

GC-Global Capital Corp.

Management Discussion & Analysis

Dated: April 29, 2013

The following information should be read in conjunction with the GC-Global Capital Corp. ("GC" or the "Company") Consolidated Financial Statements for the years ended December 31, 2012, 2011 and 2010, 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

As noted above, 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 balance sheet and income statements 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 and is greatly dependent on the valuation of these assets, due to market conditions in 2012 and in 2011 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 balance sheet and corresponding income statement 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 the 2011 and 2012 press releases, the Company is adjusting its equity investments in Private Companies in conjunction with the changing business cycle. Progress on this front has been significant in 2012. As noted in the 2011 Year End Management Discussion and Analysis, new equity investments were added in 2011 which had no comparable in 2010. 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 December 31, 2012 GC's net assets were valued at \$9.23 million or \$0.48 per share compared to \$10.54 million or \$0.58 per share as at December 31, 2011. The \$1.31 million dollar drop in net assets is principally a combination of \$0.40 million in new shares issued (1,333,332 shares issued January 3, 2012) offset by the net loss of \$1.51 million. The share buybacks through the Company's Normal Course Issuer Bid ("NCIB") were significant but low cost \$0.01 million in the twelve months of 2012.

The net loss for the year ending December 31, 2012 was \$1,511,197 (2011 – loss of \$4,110,050) and net comprehensive loss was \$1,627,036 (2011 – loss of \$4,707,693). The bulk of the loss from the following non-cash, valuation related sources may not be realized in the future: \$115,839 due to unrealized loss on available for sale investments (2011 – loss of \$1,014,991. Net loss per share was \$0.08 (2011 – loss of \$0.22). In 2012, 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.

As at December 31, 2012 total assets as at December 31, 2012 were \$10.0 million compared to \$11.5 million as at December 31, 2011, down \$1.5 million from year end. In 2012, cash and short term investments decreased by \$0.6 million. GC's loan and convertible debenture portfolio amounted to \$1.5 million, a decrease of 12% as compared to \$1.7 million as at December 31, 2011. The Company's portfolio investments amounted to \$2.7 million, a decrease of 13% as compared to \$3.1 million at December 31, 2011. 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 balance sheet. The investment property portfolio did not change from the \$1.9 million year end value (December 31, 2011 - \$1.9 million). Equity method investments decreased by \$0.5 million (TLD and MMC) at year end (December 31, 2011 - \$3.0 million). The difference in change in assets is relatively minor.

The majority of the losses for 2012 stem from operations and the available for sale financial assets. In 2011, legacy real estate holdings and the bridge loan related to the museum exhibition called the Las Vegas Mob Experience ("LVME") were written down. In November 2012 GC successfully took possession of the assets of the LVME as part of its recovery process. Regarding the state of the U.S. real estate recovery, we continue to monitor the markets of North Carolina, New Mexico and Georgia where the real estate holdings are located. These markets continue to show signs of healing and expect relative improvement in these markets in 2013 and 2014. 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 the second half of 2011 and leading into 2012, GC made the strategic decision to refocus its resources and management team to support its repositioning as a merchant bank. In 2012, three new directors joined the company's board enhancing the board's skills in securities law, public reporting and finance. The company's governance has been enhanced with modification to oversight committees. The appointment of Mr. Robert Parent as Chief Operating Officer demonstrates GC's commitment to strengthening the management team by adding a focus on operations that is consistent with the Company's investments in Marathon Mortgage Corporation, Fletcher Business Park, Attorneys Title Guarantee Fund, Inc. and Tanenbaum Landscape & Design Inc. In addition the board and executive team made the strategic decision to co-locate GC's head office with the Marathon Mortgage Corporation's head office to provide assistance as the business launches its operations.

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.

An update on developments will be provided in the Q1 2013 Financial Statements.

Selected Annual Information

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

For the years ended December 31	2012	2011	2010
(per Financial Statements)			
Total Revenue ⁽²⁾	\$ 472,398	\$ 2,272,078	\$ 2,098,122
Net Profit (Loss) before taxes	(1,511,197)	(3,510,050)	(46,751)
Net Profit (Loss) for the year	(1,511,197)	(4,110,050)	(46,751)
Net Profit (Loss) share ⁽¹⁾	(0.08)	(0.22)	0.00
Total assets	10,000,700	11,533,456	17,119,267

(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.

(2) 2010 numbers have been reclassified to conform to the year end 2011 and 2010 presentation.

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

For the years ended December 31	2012	2011	2010
Total Revenue (per financial statements)	\$ 472,397	\$ 2,272,078	\$ 2,098,123
Total Expenses (from financial statements)	1,436,424	4,995,922	1,802,153
Exclude Non-Cash Expense Items	<u>418,240</u>	<u>3,280,658</u>	<u>542,375</u>
Adjusted, Total Expenses	1,018,184	1,715,264	1,259,778
Other Expense Items	(9,473)	41,030	291,567
Adjusted Net Income Before Income Taxes	<u>(536,314)</u>	<u>515,784</u>	<u>546,777</u>
Adjusted Net Income Before Income Taxes Per Share ⁽¹⁾	(0.03)	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 year ended December 31, 2012

Revenues

Total revenue for the twelve months ending December 31, 2012 was \$472,397 compared to \$2,272,078 for the same period in 2011.

Interest and dividend income decreased from \$938,948 in the twelve months of 2011 to \$119,657 in the twelve months of 2012. The expected trend is for interest and dividend income to remain constant or increase in subsequent years. Structuring fees and bonuses decreased significantly from \$311,881 in the twelve months of 2011 to \$127,597 in the twelve months of 2012. The Company charges interest and a structuring fee or a bonus on its bridge loan financings. Bonuses can be in the form of cash, shares in companies, warrants or other compensation. The expected trend is for structuring fees to be consistent with the current year.

The sale of investments and securities have resulted in GC recording a realized gain of \$15,622 for the year to date as compared to a realized gain of \$546,136 in the same period in 2011. The amount includes a gain of \$15,622 from available for sale investments and no change in the sale of fair value through profit or loss investments (2011 – loss of \$12,216 from available for sale investments and a gain of \$558,352 from fair value through profit or loss investments). The current year loss is primarily due to operations and the sale of publicly traded investments.

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 \$36,046 in 2012 (December 31, 2011 – loss of \$770,861).

In June, 2010 the Company's 56.5% (now 64.7% at the end of 2012) owned subsidiary Somersby Park 2010 Limited Partnership purchased an investment property in Laurel Park, North Carolina for \$1,193,971. During the year ended December 31, 2011 the Company capitalized costs of \$61,571 and sold one lot for a gain on sale of \$14,618. 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. On December 28, 2011 the Company sold its Maysville, Kentucky property for gross proceeds of \$50,665 recording a loss on sale of \$1,600. The company increased its interest from 56.5% to 64.7% in 2012 by purchasing the shares of one of the partners.

On July 20th, 2011, the Company announced it had entered into a joint venture called TGC Acquisition Corp. ("TGC") with Rossmore and Partners Investments Corp. ("Rossmore"). The Company and Rossmore have an equal interest in TGC. On July 20th, 2011, TGC 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 provided \$1,000,000, Rossmore provided an additional \$500,000 and the sellers provided a \$1-million vendor take back loan for the balance of the purchase price. Based in Oakville, TLD is a commercial site contractor in the Ontario region. GC and Rossmore have joint control of TGC requiring all strategic and operating decisions to be approved by both joint venture partners. This arrangement requires this investment to be accounted using equity method investment valuation. Therefore, the Company's proportionate share of TGC's earnings or losses is reported in income. For the period ending December 31, 2012, the Company recorded a loss of \$84,909 (December 31, 2011 – loss of \$664,184) relating to this investment.

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. 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. The Put/Call was exercised in April 2013 (see note 21). Gordon Ewart, GC's Chairman, is the registered holder of 620,000 Common Shares of MMC which he acquired independently at the Common Share issue price. The Company's proportionate share of MMC's earnings or losses is reported in income. For the year ended December 31, 2012, the Company recorded a loss of \$471,735 (December 31, 2011 – a loss of \$36,423) relating to this investment.

As at January 1, 2011 the Company held approximately of 42.5% of the outstanding shares in GDV Resources Inc. ("GDV"). During the first quarter of 2011 the Company completed a shares-for-debt transaction with GDV whereby the Company received 1,500,000 common shares of GDV to cancel debt of \$75,000. Subsequent to this transaction the Company's ownership increased to 49.9%. As a result, the Company had determined that it exercised significant influence over GDV and therefore accounted for this investment using the equity method. The Company's share of earnings or losses was reported in income. For the year ended December 31, 2011 the Company recorded a loss of \$44,569 (2010 - \$51,153) relating to this investment. On December 31, 2011 the Company sold 3,000,000 common shares of GDV in a private transaction for \$75,000 recording a loss of \$49,605. The \$75,000 payment was received in the first quarter of 2012.

Expenses

Total expenses for the twelve months of 2012 were \$1,436,424 as compared to \$4,995,922 in the same period in 2011. Total expenses reflect a decrease in legal and audit cost of \$161,251 as compared with \$230,825 for the same period in 2011. Rent for the twelve months of 2012 was \$103,905 as compared with \$94,396 (the increase in rent of \$9,509 due to an early lease termination payment). All other expenses are generally lower, reflecting management's focus on containing costs.

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 \$32,546 in in the twelve months of 2012 as compared to a gain of \$23,529 in 2011.

Overhead including office and general expenses and filing and listing fees were \$113,151 in the twelve months of 2012 as compared to \$137,755 in the twelve months of 2011 and are expected to remain about the same or decrease in 2013 with rationalization of expenses, overhead and review of supplier agreements. Management and consulting fees decreased 37% from 2011 to 2012 and is expected to remain at this level in 2013 due to reduced consulting fees. Travel and promotion expenses decreased from \$124,764 to \$67,002 in 2012 as a result of travel related to recoveries, decreased travel and promotional activities during the year and is expected to decrease in 2013. Audit and legal fees decreased from \$230,825 to \$161,251. The change is partly due to increased legal costs and loan recovery costs during the year but offset by a significant decrease in projected audit expenses for 2012. These expenses are expected to be lower in 2013 as for 2012 as legal costs should be lower. Rent was higher by \$9,509 in the twelve months of 2012 and will be significantly reduced in 2013 to approximately \$1,000 per month. Interest and banking expenses decreased from \$10,017 to \$9,668 in the twelve months of 2012 compared with the same period in 2011. Interest expense relates mainly to a 7% note on a property acquired in March, 2009. The note was settled in the second quarter of 2011 and as a result interest expense is expected to be minimal in future periods. The Company also recorded \$43,035 (2011 – \$28,719) in property taxes during the twelve months of 2012 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.

As at December 31, 2011 the Company no longer had convertible debentures outstanding.

For the year ended December 31, 2012 the Company recorded an impairment loss of \$Nil (December 31, 2011 – loss of \$521,494) as a result of a decline in the fair value of certain investment properties. The write-down of investment properties in 2011 relates primarily to properties that were acquired as settlement for bridge loans outstanding in 2009. A portion of the value of the investment property was permanently impaired and the Company wrote the costs down to their market value as at December 31, 2011. The future trend will depend upon real estate market conditions in the United States. The Company had a net provision for loan loss recoveries of \$33,948 in the period ending December 31, 2012 (December 31, 2011 – loan loss provision of \$969,619) relating to loans that were past due or non-performing and recoveries. For the period ending December 31, 2012 the Company recorded an impairment loss of \$136,391 (December 31, 2011 – impairment loss of \$450,976) with respect to its portfolio investments and equity method investments. Included in the impairment loss is a write-down of \$101,842 (December 31, 2011 - \$416,427) related to the Company's private company investments

Net loss was \$1,511,197 for the year ended December 31, 2012 as compared to a net loss for the same period of \$4,110,050 in 2011.

Taxes

As at December 31, 2012, the Company had approximately \$24.8 million in capital losses and \$31.1 million in non-capital losses. During the year, the Company recorded a charge of \$Nil (2011 – \$0.6 million) against its deferred tax asset due to the uncertainty of utilizing the losses going forward.

Summary of Quarterly Results

For the quarters ended	Dec 31/12	Sep 30/12	Jun 30/12	Mar 31/12
Total revenue	\$ 241,497	\$ 58,781	\$ 54,187	\$ 117,932
Net income (loss) before taxes	(842,416)	(258,824)	(511,702)	101,745
Net income (loss)	(842,416)	(258,824)	(511,702)	101,745
Net income (loss) per share – basic and diluted ⁽¹⁾	\$ (0.04)	\$ (0.01)	\$ (0.03)	\$ 0.01

For the quarters ended	Dec 31/11	Sep 30/11	Jun 30/11	Mar 31/11
Total revenue	\$ 19,467	\$ 372,235	\$ 918,646	\$ 961,730
Net income (loss) before taxes	(1,690,447)	(1,589,897)	(599,949)	370,242
Net income (loss)	(2,290,447)	(1,589,897)	(599,949)	370,242
Net income (loss) per share – basic and diluted ⁽¹⁾	\$ (0.12)	\$ (0.09)	\$ (0.03)	\$ 0.02

- (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.

Fourth Quarter

Total revenue for the quarter ended December 31, 2012 was \$241,497 compared to \$19,467 for the same period in 2011. Included in fourth quarter revenue was a reduction of \$24,660 in interest and dividend income (2011 – income of \$61,820), \$68,992 in consulting fee income (2011 - \$60,500), \$39,466 in gains on sale of investments (2011 – loss of \$177,496) and \$105,764 in structuring fees (including fees partially recognized in 2012) (2011 - \$25,220).

Total expenses for the quarter ended December 31, 2012 were \$579,602 compared to \$1,153,506 from the corresponding period in 2011. Included in the fourth quarter was a provision for losses on bridge loans, investment properties and portfolio investments for a partial recovery of \$34,544 (2011 - \$198,505) and a \$247,901 unrealized loss (2011 - \$225,923 unrealized loss) on fair value through profit or loss investments. In addition, in the fourth quarter of 2012 there was a partial recovery of \$175,000 for a loan that was previously written off.

The Company also had \$508,034 in equity method investment losses during the fourth quarter ended December 31, 2012 (2011 – \$568,590 loss).

Net loss for the quarter ended December 31, 2012 was \$842,416 compared to a net loss of \$2,290,447 for the corresponding period in 2011. The decrease was primarily due to equity method investment losses in the quarter and loss before equity investment gains. The future trend will depend on market conditions in 2013.

Liquidity

As at December 31, 2012, GC had \$371,227 in cash and short-term investments and \$1,003,920 in public company investments. The Company had \$785,015 in notes receivable, bridge loans and convertible debentures due within one year. The Company does not have any bank indebtedness but has a \$100,000 Letter of Credit to provide additional working capital to Tanenbaum Landscape and Design. 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

On April 16, 2013, the Company exercised its call option to increase its interest in Marathon Mortgage Corporation by 6.936% increasing the Company's share ownership to 28.33%.

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 quarter, the Company held contracts and as such, the value of the loss of the contracts stood at \$10,410 on December 31, 2012. 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 include balances due from companies having a current director or officer in common with the Company, with a carrying value of \$408,500 as at December 31, 2012 (December 31, 2011 - \$508,500) and balances due from companies with a former common director with a carrying value of \$153,784 (December 31, 2011 - \$153,784). 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 \$100,000 plus interest and on March 31, 2012, the loan balance was reduced to \$408,500.

Notes receivable include a \$250,000 bridge loan to a private company 50% owned by the Company originally due on December 15, 2012 which was renewed until December 15, 2013 and a \$266,913 note receivable from a private company which owns an interest in a private company also partly owned by the Company.

- b) The Company often syndicates a portion of its bridge loans and convertible debentures to other co-lenders. During the year ended December 31, 2012 co-lenders invested \$Nil (2011 - \$2,677,650) into bridge loans and convertible debentures structured by the Company. Of the total syndicated amount, \$Nil (2011 - \$558,608) was provided by GC-Global Capital Lending Partners Limited Partnership (the "Partnership") and \$Nil (2011 - \$4,042) was provided by officers and directors of 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 \$184,907 (December 31, 2011 - \$111,336). These amounts are subject to normal creditor terms. During the first quarter of 2011 the Company completed a shares-for-debt transaction with GDV Resources Inc., whereby the Company received 1,500,000 common shares of GDV Resources Inc. to cancel debt of \$75,000. Further to the disposal of shares described in Note 8, the Company is no longer a related party to GDV.
- 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 \$29,137 (2011 - \$72,121) and \$6,563 (2011 - \$40,371) 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 receivable includes interest earned on loans to entities with directors and officers in common with the Company, in the amount of \$3,845 (December 31, 2011 - \$3,845) and interest earned on loans to entities with former common directors in the amount of \$1,681 (December 31, 2011 - \$1,681).

- e) Structuring fees revenue includes \$Nil (2011 - \$21,508) earned from companies with current and former directors and officers in common with the Company.
- f) Consulting fee revenue includes \$162,000 (2011 - \$81,000) earned from a company jointly controlled by the Company and \$Nil (2011 - \$20,000) earned from a company with former common directors with the Company.
- g) Management and consulting fees and travel and promotion expenses include \$780,101 (December 31, 2012, 2011 - \$854,470) paid to current directors and officers and companies controlled by current directors and officers of the Company and \$Nil (2011 - \$108,292) paid to a relative of a director of the Company.
- h) The Company is the parent company of the general partner of GC-Global Capital Lending Partners Limited Partnership. The general partner is entitled to a management fee equal to 2% per annum of the net asset value of the Partnership portfolio as well as a performance fee based on the profitability of the Partnership. In the year ended December 31, 2012, the Company earned management and performance fees from the Partnership of \$783 (2011 - \$7,865). The Company was also reimbursed by the Partnership for accounting and legal fees provided in the amount of \$Nil (2011 - \$8,475). The Company is currently in the process of dissolving the Partnership.

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

Compensation of key management personnel

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

	December 31, 2012	December 31, 2011
Salaries and benefits	733,056	798,535

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 period. Financial statement items subject to significant management judgment include:

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

- Fair value of portfolio investments not quoted in an active market or private company investments – Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

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 2012.

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:

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

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

Market Risk

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

Liquidity Risk

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

determining the timing of such commitments to ensure cash resources are optimally utilized. GC manages its liquidity risk by monitoring loan advances and repayments.

As at December 31, 2012, the Company had \$371,227 in cash and short-term investments and \$1,003,920 in public company investments. The Company had \$785,015 in notes receivable and bridge loans due within one year. The Company's financial liabilities which include accounts payable and accrued liabilities and margin for investments totaling \$395,984 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 year, the Company held contracts and as such, the value of the loss of the contracts stood at \$10,410 on December 31, 2012.

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 or on its website at www.gcglobalcapital.ca.

Share Data

Outstanding Shares

Subordinate Voting Shares (excluding shares purchased in 2012 and cancelled in 2013)	17,810,545
Multiple Voting Shares	<u>1,035,719</u>
	<u>18,846,264</u>

Outstanding Options

Type	Amount Outstanding	Exercise Price	Expiry Date
Stock option	880,000	\$0.50	August 28, 2014

Forward-Looking Information

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



GLOBAL CAPITAL CORP.

Consolidated Financial Statements

December 31, 2012 & 2011

(Expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

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

The Audit Committee of the Board of Directors 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, Collins Barrow Toronto LLP, are appointed by the shareholders to conduct an audit and their report follows.

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

Signed: "**Robert Parent**"
Chief Financial Officer

Toronto, Ontario
April 29, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of GC-Global Capital Corp.

We have audited the accompanying consolidated financial statements of GC-Global Capital Corp., and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of changes in equity, comprehensive income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GC-Global Capital Corp., and its subsidiaries, as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of GC-Global Capital Corp. for the year ended December 31, 2011 were audited by another auditor who expressed an unmodified opinion on those statements on April 24, 2012.

Collins Barrow Toronto LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada,
April 29, 2013

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

	December 31 2012	December 31 2011
Assets		
Cash	\$ 71,227	\$ 645,325
Short-term investments (note 5)	300,000	303,035
Accounts receivable and sundry assets (note 16)	442,085	192,925
Prepaid expenses	841	12,560
Interest and dividends receivable (note 16)	32,748	32,952
Bridge loans and notes receivable (notes 6 and 16)	1,459,817	2,188,871
Portfolio investments in publicly-traded companies (notes 5, 7 and 16)	1,003,920	1,100,891
Portfolio investments in private companies (notes 5 and 16)	1,734,287	2,009,812
Held for sale assets	506,346	-
Equity method investments (note 8)	2,492,964	3,049,608
Investment properties (note 9)	1,930,320	1,949,569
Property and equipment (note 10)	26,145	47,908
	<u>\$ 10,000,700</u>	<u>\$ 11,533,456</u>
Liabilities		
Accounts payable and accrued liabilities (note 20(b))	\$ 221,750	\$ 400,846
Margin for investments	174,234	-
Customer advances and deferred revenue	-	102,467
	<u>395,984</u>	<u>503,313</u>
Shareholders' equity		
Share capital (note 12)	16,797,499	16,489,172
Contributed surplus	4,451,009	4,451,009
Accumulated other comprehensive (loss) income	(135,443)	(19,604)
Deficit	(11,884,502)	(10,376,060)
Total GC-Global Capital Corp. shareholders' equity	9,228,563	10,544,517
Non-controlling interest	376,153	485,626
Total Equity	<u>9,604,716</u>	<u>11,030,143</u>
	<u>\$ 10,000,700</u>	<u>\$ 11,533,456</u>

Contingencies and subsequent event (notes 20 and 21)

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
For the years ended December, 2012 and 2011
(In Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Non- controlling Interest	Total
	\$	\$	\$	\$	\$	\$
Balance, January 1, 2011	17,326,516	3,991,959	(6,266,010)	578,039	521,715	16,152,219
Net income (loss)	-	-	(4,110,050)	-	-	(4,110,050)
Loss attributable to non- controlling interests	-	-	-	-	(33,970)	(33,970)
Purchase of treasury shares	(837,344)	459,050	-	-	-	(378,294)
Dividends	-	-	-	-	(2,119)	(2,119)
Unrealized gains on available for sale financial assets	-	-	-	(1,014,991)	-	(1,014,991)
Reclassification adjustment for permanent impairment recognized in net income	-	-	-	450,976	-	450,976
Reclassification adjustment for realized (gains) recognized in net income	-	-	-	(33,628)	-	(33,628)
Balance, December 31, 2011	16,489,172	4,451,009	(10,376,060)	(19,604)	485,626	11,030,143

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Non- controlling Interest	Total
	\$	\$	\$	\$	\$	\$
Balance, January 1, 2012	16,489,172	4,451,009	(10,376,060)	(19,604)	485,626	11,030,143
Net income (loss)	-	-	(1,511,197)	-	-	(1,511,197)
Loss attributable to non- controlling interests	-	-	-	-	(9,473)	(9,473)
Share Issuance	400,000	-	-	-	-	400,000
Purchase of treasury shares	(91,673)	-	-	-	-	(91,673)
Purchase of NCI	-	-	-	-	(100,000)	(100,000)
Unrealized gains on available for sale financial assets	-	-	-	(159,664)	-	(115,839)
Reclassification adjustment for permanent impairment recognized in net income	-	-	-	43,825	-	450,976
Reclassification adjustment for realized (gains) recognized in net income	-	-	2,754	-	-	2,754
Balance, December 31, 2012	16,797,499	4,451,009	(11,884,502)	(135,443)	376,153	9,604,716

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

GC-Global Capital Corp.
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2012 and 2011
(In Canadian Dollars)

Revenue	2012	2011
Structuring fees and bonuses (note 16)	\$ 127,597	\$ 311,881
Interest and dividend income (note 16)	119,657	938,948
Management fees (note 16)	783	7,865
Accretion of convertible debentures (note 6)	-	315,036
Gain on sale of fair value through profit or loss portfolio investments	-	558,352
Gain on sale of portfolio investments available for sale	15,622	(12,216)
Loss on sale of equity investment property (note 9)	-	(49,605)
Gain on sale of investment property (note 9)	51,935	13,018
Gain on settlement of note (note 11)	-	87,799
Consulting fees (note 16)	156,804	101,000
	<u>472,398</u>	<u>2,272,078</u>
Expenses		
Management and consulting fees (note 16)	659,101	1,048,086
Filing and listing fees	46,854	49,761
Audit and legal fees	161,251	230,825
Office and general	113,151	137,755
Travel and promotion (note 16)	67,002	124,764
Rent	103,905	94,396
Property tax	43,035	28,719
Bank service charges and interest	9,668	10,017
Amortization (depreciation)	21,763	14,470
Loss recoveries (note 20 (c))	(175,000)	-
Unrealized loss (gain) on fair value through profit or loss investments	305,918	1,338,569
Provision for loan losses, net of recoveries (note 6)	33,948	969,619
Permanent impairment write-down on portfolio investments available for sale and equity method investments (note 5)	43,825	450,976
Loss on disposal of fair value through profit and loss portfolio investments	34,549	-
Write-down of investment properties (note 9)	-	521,494
Foreign exchange loss (gain)	(32,546)	(23,529)
	<u>1,436,424</u>	<u>4,995,922</u>
Income before the following	(964,026)	(2,723,844)
Equity method investment (loss) (note 8)	(556,644)	(745,176)
Settlement of contingency (note 20(b))	-	(75,000)
	<u>(1,520,670)</u>	<u>(3,544,020)</u>
Income (Loss) before income tax	(1,520,670)	(3,544,020)
Income taxes provision – (note 17)	-	600,000
	<u>(1,520,670)</u>	<u>(4,144,020)</u>
Net income (loss) for the year	<u>\$ (1,520,670)</u>	<u>\$ (4,144,020)</u>
Other comprehensive income		
Unrealized (losses) gains on available for sale financial assets	(159,664)	(1,014,991)
Reclassification adjustment for permanent impairment recognized in net income	43,825	450,976
Reclassification adjustment for unrealized gains recognized in net income	-	(33,628)
	<u>(1,636,509)</u>	<u>(4,741,663)</u>
Net comprehensive income (loss)	<u>\$ (1,636,509)</u>	<u>\$ (4,741,663)</u>
Net income (loss) attributable to:		
Parent company	\$ (1,511,197)	\$ (4,110,050)
Non-controlling interest	(9,473)	(33,970)
	<u>\$ (1,520,670)</u>	<u>\$ (4,144,020)</u>
Net comprehensive income (loss) attributable to:		
Parent company	\$ (1,627,036)	\$ (4,707,693)
Non-controlling interest	(9,473)	(33,970)
	<u>\$ (1,636,509)</u>	<u>\$ (4,741,663)</u>
Net income per share – basic and diluted (note 14)	<u>\$ (0.08)</u>	<u>\$ (0.22)</u>
Weighted average number of shares outstanding – basic and diluted	<u>19,352,250</u>	<u>18,723,567</u>

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

GC-Global Capital Corp.

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)**

	2012	2011
Operating activities		
Net income for the year	\$ (1,520,670)	\$ (4,144,020)
<i>Items not affecting cash:</i>		
Gain on sale of fair value through profit or loss portfolio investments	-	(558,352)
(Gain) loss on sale of portfolio investments available for sale	(15,622)	12,216
Gain (loss) on sale of investment property	(51,935)	(13,018)
Gain on settlement of note	-	(87,799)
Loss on sale of equity method investments	-	49,605
Accretion of convertible debentures	-	(315,036)
Unrealized loss (gain) on fair value through profit or loss investments	305,918	1,338,569
Equity loss in significantly influenced company	556,644	745,176
Non cash structuring fees and bonuses received as shares	(127,597)	(240,256)
Amortization (Depreciation)	21,763	14,470
Deferred income tax provision	-	600,000
Provision for loan losses, net of recoveries	33,948	969,619
Permanent impairment write-down on portfolio investments available for sale	43,825	450,976
Loss on disposal of fair value through profit and loss portfolio investments	34,549	-
Write-down on investment properties	-	521,494
	<u>(719,177)</u>	<u>(656,356)</u>
Net changes in non-cash working capital balances (note 15)	<u>(416,333)</u>	<u>111,487</u>
	<u>(1,135,510)</u>	<u>(544,869)</u>
Investing activities		
Issuance of notes receivable, bridge loans and convertible debentures	(326,137)	(3,904,859)
Repayment of notes receivable, bridge loans and convertible debentures	515,000	3,790,309
Investment in jointly controlled entity	-	(3,750,215)
Purchase of portfolio investments	(2,544,264)	(8,725,120)
Proceeds from sale of portfolio investments	2,463,091	11,030,311
Proceeds from sale of investment property	71,161	61,071
Purchase of non-controlling interest	(100,000)	-
Purchase of investment property	-	(959)
Additions to property and equipment	-	(19,335)
	<u>78,851</u>	<u>(1,518,797)</u>
Financing activities		
Repayment of note payable	-	(239,625)
Proceeds from share issuance	400,000	-
Margin for investments	174,234	-
Dividends	-	(2,119)
Purchase of treasury shares	(91,673)	(378,294)
	<u>482,561</u>	<u>(620,038)</u>
Increase (decrease) in cash	<u>(574,098)</u>	<u>(2,683,704)</u>
Cash , beginning of year	645,325	3,329,029
Cash , end of year	<u>\$ 71,227</u>	<u>\$ 645,325</u>

Supplemental cash flow information (note 15)

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

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(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: 40 University Avenue, Suite 506, Toronto, ON M5J 1T1. 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"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are prepared using IFRSs in effect at April 29, 2013, the date of the Board of Directors approving the financial statements. Significant accounting policies used in the preparation of the financial statements are described in Note 3.

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.

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 50% controlled subsidiary GC-Global Capital General Partner Inc., its 64.7% (2011 - 56.5%) controlled subsidiary Somersby Park 2010 Limited Partnership and its wholly-owned subsidiaries Somersby Park 2010 General Partner Inc. and Foothills Developments Inc. ("Foothills"). In turn, Foothills' accounts include the accounts of its wholly-owned subsidiaries, Newborn Realty Corporation ("Newborn") and Laurel Development Corporation ("Laurel"). Newborn's accounts include the accounts of its wholly-owned subsidiary, Newborn Ranch, LLC ("Newborn Ranch") and its 51% controlled subsidiary Robith, LLC. All significant intercompany transactions and balances have been eliminated.

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
For the years ended December 31, 2012 and 2011
(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 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.

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 and loans receivable.

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

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

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.

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)**

3. Summary of Significant Accounting Policies - continuedSpecific 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 five (5) investment properties which are measured using the cost model. After initial recognition, the properties are recorded at cost less accumulated impairment losses. The carrying values of the properties are reviewed on a regular basis. When the net carrying amount of a property exceeds its net recoverable amount, an impairment loss is charged to income. The fair value of each property at the end of the reporting period is disclosed in note 9. To determine fair value, the properties are compared to current prices in an active market for similar properties in the same location and condition and subject to similar contracts. In the absence of such information, the Company may consider current prices of properties of a different nature or in less active markets with adjustments to reflect changes in economic conditions. If the fair value of the property cannot be reasonably determined using the above criteria, the fair value of the property is assumed to be equal to its cost less accumulated impairment losses.

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.

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)**

3. Summary of Significant Accounting Policies - continuedProperty and Equipment

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

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

Impairment of Property and Equipment

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

Customer Advances and Deferred Revenue

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

Foreign Currency Translation

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

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

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)**

3. Summary of Significant Accounting Policies - continuedIncome Taxes

Income tax expense comprises current and deferred components.

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

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

Stock-Based Compensation Plan

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

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

Financial Assets

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

Cash and short-term investments are designated as fair value through profit or loss. Accounts receivable, interest and dividends receivable, letters of credit, bridge loans and notes receivable are designated as loans and receivables which are measured at amortized cost, subject to impairment reviews. Accounts payable and accrued liabilities and 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.

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)**

3. Summary of Significant Accounting Policies - continued

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.

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

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

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

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

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

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.

Operating Leases

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

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)**

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

A number of new standards and issued amendments to standards and interpretations are not yet effective for the year ending December 31, 2012, and have not been applied when preparing these consolidated financial statements. Management is currently assessing the impact of these standards and amendments on its consolidated financial statements.

IFRS 9 - Financial instruments

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

IFRS 10 - Consolidated Financial Statements

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

IFRS 11 – Joint Arrangements

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

IFRS 12 – Disclosure of Interest in Other Entities

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

IFRS 13 – Fair Value Measurement

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

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)**

4. New and Revised IFRS'S in Issue but Not Yet EffectiveIAS 1 - Amendments to Other Standards

In addition, there have been amendments to IAS 1, *Presentation of Items of Other Comprehensive Income ("OCI")*. IAS 1 is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. The amendments to IAS 1 are effective for annual periods beginning on or after June 1, 2012. The Company expects that the adoption of the amendment to impact the presentation of its consolidated statement of changes in equity.

5. Short-term and Portfolio Investments

	December 31 2012	December 31 2011
Short-term investments (a)	\$ 300,000	\$ 303,035
Portfolio investments in publicly traded companies – available for sale (c)	882,840	\$ 703,689
Portfolio investments in publicly traded companies – fair value through profit or loss	131,490	399,450
Portfolio investments in share purchase warrants of publicly traded companies – fair value through profit or loss (b)	-	1,497
Foreign currency forward contracts	(10,410)	(3,745)
Portfolio investments in publicly -traded companies	<u>\$ 1,003,920</u>	<u>\$ 1,100,891</u>
Portfolio investments in private companies – available for sale (c)	1,734,287	\$ 1,975,263
Portfolio investments in share purchase warrants of private companies – fair value through profit or loss (b)	-	34,549
Portfolio investments in private companies	<u>\$ 1,734,287</u>	<u>\$ 2,009,812</u>

(a) The Company has outstanding \$300,000 (2011 - \$303,035) in short-term guaranteed investment certificates with its financial institution. These investments are held as security on its outstanding foreign exchange contracts.

(b) As these warrants are derivative instruments, change in their fair value resulted in a decrease in net income of \$36,046 in 2012 (December 31, 2011 – loss of \$770,861).

(c) For the year ended December 31, 2012 the Company recorded an impairment loss of \$43,825 (December 31, 2011 – \$450,976) with respect to its portfolio investments. Included in the impairment loss is a write-down of \$43,825 (December 31, 2011 – \$389,258) related to the Company's private company investments.

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)****6. Notes Receivable and Bridge Loans**

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

December 31, 2012

	Due Date	Interest Rate	Gross Amount	Specific Allowance	Net Amount
<u>Notes Receivable</u>					
Private company (US\$263,288)	11/8/2013	6%	\$ 266,913	\$ -	\$ 266,913
Private company (CDN\$250,000) (note 16b)	12/15/2013	15%	250,000	\$ -	250,000
Individual (US\$400,000) (note 16a)	3/31/2013 to 3/31/2016	prime	408,500	-	408,500
			<u>925,413</u>	<u>-</u>	<u>925,413</u>
<u>Bridge Loans</u>					
Knightscope Media Corp.	4/1/2011	12%	164,974	(164,974)	-
Alterra Capital (i)	10/31/2017	Nil	250,000	(130,760)	119,240
Private company (US\$165,292)	On demand	5%	169,938	-	169,938
Private company (US\$500,000) (ii)	n/a	Nil	508,500	(263,274)	245,226
			<u>1,093,412</u>	<u>(559,008)</u>	<u>534,404</u>
Total			<u>\$ 2,018,825</u>	<u>\$ (559,008)</u>	<u>\$ 1,459,817</u>

December 31, 2011

	Due Date	Interest Rate	Gross Amount	Specific Allowance	Net Amount
<u>Notes Receivable</u>					
Private company (US\$213,288)	11/8/2012	6%	\$ 216,913	\$ -	\$ 216,913
Individual (US\$500,000) (note 16a)	3/31/2012 to 3/31/2016	prime	508,500	-	508,500
			<u>725,413</u>	<u>-</u>	<u>725,413</u>
<u>Bridge Loans</u>					
Knightscope Media Corp.	4/1/2011	12%	164,974	(11,190)	153,784
Private company (US\$165,292)	On demand	5%	168,102	-	168,102
Private company (iv)	6/12/2011 to 3/13/2012	10%	1,785,000	(1,278,654)	506,346
Private company (US\$500,000)	n/a	Nil	508,500	(263,274)	245,226
Private company	5/17/2013	6%	390,000	-	390,000
			<u>3,016,576</u>	<u>(1,553,118)</u>	<u>1,463,458</u>
Total			<u>\$ 3,741,989</u>	<u>\$ (1,553,118)</u>	<u>\$ 2,188,871</u>

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)**

6. Notes Receivable and Bridge Loans – continued

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

The fair values of notes receivable and bridge loans are estimated to be approximately equivalent to carrying value. 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.
- ii) 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.
- iii) In September, 2010 the Company acted as the lead lender on a convertible debenture in Bison Gold Resources Inc. in the amount of \$350,000. The Company's portion of the loan was \$200,000. Using the Black-Scholes pricing model with an expected remaining life of 1.00 year, a risk-free interest rate of 1.50% and a volatility of 124%, the \$200,000 was allocated \$95,267 to the debenture and \$104,733 to the conversion feature. For the year ended December 31, 2011 the Company recorded as accretion income \$80,313 with respect to this debenture. This debenture was repaid in cash in 2011.

In January, 2011 the Company acted as the lead lender on a second convertible debenture in Bison Gold Resources Inc. in the amount of \$400,000. The Company's portion of the loan was \$320,000. Using the Black-Scholes pricing model with an expected remaining life of 1.00 year, a risk-free interest rate of 1.50% and a volatility of 124%, the \$320,000 was allocated \$102,035 to the debenture and \$217,965 to the conversion feature. For the year ended December 31, 2011 the Company recorded as accretion income \$217,957 with respect to this debenture. This debenture was repaid in cash in 2011.

The Company received a convertible debenture in Knightscope Media Corp. in April, 2010 in the amount of \$231,146. Using the Black-Scholes pricing model with an expected remaining life of 1.00 years, a risk-free interest rate of 1.72% and a volatility of 150%, the \$231,146 was allocated \$171,057 to the debenture and \$60,089 to the conversion feature. The convertible debenture expired on April 1, 2011. For the year ended December 31, 2011 the Company recorded as accretion income \$16,766 with respect to this debenture.

The Company received a convertible debenture in MBMI Resources Inc. in July, 2009 in the amount of \$500,000. Using the Black-Scholes pricing model with an expected remaining life of 2.00 years, a risk-free interest rate of 1.41% and a volatility of 126%, the \$500,000 was allocated \$57,700 to the debenture and \$442,300 to the conversion feature. During the year ended December 31, 2010, the Company converted \$272,222 of the principal into common shares. During the first quarter of 2011, the Company converted the remaining \$227,778 of the principal into common shares.

In June, 2008 the Company received a convertible debenture in a private company in the amount of \$750,000. On August 23, 2010 when the outstanding principal was \$375,000, the private company completed a qualifying transaction and began operating as Royal Coal Corp. At the time of this transaction using the Black-Scholes pricing model with an expected remaining life of 1.36 years, a risk-free interest rate of 1.2% and a volatility of 124%, the \$375,000 was allocated \$175,327 to the debenture and \$199,673 to the conversion feature. In the third and fourth quarter of 2010, the Company received \$50,000 in principal repayments and converted \$75,000 of the principal into common shares. During the first quarter of 2011, the Company converted the remaining \$250,000 of the principal into common shares.

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)**

6. Notes Receivable and Bridge Loans – continued

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

As the conversion features of the convertible debentures are derivative instruments, the change in their fair value resulted in a decrease in net income, due to a decrease in their fair value, for the year ended December 31, 2012 of \$Nil (2011 – decrease of \$392,144).

- iv) During the year ended December 31, 2012, the Company acquired the collateral on one of its bridge loans with a carrying amount of \$506,346. The assets acquired are included in assets held for sale in the consolidated statement of financial position.

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

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

All past due loans at December 31, 2012 and December 31, 2011 were classified as impaired.

c) Loans renewed or renegotiated during the period

In certain instances the Company may choose to renegotiate or renew loans instead of enforcing its security on loans which have not been repaid. 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 year ended December 31, 2012, loans with an outstanding principal of \$1,093,515 (see note 16(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, there were no renegotiated loans assessed by management as requiring changes to specific loan loss provisions as at December 31, 2012.

d) Impaired loans and allowances for loan losses

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

	December 31, 2012		December 31, 2011	
	Number of Loans	Face Value	Number of Loans	Face Value
Impaired loans with specific allowances	3	\$ 923,474	3	\$ 2,458,474
Specific allowances		(559,008)		(1,553,119)
		<hr/>		<hr/>
		364,466		903,355
Impaired loans without specific allowances	-	-	-	-
Total impaired loans, net of specific allowances	<hr/>	<hr/>	<hr/>	<hr/>
	3	\$ 364,466	3	\$ 903,355

At December 31, 2012, the total estimated fair value of the collateral of impaired loans with specific allowances is \$Nil (December 31, 2011 - \$1,988,750) and for impaired without specific allowances is \$Nil (December 31 2011 - \$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
For the years ended December 31, 2012 and 2011
(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 year ended December 31, 2012 \$119,240 (2011 - \$604,922) in specific allowances on impaired loans was reversed.

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

	December 31, 2012	December 31, 2011
Balance – beginning of year	\$ 1,553,118	\$ 600,500
Provision for loan losses	403,784	1,557,540
Recoveries	(119,240)	(587,922)
Allowance on previous bridge loan for collateral received	(1,278,654)	-
Foreign exchange adjustment	-	(17,000)
Balance – end of year	<u>\$ 559,008</u>	<u>\$ 1,553,118</u>

As at December 31, 2012 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 and 2011.

7. 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 December 31, 2012, categorized into levels of the fair value hierarchy as described in note 3:

December 31, 2012	Level 1 Quoted Market Price	Level 2 Observable Market Inputs	Level 3 Non-Observable Market Inputs
Cash and short-term investments	\$ 371,227	\$ -	\$ -
Portfolio investments	<u>\$ 1,003,920</u>	<u>\$ -</u>	<u>\$ 289,811</u>

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)****7. Financial Assets Hierarchy - continued**

December 31, 2011	Level 1 Quoted Market Price	Level 2 Observable Market Inputs	Level 3 Non-Observable Market Inputs
Cash and short-term investments	\$ 948,360	\$ -	\$ -
Portfolio investments	\$ 1,103,139	\$ -	\$ 508,992

A reconciliation of the changes during the year for the fair value of Level 3 financial assets is as follows:

	December 31, 2012	December 31, 2011
Balance, beginning of year	\$ 508,992	\$ -
Fair value on acquisition or receipt	-	1,093,209
Fair valuation loss recorded in net loss	(6,665)	(257,460)
Permanent impairment recognized in net loss	-	(389,256)
Realized gain (loss) on available for sale investments	(132,644)	6,666
Proceeds received on sale of available for sale investments	-	(20,000)
Unrealized gain (loss) on available for sale investments	(43,825)	75,833
Balance, end of year	\$ 289,811	\$ 508,992

8. Equity Method Investments

Equity method investments consist of the following:

	December 31, 2012	December 31, 2011
TGC Acquisition Corp. (a)	\$ 250,907	\$ 335,816
Marathon Mortgage Corp. (b)	2,242,057	2,713,792
Total	\$ 2,492,964	\$ 3,049,608

- 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, 2012, the Company recorded a loss of \$84,909 (December 31, 2011 –\$664,184) relating to this investment.

GC-Global Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011**(In Canadian Dollars)**

8. Equity Method Investments – continued

- 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. 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. The Put/Call was exercised in April 2013 (see note 21). Gordon Ewart, Global Capital’s Chairman, is the registered holder of 620,000 Common Shares of MMC which he acquired independently at the Common Share issue price. The Company’s proportionate share of MMC’s earnings or losses is reported in income. For the year ended December 31, 2012, the Company recorded a loss of \$471,735 (December 31, 2011 – a loss of \$36,423) relating to this investment.
- c) As at December 31, 2010 the Company held approximately of 42.5% of the outstanding shares in GDV Resources Inc. (“GDV”). During the first quarter of 2011 the Company completed a shares-for-debt transaction with GDV whereby the Company received 1,500,000 common shares of GDV to cancel debt of \$75,000. Subsequent to this transaction the Company’s ownership increased to 49.9%. As a result, the Company had determined that it exercised significant influence over GDV and therefore accounted for this investment using the equity method. The Company’s share of earnings or losses was reported in income. For the period ended December 31, 2011 the Company recorded a loss of \$Nil relating to this investment. On December 31, 2011 the Company sold 3,000,000 common shares of GDV in a private transaction for \$75,000 recording a loss of \$49,605.

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

For the years ended December 31, 2011	TGC	MMC
Total Revenue	\$ 1,151,326	\$ 637
Net loss	(1,328,368)	(149,968)
Total assets	2,619,988	7,759,258
Total liabilities	2,448,355	108,395

For the year ended December 31, 2012	TGC	MMC
Total Revenue	\$ 3,021,389	193,209
Net Profit (loss)	(169,818)	(1,745,186)
Total assets	1,019,427	11,996,407
Total liabilities	1,460,409	6,112,560

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9. Investment Properties

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

	December 31 2012 Carrying Value	December 31 2012 Fair Value	December 31 2011 Carrying Value	December 31 2011 Fair Value
Laurel Park, North Carolina	\$ 1,176,520	\$ 2,301,873	\$ 1,195,769	\$ 2,301,873
Canyon Ridge, New Mexico	476,369	476,368	476,369	476,368
Asheville, North Carolina	273,573	273,573	273,573	273,573
White Plains, Georgia (2 properties)	3,858	3,858	3,858	3,858
	<u>1,930,320</u>	<u>\$ 3,055,672</u>	<u>1,949,569</u>	<u>\$ 3,055,672</u>

In June, 2010 the Company's 64.7% owned subsidiary Somersby Park 2010 Limited Partnership purchased an investment property in Laurel Park, North Carolina for US\$1,193,971. During the year ended December 31, 2011 the Company capitalized costs of \$61,571 and sold one lot for a gain on sale of \$14,618. 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. As of December 31, 2012 the Company owns 43 (2011 – 44) lots in this investment property.

On December 28, 2011 the Company sold its Maysville, Kentucky property for gross proceeds of \$50,665 recording a loss on sale of \$1,600.

As at December 31, 2012 the fair values of investment properties in the amount of \$753,799 (December 31, 2011 - \$753,799) are measured at cost less accumulated impairment losses. For the year ended December 31, 2012 the Company recorded an impairment loss of \$Nil (2011 - \$521,494) as a result of a decline in the fair value of certain investment properties.

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.

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10. Property and Equipment

	Computer Equipment \$	Leasehold Improvements \$	Furniture \$	Equipment \$	Total \$
Cost					
At January 1, 2011	45,982	32,468	21,846	14,006	114,302
Additions	3,692	-	10,533	5,110	19,335
At December 31, 2011	49,674	32,468	32,379	19,116	133,637
Additions	-	-	-	-	-
At December 31, 2012	49,674	32,468	32,379	19,116	133,637

	Computer Equipment \$	Leasehold Improvements \$	Furniture \$	Equipment \$	Total \$
Accumulated amortization					
At January 1, 2011	28,261	18,808	12,790	11,400	71,259
Depreciation expense	6,147	4,098	2,677	1,548	14,470
At December 31, 2011	34,408	22,906	15,467	12,948	85,729
Depreciation expense	6,424	9,562	3,462	2,315	21,763
At December 31, 2012	40,832	32,468	18,929	15,263	107,492

Net carrying values					
At January 1, 2011	17,721	13,660	9,056	2,606	43,043
At December 31, 2011	15,265	9,562	16,912	6,169	47,908
At December 31, 2012	8,841	-	13,450	3,854	26,145

11. Note Payable

In 2011 the Company settled a note payable outstanding for a payment of US\$250,000 recording a gain on settlement of CDN\$87,799.

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12. Share Capital

- a) Authorized:
Unlimited multiple voting shares ("MVS")
Unlimited subordinate voting shares ("SVS")
Unlimited preferred shares
- b) Shares issued and outstanding

	December 31, 2012	December 31, 2011
Issued and outstanding:		
1,035,719 (December 31, 2011 - 1,035,719) multiple voting shares	\$ 1,888,523	\$ 1,888,523
17,810,545 (December 31, 2011 - 17,199,713) subordinate voting shares	14,908,976	14,600,649
	<u>\$ 16,797,499</u>	<u>\$ 16,489,172</u>

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

	Number of Shares	Amount
Multiple voting shares		
Balance, January 1, 2011, December 31, 2011 and 2012	<u>1,035,719</u>	<u>\$ 1,888,523</u>
Subordinate voting shares		
Balance, January 1, 2011	18,186,113	15,437,993
Shares cancelled/purchased for cancellation – normal course issuer bids	<u>(986,400)</u>	<u>(837,344)</u>
Balance, December 31, 2011	17,199,713	\$ 14,600,649
Shares issued – private placement	<u>1,333,332</u>	<u>400,000</u>
	18,533,045	15,000,649
Shares purchased for cancellation – normal course issuer bid	-	<u>(91,673)</u>
Balance, December 31, 2012	<u>18,533,045</u>	<u>\$ 14,908,976</u>

In the year ended December 31, 2011, the Company completed treasury purchases for cancellation under a normal course issuer bid of 986,400 subordinate voting shares with a stated capital of \$837,344 for \$378,294 resulting in an increase in contributed surplus of \$459,050.

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 shares were cancelled subsequent to the end of the year.

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12. Share Capital - continued

c) Stock options outstanding

	Number of options	Weighted Average exercise price per share	Expiry dates
Subordinate voting share options			
Balance, December 31, 2010	1,430,000	\$ 0.55	November 9, 2012 to August 28, 2014
Forfeited in 2011	(200,000)	0.50	August 28, 2014
Balance, December 31, 2011	1,230,000	\$ 0.55	November 9, 2012 to August 28, 2014
Forfeited in 2012	(230,000)	0.50	November 9, 2012
Forfeited in 2012	(120,000)	1.15	August 28, 2014
Balance, December 31, 2012	880,000	\$ 0.50	August 28, 2014

There were no options exercised or modified during the years ended December 31, 2012 or 2011.

13. Stock-Based Compensation Plan

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

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

As at December 31, 2012, the Company had outstanding and exercisable 880,000 stock options. These include 880,000 options with an exercise price of \$0.50 expiring August 28, 2014.

14. Net Income per Share

Net income (loss) per share has been calculated using the weighted average number of multiple and subordinate voting shares outstanding during the 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 year ended December 31, 2012 and the year ended December 31, 2011, the potential effect of the exercise of stock options was anti-dilutive.

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15. Supplementary Cash Flow Information

	December 31, 2012	December 31, 2011
Net change in non-cash working capital balances		
Accounts receivable and sundry assets	\$ (249,160)	\$ 227,227
Prepaid expenses	11,719	(240)
Interest and dividends receivable	204	22,914
Accounts payable and accrued liabilities	(179,096)	(138,414)
	<u>\$ (416,333)</u>	<u>\$ 111,487</u>
Interest received	\$ 119,657	\$ 303,471
Interest paid	\$ 9,668	\$ 822
Income taxes paid	\$ -	\$ -
<u>Non-cash Transactions:</u>		
Portfolio investments		
Bridge loan reclassified to assets held for sale	\$ 506,346	\$ -
Accounts receivable received as portfolio investments	-	100,000
	<u>\$ 506,346</u>	<u>\$ 100,000</u>

16. 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 include balances due from companies having a current director or officer in common with the Company, with a carrying value of \$408,500 as at December 31, 2012 (December 31, 2011 - \$508,500) and balances due from companies with a former common director with a carrying value of \$nil (December 31, 2011 - \$153,784). 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 \$100,000 plus interest and on March 31, 2012, the loan balance was reduced to \$408,500.

Notes receivable include a \$250,000 bridge loan to a private company 50% owned by the Company originally due on December 15, 2012 which was renewed until December 15, 2013 and a \$266,913 note receivable from a private company which owns an interest in a private company also partly owned by the Company.

- b) The Company often syndicates a portion of its bridge loans and convertible debentures to other co-lenders. During the year ended December 31, 2012 co-lenders invested \$Nil (2011 - \$2,677,650) into bridge loans and convertible debentures structured by the Company. Of the total syndicated amount, \$Nil (2011 - \$558,608) was provided by GC-Global Capital Lending Partners Limited Partnership (the "Partnership") and \$Nil (2011 - \$4,042) was provided by officers and directors of the Company.

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16. Related Party Transactions - continued

- c) Portfolio investments include \$412,700 (December 31, 2011 - \$1,144,676) of shares and warrants of companies and partnerships having a current director or officer in common with the Company and \$12,107 (December 31, 2011 - \$12,107) of shares of companies having a former common director in common with the Company.
- d) Accounts receivable includes balances due from companies having a current director or officer in common with the Company in the amount of \$184,907 (December 31, 2011 - \$111,336). These amounts are subject to normal creditor terms. During the first quarter of 2011 the Company completed a shares-for-debt transaction with GDV Resources Inc., whereby the Company received 1,500,000 common shares of GDV Resources Inc. to cancel debt of \$75,000. Further to the disposal of shares described in Note 8, the Company is no longer a related party to GDV.
- e) Interest and dividend income includes interest earned on loans to entities with current directors and officers in common with the Company in the amount of \$29,137 (2011 - \$72,121) and \$6,563 (2011 - \$40,371) 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 receivable includes interest earned on loans to entities with directors and officers in common with the Company, in the amount of \$3,845 (December 31, 2011 - \$3,845) and interest earned on loans to entities with former common directors in the amount of \$1,681 (December 31, 2011 - \$1,681).
- f) Structuring fees revenue includes \$Nil (2011 - \$21,508) earned from companies with current and former directors and officers in common with the Company.
- g) Consulting fee revenue includes \$162,000 (2011 - \$81,000) earned from a company jointly controlled by the Company and \$Nil (2011 - \$20,000) earned from a company with former common directors with the Company.
- h) Management and consulting fees and travel and promotion expenses include \$780,101 (2011 - \$854,470) paid to current directors and officers and companies controlled by current directors and officers of the Company and \$Nil (2011 - \$108,292) paid to a relative of a director of the Company.
- i) The Company is the parent company of the general partner of GC-Global Capital Lending Partners Limited Partnership. The general partner is entitled to a management fee equal to 2% per annum of the net asset value of the Partnership portfolio as well as a performance fee based on the profitability of the Partnership. In the year ended December 31, 2012, the Company earned management and performance fees from the Partnership of \$783 (2011 - \$7,865). The Company was also reimbursed by the Partnership for accounting and legal fees provided in the amount of \$Nil (2011 - \$8,475). 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:

	December 31, 2012	December 31, 2011
Salaries and benefits	\$ 733,056	\$ 798,535

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17. Income Taxes

- a) The following table reconciles the expected income tax recovery (provision) at the Canadian federal and provincial statutory rate of 26.5% (2011 – 28%) to the amounts recognized in the statements of income:

	December 31, 2012	December 31, 2011
Gain (Loss) before recovery of income taxes	\$ (1,520,670)	\$ (3,510,050)
Basic tax amount at 26.5% (2011 - 28%)	(403,000)	(991,700)
Permanent differences	109,300	148,200
Tax rate changes and other adjustments	143,900	(8,900)
Expiry of non-capital losses	-	408,900
Temporary differences not recognized	149,800	1,043,500
Income tax provision	<u>\$ -</u>	<u>\$ 600,000</u>
Current income tax provision	\$ -	\$ -
Deferred income tax provision	-	600,000
	<u>\$ -</u>	<u>\$ 600,000</u>

- b) Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and carrying values of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following items:

	December 31, 2012	December 31, 2011
Non-capital loss carry forwards – Canada	\$ 3,901,000	\$ 3,136,000
Non-capital loss carry forwards – U.S.	1,742,900	1,714,900
Capital losses - Canada	22,264,200	24,781,300
Bridge loans, notes receivable, convertible debentures and portfolio investments	961,400	1,617,600
Investment property, equipment and other	2,225,400	1,646,800

The non-capital losses expire as noted in the table below. The capital losses carry forward indefinitely. The other deductible temporary differences do not expire under the current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

- c) The Company's non-capital Canadian tax losses expire as follows:

2014	\$ 502,000
2025	209,000
2028	589,000
2029	864,000
2030	312,000
2031	820,000
2032	605,000
	<u>\$ 3,901,000</u>

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18. 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 other comprehensive income. Over the last five years, the S&P/TSX Composite Index ("TSX Index") had the following year over year changes:

Date	Index Value	Year Over Year % Change
December 31, 2008	8,987.70	(35.0%)
December 31, 2009	11,746.11	30.7%
December 31, 2010	13,443.22	14.4%
December 31, 2011	11,955.09	(10.4%)
December 31, 2012	12,433.53	4.0%
Five year average	-	0.6%

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.

Change in Market Value of Portfolio Investments	Reason based on the TSX Index	Value of Portfolio Investments	Effect on Comprehensive Income
Increase of 14 %	2010 increase	\$ 1,148,485	\$ 144,565
Decrease of 0.6 %	Five year average	\$ 1,010,032	\$ 6,112
Decrease of 35 %	2008 decrease	\$ 652,273	\$ (351,647)

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.

Notes receivable and bridge loans denominated in US dollars amounts to \$1,580,152 as at December 31, 2012 (December 31, 2011 - \$1,478,580). Over the last five years, the US/Canadian Dollar had the following year over year changes:

Date	Exchange Rate US to Canadian	Year Over Year % Change
December 31, 2007	0.9913	
December 31, 2008	1.2180	22.9%
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%
Five year average	-	0.77%

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18. Sensitivity Analysis - continued

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

Change in Exchange Rate	Change in Value of US\$ Denominated Loans	Effect on Interest Income	Effect on Net Loss
Increase of 5 %	\$ 79,008	\$ 1,585	\$ 80,592
Increase of 10 %	\$ 158,015	\$ 3,169	\$ 161,184
Decrease of 5 %	\$ (79,008)	\$ (1,585)	\$ (80,592)
Decrease of 15 %	\$ (237,023)	\$ (4,754)	\$ (241,777)

19. Risk Management

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

Capital Management

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

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

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19. Risk Management - continuedRisk 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:

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

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

Market Risk

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

Liquidity Risk

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

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19. Risk Management - continued

As at December 31, 2012, the Company had \$371,227 in cash and short-term investments and \$1,003,920 in public company investments. The Company had \$785,015 in notes receivable and bridge loans due within one year. The Company's financial liabilities which include accounts payable and accrued liabilities and margin for investments totaling \$395,984 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 year, the Company held contracts and as such, the value of the loss of the contracts stood at \$10,410 on December 31, 2012.

20. 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 2010 the Company received a statement of claim from the government of Canada requesting payment of an estimated US\$75,000. These funds were received by the Company as part of a repayment from a bridge loan client in 2004. The plaintiff claims that these funds should have been withheld by the client as per the provisions of the Income Tax Act. As at December 31, 2012, the Company had paid \$75,000 of the provision leaving a balance due of \$Nil.
- 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 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 \$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 judgement previously written down to \$nil which is included in accounts receivable.

- d) 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, 2012 there were no outstanding liabilities or obligations for which the Company was contingently liable.

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21. Subsequent Event

On April 16, 2013, the Company exercised its call option to increase its interest in Marathon Mortgage Corporation by 6.936% increasing the Company's share ownership to 28.33%.