GC-Global Capital Corp.

Management Discussion & Analysis **Dated: August 28, 2007**

Description of Business

The following information should be read in conjunction with the GC-Global Capital Corp. ("Global Capital" or "the Company") Interim Consolidated Financial Statements dated June 30, 2007, which are prepared in accordance with Canadian generally accepted accounting principles. All figures are expressed in Canadian dollars unless otherwise indicated.

Global Capital is a merchant bank which provides bridge loan services (asset back/collateralized financing), ranging from $300,000 to $3,000,000 to companies across many industries such as oil & gas, mining, real estate, manufacturing, retail, financial services, technology and biotechnology. Global Capital takes a disciplined and systematic approach to investment and is guided by four core principles: Capital Preservation, Shareholder Value, Secure Generation of Income and Risk Management. Global Capital also invests in emerging North American companies across all industries. Global Capital's investments are made through equity financings and Global Capital works with management of operating companies in order to create value for businesses in which Global Capital assumes a position. These services can include additional equity financing, developing mergers and acquisitions, providing operational management support and structuring and negotiating debt and equity placements.

Overall Performance

As at June 30, 2007 Global Capital had net assets totaling $23.2 million or $1.13 per share compared to $22.2 million or $1.09 per share as at March 31, 2007 and $18.7 million or $1.19 per share as at December 31, 2006. The increase in net asset value is primarily due to the net income of $0.03 per share for the second quarter of 2007. The decrease in the net asset value from December 31, 2006 is primarily due to the $5.5 million equity issue which was issued at a price of $1.15 per share less $0.11 in issue costs per share. Also associated with this decrease was the $0.05 per shared dividend paid on March 30, 2007 to all shareholders of record on February 9, 2007.

For the six months ended June 30, 2007, Global Capital had net income before taxes of $1,125,987 or $0.06 compared to an income before tax of $1,177,562 or $0.08 per share for the same period in 2006. For the quarter ended June 30, 2007, Global Capital had net income before taxes of $772,089 or $0.04 per share compared to an income before taxes of $576,313 or $0.04 per share for the same period in 2006. The above net income per share has been calculated using the weighted average number of multiple and subordinate voting shares during each period. Net income for the six months ended June 30, 2007 was $879,714 as compared to $1,053,568 for the same period in 2006. Net income for the quarter ended June 30, 2007 was $569,349 as compared to $480,594 for the same period in 2006.

Total assets as at June 30, 2007 were $23.9 million compared to $20.0 million as at December 31, 2006. Included in total assets are $0.7 million in cash and short term investments (December 31, 2006 - $1.5 million), $16.5 million in notes receivable, bridge loans and convertible debentures (December 31, 2006 - $11.6 million), $5.0 million in portfolio investments (December 31, 2006 - $4.6 million), $0.6 million in other receivables (December 31, 2006 - $0.9 million) and $1.1 million in future income taxes (December 31, 2006 - $1.4 million).

Summary of Quarterly Results

The following table sets out selected financial information and other data of GC-Global Capital Corp., which should be read in conjunction with the unaudited interim consolidated financial statements for the periods ending June 30, 2007. Certain comparative figures of those previously issued audited and unaudited financial statements have been reclassified to conform to the current year's basis of presentation.

	Second Quarter 2007 $	First Quarter 2007 $	Fourth Quarter 2006 $	Third Quarter 2006 $	Second Quarter 2006 $	First Quarter 2006 $	Fourth Quarter 2005(2) $	Third Quarter 2005(2) $
Total revenue	1,566,766	742,331	1,411,893	909,767	1,044,401	1,095,261	1,100,780	1,525,859
Net income for the period	569,349	310,365	817,276	407,005	480,594	572,973	2,120,390	845,714
Net income per share (1)	0.03	0.02	0.05	0.03	0.03	0.04	0.15	0.06

(1) Net income per share has been calculated using the weighted average number of multiple and subordinate voting shares during each year. Diluted income per share were not calculated as they would be anti-dilutive.
(2) The comparative figures for December 31, 2005 are based on audited financial statements of GC-Global Capital Corp. The comparative figures for the three month period ended September 30, 2005 are based on the unaudited financial statements of both Global (GMPC) Holdings Inc. and E & E Capital Funding Inc. (formerly A & E Capital Funding Inc.).

Operating Results for Six Months ended June 30, 2007

Interest income was $642,883 for the first six months of 2007 as compared to $575,774 for the same period in 2006. The increase is due to an increase in the amount of loans earning interest over the previous period. Structuring fees and bonuses were $1,434,561 for the period as compared to $736,166 for the same period in 2006. The increase was due to US$891,000 in fees earned on the BriarRose Country Estate & Club Project as announced on June 20, 2007. Sales of investments and securities for the first six months of 2007 have resulted in Global Capital recording a gain of $231,654 versus $827,722 for the corresponding period in 2006.

Global Capital's expenses for the first six months of 2007 were $1,083,110 compared to $962,100 for the same period in 2006. Expenses increased due to a $253,153 foreign exchange loss for the period. Global hedges its capital deployed in transactions based in US currency. Global does not hedge accrued profit and therefore due to the approximate 10% change in the US dollar during the period, the Company incurred the foreign exchange loss.

Net income for the first six months of 2007 was $879,714 or $0.05 per share compared to income of $1,053,568 or $0.07 per share in 2006.

Operating Results for Three Months ended June 30, 2007

Interest income was $310,767 for the first quarter of 2007 as compared to $369,311 for the same period in 2006.. Structuring fees and bonuses were $1,175,206 for the period as compared to $424,773 for the same period in 2006. Sales of investments and securities for the first six months of 2007 have resulted in Global Capital recording a gain of $80,793 versus $250,316 for the corresponding period in 2006.

Global Capital's expenses for the first quarter of 2007 were $694,677 compared to $468,088 for the same period in 2006. Expenses increased due to a $206,431 foreign exchange loss for the period. Global hedges its capital deployed in transactions based in US currency. Global does not hedge accrued profit and therefore due to the approximate 10% change in the US dollar during the period, the Company incurred the foreign exchange loss.

Net income for the first quarter of 2007 was $569,349 or $0.03 per share compared to income of $480,594 or $0.03 per share in 2006.

Liquidity

As at June 30, 2007, Global had $0.7 million in cash and short term investments, $16.5 million in notes receivable, bridge loans and convertible debentures and $5.0 million in portfolio investments.

Hedging of US Cash Flows

In September 2006, the Company began a forward contract hedging program with a Canadian banking instituion. The Company uses short-term forward contracts to hedge the capital invested in its United States based currency transactions.

Critical Accounting Policies And Estimates

The Company's accounting policies are described in Note 3 of its audited consolidated financial statements for the years ended December 31, 2006 and 2005. Management considers the following policies to be the most critical in understanding the judgments and estimates that are involved in the preparation of its consolidated financial statements and the uncertainties which could materially impact its results, financial condition and cash flows. Management continually evaluates its assumptions and estimates; however, actual results could differ materially from these assumptions and estimates.

Provision for Loan Losses

Loans are stated net of an allowance for credit losses on impaired loans. Such allowances reflect management's best estimate of the credit losses in the Company's loan portfolio and judgments about economic conditions. The evaluation process involves estimates and judgments, which could change in the near term, and result in a significant change to a recognized allowance. In determining the provision for possible loan losses, the Company considers the following:

- length of time the loans have been in arrears;
- the overall financial strength of the borrowers;
- the nature and quality of collateral and, if applicable, guarantees;
- secondary market value of the loans and the collateral; and
- the borrower's plan, if any, with respect to restructuring the loans.

Valuation of Investments

The Company's investments are primarily held in public companies. Effective January 1, 2007, investments are recorded on the balance sheet at their fair value. Fair value is determined directly by reference to quoted market price in an active market.

Future Tax Asset

The Company has recognized a future tax asset based on the likely realization of tax losses which are to be utilized against future earnings. The Company will reassess at each balance sheet date its existing future income tax assets, as well as potential future income tax assets that have not been previously recognized. In determining whether an additional future income tax asset is to be recognized, the Company will assess its ability to continue to generate future earnings based on its current loan portfolio, expected rate of return, the quality of the collateral security and ability to reinvest the funds. If an asset has been recorded and the Company assesses that the realization of the asset is no longer viable, the asset will be written down. Conversely, if the Company determines that there is an unrecognized future income tax asset which is more-likely-than-not to be realized, it will be recorded in the balance sheet and statement of earnings.

Change in Accounting Policies

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

The adoption of the Financial Instrument Standards requires the presentation of a separate statement of comprehensive income. Loans are recorded at amortized cost, subject to impairment reviews. Fees received for originating the loans are netted against the loans' cost and are recognized in net earnings using the effective interest rate method. Investments are recorded in the consolidated balance sheet at fair value. Fair value is determined directly by reference to quoted market prices in an active market. Changes in fair value of investments have been reported in other comprehensive income. The transitional adjustments in respect of these standards have been made to opening investments and loan balances and adjusted through retained earnings and accumulated other comprehensive income as at January 1, 2007. As a consequence of adopting the Financial Instrument Standards at January 1, 2007 accumulated other comprehensive income increased by $0.2 million. This movement reflects an increase of $0.2 million in investments, a decrease in customer advances of $0.3 million and a decrease in notes receivables, bridge loans and convertible debentures of $0.3 million. These adjustments represent the net gain on measuring the fair value of available for sale portfolio investments, which had not been recognized on a fair value basis prior to January 1, 2007.

Transactions with Related Parties

The Company often receives the right to nominate a member to the Board of Directors of companies to which it provides a bridge loan. The nominees may be an employee, Officer or Director of the Company, and accordingly, the borrower may become related to the Company. Notes receivable, bridge loans and convertible debentures include a balance due from companies having a current Director or Officer in common with the Company, with a cost of $1,774,206 (December 31, 2006 - $1,050,003). Notes receivable, bridge loans and convertible debentures include syndicated loans through Global Development Resources, Inc., a company with common directors and officers of the Company. Syndicated loans outstanding are $1,774,005 (December 31, 2006 - $5,409,303). Notes receivable, bridge loans and convertible debentures include notes to two Directors of the Company for US$2,128,000 (December 31, 2006 – US$2,128,000), of which US$1,128,000 (December 31, 2006 – US1,128,000) is due on July 1, 2007 and US$1,000,000 (December 31, 2006 – US$1,000,000) is due on December 29, 2007. The notes relate to certain real estate property that was sold to the two Directors. In 2005, the Company provided a bridge loan of which 3.9% was syndicated to a Director and 7.8% was syndicated to the spouse of a Director. The total interest and principal payable to the Director and to spouse of a Director at June 30, 2007 was $nil (2006 - $224,139). Portfolio investments include $1,664,158 (December 31, 2006 - $1,644,297) of shares of companies and partnerships having a current Director or Officer in common with the Company.

For the six months ended June 30, 2007, interest and dividend income includes interest earned on loans with current Directors and Officers in common with the Company, in the amount of $79,192 (2006 - $118,304). For the six months ended June 30, 2007, structuring fees income includes $75,443 (2006 - $nil) received from companies with current Directors and Officers in common with the Company. For the six months ended June 30, 2007, management and consulting fees and travel and promotion expenses include $128,013 (2006 - $231,849) paid to companies controlled by current Directors and Officers of the Company.

Risks and Uncertainties

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. From time to time the Company takes advantage of foreign exchange contracts to manage the risk of currency fluctuations. As at March 31, 2007, the Company had purchased for settlement from its banker US$2,470,000 at $1.1732 maturing April 9, 2007 and US$3,150,000 at $1.1515 maturing April 30, 2007. Gains and losses on foreign exchange contracts are included in income in the corresponding reporting period.

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions.

Market Risk

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

Fair Values

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

Share Data

Outstanding Shares

Subordinate Voting Shares	19,461,170
Multiple Voting Shares	1,062,662
	20,523,832

Outstanding Options and Warrants

Type	Amount Outstanding	Exercise Price	Expiry Date
Stock option	900,000	$0.87	May 5, 2009
Stock option	150,000	$0.87	November 24, 2009
Stock option	220,000	$0.87	February 7, 2011
Compensation warrants	347,826	$1.15	September 16, 2008
Warrants	2,391,304	$1.50	September 16, 2008

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.

GC - GLOBAL CAPITAL CORP.

Consolidated Financial Statements

June 30, 2007 & 2006

Management's Responsibility for Financial Reporting

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

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

(signed Jason Ewart)	(signed Chris Carmichael)
Jason Ewart Chief Executive Officer	Chris Carmichael Chief Financial Officer

August 28, 2007
Toronto, Ontario

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

"signed Jason Ewart"	"signed Chris Carmichael"
Jason Ewart	Chris Carmichael
Chief Executive Officer	Chief Financial Officer

August 28, 2007
Toronto, Ontario

GC-Global Capital Corp.
Consolidated Balance Sheets

		(unaudited) June 30 2007		(audited) December 31 2006
Assets				
Cash	$	104,235	$	457,002
Short term investments		550,000		1,075,996
Accounts receivable and sundry assets		517,415		581,977
Prepaid expenses		10,977		10,144
Interest and dividends receivable		110,869		258,848
Notes receivable, bridge loans and convertible debentures (notes 5 & 11)		16,456,840		11,621,283
Portfolio investments (note 11)		4,960,386		4,559,540
Property, plant and equipment		27,524		29,615
Future income taxes (note 10)		1,117,184		1,363,457
	$	23,855,430	$	19,957,862
Liabilities				
Bank indebtedness	$	-	$	600,000
Accounts payable		385,119		568,690
Customer advances		234,167		290,685
		619,286		1,459,375
Shareholders' Equity				
Share capital (note 6)		19,123,594		14,075,646
Contributed surplus (note 8)		2,544,356		2,552,362
Accumulated other comprehensive income		(402,938)		-
Retained earnings		1,971,132		1,870,479
		23,236,144		18,498,487
	$	23,855,430	$	19,957,862

On Behalf of the Board

(Signed Jason Ewart) , Director

(Signed Gordon Ewart) , Director

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

GC-Global Capital Corp.
Consolidated Statements of Retained Earnings
For the periods ended June 30
(unaudited)

	Three months		Six months	
	2007	**2006**	**2007**	**2006**
Retained earnings– beginning of period	$ 1,401,783	$ 795,440	$ 1,870,479	$ 222,467
Dividends (note 9)	-	(629,837)	(779,061)	(629,837)
Net income for the period	569,349	480,594	879,714	1,053,568
Retained earnings-end of period	$ 1,971,132	$ 646,198	$ 1,971,132	$ 646,198

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

GC-Global Capital Corp.
Consolidated Statements of Income
For the periods ended June 30
(unaudited)

	Three months		Six months	
	2007	**2006**	**2007**	**2006**
Revenue				
Interest income (note 11)	$ 310,767	$ 369,311	$ 642,883	$ 575,774
Gain on sale of investments	80,793	250,316	231,654	827,722
Structuring fees (note 11)	1,175,206	424,774	1,434,560	736,166
	1,566,766	1,044,401	2,309,097	2,139,662
Provision for losses net of recovery (note 5)	(100,000)	-	(100,000)	-
	1,466,766	1,044,401	2,209,097	2,139,662
Expenses				
Management fees and salaries (note 11)	324,834	245,230	563,770	566,143
Audit and legal fees	85,489	30,649	102,673	45,920
Office and general	24,011	28,067	43,033	41,849
Travel and promotion (note 11)	16,789	15,224	30,226	30,895
Share compensation expense (note 7)	-	-	-	66,148
Filing and listing fees	15,415	17,050	35,798	35,061
Rent	15,959	-	31,919	14,396
Amortization	2,458	2,344	4,735	3,056
Foreign exchange	206,431	42,222	253,159	26,640
Interest	3,291	87,302	17,797	131,992
	694,677	468,088	1,083,110	962,100
Income before income taxes	772,089	576,313	1,125,987	1,177,562
Income taxes (note 10)				
Future	202,740	95,719	246,273	123,994
	202,740	95,719	246,273	123,994
Net income for the period	$ 569,349	$ 480,594	$ 879,714	$ 1,053,568
Net income per share (note 14)	$ 0.03	$ 0.03	$ 0.05	$ 0.07

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

GC-Global Capital Corp.
Consolidated Statement of Comprehensive Income
For the periods ended June 30, 2007
(unaudited)

	3 months	6 months
Net income for the period	$ 569,349	$ 879,714
Other comprehensive income, net of tax		
Unrealized gains on available-for-sale financial assets arising during the period	331,337	(622,373)
Other comprehensive income	331,337	(622,373)
Comprehensive income	900,686	257,341
Accumulated and other comprehensive income – beginning of period	(734,275)	-
Adoption of financial instruments standard (note 4)	-	219,435
Other comprehensive income for the period	331,337	(622,373)
Accumulated and other comprehensive income – end of period	$ (402,938)	$ (402,938)

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

GC-Global Capital Corp.
Consolidated Statements of Cash Flows
For the periods ended June 30
(unaudited)

	Three months		Six months	
	2007	**2006**	**2007**	**2006**
Operating activities				
Net income for the period	$ 569,349	$ 480,594	$ 879,714	$ 1,053,568
Items not affecting cash:				
Gain on sale of investments	(80,793)	(250,316)	(231,654)	(827,722)
Amortization	2,458	2,344	4,735	3,056
Provision for losses net of recovery	100,000	-	100,000	-
Share compensation expense	-	-	-	66,148
Future income taxes	202,740	117,359	246,273	145,635
	793,754	349,981	999,068	440,685
Net changes in non-cash working capital balances (note 13)	435,323	182,760	(28,382)	390,516
	1,229,077	532,741	970,686	831,201
Investing activities				
Decrease (increase) in bridge loans and convertible debentures	(5,918,972)	524,765	(4,935,556)	92,314
Purchase of portfolio investments	(1,828,631)	(682,846)	(1,850,942)	(2,975,253)
Proceeds from sale of investments	308,081	1,017,296	1,278,812	3,638,026
Purchase of development property	-	(367,181)	-	(367,181)
Additions to property, plant and equipment	(2,405)	(14,505)	(2,643)	(24,113)
	(7,441,927)	477,529	(5,510,329)	363,793
Financing activities				
Proceeds from shares issued	156,600	-	5,656,600	-
Share issue costs	(21,669)	-	(562,110)	-
Decrease in bank indebtedness	-	-	(600,000)	-
Purchase of treasury shares	(17,685)	-	(46,542)	-
Increase in contributed surplus	(2,260)	-	(8,007)	-
Repayment of loans and interest payable	-	(69,336)	-	(443,202)
Dividends paid	-	(629,837)	(779,061)	(629,837)
	114,986	(699,173)	3,660,880	(1,073,039)
Increase (decrease) in cash flow	(6,097,864)	311,098	(878,763)	121,955
Cash, beginning of period	6,752,099	2,587,670	1,532,998	2,776,813
Cash, end of period	$ 654,235	$ 2,898,768	$ 654,235	$ 2,898,768
Cash consists of:				
Cash	$ 104,235	$ 229,119	$ 104,235	$ 229,119
Funds held in trust	-	1,784,000	-	1,784,000
Short term investments	550,000	5,575,996	550,000	5,575,996
Bank indebtedness	-	(4,690,347)	-	(4,690,347)
	$ 654,235	$ 2,898,768	$ 654,235	$ 2,898,768

Supplemental cash flow information (note 13)

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

1. Nature of Business

GC-Global Capital Corp. (the "Company") provides a range of merchant banking services to small and mid-size cap companies in North America in both the public and private markets. The Company provides bridge loan services (asset backed/collateralized financing) ranging from $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 also has a diversified investment division engaged in investing in emerging growth companies.

2. Basis of Presentation

The accompanying financial information does not include all disclosure required under generally accepted accounting principles for annual financial statements. The accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These consolidated financial statements should be read in conjunction with the Company's 2006 audited annual financial statements and notes.

3. Summary of Significant Accounting Policies

These interim consolidated financial statements follow the same accounting policies and methods of application as the Company's annual financial statements, except as noted below. These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the Company's accounts and those of its wholly-owned subsidiaries, Newborn Realty Corp., Laurel Development Corporation and Foothills Development Corp.

4. Change in Accounting Policies

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

The adoption of the Financial Instrument Standards requires the presentation of a separate statement of comprehensive income. Loans are recorded at amortized cost, subject to impairment reviews. Fees received for originating the loans are netted against the loans' cost and are recognized in net earnings using the effective interest rate method. Investments are recorded in the consolidated balance sheet at fair value. Fair value is determined directly by reference to quoted market prices in an active market. Changes in fair value of investments have been reported in other comprehensive income. The transitional adjustments in respect of these standards have been made to opening investments and loan balances and adjusted through retained earnings and accumulated other comprehensive income as at January 1, 2007. As a consequence of adopting the Financial Instrument Standards at January 1, 2007 accumulated other comprehensive income increased by $0.2 million. This movement reflects an increase of $0.2 million in investments, a decrease in customer advances of $0.3 million and a decrease in notes receivables, bridge loans and convertible debentures of $0.3 million. These adjustments represent the net gain on measuring the fair value of available for sale portfolio investments, which had not been recognized on a fair value basis prior to January 1, 2007.

5. Notes receivable, bridge loans and convertible debentures

Bridge loans are repayable over various terms up to 11 months from June 30, 2007, and bear interest at fixed rates of between 12% and 15%. Marketable securities, real property, real estate, corporate or personal guarantees generally have been pledged as security.

As at June 30, 2007, 100% of the Company's loan portfolio is due within a year. The Company had approximately $0.3 million of loans impaired as a result of certain principal and/or interest payments being in arrears as at June 30, 2007. The Company has made a provision for this loss. The Company monitors the repayment ability of borrowers and the value of underlying security. In determining the provision for possible loan losses, management considers the length of time the loans have been in arrears, the overall financial strength of borrowers and the residual value of security pledged. As at June 30, 2007, the Company had one loan in default.

6. Share Capital

a) Authorized:

Unlimited	multiple voting shares
Unlimited	subordinate voting shares
Unlimited	preferred shares

b) Shares issued and outstanding

Issued and outstanding:		**2007**
1,062,662 (2006 - 1,063,974) multiple voting shares	$	1,937,651
19,461,170 (2006 – 14,593,560) subordinate voting shares		17,185,943
	$	19,123,594

	Number of Shares		**Amount**
Multiple voting shares			
Opening balance – January 1, 2007	1,062,662	$	1,937,651
Closing balance – June 30, 2007	1,062,662	$	1,937,651
Subordinate voting shares			
Opening balance-January 1, 2007	14,553,161	$	12,137,995
Shares cancelled	(54,600)		(46,543)
Issued from equity offering	4,782,609		5,500,000
Conversion of options	180,000		156,600
Share issue costs	-		(562,109)
Closing balance-June 30, 2007	19,461,170	$	17,185,943

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

On May 4, 2007, a Director of the Company exercised 180,000 stock options at an exercise price of $0.87 for total proceeds of $156,600.

During the six months ended June 30, 2007, the Company completed treasury purchases for cancellation under a normal course issuer bid of 54,600 subordinate voting shares with a stated capital of $46,543 for $54,549 resulting in a decrease in contributed surplus of $8,007.

c) Warrants issued and outstanding

	Number of warrants	Exercise price per warrant	Expiry date
Subordinate voting share warrants			
Opening balance	-		
Compensation warrants issued from equity offering	347,826	$ 1.15	Sept. 16, 2008
Issued from equity offering	2,391,304	$ 1.50	Sept. 16, 2008
	2,739,130		

7. Stock-Based Compensation Plan

As at June 30, 2007, the Company had outstanding 1,270,000 options with an exercise price of $0.87 of which 900,000, 150,000 and 220,000 options are exercisable in whole or in part at any time prior to May 5, 2009, November 24, 2009 and February 7, 2011, respectively.

8. Contributed Surplus

During 2007, the Company completed treasury purchases for cancellation under a normal course issuer bid of 54,600 subordinate voting shares with a stated capital of $46,543 for $54,549 resulting in a decrease in contributed surplus of $8,007.

9. Dividends Paid

On February 1, 2007, the Company declared a cash dividend of $779,061 or $0.05 per share payable to shareholders of the Company's subordinate voting and multiple voting shares. The dividend was paid on March 30, 2007, to shareholders on record on February 9, 2007.

10. Income Taxes

The Company has utilized tax losses in certain of its entities to reduce its taxable income. The Company has recognized a future tax asset to the extent that the amount is more likely than not to be realized from future earnings.

	Three months		Six months	
	2007	**2006**	**2007**	**2006**
Current	$ -	$ (21,641)	$ -	$ (21,642)
Future income taxes	202,740	117,360	246,273	145,636
Total provision for income taxes	$ 202,740	$ 95,719	$ 246,273	$ 123,994

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) Notes receivable, bridge loans and convertible debentures include a balance due from companies having a current Director or Officer in common with the Company, with a cost of $1,774,206 (December 31, 2006 - $1,050,003).

b) Notes receivable, bridge loans and convertible debentures include syndicated loans through Global Development Resources, Inc., a company with common directors and officers of the Company. Syndicated loans outstanding are $1,774,005 (December 31, 2006 - $5,409,303).

c) Notes receivable, bridge loans and convertible debentures include notes to two Directors of the Company for US$2,128,000 (December 31, 2006 – US$2,128,000), of which US$1,128,000 (December 31, 2006 – US1,128,000) is due on July 1, 2007 and US$1,000,000 (December 31, 2006 – US$1,000,000) is due on December 29, 2007. The notes relate to certain real estate property that was sold to the two Directors.

d) In 2005, the Company provided a bridge loan of which 3.9% was syndicated to a Director and 7.8% was syndicated to the spouse of a Director. The total interest and principal payable to the Director and to spouse of a Director at June 30, 2007 was $nil (2006 - $224,139)

e) Portfolio investments include $1,664,158 (December 31, 2006 - $1,644,297) of shares of companies and partnerships having a current Director or Officer in common with the Company.

f) For the six months ended June 30, 2007, interest and dividend income includes interest earned on loans with current Directors and Officers in common with the Company, in the amount of $79,192 (2006 - $118,304).

g) For the six months ended June 30, 2007, structuring fees income includes $75,443 (2006 - $nil) received from companies with current Directors and Officers in common with the Company.

h) For the six months ended June 30, 2007, management and consulting fees and travel and promotion expenses include $128,013 (2006 - $231,849) paid to companies controlled by current Directors and Officers of the Company.

12. Commitments

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

2007	$	13,000
2008		26,000
2009		26,000
2010		26,000
2011		15,200

13. Cash Flows Supplementary Information

	Three months		Six months	
	2007	**2006**	**2007**	**2006**
Net change in non-cash working capital balances				
Accounts receivable and sundry assets	$ 49,951	$ 258,662	$ 64,562	$ 211,979
Prepaid expenses	1,650	-	(833)	(29,111)
Interest and dividends receivable	244,870	(105,518)	147,978	(110,476)
Accounts payable	(95,315)	122,857	(183,571)	411,365
Customer advances	234,167	-	(56,518)	-
Income taxes payable	-	(93,241)	-	(93,241)
	$ 435,323	$ 182,760	$ (28,382)	$ 390,516

14. Income Per Share

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

15. Contingent Liabilities

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

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

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

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

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

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

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

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

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

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