

## GC-Global Capital Corp.

### Management Discussion & Analysis

Dated: August 28, 2014

The following information should be read in conjunction with the GC-Global Capital Corp. ("GC" or the "Company") Consolidated Financial Statements for the quarter ended June 30, 2014, the years ended December 31, 2013 and December 31, 2012, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are expressed in Canadian dollars unless otherwise indicated.

GC 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. GC 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. GC also invests in emerging North American companies across all industries. GC's investments are made through equity financings and GC works with management of operating companies in order to create value for businesses in which GC 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.

The Company focuses on 3 main long-term, financial measurements:

1. Long-term/profitable investments
2. Maintaining strong capital and liquidity
3. Managing the success of its equity and investment portfolios

GC has 4 business activities or investments:

1. Structuring Deals/Bridge Loans ("Deals")
2. Market Investments ("Investments")
3. Equity stakes in private companies ("Private Companies")
4. Property/Land Investments ("Land")

### Overall Performance

The Company continued to provide bridge financing for existing portfolio clients increasing the Company's bridge loans and note receivable balance to \$1,775,211 (December 31, 2013 - \$1,161,979). The Company's portfolio investments in publicly-traded companies also continues to grow with unrealized gains year to date totaling \$1,456,295 compared to a loss of \$165,632 for the same period last year. Overall, the Company's net income for the first six months ended June 30, 2014 was \$595,823 compared to a loss of \$755,957 for the same period last year. The Company's business has seen significant traction year to date which is expected to continue throughout 2014.

As noted previously, GC's income is generated from 4 different business activities, some active (Deals, Investments and Private Companies) and some passive (Land). Correspondingly, revenues are presented to show the performance of each of these activities. As is common for all businesses, the performance of each of these business activities or investments will affect the Company's statement of financial position and statement of comprehensive income in different ways which include the impact of non-operating activity, or adjusting the values to passive investments. As GC holds a significant portfolio of passive and equity investments, the presentation of the consolidated financial statements is greatly dependent on the valuation of these assets, due to market conditions in 2014 and in 2013 regardless of whether these investments are being held for the long term. Going forward, the Company will be identifying opportunities to help the management teams of its equity investments improve the value of its active and equity investments through discussions on how they can improve their net income and corresponding asset value. As required for passive investments, they are valued according to IFRS requirements and any change in the value of these passive investments is recognized by adjustments to their value on the statement of financial position and corresponding statement of comprehensive income impacts from these non-operating activities. These consolidated financial statements must be read with this perspective as accounting presentation does not always allow the flexibility to present forward looking values for long term equity and property investments. The Company anticipates that the valuation of the equity and property investments will reflect improvements in their respective sector opportunities and market conditions over the coming years.

As per prior press releases, the Company is adjusting its equity investments in Private Companies in conjunction with the changing business cycle. Progress on this front continues in 2014. Business activities and investment valuations reflect significant changes to the economic climate of each market segment. To this end, the following discussion includes additional information for the sole purpose of simplifying year over year comparisons which may not be immediately evident when comparing the financial activities and portfolio investments common to both years.

As at June 30, 2014, GC's net assets (including the \$3.05 million dividend payable) were valued at \$12.8 million or \$0.46 per share compared to \$9.2 million or \$0.35 per share as at December 31, 2013. The total shares (single voting shares and multi-voting shares) outstanding were 39,113,931 at June 30, 2014 compared to 26,002,976 as at December 31, 2013. The \$3.6 million dollar increase in net assets is principally due to an additional \$3.0 million in new shareholder capital and net income of \$0.6 million. There were no share buybacks through the Company's Normal Course Issuer Bid ("NCIB") in the quarter ended March 31, 2014.

The net income for the quarter ending June 30, 2014 was \$993,509 (June 30, 2013 – net loss of \$385,009) and net comprehensive income was \$993,509 (June 30, 2014 – net loss of \$385,009). The bulk of the income stems from unrealized gains on the Company's publicly traded companies \$1,310,850 for the quarter ending June 30, 2014 compared to an unrealized loss of \$140,940 for the same period last year. Net income per share was \$0.03 (June 30, 2013 – loss of \$0.02). In 2014 and 2013, the management team focused on reversing the impact of non-cash, valuation sources where possible. Progress is being made on reversing these non-cash expenses which are focused on: 1) recovering capital from legacy bridge loans which have been written down, 2) identifying opportunities to reduce the provision for loan losses, 3) improving the valuation of equity investments through working with management to drive net profit, 4) capturing improvements in the United States real estate market.

Total assets as at March 31, 2014 were \$13.2 million compared to \$9.8 million as at December 31, 2013, a \$3.4 million increase from year end. In the six months ended June 30, 2014, cash and short term investments increased by \$0.7 million. GC's loan and convertible debenture portfolio amounted to \$2.3 million, an increase of \$0.4 million as compared to \$1.9 million as at December 31, 2013. The Company's portfolio investments amounted to \$5.4 million, an increase of 93% as compared to \$2.8 million at December 31, 2013. 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 of its available-for-sale portfolio investments in 'accumulated other comprehensive income on its statement of financial position. The investment property portfolio remained at \$0.5 million (December 31, 2013 - \$0.5 million). Equity method investments decreased by \$0.3 million (TLD and MMC) for the quarter (value of equity investments at December 31, 2013 - \$1.7 million).

Regarding the state of the U.S. real estate recovery, the North Carolina market has recovered and the Company has its Somersby property listed for sale. The Company continues to monitor the markets of New Mexico and Georgia where the other real estate holdings are located. These markets continue to show signs of healing and expect relative improvement in these markets in 2014 and 2015. The combination of the sluggish U.S. real estate market along with the lengthy legal process of the U.S. courts required the company to take conservative measures and write down these assets with the goal of creating an asset base and net asset value per share to now grow from.

In 2013 and 2014 GC continued its strategic decision to refocus its resources and management team to support its refocus on merchant banking. In 2014, two new directors joined the company's board enhancing the board's skills in public reporting and finance. The company's governance has been enhanced with modification to oversight committees. GC continues to focus on operations that are consistent with the Company's investments in Marathon Mortgage Corporation, Fletcher Business Park and Attorneys Title Guarantee Fund, Inc. The Company's TGC Acquisition Corp. joint venture holding, Tanenbaum Landscape & Design Inc., filed for bankruptcy on April 8, 2014. GC is in the process of recovering part of its investment in the joint venture.

As outlined in its December 2011 press release, GC is one of the founding shareholders of Marathon Mortgage Corporation ("MMC"), a residential mortgage origination, sales and servicing business. In January 2013 MMC received its CMHC lenders' status and in April 2013 received its Genworth Canada lenders' status approval and will commence mortgage origination and servicing in the near future. MMC brings together the former management team of First Marathon Mortgage Corp. which at the time of its sale in 2002 was servicing approximately \$4 Billion in mortgages. As part of the process of receiving its CMHC lenders status, Marathon has to date completed servicing agreements with a major Canadian financial institution and is in the process of finalizing agreements with another major financial institution. Marathon's management team and business operations are in place and ready to ramp up operations. On March 6, 2013 MMC provided notice of exercise of the Marathon Put Option

for the purchase issuance of 1,200,000 Preferred Shares in Marathon by Global. On April 16, 2013 Marathon private investors directly purchased 800,000 Preferred Shares and 260,000 common shares in Marathon for \$800,026 relinquished by Global in the Preferred Share issuance. On April 16, 2013, the Company exercised the balance of its call option to increase its interest in Marathon by 382,400 common shares (3.8% of Marathon's common shares) increasing the Company's share ownership to 25.3%, where the remaining shares represented shares after subscriptions by individual investors for 550,000 shares in August and September 2013. These investors directly purchased 400,000 Preferred Shares and 290,933 common shares in Marathon for \$400,029 relinquished by Global in the Preferred Share issuance.

On October 23, 2013, the Company announced its intention to spin-out a wholly-owned subsidiary in the form of a return of capital share distribution to shareholders. The main investment in the subsidiary is the shareholdings in MMC. Shares of the subsidiary will be distributed to shareholders through a reduction of paid up capital following the closing of the spin-out where the financial subsidiary intends to seek a public listing of its shares through GC Marathon Financial Corp. ("GCMFC").

On January 17, 2014, the Company transferred the assets of MMC to GCMFC for a fair value of \$2,750,276. In exchange for the investment in MMC GCMFC issued 1,833,518 subordinate voting shares and 916,758 multi-voting shares to the Company. On January 17, 2014, the Company transferred a note receivable to GCMFC at fair value of \$296,076 as part of the spin-out of GCMFC. The Company recorded a dividend payable at fair value of the shares of GCMFC to be distributed to shareholders in the amount of \$3,046,352 as of December 31, 2013. GCMFC is currently in the process of issuing its shares through a non-offering prospectus.

On May 14, 2014, the Company set a record date for the distribution of preferred shares. The Board of Directors of the Company has approved the distribution by Global Capital to its shareholders of the Class A Preferred Shares and the Class B Preferred Shares and set May 23, 2014 as the record date for the share distribution. This distribution will allow the Company's shareholders of record as of that date to retain all the interest in the assets of GC Marathon.

GC-Global Capital Corp. ("Global Capital" or the "Company") (TSX Venture Exchange "GDE.A") previously announced in an October 23, 2013 press release the intention is to spin-out a wholly-owned subsidiary real estate investment company, GC Marathon Financial Corp. ("GC Marathon") in the form of a return of capital share distribution to Global Capital's shareholders. Although GC Marathon filed a preliminary prospectus dated March 13, 2014 in this regard, GC Marathon and Global Capital have decided not to proceed with a public offering by way of a distribution in kind to its shareholders.

Instead, shareholders of Global Capital will receive two-thirds of a Class A Preferred Share in the capital of the Company (the "Class A Preferred Shares") and one-third of a Class B Preferred Share in the capital of the Company (the "Class B Preferred Shares") for each subordinate voting share or multiple voting shares of the Company held at the close of business on May 23, 2014. The distribution by Global Capital of the 17,335,578 Class A Preferred Shares and 8,667,353 Class B Preferred Shares will not affect the number of outstanding subordinate voting or multiple voting shares of Global Capital.

Global Capital's registered shareholders will receive share certificates representing their Class A Preferred Shares and Class B Preferred Shares by mail shortly after the May 23, 2014 record date. Global Capital's beneficial shareholders should contact their securities dealers regarding receipt of their Class A Preferred Shares and Class B Preferred Shares.

## Selected Annual Information

The following annual selected information is prepared in accordance with International Financial Reporting Standards.

| <b>For the 6 months ended June 30</b>  | <b>2014</b>  | <b>2013</b> | <b>2012</b> |
|--|--------------|-------------|-------------|
| (per Financial Statements)             |              |             |             |
| Total Revenue                          | \$ 1,655,778 | \$ 43,559   | \$ 172,119  |
| Net Profit (Loss) before taxes         | 595,823      | (755,957)   | (415,707)   |
| Net Profit (Loss) for the year to date | 595,823      | (755,957)   | (415,707)   |
| Net Profit (Loss) share <sup>(1)</sup> | 0.02         | (0.04)      | (0.02)      |
| Total assets                           | 13,234,684   | 9,226,772   | 11,246,406  |

(1) Net loss per share has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during each year. Diluted earnings per share were not presented as the effect would be anti-dilutive.

As noted earlier, the following adjusted net income is prepared based on adding back non-cash expenses to simplify the year over year comparison.

| <b>For the years ended December 31</b>                           | <b>2013</b>      | <b>2012</b>      | <b>2011</b>      |
|--|------------------|------------------|------------------|
| Total Revenue (per financial statements)                         | \$ 588,735       | \$ 472,398       | \$ 2,272,078     |
| Total Expenses (from financial statements)                       | 2,861,825        | 1,436,424        | 4,995,922        |
| Exclude Non-Cash Expense Items                                   | <u>1,348,021</u> | <u>440,003</u>   | <u>3,280,658</u> |
| Adjusted, Total Expenses   | 1,513,804        | 996,421          | 1,715,264        |
| Other Expense Items  | (32,062)         | (9,473)          | 41,030           |
| Adjusted Net Income Before Income Taxes                          | <u>(893,007)</u> | <u>(514,550)</u> | <u>515,784</u>   |
| Adjusted Net Income Before Income Taxes Per Share <sup>(1)</sup> | (0.04)           | (0.03)           | 0.03             |

(1) Net income per share has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during each year. Diluted earnings per share were not presented as the effect would be anti-dilutive.

## Operating Results for the 6 months ended June 30, 2014

### Revenues

Total revenue for the six months ending June 30, 2014 was \$1,655,778 compared to \$43,559 for the same period in 2013.

Interest and dividend income was from \$164,005 in the first six months of 2014 compared to \$95,726 in the first six months of 2013. The expected trend is for interest and dividend income to increase over the coming months.

The sale of investments and securities have resulted in GC recording a realized gain of \$31,224 for the year to date as compared to a realized gain of \$15,622 in the same period in 2013. The Company posted an unrealized gain on its publicly traded portfolio of \$1,456,295 for the year to date as compared to an unrealized loss of \$165,632 in the same period in 2013.

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, change in their fair value resulted in a decrease in net income of \$Nil in 2014 (December 31, 2013 – loss of \$Nil).

In June, 2010 the Company's 56.5% (now 64.7% since the end of 2012) owned subsidiary Somersby Park 2010 Limited Partnership purchased an investment property in Laurel Park, North Carolina for \$1,193,971. The company increased its interest from 56.5% to 64.7% in 2012 by purchasing the shares of one of the partners. During the year ended December 31, 2012 the Company capitalized costs of \$48,964 and sold one lot for a gain on sale of \$51,935. There have been no sales in 2013 or year to date in 2014.

On July 20, 2011, the Company announced it had entered into a joint venture called TGC Acquisition Corp. ("TGC") with Rossmore and Partners Investments Corp. ("Rossmore"), under which the parties have completed the acquisition of Tanenbaum Landscape and Design Inc. ("TLD") (formerly DDR Landscaping Contractors Ltd.) for a purchase price of \$2.5-million. The Company and Rossmore will have an equal interest in TGC. The Company has provided a \$1-million non-interest-bearing demand promissory note to TGC 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 to be paid out of future profits. The promissory note to TGC is guaranteed by TLD. Based in Oakville, TLD is a commercial site contractor in the Ontario region. Joint control of TGC is established as all strategic and operating decisions require approval by both joint venture partners. The Company's 50% proportionate share of TGC's earnings or losses is reported in income. For the twelve months ended December 31, 2013, the Company recorded a loss of \$250,907 (December 31, 2012 –\$84,909) relating to this investment. Note the Company's 50% proportionate share of the loss of \$1,011,013 or \$505,507 which exceeds the equity at December 31, 2012. On April 8, 2014, Tanenbaum Landscape & Design Inc. the TGC Acquisition Corp. joint venture declared bankruptcy. The Company is working with the bankruptcy trustee to recover part of its investment as it is the primary secured creditor. The process is just beginning. The investment was fully impaired as of December 31, 2013.

On November 24, 2011 the Company announced that it has subscribed for and purchased 2,750,000 Preferred Shares and 2,138,890 Common Shares of Marathon Mortgage Corporation ("MMC") representing 35.3% of the outstanding Preferred Shares and 21.4% of the outstanding Common Shares for a total subscription price of \$2,750,214 representing significant influence over MMC. MMC has been established to build a residential mortgage origination, sales and servicing business. The Company's acquisition of MMC Preferred and Common Shares was the lead order in a financing of MMC which raised \$7,801,000. The Preferred Shares are expected to yield a cumulative annual dividend equal to 8% of the issue price and the Preferred Shares are also redeemable at a redemption price equal to the issue price. As consideration for being the lead order on the MMC financing, the Company negotiated and entered into a Put/Call arrangement pursuant to which the Company may purchase, or MMC may require the Company to purchase, an additional 1.2 million Preferred Shares and 933,333 Common Shares for an aggregate purchase price of \$1,200,093.

On March 6, 2013 MMC provided notice of exercise of the Marathon Put Option for the purchase issuance of 1,200,000 Preferred Shares in Marathon by Global. On April 16, 2013 Marathon private investors directly purchased 800,000 Preferred Shares and 260,000 common shares in Marathon for \$800,026 relinquished by Global in the Preferred Share issuance. On April 16, 2013, the Company exercised the balance of its call option to increase its interest in Marathon by 382,400 common shares (3.8% of Marathon's common shares) increasing the Company's share ownership to 25.3%, where the remaining shares represented shares after subscriptions by individual investors for 550,000 shares in August and September 2013. These investors directly purchased 400,000 Preferred Shares and 290,933 common shares in Marathon for \$400,029 relinquished by Global in the Preferred Share issuance.

Common Shares of MMC represent 30.1% of the outstanding Preferred Shares and 25.3% of the outstanding Common Shares. The Company's proportionate share of MMC's earnings or losses is reported in income. For the twelve months ended December 31, 2013, the Company recorded a loss of \$821,973 (December 31, 2012 – a loss of \$556,644) relating to this investment. For the six months ended June 30, 2014, the loss attributable to the Company is \$288,674.

On October 23, 2013, the Company announced its intention to spin-out a wholly-owned subsidiary in the form of a return of capital share distribution to shareholders. The main investment in the subsidiary is the shareholdings in MMC. Shares of the subsidiary will be distributed to shareholders through a reduction of paid up capital following the closing of the spin-out where the financial subsidiary intends to seek a public listing of its shares through GC Marathon Financial Corp. ("GCMFC").

On January 17, 2014, the Company transferred the assets of MMC to GCMFC for a fair value of \$2,750,276. In exchange for the investment in MMC GCMFC issued 1,833,518 subordinate voting shares and 916,758 multi-voting shares to the Company. On January 17, 2014, the Company transferred a note receivable to GCMFC at fair value of \$296,076 as part of the spin-out of

GCMFC. The Company recorded a dividend payable at fair value of the share shares of GCMFC to be distributed to shareholders in the amount of \$3,046,352 as of December 31, 2013.

On May 14, 2014, the Company set a record date for the distribution of preferred shares. The Board of Directors of the Company has approved the distribution by Global Capital to its shareholders of the Class A Preferred Shares and the Class B Preferred Shares and set May 23, 2014 as the record date for the share distribution. This distribution will allow the Company's shareholders of record as of that date to retain all the interest in the assets of GC Marathon.

GC-Global Capital Corp. ("Global Capital" or the "Company") (TSX Venture Exchange "GDE.A") previously announced in an October 23, 2013 press release the intention is to spin-out a wholly-owned subsidiary real estate investment company, GC Marathon Financial Corp. ("GC Marathon") in the form of a return of capital share distribution to Global Capital's shareholders. Although GC Marathon filed a preliminary prospectus dated March 13, 2014 in this regard, GC Marathon and Global Capital have decided not to proceed with a public offering by way of a distribution in kind to its shareholders.

Instead, shareholders of Global Capital will receive two-thirds of a Class A Preferred Share in the capital of the Company (the "Class A Preferred Shares") and one-third of a Class B Preferred Share in the capital of the Company (the "Class B Preferred Shares") for each subordinate voting share or multiple voting shares of the Company held at the close of business on May 23, 2014. The distribution by Global Capital of the 17,335,578 Class A Preferred Shares and 8,667,353 Class B Preferred Shares will not affect the number of outstanding subordinate voting or multiple voting shares of Global Capital.

Global Capital's registered shareholders will receive share certificates representing their Class A Preferred Shares and Class B Preferred Shares by mail shortly after the May 23, 2014 record date. Global Capital's beneficial shareholders should contact their securities dealers regarding receipt of their Class A Preferred Shares and Class B Preferred Shares.

### *Expenses*

Total expenses for the first six months of 2014 were \$771,280 as compared to \$600,931 in the same period in 2013.

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 \$11,088 in the first six months of 2014 as compared to a loss of \$19,345 in 2013.

Overhead including office and general expenses and filing and listing fees were \$109,120 in the first six months of 2014 as compared to \$80,175 in the first six months of 2013 and are expected to remain about the same or decrease for the remainder of 2014 depending on the share issuance and spin-out costs. Management and consulting fees increased by 7.0% to \$471,007 from \$420,505 in the first two quarters of 2014 compared to 2013 (due to bonuses granted for securing financing for Marathon Mortgage Corporation and consulting fees). Travel and promotion expenses were \$12,470 in the first six months of 2014 as compared to \$19,887 in 2013 and are expected to remain low in 2014. Audit and legal fees increased to \$151,713 as compared to \$25,832 because of fees associated with the issuance of subscription receipts and private placements and the fees associated with the spin-out of the Marathon Mortgage Corporation interest and loan recovery costs during the year. These expenses are expected to remain high in 2014 as the company continues efforts to spin out the Marathon Mortgage Corporation interest and loan recoveries. Rent was comparable at \$9,514 in the first six months of 2014 compared to \$5,847 for the same period in 2013. Interest and banking expenses decreased to \$2,822 in the first 6 months of 2014 compared to \$4,618 in the same period in 2013. The Company also recorded \$19,115 (2013 – \$18,622) in property taxes in the first six months of 2014 as a result of investment property acquired in 2010. The Company plans to adjust the portfolio of investment properties based on market conditions and their long term investment potential as appropriate. Property tax increases or decreases will be based on the timing of future acquisitions and dispositions.

Net income was \$595,823 for the six months ended June 30, 2014 as compared to a net loss for the same period of \$755,957 in 2013.

## Taxes

As at June 30, 2014, the Company had approximately \$22.4 million in capital losses and \$4.7 million in non-capital losses. During the year, the Company recorded a charge of \$Nil (2013 – \$Nil) against its deferred tax asset due to the uncertainty of utilizing the losses going forward.

## Summary of Quarterly Results

| For the quarters ended   | Jun/14       | Mar/14     | Dec/13      | Sep 30/13  |
|--|--------------|------------|-------------|------------|
| Total revenue  | \$ 1,454,164 | \$ 201,613 | \$ 147,728  | \$ 231,816 |
| Net income (loss) before taxes                                 | 993,509      | (397,686)  | (2,193,934) | (145,172)  |
| Net income (loss)  | 993,509      | (397,686)  | (2,193,934) | (145,172)  |
| Net income (loss) per share – basic and diluted <sup>(1)</sup> | \$ 0.03      | \$ (0.02)  | \$ (0.12)   | \$ (0.01)  |

| For the quarters ended   | Jun 30/13   | Mar 31/13  | Dec 31/12  | Sep 30/12 |
|--|-------------|------------|------------|-----------|
| Total revenue  | \$ (68,198) | \$ 111,757 | \$ 241,497 | \$ 58,781 |
| Net income (loss) before taxes                                 | (385,009)   | (370,948)  | (842,416)  | (258,824) |
| Net income (loss)  | (385,009)   | (370,948)  | (842,416)  | (258,824) |
| Net income (loss) per share – basic and diluted <sup>(1)</sup> | \$ (0.02)   | \$ (0.02)  | \$ (0.04)  | \$ (0.01) |

(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.

## Second Quarter

Total revenue for the quarter ended June 30, 2013 was \$1,454,164 compared to a loss of \$68,198 for the same period in 2013. Included in first quarter revenue was \$1,310,850 in unrealized gains on its publicly traded portfolio (June 30, 2013 – \$140,940 loss).

Total expenses for the quarter ended June 30, 2014 were \$312,103 compared to \$223,812 from the corresponding period in 2013. Included in the first quarter was a provision for losses on bridge loans, investment properties and portfolio investments for a partial recovery of \$Nil (March 31, 2013 - \$Nil).

The Company also had \$148,552 in equity method investment losses during the quarter ended June 30, 2014 (June 30, 2013 – \$92,999 loss).

Net income for the quarter ended June 30, 2014 was \$993,509 compared to a net loss of \$385,009 for the corresponding period in 2013. The increase was primarily due to the unrealized gains in the Company's publicly traded portfolio. The future trend will depend on market conditions in 2014.

## Liquidity

As at June 30, 2014, GC had \$1,653,068 in cash and short-term investments and \$3,371,130 in public company investments. The Company had \$1,775,211 in notes receivable, bridge loans and \$550,000 in convertible debentures. 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 may procure debt or equity financing from time to time to fund its 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

Since the quarter ended June 30, 2014, Advantagewon Inc. received additional advances from the Company totalling \$176,000.

The Company completed a \$1,000,000 secured operating line agreement on June 19, 2014 with its current client Advantagewon Oil Corp. to be used for the upcoming summer drilling program on Advantagewon Oil's Saratoga oil property in the state of Texas. The first drawn down by way of an initial advance of up to \$600,000 for the drilling of the first well was completed August 25, 2014. The balance of the operating line is to be used for the drilling of a third well on the same property. The operating line matures in 12 months and bears interest at 2 per cent per month, payable monthly.

### Off-balance Sheet Arrangements

In September 2006, the Company began a forward contract hedging program with a Canadian banking institution. At the end of the year, the Company held contracts and as such, the value of the loss of the contracts stood at \$Nil on June 30, 2014. 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.

- a) Notes receivable and bridge loans includes balances due from companies having a current director or officer in common with the Company, with a carrying value of US\$154,826 as at March 31, 2014 (December 31, 2013 - US\$287,576) and balances due from companies with a former common director with a carrying value of \$nil (December 31, 2012- \$nil). Notes receivable and bridge loans include a note due from a director which had an original value of US\$500,000 and was fully allowed for in fiscal 2009. In the third quarter of 2011 the Company and the Director negotiated a payment plan which consists of five principal payments of US\$100,000 beginning on March 31, 2012 with the final payment due on March 31, 2016. Interest on the unpaid balance accrues at the prime rate and is payable semi-annually. A payment was received for US\$141,250 on March 31, 2014, the loan balance was reduced to US\$154,826.

Notes receivable include \$1,070,746 (directly or indirectly) to a private company owned by the Company's joint venture, TGC Acquisition Corp., originally due on December 15, 2012 which was renewed until December 15, 2013. This note became impaired on December 13, 2013 and was fully provided for.

Notes receivable include a \$280,033 note receivable from a private company which owns an interest in a private company also partly owned by the Company.

- b) Portfolio investments includes \$412,700 (December 31, 2013 - \$412,700) of shares and warrants of companies and partnerships having a current director or officer in common with the Company and \$12,107 (December 31, 2013 - \$12,107) of shares of companies having a former common director in common with the Company.
- c) Accounts receivable includes balances due from companies having a current director or officer in common with the Company in the amount of \$10,021 (December 31, 2012 - \$406,907) \$394,145 of this balance was written off on December 31, 2013. These amounts are subject to normal creditor terms.



- d) 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 US\$6,022 (2013 - US\$38,690) and \$Nil (2013 - \$Nil) to entities with former common directors with the Company. As of April, 2011 the Company no longer has common directors with Knightscope Media Corp. Interest and dividends receivable includes interest earned on loans to entities with directors and officers in common with the Company, in the amount of \$Nil (December 31, 2013 - \$Nil) and interest earned on loans to entities with former common directors in the amount of \$Nil (December 31, 2013 - \$Nil).
- e) Consulting fee revenue includes \$Nil (2013 - \$162,000 earned subsequently written off) from a company jointly controlled by the Company.
- f) Management fee revenue includes \$Nil (2013 - \$Nil) earned from a company jointly controlled by the Company.
- g) Management and consulting fees and travel and promotion expenses include \$282,196 (2013 - \$748,486) paid to current directors and officers and companies controlled by current directors and officers of the Company.
- h) The Company is the parent company of the general partner of GC-Global Capital Lending Partners Limited Partnership. The 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. For the period ended March 31, 2014, the Company earned management and performance fees from the Partnership of \$Nil (2013 - \$Nil). The Company was also reimbursed by the Partnership for accounting and legal fees provided in the amount of \$Nil (2013 - \$Nil). The Company is currently in the process of dissolving the Partnership.

Related party transactions are in the normal course of operations.

#### Compensation of key management personnel

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

|                       | <b>6 months<br/>ended June 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|-----------------------|---|------------------------------|
| Salaries and benefits | 406,857                                     | 707,547                      |
| Stock options         | -   | 18,591                       |
| Total                 | <u>406,857</u>                              | <u>726,138</u>               |

#### Proposed Transactions

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

#### Critical Accounting Estimates

The preparation of these consolidated 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 financial statements and the reported amount of revenues and expenses during the year. 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.
- 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.

- Impairment of assets (portfolio investments in private companies, held for sale assets and investment properties) – 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.
- Determination of fair value of investment properties disclosed.

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

### **Changes in Accounting Policies**

There were no changes in accounting policies in 2014.

### **Risks and Uncertainties**

#### Risk Management

The success of GC is dependent upon its ability to assess and manage all forms of risk that affect its operations. Like other financial institutions, GC 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:

- Obtaining collateral guarantees;
- 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. The maximum exposure to credit risk is \$2,325,211 totaling bridge loans, notes receivable and convertible debentures.

#### 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. GC manages its liquidity risk by monitoring loan advances and repayments.

As at June 30, 2014, the Company had \$1,653,068 (2013 – \$940,069) in cash and short-term investments and \$3,371,130 (2013 - \$163,261) in public company investments. Cash amounts with a financial institution on margin are guaranteed personally by the Chairman of the Company. The Company's financial liabilities which include accounts payable and accrued liabilities totaling \$105,984 are 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 may procure debt or equity financing from time to time to fund its 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. At the end of the June 30, 2014, the Company did not hold contracts.

### Other Risks

#### Dependence on Key Personnel

GC is dependent upon the personal efforts, performance and commitment of its senior officers and directors, who are responsible for the development of GC's business. Investors will be relying upon the business judgment, expertise and integrity of GC'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 GC could result, and other persons would be required to manage and operate GC. 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

GC's real estate loans are generally secured by first and second mortgages against real property assets. If the real estate assets against which GC 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 GC 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 GC'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

GC operates in an increasingly competitive environment. Both large and small competitors compete with GC. Some of these competitors may have longer operating histories, greater name recognition and greater financial and marketing resources than GC. GC believes that its ability to compete effectively is dependent upon the quality of its product and client service. There can

be no assurance that GC will be able to compete effectively and retain its existing clients or attract and retain new clients. GC's current and potential competitors may develop and market new products or services that render GC's existing and future products and services less marketable or competitive.

#### Maintenance of Client Relationships

The ability of GC 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. GC'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

GC 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 GC the opportunity to participate in much larger transactions. There can be no assurance that GC 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.

#### Other Data

Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) or on its website at [www.gcglobalcapital.ca](http://www.gcglobalcapital.ca).

#### Share Data

##### Outstanding Shares

|  | Number of<br>Shares | Amount               |
|--|---------------------|----------------------|
| <b>Multiple voting shares</b>  |                     |                      |
| <b>Balance, January 1, 2013, December 31, 2013 and June 30, 2014</b> | 1,035,719           | \$ 1,888,523         |
| <b>Subordinate voting shares</b>                                     |                     |                      |
| <b>Balance, January 1, 2013</b>                                      | 18,533,045          | \$ 14,908,976        |
| Shares issued – options exercised                                    | 156,667             | 41,333               |
| Shares issued – private placement                                    | 7,000,000           | 910,000              |
|  | <u>25,689,712</u>   | <u>15,860,309</u>    |
| Shares cancelled – normal course issuer bid                          | <u>(722,500)</u>    | <u>(493,119)</u>     |
| <b>Balance, December 31, 2013</b>                                    | 24,967,212          | \$ 15,367,190        |
| Shares issued – options exercised                                    | -                   | -                    |
| Shares issued – private placement                                    | 5,375,000           | 2,071,701            |
| Shares issued – subscription receipts exchanged                      | 7,736,000           | 2,036,015            |
| <b>Balance, June 30, 2014</b>  | <u>38,078,212</u>   | <u>\$ 19,474,906</u> |

##### Outstanding Options

| Type         | Amount Outstanding | Exercise Price (blended) | Expiry Date                        |
|--------------|--------------------|--------------------------|------------------------------------|
| Stock option | 1,853,333          | \$0.3883                 | August 28, 2014<br>to June 5, 2024 |

## Forward-Looking Information

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



GLOBAL CAPITAL CORP.

**Restated Consolidated Interim Financial Statements (Unaudited)**

**3 and 6 Months Ended June 30, 2014 & 2013**

(Expressed in Canadian dollars)

**GC-Global Capital Corp.**  
Consolidated Statements of Financial Position (unaudited)  
(In Canadian Dollars)

|   | June 30<br>2014      | December 31<br>2013 | December 31<br>2012  |
|---|----------------------|---------------------|----------------------|
| <b>Assets</b>   |                      |                     |                      |
| Cash  | \$ 1,553,068         | \$ 840,069          | \$ 71,227            |
| Short-term investments (note 5)   | 100,000              | 100,000             | 300,000              |
| Accounts receivable and sundry assets (note 17(c))                        | 205,628              | 185,344             | 469,071              |
| Interest and dividends receivable (note 17(d))                            | 55,582               | 64,999              | 32,748               |
| Bridge loans and notes receivable (notes 6 and 17(a))                     | 1,775,211            | 1,161,979           | 1,459,817            |
| Portfolio investments in publicly-traded companies (notes 5, 8 and 17(b)) | 3,371,130            | 163,261             | 1,003,920            |
| Portfolio investments in private companies (notes 5 and 17(b))            | 2,053,117            | 2,603,117           | 1,734,287            |
| Convertible debenture receivable (note 7)                                 | 550,000              | 800,000             | -                    |
| Held for sale assets (note 12)  | 1,707,904            | 1,707,904           | 506,346              |
| Equity method investments (note 9)  | 1,382,319            | 1,670,992           | 2,492,964            |
| Investment properties (note 10)   | 480,726              | 480,204             | 1,930,320            |
|   | <u>\$ 13,234,684</u> | <u>\$ 9,777,869</u> | <u>\$ 10,000,700</u> |
| <b>Liabilities</b>  |                      |                     |                      |
| Accounts payable and accrued liabilities                                  | \$ 105,984           | \$ 279,347          | \$ 395,984           |
| Dividends payable (note 9(b))   | 3,046,352            | 3,046,352           | -                    |
|   | <u>3,152,336</u>     | <u>3,325,699</u>    | <u>395,984</u>       |
| <b>Shareholders' equity</b>   |                      |                     |                      |
| Share capital (note 13)   | 22,323,329           | 19,291,728          | 16,797,499           |
| Contributed surplus   | 4,982,136            | 4,982,136           | 4,451,009            |
| Accumulated other comprehensive (loss) income                             | (174,684)            | (174,684)           | (135,443)            |
| Deficit   | (17,379,112)         | (17,991,100)        | (11,884,502)         |
| Total GC-Global Capital Corp. shareholders' equity                        | <u>9,751,669</u>     | <u>6,108,080</u>    | <u>9,228,563</u>     |
| Non-controlling interest (note 11)  | 330,679              | 344,091             | 376,153              |
| <b>Total Equity</b>   | <u>10,082,348</u>    | <u>6,452,172</u>    | <u>9,604,716</u>     |
|   | <u>\$ 13,234,684</u> | <u>\$ 9,777,869</u> | <u>\$ 10,000,700</u> |

Contingencies and subsequent event (notes 21 and 22)

On Behalf of the Board

"Jason Ewart" \_\_\_\_\_ Director

"Alec Regis" \_\_\_\_\_ Director

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

**GC-Global Capital Corp.**

Consolidated Statements of Changes in Equity (unaudited)

**For the 6 months ended June 30, 2014 and 2013****(In Canadian Dollars)**

|  | Share<br>Capital  | Contributed<br>Surplus | Deficit             | Accumulated<br>Other<br>Comprehensive<br>Income | Non-<br>controlling<br>Interest | Total             |
|--|-------------------|------------------------|---------------------|---|---------------------------------|-------------------|
|  | \$                | \$                     | \$                  | \$  | \$                              | \$                |
| <b>Balance, January 1, 2013</b>  | 16,797,499        | 4,451,009              | (11,884,502)        | (135,443)                                       | 376,153                         | 9,604,717         |
| Net income (loss)  | -                 | -                      | (755,957)           | -   | -                               | (755,957)         |
| Loss attributable to non-<br>controlling interests                                 | -                 | -                      | -                   | -   | -                               | -                 |
| Share Issuance   | -                 | -                      | -                   | -   | -                               | -                 |
| Purchase of treasury<br>shares   | (493,119)         | 493,119                | -                   | -   | -                               | -                 |
| Unrealized gains on<br>available for sale financial<br>assets                      | -                 | -                      | -                   | -   | -                               | -                 |
| Reclassification adjustment<br>for realized (gains)<br>recognized in net<br>income | -                 | -                      | 2,755               | -   | -                               | 2,755             |
| <b>Balance, June 30, 2013</b>  | <b>16,304,380</b> | <b>4,944,128</b>       | <b>(12,637,704)</b> | <b>(135,443)</b>                                | <b>376,153</b>                  | <b>8,851,515</b>  |
|  |                   |                        |                     |   |                                 |                   |
|  | Share<br>Capital  | Contributed<br>Surplus | Deficit             | Accumulated<br>Other<br>Comprehensive<br>Income | Non-<br>controlling<br>Interest | Total             |
|  | \$                | \$                     | \$                  | \$  | \$                              | \$                |
| <b>Balance, January 1, 2014</b>  | 19,291,729        | 4,982,136              | (17,991,100)        | (174,684)                                       | 344,091                         | 6,452,172         |
| Net income (loss)  | -                 | -                      | 609,234             | -   | -                               | 609,234           |
| Loss attributable to non-<br>controlling interests                                 | -                 | -                      | -                   | -   | (13,413)                        | (13,413)          |
| Share issuance (note 13)   | 2,150,000         | -                      | -                   | -   | -                               | 2,150,000         |
| Shares to be issued (note<br>13) (subscription receipts)                           | 1,000,000         | -                      | -                   | -   | -                               | 1,000,000         |
| Share issuance costs   | (118,400)         | -                      | -                   | -   | -                               | (118,400)         |
| Purchase of treasury<br>shares   | -                 | -                      | -                   | -   | -                               | -                 |
| Stock option valuation   | -                 | -                      | -                   | -   | -                               | -                 |
| Dividends payable (note 9)   | -                 | -                      | -                   | -   | -                               | -                 |
| Unrealized gains on<br>available for sale financial<br>assets                      | -                 | -                      | -                   | -   | -                               | -                 |
| Reclassification adjustment<br>for realized (gains)<br>recognized in net<br>income | -                 | -                      | 2,755               | -   | -                               | 2,755             |
| <b>Balance, June 30, 2014</b>  | <b>22,323,329</b> | <b>4,982,136</b>       | <b>(17,379,111)</b> | <b>(174,684)</b>                                | <b>330,679</b>                  | <b>10,082,348</b> |

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



**GC-Global Capital Corp.**

Consolidated Statements of Comprehensive Income (unaudited)

**For the 3 and 6 months ended June 30, 2014 and 2013****(In Canadian Dollars)**

|   | Three months ended June 30, |                     | Six months ended June 30, |                     |
|---|-----------------------------|---------------------|---------------------------|---------------------|
|   | 2014                        | 2013                | 2014                      | 2013                |
| <b>Revenue</b>  |                             |                     |                           |                     |
| Structuring fees and bonuses  | \$ 2,272                    | \$ 1,901            | \$ 4,254                  | \$ 4,176            |
| Interest and dividend income (note 17 (d))  | 103,600                     | 56,058              | 164,005                   | 95,726              |
| Management fees (note 17(f))  | -                           | -                   | -                         | -                   |
| Gain on sale of portfolio investments available for sale  | 37,442                      | (38,383)            | 31,224                    | 15,622              |
| Gain on sale of investment property (note 10)   | -                           | -                   | -                         | -                   |
| Unrealized gain (loss) on fair value through profit or loss investments (note 5)  | 1,310,850                   | (140,941)           | 1,456,295                 | (165,632)           |
| Consulting fees (note 17 (e))   | -                           | 53,167              | -                         | 93,667              |
|   | <u>1,454,164</u>            | <u>(68,198)</u>     | <u>1,655,778</u>          | <u>43,559</u>       |
| <b>Expenses</b>   |                             |                     |                           |                     |
| Management and consulting fees (note 17(g))   | 168,178                     | 137,415             | 471,007                   | 420,505             |
| Filing and listing fees   | 13,704                      | 9,005               | 69,468                    | 26,389              |
| Audit and legal fees  | 86,582                      | 12,783              | 151,713                   | 25,832              |
| Office and general  | 20,909                      | 28,815              | 39,651                    | 53,786              |
| Travel and promotion (note 17(g))   | 1,139                       | 8,152               | 12,470                    | 19,887              |
| Rent  | 6,814                       | 2,850               | 9,514                     | 5,847               |
| Property tax  | 9,965                       | 8,932               | 19,115                    | 18,622              |
| Bank service charges and interest   | 1,508                       | 2,071               | 2,822                     | 4,618               |
| Amortization (depreciation)   | 3,304                       | 3,051               | 6,609                     | 6,101               |
| Bad debt expense (recoveries) (note 17(c))  | -                           | -                   | -                         | -                   |
| Provision for loan losses, net of recoveries (note 6 and 17(a))   | -                           | -                   | -                         | -                   |
| Permanent impairment write-down on portfolio investments available for sale and equity method investments (note 5(b) and 9) | -                           | -                   | -                         | -                   |
| Loss on disposal of fair value through profit and loss portfolio investments  | -                           | -                   | -                         | -                   |
| Foreign exchange loss (gain)  | -                           | 10,740              | (11,088)                  | 19,345              |
| Share compensation expense  | -                           | -                   | -                         | -                   |
|   | <u>312,103</u>              | <u>223,814</u>      | <u>771,280</u>            | <u>600,931</u>      |
| <b>Income (loss) before the following</b>   | <u>1,142,061</u>            | <u>(292,012)</u>    | <u>884,497</u>            | <u>(557,372)</u>    |
| Equity method investment (loss) (note 9)  | (148,552)                   | (92,999)            | (288,674)                 | (198,585)           |
| <b>Income (loss) before income tax</b>  | <u>993,509</u>              | <u>(385,011)</u>    | <u>595,823</u>            | <u>(755,957)</u>    |
| <b>Income taxes provision – (note 18)</b>   | <u>-</u>                    | <u>-</u>            | <u>-</u>                  | <u>-</u>            |
| <b>Net income (loss)</b>  | <u>\$ 993,509</u>           | <u>\$ (385,011)</u> | <u>595,823</u>            | <u>\$ (755,957)</u> |
| <b>Other comprehensive income to be subsequently reclassified to profit and loss</b>  |                             |                     |                           |                     |
| Unrealized losses on available for sale financial assets  | -                           | -                   | -                         | -                   |
| Reclassification adjustment for permanent impairment recognized in net loss   | -                           | -                   | -                         | -                   |
| Reclassification adjustment for realized gains recognized in comprehensive net loss   | -                           | -                   | -                         | -                   |
| <b>Net comprehensive income (loss)</b>  | <u>\$ 993,509</u>           | <u>\$ (385,011)</u> | <u>595,823</u>            | <u>(755,957)</u>    |
| <b>Net income (loss) attributable to:</b>   |                             |                     |                           |                     |
| Parent company  | \$ 1,000,190                | \$ (385,011)        | 609,236                   | (755,958)           |
| Non-controlling interest (note 10)  | (6,681)                     | -                   | (13,413)                  | -                   |
|   | <u>\$ 993,509</u>           | <u>\$ (385,011)</u> | <u>595,823</u>            | <u>(755,958)</u>    |
| <b>Net comprehensive income (loss) attributable to:</b>   |                             |                     |                           |                     |
| Parent company  | \$ 1,000,190                | \$ (385,011)        | 609,236                   | (755,958)           |
| Non-controlling interest (note 10)  | (6,681)                     | -                   | (13,413)                  | -                   |
|   | <u>\$ 993,509</u>           | <u>\$ (385,011)</u> | <u>595,823</u>            | <u>(755,958)</u>    |
| <b>Net income (loss) per share – basic and diluted (note 15)</b>  | <u>\$ 0.03</u>              | <u>\$ (0.02)</u>    | <u>\$ 0.02</u>            | <u>\$ (0.04)</u>    |
| <b>Weighted average number of shares outstanding – basic and diluted</b>  | <u>29,805,240</u>           | <u>19,352,250</u>   | <u>27,914,633</u>         | <u>19,352,250</u>   |

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

**GC-Global Capital Corp.****Consolidated Statements of Cash Flows (unaudited)  
For the six months ended June 30, 2014 and 2013  
(In Canadian Dollars)**

|   | <b>2014</b>         | <b>2013</b>      |
|---|---------------------|------------------|
| <b>Operating activities</b>   |                     |                  |
| Net income (loss)   | \$ 595,823          | \$ (755,957)     |
| Gain on sale of portfolio investments available for sale                            | (31,224)            | (15,622)         |
| Gain on sale of investment property   | -                   | -                |
| Unrealized loss (gain) on fair value through profit or loss investments             | (1,456,295)         | 165,632          |
| Equity method investment loss   | 288,673             | 198,585          |
| Non cash structuring fees and bonuses received as shares                            | -                   | (4,176)          |
| Amortization (Depreciation)   | 6,609               | 6,101            |
| Provision for loan losses, net of recoveries  | -                   | -                |
| Permanent impairment write-down on portfolio investments available for sale         | -                   | -                |
| Loss on disposal of fair value through profit and loss portfolio investments        | -                   | -                |
| Unrealized foreign exchange gain  | -                   | -                |
| Share compensation expense  | -                   | -                |
|   | <u>(596,414)</u>    | <u>(405,437)</u> |
| Net changes in non-cash working capital balances (note 16)                          | <u>(184,567)</u>    | <u>56,559</u>    |
|   | <u>(780,981)</u>    | <u>(348,878)</u> |
| <b>Investing activities</b>   |                     |                  |
| Issuance of notes receivable, bridge loans and convertible debentures               | (1,309,295)         | (144,523)        |
| Repayment of notes receivable, bridge loans and convertible debentures (note 16(a)) | 146,063             | 124,924          |
| Purchase of private investment  | (500,000)           | -                |
| Purchase of portfolio investments   | (179,632)           | (236,183)        |
| Proceeds from sale of portfolio investments   | 305,244             | 589,186          |
| Proceeds from sale of investment property   | -                   | -                |
| Purchase of non-controlling interest  | -                   | -                |
| Proceeds of short-term investment   | -                   | -                |
| Additions to property and equipment   | -                   | (3,390)          |
|   | <u>(1,537,619)</u>  | <u>330,015</u>   |
| <b>Financing activities</b>   |                     |                  |
| Proceeds from share issuance  | 2,150,000           | -                |
| Proceeds from subscription receipts   | 1,000,000           | -                |
| Share issuance costs  | (118,400)           | -                |
| Margin for investments  | -                   | (38,771)         |
| Purchase of treasury shares   | -                   | -                |
|   | <u>3,031,600</u>    | <u>(38,771)</u>  |
| <b>Increase (decrease) in cash</b>  | <b>712,999</b>      | <b>(57,635)</b>  |
| <b>Cash, beginning of year</b>  | <b>840,069</b>      | <b>71,227</b>    |
| <b>Cash, end of quarter</b>   | <b>\$ 1,553,068</b> | <b>\$ 13,592</b> |

Supplemental cash flow information (note 16)

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

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**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: 273 Tweed Street, Cobourg, Ontario K9A 2Z4. 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 financial statements, including comparative periods, have been prepared, using International Financial Reporting Standards ("IFRS") and its interpretations adopted by IFRS, as issued by the International Accounting Standards Board ("IASB").

The reporting currency used for the consolidated financial statements is Canadian dollars. The functional currency used by the Company and its subsidiaries is Canadian dollars.

These interim unaudited consolidated financial statements of GC-Global Capital Corp. have been restated to include the financial results on the statement of comprehensive income for the three months ended June 30, 2014 and June 30, 2013 and Note 18 relating to Income Taxes has been deleted. Net income (loss) as previously reported has not been affected by this restatement.

The Board of Directors of the Company authorized these restated interim financial statements for issuance on November 7, 2014.

**3. Summary of Significant Accounting Policies**

These consolidated 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 financial statements include the accounts of the Company, its 100% controlled subsidiary GC Marathon Financial Corp. ("GCMFC"), its 50% controlled subsidiary GC-Global Capital General Partner Inc., its 64.7% controlled subsidiary Somersby Park 2010 Limited Partnership ("Somersby") 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 ("Robith"). All significant intercompany transactions and balances have been eliminated.

Joint Ventures

When joint approval is required from third parties to enable the implementation of the strategic, operating, investing or financing matters governing affiliated entities of the Company, the affiliated entities are considered to be joint ventures. Joint ventures are accounted for using the equity method, whereby the Company records its proportionate share of an affiliate's net assets as an equity method investment and its proportionate share of an affiliate's net income (loss) as equity method investment income.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**3. Summary of Significant Accounting Policies - continued**Investment in Associated Company

Investments in associated companies 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 (loss) of such investments is included in the consolidated statements of income as equity method investment income.

Use of Estimates

The preparation of these consolidated 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 financial statements and the reported amount of revenues and expenses during the year. 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.
- 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.
- Impairment of assets (portfolio investments in private companies, held for sale assets and investment properties) – 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.
- Determination of fair value of investment properties disclosed.

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

Provisions

The Company recognizes provisions 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.

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, interest and dividends receivable, bridge loans and notes receivable and convertible debenture 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.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**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 three (3) investment properties which are measured using the cost model. There is no amortization recorded as the investment properties are land. 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 10. 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.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**3. Summary of Significant Accounting Policies - continued**Revenue Recognition

Interest income is recorded on an accrual basis using the effective interest rate 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 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.

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. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in net comprehensive loss 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.

Convertible Debenture Receivable

When the Company holds debentures that are convertible into the issuer's equity share at the Company's option, the equity conversion feature represents an embedded option written by the issuer on its equity shares. The embedded derivative is not closely related to the host contract (the debenture) from the Company's perspective. Such conversion feature is classified as fair value through profit or loss, with the debenture being classified as loans and receivables and accounted for at amortized cost.

The embedded derivative's fair value (the conversion feature) is calculated first, and the carrying value of the debenture is assigned the residual amount after deducting from the consideration paid to acquire the hybrid instrument, the amount separately determined for the embedded derivative.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**3. Summary of Significant Accounting Policies - continued**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 10 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.

Financial Assets

Financial assets must be classified into one of four categories: fair value through profit or loss (FVTPL), held-to-maturity, loans and receivables and available for sale; financial liabilities must be classified into one of two categories: FVTPL 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 instruments, including derivatives, are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost, using the effective interest method where applicable. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: 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, short-term investments and conversion feature of convertible debenture are designated as fair value through profit or loss. Accounts receivable, interest and dividends receivable, letters of credit, bridge loans, notes receivable and debt portion of convertible debentures are designated as loans and receivables which are measured at amortized cost, subject to impairment reviews. Accounts payable and accrued liabilities and margin for investments are designated as other financial liabilities which are measured at amortized cost.

Portfolio investments in publicly traded companies have been designated as either fair value through profit or loss or available for sale and are recorded in the consolidated 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.

Included in portfolio investments is the fair value of the Company's investments in share purchase warrants of other corporations which are designated at FVTPL (unless privately held which is measured at cost). 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.

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.

Financial assets measured at fair value or where fair value is disclosed in the notes must be classified into one of the three hierarchy levels set forth below for disclosure purposes (note 8). Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**3. Summary of Significant Accounting Policies - continued**

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: Valuation models which utilize predominately observable market inputs; and
- 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 20.

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; and
- iv) The ability of the Company to retain the investment for a period of time sufficient for a recovery in market value.

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

Assets held for sale

Property and equipment and related assets are reclassified to assets held for sale when it is expected that their carrying amounts will be recovered principally through a sale transaction rather than continuing use, the property is available for immediate sale, and a sale is highly probable. The Company presents assets classified as held for sale and their associated liabilities separately from other assets and liabilities beginning from the period in which they were first classified as "for sale". Assets held for sale are measured at the lower of carrying value and fair value less costs to sell.

**4. New and Revised Standards and Interpretations****(a) New standards and interpretations adopted**

As required under the IASB, effective January 1, 2013 the Company adopted the following standards and amendments to IFRS:

*IFRS 10 Consolidated Financial Statements* – outlines the requirements for the presentation and preparation of consolidated financial statements, requiring entities to consolidate entities it controls. The Company's adoption of IFRS 10 had no effect on its consolidated financial statements.



---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**4. New and Revised Standards and Interpretations - continued**

*IFRS 11 Joint Arrangements* - establishes the principles for joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures are accounted for using the equity method whereas for a joint operation the venture is accounted for by recording the Company's assets, liabilities, revenue and expenses arising from the joint operation. The Company's adoption of IFRS 11 had no effect on its consolidated financial statements.

*IFRS 12 Disclosure of Interests in Other Entities* - is a comprehensive standard on disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company's adoption of IFRS 12 had no effect on its consolidated financial statements. Amendments to *IFRS 10*, *IFRS 11* and *IFRS 12*: Transition guidance- this amendment clarifies certain transitional guidance on the application of IFRS 10, IFRS 11, and IFRS 12 for the first time. The adoption of these amendments had no effect on the Company's consolidated financial statements.

*IFRS 13 Fair Value Measurement* – defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within IFRS standards. The adoption of IFRS 13 did not require any adjustment to the valuation techniques used to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

*IAS 1 – Presentation of Financial Statements* was amended and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. The Company's adoption of this amendment did not result in a different presentation within the statement of operations and comprehensive income (loss) as all the items will be classified to net income or loss in the future.

*IAS 19 Employee Benefits* amendment eliminates options to defer the recognition of gains and losses in defined benefit plans, requires remeasurement of a defined benefit plan's assets and liabilities to be presented in other comprehensive income and increases the disclosure. The adoption of this amendment had no effect on the consolidated financial statements since the Company's benefits are not included in the defined benefits plans.

**(b) New standards and interpretations not yet adopted**

The following pronouncements issued by the IASB and interpretations published by IFRIC will become effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. The Company is currently assessing the impact of the adoption of new standards and interpretations.

*IFRS 9 Financial Instruments* was issued by the IASB in October 2010 and will replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date is yet to be determined.

*IAS 32 Financial Instruments: Presentation* was amended by the IASB in December 2011. Offsetting Financial Assets and Financial Liabilities amendment addresses inconsistencies identified in applying some of the offsetting criteria. The amendment is effective for annual periods beginning in or after January 1, 2014. Earlier application is permitted.

*IAS 36 Impairment of Assets* was amended by the IASB in June 2013. Recoverable Amount Disclosures for Non-Financial Assets amendment modifies certain disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment is effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted when the entity has already applied IFRS 13.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**4. New and Revised Standards and Interpretations - continued**

IAS 39 Financial Instruments: Recognition and Measurement was amended by the IASB in June 2013. Novation of Derivatives and Continuation of Hedge Accounting amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendment is effective for annual periods beginning on or after January 1, 2014.

IFRIC Interpretation 21 Levies was issued by IFRIC in May 2013. The interpretation on the accounting for levies imposed by governments clarifies the obligating event that gives rise to a liability to pay a levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

(c) Pronouncements effective for annual periods beginning on or after July 1, 2014

Annual Improvements 2010-2012 Cycle was issued by IASB in December 2013. The annual improvement process is comprised of minor revisions, clarifications or corrections to the standards. The following standards have been amended: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38. These amendments are effective for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

Annual Improvements 2011-2013 Cycle was issued by IASB in December 2013. The annual improvement process is comprised of minor revisions, clarifications or corrections to the standards. The following standards have been amended: IFRS 1, IFRS 3, IFRS 13, IAS 40. These amendments are effective for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

**5. Short-term and Portfolio Investments**

|  | <b>June 30<br/>2014</b> | <b>December 31<br/>2013</b> |
|--|-------------------------|-----------------------------|
| Short-term investments (a)   | \$ 100,000              | \$ 100,000                  |
| Portfolio investments in publicly traded companies – available for sale                | 3,338,970               | \$ 106,982                  |
| Portfolio investments in publicly traded companies – fair value through profit or loss | 32,160                  | 56,279                      |
| Foreign currency forward contracts   | -                       | -                           |
| Portfolio investments in publicly -traded companies                                    | <u>\$ 3,371,130</u>     | <u>\$ 163,261</u>           |
| Portfolio investments in private companies – available for sale (b) (c)                | <u>\$ 2,053,117</u>     | <u>\$ 2,603,117</u>         |

(a) The Company has outstanding \$100,000 (December 31, 2013 - \$100,000) in short-term guaranteed investment certificates with its financial institution. These investments are held as security on its credit line with its lender, RBC – Royal Bank of Canada.

(b) For the quarter ending June 30, 2014 the Company recorded an impairment loss of \$Nil (December 31, 2013 – \$201,232) with respect to its portfolio in private company investments.

(c) The fair value of the investments in private companies is not disclosed because the fair value cannot be measured reliably. Investments in private companies are represented by early stage start-ups which are anticipated to go public within 2 to 3 years at which point the company considers its preferred exit strategy.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**6. Notes Receivable and Bridge Loans**

a) Notes receivable and bridge loans and allowance for loan losses

**June 30, 2014**

|  | <b>Due Date</b>        | <b>Stated Interest Rate</b> | <b>Gross Amount</b> | <b>Specific Allowance</b> | <b>Net Amount</b>   |
|--|------------------------|-----------------------------|---------------------|---------------------------|---------------------|
| <u>Notes Receivable</u>                    |                        |                             |                     |                           |                     |
| Private company (US\$263,288) (note 17(a)) | 11/8/2014              | 6%                          | \$ 280,033          | \$ -                      | \$ 280,033          |
| Private company (note 17(a))               | 12/15/2013             | 15%                         | 1,070,746           | (1,070,746)               | -                   |
| Private company                            | NA                     | NA                          | 50,000              | -                         | 50,000              |
| Private company                            | NA                     | NA                          | 45,604              | -                         | 45,604              |
| Individual (US\$287,576) (note 17(a))      | 3/31/2015 to 3/31/2016 | prime                       | 154,826             | -                         | 154,826             |
|  |                        |                             | <u>1,601,208</u>    | <u>(1,070,746)</u>        | <u>530,462</u>      |
| <u>Bridge Loans</u>                        |                        |                             |                     |                           |                     |
| Knightscope Media Corp.                    | 4/1/2011               | 12%                         | 164,974             | (164,974)                 | -                   |
| Alterra Capital (i)                        | 10/31/2017             | Nil                         | 238,971             | (155,577)                 | 83,394              |
| Private company (US\$147,792) (ii)         | On demand              | 5%                          | 152,437             | -                         | 152,437             |
| Private company (US\$500,000) (iii)        | n/a                    | Nil                         | 508,500             | (263,274)                 | 245,226             |
| Private company (iv)                       | n/a                    | 15%                         | 506,191             | -                         | 506,191             |
| Private company (v)                        | July 16, 2014          | 24%                         | 257,500             | -                         | 257,500             |
|  |                        |                             | <u>1,828,573</u>    | <u>(583,825)</u>          | <u>1,244,748</u>    |
| Total                                      |                        |                             | <u>\$ 3,429,782</u> | <u>\$ (1,654,571)</u>     | <u>\$ 1,775,211</u> |

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)  
**For the quarters ended June 30, 2014 and 2013**  
**(In Canadian Dollars)**

**6. Notes Receivable and Bridge Loans – continued**

a) Notes receivable and bridge loans and allowance for loan losses

**December 31, 2013**

|  | <b>Due Date</b>        | <b>Stated Interest Rate</b> | <b>Gross Amount</b> | <b>Specific Allowance</b> | <b>Net Amount</b>   |
|--|------------------------|-----------------------------|---------------------|---------------------------|---------------------|
| <u>Notes Receivable</u>                    |                        |                             |                     |                           |                     |
| Private company (US\$263,288) (note 17(a)) | 11/8/2014              | 6%                          | \$ 280,033          | \$ -                      | \$ 280,033          |
| Private company (note 17(a))               | 12/15/2013             | 15%                         | 1,070,746           | (1,070,746)               | -                   |
| Individual (US\$287,576) (note 17(a))      | 3/31/2014 to 3/31/2016 | prime                       | 296,076             | -                         | 296,076             |
|  |                        |                             | <u>1,646,855</u>    | <u>(1,070,746)</u>        | <u>576,109</u>      |
| <u>Bridge Loans</u>                        |                        |                             |                     |                           |                     |
| Knightscope Media Corp.                    | 4/1/2011               | 12%                         | 164,974             | (164,974)                 | -                   |
| Alterra Capital (i)                        | 10/31/2017             | Nil                         | 243,784             | (155,577)                 | 88,207              |
| Private company (US\$147,792) (ii)         | On demand              | 5%                          | 152,437             | -                         | 152,437             |
| Private company (US\$500,000) (iii)        | n/a                    | Nil                         | 508,500             | (263,274)                 | 245,226             |
| Private company (iv)                       | n/a                    | 15%                         | 100,000             | -                         | 100,000             |
|  |                        |                             | <u>1,169,695</u>    | <u>(583,825)</u>          | <u>585,871</u>      |
| Total                                      |                        |                             | <u>\$ 2,816,550</u> | <u>\$ (1,654,571)</u>     | <u>\$ 1,161,979</u> |

The fair values of notes receivable and bridge loans are estimated to be approximately equivalent to carrying value as the market rate of interest approximates the effective interest rate. Shares, real estate, personal and corporate guarantees generally have been pledged as security for the notes receivable and bridge loans.

- i) On November 16, 2012 an agreement was reached to recover \$119,240 of a \$250,000 loan previously written down to \$nil. In 2014, \$4,813 was received (2013 - \$6,216) and the loan was written down by \$Nil (2013 - \$24,817).
- ii) Private company syndicated loan with Company's participation of 58%. The loan was past due as at year-end.
- iii) The non-interest bearing bridge loan has no fixed date of maturity. The face value of the receivable is US\$500,000. In 2011 a specific provision for loan losses of \$263,274 was recorded to reflect the expected present value of payment to be received.
- iv) On December 23, 2013, the Company completed a 15% secured credit facility for up to \$2,000,000. The terms of the deal include a potential conversion feature for equity in the private company. The credit facility shall be used to expand private company's lending program. The second \$100,000 was released on March 1, 2014 and the first \$100,000 tranche was released on December 23, 2013.
- v) On January 16, 2014, the Company completed a 24% secured bridge loan for \$257,500 with a July 16, 2014 maturity date. The terms of the deal include a 5% equity positing in Advantagewon Oil in the form of common shares. The net proceeds of the bridge loan shall be used for the drilling program on Advantagewon Oil's Saratoga oil property in the state of Texas.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**6. Notes Receivable and Bridge Loans - continued**

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

Loans are considered past due when the loan is outstanding past the scheduled maturity date. This may arise in the normal course of business as a result of various factors including refinancing delays.

The \$152,437 private company syndicated loan with company's participation of 58% was past due and not impaired at June 30, 2014.

All remaining past due loans at June 30, 2014 and December 31, 2013 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. Certain 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 quarter ended June 30, 2014, loans with an outstanding principal of \$Nil (year ended 2013 - \$1,350,779) (see note 17(a)) were renegotiated or renewed. Based on a comparison of collateral value and/or expected future cash flows with the outstanding carrying value of the loans, no renegotiated loan was assessed by management as requiring changes to specific loan loss provisions as at June 30, 2014 (December 31, 2013 - \$1,070,746).

## d) Impaired loans and allowances for loan losses

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

|  | June 30, 2014   |                   | December 31, 2013 |                   |
|--|-----------------|-------------------|-------------------|-------------------|
|  | Number of Loans | Face Value        | Number of Loans   | Face Value        |
| Impaired loans with specific allowances          | 4               | \$ 1,983,191      | 4                 | \$ 1,988,004      |
| Specific allowances                              | -               | (1,654,571)       | -                 | (1,654,571)       |
|  |                 | <u>328,620</u>    |                   | <u>333,433</u>    |
| Impaired loans without specific allowances       | -               | -                 | -                 | -                 |
| Total impaired loans, net of specific allowances | <u>4</u>        | <u>\$ 328,620</u> | <u>4</u>          | <u>\$ 333,433</u> |

At June 30, 2014, the total estimated fair value of the collateral of impaired loans with specific allowances is \$Nil (December 31, 2013 - \$Nil) and for impaired without specific allowances is \$Nil (December 31, 2013 - \$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.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**6. Notes Receivable and Bridge Loans – continued**

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. During the quarter ended June 30, 2014 \$Nil (2013 - \$Nil) in specific allowances on impaired loans was reversed.

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

|   | <b>June 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|---|--------------------------|------------------------------|
| Balance – beginning of year                               | \$ 1,654,571             | \$ 559,008                   |
| Provision for loan losses                                 | -                        | 1,095,563                    |
| Recoveries  | -                        | -                            |
| Allowance on previous bridge loan for collateral received | -                        | -                            |
| Balance – end of year                                     | <u>\$ 1,654,571</u>      | <u>\$ 1,654,571</u>          |

As at June 30, 2014 the Company performed a comprehensive review of its loan portfolio for the purposes of determining any specific allowances for each loan. Past due loans date back to 2010, 2011, 2012 and 2013.

**7. Convertible Debenture Receivable****December 31, 2013**

|                               | <b>Due<br/>Date</b>   | <b>Stated<br/>Interest<br/>Rate</b> | <b>Gross<br/>Amount</b> | <b>Specific<br/>Allowance</b> | <b>Net<br/>Amount</b> |
|-------------------------------|-----------------------|-------------------------------------|-------------------------|-------------------------------|-----------------------|
| <u>Convertible Debentures</u> |                       |                                     |                         |                               |                       |
| Private company (i)           | September 30,<br>2014 | 15%                                 | 800,000                 | -                             | 800,000               |

**June 30, 2014**

|                               | <b>Due<br/>Date</b> | <b>Stated Interest<br/>Rate</b> | <b>Gross<br/>Amount</b> | <b>Specific<br/>Allowance</b> | <b>Net<br/>Amount</b> |
|-------------------------------|---------------------|---------------------------------|-------------------------|-------------------------------|-----------------------|
| <u>Convertible Debentures</u> |                     |                                 |                         |                               |                       |
| Public company (ii)           | March 7, 2016       | 7%                              | 300,000                 | -                             | 300,000               |
| Private company (iii)         | March 17, 2016      | 12%                             | 250,000                 | -                             | 250,000               |
|                               |                     |                                 | <u>550,000</u>          | <u>-</u>                      | <u>550,000</u>        |

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**7. Convertible Debenture Receivable - continued**

- i) On September 30, 2013, the Corporation entered into a secured convertible debenture with Poydras Specialty Finance Corp. ("Poydras"), a private company incorporated under the laws of Ontario. The Corporation has subscribed for an aggregate principal amount of \$800,000 in secured convertible debentures receivable (the "Debenture") of Poydras. The Debenture is interest bearing at 12% payable semi-annually in arrears for the first year, and 15% payable quarterly in arrears for the second year to maturity. The Debenture is secured and is due in full on September 30, 2015. The Debenture includes an option of conversion at (a) \$0.10, prior to the nine-month anniversary of the Date of Issue, or (b) The lessor of: (i) \$0.075, and (ii) 85% of the price per voting equity security of the Resulting Issuer that are issuable pursuant to Poydras' expected reverse takeover financing. The Debenture was converted into equity security priced at \$0.10 during the second quarter ending June 30, 2014.
- ii) On March 7, 2014, the Company completed a 7% secured convertible debenture for \$300,000. The convertible debenture matures in 2 years from the date of issuance. The terms of the deal include a conversion feature for equity in the public company at a price of \$0.01 per share. The proceeds of the secured convertible debenture shall be used as working capital.
- iii) On May 5, 2014, the Company participated in a \$1,015,000, 12% secured convertible debenture with the Company's total participation of \$250,000 of the total financing. The convertible debenture matures two years from the effective closing date of March 17, 2014, and bears interest at 12% per annum, payable annually for the first year and 15% per annum payable for the second year. The debenture is convertible into common shares of 3 Tier at a price of \$0.10 per share. The net proceeds of the secured convertible debenture shall be used as working capital for 3 Tier.

**8. Financial Assets Hierarchy**

The following table presents the Company's financial assets, measured at fair value on the consolidated statement of financial position as at June 30, 2014, categorized into levels of the fair value hierarchy as described in note 3:

| <b>June 30, 2014</b>            | <b>Level 1<br/>Quoted Market<br/>Price</b> | <b>Level 2<br/>Observable Market<br/>Inputs</b> | <b>Level 3<br/>Non-Observable<br/>Market Inputs</b> |
|---------------------------------|--|---|---|
| Cash and short-term investments | \$ 1,653,068                               | \$ -  | \$ -  |
| Portfolio investments           | \$ 3,371,130                               | \$ 120,288                                      | \$ -  |
| <b>December 31, 2013</b>        | <b>Level 1<br/>Quoted Market<br/>Price</b> | <b>Level 2<br/>Observable Market<br/>Inputs</b> | <b>Level 3<br/>Non-Observable<br/>Market Inputs</b> |
| Cash and short-term investments | \$ 940,069                                 | \$ -  | \$ -  |
| Portfolio investments           | \$ 163,261                                 | \$ 129,423                                      | \$ -  |

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**9. Equity Method Investments**

Equity method investments consist of the following:

|                             | <b>June 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|-----------------------------|--------------------------|------------------------------|
| TGC Acquisition Corp. (a)   | \$ -                     | \$ -                         |
| Marathon Mortgage Corp. (b) | 1,382,319                | 1,670,992                    |
| Total                       | <u>\$ 1,382,319</u>      | <u>\$ 1,670,992</u>          |

- a) On July 20, 2011, the Company announced it had entered into a joint venture called TGC Acquisition Corp. ("TGC") with Rossmore and Partners Investments Corp. ("Rossmore"), under which the parties have completed the acquisition of Tanenbaum Landscape and Design Inc. ("TLD") (formerly DDR Landscaping Contractors Ltd.) for a purchase price of \$2.5-million. The Company and Rossmore will have an equal interest in TGC. The Company has provided a \$1-million non-interest-bearing demand promissory note to TGC 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 to be paid out of future profits. The promissory note to TGC is guaranteed by TLD. Based in Oakville, TLD is a commercial site contractor in the Ontario region. Joint control of TGC is established as all strategic and operating decisions require approval by both joint venture partners. The Company's 50% proportionate share of TGC's earnings or losses is reported in income. For the twelve months ended December 31, 2013, the Company recorded a loss of \$250,907 (December 31, 2012 –\$84,909) relating to this investment as the Company's 50% proportionate share of the loss of \$1,011,013 or \$505,507 in 2013 exceeded the equity investment at December 31, 2012. TLD declared bankruptcy on April 8, 2014. To date no recoveries have been made.
- b) On November 24, 2011 the Company announced that it has subscribed for and purchased 2,750,000 Preferred Shares and 2,138,890 Common Shares of Marathon Mortgage Corporation ("MMC") representing 35.3% of the outstanding Preferred Shares and 21.4% of the outstanding Common Shares for a total subscription price of \$2,750,214 representing significant influence over MMC. MMC has been established to build a residential mortgage origination, sales and servicing business. The Company's acquisition of MMC Preferred and Common Shares was the lead order in a financing of MMC which raised \$7,801,000. The Preferred Shares are expected to yield a cumulative annual dividend equal to 8% of the issue price and the Preferred Shares are also redeemable at a redemption price equal to the issue price. As consideration for being the lead order on the MMC financing, the Company negotiated and entered into a Put/Call arrangement pursuant to which the Company may purchase, or MMC may require the Company to purchase, an additional 1.2 million Preferred Shares and 933,333 Common Shares for an aggregate purchase price of \$1,200,093.

On March 6, 2013 MMC provided notice of exercise of the Marathon Put Option for the purchase issuance of 1,200,000 Preferred Shares in Marathon by the Company. On April 16, 2013 Marathon private investors directly purchased 800,000 Preferred Shares and 260,000 common shares in Marathon for \$800,026 relinquished by the Company in the Preferred Share issuance. On April 16, 2013, the Company exercised the balance of its call option to increase its interest in Marathon by 382,400 common shares (3.8% of Marathon's common shares) increasing the Company's share ownership to 25.3%, where the remaining shares represented shares after subscriptions by individual investors for 550,000 shares in August and September 2013. These investors directly purchased 400,000 Preferred Shares and 290,933 common shares in Marathon for \$400,029 relinquished by Global in the Preferred Share issuance.

At year end the Company's ownership of MMC (through its 100% ownership of GCMFC) represent 30.1% of the outstanding Preferred Shares and 25.3% of the outstanding Common Shares. The Company's proportionate share of MMC's earnings or losses is reported in income. For the six months ended June 30, 2014, the Company recorded a loss of \$288,674 (December 31, 2013 – a loss of \$571,065) relating to this investment.



---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**9. Equity Method Investments – continued**

Gordon Ewart, the Company's Chairman, is the registered holder of 620,000 Common Shares of MMC which he acquired independently at the Common Share issue price.

On October 23, 2013, the Company announced its intention to spin-out a wholly-owned subsidiary (GCMFC) in the form of a return of capital share distribution to shareholders. The main investment in the subsidiary is the shareholdings in MMC. Shares of the subsidiary will be distributed to shareholders through a reduction of paid up capital following the closing of the spin-out where the financial subsidiary intends to seek a public listing of its shares through GCMFC.

On January 17, 2014, the Company transferred the assets of MMC to GCMFC for a fair value of \$2,750,276. In exchange for the investment in MMC GCMFC issued 1,833,518 subordinate voting shares and 916,758 multi-voting shares to the Company. On January 17, 2014, the Company transferred a note receivable to GCMFC at fair value of \$296,076 as part of the spin-out of GCMFC. The Company recorded a dividend payable at fair value of the share shares of GCMFC to be distributed to shareholders in the amount of \$3,046,352 as of June 30, 2014.

Summarized financial information of the associated companies included in equity method investments is disclosed below:

| <b>For the year ended December 31, 2013</b>   | <b>TGC</b>   | <b>MMC</b>  |
|---|--------------|-------------|
| Total Revenue                                 | \$ 2,608,249 | 20,441      |
| Net loss                                      | (1,011,013)  | (1,975,923) |
| Cash  | -            | 92,980      |
| Current assets                                | 330,723      | 5,156,938   |
| Non-current assets                            | 579,973      | 117,921     |
| Current liabilities                           | 2,953,738    | 106,583     |
| Non-current liabilities                       | 9,141        | -           |
| Net Assets                                    | (2,052,183)  | 5,261,256   |
| <b>For the six months ended June 30, 2014</b> | <b>TGC</b>   | <b>MMC</b>  |
| Total Revenue                                 | \$ -         | 13,199      |
| Net loss                                      | -            | (1,147,643) |
| Cash  | -            | 960,188     |
| Current assets                                | -            | 4,091,011   |
| Non-current assets                            | -            | 80,234      |
| Current liabilities                           | -            | 21,638      |
| Non-current liabilities                       | -            | -           |
| Net Assets                                    | -            | 5,109,795   |

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**10. Investment Properties**

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

|   | <b>June 30<br/>2014<br/>Carrying<br/>Value</b> | <b>June 30<br/>2014<br/>Fair<br/>Value<br/>(Level 2)</b> | <b>December 31<br/>2013<br/>Carrying<br/>Value</b> | <b>December 31<br/>2013<br/>Fair<br/>Value<br/>(Level 2)</b> |
|---|--|--|--|--|
| Canyon Ridge, New Mexico                | \$ 476,346                                     | \$ 476,346   | \$ 476,346   | 476,346  |
| White Plains, Georgia (2<br>properties) | 3,858  | 3,858  | 3,858  | 3,858  |
|   | <u>\$ 480,204</u>                              | <u>\$ 480,204</u>  | <u>\$ 480,204</u>                                  | <u>480,204</u>   |

As at June 30, 2014 the carrying value of investment properties in the amount of \$480,204 (December 31, 2013 - \$480,204) was measured at cost less accumulated impairment losses.

The fair value of all of the properties was supported by a review of similar properties available for sale in the same developments or in the area with similar features. In addition, the values of the properties were compared with the assessed values by the county or township in which they are located. No independent appraiser's reports were completed.

In 2013, the Somersby Park investment (also known as Laurel Park property) was listed for sale and is now included in the assets held for sale.

**11. Non-controlling Interest**

The Company's interest in Laurel Park is held through its 64.7% ownership in Somersby Park 2010 Limited Partnership which accounts are consolidated into the Company's consolidated financial statements. The 35.3% interest of the net assets of Somersby Park 2010 Limited Partnership attributable to minority shareholders is then presented as "non-controlling interest" within shareholders' equity on the consolidated statement of financial position. Net loss and comprehensive loss is allocated between the Company's 64.7% ownership and the non-controlling 35.3% ownership interest.

The Company's interest in Fletcher Business Park is held through its 51.0% ownership in Robith which accounts are consolidated into the Company's consolidated financial statements. The 49.0% interest of the net assets of Robith attributable to minority shareholders is then presented as "non-controlling interest" within shareholders' equity on the consolidated statement of financial position. Net loss and comprehensive loss for the year are allocated between the Company's 51.0% ownership and the non-controlling 49.0% ownership interest.

The Company recorded \$13,413 of subsidiary's losses related to the non-controlling interest for the six months ended June 30, 2014 (2013 full year – \$32,062).

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**11. Non-controlling Interest - continued**

The following is summarized financial information for the Somersby Park 2010 Limited Partnership and Robith LLC, before inter-company eliminations:

|   | <b>June 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|---|--------------------------|------------------------------|
| Revenue   | \$ -                     | \$ -                         |
| Net loss  | <u>(37,972)</u>          | (90,188)                     |
| Other comprehensive loss  | -                        | -                            |
| Total comprehensive loss  | (37,972)                 | (90,188)                     |
| Net loss attributable to non-controlling interest                 | (13,413)                 | (32,062)                     |
| Total comprehensive loss attributable to non-controlling interest | (13,413)                 | (32,062)                     |
| <br>  |                          |                              |
| Current assets  | 9,531                    | 28,556                       |
| Non-current assets  | 2,262,416                | 2,262,416                    |
| Current liabilities   | 652,103                  | 682,342                      |
| Non-current liabilities   | <u>-</u>                 | <u>-</u>                     |
| Net assets  | 1,619,844                | 1,662,630                    |
| <br>  |                          |                              |
| Net assets attributable to non-controlling interest               | 661,725                  | 677,496                      |
| Cash flows from operating activities                              | (91,275)                 | (48,799)                     |
| Cash flows from financing activities                              | 91,275                   | 48,799                       |
| Cash flows from investing activities                              | <u>-</u>                 | <u>-</u>                     |
| Net increase in cash and cash equivalents for the year            | -                        | -                            |
| Dividends paid to non-controlling interest                        | \$ -                     | \$ -                         |

**12. Held for Sale Assets**

At June 30, 2014, the Company held two assets for sale with a total carrying value of \$1,707,904; assets received on collateral of loan default from Murder Inc. of \$531,360 (2012 - \$506,346) and Somersby Park investment property of \$1,176,544 (2012 - \$nil) (see note 10).

**13. Share Capital**

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

- b) Shares issued and outstanding

|   | <b>June 30,<br/>2014</b>    | <b>December 31,<br/>2013</b> |
|---|-----------------------------|------------------------------|
| <b>Issued and outstanding:</b>  |                             |                              |
| 1,035,719 (December 31, 2013 - 1,035,719) multiple voting shares      | \$ 1,888,523                | \$ 1,888,523                 |
| 38,078,212 (December 31, 2013 - 24,967,257) subordinate voting shares | <u>19,474,905</u>           | <u>15,367,190</u>            |
| Sub-total   | 21,363,428                  | 17,255,713                   |
| 2,941,176 (December 31, 2013 - 7,736,000) subscription receipts       | <u>959,900</u>              | <u>2,036,015</u>             |
| <b>Total</b>  | <b><u>\$ 22,323,329</u></b> | <b><u>\$ 19,291,728</u></b>  |

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**13. Share Capital - continued**

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.

The Company issued 5,375,000 subordinate voting shares at a price of \$0.40 on June 17, 2014 for total gross proceeds of \$2,150,000. The subordinate voting shares issued will be subject to a four month hold period.

The Company issued 2,941,176 Subscription Receipts on March 14, 2014 at a price of \$0.34 per Subscription Receipt. Each Subscription Receipt will be exchanged for one SVS of the Company for no additional consideration, at 5:00 p.m. (Toronto time) on the earlier of: (i) the first business day after the completion of a spin-out transaction whereby all of the existing shareholders of the Company (which will not include holders of Subscription Receipts) will receive single voting shares and multi-voting shares of the Company's wholly-owned subsidiary GCMFC proportionate to their relative shareholdings in the Company; and (ii) September 14, 2014.

In 2013, the Company issued 7,736,000 Subscription Receipts on November 26, 2013 at a price of \$0.28 per Subscription Receipt. Each Subscription Receipt will be exchanged for one SVS of the Company for no additional consideration, at 5:00 p.m. (Toronto time) on the earlier of: (i) the first business day after the completion of a spin-out transaction whereby all of the existing shareholders of the Company (which will not include holders of Subscription Receipts) will receive single voting shares and multi-voting shares of the Company's wholly-owned subsidiary GCMFC proportionate to their relative shareholdings in the Company; and (ii) May 27, 2014. The 7,736,000 Subscription Receipts were exchanged for one SVS on May 27, 2014.

|  | <b>Number of<br/>Shares</b> | <b>Amount</b>        |
|--|-----------------------------|----------------------|
| <b>Multiple voting shares</b>  |                             |                      |
| <b>Balance, January 1, 2013, December 31, 2013 and June 30, 2014</b> | 1,035,719                   | \$ 1,888,523         |
| <b>Subordinate voting shares</b>                                     |                             |                      |
| <b>Balance, January 1, 2013</b>                                      | 18,533,045                  | \$ 14,908,976        |
| Shares issued – options exercised                                    | 156,667                     | 41,333               |
| Shares issued – private placement                                    | 7,000,000                   | 910,000              |
|  | <u>25,689,712</u>           | <u>15,860,309</u>    |
| Shares cancelled – normal course issuer bid                          | (722,500)                   | (493,119)            |
| <b>Balance, December 31, 2013</b>                                    | 24,967,212                  | \$ 15,367,190        |
| Shares issued – options exercised                                    | -                           | -                    |
| Shares issued – private placement                                    | 5,375,000                   | 2,150,000            |
| Shares issued – subscription receipts exchanged                      | 7,736,000                   | 2,036,015            |
| Issuance costs   |                             | (78,299)             |
| <b>Balance, June 30, 2014</b>  | <u>38,078,212</u>           | <u>\$ 19,474,906</u> |
| <b>Subscription Receipts</b>   |                             |                      |
| <b>Balance, December 31, 2013</b>                                    | 7,736,000                   | 2,036,015            |
| Shares issued – private placement                                    | 2,941,176                   | 1,000,000            |
| Shares issued – subscription receipts exchanged                      | (7,736,000)                 | (2,036,015)          |
| Issuance Costs   |                             | (40,100)             |
| <b>Balance, June 30, 2014</b>  | <u>2,941,176</u>            | <u>\$ 959,900</u>    |
| <b>Total</b>   |                             | <b>\$ 22,323,329</b> |

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**13. Share Capital - continued**

In the year ended December 31, 2012, the Company completed treasury purchases for cancellation under a normal course issuer bid of 722,500 for cash proceeds of \$91,673. The SVS were cancelled in the first quarter of 2013. No treasury purchases for cancellation were completed during 2013.

On September 23, 2013, the company issued 7,000,000 SVS at \$0.13 per share in a private placement offering. On December 4, 2013, the company issued 156,667 SVS at \$0.2638 per share under its stock option program.

## c) Stock options outstanding

|   | <b>Number of<br/>options<br/>(SVS)</b> | <b>Weighted<br/>Average exercise<br/>price per share</b> | <b>Expiry dates</b>                |
|---|--|--|------------------------------------|
| <b>Subordinate voting share options</b> |  |  |                                    |
| <b>Balance, December 31, 2012</b>       | 880,000                                | 0.50   | August 28, 2014                    |
| Forfeited in 2013                       | -                                      | -  | -                                  |
| Issued in 2013                          | 655,000                                | 0.20   | May 28, 2023                       |
| Issued in 2013                          | 245,000                                | 0.40   | May 28, 2023                       |
| Exercised in 2013                       | (156,667)                              | 0.26382  | May 28, 2023                       |
|   |  |  | August 28, 2014 to<br>May 28, 2023 |
| <b>Balance, December 31, 2013</b>       | 1,623,333                              | \$ 0.3867  | May 28, 2023                       |
| Forfeited in 2014                       | -                                      | -  | -                                  |
| Issued in 2014                          | 230,000                                | 0.40   | June 5, 2024                       |
| Exercised in 2014                       | -                                      | -  | -                                  |
|   |  |  | August 28, 2014 to<br>June 5, 2024 |
| <b>Balance, June 30, 2014</b>           | 1,853,333                              | \$ 0.3883  | June 5, 2024                       |

On May 28, 2013 the Company granted 245,000 options with an exercise price of \$0.40 and 655,000 options with an exercise price of \$0.20. The fair value assigned was estimated using the Black Scholes option pricing model with the following assumptions: share price \$0.08, dividend yield 0%, expected volatility based on historical volatility 76.676%, a risk free interest rate of 2.07%, and an expected maturity of 10 years. Options granted to executives vest at a rate of 25% on the grant date, and for every six months after the date of grant until fully vested. Options granted to non-executives vest at a rate of 33% on the grant date, and 33% for every six months after the date of grant until fully vested. As a result, the fair value of the options estimated at \$47,504 will be recognized over the periods the underlying options vest.

As noted, there were 156,667 options exercised on December 4, 2013. The closing share price on that day was \$0.34 per share. No options were modified during the years ended December 31, 2013 and 2012.

On June 5, 2014, the Company granted 230,000 options to non-executive directors. The exercise price of the options are \$0.40. The options are subject to a four month hold period and have a ten year term.

**14. 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

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**14. Stock-Based Compensation Plan - continued**

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 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, 2014, the Company had outstanding and exercisable 1,853,333 stock options. These include 880,000 options with an exercise price of \$0.50 expiring August 28, 2014, 548,333 options with an exercise price of \$0.20 expiring May 28, 2023, 195,000 options with an exercise price of \$0.40 expiring May 28, 2023 and 230,000 options with an exercise price of \$0.40 expiring June 5, 2024.

**15. 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 year. 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. As a result of the net loss for the 6 months ended June 30, 2014 and the year ended December 31, 2013, the potential effect of the exercise of stock options was anti-dilutive.

**16. Supplementary Cash Flow Information**

|  | June 30,<br>2014    | December 31,<br>2013 |
|--|---------------------|----------------------|
| <b>Net change in non-cash working capital balances</b> |                     |                      |
| Accounts receivable and sundry assets                  | \$ (20,282)         | \$ 308,213           |
| Prepaid expenses                                       | -                   | 253                  |
| Interest and dividends receivable                      | 9,417               | (32,251)             |
| Accounts payable and accrued liabilities               | (173,702)           | 32,922               |
|  | <u>\$ (184,567)</u> | <u>\$ 309,137</u>    |
| <b>Interest received</b>                               | <b>\$ 164,005</b>   | <b>\$ 197,035</b>    |
| <b>Interest paid</b>                                   | <b>\$ 2,822</b>     | <b>\$ 8,372</b>      |
| <b>Income taxes paid</b>                               | <b>\$ -</b>         | <b>\$ -</b>          |
| <b><u>Non-cash Transactions:</u></b>                   |                     |                      |
| Bridge loan reclassified to assets held for sale       | \$ -                | \$ -                 |
| Dividends payable                                      | -                   | 3,046,352            |
| Investment property reclassification to held for sale  | -                   | 1,176,544            |
|  | <u>\$ -</u>         | <u>\$ 4,222,896</u>  |

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**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 and bridge loans includes balances due from companies having a current director or officer in common with the Company, with a carrying value of US\$154,826 as at March 31, 2014 (December 31, 2013 - US\$287,576) and balances due from companies with a former common director with a carrying value of \$nil (December 31, 2012- \$nil). Notes receivable and bridge loans include a note due from a director which had an original value of US\$500,000 and was fully allowed for in fiscal 2009. In the third quarter of 2011 the Company and the Director negotiated a payment plan which consists of five principal payments of US\$100,000 beginning on March 31, 2012 with the final payment due on March 31, 2016. Interest on the unpaid balance accrues at the prime rate and is payable semi-annually. A payment was received for US\$141,250 on March 31, 2014, the loan balance was reduced to US\$154,826.

Notes receivable include \$1,070,746 (directly or indirectly) to a private company owned by the Company's joint venture, TGC Acquisition Corp., originally due on December 15, 2012 which was renewed until December 15, 2013. This note became impaired on December 13, 2013 and was fully provided for.

Notes receivable include a \$280,033 note receivable from a private company which owns an interest in a private company also partly owned by the Company.

- b) Portfolio investments includes \$412,700 (December 31, 2013 - \$412,700) of shares and warrants of companies and partnerships having a current director or officer in common with the Company and \$12,107 (December 31, 2013 - \$12,107) of shares of companies having a former common director in common with the Company.
- c) Accounts receivable includes balances due from companies having a current director or officer in common with the Company in the amount of \$10,021 (December 31, 2012 - \$406,907) \$394,145 of this balance was written off on December 31, 2013. These amounts are subject to normal creditor terms.
- d) 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 US\$6,022 (2013 - US\$38,690) and \$Nil (2013 - \$Nil) to entities with former common directors with the Company. As of April, 2011 the Company no longer has common directors with Knightscove Media Corp.
- e) Consulting fee revenue includes \$Nil (2013 - \$162,000 earned subsequently written off) from a company jointly controlled by the Company.
- f) Management and consulting fees and travel and promotion expenses include \$282,196 (2013 - \$748,486) paid to current directors and officers and companies controlled by current directors and officers of the Company.
- g) 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. For the period ended June 30, 2014, the Company earned management and performance fees from the Partnership of \$Nil (2013 - \$Nil). The Company was also reimbursed by the Partnership for accounting and legal fees provided in the amount of \$Nil (2013 - \$Nil). The Company is currently in the process of dissolving the Partnership.

Related party transactions are in the normal course of operations.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**17. Related Party Transactions - continued****Compensation of key management personnel**

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

|                       | <b>6 months</b>       |                     |
|-----------------------|-----------------------|---------------------|
|                       | <b>ended June 30,</b> | <b>December 31,</b> |
|                       | <b>2014</b>           | <b>2013</b>         |
| Salaries and benefits | \$ 406,857            | \$ 707,547          |
| Stock options         | -                     | 18,591              |
| Total                 | <u>\$ 406,857</u>     | <u>726,138</u>      |

**18. Deleted****19. Sensitivity Analysis**

Many of the Company's portfolio investments include 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 comprehensive income. Over the last five years, the S&P/TSX Composite Index ("TSX Index") had the following year over year changes:

| <b>Date</b>       | <b>Index Value</b> | <b>Year Over Year<br/>% Change</b> |
|-------------------|--------------------|------------------------------------|
| December 31, 2009 | 11,746.11          | 30.7%                              |
| December 31, 2010 | 13,443.22          | 14.4%                              |
| December 31, 2011 | 11,955.09          | (11.1%)                            |
| December 31, 2012 | 12,433.53          | 4.0%                               |
| December 31, 2013 | 13,621.55          | 9.6%                               |
| Five year average | -                  | 9.5%                               |

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

| <b>Change in Market<br/>Value of Portfolio<br/>Investments</b> | <b>Reason based on<br/>the TSX Index</b> | <b>Potential Change<br/>in Value of<br/>Portfolio<br/>Investments</b> |    | <b>Effect on<br/>Comprehensive<br/>Loss</b> |
|--|--|---|----|---|
| Increase of 30.7 %   | 2009 increase                            | \$ 4,406,067  | \$ | 1,034,937                                   |
| Decrease of 9.5 %  | Five year average                        | \$ 3,692,240  | \$ | 321,110                                     |
| Decrease of 11.1 %   | 2011 decrease                            | \$ 2,997,954  | \$ | (373,175)                                   |

The majority of the Company's notes receivable and bridge loans 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.



---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**19. Sensitivity Analysis - continued**

Notes receivable and bridge loans denominated in US dollars amounts to \$763,478 as at June 30, 2014 (December 31, 2013 - \$948,283). Over the last five years, the US/Canadian Dollar had the following year over year changes:

| Date              | Exchange Rate<br>US to Canadian | Year Over Year<br>% Change |
|-------------------|---------------------------------|----------------------------|
| December 31, 2009 | 1.0510                          | (13.7%)                    |
| December 31, 2010 | 0.9946                          | (5.4%)                     |
| December 31, 2011 | 1.0170                          | 2.3%                       |
| December 31, 2012 | 0.9949                          | -2.2%                      |
| December 31, 2013 | 1.0636                          | 6.9%                       |
| Five year average | -                               | -2.4%                      |

The following table depicts the potential effect on net loss of various changes in exchange rates.

| Change in<br>Exchange Rate | Change in Value of<br>US\$ Denominated<br>Loans | Effect on Interest<br>Income | Effect on Net<br>Comprehensive<br>Loss |
|----------------------------|---|------------------------------|--|
| Increase of 5 %            | \$ 38,174                                       | \$ 766                       | \$ 38,940                              |
| Increase of 10 %           | \$ 76,348                                       | \$ 1,531                     | \$ 77,879                              |
| Decrease of 5 %            | \$ (38,174)                                     | \$ (766)                     | \$ (38,940)                            |
| Decrease of 15 %           | \$ (114,522)                                    | \$ (2,297)                   | \$ (116,819)                           |

**20. 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. There has been no change in the capital management approach from prior year.

**Financial Assets**

Risk disclosures relating to financial assets are found below. The following table provides a cross referencing of those disclosures.

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**20. Risk Management - continued**

| 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          |

Risk Management

The success of the Company is dependent upon its ability to assess and manage all forms of risk that affect its operations. Like other financial institutions, the Company 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:

- obtaining collateral guarantees;
- 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. The maximum exposure to credit risk is \$2,325,211 (2013 - \$3,152,391).

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

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**20. Risk Management – continued**

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. The Company manages its liquidity risk by monitoring loan advances and repayments.

As at June 30, 2014, the Company had \$1,653,068 (2013 – \$940,069) in cash and short-term investments and \$3,371,130 (2013 - \$163,261) in public company investments. Cash amounts with a financial institution on margin are guaranteed personally by the Chairman of the Company. The Company's financial liabilities which include accounts payable and accrued liabilities totaling \$105,984 are 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 may procure debt or equity financing from time to time to fund its 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. At the end of the June 30, 2014, the Company did not hold contracts.

**21. Contingencies**

- a) 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 financial statements.
- 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 (totaling \$226,455). The reassessment further concluded that GBPC made false investment tax credit claims in the amounts of

---

**GC-Global Capital Corp.**

Notes to Consolidated Financial Statements (unaudited)

**For the quarters ended June 30, 2014 and 2013****(In Canadian Dollars)**

---

**21. Contingencies - continued**

\$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 December 31, 2011 the Company has paid \$432,044 which is the total estimated liability in relation to the contingency. On October 28, 2012, an agreement was reached with GBPC to recover \$175,000 of a \$226,455 judgment previously written down to \$nil which is included in accounts receivable. On August 1, 2013, the final payment of the \$175,000 was received.

- 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 December 31, 2013 there were no outstanding liabilities or obligations for which the Company was contingently liable.

**22. Subsequent Event**

Since the quarter ended June 30, 2014, Advantagewon Inc. received additional advances from the Company totalling \$176,000.

The Company completed a \$1,000,000 secured operating line agreement on June 19, 2014 with its current client Advantagewon Oil Corp. to be used for the upcoming summer drilling program on Advantagewon Oil's Saratoga oil property in the state of Texas. The first drawn down by way of an initial advance of up to \$600,000 for the drilling of the first well was completed August 25, 2014. The balance of the operating line is to be used for the drilling of a third well on the same property. The operating line matures in 12 months and bears interest at 2 per cent per month, payable monthly.