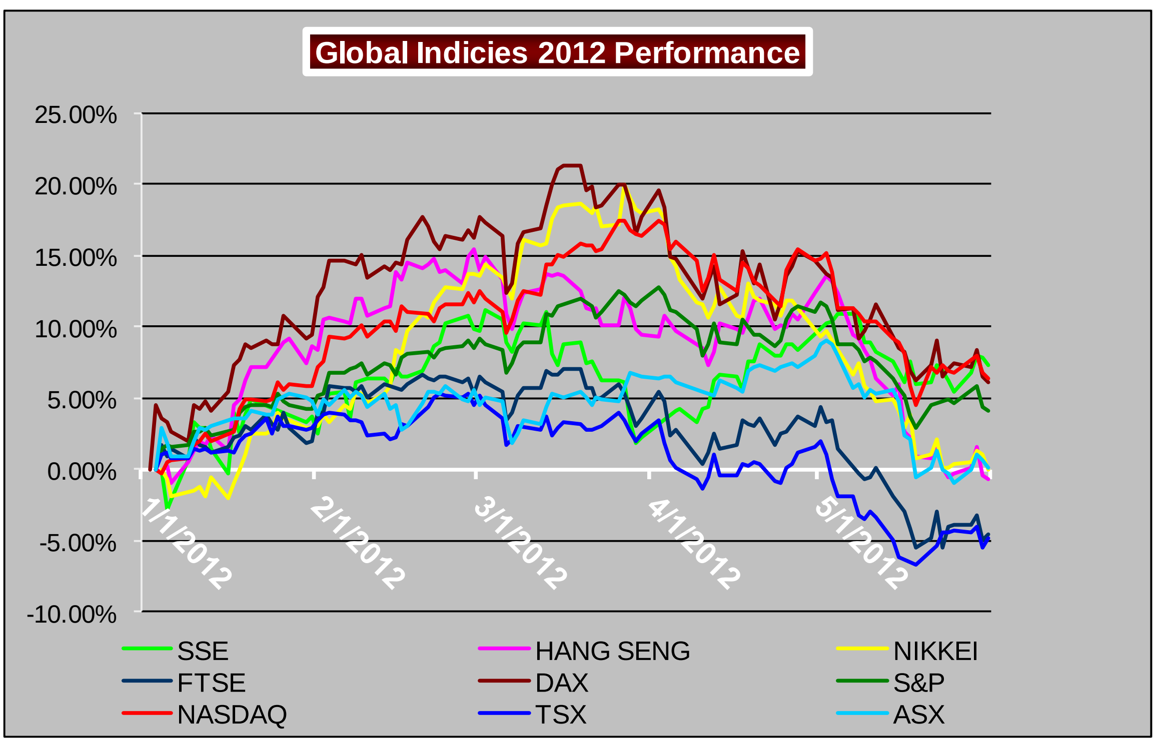
GDB June 2012 Newsletter

Monthly Market Summary:

2012 May Market Activity		
SSE COMPOSITE	***2,372.23***	-48.85 (-2.02%)
HANG SENG	***18,629.52***	-2,615.96 (-12.31%)
NIKKEI 225	***8,542.73***	-928.93 (-9.81%)
FTSE 100	***5,320.90***	-416.90 (-7.27%)
DAX	***6,264.38***	-596.92 (-8.70%)
DOW	***12,393.45***	-820.71 (-6.21%)
S&P 500	***1,310.33***	-87.53 (-6.26%)
NASDAQ COMPOSITE	***2,827.34***	-217.45 (-7.14%)
ASX 200	***4,076.30***	-322.30 (-7.33%)
TSX COMPOSITE	***11,513.21***	-812.49 (-6.59%)
TSX VENTURE	***1,289.73***	-134.54 (-9.45%)



Investment Themes:

Risky assets sold off globally in May due to the continuing turbulence from Europe. The first Greek election in the beginning of May failed to reach a coalition government and a crucial second election will be held on June 17, 2012. Without a pro bail-out government in charge, the possibility of a Greece exiting from the EU plagues the financial markets. Fear of an unorderly exit is causing investors to seek safe havens for their capital.

The outcome of the Greek election will be a critical turning point in the Euro-crisis saga. The Troika will cut off all future funding if the new political party in the Hellenic Republic refuses to adhere to the original bailout terms. There is no precedence to rely on for an EU membership exit. Hence, GDB Capital is advocating extremely caution and would err on the safe side as to exit all risky investments for the time being for the following reasons:

- Uncertainty from the fall out and its contagion effect
- For such a high-impact and now probable event, there is no clear contingency plan outlined
- Consensus decision making and politics of the EU are roadblocks to immediate and responsive actions

What is more concerning is that the real elephant in the room, Spain and to a lesser degree Italy are now in direct firing line in the European debt-crisis. Spain's third largest bank Bankia has asked its government for a EUR 19 billion bailout. The Spanish 10 year bond yield is now approaching dangerously high levels again reaching 6.561% at the end of May. As we have mentioned in our March newsletter, although the two rounds of LTRO acted as liquidity buffers to buy more time for credit stricken European institutions and sovereigns, their effects wore off much quickly than we had originally anticipated. Now given the yields are on the rise again, they have actually compounded the initial problem. Many of the financial institutions used the cheap funding from LTRO to purchase more of their own country's sovereign debt. In the short-term, it alleviated pressure as demand increased and yield fell on the bonds. The Spanish banks were the most aggressive by borrowing more than EUR

300 billion from the LTRO. Spanish banks now own about 67% of their own sovereign debt, and Italian banks about 57%. As the values of these bonds are declining and yields are rising again as more foreigners exit from Spain and Italy on concerns of peripheral contagion, the Spanish and Italian banks are stuck with more depreciating assets on their balance sheets, further weakening their financial positions. The Spanish and Italian governments are lockstep as well, since the domestic banks are now the largest buyers of the bond they issue, if their domestic banks collapse, the demand for their bonds will diminish further, driving borrowing costs higher through the roof. The outcome of this vicious cycle will not be pleasant unless the yields stabilize and access to the international markets open up again. Unfortunately, under current circumstance, we do not see other viable alternatives other than additional monetary intervention by the authorities.

We will recommend one trade in this market turmoil that we believe will be fool proof, even though it is already a crowded trade – shorting the Euro. Aside from the continuing flight to safety from European assets which will depreciate the currency, we see two high probable outcomes to the current crisis:

1) Break-up of the EU in its current form either in part or in its entirety

2) Further debt monetization/liquidity injection programs to avert crisis

In either of the above eventualities, the Euro currency will have further room to fall.

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.