

## Global (GMPC) Holdings Inc.

### Management Discussion & Analysis

Dated: April 28, 2005

The following information should be read in conjunction with the Global (GMPC) Holdings Inc. Audited Financial Statements for the years ended December 31, 2004 and 2003, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated. All figures are expressed in Canadian dollars unless otherwise indicated.

Global (GMPC) Holdings Inc. ("Global" or "the Company") is a merchant bank which provides bridge loan services (asset back/collateralized financing), ranging from \$100,000 to \$2,000,000 to companies across many industries such as oil & gas, mining, real estate, manufacturing, retail, financial services, technology and biotechnology. Global 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.

### Overall Performance

Year 2004 was the first full year that Global operated as a merchant bank since the closing of its \$11.5 million (gross) public offering in October, 2003. At the time of the public offering Global had net assets totaling \$12.2 million or \$0.264 per share. As at December 31, 2004 Global had assets totaling \$13.7 million (2003 - \$12.6 million) or \$0.309 (2003 - \$0.272) per share plus another \$0.011 (2003 - \$0.013) in unrealized gains on Global's portfolio investments. The increase per outstanding share including unrealized gains on Global's portfolio investments is 12.2% over last year and 21.4% since the closing of the public offering.

As at December 31, 2004, Global had net income of \$1,574,472 or \$0.04 per share compared to a loss of \$364,935 or \$0.03 per share for 2003 and a loss of \$517,817 or \$0.07 per share in 2002. The increase in net income over the previous two years is due to the closing of the Company's \$11.5 million (gross) public offering in October, 2003 that provided working capital for Global's merchant banking business. The above net income (loss) per share has been calculated using the weighted average number of multiple and subordinate voting shares during each year.

Total assets as at December 31, 2004 was \$13.7 million compared to \$12.6 million as at December 31, 2003. Included in total assets are \$1.1 million in cash and short term investments (2003 - \$1.4 million), \$5.4 million in notes receivable, bridge loans and convertible debentures (2003 - \$3.2 million), \$6.8 million in portfolio investments (2003 - \$7.7 million) with a fair value of \$7.1 million (2003 - \$8.0 million) as of December 31, 2004 and \$0.3 million in other receivables (2003 - \$0.2 million).

### Selected Annual Information

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

For the years ended December 31	2003		
	2004	Restated <sup>(1)</sup>	2002
Total Revenue	\$ 2,376,032	\$ 403,119	\$ 54,038
Net income (loss) for the period	1,574,472	(364,935)	(517,817)
Net income (loss) per share <sup>(2)</sup>	0.04	(0.03)	(0.07)
Total assets	13,663,800	12,557,479	1,929,432
Total long-term financial liabilities	-	-	-
Cash dividends declared per share	\$ -	\$ -	\$ -

(1) Effective January 1, 2004, Global adopted a new accounting policy in regards to Stock-Based Compensation, as a result a \$492,077 charge to stock-based compensation (previously nil) was recorded in 2003 (see Change in Accounting Policy section).

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

## Operating Results

As at December 31, 2004, Global had net income of \$1,574,472 or \$0.04 per share compared to a loss of \$364,935 or \$0.03 per share for 2003 and a loss of \$517,817 or \$0.07 per share in 2002.

Effective January 1, 2004 the Company adopted the new Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3870, "Stock Based Compensation and Other Stock-Based Payments" with respect to accounting for stock-based compensation. This change in accounting policy has been recorded retroactively, for one year.

As at December 31, 2004, Global had \$5.3 million invested in bridge loans to companies in industries such as human bionics, software, oil & gas, mining, real estate, electronic manufacturing services and consumer goods. The bridge loans were provided to public companies, private companies and individuals.

### Revenues

Total revenue for the year 2004 was \$2.4 million compared to \$0.4 million for 2003 and \$54,038 in 2002. The increase in revenue follows on the closing of Global's public offering on October 30, 2003, and the launching of its merchant banking operation. Sales of investments and securities for the year 2004 have resulted in Global recording a gain of \$889,293 compared to \$158,378 in 2003 and \$4,991 in 2002. Interest and dividend income totaled \$1,266,693 for the year compared to \$200,539 in 2003 and \$50,223 in 2002. Structuring fees were \$280,498 for the year compared to \$78,000 in 2003 and nil in 2002.

### Expenses

Total expenses for the year 2004 were \$842,671 compared to \$769,085 in 2003 and \$163,979 in 2002. Expenses not including share compensation expense totaled \$789,844 for 2004 and \$277,008 for 2003. The differences in expenses follow on the closing of Global's public offering on October 30, 2003, and the launching of its merchant banking operation.

### Foreign Exchange Gain/(Loss)

In 2004, the Company recorded a loss of \$60,452 due to the strength of the Canadian dollar over the US dollar. A foreign exchange loss of \$33,798 was recorded in 2003 and a loss of \$1,186 in 2002.

When applicable, the Company reduces foreign exchange risk by providing bridge loans to foreign companies in Canadian dollars.

## Summary of Quarterly Results

For the quarters ended	Dec 31/04	Sep 30/04	Jun 30/04	Mar 31/04
Total revenue	\$ 508,262	\$ 508,357	\$ 440,840	\$ 918,573
Net income	313,444	301,361	303,052	656,615
Net income per share <sup>(1)</sup>	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01

For the quarters ended	Dec 31/03	Sep 30/03	June 30/03	Mar 31/03
Total revenue	\$ 277,211	\$ 69,238	\$ 18,857	\$ 37,813
Net income	(343,273)	(3,985)	(25,524)	7,847
Net income per share <sup>(1)</sup>	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ 0.00

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

Total revenue and net income in the first quarter of 2004 was higher than the subsequent quarters due to the gain on the sale of certain portfolio investments. Total revenue, total expenses and net income remained fairly consistent for the final three quarters of the year.

### **Liquidity**

As at December 31, 2004, Global had \$1,063,972 in cash and \$38,561 in short term investments. The majority of Global's bridge loans and convertible debentures are payable within one year. The Corporation has no debt.

### **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.

As at December 31, 2004, the Company has convertible debentures and bridge loans of \$500,000 (2003 - \$217,700) due from related parties by virtue of having certain directors and officers in common. Portfolio investments include shares of companies and partnerships having current Executive Officers and Directors in common with the Company that have a cost of \$4,285,594 (2003 - \$234,551) and a fair value of \$4,775,528 (2003 - \$234,534).

Interest and dividend income include interest earned on loans with current Executive Officers and Directors of the Company in the amount of \$46,194 (2003 - \$28,925) and dividends on investments in shares in a Company having a current Executive Officer and a Director in common with the Company in the amount of \$94,500 (2003 - nil).

Structuring fees income include \$66,600 (2003 - \$32,000) received from companies with a current Director in common with the Company.

Management and consulting fees, miscellaneous, salaries and employee benefits, and travel and promotion expenses include \$262,378 (2003 - \$173,763) paid to companies controlled by current Executive Officers and Directors of the Company.

### **Fourth Quarter**

During the fourth quarter of 2004, total revenue 2004 was \$508,262 compared to \$277,211 for the corresponding period in 2003. The increase in revenue follows on the closing of Global's public offering on October 30, 2003, and the launching of its merchant banking operation.

Sales of investments and securities for fourth quarter of 2004 have resulted in Global recording a gain of \$50,528. Income from interest and dividends totaled \$308,244 and structuring fees were \$174,000 for the quarter. Total expenses for the fourth quarter were \$214,649 including \$52,827 charged to share compensation expense.

Net income for the fourth quarter of 2004 was \$313,444 or \$0.01 per share.

### **Financial Instruments**

The Company is primarily engaged in the merchant banking business and generates revenues through interest and fees paid in connection with advancing loans. Earnings and the Company's asset base are subject to the number and level of loans completed, the nature and credit quality of the loan portfolio, including the quality of the collateral security obtained by the Company and the return it is able to generate.

## Changes in Accounting Policies

Effective January 1, 2004, the Company adopted the new Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3870, “Stock-Based Compensation and Other Stock-Based Payments”) with respect to accounting for stock-based compensation. This change in accounting policy has been recorded retroactively, for one year.

## Other Data

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

## Share Data

### Outstanding Shares

Single Voting Shares	40,320,535
Multiple Voting Shares	<u>3,843,034</u>
	44,163,569

### Outstanding Options and Warrants

Type	Amount Outstanding	Exercise Price	Expiry Date
Stock option	3,600,000	\$0.26	May 5, 2009
Stock option	500,000	\$0.26	Nov. 26, 2009
Subordinate Voting Share Warrant	250,000	\$0.50	October 2, 2005
Subordinate Voting Share Warrant	19,129,917	\$0.50	October 22, 2005
Multiple Voting Share Warrant	250,000	\$0.50	October 2, 2005
Compensation Options (Units) <sup>(1)</sup>	3,825,984	\$0.30	October 2, 2005

(1) Each Unit is comprised of one Subordinate Voting Share and one-half Subordinate Voting Share Warrant. Each whole Warrant entitles the holder to purchase and additional Subordinate Voting Share Warrant at a price of \$0.50 for 24 months.

## Forward-Looking Information

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

**GLOBAL (GMPC) HOLDINGS INC.**  
**Financial Statements**  
**December 31, 2004**

**GLOBAL (GMPC) HOLDINGS INC.**

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**December 31, 2004**

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## AUDITORS' REPORT

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To the Shareholders of Global (GMPC) Holdings Inc.

We have audited the balance sheet of Global (GMPC) Holdings Inc. as at December 31, 2004 and 2003 and the statements of income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"HINCHCLIFFE SAPI LLP"

TORONTO, Ontario  
April 14, 2005

Chartered Accountants

**GLOBAL (GMPC) HOLDINGS INC.**

**Balance Sheet**

**December 31, 2004**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ 1,063,972	\$ 1,255,982
Short term investments (Note 3)	38,561	173,091
Accounts receivable and sundry assets	174,696	56,666
Interest and dividends receivable		
Notes receivable	78,763	22,810
Bridge loans and convertible debentures	49,038	45,879
Portfolio and short term investments	9,236	69,775
Notes receivable, bridge loans and convertible debentures		
Notes receivable (Note 3)	107,394	197,394
Bridge loans and convertible debentures (Note 3, 11)	5,324,874	3,049,470
Portfolio investments (Note 3, 11)	6,813,829	7,682,256
Property, plant and equipment (Note 5)	3,437	4,156
	<u>\$ 13,663,800</u>	<u>\$ 12,557,479</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable	\$ 56,259	\$ 83,337
<b>CONTINGENT LIABILITIES (Note 13)</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6, 7)	13,997,425	14,655,070
Contributed surplus (Note 6, 15)	956,728	740,157
Deficit (Note 15)	<u>(1,346,612)</u>	<u>(2,921,085)</u>
	<u>13,607,541</u>	<u>12,474,142</u>
	<u>\$ 13,663,800</u>	<u>\$ 12,557,479</u>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_  
"Gordon Ewart"                      *Director*

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"Jason Ewart"                        *Director*

**GLOBAL (GMPC) HOLDINGS INC.****Statement of Income and Deficit****Year Ended December 31, 2004**

	<b>2004</b>	<b>2003</b>
<b>REVENUE</b>		
Interest and dividend income <i>(Note 11)</i>	\$ 1,266,693	\$ 200,539
Gain on sales of portfolio investments	889,293	158,378
Structuring fees <i>(Note 11)</i>	280,498	78,000
Foreign exchange loss	<u>(60,452)</u>	<u>(33,798)</u>
	<b>2,376,032</b>	<b>403,119</b>
<b>EXPENSES</b>		
Management and consulting fees <i>(Note 11)</i>	273,336	113,873
Salaries and employee benefits <i>(Note 11)</i>	262,268	41,354
Audit and legal fees	67,301	13,475
General office and administration <i>(Note 11)</i>	58,959	32,739
Travel and promotion <i>(Note 11)</i>	53,963	11,957
Share compensation expense <i>(Note 15)</i>	52,827	492,077
Filing and listing fees	39,740	48,865
Rent <i>(Note 11)</i>	33,029	14,012
Amortization	<u>1,247</u>	<u>733</u>
	<b>842,670</b>	<b>769,085</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>1,533,362</b>	<b>(365,966)</b>
<b>OTHER ITEMS</b>		
Writedown of portfolio investments	<u>-</u>	<u>(17,274)</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>1,533,362</b>	<b>(383,240)</b>
<b>INCOME TAXES (RECOVERED)</b>	<b>(41,111)</b>	<b>(18,305)</b>
<b>NET INCOME (LOSS) <i>(Note 15)</i></b>	<b>1,574,473</b>	<b>(364,935)</b>
<b>DEFICIT - BEGINNING OF YEAR <i>(Note 15)</i></b>	<b>(2,921,085)</b>	<b>(2,556,150)</b>
<b>DEFICIT - END OF YEAR</b>	<b>\$ (1,346,612)</b>	<b>\$ (2,921,085)</b>
<b>NET INCOME (LOSS) PER SHARE <i>(Note 8, 15)</i></b>	<b>\$ 0.04</b>	<b>\$ (0.03)</b>

**GLOBAL (GMPC) HOLDINGS INC.**

**Statement of Cash Flows**

**Year Ended December 31, 2004**

	2004	2003
<b>OPERATING ACTIVITIES</b>		
Net income (Loss)	\$ 1,574,473	\$ (364,935)
Items not affecting cash:		
Gain on sales of portfolio investments	(889,293)	(158,378)
Writedown of portfolio investments	-	17,274
Amortization	1,247	733
Share compensation expense (Note 15)	<u>52,827</u>	<u>492,077</u>
	<b>739,254</b>	<b>(13,229)</b>
Net change in non-cash working capital (Note 9)	<u>(143,681)</u>	<u>(115,504)</u>
Cash flow from (used by) operating activities (Note 15)	<u><b>595,573</b></u>	<u><b>(128,733)</b></u>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in notes receivable, bridge loans and convertible debentures		
Notes receivable	90,000	(109,741)
Bridge loans and convertible debentures	(2,275,404)	(2,985,798)
Purchase of portfolio investments	(7,779,962)	(8,824,511)
Proceeds from sale of portfolio investments	9,537,682	2,469,626
Additions to property, plant and equipment	<u>(528)</u>	<u>(4,889)</u>
Cash flow used by investing activities	<u><b>(428,212)</b></u>	<u><b>(9,455,313)</b></u>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares		
Private placement	-	300,000
Public offering	-	10,187,270
Purchase of treasury shares	(496,567)	(26,490)
Cancellation of shares	(161,078)	-
Increase in contributed surplus (Note 15)	<u>163,744</u>	<u>7,140</u>
Cash flow (used by) from financing activities	<u><b>(493,901)</b></u>	<u><b>10,467,920</b></u>
<b>(DECREASE) INCREASE IN CASH FLOW</b>	<b>(326,540)</b>	<b>883,874</b>
<b>CASH - BEGINNING OF YEAR</b>	<u><b>1,429,073</b></u>	<u><b>545,199</b></u>
<b>CASH - END OF YEAR</b>	<u><b>\$ 1,102,533</b></u>	<u><b>\$ 1,429,073</b></u>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 1,063,972	\$ 1,255,982
Short term investments	<u>38,561</u>	<u>173,091</u>
	<u><b>\$ 1,102,533</b></u>	<u><b>\$ 1,429,073</b></u>

# GLOBAL (GMPC) HOLDINGS INC.

## Notes to Financial Statements

December 31, 2004

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### 1. NATURE OF BUSINESS

Global (GMPC) Holdings Inc. ("the Company") is incorporated under the Canada Business Corporations Act and provides a range of merchant banking services to small and mid-size cap companies in North America in both the public and private markets. The company provides bridge loan services (asset backed/collateralized financing) ranging from \$100,000 to \$2,000,000 to companies across many industries such as oil and gas, mining, real estate, manufacturing, retail, financial services, technology and biotechnology.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Investments

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

#### Property, Plant and Equipment

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

Computer equipment	30%	declining balance
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#### Foreign Currency Translation

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

#### Future Income Taxes

The company uses the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

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# GLOBAL (GMPC) HOLDINGS INC.

## Notes to Financial Statements

December 31, 2004

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Stock-Based Compensation Plan

The company has a stock option plan for Directors, Officers and key employees which is described in Note 7. The company formerly followed the intrinsic value based method of accounting for stock options granted, whereby no compensation expense was recognized on the grant of share options to Directors and employees.

Effective January 1, 2004, the company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which require that a fair value based method of accounting be applied to all stock-based payments to non-employees and to direct awards of stock to employees, granted on or after January 1, 2004.

Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. The company is using the Black Scholes option pricing model to value the stock options which require an estimate of volatility of the company's stock price.

The new standard encourages the use of a fair value based method for all other awards granted to employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. The company has adopted the fair value based method retroactively for all stock-based compensation awards to employees and Directors on or after January 1, 2003. For fiscal years ended on or prior to December 31, 2002, no compensation cost is recorded for all stock-based employee compensation. Consideration paid by employees on the exercise of stock options is recorded as share capital and contributed surplus. Note 15 describes the effects of the change in accounting policy, which has been retroactively applied, effective January 1, 2003.

#### Financial Instruments

Unless otherwise noted, it is management's opinion that the company is not exposed to any significant interest, currency, credit or market risks arising from its financial instruments. The fair value of all financial instruments approximates their carrying value, except for investments in portfolio investments as disclosed in Note 3.

#### Measurement Uncertainty

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

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**GLOBAL (GMPC) HOLDINGS INC.**

**Notes to Financial Statements**

**December 31, 2004**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related Party Transactions

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

Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments with original maturity dates of three months or less. Non-cash working capital items include accounts receivable, interest and dividends receivable and accounts payable.

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# GLOBAL (GMPC) HOLDINGS INC.

## Notes to Financial Statements

December 31, 2004

### 3. FINANCIAL INSTRUMENTS

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

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

	2004 Carrying Value	2004 Fair Value	2003 Carrying Value	2003 Fair Value
Short term investments	\$ 38,561	\$ 38,561	\$ 173,091	\$ 173,091
Notes receivable	107,394	107,394	197,394	197,394
Bridge loans and convertible debentures (see Note 4)	5,324,874	5,324,874	3,049,470	3,049,470
Portfolio investments				
- Publicly traded companies and partnerships	6,596,326	7,083,007	7,421,428	8,038,858
- Preferred shares	200,000	200,000	200,000	200,000
- Interest in oil and gas properties	17,502	17,502	60,828	60,828
	<u>\$ 12,284,657</u>	<u>\$ 12,771,338</u>	<u>\$ 11,102,211</u>	<u>\$ 11,719,641</u>

- a) Portfolio investments represent shares in publicly traded companies and partnerships. Fair value represents the quoted trading price of the shares held at December 31, 2004. Fair value of bridge loans is estimated to be approximately the equivalent of carrying value due to the relatively short term of these bridge loans. Fair value of convertible debentures is generally considered to be the equivalent of carrying value unless the trading price of the underlying security exceeds the conversion price of the debenture. Fair value is then considered to be the quoted trading price of the underlying security.
- b) Notes receivable are payable on demand and bear interest at a fixed rate of 12%. The notes receivable are unsecured.
- c) Certain of the portfolio investments are pledged as security for the company's margin account lending facility with its Broker.

# GLOBAL (GMPC) HOLDINGS INC.

## Notes to Financial Statements

December 31, 2004

### 4. BRIDGE LOANS AND CONVERTIBLE DEBENTURES

Bridge loans are repayable over various terms up to 12 months from December 31, 2004, and bear interest at fixed rates of between 12% and 15%. Shares, real estate, and borrower, corporate or personal guarantees generally have been pledged as security.

The convertible debentures carry interest rates of 12% and are for varying terms up to February 2006. Shares and borrower, corporate or personal guarantees generally have been pledged as security.

Bridge loans and convertible debentures analysis as at December 31, 2004 are as follows:

	<u>2004</u>	<u>2003</u>
<u>Due Within One Year</u>		
Bridge loans	\$ 3,624,874	\$ 1,049,470
Convertible debentures	<u>1,500,000</u>	<u>-</u>
	<u>5,124,874</u>	<u>1,049,470</u>
<u>Due Within 12 to 24 Months</u>		
Bridge loans	-	1,000,000
Convertible debentures	<u>200,000</u>	<u>1,000,000</u>
	<u>200,000</u>	<u>2,000,000</u>
	<u>\$ 5,324,874</u>	<u>\$ 3,049,470</u>

### 5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2004 Net book value
Computer equipment	\$ 5,417	\$ 1,980	\$ 3,437

  

	Cost	Accumulated amortization	2003 Net book value
Computer equipment	\$ 4,889	\$ 733	\$ 4,156

**GLOBAL (GMPC) HOLDINGS INC.**

**Notes to Financial Statements**

**December 31, 2004**

6. SHARE CAPITAL

		<u>2004</u>	<u>2003</u>
Authorized:			
Unlimited	multiple voting shares		
Unlimited	subordinate voting shares		
Issued:			
3,843,034	multiple voting shares	\$ 2,166,606	\$ 2,247,145
40,320,535	subordinate voting shares	<u>11,830,819</u>	<u>12,407,925</u>
		<u>\$ 13,997,425</u>	<u>\$ 14,655,070</u>

**Multiple Voting Shares**

	<u>2004</u>		<u>2003</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Opening balance	3,985,891	\$ 2,247,145	-	\$ -
Share exchange	-	-	3,985,891	2,247,145
Cancellation of shares	<u>(142,857)</u>	<u>(80,539)</u>	-	-
Closing balance	<u>3,843,034</u>	<u>\$ 2,166,606</u>	<u>3,985,891</u>	<u>\$ 2,247,145</u>

**Subordinate Voting Shares**

	<u>2004</u>		<u>2003</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Opening balance	42,155,726	\$ 12,407,925	-	\$ -
Share exchange	-	-	3,985,891	2,247,145
Issued for cash				
Tranche 1	-	-	33,926,835	10,178,051
Tranche 2	-	-	4,333,000	1,299,900
Share issue costs	-	-	-	<u>(1,290,681)</u>
	42,155,726	12,407,925	42,245,726	12,434,415
Treasury shares acquired	<u>(1,692,334)</u>	<u>(496,567)</u>	<u>(90,000)</u>	<u>(26,490)</u>
Cancellation of shares	<u>(142,857)</u>	<u>(80,539)</u>	-	-
Closing balance	<u>40,320,535</u>	<u>\$ 11,830,819</u>	<u>42,155,726</u>	<u>\$ 12,407,925</u>

On October 22, and November 25, 2003 the company completed a public offering of 38,259,835 subordinate voting shares at a price of \$0.30 per share for aggregate gross proceeds of \$11,477,951, less listing fees and issue costs of \$1,290,681 to provide additional working capital to the company.

On December 31, 2003, the company completed a treasury share purchase for cancellation of 90,000 subordinate voting shares with a stated capital cost of \$26,490 for \$19,350, resulting in a increase in

*(continues)*

# GLOBAL (GMPC) HOLDINGS INC.

## Notes to Financial Statements

December 31, 2004

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### 6. SHARE CAPITAL *(continued)*

contributed surplus in the prior year of \$7,140.

During 2004, the company completed treasury purchases for cancellation under a normal course issuer bid of 1,692,334 subordinate voting shares with a stated capital of \$496,567, for proceeds of \$408,186, resulting in an increase in contributed surplus of \$88,381.

On September 27, 2004 the company cancelled 285,714 common shares (142,857 multiple voting shares and 142,857 subordinate voting shares) held by Shareholders who dissented to the capital reorganization approved at the special meeting of Shareholders held on August 15, 2003. These shares had a total stated capital of \$161,078 and were cancelled for \$85,715, resulting in an increase in contributed surplus of \$75,363.

As at December 31, 2004, 19,129,917 subordinate voting share warrants with an exercise price of \$0.50 per share are outstanding. The warrants expire October 22, 2005. 250,000 subordinate voting share warrants and 250,000 multiple voting share warrants with an exercise price of \$0.50 per share are also outstanding which expire October 2, 2005.

As at December 31, 2004, 3,825,984 compensation options with an exercise price of \$0.30 per unit are outstanding. Each unit is comprised of one subordinate voting share and one-half of one subordinate voting share purchase warrant of the company. Each whole warrant entitles the holder to purchase an additional subordinate voting share at a price of \$0.50. These compensation options were issued to the underwriters of the public offering. These options expire October 2, 2005.

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### 7. STOCK-BASED COMPENSATION PLAN

On July 18, 2003 the Directors of the company approved the cancellation of the existing stock option plan of 1,500,000 authorized common shares with an exercise price of \$0.25 per share.

On July 18, 2003 the Directors of the company approved a new stock option plan. The maximum number of common shares authorized to be optioned was 700,000. There were no options granted under this plan.

On November 7, 2003 the Directors of the company cancelled the above stock option plan and approved a new stock option plan, subject to TSX Venture approval. The maximum number of subordinate voting shares authorized to be optioned is 4,100,000.

On November 7, 2003 the Directors of the company approved the issuance of 3,700,000 options at an exercise price of \$0.26 per share. The options are exercisable in whole or in part at any time prior to November 7, 2008.

On May 5, 2004 the Directors of the company cancelled the above stock option grants. The Directors of the company approved the issuance of 3,600,000 options at an exercise price of \$0.26 per share. The options are exercisable in whole or in part at any time prior to May 5, 2009.

On November 24, 2004 the Directors of the company approved the issuance of 500,000 options at an exercise price of \$0.26 per share. The options are exercisable in whole or in part at any time prior to November 24, 2009.

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# GLOBAL (GMPC) HOLDINGS INC.

## Notes to Financial Statements

December 31, 2004

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### 8. NET INCOME (LOSS) PER SHARE

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

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### 9. CASH FLOWS SUPPLEMENTARY INFORMATION

	<u>2004</u>	<u>2003</u>
Accounts receivable	\$ (118,030)	\$ (27,244)
Interest and dividends receivable	1,427	(121,245)
Accounts payable	<u>(27,078)</u>	<u>32,985</u>
	<u>\$ (143,681)</u>	<u>\$ (115,504)</u>

Interest paid during the year amounted to \$17,807 (2003 \$3,895).

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### 10. INCOME TAXES

	<u>2004</u>	<u>2003</u>
Basic tax amount at 41.62%	\$ 638,000	\$ 45,000
Amounts not subject to tax	(299,000)	(49,000)
Unrecognized income tax benefits	-	7,000
Amounts not included in income but deductible for tax purposes	<u>(108,000)</u>	<u>(108,000)</u>
	<u>231,000</u>	<u>(105,000)</u>
Unrecorded income tax benefits	<u>(272,111)</u>	<u>86,695</u>
	<u>\$ (41,111)</u>	<u>\$ (18,305)</u>

Included in unrecognized deductible temporary differences are approximately \$1,230,000 in temporary differences relating to investments primarily represented by writedowns of permanently impaired investments.

The potential income tax benefits arising from these temporary differences are not recorded in these financial statements since at the balance sheet date it is likely that the future tax asset will not be realized.

There is an unrecognized permanent difference of approximately \$774,000 resulting from capitalized share issues expenses that can be deducted for tax purposes in equal amounts over the following three years. The potential income tax benefits arising from this permanent difference are not recorded in these financial statements since at the balance sheet date it is likely that the future tax asset will not be realized.

# GLOBAL (GMPC) HOLDINGS INC.

## Notes to Financial Statements

December 31, 2004

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### 11. 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) Bridge loans and convertible debentures include a balance due from a company having a current Director in common with the company, with a cost of \$500,000 (2003 \$217,700).
  - b) Portfolio investments include shares of companies and partnerships having current Executive Officers and Directors in common with the company, with a cost of \$4,285,594 (2003 \$234,551) and a fair value of \$4,775,528 (2003 \$235,534).
  - c) Interest and dividend income include interest earned on loans with current Executive Officers and Directors of the company in the amount of \$46,194 (2003 \$28,925) and dividends on investment in shares in a company having a current Executive Officer and a Director in common with the company in the amount of \$94,500 (2003 \$NIL).
  - d) Structuring fees income include \$66,600 (2003 \$32,000) received from companies with a current Director in common with the company.
  - e) Management and consulting fees, miscellaneous, salaries and employee benefits, and travel and promotion expenses include \$262,378 (2003 \$173,763) paid to companies controlled by current Executive Officers and Directors of the company.
  - f) Included in rent expense is \$13,069 (2003 \$13,140) recovered from a company with Directors in common with the company.
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### 12. FINANCIAL INSTRUMENTS

#### Currency Risk

The company is exposed to certain currency risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

#### 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. To alleviate the potential for risk concentration, collateral agreements are secured and monitored in light of changing industry and market conditions.

#### Market Risk

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

#### Fair Values

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

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# GLOBAL (GMPC) HOLDINGS INC.

## Notes to Financial Statements

December 31, 2004

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### 13. CONTINGENT LIABILITIES

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

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

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### 14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's basis of presentation.

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### 15. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2004, the company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" with respect to accounting for stock-based compensation. This change in accounting policy has been recorded retroactively, for one year.

As a result of this change, the opening balance of deficit as at January 1, 2004 has been increased by \$492,077 to \$2,921,085 (from \$2,429,008 previously recorded).

Comparative figures for 2003 have been restated as follows: contributed surplus increased by \$492,077 to \$740,157 (from \$248,080 previously recorded), deficit increased by \$492,077 to \$2,921,085 (from \$2,429,008 previously recorded), share compensation expense of \$492,077 was recorded (\$NIL previously recorded), loss of \$364,935 incurred (net income \$127,142 previously resulted) and loss per share of \$0.03 incurred (net income per share of \$0.01 previously resulted).

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