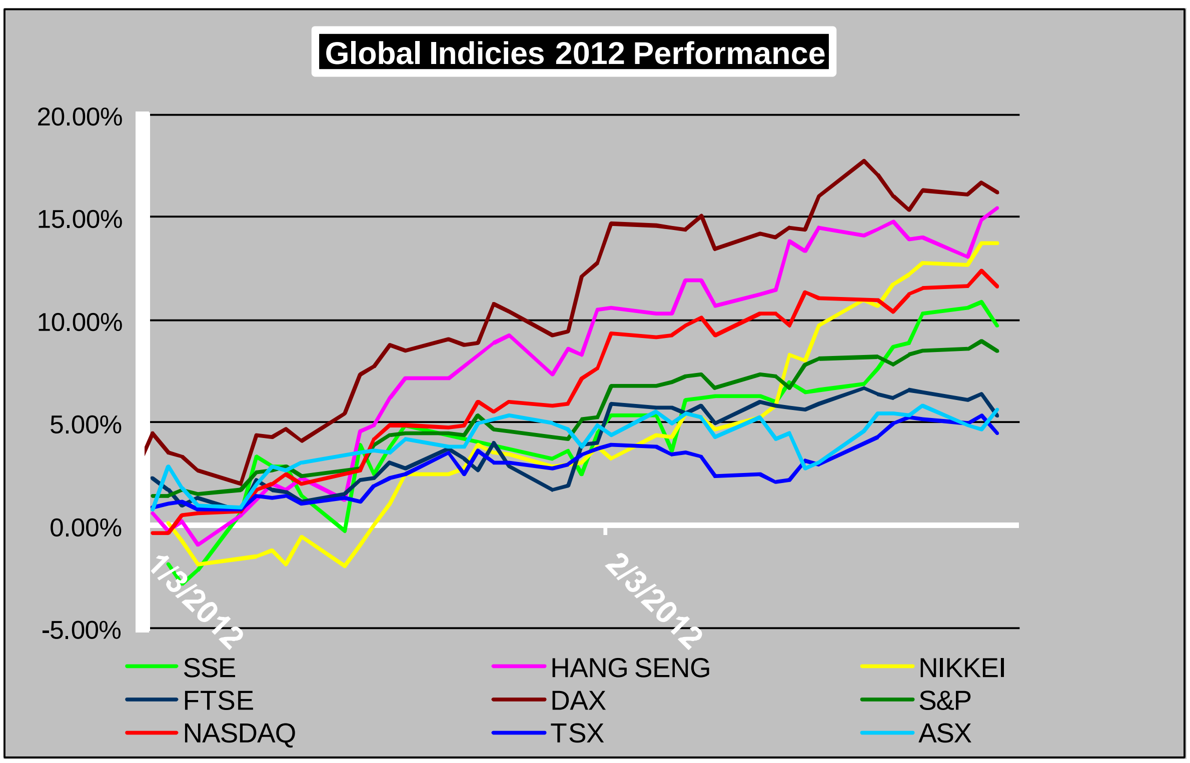
GDB March 2012 Newsletter

Monthly Market Summary:

2012 February Market Activity		
SSE COMPOSITE	***2,428.49***	+140.42 (+6.14%)
HANG SENG	***21,680.08***	+1,285.41 (+6.30%)
NIKKEI 225	***9,723.24***	+934.18 (+10.63%)
FTSE 100	***5,871.50***	+189.90 (+3.34%)
DAX	***6,856.08***	+373.13 (+5.76%)
DOW	***12,952.07***	+319.31 (+2.53%)
S&P 500	***1,365.68***	+53.23 (+4.06%)
NASDAQ COMPOSITE	***2,966.89***	+136.79 (+4.83%)
ASX 200	***4,298.50***	+39.60 (+0.93%)
TSX COMPOSITE	***12,644.01***	+133.34 (+1.07%)
TSX VENTURE	***1,671.53***	+33.87 (+2.07%)



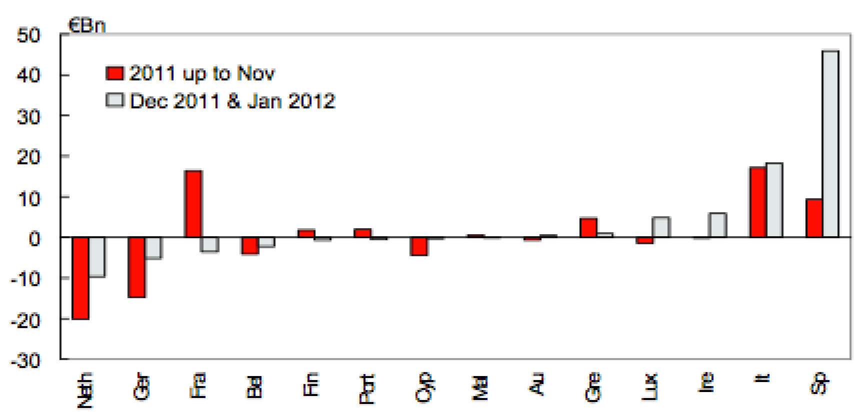
Investment Themes:

1. After the first Long-Term Refinancing Operation (LTRO) in December 2011 successfully thaw the frozen cash market and averted a serious European banking crisis, the European Central bank (ECB) conducted a second round of LTRO in the last week of February, where it lent 800 banks 530 billion euro compared with 489 billion euro it loaned to 523 banks in LTRO 1. Put this in perspective: there are now on average 1,000 banks in Europe each having 1 billion euro on its balance sheet to lend. The interest rate on the loan is 1% and the loan matures in three years starting at the end of 2014.

   The two successive rounds of LTRO are similar to the QE1 and QE2 programs implemented by US between 2008 to 2011, but in the case of the QEs, the central bank removes the risk of carrying the toxic assets (MBS) from the banks, where as for LTRO, the risk of holding the assets (European sovereign debt) remains with the private sector.

   In the short term, having cheap ECB money injects immediate liquidity to help roll over the at-risk European sovereign debts, especially bringing down the Italian and Spain bond yield to a more sustainable level.

Figure 2. Euro Area Countries -- Net-Purchases of Euro Area Government Securities (€bn)



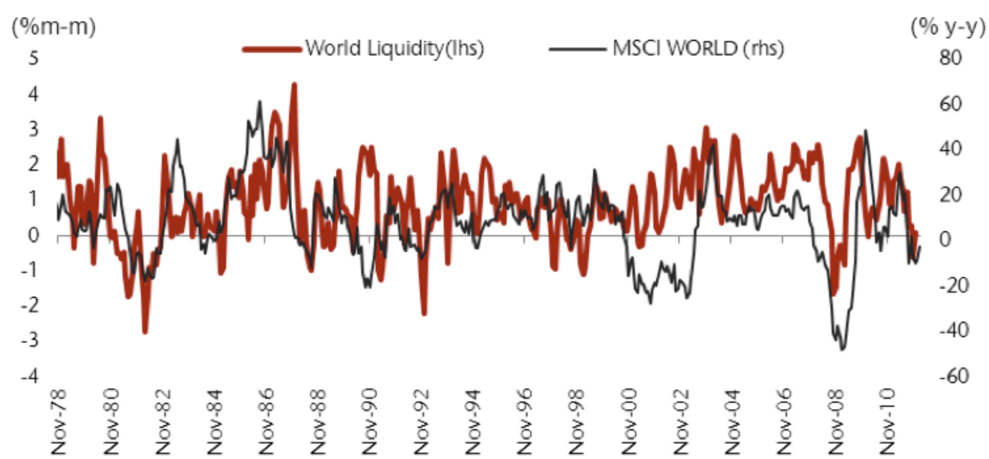
Sources: ECB and Citi Investment Research and Analysis

At the same time, as the value of these government securities increases, the balance sheets of the banks holding these assets are strengthened, putting them on firmer footing in the short to medium term to raise capital and to access the markets. Evidenced by the records from Dealogic, 73 banking groups raised a combined 94 billion euro in the first two months of 2012.

Once the immediate funding and liquidity crunch are addressed, the banks will look to direct the cheap ECB money for more risky investments such as equities and commodities. Non-European banking groups will also attempt to tap into the LTRO and use the funds to conduct carry trades and invest in regions with more promising growth. With many European governments implementing austerity programs, even if an immediate European crisis is diverted, growth in the Euro region will not likely to return in the next couple of years. We expect much of the capital flow be routed to stable regions with better growth outlook such as the US. Going back to our theme from our previous Newsletters - many US companies have significant exposures to emerging markets for growth; instead of investing directly in emerging markets such as in Chinese equities, the soundness and the integrity of the US capital markets make investments in US stocks more attractive.

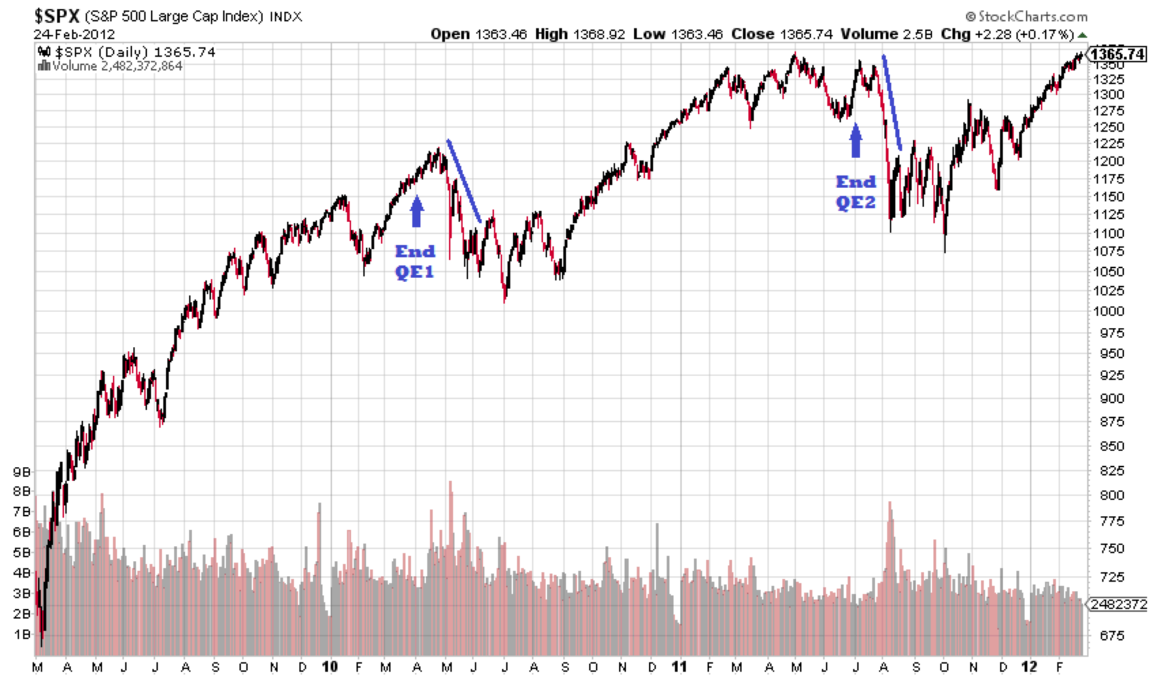
The flush of cheap liquidity will inflate asset prices in the immediate and short term. Historically liquidity is highly correlated to equity performance.

Exhibit 3: Global Liquidity (%, m-m) vs. MSCI World (%, y-y)



Source: Datastream, Jefferies

In the long term, the risk of sovereign default and the ability for banks to refinance the 1 trillion of loans in late 2014 and early 2015 within the span of 3 months still remain. Also, we want to caution our clients that at the end of QE1 and QE2, equity prices saw dramatic declines, with asset prices almost returning to pre QE levels.



Therefore, we think the global rally seen in the various asset classes in the last two months is a direct consequence from the liquidity brought upon by LTRO, along with other central bank loosening around the world (UK, Japan, and China). It is not reflective of the true underlying health of the global economy. While investors will probably benefit from riding this rally up in the short to medium term, we are extremely skeptical of the sustainability of such rallies as the markets come off the effects from the liquidity euphoria. Without further liquidity easing, the current level in asset prices will face the real test of the economic conditions around the world in later 2012.

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.