GC-Global Capital Corp.

Management Discussion & Analysis Dated: August 27, 2010

The following information should be read in conjunction with the GC-Global Capital Corp. Interim Consolidated Financial Statements for the period ended June 30, 2010, which are prepared in accordance with Canadian generally accepted accounting principles. All figures are expressed in Canadian dollars unless otherwise indicated.

Global Capital is a merchant bank which provides bridge loan services (asset back/collateralized financing), ranging from $300,000 to $3,000,000 to companies across many industries such as oil & gas, mining, real estate, manufacturing, retail, financial services, technology and biotechnology. Global Capital takes a disciplined and systematic approach to investment and is guided by four core principles: Capital Preservation, Shareholder Value, Secure Generation of Income and Risk Management. Global Capital also invests in emerging North American companies across all industries. Global Capital's investments are made through equity financings and Global Capital works with management of operating companies in order to create value for businesses in which Global Capital assumes a position. These services can include additional equity financing, developing mergers and acquisitions, providing operational management support and structuring and negotiating debt and equity placements.

Overall Performance

As at June 30, 2010 Global Capital had net assets totaling $15.3 million or $0.78 per share compared to $15.5 million or $0.78 per share as at December 31, 2009. The change in net asset value is due to the net income of $28,869 for the period ended June 30, 2010 as well as changes in the value of the Company's available for sale financial assets.

For the six months ended June 30, 2010, Global Capital had net income before taxes of $39,703 or $0.00 per share compared to a net loss before tax of $334,268 or $0.02 per share for the same period in 2009. The above net income per share has been calculated using the weighted average number of multiple and subordinate voting shares during each period. Net income for the six months ended June 30, 2010 was $28,869 or $0.00 per share as compared to a net loss of $334,268 or $0.02 per share for the same period in 2009. For the quarter ended June 30, 2010, Global Capital had a net loss before taxes of $385,866 or $0.02 per share compared to a net loss before tax of $697,362 or $0.03 per share for the same period in 2009. The above net loss per share has been calculated using the weighted average number of multiple and subordinate voting shares during each period. Net loss for the quarter ended June 30, 2010 was $396,856 or $0.02 per share as compared to a net loss of $697,362 or $0.03 per share for the same period in 2009.

The Company's loan and convertible debenture portfolio amounted to $5.9 million, a decrease of 39% as compared to $9.6 million at December 31, 2009. The decrease was due to the repayment of bridge loans outstanding during the period as well as a partial conversion of the Company's outstanding convertible debentures.

Total assets as at June 30, 2010 were $16.6 million compared to $16.5 million as at December 31, 2009. Included in total assets are $4.7 million in cash and short term investments (December 31, 2009 - $2.2 million), $5.9 million in notes receivable, bridge loans and convertible debentures (December 31, 2009 - $9.6 million), $1.9 million in portfolio investments (December 31, 2009 - $2.1 million), $0.2 million in an investment in an associated company (December 31, 2009 - $Nil), $2.7 million in investment property (December 31, 2009 - $1.4 million), $0.7 million in other assets (December 31, 2009 - $0.5 million) and $0.6 million in future income taxes (December 31, 2009 - $0.6 million).

Summary of Quarterly Results

For the quarters ended		Jun 30/10		Mar 31/10		Dec 31/09		Sep 30/09
Total revenue	$	232,773	$	701,411	$	(450,829)	$	1,990,217
Net income (loss) before taxes		(385,866)		425,568		(4,331,449)		842,886
Net income (loss)		(396,856)		425,575		(4,977,119)		842,886
Net income (loss) per share – basic and diluted (1)	$	(0.02)	$	0.02	$	(0.25)	$	0.04

For the quarters ended		Jun 30/09		Mar 31/09		Dec 31/08		Sep 30/08
Total revenue	$	297,668	$	377,083	$	(382,412)	$	160,253
Net income (loss) before taxes		(697,362)		363,094		(6,005,703)		(137,308)
Net income (loss)		(697,362)		363,094		(5,883,034)		7,689
Net income (loss) per share – basic and diluted (1)	$	(0.03)	$	0.02	$	(0.29)	$	0.00

(1) Net income per share has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during each period. Diluted income per share is calculated in a similar manner, except that the weighted average number of multiple and subordinate voting shares outstanding is increased to include potentially issuable subordinate voting shares from the assumed exercise of stock options, if dilutive.

Operating Results for the Six Months Ended June 30, 2010

Revenues

Total revenue for the period ended June 30, 2010 was $934,184 compared to $674,750 for the same period in 2009.

Interest income decreased from $445,991 to $304,776 in the six months ended June 30th, 2010 as a result of having funds deployed into higher yielding bridge loans in 2009 as compared to the current period. Structuring fees and bonuses increased from $119,563 to $199,448 in 2010 as a result of the Company advancing a higher number of loans in the current period. The Company charges interest and a structuring fee or a bonus on its bridge loan financings. Bonuses can be in the form of cash, shares in companies, warrants or other compensation. The trend of the Company is to deploy more of its funds into income producing loans which would result in increased interest income and structuring fees.

Sales of investments and securities have resulted in Global Capital recording a realized gain of $498,155 for the period as compared to a realized loss of $356,091 in 2009. The amount includes a gain of $229,725 from available for sale investments and a gain of $268,430 from the sale of held for trading investments (2009 – gain of $5,297 from available for sale investments and a loss of $361,338 from held for trading investments). The 2010 gain is largely due to the sale of a portion of Global Capital's shares in MBMI Resources Inc. during the period.

The Company received a convertible debenture in Bison Gold Resources Inc. in September, 2009 in the amount of $250,000. Using the Black-Scholes pricing model with an expected remaining life of 1.25 years, a risk-free interest rate of 1.25% and a volatility of 124%, the $250,000 was allocated $206,736 to the debenture and $43,264 to the conversion feature. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $61,192. The fair market value was estimated using an expected remaining life of 0.5 years, a risk-free interest rate of 1.47% and a volatility of 124%. For the six months ended June 30, 2010 the Company recorded as accretion income $16,032 with respect to this debenture.

The Company received a convertible debenture in Cantronic Systems Inc. in May, 2010 in the amount of $400,000. Using the Black-Scholes pricing model with an expected remaining life of 0.5 years, a risk-free interest rate of 1.63% and a volatility of 92%, the $400,000 was allocated $309,023 to the debenture and $90,977 to the conversion feature. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $37,442. The fair market value was estimated using an expected remaining life of 0.39 years, a risk-free interest rate of 1.63% and a volatility of 92%. For the six months ended June 30, 2010 the Company recorded as accretion income $23,645 with respect to this debenture.

The Company received a convertible debenture in Knightscove Media Corp. in April, 2010 in the amount of $231,146. Using the Black-Scholes pricing model with an expected remaining life of 1.0 years, a risk-free interest rate of 1.72% and a volatility of 150%, the $231,146 was allocated $171,057 to the debenture and $60,089 to the conversion feature. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $49,479. The fair market value was estimated using an expected remaining life of 0.75 years, a risk-free interest rate of 1.72% and a volatility of 150%. For the six months ended June 30, 2010 the Company recorded as accretion income $13,371 with respect to this debenture.

The Company received a convertible debenture in MBMI Resources Inc. in July, 2009 in the amount of $500,000. Using the Black-Scholes pricing model with an expected remaining life of 2 years, a risk-free interest rate of 1.41% and a volatility of 126%, the $500,000 was allocated $57,700 to the debenture and $442,300 to the conversion feature. During the six month period ended June 30, 2010, the Company converted $194,444 of the principal into common shares. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $421,484. The fair market value was estimated using an expected remaining life of 1.08 years, a risk-free interest rate of 1.41% and a volatility of 140.5%. In the six months ended June 30, 2010 the Company recorded as accretion income $44,188 with respect to this debenture.

As the conversion features of the convertible debentures are derivate instruments, the change in their fair value resulted in a decrease in net income, due to a decrease in their fair value, for the six months ended June 30, 2010, of $295,577 (2009 – decrease of $75,000). Included in the value of convertible debentures is $569,597 (December 31, 2009 - $1,001,680) which is the fair value of the conversion features at June 30, 2010.

Included in portfolio investments is the fair value of the Company's investments in share purchase warrants of other corporations. Where the value of these warrants is not publicly quoted in active markets, the Company employs the Black-Scholes pricing model to determine fair value, with volatility and risk-free rates taken directly from the most recent audited financial statements of the corresponding companies. As these warrants are derivative instruments, the change in their fair value resulted in an increase in net income, due to an increase in their fair value, of $92,128 for the period ended June 30, 2010 (2009 – a decrease of $18,966).

As at June 30, 2010 the Company owned 42.5% of the outstanding common shares of Global Development Resources, Inc. ("GDR"). As a result of this ownership the Company has determined that it exercises significant influence over GDR and therefore accounts for this investment using the equity method. The Company's share of earnings or losses is reported in income. For the six months ended June 30, 2010 the Company recorded a loss of $12,048 (2009 - $Nil) relating to this investment.

Expenses

Total expenses for the six months ended June 30, 2010 were $896,409 as compared to $1,009,018 for the same period in 2009.

The Company provides bridge loans to US and Canadian companies. When the Company provides bridge loans to US companies, it typically mitigates its currency risk with the purchase of 30-day forward contracts. The Company does not hedge its profit on the bridge loans. During the six months ended June 30, 2010, the Company recorded a foreign exchange gain of $11,748 for period as compared to a loss of $278,186 for the same period in 2009.

Overhead including office and general expenses and filing and listing fees increased slightly from 2009 to 2010. The future trend is expected to be consistent with the current period. Management and consulting fees were consistent from 2009 to 2010. Management's long term incentive plan is based on realized profits. As the Company did not meet its targets no long term incentive plan cash awards were recorded in the periods ended June 30, 2010 and 2009. Travel and promotion expenses increased from $37,014 to $54,725 as a result of increased promotional activities during the period. Audit and legal fees decreased 12% from $51,834 to $45,408 due to the settlement of a contingent liability in the first quarter of 2009. The future trend is expected to be consistent with the current period. Rent expense was $42,802, a 2% increase from the same period in 2009. The trend in future periods is expected to be consistent with the current period. Interest expense increased from $10,982 to $14,419 as a result of a 7% note on a property acquired in March, 2009. The note is due in 2011 and as a result the trend for the future is expected to be consistent with the current period. The Company also recorded $16,959 (2009 – $27,660) in property taxes on its investment properties during the period. The decrease is a result of one of the properties being sold in the third quarter or 2009. The Company plans to dispose of additional investment properties in 2010 and 2011. Property tax increases or decreases will be based on the timing of dispositions or acquisitions.

Operating Results for the Three Months Ended June 30, 2010

Revenues

Total revenue for the quarter ended June 30, 2010 was $232,773 compared to $297,668 for the same period in 2009.

Interest income decreased from $216,224 to $133,994 in 2010 as a result of having funds deployed into higher yielding bridge loans in 2009 as compared to the current period. Structuring fees and bonuses increased from $53,145 to $73,665 in the second quarter as a result of the Company advancing a higher number of loans in the current period. The Company charges interest and a structuring fee or a bonus on its bridge loan financings. Bonuses can be in the form of cash, shares in companies, warrants or other compensation. The trend of the Company is to deploy more of its funds into income producing loans which would result in increased interest income and structuring fees.

Sales of investments and securities have resulted in Global Capital recording a realized gain of $209,183 for the period as compared to a realized loss of $130,652 in 2009. The amount includes a gain of $39,580 from available for sale investments and a gain of $169,602 from the sale of held for trading investments (2009 – gain of $14,682 from available for sale investments and a loss of $145,334 from held for trading investments). The 2010 gain is largely due to the sale of a portion of Global Capital's shares in MBMI Resources Inc. during the period.

The Company received a convertible debenture in Bison Gold Resources Inc. in September, 2009 in the amount of $250,000. Using the Black-Scholes pricing model with an expected remaining life of 1.25 years, a risk-free interest rate of 1.25% and a volatility of 124%, the $250,000 was allocated $206,736 to the debenture and $43,264 to the conversion feature. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $61,192. The fair market value was estimated using an expected remaining life of 0.5 years, a risk-free interest rate of 1.47% and a volatility of 124%. For the quarter ended June 30, 2010 the Company recorded as accretion income $8,159 with respect to this debenture.

The Company received a convertible debenture in Cantronic Systems Inc. in May, 2010 in the amount of $400,000. Using the Black-Scholes pricing model with an expected remaining life of 0.5 years, a risk-free interest rate of 1.63% and a volatility of 92%, the $400,000 was allocated $309,023 to the debenture and $90,977 to the conversion feature. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $37,442. The fair market value was estimated using an expected remaining life of 0.39 years, a risk-free interest rate of 1.63% and a volatility of 92%. For the quarter ended June 30, 2010 the Company recorded as accretion income $23,645 with respect to this debenture.

The Company received a convertible debenture in Knightscove Media Corp. in April, 2010 in the amount of $231,146. Using the Black-Scholes pricing model with an expected remaining life of 1.0 years, a risk-free interest rate of 1.72% and a volatility of 150%, the $231,146 was allocated $171,057 to the debenture and $60,089 to the conversion feature. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $49,479. The fair market value was estimated using an expected remaining life of 0.75 years, a risk-free interest rate of 1.72% and a volatility of 150%. For the quarter ended June 30, 2010 the Company recorded as accretion income $13,371 with respect to this debenture.

The Company received a convertible debenture in MBMI Resources Inc. in July, 2009 in the amount of $500,000. Using the Black-Scholes pricing model with an expected remaining life of 2 years, a risk-free interest rate of 1.41% and a volatility of 126%, the $500,000 was allocated $57,700 to the debenture and $442,300 to the conversion feature. During the six month period ended June 30, 2010, the Company converted $194,444 of the principal into common shares. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $421,484. The fair market value was estimated using an expected remaining life of 1.08 years, a risk-free interest rate of 1.41% and a volatility of 140.5%. In the quarter ended June 30, 2010 the Company recorded as accretion income $22,693 with respect to this debenture.

As the conversion features of the convertible debentures are derivate instruments, the change in their fair value resulted in a decrease in net income, due to a decrease in their fair value, for the quarter ended June 30, 2010, of $232,363 (2009 – $Nil). Included in the value of convertible debentures is $569,597 (December 31, 2009 - $1,001,680) which is the fair value of the conversion features at June 30, 2010.

Included in portfolio investments is the fair value of the Company's investments in share purchase warrants of other corporations. Where the value of these warrants is not publicly quoted in active markets, the Company employs the Black-Scholes pricing model to determine fair value, with volatility and risk free rates taken directly from the most recent audited financial statements of the corresponding companies. As these warrants are derivative instruments, the change in their fair value resulted in a increase decrease in net income, due to a decrease in their fair value, of $4,963 for the quarter ended June 30, 2010 (2009 – an increase of $12,212).

As at June 30, 2010 the Company owned 42.5% of the outstanding common shares of Global Development Resources, Inc. ("GDR"). As a result of this ownership the Company has determined that it exercises significant influence over GDR and therefore accounts for this investment using the equity method. The Company's share of earnings or losses is reported in income. For the quarter ended June 30, 2010 the Company recorded a loss of $12,048 (2009 - $Nil) relating to this investment.

Expenses

Total expenses for the quarter ended June 30, 2010 were $620,567 as compared to $995,030 for the same period in 2009.

The Company provides bridge loans to US and Canadian companies. When the Company provides bridge loans to US companies, it typically mitigates its currency risk with the purchase of 30-day forward contracts. The Company does not hedge its profit on the bridge loans. During the quarter ended June 30, 2010, the Company recorded a foreign exchange loss of $55,176 for quarter as compared to a loss of $629,585 for the same period in 2009.

Overhead including office and general expenses and filing and listing fees increased slightly from 2009 to 2010. The future trend is expected to be consistent with the current period. Management and consulting fees decreased slightly from 2009 to 2010. Management's long term incentive plan is based on realized profits. As the Company did not meet its targets no long term incentive plan cash awards were recorded in the quarters ended June 30, 2010 and 2009. Travel and promotion expenses increased from $19,723 to $39,748 as a result of increased promotional activities during the period. Audit and legal fees increased from $15,130 to $23,219. The future trend is expected to be consistent with the current period. Rent expense was $21,401, a 2% increase from the same period in 2009. The trend in future periods is expected to be consistent with the current period. Interest expense decreased from $8,338 to $6,805. The amount consists mainly of interest charged on a 7% note on a property acquired in March, 2009. The note is due in 2011 and as a result the trend for the future is expected to be consistent with the current period. The Company also recorded $10,638 (2009 – $16,890) in property taxes on its investment properties during the period. The decrease is a result of one of the properties being sold in the third quarter or 2009. The Company plans to dispose of additional investment properties in 2010 and 2011. Property tax increases or decreases will be based on the timing of dispositions or acquisitions.

Liquidity

As at June 30, 2010, Global Capital had $4,657,807 in cash and short-term investments The Company had $4,357,640 in notes receivable, bridge loans and convertible debentures due within one year. The Company does not have any bank indebtedness. In management's opinion, the Company has sufficient resources to meet its current cash flow requirements.

Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. The Company believes that cash flow from continuing operations and existing cash resources will be sufficient to meet the Company's short-term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support the Company's operations in the long-term. However, the Company assumes short-term debt from time to time to fund its loan operations.

Capital Resources

Management is not aware of any significant commitments or expected fluctuations with respect to its Capital Resources at the date of its interim financial statements.

Subsequent Events

As at the date of this Management Discussion and Analysis there were no subsequent events that would have a material impact on the operations of the Company.

Off-balance Sheet Arrangements

In September 2006, the Company began a forward contract hedging program with a Canadian banking institution. As at June 30, 2010 the Company had purchased for settlement from its banker US$250,000 at $1.0494 maturing July 7, 2010, US$500,000 at $1.0542 maturing July 8, 2010, US$500,000 at $1.026 maturing July 15, 2010, US$2,000,000 at $1.0588 maturing August 10, 2010, US$300,000 at $1.0618 maturing October 4, 2010, US$250,000 at $1.0478 maturing October 29, 2010 and US$250,000 at $1.0515 maturing October 29, 2010. Gains and losses on foreign exchange contracts are included in income in the corresponding reporting period.

Transactions with Related Parties

The Company often receives the right to nominate a member to the Board of Directors of companies to which it provides a bridge loan. The nominees may be an employee, Officer or Director of the Company, and accordingly, the borrower may become related to the Company.

Notes receivable, bridge loans and convertible debentures include balances due from companies having a current director or officer in common with the Company, with a carrying value of $1,027,936 (December 31, 2009 - $642,855). In the first quarter of 2009, the Company received three properties with a total cost of US$1,269,116 as part of a settlement on two of its bridge loans with principal and interest outstanding of US$1,269,116, to a company with common directors and officers. Portfolio investments include $236,396 (December 31, 2009 - $418,858) of shares of companies and partnerships having a current director or officer in common with the Company. Accounts receivable includes balances due from companies having a current director or officer in common with the Company in the amount of $218,815 (December 31, 2009 - $269,990). These amounts are subject to normal creditor terms.

Interest and dividend income includes interest earned on loans to entities with current directors and officers in common with the Company in the amount of $47,493 (2009 - $71,044). Interest receivable includes interest earned on loans to entities with directors and officers in common with the Company, in the amount of $9,677 (December 31, 2009 - $18,834). Structuring fees revenue includes $16,424 (2009 - $35,000) earned from companies with current and former directors and officers in common with the Company.

Management and consulting fees and travel and promotion expenses include $214,725 (2009 - $187,430) paid to companies controlled by current directors and officers of the Company.

The Company is the parent company of the general partner of GC-Global Capital Lending Partners Limited Partnership (the “Partnership”). The general partner is entitled to a management fee equal to 2% per annum of the net asset value of the Partnership portfolio. In the six month period ended June 30, 2010 the Company earned management fees from the Partnership of $16,219 (2009 - $Nil).

Related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Proposed Transactions

There were no proposed transactions as at the date of this Management Discussion and Analysis.

Critical Accounting Estimates

The preparation of the Company’s consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Financial statement items subject to significant management judgment include revenue recognition; loan losses; the valuation of accounts receivable, loans and notes receivable, debentures and investment properties; the valuation of portfolio investments; the fair value of non-cash fees received; the completeness of accounts payable and accrued liabilities; customer advances and deferred revenue; the valuation of share compensation expense and warrants; and, future income tax assets. While management believes that the estimates and assumptions are reasonable, actual results may differ.

Changes in Accounting Policies

Future accounting pronouncements

(i) CICA Handbook Sections 1582, Business Combinations; 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests Combinations

In January 2008, the CICA issued Handbook Sections 1582, Business Combinations; 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company has not yet adopted these standards. Management is currently in the process of determining the impact of these standards on the Company's consolidated financial statements.

(ii) International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles in 2011 for Canadian publicly-listed companies. The Company will be required to report its results in accordance with IFRS beginning in 2011. The adoption of IFRS on January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. Details of the Company's transition plan are disclosed below.

Transition to International Financial Reporting Standards

In the third quarter of 2009 The Company completed an initial assessment of the differences between Canadian GAAP and IFRS relevant to the operations of the Company. The initial assessment identified that changes were required to accounting policies, accounting systems and internal controls over financial reporting mainly related to financial instruments. Other issues identified are the first time adoption of IFRS and accounting policies related to property, plant and equipment, share-based payments and accounting for income taxes.

During the fourth quarter the Company established a comprehensive IFRS transition plan to implement its transition to IFRS. Management has completed a detailed evaluation of potential changes required to its accounting policies, information systems, business processes as well as an evaluation of the impact on IFRS1 First Time Adoption of International Financial Reporting Standards.

The Company is currently in the process of making final determinations regarding changes in accounting policies with respect to first time adoption alternatives as well as assessing the accounting policy change implications on information technology, internal controls and contractual arrangements. This process is ongoing and is expected to be completed in the third quarter of 2010. Management and employee education and training are also ongoing and will continue throughout the transition process. The Company expects to quantify the impacts of the accounting policy changes on the Financial Statements by the end of 2010.

Expected Effects of IFRS on the Business of Global Capital

Management believes that the impact of IFRS on the Company's accounting systems and business process will be minimal, and that the current systems and processes in place can accommodate the necessary changes. Management and employees involved in the preparation of financial statements are being trained as necessary, as are other employees who may be affected by changes in business processes relating to IFRS. As of the date hereof, management is not aware of any contractual arrangements that may be affected by potential changes to significant accounting policies.

First-time Adoption of IFRS

IFRS 1 "First-time Adoption of International Financial Reporting Standards" requires the Company to prepare an opening IFRS statement of financial position, which complies with all IFRS's effective at the end of its first IFRS reporting period. IFRS 1 requires retrospective application of those standards in most areas, with limited exceptions. The Company plans to apply the following exemption to the preparation of its opening IFRS statement as at January 1, 2010:

- IFRS 2 "Share-based Payments" shall only be applied to equity instruments granted after November 7, 2002 and had not vested by the transition date.

The Company may decide to apply additional exemptions contained in IFRS 1 prior to reporting its interim financial statements for the quarter ended March 31, 2011. IFRS 1 does not permit changes to previously made estimates. Therefore, estimates used in the preparation of the Company's opening IFRS statement of financial position will be consistent with those made under Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Expected Effects on the Company's Financial Statements

The adoption of IFRS will result in changes to accounting policies that are applied in the recognition, measurement and disclosure of the balances and transactions in the Company's financial statements. The following summary includes management's evaluation of the significant changes to accounting policies in key areas based on the current standards and guidance within IFRS. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At this time, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below:

- IAS 36 "Impairment of Assets" – IFRS requires a write-down of assets if the higher of the fair market value and the value-in-use of a group of assets is less than its carrying value. Value-in-use is determined using discounted estimated future cash flows. Under current Canadian GAAP a write down to estimated fair value is only required when the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies will be changed to reflect the differences between IFRS and Canadian GAAP, but does not expect the change will have an immediate impact on the carrying value of its assets. The Company will perform the required impairment assessments at the transition date.
- IFRS 2 "Share-based Payments" – In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than Canadian GAAP. The Company does expect any changes to its accounting policies that would have a significant impact on its financial statements.
- IAS 16 "Property, Plant and Equipment" – IFRS contains different guidance related to recognition and measurement of property, plant and equipment than Canadian GAAP which includes the opportunity of a revaluation of assets to fair value. The Company does not anticipate that changes to its accounting policies relating to IAS 16 will have a significant impact on its financial statements.
- IAS 12 "Income Taxes" – In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes. The Company does not anticipate that changes to its accounting policies relating to IAS 12 will have a significant impact on its financial statements.

Subsequent Disclosures

The Company's MD&A for the 2010 interim periods and the year ended December 31, 2010 will include updates on the progress of the transition to IFRS and further information regarding the impact of adopting IFRS on the key items in the financial statements. The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the quarter ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim statements for the quarter ending March 31, 2011 will also include comparative statements for the corresponding period in 2010, adjusted to comply with IFRS, as well as the Company's transition date IFRS statement of financial position as at January 1, 2010.

Financial Instruments

Under CICA Handbook Section 3855, financial assets must be classified into one of four categories: held-for-trading, held-to-maturity, loans and receivables and available for sale; financial liabilities must be classified into one of two categories: held-for-trading and other financial liabilities. All derivative instruments, including those that are embedded in, but not closely related to, another contract must be classified as held-for-trading with changes in their fair value reported in net income for the period. All financial instruments, including derivatives, are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost, using the effective interest method where applicable. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available for sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Cash and short-term investments are designated as held-for-trading. Accounts receivable, interest and dividends receivable, letters of credit, bridge loans and notes receivable are designated as loans and receivables which are measured at amortized cost, subject to impairment reviews. Accounts payable and accrued liabilities and note payable are designated as other financial liabilities which are measured at amortized cost. Portfolio investments in publicly traded companies have been designated as available for sale and are recorded in the consolidated balance sheets at fair value. Fair value is determined directly by reference to quoted market prices in active markets. Portfolio investments in private companies have been designated as available for sale and as quoted market prices in an active market do not exist; these investments are measured at cost, absent evidence of impairment.

The Company has classified its convertible debentures, issued from Bison Gold Resources Inc., Cantronic Systems Inc., Knightscove Media Corp. and MBMI Resources Inc., as loans and receivables and accordingly these are valued at amortized cost. The conversion feature of these convertible debentures is an embedded derivative, which is classified as held-for-trading and as a result is recorded at fair value. The Company's convertible debenture, issued form a private company, contains an embedded derivative which cannot be separated from its host contract. In this case it is required that the convertible debenture, issued from a private company, be classified as held-for-trading and accordingly recorded at fair value.

The Company's derivative investments comprise warrants, which are included in portfolio investments, and the convertible portion of convertible debentures which must be classified as held-for-trading. The Company uses short-term forward contracts to hedge some of its capital invested in its United States based currency transactions. These forward contracts are also designated as held-for-trading.

Risks and Uncertainties

Risk Management

The success of Global Capital is dependent upon its ability to assess and manage all forms of risk that affect its operations. Like other financial institutions, Global Capital is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company's most prominent risks follows.

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. Senior management is committed to several processes to ensure that this risk is appropriately mitigated. These include:

- the investigation of the creditworthiness of all borrowers;
- the engagement of qualified independent consultants such as lawyers and real estate appraisers, dedicated to protecting the Company's interests;
- the segregation of duties to ensure that qualified staff are satisfied with all due diligence requirements prior to funding; and
- the prompt initiation of recovery procedures on overdue loans.

In addition, the Board of Directors meets on a quarterly basis, to review and assess the risk profile of the loan portfolio. The Board of Directors is required to approve all loans above $500,000. The Board has delegated approval authority for all loans less than $500,000 to senior management. The Company reviews its policies regarding its lending limits on an on-going basis. The amount of the Company's loans generally does not exceed 75% of the collateral value.

Market Risk

The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, in accordance with CICA Handbook Section 3855, the Company is required to mark to market its held-for-trading investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Board monitors changes in the market on an ongoing basis and adjusts the Company's lending practices and policies when necessary to reduce the impact of the above risks.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. This risk arises from fluctuations in cash flows from making loan advances and receiving loan repayments. The goal of liquidity management is to ensure that adequate cash is available to honour all future loan commitments. As well, effective liquidity management involves determining the timing of such commitments to ensure cash resources are optimally utilized. Global Capital manages its liquidity risk by monitoring loan advances and repayments.

As at June 30, 2010, Global Capital had $4,657,807 in cash and short-term investments The Company had $4,357,640 in notes receivable, bridge loans and convertible debentures due within one year. The Company does not have any bank indebtedness. In management's opinion, the Company has sufficient resources to meet its current cash flow requirements.

Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. The Company believes that cash flow from continuing operations and existing cash resources will be sufficient to meet the Company's short-term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support the Company's operations in the long-term. However, the Company assumes short-term debt from time to time to fund its loan operations.

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. At times the Company takes advantage of foreign exchange contracts to manage the risk of currency fluctuations. As at June 30, 2010 the Company had purchased for settlement from its banker US$250,000 at $1.0494 maturing July 7, 2010, US$500,000 at $1.0542 maturing July 8, 2010, US$500,000 at $1.026 maturing July 15, 2010, US$2,000,000 at $1.0588 maturing August 10, 2010, US$300,000 at $1.0618 maturing October 4, 2010, US$250,000 at $1.0478 maturing October 29, 2010 and US$250,000 at $1.0515 maturing October 29, 2010. Gains and losses on foreign exchange contracts are included in income in the corresponding reporting period.

Other Risks

Dependence on Key Personnel

Global Capital is dependent upon the personal efforts, performance and commitment of its senior officers and directors, who are responsible for the development of Global Capital's business. Investors will be relying upon the business judgment, expertise and integrity of Global Capital's senior officers and directors. To the extent that the services of any of the senior officers or directors would be unavailable for any reason, a disruption to the operations of Global Capital could result, and other persons would be required to manage and operate Global Capital. The Company's future success will also depend in large part upon its ability to attract and retain highly skilled personnel. There can be no assurance that the Company will be successful in attracting and retaining such personnel.

Decline in the Value of Real Estate Assets

Global Capital's real estate loans are generally secured by first and second mortgages against real property assets. If the real estate assets against which Global Capital holds security decline in value, then it may not be able to recover all of the outstanding loans plus expenses in the event of a default of a lender. If Global Capital is unable to realize on real estate assets to recover the principal amounts plus amounts on account of accrued interest and expenses in the event of a loan default or defaults, then its financial condition and operating results will be adversely impacted.

Possible Volatility of Stock Price

The market price of the Subordinate Voting Shares could be subject to wide fluctuations in response to factors such as actual or anticipated variations in Global Capital's results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the subordinate voting shares.

Competition

Global Capital operates in an increasingly competitive environment. Both large and small competitors compete with Global Capital. Some of these competitors may have longer operating histories, greater name recognition and greater financial and marketing resources than Global Capital. Global Capital believes that its ability to compete effectively is dependent upon the quality of its product and client service. There can be no assurance that Global Capital will be able to compete effectively and retain its existing clients or attract and retain new clients. Global Capital's current and potential competitors may develop and market new products or services that render Global Capital's existing and future products and services less marketable or competitive.

Maintenance of Client Relationships

The ability of Global Capital to attract and maintain clients requires that it provide a competitive offering of products and services that meet the needs and expectations of its clients. Global Capital's ability to satisfy the needs or demands of its clients may be adversely affected by factors such as the inability or failure to identify changing client needs or expectations or the inability to adapt in a timely and cost-effective manner to innovative products and services offered by competitors.

Strategic Relationships

Global Capital anticipates that, from time to time, it will enter into strategic relationships to syndicate certain bridge loans where appropriate, as part of its strategy to diversify and manage risks associated with its bridge loan portfolio. Syndication will afford Global Capital the opportunity to participate in much larger transactions. There can be no assurance that Global Capital will be able to enter into such relationships in the future, and its inability to do so may adversely affect its ability to continue to service its existing and prospective clients.

Dividends Declared

Global Capital has declared dividends in the past. However, the payment of any future dividends will be at the discretion of Global Capital's Board of Directors after taking into account many factors including Global Capital's operating results, financial condition and current and anticipated cash needs.

Other Data

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com or on its website at www.gcglobalcapital.ca.

Share Data

Outstanding Shares

Subordinate Voting Shares	18,702,360
Multiple Voting Shares	1,053,572
	19,755,932

Outstanding Options

Type	Amount Outstanding	Exercise Price	Expiry Date
Stock option	20,000	$0.87	February 7, 2011
Stock option	120,000	$1.15	September 11, 2012
Stock option	1,370,000	$0.50	August 28, 2014

Forward-Looking Information

These materials include certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Other than statement of historical fact, all statements in this material, including, without limitation, statements regarding fair values of marketable securities, investments, bridge loans, convertible debentures, and future plans and objectives of the Company, are forward–looking statements that involve various known and unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove accurate. Actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of these materials. Important factors that could cause actual results to differ materially from the Company’s expectations include, without limitation, the level of bridge loans completed, the nature and credit quality of the collateral security, as well as those factors discussed in the Company’s documents filed from time to time with the TSX Venture Exchange, Canadian securities regulators and other regulatory authorities. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice.

GLOBAL CAPITAL CORP.

Interim Consolidated Financial Statements

(Unaudited)

June 30, 2010 & 2009

Management's Responsibility for Financial Reporting

The accompanying consolidated interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated interim financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors, which is composed of a majority of independent Directors, reviews the results of the consolidated interim financial statements prior to submitting the consolidated interim financial statements to the Board for approval.

Signed: ***"Jason Ewart"***
Chief Executive Officer

Signed: ***"Andrew Hilton"***
Chief Financial Officer

Toronto, Ontario
August 27, 2010

GC-Global Capital Corp.
Interim Consolidated Balance Sheets

	June 30 2010 (Unaudited)	December 31 2009 (Audited)
Assets		
Cash	$ 4,357,218	$ 1,889,181
Short-term investments (note 5)	300,589	300,370
Accounts receivable and sundry assets (note 19)	591,077	312,697
Prepaid expenses	13,103	12,743
Interest and dividends receivable (note 19)	41,645	112,217
Bridge loans, notes receivable and letters of credit (notes 6 & 19)	4,116,895	7,956,592
Convertible debentures (notes 6 & 19)	1,793,951	1,683,966
Portfolio investments (notes 5 & 19)	1,879,307	2,117,532
Investment in associated company (note 8)	210,849	-
Investment properties (note 9)	2,659,868	1,424,631
Property and equipment (note 10)	35,468	41,592
Future income taxes (note 17)	600,000	600,000
	$ 16,599,970	$ 16,451,521
Liabilities		
Accounts payable and accrued liabilities	$ 302,576	$ 367,051
Note payable (note 11)	313,803	309,794
Customer advances and deferred revenue	120,689	241,077
	737,068	917,922
Non-controlling interest	517,209	-
Shareholders' equity		
Share capital (note 12)	17,779,396	17,978,236
Contributed surplus (notes 13 & 14)	3,804,766	3,726,026
Accumulated other comprehensive income (loss)	(48,078)	48,596
Deficit	(6,190,391)	(6,219,259)
	15,345,693	15,533,599
	$ 16,599,970	$ 16,451,521

Commitments, contingencies and subsequent events (notes 22, 23 & 24)

On Behalf of the Board

"Jason Ewart" __________ Director

"Gordon Ewart" __________ Director

The accompanying notes are an integral part of these consolidated financial statements.

GC-Global Capital Corp.
Consolidated Statements of Deficit
For the periods ended June 30, 2010 and 2009
(Unaudited)

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
Deficit – beginning of period	$ (5,793,534)	$ (884,780)	$ (6,219,259)	$ (1,247,874)
Dividends (note 18)	-	(502,883)	-	(502,883)
Net income (loss) for the period	(396,856)	(697,362)	28,869	(334,268)
Deficit – end of period	$ (6,190,391)	$ (2,085,025)	$ (6,190,391)	$ (2,085,025)

The accompanying notes are an integral part of these interim consolidated financial statements.

GC-Global Capital Corp.
Interim Consolidated Statements of Income (Unaudited)
For the periods ended June 30, 2010 and 2009

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
Revenue				
Structuring fees and bonuses (note 19)	$ 73,665	$ 53,145	$ 199,448	$ 119,563
Interest and dividend income (note 19)	133,994	216,224	304,776	445,991
Management fees (note 19)	13,191	-	16,219	-
Consulting fees	10,500	-	10,500	-
Equity loss in significantly influenced company (note 8)	(12,048)	-	(12,048)	-
Accretion of convertible debentures (note 6)	67,868	-	97,236	-
Gain (loss) on sale of portfolio investments held for trading	169,602	(145,334)	268,430	(361,388)
Gain (loss) on sale of portfolio investments available for sale	39,580	14,682	229,725	5,297
Unrealized gain on derivative investments (notes 5 and 6)	(263,579)	158,951	(180,102)	465,287
	232,773	297,668	934,184	674,750
Expenses				
Management and consulting fees (note 19)	243,608	250,488	484,289	493,404
Filing and listing fees	11,254	11,118	22,438	21,837
Audit and legal fees	23,219	15,130	45,408	51,834
Interest	6,805	8,338	14,419	10,982
Office and general	26,283	19,082	41,969	38,756
Travel and promotion (note 19)	39,748	19,723	54,725	37,014
Rent	21,401	20,931	42,802	41,864
Property tax	10,638	16,890	16,959	27,660
Amortization	2,768	3,745	5,481	7,481
Foreign exchange (gain)	55,176	629,585	(11,748)	278,186
Provision for loan losses (note 6)	146,667	-	146,667	-
Permanent impairment write-down on portfolio investments available for sale (note 5)	33,000	-	33,000	-
	620,567	995,030	896,409	1,009,018
Income before non-controlling interest and income taxes	(387,794)	(697,362)	37,775	(334,268)
Non-controlling interest	1,928	-	1,928	-
Income before income taxes	(385,866)	(697,362)	39,703	(334,268)
Income taxes expense (note 17)				
Current	10,990	-	10,834	-
	10,990	-	10,834	-
Net income (loss) for the period	$ (396,856)	$ (697,362)	$ 28,869	$ (334,268)
Net income (loss) per share – basic and diluted (note 15)	$ (0.02)	$ (0.03)	$ 0.00	$ (0.02)
Weighted average number of shares outstanding – basic	19,890,394	20,142,451	19,911,711	20,119,177
Weighted average number of shares outstanding – diluted	19,943,086	20,142,451	20,039,550	20,119,177

The accompanying notes are an integral part of these interim consolidated financial statements.

GC-Global Capital Corp.
Interim Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income (Loss)
For the periods ended June 30, 2010 and 2009
(Unaudited)

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
Net income (loss) for the period	$ (396,856)	**$** (697,362)	**$** 28,869	**$** (334,268)
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets	44,755	38,283	56,275	(249,291)
Reclassification adjustment for unrealized gains recognized in net income	(26,554)	-	(185,949)	-
Reclassification adjustment for permanent impairment recognized in net loss	33,000	-	33,000	-
Comprehensive loss for the period	$ (345,655)	$ (659,079)	$ (67,806)	$ (583,559)
Accumulated other comprehensive income (loss)				
Accumulated other comprehensive income (loss), beginning of period	$ (99,280)	$ (751,043)	$ 48,596	$ (463,468)
Unrealized gains (losses) on available for sale financial assets	44,755	38,284	56,275	(249,291)
Reclassification adjustment for unrealized gains recognized in net income	(26,554)	-	(185,949)	-
Reclassification adjustment for permanent impairment recognized in net loss	33,000	-	33,000	-
Accumulated other comprehensive (loss), end of period	$ (48,078)	$ (712,759)	$ (48,078)	$ (712,759)

The accompanying notes are an integral part of these interim consolidated financial statements.

GC-Global Capital Corp.
Interim Consolidated Statements of Cash Flows
For the periods ended June 30, 2010 and 2009
(Unaudited)

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
Operating activities				
Net income (loss) for the period	$ (396,856)	$ (697,362)	$ 28,869	$ (334,268)
Items not affecting cash:				
(Gain) loss on sale of portfolio investments held for trading	(169,602)	145,334	(268,430)	361,388
(Gain) loss on sale of portfolio investments available for sale	(39,580)	(14,682)	(229,725)	(5,297)
Non-controlling interest	(1,928)	-	(1,928)	-
Equity loss (gain) on significantly influenced company	12,048	-	12,048	-
Accretion of convertible debentures	(67,868)	-	(97,236)	-
Unrealized (gain) loss on held-for-trading investments	263,579	(158,951)	180,102	(465,287)
Discount on letter of credit	-	(22,179)	-	(44,357)
Non cash structuring fees and bonuses received as shares	(61,674)	(84,563)	(158,484)	(119,563)
Amortization	2,768	3,745	5,481	7,481
Permanent impairment write-down on portfolio investments available for sale	33,000	-	33,000	-
Provision for loan losses	146,667	-	146,667	-
	(279,446)	(828,658)	(349,636)	(599,903)
Net changes in non-cash working capital balances (note 16)	(245,047)	(112,350)	(272,644)	(369,510)
	(524,493)	(941,008)	(622,280)	(969,413)
Investing activities				
Issuance of notes receivable, bridge loans and convertible debentures	(534,389)	(557,392)	(834,389)	(884,960)
Proceeds from notes receivable, bridge loans and convertible debentures	3,357,643	415,494	3,847,681	415,494
Purchase of portfolio investments	(82,800)	(500,000)	(82,800)	(623,691)
Proceeds from sale of portfolio investments	421,676	429,711	995,381	718,529
Purchase of investment property	(1,235,238)	1,401	(1,235,238)	(275,571)
Additions to property and equipment	(724)	(2,142)	644	(4,294)
	1,926,168	(212,928)	2,691,279	(654,493)
Financing activities				
Purchase of treasury shares	(81,060)	(20,930)	(120,100)	(42,915)
Dividends paid	-	(502,883)	-	(502,883)
Proceeds from issue of partnership units	519,137	-	519,137	-
	438,077	(523,813)	399,037	(545,798)
Increase (decrease) in cash	1,839,754	(1,677,749)	2,468,037	(2,169,704)
Cash, beginning of period	2,517,464	2,895,900	1,889,181	3,387,855
Cash, end of period	$ 4,357,218	$ 1,218,151	$ 4,357,218	$ 1,218,151

Supplemental cash flow information (note 16)

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Business

GC-Global Capital Corp. (the "Company") was incorporated under the Canadian Business Corporations Act and was formed via articles of amalgamation on December 31, 2005. The Company provides a range of merchant banking services to small and mid-size companies in North America in both the public and private markets. The Company provides bridge loan services (asset backed/collateralized financing) ranging from $300,000 to $3,000,000 to companies across many industries such as oil and gas, mining, real estate, manufacturing, retail, financial services, technology and biotechnology. The Company may also take an equity position in these emerging growth companies.

2. Basis of Presentation

The accompanying financial information does not include all disclosures required under generally accepted accounting principles for annual consolidated financial statements. The accompanying financial information reflects all adjustments that management considers necessary for the fair presentation of results for the interim periods. These unaudited interim consolidated financial statements should be read in conjunction with the Company's 2009 audited annual consolidated financial statements and notes. Certain comparative figures in the consolidated statements have been reclassified to conform to the current period's presentation.

3. Summary of Significant Accounting Policies

These interim consolidated financial statements follow the same accounting policies and methods of application as the Company's annual financial statements, except as noted below. These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company, its 50% controlled subsidiary GC-Global Capital General Partner Inc., its 56.5% controlled subsidiary Somersby Park 2010 Limited Partnership and its wholly-owned subsidiary, Foothills Developments Inc. ("Foothills"). In turn, Foothills' accounts include the accounts of its wholly-owned subsidiaries, Newborn Realty Corporation ("Newborn") and Laurel Development Corporation ("Laurel"). Newborn's accounts include the accounts of its wholly-owned subsidiary, Newborn Ranch, LLC ("Newborn Ranch"). All significant intercompany transactions and balances have been eliminated.

4. Changes in Accounting Policies

Future accounting pronouncements

(i) CICA Handbook Sections 1582, Business Combinations; 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests

In January 2008, the CICA issued Handbook Sections 1582, Business Combinations; 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company has not yet adopted these standards. Management is currently in the process of determining the impact of these standards on the Company's consolidated financial statements.

4. Changes in Accounting Policies - continued

(ii) International Financial Reporting Standards

In February 2008, the AcSB confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles in 2011 for Canadian publicly-listed companies. The Company will be required to report its results in accordance with IFRS beginning in 2011. The adoption of IFRS on January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. Details of the Company's transition plan are disclosed in its Management Discussion and Analysis for the quarter ended June 30, 2010.

5. Short-term and Portfolio Investments

	June 30 2010 Carrying Value	June 30 2010 Fair Value	December 31 2009 Carrying Value	December 31 2009 Fair Value
Short-term investments (a)	$ 300,589	$ 300,589	$ 300,370	$ 300,370
Portfolio investments in publicly traded companies – available for sale (b)(d)	$ 302,424	$ 302,424	$ 749,179	$ 749,179
Portfolio investments in private companies – available for sale (b)(d)	1,362,484	1,362,484	1,353,370	1,353,370
Portfolio investments in share purchase warrants of a publicly traded company – held for trading (c)	262,614	262,614	35,658	35,658
Foreign currency forward contracts	(48,215)	(48,215)	(20,675)	(20,675)
Portfolio investments	$ 1,879,307	$ 1,879,307	$ 2,117,532	$ 2,117,532

(a) The Company has outstanding $300,589 (December 31, 2009 - $300,370) in short-term investments with its financial institution. These investments are held as security on its outstanding foreign exchange contracts.

(b) Portfolio investments represent shares in publicly traded companies and partnerships and private companies. For publicly traded companies and partnerships, fair value represents the quoted trading price of the shares held at June 30, 2010 and December 31, 2009. Private companies are measured at cost, absent evidence of impairment.

(c) Included in portfolio investments is the fair value of the Company's investments in share purchase warrants of other corporations. Where the value of these warrants is not publicly quoted in active markets, the Company employs the Black-Scholes pricing model to determine fair value, with volatility and risk-free rates taken directly from the most recent audited financial statements of the corresponding companies. As these warrants are derivative instruments, the change in their fair value resulted in an increase in net income, due to an increase in their fair value, of $92,128 for the six months ended June 30, 2010 (2009 – a decrease of $18,966).

5. Short-term and Portfolio Investments - continued

(d) The Company uses the following criteria to determine if there is objective evidence that a permanent impairment has occurred:

i) The length of time that the investment has been impaired;
ii) Market price of the investment at the date of the period end assessment;
iii) Financial condition and near-term prospects of the investment company;
iv) The ability of the Company to retain the investment for a period of time sufficient for a recovery in market value.

For the period ended June 30, 2010 the Company recorded an impairment loss of $33,000 (2009 - $Nil) with respect to its portfolio investments. Included in the impairment loss is a write-down of $33,000 (2009 - $Nil) related to the Company's private company investments.

6. Notes Receivable, Bridge Loans, Letters of Credit and Convertible Debentures

a) Notes, receivable, bridge loans, letters of credit, convertible debentures and allowance for loan losses

June 30, 2010

	Due Date	Interest Rate	Gross Amount	Specific Allowance	Net Amount
Notes Receivable (i)					
Individual (US$500,000)	12/31/2008	Nil	$ 525,500	$ (525,000)	$ -
			$ 525,500	$ (525,000)	$ -
Bridge Loans					
Iseemedia Inc.	9/22/2010	12%	$ 175,000	$ -	$ 175,000
Knightscove Media Corp.	6/10/2011	12%	200,000	-	200,000
MBMI Resources Inc.	7/31/2011	10%	500,000	-	500,000
Private company (US$1,098,161)	7/31/2009	10%	1,085,872	-	1,085,872
Private company	7/31/2010	12%	292,587	-	292,587
Private company	7/31/2010	12%	248,414	-	248,414
Private company	5/10/2010	12%	440,000	(146,667)	293,333
Private company (US$173,200)	On demand	5%	184,389	-	184,389
Private company	10/26/2010	12%	300,000	-	300,000
Individual	4/19/2010	24%	100,000	-	100,000
Individual	12/31/2010	12%	50,000	-	50,000
Individual	8/15/2010	12%	155,000	-	155,000
			$ 3,731,262	$ (146,667)	$ 3,584,595
Property Discount					
Private company (US$500,000)	12/31/2011	Nil	$ 532,300	$ -	$ 532,300
			$ 532,300	$ -	$ 532,300
Total			$ 4,789,062	$ (672,167)	$ 4,116,895
Convertible Debentures (ii)					
Bison Gold Resources Inc.	12/31/2010	12%	$ 294,030	$ -	$ 294,030
Cantronic Systems Inc.	11/20/2010	12%	370,110	-	370,110
Knightscove Media Corp.	4/1/2011	12%	233,906	-	233,906
MBMI Resources Inc.	7/31/2011	10%	520,905	-	520,905
Private company	7/15/2010	12%	375,000	-	375,000
			$ 1,793,951	$ -	$ 1,793,951

6. **Notes Receivable, Bridge Loans, Letters of Credit and Convertible Debentures – continued**

a) Notes, receivable, bridge loans, letters of credit, convertible debentures and allowance for loan losses - continued

December 31, 2009

	Due Date	Interest Rate	Gross Amount	Specific Allowance	Net Amount
Notes Receivable (i)					
Private company	12/31/2013	7%	$ 1,313,750	$ (263,750)	$ 1,050,000
Individual (US$500,000)	12/31/2008	Nil	525,500	(525,500)	-
			$ 1,839,250	$ (789,250)	$ 1,050,000
Bridge Loans					
Cantronic Systems Inc.	5/13/2010	12%	$ 800,000	$ -	$ 800,000
Iseemedia Inc.	6/22/2010	12%	700,000	-	700,000
Knightscove Media Corp.	12/15/2009	12%	231,146	-	231,146
MBMI Resources Inc.	7/31/2011	10%	500,000	-	500,000
Private company (US$1,098,161)	7/31/2009	10%	1,154,167	-	1,154,167
Private company	4/30/2008	12%	250,000	(177,635)	72,365
Private company	4/30/2010	12%	1,030,000	-	1,030,000
Private company	4/30/2010	12%	248,414	-	248,414
Private company	5/10/2010	12%	440,000	-	440,000
Individual	8/15/2010	12%	155,000	-	155,000
			$ 5,508,727	$ (177,635)	$ 5,331,092
Letters of Credit/Property Discount					
Private company	12/31/2011	Nil	$ 1,313,750	$ (263,750)	$ 1,050,000
Private company (US$500,000)	12/31/2011	Nil	525,500	-	525,500
			$ 1,839,250	$ (263,750)	$ 1,575,500
Total			$ 9,187,227	$ (1,230,635)	$ 7,956,592
Convertible Debentures (ii)					
Bison Gold Resources Inc.	12/31/2010	12%	$ 411,709	$ -	$ 411,709
MBMI Resources Inc.	7/31/2011	10%	897,257	-	897,257
Private company	4/1/2010	12%	375,000	-	375,000
			$ 1,683,966	$ -	$ 1,683,966

6. Notes Receivable, Bridge Loans, Letters of Credit and Convertible Debentures – continued

a) Notes, receivable, bridge loans, letters of credit, convertible debentures and allowance for loan losses - continued

The fair values of notes receivable and bridge loans are estimated to be approximately equivalent to carrying value due to the market interest rates being charged. Shares, real estate, personal and corporate guarantees generally have been pledged as security for the notes receivable, bridge loans and convertible debentures.

i) As the non-interest bearing note receivable was due on demand, no discount rate had been applied.

ii) The Company received a convertible debenture in Bison Gold Resources Inc. in September, 2009 in the amount of $250,000. Using the Black-Scholes pricing model with an expected remaining life of 1.25 years, a risk-free interest rate of 1.25% and a volatility of 124%, the $250,000 was allocated $206,736 to the debenture and $43,264 to the conversion feature. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $61,192. The fair market value was estimated using an expected remaining life of 0.5 years, a risk-free interest rate of 1.47% and a volatility of 124%. For the six months ended June 30, 2010 the Company recorded as accretion income $16,032 with respect to this debenture.

The Company received a convertible debenture in Cantronic Systems Inc. in May, 2010 in the amount of $400,000. Using the Black-Scholes pricing model with an expected remaining life of 0.5 years, a risk-free interest rate of 1.63% and a volatility of 92%, the $400,000 was allocated $309,023 to the debenture and $90,977 to the conversion feature. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $37,442. The fair market value was estimated using an expected remaining life of 0.39 years, a risk-free interest rate of 1.63% and a volatility of 92%. For the six months ended June 30, 2010 the Company recorded as accretion income $23,645 with respect to this debenture.

The Company received a convertible debenture in Knightscove Media Corp. in April, 2010 in the amount of $231,146. Using the Black-Scholes pricing model with an expected remaining life of 1.0 years, a risk-free interest rate of 1.72% and a volatility of 150%, the $231,146 was allocated $171,057 to the debenture and $60,089 to the conversion feature. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $49,479. The fair market value was estimated using an expected remaining life of 0.75 years, a risk-free interest rate of 1.72% and a volatility of 150%. For the six months ended June 30, 2010 the Company recorded as accretion income $13,371 with respect to this debenture.

The Company received a convertible debenture in MBMI Resources Inc. in July, 2009 in the amount of $500,000. Using the Black-Scholes pricing model with an expected remaining life of 2 years, a risk-free interest rate of 1.41% and a volatility of 126%, the $500,000 was allocated $57,700 to the debenture and $442,300 to the conversion feature. During the six month period ended June 30, 2010, the Company converted $194,444 of the principal into common shares. At June 30, 2010 the Company determined that the fair market value of the conversion feature was $421,484. The fair market value was estimated using an expected remaining life of 1.08 years, a risk-free interest rate of 1.41% and a volatility of 140.5%. In the six months ended June 30, 2010 the Company recorded as accretion income $44,188 with respect to this debenture.

As the conversion features of the convertible debentures are derivate instruments, the change in their fair value resulted in a decrease in net income, due to a decrease in their fair value, for the six months ended June 30, 2010, of $295,577 (2009 – decrease of $75,000). Included in the value of convertible debentures is $569,597 (December 31, 2009 - $1,001,680) which is the fair value of the conversion features at June 30, 2010.

6. Notes Receivable, Bridge Loans, Letters of Credit and Convertible Debentures – continued

b) Past due loans and notes receivable that are not impaired

Loans are considered past due when the loan is outstanding past the scheduled maturity date. This may arise in the normal course of business as a result of various factors including refinancing delays. These loans are not considered impaired because they are either less than 90 days past the maturity date or are fully secured with a reasonable assurance of collection of principal and interest outstanding.

	Number of Loans	June 30, 2010	Number of Loans	December 31, 2009
Days outstanding past maturity date				
1-30 days	-	$ -	1	$ 231,146
31-60 days	1	100,000	-	-
61-90 days	-	-	-	-
Greater than 90 days	1	1,085,872	1	1,154,167
	2	$ 1,185,872	2	$ 1,385,313

c) Loans renewed or renegotiated during the period

In certain instances the Company may choose to renegotiate or renew loans instead of enforcing its security on loans which have not been repaid. Loans whose terms have been renegotiated are no longer considered to be past due but are considered to be in good standing and are therefore accounted for as performing loans. If a substantial modification (based on present value of future cash flows test) is made to a loan on renewal, the Company records any difference between the present value of future cash flows arising from the contractual terms compared to market rate of interest in net income (loss) immediately. When renewing loan terms, the Company may include changes in maturity dates, additional structuring fees and/or bonuses, interest terms and changes in collateral.

During the period ended June 30, 2010 loans with an outstanding principal of $1,666,560 (2009 - $1,828,882) were renegotiated or renewed. None of the loans were assessed by management as requiring a specific loan loss provision as at June 30, 2010 based on a comparison of collateral value and/or expected future cash flows with the outstanding carrying value of the loans.

d) Loans settled for non-cash assets

The Company did not settle any loans for non-cash assets during the six months ended June 30, 2010. In the first quarter of 2009, the Company received three properties as part of a settlement on two of its bridge loans. The loans had principal and interest outstanding of US$1,269,110 at the time of settlement. The properties were located in Asheville, North Carolina, White Plains, Georgia and Maysville, Kentucky.

6. Notes Receivable, Bridge Loans, Letters of Credit and Convertible Debentures – continued

e) Impaired loans and allowances for loan losses

The Company's impaired loans and specific allowances are as follows:

	June 30, 2010			December 31, 2009		
	Number of Loans		**Face Value**	**Number of Loans**		**Face Value**
Impaired loans with specific allowances	2	$	965,500	4	$	3,403,000
Specific allowances			(672,167)			(1,230,635)
			293,333			2,172,365
Impaired loans without specific allowances	-		-	-		-
Total impaired loans, net of specific allowances	2	$	293,333	4	$	2,172,365

At June 30, 2010, the total estimated fair value of the collateral of impaired loans with specific allowances is $293,333 and for impaired without specific allowances is $Nil. Management estimates the fair value of the collateral taking into account a number of factors including the market value of securities held, real estate appraisals and management's knowledge of the collateral, credit, financial and real estate markets. In assessing the adequacy of the specific loan loss provision, management takes into account likely realizable values, legal costs and incorporates a time value and credit risk component into estimated future cash flows.

The Company has recorded specific allowances for loan losses as follows:

		June 30 2010
Balance – beginning of period	$	1,230,635
Provision for loan losses		146,667
Direct write-offs		(705,135)
Balance – end of period	$	672,167

As at June 30, 2010 the Company performed a review of its loan portfolio for the purposes of determining any specific allowances for each loan.

7. Financial Instruments Hierarchy

The following table presents the Company's financial instruments, measured at fair value on the consolidated balance sheet as at June 30, 2010, categorized into levels of the fair value hierarchy in accordance with Section 3862 of the CICA Handbook and as described in the Company's audited financial statements for the year ended December 31, 2009:

	Level 1 Quoted Market Price	Level 2 Observable Market Inputs	Level 3 Non-Observable Market Inputs
Cash and short-term investments	$ 4,657,807	$ -	$ -
Portfolio investments	$ 302,424	$ 214,399	$ -
Conversion feature of convertible debentures	$ -	$ 569,597	$ -
Convertible debenture – private company	$ -	$ -	$ 375,000

8. Investment in Associated Company

The investment in associated company consists of the following:

	June 30, 2010	December 31, 2009
Global Development Resources, Inc.	$ 210,849	$ -

As at June 30, 2010 the Company owned 42.5% of the outstanding common shares of Global Development Resources, Inc. ("GDR"). As a result of this ownership the Company has determined that it exercises significant influence over GDR and therefore accounts for this investment using the equity method. The Company's share of earnings or losses is reported in income.

For the six months ended June 30, 2010 the Company recorded a loss of $12,048 (2009 - $Nil) relating to this investment.

9. Investment Properties

The Company owns investment properties which are recorded at cost.

	June 30 2010	December 31 2009
Laurel Park, North Carolina(i)	$ 1,235,237	$ -
Asheville, North Carolina	662,130	662,130
Canyon Ridge, New Mexico	541,791	541,791
White Plains, Georgia (2 properties)	115,610	115,610
Maysville, Kentucky	105,100	105,100
	$ 2,659,868	$ 1,424,631

(i) In June, 2010 the Company's 56.5% owned subsidiary Somersby Park 2010 Limited Partnership purchased investment property in Laurel Park, North Carolina for US$1,132,800. The Company capitalized costs of US$39,152 during the six month period ended June 30, 2010.

10. Property and Equipment

	Cost	Accumulated Amortization	June 30 2010 Net Book Value
Computer equipment	$ 31,809	$ 26,210	$ 5,599
Leasehold improvements	32,468	15,881	16,587
Furniture	21,846	11,729	10,117
Equipment	14,006	10,841	3,165
	$ 100,129	$ 64,661	$ 35,468

	Cost	Accumulated Amortization	December 31 2009 Net Book Value
Computer equipment	$ 31,809	$ 25,222	$ 6,587
Leasehold improvements	33,836	12,954	20,882
Furniture	21,121	10,721	10,400
Equipment	14,006	10,283	3,723
	$ 100,772	$ 59,180	$ 41,592

11. Note Payable

At June 30, 2010 the outstanding principal on the note payable was US$294,761 (December 31, 2009 - US$294,761). The note bears interest at 7% compounded annually and is secured by the Canyon Ridge property in New Mexico. Interest and principal are due March 13, 2011. The accrued interest at June 30, 2010 was US$27,224 (December 31, 2009 – US$16,851).

12. Share Capital

a) Authorized:
Unlimited multiple voting shares ("MVS")
Unlimited subordinate voting shares ("SVS")
Unlimited preferred shares

b) Shares issued and outstanding

		June 30 2010		December 31 2009
Issued and outstanding:				
1,053,572 (Dec 31, 2009 - 1,053,572) multiple voting shares	$	1,921,076	$	1,921,076
18,702,360 (Dec 31, 2009 - 18,936,860) subordinate voting shares		15,858,320		16,057,160
	$	17,779,396	$	17,978,236

	Number of Shares		Amount
Multiple voting shares			
Balance, December 31, 2009	1,053,572	$	1,921,076
Balance, June 30, 2010	1,053,572	$	1,921,076
Subordinate voting shares			
Balance, December 31, 2009	18,936,860	$	16,057,160
Shares cancelled	(234,500)		(198,840)
Balance, June 30, 2010	18,702,360	$	15,858,320

During the six month period ended June 30, 2010, the Company completed treasury purchases for cancellation under a normal course issuer bid of 234,500 (2009 - 97,900) subordinate voting shares with a stated capital of $198,840 (2009 - $83,013) for $120,100 (2009 - $42,915) resulting in an increase in contributed surplus of $78,740 (2009 - $40,097).

12. Share Capital - continued

c) Stock options outstanding

	Number of options		Weighted Average exercise price per share	Expiry dates
Subordinate voting share options				
Balance, December 31, 2009	1,510,000	$	0.56	February 7, 2011 to August 28, 2014
Balance, June 30, 2010	1,510,000	$	0.56	February 7, 2011 to August 28, 2014

13. Stock-Based Compensation Plan

The Company has a stock option plan (the “Plan”) which was approved by the Board of Directors of the Company. The total amount of shares reserved for issuance under the Plan is equal to 10% of the outstanding Subordinate Voting Shares.

The Plan is for the benefit of the employees, officers and directors and certain consultants of the Company and its subsidiaries. The Plan is administered by the Compensation Committee of the Board of Directors of the Company. The Compensation Committee may from time to time designate individuals to whom options to purchase shares of the capital stock of the Company may be granted, the number of shares to be optioned to each and the vesting terms of such options. The option price per share which is the subject of any option shall be fixed by the Board of Directors when such option is granted. The option price can be discounted according to the rules of the Exchange at the time the option is granted. The period during which an option is exercisable shall not exceed five years from the date the option is granted. The options may not be assigned, transferred or pledged. Subject to any grace period allowed under the policies of the Exchange, the options will expire upon the termination of the employment or office with the Company or any of its subsidiaries or death of an individual. The total number of shares to be optioned to any one individual cannot exceed five percent of the total of the issued and outstanding shares. It has been the Company’s policy for options to vest upon issuance.

As at June 30, 2010, the Company had outstanding and exercisable 1,510,000 stock options. These include 20,000 options with an exercise price of $0.87 expiring February 7, 2011, 120,000 options with an exercise price of $1.15 expiring September 11, 2012 and an additional 1,370,000 options with an exercise price or $0.50 expiring August 28, 2014.

14. Contributed Surplus

Balance, December 31, 2009	$	3,726,026
Cancellation of shares under normal course issuers bid (note 12b)		78,740
Balance, June 30, 2010	$	3,804,766

15. Net Income per Share

Net income (loss) per share has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during the period. Diluted income per share is calculated in a similar manner, except that the weighted average number of multiple and subordinate voting shares outstanding is increased to include potentially issuable subordinate voting shares from the assumed exercise of stock options, if dilutive.

16. Supplementary Cash Flow Information

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
Net change in non-cash working capital balances				
Accounts receivable and sundry assets	$ (336,141)	$ (173,425)	$ (278,381)	$ (193,390)
Prepaid expenses	(1,014)	(2,347)	(360)	(2,347)
Interest and dividends receivable	22,818	(24,276)	70,572	(54,891)
Accounts payable and accrued liabilities	69,290	(24,345)	(64,475)	(199,506)
Customer advances and deferred revenue	-	112,043	-	80,624
	$ (245,047)	$ (112,350)	$ (272,644)	$ (369,510)
Interest received	$ 156,813	$ 191,947	$ 375,348	$ 391,100
Interest paid	$ 178	$ 3,158	$ 3,145	$ 3,540
Income taxes paid	$ 10,174	$ -	$ 10,834	$ -
<u>Non-cash Transactions:</u>				
Portfolio investments				
Structuring fees and bonuses received as shares	$ 61,674	$ 53,144	$ 158,484	$ 119,563
Notes receivable				
Discount on letter of credit	$ -	$ 22,179	$ -	$ 44,357
Investment property				
Loan repayments received as investment property	$ -	$ -	$ -	$ 1,269,116

17. Income Taxes

For the three and six month periods ended June 30, 2010 the Company has utilized tax losses in certain of its entities to reduce its taxable income. The Company has recognized a future tax asset to the extent that it has tax losses carried forward for which the potential benefit is more likely than not to be realized.

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
Current	$ 10,990	$ -	$ 10,834	$ -
Future income taxes	-	-	-	-
Total provision for income taxes	$ 10,990	$ -	$ 10,834	$ -

18. Dividends Paid

On April 30, 2009 the Company declared a cash dividend of $502,883 or $0.025 per share payable to shareholders of the Company's subordinate voting and multiple voting shares. The dividend was paid on June 15, 2009 to shareholders on record on May 15, 2009.

19. Related Party Transactions

The Company often receives the right to nominate a member to the Board of Directors of companies to which it provides a bridge loan. The nominees may be an employee, officer or director of the Company, and accordingly, the borrower may become related to the Company.

a) Notes receivable, bridge loans and convertible debentures include balances due from companies having a current director or officer in common with the Company, with a carrying value of $1,027,936 (December 31, 2009 - $642,855).

b) In the first quarter of 2009, the Company received three properties with a total cost of US$1,269,116 as part of a settlement on two of its bridge loans with principal and interest outstanding of US$1,269,116, to a company with common directors and officers.

c) Portfolio investments include $236,396 (December 31, 2009 - $418,858) of shares of companies and partnerships having a current director or officer in common with the Company.

d) Accounts receivable includes balances due from companies having a current director or officer in common with the Company in the amount of $218,815 (December 31, 2009 - $269,990). These amounts are subject to normal creditor terms.

e) Interest and dividend income includes interest earned on loans to entities with current directors and officers in common with the Company in the amount of $47,493 (2009 - $71,044). Interest receivable includes interest earned on loans to entities with directors and officers in common with the Company, in the amount of $9,677 (December 31, 2009 - $18,834).

f) Structuring fees revenue includes $16,424 (2009 - $35,000) earned from companies with current and former directors and officers in common with the Company.

19. Related Party Transactions - continued

g) Management and consulting fees and travel and promotion expenses include $214,725 (2009 - $187,430) paid to companies controlled by current directors and officers of the Company.

h) The Company is the parent company of the general partner of GC-Global Capital Lending Partners Limited Partnership (the "Partnership"). The general partner is entitled to a management fee equal to 2% per annum of the net asset value of the Partnership portfolio. In the six month period ended June 30, 2010 the Company earned management fees from the Partnership of $16,219 (2009 - $Nil).

Related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

20. Sensitivity Analysis

The Company's portfolio investments, classified as available for sale, consist mainly of equity investments in publicly-listed entities that are listed on the TSX Venture Exchange. Changes in the fair value of investments, other than permanent impairments of these investments, are reported in other comprehensive income. Over the last five years, the S&P/TSX Venture Composite Index ("TSXV Index") had the following year over year changes:

Date	Index Value	Year Over Year % Change
January 4, 2005	1,787.62	-
December 31, 2005	2,236.55	25.1%
December 31, 2006	2,987.08	33.6%
December 31, 2007	2,839.66	(4.9%)
December 31, 2008	797.02	(71.9%)
December 31, 2009	1,520.72	90.8%
Five year average	-	(14.9%)

The following table depicts the effect on comprehensive income of various changes in the market value of these investments.

Change in Market Value of Portfolio Investments	Reason based on the TSXV Index		Value of Portfolio Investments		Effect on Comprehensive Income
Increase of 25 %	2005 increase	$	2,349,134	$	469,827
Increase of 35 %	2006 increase		2,537,064		657,757
Decrease of 15 %	Five year average		1,597,411		(281,896)
Decrease of 55 %	2009 over TSXV Index low from Dec 2008 of 684.31		845,688		(1,033,619)

The Company's convertible debentures consist mainly of financial investments in publicly-listed entities that are listed on the TSX Venture Exchange. The following table depicts the effect on net income of various changes in the market value of these investments.

Change in Market Value of Convertible Debentures	Reason based on the TSXV Index		Value of Convertible Debentures		Effect on Net Income
Increase of 25 %	2005 increase	$	2,024,672	$	230,721
Increase of 35 %	2006 increase		2,122,759		328,808
Decrease of 15 %	Five year average		1,667,492		(126,459)
Decrease of 55 %	2009 over TSXV Index low from Dec 2008 of 684.31		1,387,436		(406,515)

20. Sensitivity Analysis - continued

The Company's notes receivable, bridge loans and convertible debentures all carry a fixed interest rate. Bank of Canada interest rate changes historically have not had an effect on the interest rates charged by the Company on its notes receivable, bridge loans or convertible debentures and the Company does not anticipate any sensitivity due to interest rate changes in the future.

Notes receivable and bridge loans denominated in US dollars amounts to $1,693,181 as at June 30, 2010 (December 31, 2009 - $3,598,161). Over the last five years, the US/Canadian Dollar had the following year over year changes:

Date	Exchange Rate US to Canadian	Year Over Year % Change
December 31, 2004	1.2020	-
December 31, 2005	1.1630	(3.2%)
December 31, 2006	1.1654	0.2%
December 31, 2007	0.9913	(14.9%)
December 31, 2008	1.2180	22.9%
December 31, 2009	1.0510	(13.7%)
Five year average	-	(12.6%)

The following table depicts the effect on net income for the period of various changes in exchange rates.

Change in Exchange Rate	Change in Value of US$ Denominated Loans	Effect on Interest Income	Effect on Net Income
Increase of 5 %	$ 90,128	$ 2,622	$ 92,750
Increase of 10 %	180,256	5,244	185,500
Decrease of 5 %	(90,128)	(2,622)	(92,750)
Decrease of 15 %	(270,384)	(7,866)	(278,250)

21. Risk Management

The primary goals of the Company's risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk tolerance with the Company's business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties.

Capital Management

The Company considers the items included in shareholders' equity as capital. The Company's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth. A strong capital position also provides flexibility in considering accretive growth opportunities. It is the intention of the Company to pay out a portion of its future annual earnings to shareholders in the form of dividends.

21**. Risk Management - continued**

Financial Instruments

Effective January 1, 2008, the Company adopted the CICA Handbook Section 3862, "Financial Instruments – Disclosures". As permitted by the standard, the disclosures required under this section can be found in the Company's MD&A section "risks and uncertainties". The following table provides a cross referencing of those disclosures from the MD&A.

Description	**Section**
For each type of risk arising from financial instruments, an entity shall disclose: the exposure to risk and how they arise; objectives, policies and processes used for managing the risks; methods used to measure the risk; and description of collateral	Risk management
	Credit risk management
	Market risk
	Liquidity risk
	Currency risk
Credit risk- gross exposure to credit risk, credit quality and concentration of exposures	Credit risk management
Market risk- value-at-risk, interest rate risk, price risk and equity risk	Market risk
Liquidity risk- liquid assets, maturity of financial liabilities and credit and liquidity commitments	Liquidity risk
Currency risk- exchange rate risk	Currency risk

22. Commitments

The Company has entered into an operating lease for office premises expiring in 2013. Minimum annual lease payments, exclusive of taxes and other operating costs, for each the next four years are approximately:

2010	$	24,217
2011	$	49,501
2012	$	51,638
2013	$	26,353

23. Contingencies

a) In March 2004, the Company and a director were named in an action of which the plaintiff has claimed $130,000, or in the alternative, the return of shares. The Company and the Director have defended and counterclaimed rescission of the agreement by which the Company agreed to purchase shares from the plaintiff. Affidavits of Documents have yet to be exchanged and the plaintiff has taken no steps to move the action forward. Management is of the opinion that this claim is without merit. Accordingly, no provision has been made for this claim in the accompanying consolidated financial statements.

23. Contingencies - continued

b) In 1997, the Company's wholly-owned subsidiary, Global Benefit Plan Consultants Inc. ("GBPC"), had two divisions. The Company sold the assets of one of the divisions ("GBPC Division") to companies controlled by the then current management of that specific division (the "Former Management"). Pursuant to the sale agreement, the Company received an indemnity from the Former Management in respect of any reassessments by Revenue Canada for taxes related to the GBPC Division.

During fiscal 2006, Revenue Canada reassessed the tax returns for GBPC for the tax years 1996 and 1997. The reassessment concluded that the GBPC reported false travel and promotion expenses for two former members of GBPC's management in the amounts of $206,814 and $19,641. The reassessment further concluded that GBPC made false investment tax credit claims in the amounts of $14,083 and $1,370 attributed to the false travel and promotion expenses. Total taxes payable on the reassessment amounted to $101,409 plus interest and penalties of approximately $215,000.

Since 2005, the Company has paid $143,054 of the total liability of $316,000, in relation to the contingency. The Company has not recorded a liability with respect to this contingency as at June 30, 2010.

c) The Company is the parent company of the general partner of GC-Global Capital Lending Partners Limited Partnership (the "Partnership"). The General Partner has unlimited liability for the liabilities and obligations of the Partnership in excess of the contributions of the limited partners. As at June 30, 2010 there were no outstanding liabilities or obligations for which the Company was contingently liable.

The outcome of these claims are not determinable at the time of issue of these consolidated financial statements and the costs, if any, will be charged to income in the period(s) in which they are reasonably determinable.

24. Subsequent Events

At the time of issue of these consolidated financial statements there were no subsequent events that would have a material impact on the operations of the Company.