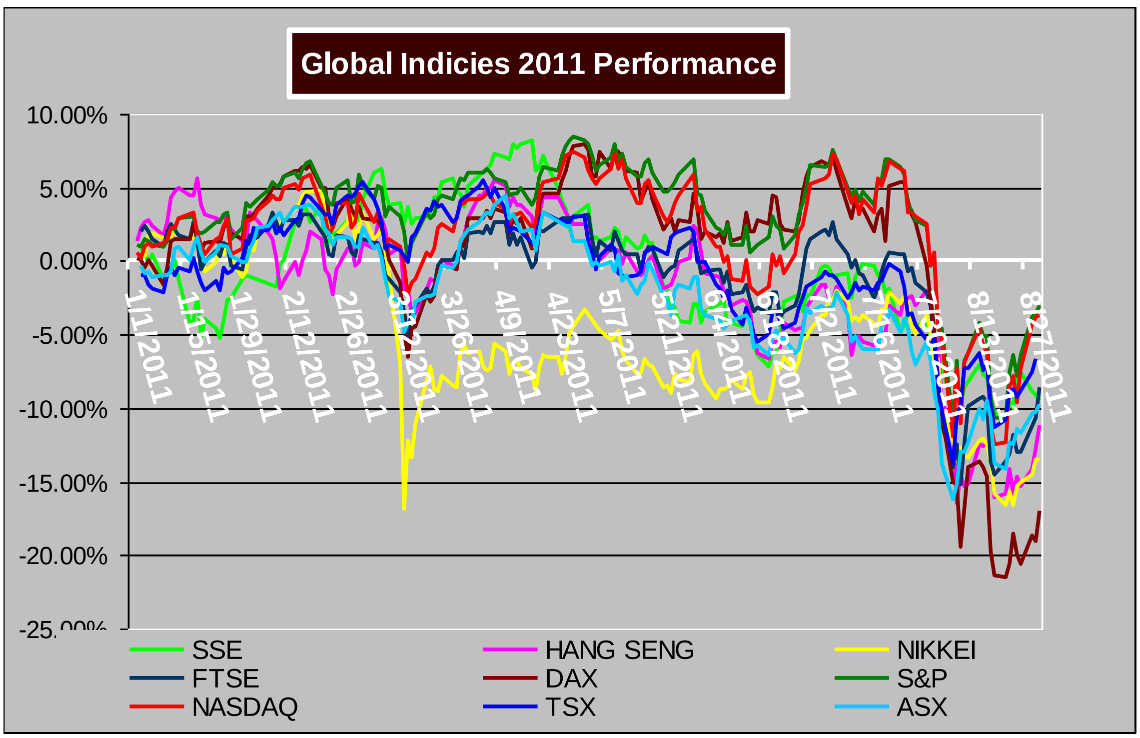
GDB September 2011 Newsletter

Monthly Market Summary:

2011 August Market Activity		
SSE COMPOSITE	***2,556.04***	-141.53 (-5.25%)
HANG SENG	***20,534.85***	-2,204.70 (-9.70%)
NIKKEI 225	***8,955.20***	-951.84 (-9.61%)
FTSE 100	***5,94.50***	-420.70 (-7.23%)
DAX	***5,784.85***	-1,469.65 (-20.26%)
DOW	***11,613.53***	-530.77 (-4.37%)
S&P 500	***1,218.89***	-73.70 (-5.70%)
NASDAQ COMPOSITE	***2,579.46***	-211.99 (-7.59%)
ASX 200	***4,296.50***	-144.40 (-3.25%)
TSX COMPOSITE	***12,34.71***	-375.87 (-2.89%)
TSX VENTURE	***1,810.87***	-171.11 (-8.63%)



Investment Themes:

1. The equity markets in August acted in much similar fashion as the latest Hurricane Irene. They both began their cycles with ferocity, uncertainty, and fear; but just as Hurricane Irene unwound quickly with less intensity than initially forecasted, so did the markets around the world, rallying as August came to an end, sweeping the carnages from the beginning of the month into memory.

The media and many experts have been pointing to the bargain valuations brought by the oversold markets in August. We saw media headlines of significant increase in insider buying, and Warren Buffet's $5 billion endorsement in Bank of America's preferred shares. These rounds of optimism injection temporarily chased away the lurking shadow of danger. It as if the market were telling investors that the European debt crisis was an ocean away, even if it made its ways to the US shores, it would not impact the slow albeit sustained growth of the world's largest economy. As for now, the world listened. Greed displaced fear, and markets rallied into the end of the month - S&P was up four days in a row at the end of August to close above 1,200.

Although insider buying is generally perceived by the Street as positive indicators of undervaluation of a company's stock, GDB cautions our investors to take this with a grain of salt. First of all, insiders of many corporations may be offered low-interest loans, other favorable term loans, or even forgivable loans from their companies to finance these stock purchases. If so, the insiders are bearing minimal financial risks while making these purchases. Secondly, if the stock prices do increase post purchase, the insiders not only cash in from their current rounds of buying with minimal investments, but also profit from the rise in the value of their pre-existing shares and stock options. While these propositions present attractive opportunities for the insiders (basically a call option with attractive premium), it may not necessarily be as strong of an indicator to the outsiders that the stocks are actually undervalued, nor demonstrate the insiders have more "skin in the game". By buying, the insiders can simply prop up existing stock prices in the short-term where they stand to gain the most.

Wall Street also cheered when Buffet made the preferred share investment in Bank of America (BAC) on August 26. Should they? CEO Brian Moynihan appeared on TV in the beginning of August when BAC shares were nose-diving from $9.81 to the $6 range. He attempted to calm investors by assuring them that his bank did not need to raise capital and everything was "staying on course". Then on August 26, a rash and very accommodative deal was accepted from Buffet, which gave Buffet extremely favorable terms including: buying 50,000 preferred shares with 6% dividend and callable at 5% premium at $100,000 per share; 700 million BAC warrants with exercise price of $7.14 expiring in 10 years (At end of August, BAC was trading at $8.17, basically giving Buffet 7% of the bank at no cost)!!! In addition, BAC is also in talks to sell half of their shares in China Construction Bank Corp, its $8.6 billion Canadian credit-card portfolio among other assets. While shedding non-performing assets such as BAC's correspondent mortgage business is one thing, sale of sought after assets such as the CCB stake and the Canadian credit card operations are difficult strategic decisions a CEO would not have to make unless his back is against the wall.

Banks, in particular investment banks are usually at the front lines to feel the pinch of an economic downturn. The recent strings of strategic decisions from BAC combined with the many recent layoffs announced from UBS, Credit Suisse, Barclays, HSBC, Royal Bank of Scotland, Lloyd Banking Group (http://www.ibtimes.com/articles/202429/20110823/bank-layoffs-ubs-hsbc-rbs-lloyds-bank-of-america.htm) are painting a gloomy picture about the near to even medium term future of the global economy.

Although the global financial markets have ended August in sunny days, GDB is forecasting prolonged bouts of storm to continue pounding the global markets until a resolution for the European debt crisis is ironed out. Therefore, we reaffirm our negative outlook for Europe and US, and suggest prudent capital deployment under current market conditions. Investors should pay close attention to the Italian and Spanish yields and to continue monitoring the health of the banking sector. Short term catalysts include new rounds of political stimulus from the EU and the Fed, while the long term stern that will steer us through this storm will be from emerging markets growth, especially from China.

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.