**GC-Global Capital Corp.**

**Management Discussion & Analysis** **Dated: April 30, 2007**

The following information should be read in conjunction with the GC-Global Capital Corp. Audited Consolidated Financial Statements for the years ended December 31, 2006 and 2005, which are prepared in accordance with Canadian generally accepted accounting principles. All figures are expressed in Canadian dollars unless otherwise indicated.

GC-Global Capital Corp. ("Global Capital" or "the Company") is a merchant bank which provides bridge loan services (asset back/collateralized financing), ranging from $200,000 to $3,000,000 to companies across many industries such as oil & gas, mining, real estate, manufacturing, retail, financial services, technology and biotechnology. Global Capital takes a disciplined and systematic approach to investment and is guided by four core principles: Capital Preservation, Shareholder Value, Secure Generation of Income and Risk Management. Global Capital also invests in emerging North American companies across all industries. Global Capital's investments are made through equity financings and Global Capital works with management of operating companies in order to create value for businesses in which Global Capital assumes a position. These services can include additional equity financing, developing mergers and acquisitions, providing operational management support and structuring and negotiating debt and equity placements.

## Overall Performance

Year 2006 was the third full year that Global Capital operated as a merchant bank since the closing of its $11.5 million (gross) public offering in October, 2003. The Company's loan portfolio continued to grow in 2006 to $11.6 million, an increase of 71% as compared to $6.8 million in 2005. As at December 31, 2006 Global Capital had net assets totaling $18.6 million (2005 - $16.8 million) or $1.18 (2005 - $1.07) per share plus another $0.01 (2005 - $0.11) per share in unrealized gains on Global Capital's portfolio investments.

For the year ended December 31, 2006, Global Capital had net income of $2.3 million or $0.15 per share compared to a net income of $4.9 million or $0.35 per share for 2005. The decrease in net income over the previous year is due to a non-recurring gain on the sale of an investment that was approximately $2.0 million in 2005. The Company also recorded a future tax gain of $1.5 million in 2005, which was a result of an amalgamation and the future use of $3.9 million in non-capital losses. The above net income per share has been calculated using the weighted average number of multiple and subordinate voting shares during each year.

Total assets as at December 31, 2006 was $20.0 million compared to $18.0 million as at December 31, 2005. Included in total assets are $1.5 million in cash and short term investments (2005 - $2.8 million), $11.6 million in notes receivable, bridge loans and convertible debentures (2005 - $6.8 million), $4.6 million in portfolio investments (2005 - $5.2 million) with a fair value of $4.7 million (2005 - $6.5 million), $0.9 million in other assets (2005 - $0.7 million) and $1.4 million in future income taxes (2005 - $1.5).

**Selected Annual Information**

The following annual selected information is prepared in accordance with generally accepted accounting principles in Canada.

| For the years ended December 31 | 2006 | 2005 | 2004[1] |
|---|---|---|---|
| Total Revenue | $ 4,401,644 | $ 5,147,449 | $ 3,093,819 |
| Net income (loss) before taxes | 2,362,069 | 3,527,301 | 1,847,210 |
| Net income (loss) for the year | 2,277,849 | 4,889,578 | 1,888,321 |
| Net income (loss) per share[2] | 0.15 | 0.35 | 0.14 |
| Total assets | 19,957,862 | 18,037,730 | 15,645,336 |
| Total long-term financial liabilities | - | 735,808 | 4,563,370 |
| Cash dividends declared per share | 0.04 | 0.033 | - |
| Dividends accrued per preferred share | $ - | $ 0.028 | $ 0.113 |

(1) Effective December 31, 2005, Global (GMPC) Holdings Inc. ("GMPC") and E & E Capital Funding Inc. ("E & E") amalgamated ("the Amalgamation") to become GC-Global Capital Corp. The comparative figures for 2004 are based on audited financial statements of both GMPC and E & E. Certain comparative figures of those previously issued audited financials statements have been reclassified to conform to the current year's basis of presentation.

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

**Operating Results**

For the year ended December 31, 2006, Global Capital had net income of $2,277,849 or $0.15 per share compared to a net income of $4,889,578 or $0.35 per share for 2005 and a net income of $1,888,321 or $0.14 per share in 2004. The decrease in net income over the previous year is due to a non-recurring gain on the sale of an investment that was approximately $2.0 million in 2005 and the recording of a future tax gain of approximately $1.5 million which was recorded due to the Amalgamation.

As at December 31, 2006, Global Capital had $11.6 million invested in bridge loans, notes receivable and convertible debentures to companies in industries such as information technology, real estate, electronic manufacturing services and consumer goods. The bridge loans were provided to public companies, private companies and individuals.

As at December 31, 2006, Global Capital had $4.6 million in portfolio investments with a fair value of $4.7 million in shares of emerging North American companies.

*Revenues*

Total revenue for the year 2006 was $4.4 million compared to $5.1 million for 2005 and $3.1 million in 2004. Gains on sale of portfolio investments and development property for 2006 was $2.1 million compared to $3.6 million in 2005 and $1.7 million in 2004. Interest and dividend income totaled $1.0 million for the year compared to $1.0 million in 2005 and $1.2 million in 2004. The decrease from 2005 to 2004 was due to decrease in the amount of dividend producing investments held by the Company. Structuring fees and bonuses were $1.4 million for the year compared to $0.7 million in 2005 and $0.3 million in 2004.

*Expenses*

Total expenses for the year 2006 were $2.0 million compared to $1.6 million in 2005 and $1.2 million in 2004. The increase in expenses from 2005 to 2006 was due to the increase in personnel, increase in promotion of the Company, a writedown of a bridge loan for $398,230 and $66,148 for share compensation expense.

*Foreign Exchange Loss*

In 2006, the Company recorded a loss of $59,678 due to the strength of the Canadian dollar over the US dollar. A foreign exchange loss of $143,918 was recorded in 2005 and a gain of $91,986 in 2004. In September 2006, the Company began a forward contract hedging program with a Canadian bank.

**Summary of Quarterly Results**

| **For the quarters ended** | **Dec 31/06** | **Sep 30/06** | **Jun 30/06** | **Mar 31/06** |
|---|---|---|---|---|
| Total revenue | $ 1,382,586 | $ 906,037 | $ 1,002,178 | $ 1,110,843 |
| Net income before taxes | 713,564 | 470,944 | 576,312 | 601,249 |
| Net income | 817,276 | 407,006 | 480,594 | 572,973 |
| Net income per share (1) | $ 0.05 | $ 0.03 | $ 0.03 | $ 0.04 |

| **For the quarters ended** | **Dec 31/05** | **Sep 30/05** | **Jun 30/05** | **Mar 31/05** |
|---|---|---|---|---|
| Total revenue | $ 1,115,545 | $ 1,405,506 | $ 1,008,836 | $ 1,617,562 |
| Net income before taxes | 651,072 | 904,457 | 743,810 | 1,227,962 |
| Net income | 2,120,388 | 845,714 | 695,514 | 1,227,962 |
| Net income per share (1) | $ 0.15 | $ 0.06 | $ 0.05 | $ 0.09 |

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

**Liquidity**

As at December 31, 2006, Global Capital had $457,002 in cash and $1,075,996 in short term investments. The majority of Global Capital's bridge loans and convertible debentures are payable within one year. The Company had bank indebtedness of $600,000.

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 business. However, the Company assumes short-term debt from time to time to fund its loan operations.

**Subsequent Events**

On February 1, 2007, the Company declared a cash dividend of $0.05 per share payable to shareholders of the Company's subordinate voting and multiple voting shares. The dividend was payable on March 30, 2007, to shareholders on record on February 9, 2007.

On March 16, 2007, the Company completed an equity offering for gross proceeds of $5,500,000 through the issuance of 4,782,609 units at a price of $1.15 per unit. Each unit was comprised of one subordinate voting share and one-half share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional subordinate voting share at a price of $1.50 per share at any time and from time to time until September 16, 2008.

**Off-Balance Sheet Arrangements**

In September 2006, the Company began a forward contract hedging program with a Canadian banking instituion. The Company hedged $5,620,000 of its United States based currency exposure with short term forward contracts.

**Transactions with Related Parties**

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

Notes receivable, bridge loans and convertible debentures include a balance due from companies having a current Director or Officer in common with the Company, with a cost of $1,050,003 (2005 - $1,062,188). Notes receivable, bridge loans and convertible debentures include syndicated loans through Global Development Resources, Inc., a company with common directors and officers of the Company. Syndicated loans outstanding at December 31, 2006 from the Company are $5,409,303 (2005 - $1,791,020). Notes receivable, bridge loans and convertible debentures include notes to two Directors of the Company for US$2,128,000, of which US$1,128,000 is due on July 1, 2007 and US$1,000,000 is due on December 29, 2007. The notes relate to certain real estate property that was sold to the two Directors. In 2005, the Company provided a bridge loan of which 3.9% was syndicated to a Director and 7.8% was syndicated to the spouse of a Director. The total interest and principal payable to the Director and to spouse of a Director at December 31, 2006 was $224,139 (2005 - $128,471). Portfolio investments include shares of companies and partnerships having a current Director or Officer in common with the Company, with a cost of $1,644,297 (2005 - $1,682,539) and a fair value of $2,411,810 (2005 - $2,465,134). Loans and interest payable include loans to a company controlled by a shareholder of the Company for $nil (2005 - $525,636).

Interest and dividend income include interest earned on loans with current Directors and Officers in common with the Company, in the amount of $134,700 (2005 - $122,734). Structuring fees income includes $88,679 (2005 - $nil) received from companies with current Directors and Officers in common with the Company. Other income includes the forgiveness of a note payable for $195,029 (2005 - $nil) from a company controlled by a shareholder of the Company. Management and consulting fees and travel and promotion expenses include $402,863 (2005 - $526,606) paid to companies controlled by current Directors and Officers of the Company.

**Fourth Quarter**

During the fourth quarter of 2006, total revenue was $1.4 million compared to $1.1 million for the corresponding period in 2005. The increase was due to increased gains on the sale of property and from increased interest and structuring fees due to the increased amount of bridge loans. Total expenses for the fourth quarter were $669,073 compared to $447,745 from the corresponding period in 2005. The increase of expenses in the fourth quarter was due to increased personnel and due to a writedown on bridge loans in the amount of $398,230.

Net income for the fourth quarter of 2006 was $817,276 compared to $2,120,388 for the corresponding period in 2005. The Company recorded a future tax gain of $1.5 million during the fourth quarter of 2005 which was a result of the amalgamation and the future use of $3.6 million in non-capital losses and $744,000 in capitalized share issue costs. Prior to the amalgamation, the Company did not believe it was likely that these income tax benefits would be realized.

**Changes in Accounting Policies**

Effective January 1, 2007, the Company will adopt Canadian Institute of Chartered Accountants (CICA) Section 3855 Financial Instruments – Recognition and Measurement, Section 3865 Hedges and Section 1530 Comprehensive Income (the "Financial Instrument Standards"). Respectively, prior to January 1, 2007, the principal accounting policies affecting the Company's financial instruments were as follows: marketable securities were valued at the lower of average cost and market value; investments were valued at cost or at cost less amounts written off to reflect any impairment in value that is considered to be other than temporary; loans were stated net of an allowance for credit losses on impaired loans; and other assets were valued at their net realizable value.

The adoption of the Financial Instrument Standards will require the presentation of a separate statement of comprehensive income. Investments and marketable securities will be recorded in the consolidated balance sheet at fair value. Changes in fair value of marketable securities will be recorded in income and changes in the fair value of investments will be reported in comprehensive income. The transitional adjustments in respect of these standards will be recorded to the opening securities and investments and adjusted through the retained earnings account and accumulated other comprehensive income, at January 1, 2007.

The net effect of adopting the Financial Instrument Standards at January 1, 2007, has not yet been determined.

**Financial Instruments**

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. From time to time the Company takes advantage of foreign exchange contracts to manage the risk of currency fluctuations. As at December 31, 2006, the Company had purchased for settlement from its banker US$2,470,000 at $1.1434 maturing January 3, 2007 and US$3,150,000 at $1.1100 maturing March 30, 2007. Gains and losses on foreign exchange contracts are included in income in the corresponding reporting period.

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.

Market Risk

The Company is exposed to certain market risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to an individual security or its issuer or factors affecting all securities traded in the market.

Fair Values

The Company's financial instruments consist of cash, accounts receivable and sundry assets, short term investments, interest and dividends receivable, notes receivable, bridge loans and convertible debentures, portfolio investments, accounts payable, dividends payable, loans and interest payable and convertible debentures. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**Other Data**

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

**Share Data**

Outstanding Shares

| | |
|---|---|
| Subordinate Voting Shares | 14,553,161 |
| Multiple Voting Shares | 1,062,662 |
| | 15,615,823 |

**Outstanding Options and Warrants**

| Type | Amount Outstanding | Exercise Price | Expiry Date |
|---|---|---|---|
| Stock option | 1,080,000 | $0.87 | May 5, 2009 |
| Stock option | 150,000 | $0.87 | November 24, 2009 |
| Stock option | 220,000 | $0.87 | February 7, 2011 |

**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, estimated asset retirement obligations, 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, the sufficiency of cost estimates for remaining reclamation obligations 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.

**Internal Disclosure Controls and Procedures**

Disclosure Controls and Procedures

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company’s filings under securities legislation is accumulated and communicated to management, including the CEO and CFO as appropriate, to allow timely decisions regarding public disclosure. They are designed to provide reasonable assurance that all information required to be disclosed in these filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Company reviews its disclosure controls and procedures; however, it cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

The Company’s management, including the CEO and CFO, conducted an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of December 31, 2006. Based on this evaluation, the CEO and CFO have concluded that the Company’s disclosure controls and procedures are effective.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements. The Company’s management has evaluated the effectiveness of internal control over financial reporting. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of December 31, 2006.

# GC - Global Capital Corp.

# (Formerly Global (GMPC) Holdings Inc. and E & E Capital Funding Inc.)

**Consolidated Financial Statements**

**December 31, 2006 & 2005**

## Management's Responsibility for Financial Reporting

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

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

The Company's auditors, Danziger Hochman Partners LLP, are appointed by the shareholders to conduct an audit and their report follows.

"signed Jason Ewart"
Jason Ewart
CEO

"signed Chris Carmichael"
Chris Carmichael
Chief Financial Officer

Toronto, Ontario
April 24, 2007

**Independent Auditors' Report**

**To the Shareholders of**
**GC-Global Capital Corp.**

We have audited the consolidated balance sheet of GC-Global Capital Corp. at December 31, 2006 and the consolidated statements of earnings, retained earnings and cash flows for the year ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

The comparative figures presented for the year 2005 are based on consolidated financial statements which were audited by another firm of Chartered Accountants who issued a report without reservation, dated April 16, 2006.

"Danziger Hochman Partners LLP"

Licensed Public Accountants
Toronto, Ontario
April 24, 2007

**GC-Global Capital Corp.** (formerly Global (GMPC) Holdings Inc. and E & E Capital Funding Inc.)
Consolidated Balance Sheets
**As at December 31, 2006 and 2005**

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Cash | $ 457,002 | $ 1,476,813 |
| Short term investments (note 5) | 1,075,996 | 1,300,000 |
| Accounts receivable and sundry assets | 581,977 | 451,474 |
| Prepaid expenses | 10,144 | - |
| Interest and dividends receivable | 258,848 | 223,379 |
| Notes receivable, bridge loans and convertible debentures (notes 5, 7 & 17) | 11,621,283 | 6,783,298 |
| Portfolio investments (notes 5 & 17) | 4,559,540 | 5,160,957 |
| Development properties (notes 8 and 17) | - | 1,163,000 |
| Property and equipment (note 9) | 29,615 | 9,492 |
| Future income taxes (note 16) | 1,363,457 | 1,469,317 |
| | $ 19,957,862 | $ 18,037,730 |
| **Liabilities** | | |
| Bank indebtedness (note 6) | $ 600,000 | $ - |
| Accounts payable and accrued liabilities | 568,690 | 382,638 |
| Customer advances and deferred revenue | 290,685 | - |
| Loans and interest payable (note 10) | - | 735,808 |
| Income taxes payable | - | 93,241 |
| | 1,459,375 | 1,211,687 |
| **Shareholders' Equity** | | |
| Share capital (notes 11 & 12) | 14,075,646 | 14,110,422 |
| Contributed surplus (notes 11, 12 & 13) | 2,552,362 | 2,493,154 |
| Retained earnings | 1,870,479 | 222,467 |
| | 18,498,487 | 16,826,043 |
| | $ 19,957,862 | $ 18,037,730 |

On Behalf of the Board

(signed Gordon Ewart)
______________________________, Director

(signed Jason Ewart)
______________________________, Director

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

**GC-Global Capital Corp.** (formerly Global (GMPC) Holdings Inc. and E & E Capital Funding Inc.)
Consolidated Statements of Retained Earnings (Deficit)
**For the years ended December 31, 2006 and 2005**

| | | 2006 | 2005 |
|---|---|---|---|
| **Retained earnings (Deficit) – Beginning of year** | $ | 222,467 | (12,139,772) |
| Net income | | 2,277,849 | 4,889,578 |
| Share capital writedown (note 11) | | - | 7,917,895 |
| Dividends paid | | (629,837) | (445,234) |
| **Retained earnings – End of year** | $ | 1,870,479 | 222,467 |

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

**GC-Global Capital Corp.** (formerly Global (GMPC) Holdings Inc. and E & E Capital Funding Inc.)
Consolidated Statements of Income
**For the years ended December 31, 2006 and 2005**

| | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Gain on sale of portfolio investments | $ 1,024,523 | $ 3,580,727 |
| Gain on sale of development property | 1,051,564 | - |
| Interest and dividend income (note 17) | 1,007,171 | 981,230 |
| Structuring fees and bonuses (note 17) | 1,378,064 | 729,410 |
| Foreign exchange loss | (59,678) | (143,918) |
| | 4,401,644 | 5,147,449 |
| **Expenses** | | |
| Management and consulting fees (note 17) | 1,115,659 | 970,084 |
| Filing and listing fees | 54,780 | 175,601 |
| Audit and legal fees | 94,909 | 169,622 |
| Interest | 216,947 | 126,815 |
| Office and general | 103,482 | 69,523 |
| Travel and promotion (note 17) | 137,177 | 64,798 |
| Rent | 38,975 | 39,043 |
| Amortization | 8,297 | 4,662 |
| Write-down on bridge loans | 398,230 | - |
| Share compensation expense (note 12) | 66,148 | - |
| Forgiveness of debt (notes 10 & 17) | (195,029) | - |
| | 2,039,575 | 1,620,148 |
| **Income before income taxes** | 2,362,069 | 3,527,301 |
| **Income taxes (recovered) (note 16)** | | |
| Current | (21,640) | 107,040 |
| Future | 105,860 | (1,469,317) |
| | 84,220 | (1,362,277) |
| **Net income for the year** | $ 2,277,849 | $ 4,889,578 |
| **Net income per share (note 14)** | $ 0.15 | $ 0.35 |
| **Weighted average number of shares outstanding** | 15,647,573 | 14,119,456 |

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

**GC-Global Capital Corp.** (formerly Global (GMPC) Holdings Inc. and E & E Capital Funding Inc.)
Consolidated Statements of Cash Flows
**For the years ended December 31, 2006 and 2005**

| | 2006 | 2005 |
|---|---|---|
| **Operating activities** | | |
| Net income for the year | $ 2,277,849 | $ 4,889,578 |
| Items not affecting cash: | | |
| Gain on sale of portfolio investments | (1,024,523) | (3,580,727) |
| Gain on sale of development property | (1,051,564) | |
| Structuring fees and bonuses received as shares | (160,490) | - |
| Amortization | 8,297 | 4,662 |
| Share compensation expense | 66,148 | - |
| Write-down on bridge loans | 398,230 | - |
| Forgiveness of debt | (195,029) | - |
| Future income taxes | 105,860 | (1,469,317) |
| | 424,779 | (155,804) |
| Net changes in non-cash working capital balances (note 15) | 96,070 | 58,943 |
| | 520,849 | (96,861) |
| **Investing activities** | | |
| Increase in notes receivables, bridge loans and convertible debentures | (5,236,215) | (1,351,030) |
| Purchase of portfolio investments | (3,600,951) | (8,171,456) |
| Proceeds from sale of investments | 5,498,690 | 14,329,017 |
| Proceeds from sale (purchase) of development property | 2,214,564 | (1,163,000) |
| Additions to property and equipment | (28,420) | (2,483) |
| | (1,152,332) | 3,641,048 |
| **Financing activities** | | |
| Repayment (increase) of loans and interest payable | (540,779) | 174,853 |
| Increase in bank indebtedness | 600,000 | - |
| Repayment of convertible debentures | - | (2,538,169) |
| Issuance of shares on exercise of warrants | - | 12,150 |
| Purchase of treasury shares | (41,716) | (187,618) |
| Increase (decrease) in contributed surplus | - | 68,389 |
| Dividends paid | (629,837) | (445,234) |
| | (612,332) | (2,915,629) |
| **Increase (decrease) in cash** | (1,243,815) | 628,558 |
| **Cash,** beginning of year | 2,776,813 | 2,148,255 |
| **Cash,** end of year | $ 1,532,998 | $ 2,776,813 |
| **Cash consists of:** | | |
| Cash | $ 457,002 | $ 1,476,813 |
| Short term investments | 1,075,996 | 1,300,000 |
| | $ 1,532,998 | $ 2,776,813 |

Supplemental cash flow information (note 15)

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

## 1. Nature of Business

GC-Global Capital Corp. (the “Company”) is incorporated under the Canadian Business Corporations Act and was formed on December 31, 2005 via an amalgamation of Global (GMPC) Holdings Inc. and E & E Capital Funding Inc. (formerly A & E Capital Funding Inc.), as described in note 4. The Company provides a range of merchant banking services to small and mid-size cap companies in North America in both the public and private markets. The Company provides bridge loan services (asset backed/collateralized financing) ranging from $200,000 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 also has a diversified investment division engaged in investing in emerging growth companies.

## 2. Change in accounting policies

Effective January 1, 2007, the Company will adopt Canadian Institute of Chartered Accountants (CICA) Section 3855 Financial Instruments – Recognition and Measurement, Section 3865 Hedges and Section 1530 Comprehensive Income (the “Financial Instrument Standards”). Respectively, prior to January 1, 2007, the principal accounting policies affecting the Company’s financial instruments were as follows: marketable securities were valued at the lower of average cost and market value; investments were valued at cost or at cost less amounts written off to reflect any impairment in value that is considered to be other than temporary; loans were stated net of an allowance for credit losses on impaired loans; and other assets were valued at their net realizable value.

The adoption of the Financial Instrument Standards will require the presentation of a separate statement of comprehensive income. Investments and marketable securities will be recorded in the consolidated balance sheet at fair value. Changes in fair value of marketable securities will be recorded in income and changes in the fair value of investments will be reported in comprehensive income. The transitional adjustments in respect of these standards will be recorded to the opening securities and investments and adjusted through the retained earnings account and accumulated other comprehensive income, at January 1, 2007.

The net effect of adopting the Financial Instrument Standards at January 1, 2007 has not yet been determined.

## 3. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant for the Company.

### Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Foothills Developments Inc. ("Foothills"). In turn, Foothills' accounts include the accounts of its wholly-owned subsidiaries, Newborn Realty Corporation ("Newborn") and Laurel Development Corporation ("Laurel"). All significant intercompany transactions and balances have been eliminated.

### Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. While management believes that these estimates and assumptions are reasonable, actual results may differ. Financial statement items subject to significant management judgment include loan losses, investment carrying values, fair value of non-cash fees and stock-based compensation and future income tax assets.

Cash and Cash Equivalents

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

Short Term Investments

Short Term Investments are carried at the lower of average cost and market value.

Loans

Loans are stated net of an allowance for credit losses on impaired loans.

Loans are classified as impaired when the principal is past due, interest is 90 days in arrears, and when there is no longer reasonable assurance of the timely collection of principal and interest. A provision for losses incurred on impaired loans is made to reduce the carrying amount to the estimated realizable amount.

Investments

Investments are valued at lower of cost and market value. Declines in market value below cost are recognized when such declines are considered other than temporary. Cash distributions, which are considered to be a return of capital, are applied to reduce the carrying value of investments.

Revenue Recognition

Interest income is recorded on an accrual basis except on loans classified as impaired. When a loan is classified as impaired, interest income is recognized on a cash basis only, after specific provisions or write-offs have been recovered and provided there is no further doubt about the collectability of remaining principal balances. Loan syndication fees are included in income as earned over the life of the loan. Loan commitment, origination, restructuring and renegotiation fees are recorded as interest 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.

Development Property

Development properties consist of properties under development for which a development program is being conducted and properties which are under construction. These properties are recorded at cost, including pre-development expenditures.

Property and Equipment

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

| | | |
|---|---|---|
| Computer equipment | 30% | declining balance |
| Furniture & equipment | 30% | declining balance |

Customer Advances and Deferred Revenue

Customer advances and deferred revenue comprise prepaid interest on loans and unearned structuring fees and bonuses.

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 balance sheet date. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in net income of the period.

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

Future Income Taxes

The Company uses the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, unused tax losses and income tax reductions, and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The amount recognized is limited to the amount that is more likely than not to be realized.

Stock-Based Compensation Plan

The Company has a stock option plan for Directors, Officers and key employees which is described in Note 12. In 2004, the Company elected to apply the fair value method of accounting for stock options granted to directors, officers and employees on a prospective basis in accordance with the recommendations of the CICA. Accordingly, effective January 1, 2004, the fair value of all stock options granted is recorded as a charge to operations and a credit to contributed surplus over the period the stock options vest. It has been the Company's policy for options to vest upon issuance. Consideration received on exercise of stock options is credited to share capital and at this time the value attributed to the exercised options is transferred to share capital.

Financial Instruments

Unless otherwise noted, it is management's opinion that the Company is not exposed to any significant interest, currency, credit or market risks arising from its financial instruments. The fair value of all financial instruments approximates their carrying value, except for investments in portfolio investments as disclosed in Note 5.

Measurement Uncertainty

The precise value of many assets and liabilities is dependent on future events. As a result, preparation of financial statements for a period involves the use of approximations which have been made using careful judgment. Actual results could differ from those approximations.

Related Party Transactions

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

## 4. Amalgamation

On December 31, 2005, Global (GMPC) Holdings Inc. ("Global") and E & E Capital Funding Inc. (formerly A & E Capital Funding Inc.) ("E & E") amalgamated and continued as one corporation under the name GC-Global Capital Corp. ("GC"). E & E shareholders received GC shares on the basis of 1.0 GC subordinate voting share for each 1.0 E & E common share. Global's subordinate voting shareholders received 0.3 GC subordinate voting shares for each Global subordinate voting share and Global multiple voting shareholders received 0.3 GC multiple voting shares for each Global multiple voting share. The share exchange ratio, supported by the opinion of an independent valuator, was based on the estimated fair value of each subordinate voting and multiple voting share for Global and common share for E & E. Global and E & E's estimated fair values at September 30, 2005 were at $0.353 and $1.170, respectively.

The following is a breakdown of the net assets of each Global and E & E as at December 31, 2005:

| | Global | E & E | Total |
|---|---|---|---|
| Cash | $ 1,058,285 | $ 418,528 | $ 1,476,813 |
| Short term investments | 1,300,000 | - | 1,300,000 |
| Accounts receivable and sundry assets | 416,688 | 34,786 | 451,474 |
| Interest and dividends receivable | 216,962 | 6,417 | 223,379 |
| Notes receivable, bridge loans and convertible debentures | 6,717,360 | 65,938 | 6,783,298 |
| Portfolio investments | 3,363,771 | 1,797,186 | 5,160,957 |
| Development property | 1,163,000 | - | 1,163,000 |
| Property and equipment | 3,224 | 6,268 | 9,492 |
| Accounts payable | (149,959) | (232,679) | (382,638) |
| Loans and interest payable | - | (735,808) | (735,808) |
| Income taxes payable | (93,241) | - | (93,241) |
| | $ 13,996,090 | $ 1,360,636 | $ 15,356,726 |

Global's notes receivable, bridge loans and convertible debentures had a fair value of $7,113,923 and its portfolio investments had a fair value of $4,349,562.

E & E's notes receivable, bridge loans and convertible debentures had a fair value of $82,908 and its portfolio investments had a fair value of $2,112,487.

## 5. Financial Instruments

The carrying value of cash, accounts receivable and sundry assets, interest and dividends receivable, bank indebtedness, accounts payable and customer advances approximate their fair values due to the short-term nature of these instruments.

The carrying values and fair values of the Company's short term investments, notes receivable, bridge loans and convertible debentures and portfolio investments are as follows:

| | 2006 Carrying Value | 2006 Fair Value | 2005 Carrying Value | 2005 Fair Value |
|---|---|---|---|---|
| Short term investments | $ 1,075,996 | $ 1,075,996 | $ 1,300,000 | $ 1,300,000 |
| Notes receivable | 2,366,135 | 2,366,135 | 55,000 | 55,000 |
| Bridge loans and convertible debentures | 9,255,148 | 9,255,148 | 6,728,298 | 7,141,831 |
| Portfolio investments | | | | |
| - Publicly traded companies and partnerships | 4,559,540 | 4,659,600 | 5,160,957 | 6,462,049 |
| | $ 17,256,819 | $ 17,356,879 | $ 13,244,255 | $ 14,958,880 |

a) Short term investments include term deposits at rates between 3.25% and 3.55% (2005 - 2.5%) due between January 2, 2007 and January 29, 2007 (2005 - January 27, 2006).

b) Portfolio investments represent shares in publicly traded companies and partnerships. Fair value represents the quoted trading price of the shares held at December 31, 2006 and 2005. Fair value of bridge loans is estimated to be approximately the equivalent of carrying value due to the relatively short term of these bridge loans. Fair value of convertible debentures is generally considered to be the equivalent of carrying value unless the trading price of the underlying security exceeds the conversion price of the debenture. Fair value is then considered to be the quoted trading price of the underlying security.

c) The gross amount of the notes receivable is $2,479,971 (US$2,128,000). The discount amount recognized at December 31, 2006 is $113,836 (US$97,680). The first payment in the amount of US$1,128,000 is payable July 1, 2007 and the remainder is due December 29, 2007. For a fee of US$250,000, the December 29, 2007 payment may be extended to December 29, 2008. The notes are interest free and therefore have been discounted using a 6% rate.

d) The Company invests extensively in emerging growth companies that are in the development stage or in companies which primarily hold investments in such companies. Certain investments are in companies which have not yet established commercial viability for their business activities and have not yet earned significant revenue. Therefore, the quoted market values of their shares are not necessarily indicative of the fair value of these investments and the recoverability of invested amounts is dependent upon the eventual commercial success of these entities. However, lack of positive developments, or adverse developments, could result in future writedowns of the carrying values of these investments.

## 6. Bank Indebtedness

As at December 31, 2006, the Company had available a demand loan operating facility to a maximum of $6,000,000 (or the US dollar equivalent) from a Canadian lending institution which is secured by a first ranking General Security Agreement, the assignment of term deposits and the Company's investment in common shares of Global Development Resources, Inc. (at December 31, 2006, the value of the investment in Global Development Resources, Inc. was $2,152,560 and is presently in the financial statements as a portfolio investment). The interest rate on the facility is prime plus 1% for advances of up to $600,000 CDN, and prime for borrowings in excess of $600,000, payable monthly.

## 7. Notes Receivable, bridge loans and convertible debentures

The notes receivable of US$2,128,000 at December 31, 2006 are payable in installments. The first payment in the amount of US$1,128,000 is payable July 1, 2007 and the remainder is due December 29, 2007. For a fee of US$250,000, the December 29, 2007 payment may be extended to December 29, 2008. The notes are interest free and therefore have been discounted using a 6% rate. The note receivable as at December 31, 2005 bore an interest rate of 12% and was collected in 2006.

Bridge loans are repayable over various terms up to 12 months from December 31, 2006 (12 months from December 21, 2005), and bear interest at fixed rates of between 12% and 15%. Shares, real estate, and borrower, corporate or personal guarantees generally have been pledged as security.

The convertible debentures at December 31, 2005 carried interest rates of 12% and were for varying terms up to October 2007. Shares and corporate guarantees generally have been pledged as security.

Notes receivable, bridge loans and convertible debentures analysis as at December 31, 2006 and 2005 are as follows:

| | 2006 | 2005 |
|---|---|---|
| Due on Demand | | |
| Notes receivable | $ - | $ 55,000 |
| | - | 55,000 |
| Due within One Year | | |
| Notes receivable | 2,366,135 | - |
| Bridge loans | 9,255,148 | 5,266,110 |
| Convertible debentures | - | 650,000 |
| | 11,621,283 | 5,916,110 |
| Due within 13 to 24 Months | | |
| Convertible debentures | - | 812,188 |
| | $ 11,621,283 | $ 6,783,298 |

## 8. Development Properties

Development properties consist of properties under development for which a development program is being conducted and properties which are under construction. These properties are recorded at cost, including pre-development expenditures and taxes up to the estimated fair value of the properties.

| | 2006 | 2005 |
|---|---|---|
| Big Creek Lodge | $ - | $ 1,163,000 |

In December 2006 the Company sold its 40% interest in Big Creek Lodge, a real estate property for which a development plan is being conducted located at Big Creek Lodge, North Mills River, Henderson County, North Carolina, USA. The property was sold to a related party (see note 17) for US$2,128,000, of which US$1,128,000 is due on July 1, 2007 and US$1,000,000 is due on December 29, 2007 (note 5 (c)). The Company recorded a gain of $1,051,564 on the disposition of its interest in Big Creek Lodge.

## 9. Property and Equipment

| | Cost | Accumulated Amortization | **2006 Net book value** |
|---|---|---|---|
| Computer equipment | $ 25,776 | $ 17,287 | $ 8,489 |
| Furniture | 12,244 | 1,972 | 10,272 |
| Equipment | 14,005 | 3,151 | 10,854 |
| | $ 52,025 | $ 22,410 | $ 29,615 |

| | Cost | Accumulated Amortization | **2005 Net book Value** |
|---|---|---|---|
| Computer equipment | $ 23,606 | $ 14,114 | $ 9,492 |

## 10. Loans and Interest Payable

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Demand note, non-interest bearing (note 17) | $ | **-** | $ | 525,636 |
| Demand note, bearing interest at prime rate plus 2.0% | | - | | 9,018 |
| 7% demand loan, including interest payable of $nil (2005 $65,342) | | - | | 201,154 |
| | $ | - | $ | 735,808 |

Fair value of fixed rate debt has been determined based on interest rates at year-end for debt with similar terms and risks. The fair value of the debt is approximately equal to its carrying value, as the majority of loans bear fair value interest rates or are due on demand.

The 7% demand loan, including interest payable from the Company's subsidiary, Foothills Development Corp., totaling $195,029, net of a foreign exchange adjustment, was forgiven during fiscal 2006. The loan was payable to a related party (see note 17). This resulted in a forgiveness of debt of $195,029.

## 11. Share Capital

**Authorized:**

| | | 2006 | 2005 |
|---|---|---|---|
| Unlimited | multiple voting shares ("GC MVS") | | |
| Unlimited | subordinate voting shares ("GC SVS") | | |
| Unlimited | preferred shares | | |

**Issued:**

| | | | 2006 | | 2005 |
|---|---|---|---|---|---|
| 1,062,662 (2005 - 1,063,974) | multiple voting shares | $ | 1,937,651 | **$** | 1,940,043 |
| 14,553,161 (2005 - 14,593,560) | subordinate voting shares | | 12,137,995 | | 12,170,379 |
| | | $ | 14,075,646 | $ | 14,110,422 |

Prior to the Amalgamation on December 31, 2005, the Company had authorized an unlimited number of Global (GMPC) Holdings Inc. subordinate voting shares ("Global SVS"), Global (GMPC) Holdings Inc. multiple voting shares ("Global MVS") and E & E Capital Funding Inc. common shares ("E & E CS").

Prior to October 17, 2005, the Company had authorized an unlimited number of E & E Capital Funding Inc. subordinate voting shares, ("E & E SVS") and E & E Capital Funding Inc. multiple voting shares ("E & E MVS"). The Company also had authorized 1,000,000 E & E Capital Funding Inc. Series 1 Preferred Shares ("E & E PS1") and 1,000,000 E & E Capital Funding Inc. Series 2 Preferred Shares ("E & E PS2").

| | 2006 Number of Shares | 2006 Amount | 2005 Number of Shares | 2005 Amount |
|---|---|---|---|---|
| **GC-Global Capital Corp** | | | | |
| **Multiple voting shares** | | | | |
| Opening balance | 1,063,974 | $ 1,940,043 | - | $ - |
| Convert MVS to SVS | (1,312) | (2,392) | | |
| Issued 0.3 shares for each 1 | | | | |
| Global MVS | - | - | 1,063,974 | 1,940,043 |
| | 1,062,662 | 1,937,651 | 1,063,974 | 1,940,043 |
| **Subordinate voting shares** | | | | |
| Opening balance | 14,593,560 | 12,170,379 | - | - |
| Convert MVS to SVS | 1,312 | 2,392 | | |
| Shares cancelled | (41,711) | (34,776) | | |
| Issued 0.3 shares for each 1 | | | | |
| Global SVS | - | - | 11,884,897 | 11,031,123 |
| Issued 1 share for each 1 | | | | |
| E & E CS | - | - | 2,708,663 | 1,139,256 |
| | 14,553,161 | 12,137,995 | 14,593,560 | 12,170,379 |
| Own shares acquired | | | | |
| Opening balance | - | $ - | - | - |
| Issued 0.3 shares for each 1 | | | | |
| Global SVS | - | - | 292,512 | 1,009,259 |
| Issued 1 share for each 1 | | | | |
| E & E CS | - | - | 88,391 | 86,175 |
| Shares cancelled | - | - | (380,903) | (1,095,434) |
| | - | $ - | - | $ - |

During 2006 1,312 multiple voting shares were converted into subordinate voting shares on a one for one basis.

During 2006, Company completed treasury purchases for cancellation under a normal course issuer bid of 41,700 subordinate voting shares with a stated capital of $34,776 for $41,716 resulting in a decrease in contributed surplus of $6,940.

On December 31, 2005, Global (GMPC) Holdings Inc and E & E Capital Funding Inc. amalgamated. Each 1 Global SVS was exchanged for 0.3 GC SVS. Each 1 Global MVS was exchanged for 0.3 GC MVS. Each 1 E & E CS was exchanged for 1 GC SVS. 292,512 shares with a PUC of $1,009,259 were owned by the Company and cancelled upon amalgamation.

| | 2006 Number of Shares | 2006 Amount | 2005 Number of Shares | 2005 Amount |
|---|---|---|---|---|
| **E & E Capital Funding Inc.** | | | | |
| **Multiple voting shares** | | | | |
| Opening balance | - | $ - | 3,501,843 | $ 1,911,741 |
| Exchanged 20 E & E MVS for 1 E & E CS | - | - | (3,501,843) | (1,911,741) |
| | - | - | - | - |
| Own shares acquired | | | | |
| Opening balance | - | - | 136,254 | 74,538 |
| Exchanged 20 E & E MVS for 1 E & E CS | - | - | (136,254) | (74,538) |
| | - | - | - | - |
| **Subordinate voting shares** | | | | |
| Opening balance | - | - | 8,875,006 | 4,322,278 |
| Exchanged 20 E & E SVS for 1 E & E CS | - | - | (8,875,006) | (4,322,278) |
| | - | - | - | - |
| Own shares acquired | | | | |
| Opening balance | - | - | 1,083,988 | 527,920 |
| Exchanged 20 E & E MVS for 1 E & E CS | - | - | (1,083,988) | (527,920) |
| | - | - | - | - |
| **Series 1 preferred shares** | | | | |
| Opening balance | - | - | 123,810 | 260,000 |
| Shares cancelled | - | - | (123,810) | (260,000) |
| | - | - | - | - |
| Own shares acquired | | | | |
| Opening balance | - | - | 200,000 | 420,000 |
| Shares cancelled | - | - | (200,000) | (420,000) |
| | - | - | - | - |
| **Series 2 preferred shares** | | | | |
| Opening balance | - | - | 411,413 | 946,250 |
| Shares cancelled | - | - | (411,413) | (946,250) |
| | - | $ - | - | $ - |

| | 2006 Number of Shares | 2006 Amount | 2005 Number of Shares | 2005 Amount |
|---|---|---|---|---|
| **Common shares** | | | | |
| Opening balance | - | $ - | - | $ - |
| Exchanged 20 E & E MVS for 1 E & E CS | - | - | 175,061 | 1,911,741 |
| Exchanged 20 E & E SVS for 1 E & E CS | - | - | 443,665 | 4,322,278 |
| Shares issued for debt | - | - | 2,089,937 | 2,089,937 |
| Share capital reduction | | | | (7,184,700) |
| Exchanged 1 E & E CS for 1 GC SVS | - | - | (2,708,663) | (1,139,256) |
| | - | - | - | - |
| Own shares acquired | | | | |
| Opening balance | - | - | - | - |
| Exchanged 20 E & E MVS for 1 E & E CS | - | - | 6,813 | 74,538 |
| Exchanged 20 E & E MVS for 1 E & E CS | - | - | 54,199 | 527,920 |
| Shares issued for debt | - | - | 231,500 | 231,500 |
| Exchanged 1 E & E CS for 1 GC SVS | - | - | (292,512) | (833,958) |
| | - | $ - | - | $ - |

On October 17, 2005, the Company announced the completion of a reorganization of the Company's share capital and name change from A & E Capital Funding Inc. to E & E Capital Funding Inc.

The Company exchanged the outstanding multiple voting shares and outstanding single voting shares into common shares on the basis of one common share for each 20 multiple voting shares and one common share for each 20 subordinate voting shares. The Company cancelled all the authorized and unissued multiple voting shares and subordinate voting shares.

On October 24, 2005, the Company issued 713,881 common shares, at a deemed value of $1.00 per share, for the repurchase of 611,413 series I and series II preferred shares of the Company plus accrued dividends of $102,468. The Company also issued 1,464,246 common shares, at a deemed value of $1.00 per share, to settle outstanding debt for $1,464,246 to an insider of the Company.

On November 4, 2005, the Company issued 143,310 common shares, at a deemed value of $1.00 per share, for the repurchase of 123,810 series I and series II preferred shares of the Company plus accrued dividends of $19,500.

On December 9, 2005, the Company reduced its stated capital of its common shares by $7,184,700.

| | 2006 Number of Shares | 2006 Amount | 2005 Number of Shares | 2005 Amount |
|---|---|---|---|---|
| **Global (GMPC) Holdings Inc.** | | | | |
| **Multiple voting shares** | | | | |
| Opening balance | - | $ - | 3,843,034 | $ 2,166,606 |
| Cancellation of shares | - | - | - | - |
| Convert Global MVS to Global SVS | - | - | (296,429) | (167,119) |
| Stated capital reduction | - | - | - | (59,444) |
| Issued 0.3 GC MVS for each 1 Global MVS | - | - | (3,546,605) | (1,940,043) |
| | - | - | - | - |
| **Subordinate voting shares** | | | | |
| Opening balance | - | - | 39,665,785 | 11,638,977 |
| Shares issued on exercise of warrants | - | - | 40,500 | 12,150 |
| Cancellation of shares | - | - | - | - |
| Treasury shares acquired | - | - | (746,500) | (219,039) |
| Convert Global MVS to Global SVS | - | - | 296,429 | 167,119 |
| Stated capital reduction | | | | (673,751) |
| Own shares sold (net) | - | - | 360,114 | 105,667 |
| Issued 0.3 GC SVS for each 1 Global SVS | - | - | (39,616,328) | (11,031,123) |
| | - | - | - | - |
| Own shares acquired | | | | |
| Opening balance | - | - | 654,750 | 191,842 |
| Purchases | - | - | 1,600,000 | 469,482 |
| Sales | - | - | (1,960,114) | (575,149) |
| Issued 0.3 GC SVS for each 1 Global SVS | - | - | (294,636) | (86,175) |
| | - | $ - | - | $ - |

During 2005, the Company completed treasury purchases for cancellation under a normal course issuer bid of 746,500 subordinate voting shares with a stated capital of $219,039 for $187,619, resulting in an increase in contributed surplus of $31,420.

During 2005, 40,500 warrants were exercised at $0.30 for gross proceeds of $12,500.

During 2005, 296,429 Global MVS were converted to 296,429 Global SVS.

On December 9, 2005, the Company reduced its stated capital of its Global SVS by $673,751 and its Global MVS by $59,444.

## 12. Stock-Based Compensation Plan

On February 7, 2006 the Directors of the Company approved the issuance of 220,000 options at an exercise price of $0.87 per share. As at December 31, 2006, the Company had outstanding 1,450,000 options with an exercise price of $0.87 of which 1,080,000, 150,000 and 220,000 options are exercisable in whole or in part at any time prior to May 5, 2009, November 24, 2009 and February 7, 2011, respectively.

The fair values of the options have been estimated using the Black-Scholes option-pricing model. Assumptions used in the pricing model is a risk-free rate of 3%, expected life of options of 5 years, expected stock price volatility of 40% and an expected dividend yield of 4%.

## 13. Contributed Surplus

During 2006, Company completed treasury purchases for cancellation under a normal course issuer bid of 41,700 subordinate voting shares with a stated capital of $34,776 for $41,700 resulting in a decrease in contributed surplus of $6,940.

During 2006, the Company also issued 220,000 stock options and recorded an increase to contributed surplus of $66,148.

During 2005, the Company completed treasury purchases for cancellation under a normal course issuer bid of 746,500 subordinate voting shares with a stated capital of $219,039 for $187,619, resulting in an increase in contributed surplus of $31,420.

During 2005, the Company repurchased 535,223 Series 1 and Series 2 preferred shares with a paid-up capital of $1,206,250 for $535,223, resulting in an increase in contributed surplus of $671,027.

During 2005, the Company cancelled 294,636 shares that were owned by the Company with a paid-up capital of $86,175 for $91,953 resulting in a decrease in contributed surplus of $5,778.

## 14. Net Income Per Share

Net income per share has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during the year. 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. The conversion of the stock options would be anti-dilutive.

## 15. Cash Flows Supplementary Information

| | 2006 | 2005 |
|---|---|---|
| **Net change in non-cash working capital balances** | | |
| Accounts receivable and sundry assets | $ (130,503) | $ (259,188) |
| Prepaid expenses | (10,144) | - |
| Interest and dividends receivable | (35,468) | (100,318) |
| Accounts payable and accrued liabilities | 186,052 | 304,883 |
| Customer advances and deferred revenue | 179,374 | - |
| Dividends payable | - | 20,325 |
| Income taxes payable | (93,241) | 93,241 |
| | $ 96,070 | $ 58,943 |
| **Interest paid** | $ 201,463 | $ 126,449 |
| **Supplementary non-cash financial information** | | |
| **Payment of loans and interest payable** | | |
| Forgiveness of debt | $ 195,029 | $ - |
| | 195,029 | - |
| **Portfolio investments** | | |
| Customer advances and deferred revenue | 111,310 | - |
| Structuring fees and bonuses received as shares | 160,490 | - |
| | 271,800 | - |
| **Shares issued for debt** | | |
| For the repurchase of preferred shares | $ - | $ 735,223 |
| For the payment of accrued dividends | - | $ 121,968 |
| For the payment of accrued interest | - | 1,464,246 |
| | $ - | $ 2,321,437 |

## 16. Income Taxes

a) The provisions for (recovery of) income taxes consists of the following:

| | 2006 | 2005 |
|---|---|---|
| Basic tax amount at 34.12% (2005 36.12%) | $ 777,202 | $ 1,275,000 |
| Amounts not subject to tax | (693,605) | (890,000) |
| Amounts not included in income but deductible for tax purposes | (105,237) | (277,960) |
| | (21,640) | 107,040 |
| Unrecorded income tax benefits | - | - |
| Current income taxes | (21,640) | 107,040 |
| Future income taxes (benefit) | 105,860 | (1,469,317) |
| | $ 84,220 | $ (1,362,277) |

Included in unrecognized deductible temporary differences are approximately $22,700,000 (2005 - $25,000,000) in net capital losses for income tax purposes which may be carried forward and used to reduce taxable income in future years. The net capital losses are only available to offset against taxable capital gains. The net capital losses have no expiry date. The potential income tax benefit arising from these temporary differences are not recorded in these consolidated financial statements since at the balance sheet date it is likely that the future tax asset will not be realized.

Also included in unrecognized deductible temporary differences are approximately $1,800,000 (2005 - $1,800,000) in temporary differences relating writedowns of permanently impaired investments. The potential income tax benefit arising from these temporary differences are not recorded in these consolidated financial statements since at the balance sheet date it is likely that the future tax asset will not be realized.

b) The significant components of the future income tax assets as at December 31, 2006 are as follows:

| | 2006 | 2005 |
|---|---|---|
| Loss carryforwards | $ 1,242,437 | $ 1,351,538 |
| Capital losses | 3,879,097 | 4,266,669 |
| Resource assets | (102,415) | (102,415) |
| Investments | 615,593 | 615,593 |
| Other | 223,435 | 220,194 |
| | 5,858,147 | 6,351,580 |
| Valuation allowance | (4,494,690) | (4,882,262) |
| Future tax asset | $ 1,363,457 | $ 1,469,317 |

## 17. Related Party Transactions

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

a) Notes receivable, bridge loans and convertible debentures include a balance due from companies having a current Director or Officer in common with the Company, with a cost of $1,050,003 (2005 - $1,062,188).

b) Notes receivable, bridge loans and convertible debentures include syndicated loans through Global Development Resources, Inc., a company with common directors and officers of the Company. Syndicated loans outstanding at December 31, 2006 from the Company are $5,409,303 (2005 - $1,791,020).

c) Notes receivable, bridge loans and convertible debentures include notes to two Directors of the Company for US$2,128,000, of which US$1,128,000 is due on July 1, 2007 and US$1,000,000 is due on December 29, 2007. The notes relate to certain real estate property that was sold to the two Directors.

d) In 2005, the Company provided a bridge loan of which 3.9% was syndicated to a Director and 7.8% was syndicated to the spouse of a Director. The total interest and principal payable to the Director and to spouse of a Director at December 31, 2006 was $224,139 (2005 - $128,471).

e) Portfolio investments include shares of companies and partnerships having a current Director or Officer in common with the Company, with a cost of $1,644,297 (2005 - $1,682,539) and a fair value of $2,411,810 (2005 - $2,465,134).

f) Loans and interest payable include loans to a company controlled by a shareholder of the Company for $nil (2005 - $525,636).

g) Interest and dividend income includes interest earned on loans with current Directors and Officers in common with the Company, in the amount of $134,700 (2005 - $122,734).

h) Structuring fees income includes $88,679 (2005 - $nil) received from companies with current Directors and Officers in common with the Company.

i) Other income includes the forgiveness of a note payable for $195,029 (2005 - $nil) from a company controlled by a shareholder of the Company.

j) Management and consulting fees and travel and promotion expenses include $402,863 (2005 - $526,606) paid to companies controlled by current Directors and Officers of the Company.

## 18. Dividends Paid

On May 1, 2006, the Company declared a cash dividend of $0.04 per share payable to shareholders of the Company's subordinate voting and multiple voting shares. The dividend was paid on May 31, 2006, to shareholders on record on May 15, 2006. It is the intention of the Company to pay out a portion of its future annual earnings to Shareholders in the form of a dividend.

## 19. Financial Instruments

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. From time to time the Company takes advantage of foreign exchange contracts to manage the risk of currency fluctuations. As at December 31, 2006, the Company had purchased for settlement from its banker US$2,470,000 at $1.1434 maturing January 3, 2007 and US$3,150,000 at $1.1100 maturing March 30, 2007. Gains and losses on foreign exchange contracts are included in income in the corresponding reporting period.

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.

Market Risk

The Company is exposed to certain market risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to an individual security or its issuer or factors affecting all securities traded in the market.

Fair Values

The Company's financial instruments consist of cash, accounts receivable, short term investments, interest and dividends receivable, notes receivable, bridge loans and convertible debentures, portfolio investments, bank indebtedness, accounts payable, dividends payable and loans and interest payable. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

## 20. Commitments

The Company has entered into an operating lease for office premises. Minimum annual lease payments required for the next five years are approximately as follows:

| | | |
|---|---|---|
| 2007 | $ | 26,000 |
| 2008 | | 26,000 |
| 2009 | | 26,000 |
| 2010 | | 26,000 |
| 2011 | | 15,200 |

## 21. Contingent Liabilities

a) On March 22, 2002, the Company and other parties were named as defendants in a lawsuit filed in the Supreme Court of British Columbia. The plaintiff has claimed approximately $87,000 for unpaid consulting services plus interest at a rate which at this time cannot be determined. Management intends to fully defend this claim. Accordingly, no provision has been made for this claim in the consolidated financial statements.

In March 2004, the Company and a Director was named in an action of which the plaintiff has claimed $130,000, or in the alternative the return of shares. The Company and the Director have defended and counterclaimed rescission of the agreement by which the Company agreed to purchase shares from the plaintiff. Affidavit of Documents have yet to be exchanged and the plaintiff has taken no steps to move the action forward. Accordingly, no provision has been made for this claim in the consolidated financial statements.

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

b) In 1998, the Company and other parties were named as defendants in a lawsuit filed in the Supreme Court of Newfoundland alleging that the common shares which they hold in the Company were sold to them without their knowledge by an administrator. In 2001, the Company was named in a second action against the Company, by the same plaintiffs, alleging that the Company failed to comply with the applicable provisions of the Canada Business Corporations Act giving Shareholders the right of dissent with respect to certain transactions and to be paid the fair market value for these shares. Management has filed statements of defense for each action. No provision has been made for these claims in the consolidated financial statements.

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

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

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

The Company will take all legal steps necessary to ensure the taxes are paid by the indemnifying parties.

In 2003, the Company sold GBPC and provided an indemnity to the purchaser for claims related to the previous years.

In 2005 and 2006, the Company paid $122,000 to Canada Revenue Agency in relation to the contingency. The Company expects the $122,000 to be fully recoverable. The amount is included in accounts receivable and sundry assets.

## 22. Subsequent Events

a) On February 1, 2007, the Company declared a cash dividend of $0.05 per share payable to shareholders of the Company's subordinate voting and multiple voting shares. The dividend was payable on March 30, 2007, to shareholders on record on February 9, 2007.

b) On March 16, 2007, the Company completed a equity offering for gross proceeds of $5,500,000 through the issuance of 4,782,609 units at a price of $1.15 per unit. Each unit was comprised of one subordinate voting share and one-half share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional subordinate voting share at a price of $1.50 per share at any time and from time to time until September 16, 2008.