GC-Global Capital Corp.

Management Discussion & Analysis **Dated: August 26, 2011**

The following information should be read in conjunction with the GC-Global Capital Corp. Consolidated Condensed Interim Financial Statements for the periods ended June 30, 2011 and 2010, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). 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, 2011 Global Capital had net assets totaling $14.6 million or $0.78 per share compared to $15.6 million or $0.81 per share as at December 31, 2010. Net loss for the six months ended June 30, 2011 was $229,706 (2010 – net income of $28,869) and net comprehensive loss was $794,488 (2010 - $225,305).

As at June 30, 2011 the Company's loan and convertible debenture portfolio amounted to $4.9 million, an increase of 27% as compared to $3.9 million as at December 31, 2010. The Company's portfolio investments amounted to $4.2 million, a decrease of 29% as compared to $5.9 million at December 31, 2010. The fair market value of the Company's portfolio investments include bonus shares received from the Company's bridge loan activities as well as investment in growth companies. The Company records the changes in fair market value in 'accumulated other comprehensive income' on its balance sheet.

Total assets as at June 30, 2011 were $15.4 million compared to $17.1 million as at December 31, 2010. Included in total assets are $2.9 million in cash and short term investments (December 31, 2010 - $3.6 million), $4.9 million in notes receivable, bridge loans and convertible debentures (December 31, 2010 - $3.9 million), $4.2 million in portfolio investments (December 31, 2010 - $5.9 million), $2.3 million in investment property (December 31, 2010 - $2.5 million), $0.1 million in an investment in an associated company (December 31, 2010 - $0.08 million), $0.4 million in other assets (December 31, 2010 - $0.5 million) and $0.6 million in future income taxes (December 31, 2010 - $0.6 million).

As at June 30, 2011 Global Capital had $4.9 million invested in bridge loans, notes receivable and convertible debentures. These advances were made to companies in industries such as information technology, real estate and financial services. The bridge loans were provided to public companies, private companies and individuals.

As at June 30, 2011, Global Capital had $4.2 million in portfolio investments in shares of North American companies.

Summary of Quarterly Results

For the quarters ended	Jun 30/11	Mar 31/11	Dec 31/10	Sep 30/10
Total revenue	$ 276,896	$ 899,103	$ 911,780	$ 418,876
Net income (loss) before taxes	(599,949)	370,242	(123,430)	36,977
Net income (loss)	(599,949)	370,242	(112,597)	36,977
Net income (loss) per share – basic and diluted (1)	$ (0.03)	$ 0.02	$ (0.00)	$ 0.00

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)	425,725	(4,977,119)	842,886
Net income (loss) per share – basic and diluted (1)	$ (0.02)	$ 0.02	$ (0.25)	$ 0.04

(1) Net income (loss) 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, 2011

Revenues

Total revenue for the period ended June 30, 2011 was $1,175,998 compared to $934,184 for the same period in 2010.

Interest and dividend income increased from $304,776 to $795,789 in 2011 as a result of a non-recurring distribution from one of the Company's private company investments. The expected trend is for interest and dividend income is to be consistent with prior periods. Structuring fees and bonuses decreased slightly from $199,448 to $190,072 in 2011. 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 expected trend is for structuring fees to be consistent with the current period.

Sales of investments and securities have resulted in Global Capital recording a realized gain of $672,329 for the period as compared to a realized gain of $498,155 for the same period in 2010. The amount includes a gain of $125,538 from available for sale investments and a gain of $546,791 from the sale of fair value through profit or loss investments (2010 – Gain of $229,725 from available for sale investments and $268,430 from fair value through profit or loss investments). The current period gain is largely due to the sale of Global Capital's shares in Royal Coal Corp. and MBMI Resources Inc. during the period.

In September, 2010 the Company acted as the lead lender on a convertible debenture in Bison Gold Resources Inc. in the amount of $350,000. The Company's portion of the loan was $200,000. Using the Black-Scholes pricing model with an expected remaining life of 1.00 year, a risk-free interest rate of 1.50% and a volatility of 124%, the $200,000 was allocated $95,267 to the debenture and $104,733 to the conversion feature. At June 30, 2011 the Company determined that the fair market value of the conversion feature was $120,825. The fair market value was estimated using an expected remaining life of 0.23 years, a risk-free interest rate of 1.50% and a volatility of 124%. For the six months ended June 30, 2011 the Company recorded as accretion income $48,853 with respect to this debenture.

In January, 2011 the Company acted as the lead lender on a second convertible debenture in Bison Gold Resources Inc. in the amount of $400,000. The Company's portion of the loan was $320,000. Using the Black-Scholes pricing model with an expected remaining life of 1.00 year, a risk-free interest rate of 1.50% and a volatility of 124%, the $320,000 was allocated $102,035 to the debenture and $217,965 to the conversion feature. At June 30, 2011 the Company determined that the fair market value of the

conversion feature was $178,565. The fair market value was estimated using an expected remaining life of 0.55 years, a risk-free interest rate of 1.50% and a volatility of 124%. For the six months ended June 30, 2011 the Company recorded as accretion income $62,244 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. The convertible debenture expired on April 1, 2011. For the six months ended June 30, 2011 the Company recorded as accretion income $16,758 with respect to this debenture.

The Company received a convertible debenture in MBMI Resources Inc. in July, 2009 in the amount of $500,000. During the year ended December 31, 2010, the Company converted $272,222 of the principal into common shares. During the first quarter of 2011, the Company converted the remaining $227,778 of the principal into common shares.

In June, 2008 the Company received a convertible debenture in a private company in the amount of $750,000. On August 23, 2010 when the outstanding principal was $375,000, the private company completed a qualifying transaction and began operating as Royal Coal Corp. In the third and fourth quarter of 2010, the Company received $50,000 in principal repayments and converted $75,000 of the principal into common shares. During the first quarter of 2011, the Company converted the remaining $250,000 of the principal into common shares.

As the conversion features of the convertible debentures are derivative instruments, the change in their fair value resulted in an increase in net income, due to an increase in their fair value, for the six months ended June 30, 2011 of $92,754 (June 30, 2010 – decrease of $295,577). Included in the value of convertible debentures is $299,390 (December 31, 2010 - $685,677) which is the value of the conversion features at June 30, 2011.The trend of the Company is expected to be consistent with the current period. The fair value of these investments will depend on several factors including market conditions and the impact on net income is difficult to predict.

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 decrease in net income, due to a decrease in their fair value, at June 30, 2011 of $361,749 (June 30, 2010 – increase of $92,128).

As at December 31, 2010 the Company held approximately of 42.5% of the outstanding shares in GDV Resources Inc. ("GDV"). During the first quarter of 2011 the Company completed a shares-for-debt transaction with GDV whereby the Company received 1,500,000 common shares of GDV to cancel debt of $75,000. Subsequent to this transaction the Company's ownership increased to 49.9%. As a result, the Company has determined that it exercises significant influence over GDV and therefore accounts for this investment using the equity method. The Company's share of earnings or losses is reported in income. For the period ended June 30, 2011 the Company recorded a loss of $31,700 (2010 - $12,048) relating to this investment.

In the second quarter of 2011 the Company settled a US294,761 note payable plus accrued interest for a payment of US$250,000 recording a gain on settlement of CDN$87,799.

Other revenue consisted of management fees in the amount of $6,530 (2010 - $16,219) and consulting fees in the amount of $Nil (2010 - $10,500).

Expenses

Total expenses for the period were $1,421,072 as compared to $896,409 for the same period in 2010.

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. The Company recorded a foreign exchange gain of $99,920 for the period as compared to a gain of $11,748 in 2010. The gain during the period is partially offset by the decline in the value of its US investment properties which is included in write-down of investment properties.

Overhead including office and general expenses and filing and listing fees increased to $106,946 during the first six months of 2010 as compared to $64,407 for the corresponding period in 2010. This trend is expected to continue in 2011. Management and consulting fees increased 5% from 2010 to 2011. Management's annual incentive plan is based on realized profits. As the Company did not meet its targets in the periods ended June 30, 2011 or 2010, no annual incentive plan cash awards were recorded. Travel and promotion expenses increased from $54,725 to $60,363 in 2011 as a result of increased promotional activities during the period. The future trend is expected to be consistent with the current period. Audit and legal fees increased from $45,408 to $91,711 partly due to increased legal and audit costs associated with recently formed subsidiaries. The future trend is expected to be consistent with the current period. Rent increased from $42,802 to $47,123 in 2011. The future is expected to be consistent with the current period. Interest expense decreased from $14,419 to $7,552 in 2011. Interest expense relates mainly to a 7% note on a property acquired in March, 2009. The note was settled in the second quarter of 2011 and as a result 2011 interest expense is expected to decrease in future periods. The Company also recorded $19,141 (2010 – $16,959) in property taxes during the period as a result of investment property acquired in 2010. The Company plans to dispose of these investment properties in 2011 and 2012. Property tax increases or decreases will be based on the timing of future dispositions and acquisitions.

For the period ended June 30, 2011 the Company recorded an impairment loss of $234,759 (2010 - $Nil) as a result of a decline in the fair value of certain investment properties. The write-down of investment properties relates to property that was acquired as settlement for bridge loans outstanding in 2009. A portion of the value of the investment property was permanently impaired and the Company wrote the costs down to their market value as at June 30, 2011. The future trend will depend upon real estate market conditions in the United States. The Company also recorded a provision for loan losses in the amount of $436,886 (2010 - $146,667) relating to loans that were past due or non-performing. Included in the provision for loan losses is a recovery of $34,047 from prior period provisions.

Operating Results for the Three Months ended June 30, 2011

Revenues

Total revenue for the quarter ended June 30, 2011 was $276,896 compared to $232,773 for the same period in 2010.

Interest and dividend income increased from $133,994 to $660,225 in 2011 as a result of a non-recurring distribution from one of the Company's private company investments. The expected trend is for interest and dividend income is to be consistent with prior periods. Structuring fees and bonuses increased from $73,665 to $114,124 in 2011. 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 expected trend is for structuring fees to be consistent with the current period.

Sales of investments and securities have resulted in Global Capital recording a realized loss of $13,593 for the period as compared to a realized gain of $209,182 for the same period in 2010. The amount includes a loss of $15,402 from available for sale investments and a gain of $1,809 from the sale of fair value through profit or loss investments (2010 – Gain of $39,580 from available for sale investments and $169,802 from fair value through profit or loss investments).

In September, 2010 the Company acted as the lead lender on a convertible debenture in Bison Gold Resources Inc. in the amount of $350,000. The Company's portion of the loan was $200,000. Using the Black-Scholes pricing model with an expected remaining life of 1.00 year, a risk-free interest rate of 1.50% and a volatility of 124%, the $200,000 was allocated $95,267 to the debenture and $104,733 to the conversion feature. At June 30, 2011 the Company determined that the fair market value of the conversion feature was $120,825. The fair market value was estimated using an expected remaining life of 0.23 years, a risk-free interest rate of 1.50% and a volatility of 124%. For the quarter ended June 30, 2011 the Company recorded as accretion income $26,512 with respect to this debenture.

In January, 2011 the Company acted as the lead lender on a second convertible debenture in Bison Gold Resources Inc. in the amount of $400,000. The Company's portion of the loan was $320,000. Using the Black-Scholes pricing model with an expected remaining life of 1.00 year, a risk-free interest rate of 1.50% and a volatility of 124%, the $320,000 was allocated $102,035 to the debenture and $217,965 to the conversion feature. At June 30, 2011 the Company determined that the fair market value of the conversion feature was $178,565. The fair market value was estimated using an expected remaining life of 0.55 years, a risk-free interest rate of 1.50% and a volatility of 124%. For the quarter ended June 30, 2011 the Company recorded as accretion income $40,831 with respect to this debenture.

As the conversion features of the convertible debentures are derivative instruments, the change in their fair value resulted in an decrease in net income, due to a decrease in their fair value, for the quarter ended June 30, 2011 of $111,883 (June 30, 2010 – decrease of $232,363). Included in the value of convertible debentures is $299,390 (December 31, 2010 - $685,677) which is the value of the conversion features at June 30, 2011.The trend of the Company is expected to be consistent with the current period. The fair value of these investments will depend on several factors including market conditions and the impact on net income is difficult to predict.

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 decrease in net income, due to a decrease in their fair value, at June 30, 2011 of $501,525 (June 30, 2010 – increase of $4,963).

As at December 31, 2010 the Company held approximately of 42.5% of the outstanding shares in GDV Resources Inc. ("GDV"). During the first quarter of 2011 the Company completed a shares-for-debt transaction with GDV whereby the Company received 1,500,000 common shares of GDV to cancel debt of $75,000. Subsequent to this transaction the Company's ownership increased to 49.9%. As a result, the Company has determined that it exercises significant influence over GDV 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, 2011 the Company recorded a loss of $16,619 (2010 - $12,048) relating to this investment.

In the second quarter of 2011 the Company settled a US294,761 note payable plus accrued interest for a payment of US$250,000 recording a gain on settlement of $87,799.

Other revenue consisted of management fees in the amount of $2,748 (2010 - $13,191) and consulting fees in the amount of $Nil (2010 - $10,500).

Expenses

Total expenses for the period were $884,034 as compared to $620,567 for the same period in 2010.

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. The Company recorded a foreign exchange gain of $35,209 for the period as compared to a loss of $55,176 for the same period in 2010. The gain during the period is partially offset by the decline in the value of its US investment properties which is included in write-down of investment properties.

Overhead including office and general expenses and filing and listing fees increased to $53,608 during the quarter as compared to $37,537 for the corresponding period in 2010. This trend is expected to continue in 2011. Management and consulting fees increased 9% from 2010 to 2011. Management's annual incentive plan is based on realized profits. As the Company did not meet its targets in the periods ended June 30, 2011 or 2010, no annual incentive plan cash awards were recorded. Travel and promotion expenses decreased from $39,748 to $30,674 in 2011. The future trend is expected to be consistent with the current period. Audit and legal fees increased from $23,219 to $41,271 partly due to increased legal and audit costs associated with recently formed subsidiaries. The future trend is expected to be consistent with the current period. Rent increased from $21,401 to $23,558 in 2011. The future is expected to be consistent with the current period. Interest expense decreased from $6,805 to $1,277 in the second quarter of 2011. Interest expense relates mainly to a 7% note on a property acquired in March, 2009. The note was settled in the second quarter of 2011 and as a result 2011 interest expense is expected to decrease in future periods. The Company also recorded $9,484 (2010 – $10,638) in property taxes during the period as a result of investment property acquired in 2010. The Company plans to dispose of these investment properties in 2011 and 2012. Property tax increases or decreases will be based on the timing of future dispositions and acquisitions.

For the quarter ended June 30, 2011 the Company recorded an impairment loss of $54,318 (2010 - $Nil) as a result of a decline in the fair value of certain investment properties. The write-down of investment properties relates to property that was acquired as settlement for bridge loans outstanding in 2009. A portion of the value of the investment property was permanently impaired and the Company wrote the costs down to their market value as at June 30, 2011. The future trend will depend upon real estate market conditions in the United States. The Company also recorded a provision for loan losses in the amount of $436,886 (2010

- $146,667) relating to loans that were past due or non-performing. Included in the provision for loan losses is a recovery of $34,047 from prior period provisions.

Liquidity

As at June 30, 2011, Global Capital had $2,878,009 in cash and short-term investments. The Company had $3,613,314 in notes receivable, bridge loans and convertible debentures due within one year. The Company does not have any bank indebtedness. In managements' 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

On July 20th, the Company announced it has entered into a joint venture called TGC Acquisition Corp. with Rossmore and Partners Investments Corp. ("Rossmore"), under which the parties have completed the acquisition of DDR Landscaping Contractors Ltd. ("DDR") for a purchase price of $2.5-million. The Company and Rossmore will have an equal interest in the joint venture. The Company has provided a $1-million non-interest-bearing demand promissory note to the joint venture company to finance the acquisition. Rossmore provided an additional $500,000 and the sellers have provided a $1-million vendor take back for the balance of the purchase price. The promissory note to TGC is guaranteed by DDR. Based in Oakville, DDR is a commercial site contractor in the Ontario region.

Off-balance Sheet Arrangements

In September 2006, the Company began a forward contract hedging program with a Canadian banking institution. As at June 30, 2011 the Company had purchased for settlement from its banker, forward contracts to sell US$750,000 at $0.9525 maturing July 5, 2011, US$1,000,000 at $0.9838 maturing July 18, 2011, US$500,000 at $0.9766 maturing August 15, 2011 and US$300,000 at $0.9802 maturing August 31, 2011. 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 $632,210 (December 31, 2010 - $1,008,254) and balances due from companies with a former common director with a carrying value of $359,567 (December 31, 2010 - $Nil). Notes receivable, bridge loans and convertible debentures include a note due from a director which had an original value of US$500,000 and was fully allowed for in fiscal 2009. The Company and the Director are currently in the process of negotiating a payment plan. The Company often syndicates a portion of its bridge loans and convertible debentures to other co-lenders. During the six month period ended June 30, 2011 co-lenders invested $2,677,650 (June 30, 2010 - $255,722) into bridge loans and convertible debentures structured by the Company. Of the total syndicated amount, $558,608 (June 30, 2010 - $169,639) was provided by GC-Global Capital Lending Partners Limited Partnership (the "Partnership") and $4,042 (June 30, 2010 - $86,082) was provided by officers and directors of the Company. Portfolio investments include $1,142,845 (December 31, 2010 - $1,033,450) of shares and warrants of companies and partnerships having a current director or officer in common with the Company and $42,127 (December 31, 2010 - $Nil) of shares of companies having a former common director 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 $136,323 (December 31, 2010 - $243,396). These amounts are subject to normal creditor terms. During the first quarter of 2011 the Company completed a shares-for-debt transaction with GDV Resources Inc., whereby the Company received 1,500,000 common shares of GDV Resources Inc. to cancel debt of $75,000. 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 $37,883 (June 30, 2010 - $47,493) and $25,656 (June 30, 2010 - $Nil) to entities with former common directors with the Company. Interest receivable includes interest earned on loans to entities with directors and officers in common with the Company, in the amount of $5,129 (December 31, 2010 - $20,186) and interest owed on loans to entities with former common directors in the amount of $4,252 (December 31, 2010 - $Nil). Structuring fees revenue includes $21,508 (June 30, 2010 - $16,424) 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 $316,360 (June 30, 2010 - $187,424) paid to companies controlled by current directors and officers of the Company, $Nil (June 30, 2010 - $27,301) paid to a company with common officers and directors and $64,975 (June 30, 2010 - $60,376) paid to a relative of a director of the Company.

The Company is the parent company of the general partner of GC-Global Capital Lending Partners Limited Partnership. The general partner is entitled to a management fee equal to 2% per annum of the net asset value of the Partnership portfolio as well as a performance fee based on the profitability of the Partnership. In the period ended June 30, 2011, the Company earned management and performance fees from the Partnership of $6,530 (June 30, 2010 - $16,219). The Company was also reimbursed by the Partnership for accounting and legal fees provided in the amount of $5,650 (June 30, 2010 - $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.

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the period was as follows:

	June 30, 2011	June 30, 2010
Salaries and benefits	334,312	263,506

Proposed Transactions

There were no proposed transactions as at the date of the Company's interim financial statements.

Critical Accounting Estimates

The preparation of these consolidated condensed interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated condensed financial statements and the reported amount of revenues and expenses during the period. Financial statement items subject to significant management judgment include:

- Provision for loan losses – Management exercises judgement to determine whether indicators of loan impairment exist, and if so, management must estimate the timing and amount of future cash flows from loans receivable.
- Stock-based compensation – Inputs to the Black-Scholes option pricing model require estimates of option forfeiture rates and future share price volatility.
- Valuation of deferred income tax assets – The valuation of deferred income tax assets requires judgement on their recoverability. Such judgements are made based on management's estimate on the timing and amount of the Company's future taxable earnings.
- Valuation of warrants and convertible debentures – Inputs to the Black-Scholes option pricing model require estimates of future share price volatility.
- Impairment of assets – Management exercises judgement to determine whether indicators of impairment exist, and if so, management must estimate the timing and amount of future cash flows from sales.

While management believes that the estimates and assumptions are reasonable, actual results may differ materially from those estimates.

Changes in Accounting Policies

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that IFRS will replace Canadian generally accepted accounting principles in 2011 for Canadian publicly-listed companies. The Company's unaudited consolidated condensed financial statements for the three months ended March 31, 2011 represent the initial presentation of results and financial position under IFRS. The accompanying financial statements are prepared using the same accounting policies that the Company expects to apply in its first annual IFRS consolidated financial statements for the year ending December 31, 2011.

Adoption of International Financial Reporting Standards

The accompanying consolidated condensed interim financial statements for the six months ended June 30, 2011 have been prepared to reflect the Company's adoption of International Financial Reporting Standards ("IFRS"), with effect from January 1, 2010. Periods prior to January 1, 2010 have not been restated. The financial statements subsequent to this report will be prepared in accordance with IFRS. Prior to adopting IFRS, the Company reported its financial results using Canadian generally accepted accounting principles ("GAAP").

Note 24 of the Company's interim financial statements contains a description of the transition to IFRS, including a line-by-line reconciliation of the financial statements previously prepared under GAAP to those under IFRS for the three and six months ended June 30, 2010.

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. The Company notes that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that have been selected. In particular, there may be additional new or revised IFRSs or IFRICs in relation to consolidation, joint ventures, financial assets, hedge accounting, discontinued operations, leases, employee benefits and revenue recognition. The Company has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

Financial Assets

Financial assets must be classified into one of four categories: fair value through profit or loss, held-to-maturity, loans and receivables and available for sale; financial liabilities must be classified into one of two categories: fair value through profit or loss and other financial liabilities. All derivative instruments, including those that are embedded in, but not closely related to, another contract must be classified as fair value through profit or loss with changes in their fair value reported in net income for the period. All financial assets, 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: fair value through profit or loss 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 fair value through profit or loss. 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 condensed balance sheets at fair value. Fair value is determined directly by reference to quoted market prices in active markets. In instances where securities are escrowed or subject to restrictions on sale or transfer, the securities are recorded at amounts discounted from market value to a maximum of 20%. In determining the discount for such investments, the Company considers the nature and length of the restriction.

Portfolio investments in private companies have been designated as available for sale. If a market for an investment is not active, the Company establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. If there is no active market for a portfolio investment and the range of reasonable fair values is significant and the probabilities of the various estimates cannot be made reliably, then the Company measures the portfolio investment at cost less impairment.

The Company has classified its convertible debentures 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 fair value through profit or loss, and as a result is recorded at fair value. As the expected repayment date is approached the value of the debenture is accreted to its face value. In addition, warrants of other companies, which are included in portfolio investments, are classified as fair value through profit or loss. 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 fair value through profit or loss.

Financial assets measured at fair value must be classified into one of the three hierarchy levels set forth below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2: Valuation models which utilize predominately observable market inputs.
- Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial asset in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. Additional disclosure relating to the liquidity risk associated with financial assets is disclosed below.

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 assets will significantly fluctuate due to changes in market prices. The value of the financial assets 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, the Company is required to mark to market its fair value through profit or loss 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, 2011, Global Capital had $2,878,009 in cash and short-term investments. The Company had $3,613,314 in notes receivable, bridge loans and convertible debentures due within one year. The Company does not have any bank indebtedness. In managements' 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, 2011 the Company had purchased for settlement from its banker, forward contracts to sell US$750,000 at $0.9525 maturing July 5, 2011, US$1,000,000 at $0.9838 maturing July 18, 2011, US$500,000 at $0.9766 maturing August 15, 2011 and US$300,000 at $0.9802 maturing August 31, 2011. 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

On June 6, 2011, the Company's 56.5% controlled subsidiary Somersby Park 2010 Limited Partnership paid out $2,119 of its 2010 income distribution to its non-controlling limited partners.

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	17,685,113
Multiple Voting Shares	1,035,719
	18,720,832

Outstanding Options

Type	Amount Outstanding	Exercise Price	Expiry Date
Stock option	120,000	$1.15	September 11, 2012
Stock option	1,310,000	$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.

Consolidated Condensed Interim Financial Statements (Unaudited)

June 30, 2011 and 2010

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

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

Toronto, Ontario
August 26, 2011

	June 30 2011 $	December 31 2010 $
Assets		
Cash	2,575,956	3,329,029
Short-term investments (note 5)	302,053	301,235
Accounts receivable and sundry assets (note 17)	305,091	420,152
Prepaid expenses	23,300	12,320
Interest and dividends receivable (note 17)	34,242	55,865
Bridge loans, notes receivable and letters of credit (notes 6 & 17)	4,301,280	2,659,279
Convertible debentures (notes 6 &17)	632,210	1,227,371
Portfolio investments (notes 5 & 17)	4,179,173	5,875,722
Investment in associated company (note 8)	119,551	76,251
Investment properties (note 9)	2,284,240	2,519,000
Property and equipment (note 10)	43,007	43,043
Deferred income taxes	600,000	600,000
	15,400,103	17,119,267
Liabilities		
Accounts payable and accrued liabilities	199,767	539,260
Note payable (note 11)	-	293,169
Customer advances and deferred revenue	91,754	134,619
	291,521	967,048
Shareholders' equity		
Share capital (note 12)	16,901,223	17,326,516
Contributed surplus (note 12)	4,185,590	3,991,959
Accumulated other comprehensive income	13,257	578,039
Deficit	(6,497,835)	(6,266,010)
Total GC-Global Capital Corp. Shareholder's Equity	14,602,235	15,630,504
Non-controlling interest	506,347	521,715
Total Equity	15,108,582	16,152,219
	15,400,103	17,119,267

Commitments, contingencies and subsequent events (notes 20, 21 & 22)

On Behalf of the Board

"Jason Ewart" ______________________ Director

"William Atkinson" ______________________ Director

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

GC-Global Capital Corp.
Consolidated Condensed Interim Statements of Changes in Equity (unaudited)
For the six months ended June 30, 2011 and 2010

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Non-controlling Interest	Total
	$	$	$	$	$	$
Balance, January 1, 2010	17,978,236	3,726,026	(6,219,259)	612,515	-	16,097,518
Net income	-	-	28,869	-	-	28,869
Issuance of partnership units	-	-	-	-	519,137	519,137
Loss attributable to non-controlling interests	-	-	-	-	(1,928)	(1,928)
Purchase of treasury shares	(198,840)	78,740	-	-	-	(120,100)
Unrealized losses on available for sale financial assets	-	-	-	(101,226)	-	(101,226)
Reclassification adjustment for permanent impairment recognized in net income				33,000		33,000
Reclassification adjustment for realized (gains) recognized in net income	-	-	-	(185,949)	-	(185,949)
Balance, June 30, 2010	17,779,396	3,804,766	(6,190,391)	358,340	517,209	16,269,320
Balance, January 1, 2011	17,326,516	3,991,959	(6,266,010)	578,039	521,715	16,152,219
Net loss	-	-	(229,706)	-	-	(229,706)
Loss attributable to non-controlling interests	-	-	-	-	(15,368)	(15,368)
Purchase of treasury shares	(425,293)	193,631	-	-	-	(231,662)
Dividends (note 16)	-	-	(2,119)	-	-	(2,119)
Unrealized losses on available for sale financial assets	-	-	-	(439,521)	-	(439,521)
Reclassification adjustment for realized (gains) recognized in net income	-	-	-	(125,261)	-	(125,261)
Balance, June 30, 2011	16,901,223	4,185,590	(6,497,835)	13,257	506,347	15,108,581

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

GC-Global Capital Corp.

Consolidated Condensed Interim Statements of Comprehensive Income (unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2011 $	2010 $	2011 $	2010 $
Revenue				
Structuring fees and bonuses (note 17)	114,124	73,665	190,072	199,448
Interest and dividend income (note 17)	660,225	133,994	795,789	304,776
Management fees (note 17)	2,748	13,191	6,530	16,219
Accretion of convertible debentures (note 6)	67,343	67,868	127,855	97,236
Gain on sale of fair value through profit or loss portfolio investments	1,809	169,602	546,791	268,430
Gain (loss) on sale of portfolio investments available for sale	(15,402)	39,580	125,538	229,725
Gain on settlement of note (note 11)	87,799	-	87,799	-
Equity loss in significantly influenced company (note 8)	(16,619)	(12,048)	(31,700)	(12,048)
Consulting fees	-	10,500	-	10,500
Unrealized loss on fair value through profit or loss investments (notes 5 and 6)	(625,131)	(263,579)	(672,676)	(180,102)
	276,896	232,773	1,175,998	934,184
Expenses				
Management and consulting fees (note 17)	264,771	243,608	510,190	484,289
Filing and listing fees	18,689	11,254	38,199	22,438
Audit and legal fees	41,271	23,219	91,711	45,408
Office and general	34,919	26,283	68,747	41,969
Travel and promotion (note 17)	30,674	39,748	60,363	54,725
Rent	23,558	21,401	47,123	42,802
Property tax	9,484	10,638	19,141	16,959
Interest	1,277	6,805	7,552	14,419
Amortization	3,396	2,768	6,321	5,481
Provision for loan losses, net of recoveries	436,886	146,667	436,886	146,667
Permanent impairment write-down on portfolio investments available for sale (note 5)	-	33,000	-	33,000
Write-down of investment properties (note 9)	54,318	-	234,759	-
Foreign exchange (gain)	(35,209)	55,176	(99,920)	(11,748)
	884,034	620,567	1,421,072	896,409
Income (loss) before the following	(607,138)	(387,794)	(245,074)	37,775
Non-controlling interest	7,189	1,928	15,368	1,928
Income (loss) before income tax	(599,949)	(385,866)	(229,706)	39,703
Income taxes provision				
Current	-	10,990	-	10,834
	-	10,990	-	10,834
Net income (loss) for the period	(599,949)	(396,856)	(229,706)	28,869
Other comprehensive loss				
Unrealized losses on available for sale financial assets	(503,257)	(112,745)	(439,521)	(101,226)
Reclassification adjustment for permanent impairment recognized in net income	-	33,000	-	33,000
Reclassification adjustment for unrealized gains recognized in net income	(31,517)	(26,554)	(125,261)	(185,949)
Net comprehensive loss	(1,134,723)	(503,155)	(794,488)	(225,305)
Net income (loss) per share – basic and diluted (note 14)	(0.03)	(0.02)	(0.01)	0.00
Weighted average number of shares outstanding - basic	18,792,629	19,890,394	18,955,296	19,911,711
Weighted average number of shares outstanding - diluted	18,792,629	19,943,086	18,955,296	20,039,550

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

GC-Global Capital Corp.
Consolidated Condensed Interim Statements of Cash Flows (unaudited)
For the six months ended June 30, 2011 and 2010

	2011	2010
Operating activities		
Net income (loss) for the period	$ (229,706)	$ 28,869
Items not affecting cash:		
Gain on sale of fair value through profit or loss portfolio investments	(546,791)	(268,430)
Gain on sale of portfolio investments available for sale	(125,538)	(229,725)
Gain on settlement of note	(87,799)	-
Accretion of convertible debentures	(127,855)	(97,236)
Unrealized loss on fair value through profit or loss investments	672,676	180,102
Equity loss in significantly influenced company	31,700	12,048
Non-controlling interest	(15,368)	(1,928)
Non cash structuring fees and bonuses received as shares	(142,389)	(158,484)
Amortization	6,321	5,481
Provision for loan losses, net of recoveries	436,886	146,667
Permanent impairment write-down on portfolio investments available for sale	-	33,000
Write-down on investment properties	234,759	-
	106,896	(349,636)
Net changes in non-cash working capital balances (note 15)	(213,788)	(272,644)
	(106,892)	(622,280)
Investing activities		
Issuance of notes receivable, bridge loans and convertible debentures	(3,955,116)	(834,389)
Repayment of notes receivable, bridge loans and convertible debentures	1,645,000	3,847,681
Purchase of portfolio investments	(7,571,589)	(82,800)
Proceeds from sale of portfolio investments	9,715,215	995,381
Purchase of investment property	-	(716,101)
Additions to property and equipment	(6,285)	664
	(172,775)	3,210,416
Financing activities		
Repayment of note payable	(239,625)	-
Dividends	(2,119)	-
Purchase of treasury shares	(231,662)	(120,100)
	(473,406)	(120,100)
Increase (decrease) in cash	(753,073)	2,468,037
Cash, beginning of period	3,329,029	1,889,181
Cash, end of period	$ 2,575,956	$ 4,357,218

Supplemental cash flow information (note 15)

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

GC-Global Capital Corp. is a publicly traded company incorporated and domiciled in Canada. The Company's registered office is as follows: 1400-55 York Street, Toronto, ON M5J 1R7. The Company's subordinate voting shares are listed on the TSX Venture Exchange ("TSXV") under the symbol GDE.A.

2. Basis of Presentation

Statement of Compliance

These consolidated condensed interim financial statements, including comparative periods, have been prepared using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared in accordance with IFRS applicable to the presentation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting ("IAS 34") and with IFRS 1, First-Time Adoption of IFRS. The accounting policies followed in these financial statements are the same as those applied in the Company's interim financial position for the period ended March 31, 2011. As these financial statements are prepared using IFRS, certain disclosures, and the recognition and measurement of certain balances and transactions may differ from the financial statements previously reported under Canadian generally accepted accounting principles ("Canadian GAAP").

Reconciliations from Canadian GAAP to IFRS for certain comparative periods, with explanations for significant differences, are included in Note 24. These financial statements should be read in conjunction with the Company's 2010 audited annual consolidated condensed statements and the Company's interim financial statements for the quarter ended March 31, 2011.

These financial statements are prepared using IFRSs in effect at August 26, 2011, the date of the Board of Directors approving the financial statements. Significant accounting policies used in the preparation of the financial statements are described in Note 3. However, as new IFRS pronouncements and interpretations are issued by the IASB, the actual accounting standards and policies adopted as at December 31, 2011 may differ from those used therein.

3. Summary of Significant Accounting Policies

These consolidated condensed interim financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant for the Company.

Basis of Consolidation

The accompanying consolidated condensed interim financial statements 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 subsidiaries Somersby Park 2010 General Partner Inc. and 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") and its 51% controlled subsidiary Robith, LLC. All significant intercompany transactions and balances have been eliminated.

3. Summary of Significant Accounting Policies - continued

Use of Estimates

The preparation of these consolidated condensed interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated condensed financial statements and the reported amount of revenues and expenses during the period. Financial statement items subject to significant management judgment include:

- Provision for loan losses – Management exercises judgement to determine whether indicators of loan impairment exist, and if so, management must estimate the timing and amount of future cash flows from loans receivable.

- Stock-based compensation – Inputs to the Black-Scholes option pricing model require estimates of option forfeiture rates and future share price volatility.

- Valuation of deferred income tax assets – The valuation of deferred income tax assets requires judgement on their recoverability. Such judgements are made based on management's estimate on the timing and amount of the Company's future taxable earnings.

- Valuation of warrants and convertible debentures – Inputs to the Black-Scholes option pricing model require estimates of future share price volatility.

- Impairment of assets – Management exercises judgement to determine whether indicators of impairment exist, and if so, management must estimate the timing and amount of future cash flows from sales.

While management believes that the estimates and assumptions are reasonable, actual results may differ materially from those estimates.

Provisions

The Company recognizes provisions, typically for asset retirement obligations and employee benefits, when a legal or constructive obligation exists as a result of past events, when it is probable that there will be an outflow of economic benefits from the entity, and a reliable estimate of the amount of the obligation can be made. When a provision is expected to settle beyond the immediate term, the provision is measured at the present value of future cash flows, discounted at prevailing market interest rates. With the passage of time, additional expenses are recorded as the provision accretes.

Cash and Cash Equivalents

For the purpose of the consolidated condensed interim statement of cash flows, cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments with original maturity dates of three months or less.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These include accounts receivable and loans receivable.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment.

Loans receivable are recorded at amortized cost, net of specific loan loss provisions.

3. Summary of Significant Accounting Policies - continued

Impairment of Loans and Provision for Loan Losses

Loans are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the loan, the estimated future cash flows of the loan have been affected. Objective evidence of impairment of a loan could include: significant financial difficulty of the borrower, breach of contract, such as a default or delinquency in interest or principal payments; or it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

Specific Provision for Loan Losses

At a minimum of each reporting period, management assesses whether there are indicators that loan loss provisions are required for each loan in the Company's loan portfolio based on economic and market trends, the impairment status of loans, market value of the asset, and appraisals, if any, of the security underlying loans receivable. If these factors indicate that the carrying value of loans may not be recoverable, or the repayment of contractual amounts due may be delayed, management compares the carrying value of the affected loans with the discounted present value of their estimated future cash flows. To the extent that discounted estimated future cash flows are less than the loan carrying value, a specific loan loss provision is recorded. Any subsequent recognition of interest income on a loan for which a specific loan loss provision exists is calculated at the discount rate used in determining the provision, which may differ from the contracted loan interest rate.

Should the cash flow assumptions used to determine the original loan loss provision change, the loan loss provision may be reversed. A loan loss provision is reversed only to the extent that the revised carrying value of the loan does not exceed its amortized cost that would have been recorded had no loan loss provision been recognized.

Non-recourse Syndication of Loans

At times the Company may enter into syndication agreements whereby investors take part in its bridge loan financings. Loans are recorded in loans receivable on a net presentation basis. Interest earned by investors is netted against interest income.

Investment Properties

The Company currently owns six investment properties which are measured using the cost model. After initial recognition, the properties are recorded at cost less accumulated impairment losses. The carrying values of the properties are reviewed on a regular basis. When the net carrying amount of a property exceeds its net recoverable amount, an impairment loss is charged to income. The fair value of each property at the end of the reporting period is disclosed in note 9. To determine fair value, the properties are compared to current prices in an active market for similar properties in the same location and condition and subject to similar contracts. In the absence of such information, the Company may consider current prices of properties of a different nature or in less active markets with adjustments to reflect changes in economic conditions. If the fair value of the property cannot be reasonably determined using the above criteria, the fair value of the property is assumed to be equal to its cost less accumulated impairment losses.

Investment in Associated Company

Investments in an associated company over which the Company has significant influence, but does not control, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received from the investment. The Company's share of net income or losses of such investments is included in the consolidated condensed statements of income.

3. Summary of Significant Accounting Policies - continued

Revenue Recognition

Interest income is recorded on an accrual basis using the effective interest method. Under the effective interest rate method, the interest rate realized is not necessarily the same as the stated loan interest rate. When a loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new loan circumstances. These revised cash flows are discounted using the original effective interest rate to determine the impaired carrying value of the loan. Interest income is thereafter recognized on this impaired carrying value using the effective interest rate. Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of prior loan losses, which would also impact the amount of subsequent interest income recognized. Loan commitment, origination, structuring fees and bonuses are recorded as income over the life of the loan. Interest and fees collected in advance are recorded as deferred revenue and recognized in income as set out above.

Trading revenue and sale of investments are recognized on a settlement basis.

Management and consulting fees are recognized over the period in which the services are provided.

Property and Equipment

Property and equipment are stated at cost less accumulated amortization, and are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30%	declining balance
Furniture & equipment	30%	declining balance
Leasehold improvements	30%	declining balance

Impairment of Property and Equipment

The Company assesses, each reporting period, whether there are any indicators that the carrying value of property and equipment may exceed their fair values. Such indicators may include, but are not limited to declines in market prices, changes in use of the assets, or deterioration of asset condition. If such indicators are identified, the Company determines the fair value of property and equipment based on the estimated future discounted cash flows generated by the assets, including disposals. In estimating future cash flows, the Company considers operating plans, market conditions, appraisal values and management's best estimate of the most probable set of conditions to occur. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is determined as the higher of the fair value less costs to sell the asset or cash-generating unit ("CGU") and its value in use. This is determined for an individual asset unless the asset does not generate cash flows that are largely independent of those from other assets or group of assets. If this is the case, individual assets are grouped together into CGU's for impairment purposes. Such CGU's represent the lowest level for which there are separately identifiable cash flows from other assets or asset groups. An impairment loss equal to the excess amount of asset carrying values over their fair value is recognized in the period in which the impairment has occurred.

Customer Advances and Deferred Revenue

Customer advances and deferred revenue comprise prepaid interest on loans and unearned structuring fees and bonuses. These amounts are recognized as income on a straight-line basis over the term of the related loan.

3. Summary of Significant Accounting Policies - continued

Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in net income of the period.

Assets and liabilities of integrated foreign subsidiary operations are translated into Canadian dollars at exchange rates prevailing at the transaction date for non-monetary items and at the rate in effect at the statement of financial position date for monetary items. Revenues and expenses are converted at the average exchange rate for the year. Gains or losses on translation are reflected in net income of the period.

Income Taxes

Income tax expense comprises current and deferred components.

Current income tax expense is the expected tax payable for the current year's taxable income based on rates enacted or substantively enacted at the period end and any adjustments to previous estimates.

Deferred income taxes are calculated using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in expected future tax rates is recognized in net (loss) income in the period that includes the date of substantive enactment of the revised tax rates. Deferred tax assets are recognized to the extent that it is probable that they will be realized.

Stock-Based Compensation Plan

The Company grants stock options to employees, officers and directors. The board of directors grant such options with lives up to 5 years, with vesting periods determined at its discretion and at exercise prices equal to or greater than the Company's closing common share price on the date preceding that of the grant date.

The Company determines the fair value of options granted using the Black-Scholes option pricing model. The fair value of options granted incorporates an assumption for expected option forfeitures and is determined on the grant date. The fair value of options on each vesting date is recognized as stock-based compensation expense over the vesting period.

3. Summary of Significant Accounting Policies - continued

Financial Assets

Financial assets must be classified into one of four categories: fair value through profit or loss, held-to-maturity, loans and receivables and available for sale; financial liabilities must be classified into one of two categories: fair value through profit or loss and other financial liabilities. All derivative instruments, including those that are embedded in, but not closely related to, another contract must be classified as fair value through profit or loss with changes in their fair value reported in net income for the period. All financial assets, 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: fair value through profit or loss 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 fair value through profit or loss. 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 condensed statements of financial position at fair value. Fair value is determined directly by reference to quoted market prices in active markets. In instances where securities are escrowed or subject to restrictions on sale or transfer, the securities are recorded at amounts discounted from market value to a maximum of 20%. In determining the discount for such investments, the Company considers the nature and length of the restriction.

Portfolio investments in private companies have been designated as available for sale. If a market for an investment is not active, the Company establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. If there is no active market for a portfolio investment and the range of reasonable fair values is significant and the probabilities of the various estimates cannot be made reliably, then the Company measures the portfolio investment at cost less impairment.

The Company has classified its convertible debentures 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 fair value through profit or loss, and as a result is recorded at fair value. As the expected repayment date is approached the value of the debenture is accreted to its face value. In addition, warrants of other companies, which are included in portfolio investments, are classified as fair value through profit or loss. 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 fair value through profit or loss.

Financial assets measured at fair value must be classified into one of the three hierarchy levels set forth below for disclosure purposes (note 7). Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2: Valuation models which utilize predominately observable market inputs.
- Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial asset in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. Additional disclosure relating to the liquidity risk associated with financial assets is included in note 19.

3. Summary of Significant Accounting Policies - continued

Earnings (loss) per Share

Basic earnings (loss) per share are calculated using the weighted average number of multiple and subordinate voting shares outstanding during the period.

Diluted earnings per share is calculated by dividing net earnings available to shareholders for the period by the diluted weighted average number of multiple and subordinate shares outstanding during the period. The diluted weighted average number of shares includes the potential dilution from shares issuable through stock options, if dilutive, using the treasury stock method. The treasury stock method assumes that the proceeds from any shares issued on the exercise of stock options are used by the Company to repurchase and cancel shares at the average market price of the Company's share price for the period. As such, where the strike price of stock options exceeds the average market price of the Company's shares for the reporting period, the inclusion of these shares under the treasury stock method would be anti-dilutive, so these shares are excluded from the calculation of the weighted average number of diluted shares outstanding.

In periods that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

Operating Leases

Leases in which substantially all of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments made under operating leases are charged to the consolidated condensed statement of (loss) income on a straight-line basis over the period of the lease.

4. New and Revised IFRS'S in Issue but Not Yet Effective

A number of new standards and issued amendments to standards and interpretations are not yet effective for the year ending December 31, 2011, and have not been applied when preparing these consolidated condensed interim financial statements. Management is currently assessing the impact of these standards and amendments on its financial statements.

IFRS 7 – Financial Instruments: Disclosure

The Accounting Standards Board ["AcSB"] approved the incorporation of the IASB's amendments to IFRS 7 Financial Instruments: Disclosures and the related amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards into Part I of the Handbook. These amendments were made to Part I in January 2011 and are effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted. The amendments relate to required disclosures for transfers of financial assets to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The Company has not fully assessed the impact of adopting IFRS 7; however, it anticipates that the impact will be limited.

IFRS 9 - Financial instruments

IFRS 9, "Financial instruments" ["IFRS 9"] was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ["IAS 39"]. IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of IFRS 9 on its results of operations and financial position.

4. New and Revised IFRS'S in Issue but Not Yet Effective - continued

IFRS 10 - Consolidated Financial Statements

IFRS 10, "Consolidated Financial Statements" (IFRS 10) was issued by the IASB on May 12, 2011 and will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidated - Special Purpose Entities. IFRS 10 incorporates a single model for consolidating all entities that are controlled and revises the definition of control to be "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee". Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and continuous reassessment as facts and circumstances change. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 10 on its results of operations and financial position.

IFRS 11 – Joint Arrangements

IFRS 11, "Joint Arrangements" (IFRS 11) was issued by the IASB on May 12, 2011 and will replace IAS31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS11 on its results of operations and financial position.

IFRS 12 – Disclosure of Interest in Other Entities

IFRS 12, Disclosure of Interest in Other Entities was issued by the IASB on May 12, 2011. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 12 on its consolidated financial statements.

IFRS 13 – Fair Value Measurement

IFRS 13, Fair Value Measurement was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated financial statements.

5. Short-term and Portfolio Investments

	June 30 2011 Carrying Value	June 30 2011 Fair Value	December 31 2010 Carrying Value	December 31 2010 Fair Value
Short-term investments (a)	$ 302,053	$ 302,053	$ 301,235	$ 301,235
Portfolio investments in publicly traded companies – available for sale (b)(d)	$ 1,417,593	$ 1,417,593	$ 2,854,039	$ 2,854,039
Portfolio investments in private companies – available for sale (b)(d)	2,324,132	2,324,132	2,189,461	2,189,461
Portfolio investments in publicly traded companies – fair value through profit or loss (b)(d)	7,955	7,955	178,489	178,489
Portfolio investments in share purchase warrants of publicly traded companies – fair value through profit or loss (c)	408,433	408,433	629,008	629,008
Foreign currency forward contracts	21,060	21,060	24,725	24,725
Portfolio investments	$ 4,179,173	$ 4,179,173	$ 5,875,722	$ 5,875,722

(a) The Company has outstanding $302,053 (December 31, 2010 - $301,235) in short-term guaranteed investment certificates 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, 2011 and December 31, 2010. Private companies are measured at fair value. If a market for an investment is not active, the Company establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. If there is no active market for a portfolio investment and the range of reasonable fair values is significant and the probabilities of the various estimates cannot be made reliably, then the Company measures the portfolio investment at cost less impairment. Portfolio investments in the amount of $1,663,572 are measured at cost less impairment as at June 30, 2011 (December 31, 2010 - $1,528,901).

5. Short-term and Portfolio Investments - continued

(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 a decrease in net income, due to a decrease in their fair value, at June 30, 2011 of $361,749 (June 30, 2010 – increase of $92,128).

(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 investee 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, 2011 the Company recorded an impairment loss of $Nil (June 30, 2010 - $33,000) with respect to its portfolio investments. Included in the impairment loss is a write-down of $Nil (June 30, 2010 - $33,000) 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, 2011		
	Due Date	Interest Rate	Gross Amount	Specific Allowance	Net Amount
Notes Receivable (i)					
Private company (US$213,288)	11/8/2012	6%	$ 205,716	$ -	$ 205,716
Individual (US$500,000) (note 17a)	12/31/2008	Nil	525,500	(525,500)	-
			731,216	(525,500)	205,716
Bridge Loans (ii)					
Knightscove Media Corp.	4/1/2011	12%	231,146	(7,007)	224,139
Knightscove Media Corp.	6/10/2011	12%	140,000	(4,572)	135,428
Synchronica PLC	8/29/2011	12%	450,000	-	450,000
Synchronica PLC	12/31/2011	12%	800,000	-	800,000
Private company (US$132,817)	On demand	5%	128,101	-	128,101
Private company	6/12/2011 to 3/13/2012	10%	1,785,000	(459,354)	1,325,646
Private company (US$500,000)	n/a	Nil	482,250	-	482,250
Private company	11/4/2011	12%	500,000	-	500,000
Individual	4/19/2010	24%	40,953	(40,953)	-
Individual	8/31/2011	12%	50,000	-	50,000
			4,607,450	(511,886)	4,095,564
Total			$ 5,338,666	$ (1,037,386)	$ 4,301,280
Convertible Debentures (iii)					
Bison Gold Resources Inc.	9/20/2011	12%	$ 289,365	$ -	$ 289,365
Bison Gold Resources Inc.	1/17/2012	12%	342,845	-	342,845
			$ 632,210	$ -	$ 632,210

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, 2010		
	Due Date	**Interest Rate**	**Gross Amount**	**Specific Allowance**	**Net Amount**
Notes Receivable (i)					
Private company	12/6/2011	12%	$ 200,000	$ -	$ 200,000
Private company (US$213,288)	11/8/2012	6%	212,136	-	212,136
Individual (US$500,000) (note 17a)	12/31/2008	Nil	525,500	(525,500)	-
			937,636	(525,500)	412,136
Bridge Loans (ii)					
Knightscove Media Corp.	6/10/2011	12%	200,000	-	200,000
MBMI Resources Inc.	7/31/2011	10%	500,000	-	500,000
MBMI Resources Inc.	10/21/2011	10%	430,000	-	430,000
Private company (US$115,467)	On demand	5%	114,843	-	114,843
Private company	2/21/2011	12%	300,000	-	300,000
Private company (US$500,000)	n/a	Nil	497,300	-	497,300
Individual	4/19/2010	24%	75,000	(75,000)	-
Individual	8/31/2011	12%	50,000	-	50,000
Individual	3/31/2011	18%	155,000	-	155,000
			2,322,143	(75,000)	2,247,143
Total			$ 3,259,779	$ (600,500)	$ 2,659,279
Convertible Debentures (iii)					
Bison Gold Resources Inc.	9/20/2011	12%	$ 253,381	$ -	$ 253,381
Knightscove Media Corp.	4/1/2011	12%	254,873	-	254,873
MBMI Resources Inc.	7/31/2011	10%	282,407	-	282,407
Royal Coal Corp.	12/31/2011	12%	436,710	-	436,710
			$ 1,227,371	$ -	$ 1,227,371

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 non-interest bearing bridge loan has no fixed date of maturity. The face value of the receivable is US$600,000 which has been discounted to US$500,000.

iii) In September, 2010 the Company acted as the lead lender on a convertible debenture in Bison Gold Resources Inc. in the amount of $350,000. The Company's portion of the loan was $200,000. Using the Black-Scholes pricing model with an expected remaining life of 1.00 year, a risk-free interest rate of 1.50% and a volatility of 124%, the $200,000 was allocated $95,267 to the debenture and $104,733 to the conversion feature. At June 30, 2011 the Company determined that the fair market value of the conversion feature was $120,825. The fair market value was estimated using an expected remaining life of 0.23 years, a risk-free interest rate of 1.50% and a volatility of 124%. For the six months ended June 30, 2011 the Company recorded as accretion income $48,853 with respect to this debenture.

In January, 2011 the Company acted as the lead lender on a second convertible debenture in Bison Gold Resources Inc. in the amount of $400,000. The Company's portion of the loan was $320,000. Using the Black-Scholes pricing model with an expected remaining life of 1.00 year, a risk-free interest rate of 1.50% and a volatility of 124%, the $320,000 was allocated $102,035 to the debenture and $217,965 to the conversion feature. At June 30, 2011 the Company determined that the fair market value of the conversion feature was $178,565. The fair market value was estimated using an expected remaining life of 0.55 years, a risk-free interest rate of 1.50% and a volatility of 124%. For the six months ended June 30, 2011 the Company recorded as accretion income $62,244 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. The convertible debenture expired on April 1, 2011. For the six months ended June 30, 2011 the Company recorded as accretion income $16,758 with respect to this debenture.

The Company received a convertible debenture in MBMI Resources Inc. in July, 2009 in the amount of $500,000. During the year ended December 31, 2010, the Company converted $272,222 of the principal into common shares. During the first quarter of 2011, the Company converted the remaining $227,778 of the principal into common shares.

In June, 2008 the Company received a convertible debenture in a private company in the amount of $750,000. On August 23, 2010 when the outstanding principal was $375,000, the private company completed a qualifying transaction and began operating as Royal Coal Corp. In the third and fourth quarter of 2010, the Company received $50,000 in principal repayments and converted $75,000 of the principal into common shares. During the first quarter of 2011, the Company converted the remaining $250,000 of the principal into common shares.

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

As the conversion features of the convertible debentures are derivative instruments, the change in their fair value resulted in an increase in net income, due to an increase in their fair value, for the six months ended June 30, 2011 of $92,754 (June 30, 2010 – decrease of $295,577). Included in the value of convertible debentures is $299,390 (December 31, 2010 - $685,677) which is the value of the conversion features at June 30, 2011.

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.

All past due loans at June 30, 2011 were classified as impaired.

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 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 six months ended June 30, 2011, loans with an outstanding principal of $Nil (June 30, 2010 – $1,660,560) were renegotiated or renewed. As such there were no renegotiated or renewed loans assessed by management as requiring a specific loan loss provision as at June 30, 2011 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

There were no loans settled for non-cash assets in the periods ended June 30, 2011 and 2010.

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, 2011			**December 31, 2010**		
	Number of Loans		**Face Value**	**Number of Loans**		**Face Value**
Impaired loans with specific allowances	5	$	2,722,598	2	$	600,500
Specific allowances			(1,037,386)			(600,500)
			1,685,212			-
Impaired loans without specific allowances	-		-	-		-
Total impaired loans, net of specific allowances	5	$	1,685,212	2	$	-

At June 30, 2011, the total estimated fair value of the collateral of impaired loans with specific allowances is $2,093,750 (December 31, 2010 - $Nil) and for impaired without specific allowances is $Nil (December 31 2010 - $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.

When a loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new loan circumstances. These revised cash flows are discounted using the original effective interest rate to determine the impaired carrying value of the loan. Interest income is thereafter recognized on this impaired carrying value using the effective interest rate. Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of previous loan losses, which would also impact the amount of subsequent interest income recognized.

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

		June 30, 2011		**December 31, 2010**
Balance – beginning of period	$	600,500	$	1,230,635
Provision for loan losses		470,933		515,000
Recoveries		(34,047)		-
Direct write-offs		-		(1,145,135)
Balance – end of period	$	1,037,386	$	600,500

As at June 30, 2011 the Company performed a comprehensive review of its loan portfolio for the purposes of determining any specific allowances for each loan.

7. Financial Assets Hierarchy

The following table presents the Company's financial assets, measured at fair value on the consolidated condensed interim statement of financial position as at June 30, 2011, categorized into levels of the fair value hierarchy as described in note 3:

	Level 1 Quoted Market Price	Level 2 Observable Market Inputs	Level 3 Non-Observable Market Inputs
Cash and short-term investments	$ 2,878,009	$ -	$ -
Portfolio investments	$ 1,425,547	$ -	$ 1,090,053
Conversion feature of convertible debentures	$ -	$ 299,390	$ -

During the period ended June 30, 2011, the Company converted a portion of its outstanding convertible debentures into common shares as described in Note 6 (a)(iii).

8. Investment in Associated Company

The investment in associated company consists of the following:

	June 30, 2011	December 31, 2010
GDV Resources, Inc.	$ 119,551	$ 76,251

As at December 31, 2010 the Company held approximately of 42.5% of the outstanding shares in GDV Resources Inc. ("GDV"). During the first quarter of 2011 the Company completed a shares-for-debt transaction with GDV whereby the Company received 1,500,000 common shares of GDV to cancel debt of $75,000. Subsequent to this transaction the Company's ownership increased to 49.9%. As a result, the Company has determined that it exercises significant influence over GDV 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, 2011 the Company recorded a loss of $31,700 (2010 - $12,048) relating to this investment.

9. Investment Properties

The Company currently owns six investment properties which are measured using the cost model. After initial recognition, the properties are recorded at cost less accumulated impairment losses.

	June 30 2011 Carrying Value	June 30 2011 Fair Value	December 31 2010 Carrying Value	December 31 2010 Fair Value
Laurel Park, North Carolina	$ 1,191,295	$ 2,436,473	$ 1,191,296	$ 2,521,510
Canyon Ridge, New Mexico	541,791	660,756	541,791	681,377
Asheville, North Carolina	484,800	484,800	662,130	662,130
Maysville, Kentucky	62,496	62,496	64,107	64,107
White Plains, Georgia (2 properties)	3,858	3,858	59,676	59,676
	2,284,240	3,648,382	2,519,000	3,988,800

In June, 2010 the Company's 56.5% owned subsidiary Somersby Park 2010 Limited Partnership purchased an investment property in Laurel Park, North Carolina for US$1,132,800. The Company capitalized costs of US$39,152 during the year ended December 31, 2010 resulting in a value of $1,191,296 CDN. In 2010 the Company sold two lots with a cost of US$45,250 for a gain on sale of US$50,781 ($52,307 CDN).

To determine fair value, the properties are compared to current prices in an active market for similar properties in the same location and condition and subject to similar contracts. In the absence of such information, the Company may consider current prices of properties of a different nature or in less active markets with adjustments to reflect changes in economic conditions. If the fair value of the property cannot be reasonably determined using the above criteria, the fair value of the property is assumed to be equal to its cost less accumulated impairment losses. As at June 30, 2011 Investment properties in the amount of $541,791 (December 31, 2010 - $1,203,921) are measured at cost less accumulated impairment losses. For the period ended June 30, 2011 the Company recorded an impairment loss of $234,759 (2010 - $Nil) as a result of a decline in the fair value of certain investment properties.

10. Property and Equipment

	Computer Equipment	Leasehold Improvements	Furniture	Equipment	Total
	$	$	$	$	$
Cost					
At January 1, 2010	31,809	33,836	21,121	14,006	100,772
Additions	14,173	-	725	-	14,898
Disposals	-	(1,368)	-	-	(1,368)
At December 31, 2010	45,982	32,468	21,846	14,006	114,302
Additions	3,692	-	2,593	-	6,285
Disposals	-	-	-	-	-
At June 30, 2011	49,674	32,468	24,439	14,006	120,587

	Computer Equipment	Leasehold Improvements	Furniture	Equipment	Total
	$	$	$	$	$
Accumulated amortization					
At January 1, 2010	25,222	12,954	10,721	10,283	59,180
Amortization expense	3,039	5,854	2,069	1,117	12,078
At December 31, 2010	28,261	18,808	12,790	11,400	71,259
Amortization expense	2,935	2,049	946	391	6,321
At June 30, 2011	31,197	20,857	13,736	11,791	77,580
Net carrying values					
At January 1, 2010	6,587	20,882	10,400	3,723	41,592
At December 31, 2010	17,721	13,660	9,056	2,606	43,043
At June 30, 2011	18,477	11,611	10,704	2,215	43,007

11. Note Payable

At June 30, 2011 the outstanding principal on the note payable was $Nil (December 31, 2010 - US$294,761 or CDN$293,169). The note bore interest at 7% compounded annually and was secured by the Canyon Ridge property in New Mexico. Interest and principal were due March 13, 2011. In the second quarter of 2011 the Company settled the note including outstanding interest for a payment of US$250,000 recording a gain on settlement of CDN$87,799.

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, 2011	December 31, 2010
Issued and outstanding:		
1,035,719 (December 31, 2010 - 1,035,719) multiple voting shares	$ 1,888,523	$ 1,888,523
17,685,113 (December 31, 2010 - 18,186,113) subordinate voting	15,012,700	15,437,993
	$ 16,901,223	$ 17,326,516

The rights of MVS and SVS shares are identical other than voting rights. MVS shares are entitled to four votes per share whereas SVS shares are entitled to one vote per share.

	Number of Shares	Amount
Multiple voting shares		
Balance, January 1, 2010	1,053,572	1,921,076
Conversion of MVS to SVS	(17,853)	$ (32,553)
Balance, December 31, 2010	1,035,719	1,888,523
Balance, June 30, 2011	1,035,719	$ 1,888,523
Subordinate voting shares		
Balance, January 1, 2010	18,936,860	$ 16,057,160
Convert MVS to SVS	17,853	32,553
Shares cancelled – normal course issuer bids	(768,600)	(651,720)
Balance, December 31, 2010	18,186,113	15,437,993
Shares cancelled – normal course issuer bid	(501,000)	(425,293)
Balance, June 30, 2011	17,685,113	$ 15,012,700

In the six months ended June 30, 2011, the Company completed treasury purchases for cancellation under a normal course issuer bid of 501,000 subordinate voting shares with a stated capital of $425,293 for $231,662 resulting in an increase in contributed surplus of $193,631.

In the six months ended June 30, 2010, the Company completed treasury purchases for cancellation under a normal course issuer bid of 234,500 subordinate voting shares with a stated capital of $198,840 for $120,100 resulting in an increase in contributed surplus of $78,740.

12. Share Capital - continued

c) Stock options outstanding

	Number of options		Weighted Average exercise price per share	Expiry dates
Subordinate voting share options				
Balance, January 1, 2010	1,510,000	$	0.56	February 7, 2011 to August 28, 2014
Expired in 2010	(80,000)		0.55	December 17, 2010
Balance, January 1, 2011	1,430,000	$	0.55	November 9, 2012 to August 28, 2014
Balance, June 30, 2011	1,430,000	$	0.55	November 9, 2012 to August 28, 2014

There were no options exercised or modified during the six months ended June 30, 2011.

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, 2011, the Company had outstanding and exercisable 1,430,000 stock options. These include 120,000 options with an exercise price of $1.15 expiring September 11, 2012 and 1,310,000 options with an exercise price of $0.50 expiring August 28, 2014.

14. Net Income (Loss) 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 (loss) 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.

15. Supplementary Cash Flow Information

		June 30, 2011		June 30, 2010
Net change in non-cash working capital balances				
Accounts receivable and sundry assets	$	115,060	$	(278,381)
Prepaid expenses		(10,980)		(360)
Interest and dividends receivable		21,625		70,572
Accounts payable and accrued liabilities		(339,493)		(64,475)
	$	(213,788)	$	(272,644)
Interest received	$	817,414	$	375,348
Interest paid	$	2,218	$	3,145
Income taxes paid	$	-	$	10,834
Non-cash Transactions:				
Portfolio investments				
Structuring fees and bonuses received as shares	$	142,389	$	158,484
Accounts receivable received as portfolio investments		100,000		-
	$	242,389	$	158,484

16. Dividends

On June 6, 2011, the Company's 56.5% controlled subsidiary Somersby Park 2010 Limited Partnership paid out $2,119 of its 2010 income distribution to its non-controlling limited partners.

17. 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 $632,210 (December 31, 2010 - $1,008,254) and balances due from companies with a former common director with a carrying value of $359,567 (December 31, 2010 - $Nil). Notes receivable, bridge loans and convertible debentures include a note due from a director which had an original value of US$500,000 and was fully allowed for in fiscal 2009. The Company and the Director are currently in the process of negotiating a payment plan.

b) The Company often syndicates a portion of its bridge loans and convertible debentures to other co-lenders. During the six month period ended June 30, 2011 co-lenders invested $2,677,650 (June 30, 2010 - $255,722) into bridge loans and convertible debentures structured by the Company. Of the total syndicated amount, $558,608 (June 30, 2010 - $169,639) was provided by GC-Global Capital Lending Partners Limited Partnership (the “Partnership”) and $4,042 (June 30, 2010 - $86,082) was provided by officers and directors of the Company.

c) Portfolio investments include $1,142,845 (December 31, 2010 - $1,033,450) of shares and warrants of companies and partnerships having a current director or officer in common with the Company and $42,127 (December 31, 2010 - $Nil) of shares of companies having a former common director 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 $136,323 (December 31, 2010 - $243,396). These amounts are subject to normal creditor terms. During the first quarter of 2011 the Company completed a shares-for-debt transaction with GDV Resources Inc., whereby the Company received 1,500,000 common shares of GDV Resources Inc. to cancel debt of $75,000.

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 $37,883 (June 30, 2010 - $47,493) and $25,656 (June 30, 2010 - $Nil) to entities with former common directors with the Company. Interest receivable includes interest earned on loans to entities with directors and officers in common with the Company, in the amount of $5,129 (December 31, 2010 - $20,186) and interest owed on loans to entities with former common directors in the amount of $4,252 (December 31, 2010 - $Nil).

f) Structuring fees revenue includes $21,508 (June 30, 2010 - $16,424) earned from companies with current and former directors and officers in common with the Company.

g) Management and consulting fees and travel and promotion expenses include $316,360 (June 30, 2010 - $187,424) paid to companies controlled by current directors and officers of the Company, $Nil (June 30, 2010 - $27,301) paid to a company with common officers and directors and $64,975 (June 30, 2010 - $60,376) paid to a relative of a director of the Company.

h) The Company is the parent company of the general partner of GC-Global Capital Lending Partners Limited Partnership. The general partner is entitled to a management fee equal to 2% per annum of the net asset value of the Partnership portfolio as well as a performance fee based on the profitability of the Partnership. In the period ended June 30, 2011, the Company earned management and performance fees from the Partnership of $6,530 (June 30, 2010 - $16,219). The Company was also reimbursed by the Partnership for accounting and legal fees provided in the amount of $5,650 (June 30, 2010 - $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.

17. Related Party Transactions - continued

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the period was as follows:

	June 30, 2011	June 30, 2010
Salaries and benefits	334,312	263,506

18. Sensitivity Analysis

A significant portion of the Company's portfolio investments consists of equity investments in publicly-listed entities that are listed on a Canadian Stock Exchange. Changes in the fair value of investments, other than permanent impairments of these investments and changes in the value of portfolio investments designated as held-for-trading, are reported in other comprehensive income. Over the last five years, the S&P/TSX Composite Index ("TSX Index") had the following year over year changes:

Date	Index Value	Year Over Year % Change
December 31, 2005	11,272.26	-
December 31, 2006	12,908.39	14.5%
December 31, 2007	13,833.06	7.2%
December 31, 2008	8,987.70	(35.0%)
December 31, 2009	11,746.11	30.7%
December 31, 2010	13,443.22	14.4%
Five year average	-	3.9%

The following table depicts the potential effect on comprehensive income of various changes in the market value of the Company's portfolio investments.

Change in Market Value of Portfolio Investments	Reason based on the TSX Index		Value of Portfolio Investments		Effect on Comprehensive Income
Increase of 14 %	2010 increase	$	4,764,257	$	585,084
Increase of 4 %	Five year average	$	4,346,340	$	167,167
Decrease of 35 %	2008 decrease	$	2,716,462	$	(1,462,711)

The Company's convertible debentures consist of financial investments in publicly-listed entities that are listed on a Canadian Stock Exchange. The following table depicts the potential 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 TSX Index		Value of Convertible Debentures		Effect on Net Income
Increase of 14 %	2010 increase	$	713,731	$	81,521
Increase of 4 %	Five year average	$	655,044	$	22,835
Decrease of 35 %	2008 decrease	$	455,270	$	(176,938)

18. 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 $846,105 as at June 30, 2011 (December 31, 2010 - $828,755). 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, 2005	1.1630	-
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%)
December 31, 2010	0.9946	(5.4%)
Five year average	-	(2.9%)

The following table depicts the potential effect on net income 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 %	$	40,803	$	455	$	41,258
Increase of 10 %	$	81,607	$	911	$	82,518
Decrease of 5 %	$	(40,803)	$	(455)	$	(41,258)
Decrease of 15 %	$	(122,410)	$	(1,366)	$	(123,766)

19. 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.

19. Risk Management - continued

Financial Assets

Risk disclosures relating to financial assets can be found in the "risks and uncertainties" section of the Company's MD&A dated August 26, 2011. The following table provides a cross referencing of those disclosures from the MD&A.

Description	**Section**
For each type of risk arising from financial assets, 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

20. 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 three years are approximately:

2011	$	25,285
2012	$	51,638
2013	$	26,353

21. Contingencies

a) (i) In March 2004, the Company and a director were named in an action under 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 condensed interim financial statements.

(ii) In 2010 the Company received a statement of claim from the government of Canada requesting payment of an estimated US$75,000. These funds were received by the Company as part of a repayment from a bridge loan client in 2004. The plaintiff claims that these funds should have been withheld by the client as per the provisions of the Income Tax Act.

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

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 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 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 2006 an additional $115,635 in fees, penalties and interest has accrued.

As at June 30, 2011 the Company has paid $432,044 which is the total estimated liability in relation to the contingency.

c) The Company is the parent company of the general partner of GC-Global Capital Lending Partners Limited Partnership and Somersby Park 2010 General Partner Inc. The General Partner has unlimited liability for the liabilities and obligations of the partnerships in excess of the contributions of the limited partners. As at June 30, 2011 there were no outstanding liabilities or obligations for which the Company was contingently liable.

22. Subsequent Events

On July 20th, the Company announced it has entered into a joint venture called TGC Acquisition Corp. with Rossmore and Partners Investments Corp. ("Rossmore"), under which the parties have completed the acquisition of DDR Landscaping Contractors Ltd. ("DDR") for a purchase price of $2.5-million. The Company and Rossmore will have an equal interest in the joint venture. The Company has provided a $1-million non-interest-bearing demand promissory note to the joint venture company to finance the acquisition. Rossmore provided an additional $500,000 and the sellers have provided a $1-million vendor take back for the balance of the purchase price. The promissory note to TGC is guaranteed by DDR. Based in Oakville, DDR is a commercial site contractor in the Ontario region.

23. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

24. Transition to IFRS

The Company has adopted IFRS effective January 1, 2011 and the financial statements for the year ending December 31, 2011 will be the first annual financial statements reported under IFRS, with an IFRS transition date of January 1, 2010. Prior to January 1, 2011, the Company prepared its financial statements under Canadian generally accepted accounting principles ("Canadian GAAP").

These financial statements have been prepared in accordance with the IFRS and accounting policies that the Company expects to be effective on December 31, 2011. However, the presentation of future reporting periods as reported in these financial statements may differ as new IFRS and accounting policies become effective.

a) Exceptions and exemptions from retrospective application of IFRS

Generally, IFRS 1, *First Time Adoption of International Reporting Standards*, requires retrospective application of IFRS with all cumulative adjustments to the previous Canadian GAAP balances reflected in the transition date statement of financial position as at January 1, 2010. However, IFRS 1 provides certain mandatory exemptions and optional exemptions to retrospective application of IFRS of which the Company has applied the following:

i) Stock based compensation - IFRS 1 encourages, but does not require, early application of IFRS 2, *Share-based Payment*, to stock options granted after November 7, 2002, and which vested before the IFRS transition date. The Company has elected not to apply IFRS 2 to stock options vested prior to January 1, 2010.

ii) Business Combinations – In accordance with IFRS transitional provisions, the Company elected to apply IFRS relating to business combinations prospectively from January 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date have been carried forward without adjustment.

iii) Estimates – IFRS 1 does not permit retrospective application of other reporting standards with the benefit of hindsight. Consequently, all retrospective changes have been made using estimates consistent with those used in prior financial statements under Canadian GAAP.

b) Reconciliations from Canadian GAAP to IFRS

Recognition and measurement differences exist between Canadian GAAP and IFRS in certain areas. To illustrate the effects of these differences, certain financial statements previously reported under Canadian GAAP have been reconciled to the equivalent IFRS statements, and reconciling differences explained. The adoption of IFRS has had no material impact on the cash flows of the Company, and as such, no reconciliation of prior period cash flow statements has been presented.

24. Transition to IFRS - continued

Consolidated Condensed Statement of Financial Position as at June 30, 2010:

	Canadian GAAP $	IFRS Adjustments $	IFRS $
Assets			
Cash	4,357,218	-	4,357,218
Short-term investments	300,589	-	300,589
Accounts receivable and sundry assets	591,077	-	591,077
Prepaid expenses	13,103	-	13,103
Interest and dividends receivable	41,645	-	41,645
Bridge loans, notes receivable and letters of credit	4,116,895	-	4,116,895
Convertible debentures	1,793,951	-	1,793,951
Portfolio investments (i)	1,879,307	406,418	2,285,725
Investment in associated company	210,849	-	210,849
Investment properties	2,659,868	-	2,659,868
Property and equipment	35,468	-	35,468
Future income taxes	600,000	-	600,000
	16,599,970	406,418	17,006,388
Liabilities			
Accounts payable and accrued liabilities	302,576	-	302,576
Note payable	313,803	-	313,803
Customer advances and deferred revenue	120,689	-	120,689
	737,068	-	737,068
Non-controlling interest (ii)	517,029	(517,029)	-
Shareholders' equity			
Share capital	17,779,396	-	17,779,396
Contributed surplus	3,804,766	-	3,804,766
Accumulated other comprehensive income (i)	(48,078)	406,418	358,340
Deficit	(6,190,391)	-	(6,190,391)
Total GC-Global Capital Corp. Shareholder’s Equity	15,345,693	406,418	15,752,111
Non-controlling interest (ii)	-	517,209	517,209
Total Equity	15,345,693	923,627	16,269,320
	16,599,970	406,418	17,006,388

24. Transition to IFRS - continued

Consolidated Condensed Statement of Comprehensive Income for the Three Months Ended June 30, 2010

	Canadian GAAP	IFRS Adjustments	IFRS
	$	$	$
Revenue			
Structuring fees and bonuses	73,665	-	73,665
Interest and dividend income	133,994	-	133,994
Management fees	13,191	-	13,191
Accretion of convertible debentures	67,868	-	67,868
Gain on sale of fair value through profit or loss portfolio investments	169,602	-	169,602
Gain on sale of portfolio investments available for sale	39,580	-	39,580
Equity (loss) in significantly influenced company	(12,048)	-	(12,048)
Consulting fees	10,500	-	10,500
Unrealized (loss) on derivative investments	(263,579)	-	(263,579)
	232,773	-	232,773
Expenses			
Management and consulting fees	243,608	-	243,608
Filing and listing fees	11,254	-	11,254
Audit and legal fees	23,219	-	23,219
Office and general	26,283	-	26,283
Travel and promotion	39,748	-	39,748
Rent	21,401	-	21,401
Property tax	10,638	-	10,638
Interest	6,805	-	6,805
Amortization	2,768	-	2,768
Permanent impairment write-down on portfolio investments available for sale and investment in associated company	33,000	-	33,000
Provision for loan losses	146,667	-	146,667
Foreign exchange	55,176	-	55,176
	620,567	-	620,567
Loss before the following	(387,794)	-	(387,794)
Non-controlling interest	1,928	-	1,928
Loss before income tax	(385,866)	-	(385,866)
Income taxes provision			
Current	10,990	-	10,990
Net loss for the period	(396,856)	-	(396,856)
Other comprehensive loss			
Unrealized gains on available for sale financial assets	44,755	(157,500)	(112,745)
Reclassification adjustment for permanent impairment recognized in net income	33,000	-	33,000
Reclassification adjustment for unrealized gains recognized in net income	(26,554)	-	(26,554)
	51,201	(157,500)	(106,299)
Comprehensive loss for the period	(345,655)	(157,500)	(503,155)

24. Transition to IFRS - continued

Consolidated Condensed Statement of Comprehensive Income for the Six Months Ended June 30, 2010

	Canadian GAAP	IFRS Adjustments	IFRS
	$	$	$
Revenue			
Structuring fees and bonuses	199,448	-	199,448
Interest and dividend income	304,776	-	304,776
Management fees	16,219	-	16,219
Accretion of convertible debentures	97,236	-	97,236
Gain on sale of fair value through profit or loss portfolio investments	268,430	-	268,430
Gain on sale of portfolio investments available for sale	229,725	-	229,725
Equity (loss) in significantly influenced company	(12,048)	-	(12,048)
Consulting fees	10,500	-	10,500
Unrealized (loss) on derivative investments	(180,102)	-	(180,102)
	934,184	-	934,184
Expenses			
Management and consulting fees	484,289	-	484,289
Filing and listing fees	22,438	-	22,438
Audit and legal fees	45,408	-	45,408
Office and general	41,969	-	41,969
Travel and promotion	54,725	-	54,725
Rent	42,802	-	42,802
Property tax	16,959	-	16,959
Interest	14,419	-	14,419
Amortization	5,481	-	5,481
Permanent impairment write-down on portfolio investments available for sale and investment in associated company	33,000	-	33,000
Provision for loan losses	146,667	-	146,667
Write-down of investment properties	-	-	-
Foreign exchange (gain)	(11,748)	-	(11,748)
	896,409	-	896,409
Income before the following	37,775	-	37,775
Non-controlling interest	1,928	-	1,928
Income before income tax	39,703	-	39,703
Income taxes provision			
Current	10,834	-	10,834
Net income for the period	28,869	-	28,869
Other comprehensive loss			
Unrealized gains on available for sale financial assets	56,275	(157,500)	(101,226)
Reclassification adjustment for permanent impairment recognized in net income	33,000	-	33,000
Reclassification adjustment for unrealized gains recognized in net income	(185,949)	-	(185,949)
	(96,674)	(157,500)	(254,175)
Comprehensive loss for the period	(67,806)	(157,500)	(225,305)

24. Transition to IFRS – continued

(i) IAS 39 "Portfolio Investments" – Under Canadian GAAP where an active market did not exist, the Company measured its investment in private companies at cost, unless evidence of impairment existed. Under IFRS, the investments are measured at fair value regardless of the absence of an active market, but are measured at cost if their fair value cannot be reliably measured.

(ii) Non-controlling interest – Under IFRS non-controlling interest is reclassified as equity whereas under Canadian GAAP it was presented separately as neither a liability nor as equity.