

Monthly Update – December 2010

Big News²:

First, our Vancouver office is moving two blocks north effective January 10th. We are very excited by the new arrangement that will facilitate excellent collaboration, motivation and idea sharing. All our phone numbers and e-mail addresses remain the same.

**Our new address is: Suite 700, 200 Burrard St.
Vancouver, B.C. V6C 3L6**

Second, I am thrilled to announce the addition of **my new dedicated associate, Jeff Hunter**. Jeff is just like the above header: nice and sharp. He holds a masters degree in Food and Resource Economics from UBC, is a scratch golfer and hails from the metropolis of Whitehorse. Jeff looks forward to helping you *and* me, but go easy on him at first as he tries to navigate the yet-unfamiliar waters of brokerage and portfolio management. (Though references assure me he is a quick learner.)

MGP Performance Summary

November-10	MGP	TSX Venture	TSX Comp	TSX Sml Cap	TSX Energy	SP 500
Month Return:	11.21%	10.40%	3.78%	6.45%	8.25%	6.56%

MGP Return since inception:	13.12% (annualized)	Inception: April 20, 2005
MGP Return year to date:	35.95%	

The MGP appreciated 36% in 2010, vs. 31% for the TSX Small Cap index and 14% for the TSX Composite index, while holding an average of around 24% in cash. Annualized return since inception is coming in at 13% - acceptable in light of the challenging period of the financial crisis from 2007 to 2009. With that behind us I strongly believe we are positioned to move to new heights this year – but not without an occasional pull-back, so keep your seatbelts firmly fastened and you long-term goggles on.

Market Update

December maintained the up-trend and closed out the year strong. This was not unexpected as many money managers are apparently still underweight equities and surely did not want to forgo bonuses by having too much cash on hand earning the paltry risk free rate.

Some of the principal drivers of this remarkable recovery have been strengthening economic data, surging money supply and low interest rates. That being said, high unemployment and stratospheric debt mean the U.S. economy is far from Easy Street. With the only way out of their dilemma being inflation the question is twofold: 1) when does the inflation start and 2) what is its magnitude relative to other major currencies. Since physical assets have, on average, proven reasonable hedges against inflation they will retain my focus. However, within this field new leaders and opportunities are emerging all the time. For example, uranium has recently perked up and coal has felt some love. I have some ideas regarding what might be next.

MGP Strategy

With a New Year correction still possible or even likely, I retain a healthy cash position and our small TSX hedged position. I continue to overweight catalyst-driven investments such as BNK Petroleum, Colonial Coal and Parex, while holding positions in companies with expected continued growth such as Petrobank, Canaccord, Mirabela and The Brick. I will continue to aim for a more focused portfolio with slightly fewer names, but at the same time value the diversification that has served the MGP well up to this point.

MGP Developments

BNK Petroleum (BKX:T) has traded well despite little news. I believe it is partially due to photos of Conoco Philips' gas flares from their neighbouring drill locations in Poland. BNK recently spudded their first well in Poland and, based on timelines by Conoco, could expect to be in possession of material information later this month.

Colonial Coal (CAD:V) has also moved higher. Their recent financing gives them enough to increase their resource from the currently-proven 50 million tonnes toward their expected 150 to 250 million tonnes. Furthermore, the price of metallurgical or coking coal has appreciated and grabbed headlines both due to market tightness and suspended production due to the Australian floods. 50% of the world's coking coal comes out of Queensland, Australia!

I added to our **Fairborne Energy** (FEL:T) position at \$4.06 for natural gas exposure and our **Carpathian Gold** (CPN:T) position at \$0.68 for gold exposure (and as a replacement for Gabriel Resources.)

I added a position in **Mega Brands** (MB:T) as a consumer discretionary, turn-around story at \$0.64. Recovering from settled lawsuits related to a past acquisition, Mega is now doubling shelf space and entering new licensing agreements in strong efforts to bolster sales. We believe they are undervalued and could see an excellent holiday quarter.

I added a position in **VMS Ventures** (VMS:V) at an average price of \$0.444. VMS is a high-grade Canadian copper-gold-zinc story with an excellent joint venture partner in HudBay Minerals who is financing their Reed Lake project to production in return for 70%. VMS' enterprise value is pricing-in a much longer lead-up time to production than I think we could see come out of their 43-101 resource estimate due out early next year. This and further step-out drill results could be strong catalysts for a rise in the share price.

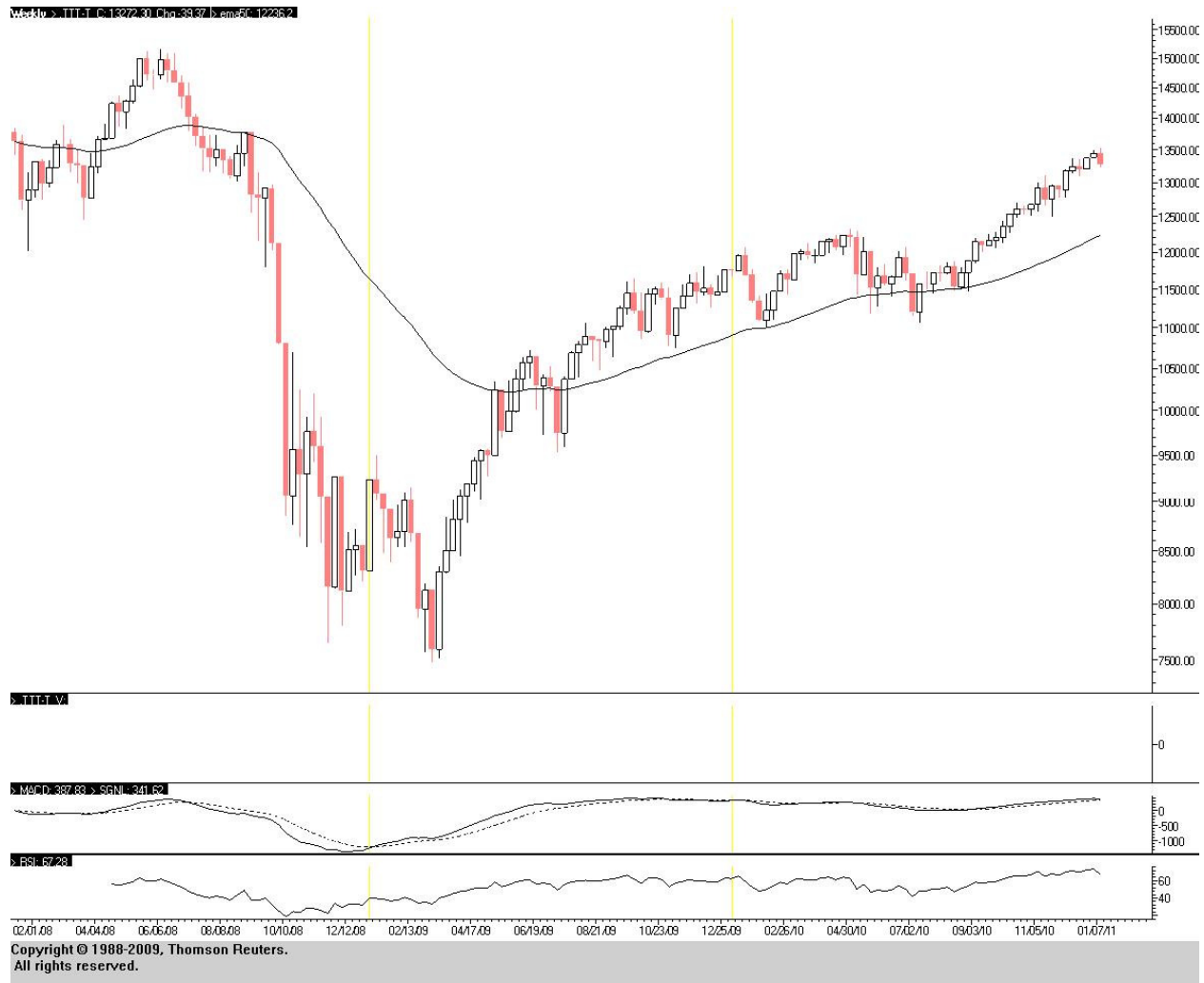
I sold some **Mantra Resources** (MRL:T) at the beginning of the month into price strength at \$7.08, only to see a takeover bid by the Russians at A\$8.00 per share a few weeks later. We will hold the rest in case a competing bid emerges.

I sold some **Brigus Gold** (BRD:T) for \$1.91. Brigus has lagged the market somewhat and in light of a 46% gain, I took some off the table to be prudent. Since then, they issued lower-than-expected monthly production numbers and a reduction in proven reserves which has weighed on the stock price. I may look for an exit for the remainder on a bounce in price.

Finally, I sold all of our **Parkland Income Fund** (PKI.UN:T) at an average price of \$11.208 for a 6.6% gain plus four monthly distributions. This was a market call, where I wanted to reduce the

MGP's correlation to the markets in anticipation of a possible pull-back. Further, a recent quarterly miss caused some selling and target reductions.

Chart of interest: Three-year TSX Composite:



MGP Position Summary (as of December 31, 2010):

Stock	Symbol	Price	% of MGP	Sector	Weighting
BNK Petroleum	BKX-T	\$ 3.400	9.63%	Materials	35.77%
Colonial Coal Int'l Corp	CAD-V	\$ 1.580	6.40%	Energy	26.09%
Canaccord Financial	CF-T	\$ 14.160	5.76%	Industrial	1.82%
Parex Resources	PXT-T	\$ 8.650	4.90%	Financials	5.76%
Mirabela Nickel	MNB-T	\$ 2.380	4.40%	Health Care	0.00%
OceanaGold	OGC-T	\$ 3.730	4.21%	Consumer Discre.	4.36%
Mantra Resources	MRL-T	\$ 7.930	3.75%	Market Inverse	2.01%
Platinum Group Metals	PTM-T	\$ 2.660	3.52%	Info Tech	2.13%
Brick Income Fund	BRK.UN	\$ 2.740	3.01%	Cash	22.06%
Eacom Timber	ETR-T	\$ 0.650	2.82%	Total	100.00%
Niko Resources	NKO-T	\$ 103.180	2.80%		
Petrobank	PBG-T	\$ 25.250	2.61%		
Carpathian Gold	CPN-T	\$ 0.670	2.56%		
Fairborne Energy	FEL-T	\$ 4.220	2.56%		
TimberWest Forest	TWF.UN	\$ 4.200	2.40%		
Micron Technologies	MU-US	US \$8.02	2.13%		
Petrominerales	PMG-T	\$ 33.160	2.04%		
Horizons TSX 60 Inverse	HIX-T	\$ 10.720	2.01%		
AQM Copper	AQM-T	\$ 0.980	1.85%		
Burcon Nutrascience	BU-T	\$ 10.000	1.82%		
VMS Ventures	VMS-V	\$ 0.540	1.76%		
Veraz Petroleum	VRZ-V	\$ 0.740	1.55%		
Mega Brands	MB-T	\$ 0.650	1.35%		
Donner Metals	DON-V	\$ 0.275	1.10%		
Brigus Gold	BRD-T	\$ 2.100	1.00%		
				=	77.94%

Best regards,

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Notes: MGP weightings may differ slightly from client to client due to position allocation. However, buy and sell prices will always be identical – at an average price. Newer MGP clients may not hold all the securities listed, as those no longer considered “buys” by the manager might not be added to their accounts.

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