

GC-GLOBAL CAPITAL CORP. (\$1.01, GDE.A:TSX-V)

Recommendation

Speculative Buy

Risk

High

Price (Nov 20)

\$1.01

52-Week Range

\$1.20-\$0.85

Target Price

\$1.65

Potential Return

1.6x

Shares O/S

20.5 million

Market Cap

\$20.7 million

Average Daily Volume

20-day: 26,400

150-day: 32,600

Year-End

December 31

C\$	Revenue		BVPS	EPS
	(\$000)			
2006A	4,402	\$1.19	\$0.15	
2007A	4,300	\$1.20	\$0.13	
2008E	6,616	\$1.33	\$0.18	

BVPS: Book Value Per Share

EPS: Earnings Per Share

Analyst

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Data Source: www.BigCharts.com

UPFRONT

No exposure to either the U.S. or the Canadian sub-prime mortgage market! No exposure to the asset-backed commercial paper market! Just an intriguing, relatively new merchant bank that provides loans to smaller-sized companies in Canada and the United States.

RECOMMENDATION

We are maintaining our Speculative Buy Recommendation and our 12-month Target Price of \$1.65, as originally set out in our Initiating Report of November 21, 2006.

COMPANY PROFILE

GC-Global Capital Corp. is a merchant bank providing short-term bridge loans in the \$300,000-\$3 million bracket to small and midcap companies in a wide range of industries across Canada and in the United States.

HIGHLIGHTS

- ▶ Diversity of industry financing.
- ▶ Flexibility and speed of developing financing packages.
- ▶ Satisfactory balance sheet and good liquidity.
- ▶ Growing base of small and midcap borrowers.
- ▶ Does not provide bridge loans to the U.S. or Canadian sub-prime market.
- ▶ No exposure to asset-backed commercial paper.
- ▶ Reliance on small management team.
- ▶ Equity market risk.
- ▶ Real estate risk.

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OVERVIEW

GC-Global Capital Corp. (“Global Capital” or the “Company”) is an intriguing young merchant bank, which provides short-term bridge loans in the \$300,000 to \$3.0 million range to small and mid-cap companies in a wide range of industries in Canada and the United States.

A key strength of the Company is the speed and flexibility with which it can develop financing packages for its clients, many of whom are repeat customers. This appeals to small companies that require temporary financing to cover cash flow shortfalls until more permanent financing can be arranged.

Revenues grew from \$1.6 million in 2004, Global Capital’s first full year of operations, to \$4.4 million in 2006. Net income increased to \$2.3 million in 2006. Net asset value rose from \$0.77 per share in 2004 to \$1.19 at the end of 2006.

In 2007 and 2008, continued growth in loan demand from an expanding client base is expected to produce earnings of \$0.13 and \$0.18 per share respectively. This in turn should lead to further growth in net asset value which we estimate could reach \$1.20 and \$1.33 per share respectively, after dividend payments of \$0.05 in 2007 and an estimated \$0.06 in 2008.

Relative to its size, with total assets of only \$20 million at June 30, 2007, the Company’s balance sheet was strong, with no debt and over \$23 million in equity. It had cash and short-term investments of \$0.7 million, portfolio investments of \$5.0 million, and a loan portfolio of \$16.5 million.

COMMENT: *While conditions in North American credit markets are expected to remain uncertain for at least the next 12 months, Global Capital should continue to benefit from its strong financial position as it provides loans to its growing customer base of small and midsize borrowers. The Company does not provide bridge loans to the U.S. or Canadian sub-prime market.*

THE COMPANY

The Company was formed in October 2003, as Global (GMPC) Holdings Inc., and at the same time an \$11.5 million public offering was closed. In December 2005, the Company completed an amalgamation with E&E Capital Funding Inc. (“E&E”) to form GC-Global Capital Corp. This transaction brought the Company the benefit of a larger asset base, some cost savings through combining the two companies, \$25 million of capital losses, and \$4.2 million in operating losses from E&E which can be used to offset future capital and operating gains for Global Capital.

Since its inception in 2003, the Company has achieved strong growth in revenue, earnings and net asset value. This has reflected the benefits of management’s policy of generating fee income and capital gains as well as interest income on the financings it provides. Management’s goal is to increase the Company’s assets, which totalled \$20 million in 2006, to \$50 million within the next three years.

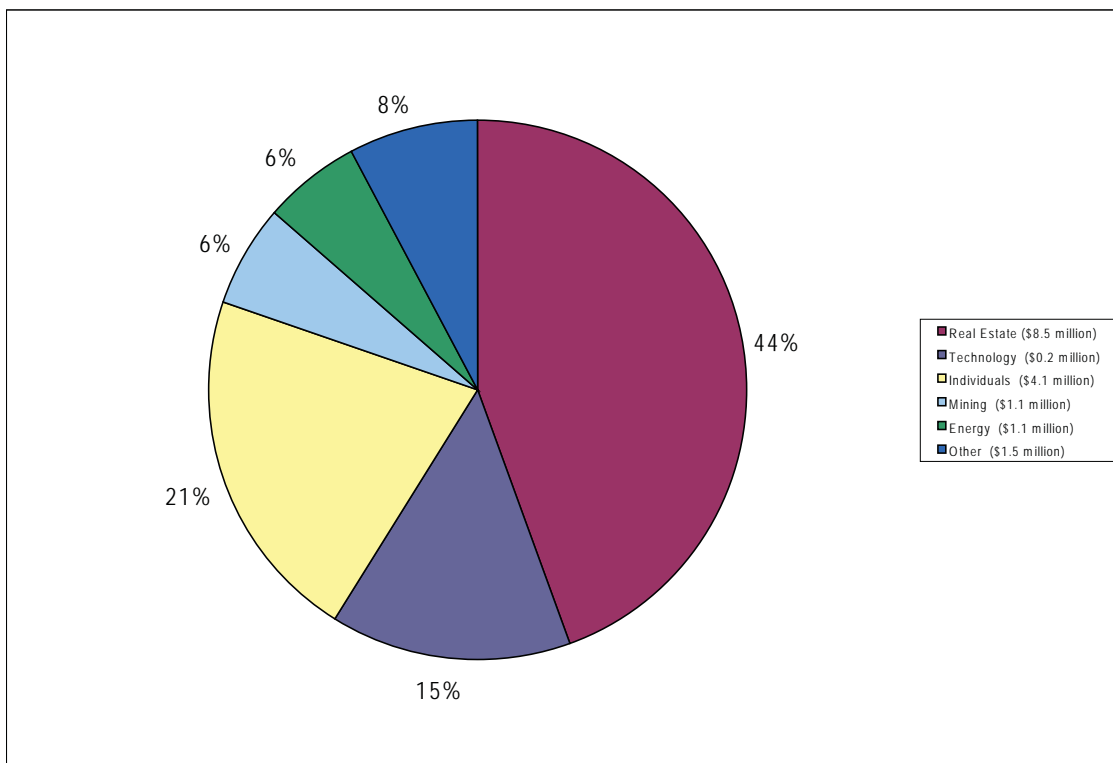
CORPORATE FOCUS

a) Bridge Loans

Global Capital’s primary focus is the provision of short-term (1 to 12-month) bridge loans, in the \$300,000 to \$3.0 million range, to small and midcap Canadian companies or individuals. The companies are privately-owned, or listed on the TSX or TSX Venture Exchange.

As shown in the chart below, the companies cover a wide range of industries, including oil and gas, mining, technology and real estate. As of June 30, 2007 approximately 58% of the Company’s loans were in the United States with the remaining 42% in Canada.

Figure 1: Loan Chart



Source: Company

b) Real Estate Transactions

The Company’s real estate activities take place primarily in selected growth markets in the United States. They consist of loans that are secured by a mortgage position in the subject property. The Company may also require additional collateral and/or personal guarantees on the property. As in the case of its corporate loans, Global Capital generally earns consulting fees in addition to its interest income on the transaction.

The niche markets in which the Company participates are luxury recreational properties aimed at the affluent “baby boomers” market, located in attractive growth areas such as Asheville, NC and Atlanta, GA. These projects have, so far, been largely immune to the problems facing the general U.S. housing market. An example of this success can be seen in one of the Company’s recent projects, The Thoms Estate in Asheville, where US\$40 million of properties were sold in mid October (2007) on the opening weekend of the project.

In a recent survey by Unique Homes, an international luxury real estate publication, Asheville and Atlanta were ranked number 2 and 4 respectively of the top 25 markets for luxury properties in the United States.

COMMENT: *We would like to emphasize that GC-Global Capital Corp. does not operate in the U.S. sub-prime mortgage market.*

c) Investment Portfolio

Global Capital owns 14% of Global Development Resources, Inc. (“GDR”), a publicly-traded U.S.-based real estate finance company. This company acts as a participating lender, equity partner, and developer in high-margin lifestyle communities and resort-related properties, primarily in the southeastern United States. The investment portfolio also holds shares of companies which are received as bonuses or financings provided by Global Capital.

COMPETITIVE ADVANTAGES

Global has a number of competitive advantages over other lenders in its market.

- a) The Company’s most important advantage is the rapid execution of a transaction. In general, the Company can complete a loan transaction in approximately two weeks. This is particularly attractive to a small corporation or individual borrower who requires funds quickly to meet a specific requirement and does not wish to, or is unable to, raise the money from a traditional source such as a major bank.
- b) Another advantage is Global Capital’s flexibility in looking at different assets as security for a loan. Those include personal guarantees by the owner of a business, share pledges, and first and second mortgages on real estate held outside the business. This, as well as the Company’s ability to do convertible debt financing when appropriate, provides a flexible approach to arranging financing for the small corporate borrower.
- c) As mentioned, the Company’s loans are generally for terms of one to 12 months although, in special cases, they can be made for a longer term. The interest on a loan is usually 1% per month (12.68% annualized). Again, there can be exceptions, and rates as high as 16% have been charged. The Company also charges structuring and administration fees of 1% -2% over the value of the principal. Global Capital also receives a bonus of 5%-20% of the principal amount of the loan in the form of an “equity kicker”, which may consist of common shares, warrants or conversion options on the security instrument issued by the borrowing company. All transactions over \$500,000 must be approved by the Company’s Board of Directors. Global Capital’s legal fees are paid by the borrower

COMMENT: *Global Capital’s ability to rapidly provide flexible financial packages for small and midsize clients make it a more attractive source of financing for clients wishing to meet short-term cash flow needs than conventional sources.*

SOURCES OF INCOME

Global Capital has three main sources of income; however, as shown in the table below, their relative contribution to overall income can vary significantly from period to period.

Table 1 : Contribution To Total Revenue

	2004	2005	2006	First Half 2007
Gain on sale of investments	53%	68%	46%	10%
Interest Income	38%	18%	23%	28%
Fee Income	9%	14%	31%	62%
	100%	100%	100%	100%

The significant increase in first half 2007 fee income reflects the prepayment of fees on the Briar Rose Estate real estate project in Georgia. (See page 7)

Source: eResearch

SELECTED BRIDGE LOAN TRANSACTIONS

The following examples indicate the variety of transactions that Global Capital will undertake for its clients:

1. **Bison Gold Exploration Inc.**

Global Capital completed a six-month, \$250,000 secured convertible loan to Bison Gold. It bears interest at 12% per annum and is convertible into 2.5 million units at a conversion price of \$0.10 per unit. Each unit consists of one share of Bison and a half share purchase warrant which entitles the holder to purchase one share of Bison at \$0.15 for 24 months. Global Capital also acquired 2.54 million shares of Bison, and subsequently sold half of the position at a profit to a number of investors. Global Capital was also instrumental in changing senior management at Bison.

2. **VIQ Solutions Inc.**

In December 2004, Global Capital provided a \$1.28 million secured convertible debenture to VIQ Solutions Inc (“VIQ”). The term of the loan was 12 months, with an interest rate of 1% per month. The secured convertible debenture was convertible at \$0.18 per unit (each unit consisted of 1 common share plus ½ warrant exercisable at \$0.30 per full warrant).

In early January 2006, Global Capital converted its entire debenture into 7.1 million units and subsequently sold all of the common shares at prices between \$0.25 and \$0.26 per share, thus realizing an annualized return of 50%.

3. **Private Individual**

On November 2006, Global Capital issued a \$1.48 million secured bridge loan to an individual for a period of 11 months. The security for the loan was a share pledge, valued at \$2.3 million, of shares in a strong Canadian mining company, a second-ranked mortgage on a primary residence valued at \$2.3 million, and a personal guarantee. The interest rate on the loan was 12.7%. Global Capital received 500,000 free trading bonus shares in the junior mining company. Half of the principal was repaid in August 2007.

COMMENT: *These transactions indicate the range of clients with which Global Capital deals. It also indicates that Global may provide management assistance if required, in addition to its lending activities.*

SELECTED REAL ESTATE TRANSACTIONS

The two transactions below demonstrate the variety of the financing packages that the Company provides for its real estate clients.

1. The Thoms Estate in Asheville, NC

This project, which is three miles from downtown Asheville, will consist of 130 homes in an 83-acre community. In April 2007, Global Capital provided a \$1.25 million secured bridge loan for the project. It has now been repaid in full, and earned interest and bonuses of \$187,500, representing an annualized return of 30%.

2. The Briar Rose Country Club, GA

This larger project was a customer from June 2005 to June 2007. Global Capital provided the following secured bridge loans:

US\$1,650,000 in September 2006;
US\$640,000 in July 2005, and
US\$1,000,000 in June 2005.

All loans and bonuses were fully repaid. Bonuses totaled US\$1,140,000 on the three loans, providing a return of 35% plus 12.7% interest.

COMMENT: *The five transactions shown above demonstrate the variety of clients for which the Company can provide financing packages, as well as the flexibility Global Capital has in generating these transactions.*

RECENT DEVELOPMENTS

1. Second Quarter/First Half 2007

For the second quarter of 2007, Global Capital reported earnings of \$0.03 per share, unchanged from those of the same period in 2006. Net earnings rose 18.5%; however, an increase in shares outstanding in the latest period resulted in the unchanged earnings per share. Revenues rose 40% to \$1.5 million, led by a 177% increase in structuring fees, which offset a 68% decline in gain on sale of investments and 16% drop in interest income. The increase in structuring fees was largely due to a US\$891,000 early repayment of fees earned on The Briar Rose Estate and Club Project.

Table 2: Quarterly Results (\$000)

	Q2 2006	Q2 2007	% Change	6 mos 2006	6 mos 2007	% Change	% Total Revenue
Gain on sale of investments	250.3	80.8	(67.7)	827.7	231.6	(72.0)	10
Structuring fees	424.8	1,175.2	176.6	736.2	1,434.6	94.9	62
Interest Income	369.3	310.8	(15.8)	575.8	642.9	11.7	28
Provision for Losses		(100.00)			(100.00)		
Total Revenues	1,044.4	1,466.8	40.4	2,139.7	2,209.1	3.2	
Net Earnings	480.6	569.3	18.5	1,053.6	879.7	(16.5)	
EPS (\$)	0.03	0.03		0.07	0.05	(28.6)	

Source: eResearch

2. New Contracts

Activities since late 2006 have demonstrated the benefits of the Company's broad customer base. Since December 2006, the Company has reduced its interest in two of its major U.S. real estate developments and generated significant earnings from each project. Over the same period, Global Capital has increased its participation in mining and energy related projects.

In December 2006, the Company sold its 40% interest in The Big Creek Lodge development for a gain of US\$1,051,564. In June 2007, Global Capital announced that it had entered into an agreement with The Briar Rose Estate Project, which provided for the early repayment of principal and consulting fees due to Global Capital and Global Development Resources Inc. The Company's share of the profit on this transaction was approximately US\$850,000, which was booked in the second quarter of 2007.

In July 2007, the Company announced that it had provided a US\$2.0 million convertible debenture to Homeland Energy Corp., a private company focused on energy exploration and development in western Africa and the United States.

Global Capital also announced a \$250,000 six-month convertible loan to Bison Gold Exploration Inc., as well as the purchase of 2.54 million shares of Bison, an approximate 12.4% equity interest in the company. This is expected to be sold at a profit before the end of the current year.

In September 2007, Global Capital announced the completion of a \$600,000 six-month loan to Knightscope Media Corp. In addition to its usual 12% interest income, the Company will receive a structuring fee of 2% and 200,000 shares of Knightscope at a deemed price of \$0.30 per share. The shares are subject to a four-month hold period to January 27, 2008. This is the second loan that Global Capital has made to Knightscope. The first was repaid in full in June 2007. In addition, Jason Ewart, CEO of Global Capital will be joining the Board of Directors of Knightscope.

3. Financial

On March 16, 2007, the Company completed a \$5.5 million equity issue. It consisted of the issuance of 4,782,609 units at a price of \$1.15 per unit. Each unit consisted of one share and one half a warrant. Each warrant entitles the holder to purchase one share at \$1.50 per share until September 16, 2008. We have assumed that these funds will enable the Company to expand its loan portfolio to approximately \$22 million by the end of 2008.

OUTLOOK

1. INDUSTRY CONDITIONS

Since Global Capital's primary market is comprised of small and midsize enterprises (SME), the latest Canadian Federation of Independent Business quarterly survey provides positive support for prospects over the next 12 months. The September Survey's Business Barometer Index was 108.4 compared with 107.3 in June and 108.6 a year earlier. In the latest survey, 44% of respondents considered that their businesses were much stronger or somewhat stronger than a year earlier, and 51% expected their businesses to be stronger over the next 12 months. (Only 23% felt their businesses were weaker than a year earlier.)

If we consider venture capital activity to be another measure of the strength of small to midcap companies, the latest statistics from the Venture Capital Monitor also provide an encouraging picture. For the first quarter of 2007, venture capital investment was 62% above that of the year-earlier quarter and 16% above that of the fourth quarter of 2006.

Thus, both of these sources indicate that the market in which Global Capital is operating is relatively strong with attractive prospects.

2. 2007 FINANCIAL OUTLOOK

While conditions in North American credit markets are expected to remain uncertain for at least the next 12 months, Global Capital should continue to benefit from its strong financial position as it provides loans to its growing customer base of small and midsize borrowers.

Interest income on Global's \$16.5 million loan portfolio should reach approximately \$1.0 million for the second half of 2007, bringing full-year interest income to about \$1.68 million compared with \$1.0 million for 2006. Fees and bonuses are expected to reach at least \$700,000 in the second half of 2007, resulting in full-year income from this area of \$2.1 million compared with \$1.4 million for 2006. Gains on the sale of investments are estimated to reach about \$500,000 in the second half, bringing the full-year 2007 gain to approximately \$731,000 compared with \$2.0 million (including \$1.1 million gain on the sale of development property for 2006).

These results will bring full-year 2007 revenue to approximately \$4.3 million after an estimated foreign exchange loss of \$250,000, compared with \$4.4 million for 2006.

Overall expenses for 2007 will benefit from the absence of share compensation expense of \$66,000 and a writedown of bridge loans of \$398,000, both of which increased 2006 expenses. As a result, pretax income is expected to reach about \$2.7 million for 2007 compared with \$2.4 million in 2006. Earnings per share will be approximately \$0.13 per share for 2007 compared with \$0.15 per share for 2006, with the decline reflecting the impact of the greater number of outstanding shares in the latest period.

3. 2008 FINANCIAL OUTLOOK

We expect that further expansion of the Company's loan portfolio will enable it to achieve further growth in revenues and earnings in 2008. The Company's loan portfolio is expected to grow to at least \$22 million by year-end 2008. This should lead to an increase in interest and dividend income to approximately \$2.5 million compared with an estimated \$1.7 million for 2007. We have assumed that fees and bonuses are earned at the same rate as in 2007 which, based on the increased portfolio of loans, would produce revenue of about \$3.1 million compared with an estimated \$2.1 million in 2007. Gains on sale of investments are assumed to be approximately \$1.0 million compared with \$731,000 for 2007.

This would result in total revenue for 2008 of \$6.6 million, compared with an estimated \$4.3 million, after foreign exchange losses, for 2007.

The higher business volumes are expected to lead to a further increase in pretax profit margin to approximately 70% and pretax earnings of about \$4.6 million compared with \$2.7 million for 2007. Earnings per share are expected to grow to about \$0.18 per share from an estimated \$0.13 per share in 2007.

4. RISKS TO FORECAST

As a small financial services company with a relatively short history, GC-Global Capital Corp. is faced with a number of risks that could adversely affect its operations, our forecasts, and the stock price.

We believe that there are four main areas of risk:

1. **Management depth:** The Company has a management group of only five persons. The loss of any one of the team could have a material impact on the Company. The three key members have five-year employment agreements that commenced November 1, 2003. They also have five-year management bonus agreements that provide long-term incentives for performance. This should mitigate the risk of premature departures.
2. **Equity Markets:** Although Global Capital's financings are primarily in the form of short-term asset-based loans, a portion of the Company's revenues comes from gains on the sale of investments held in the Company's portfolios. These are generated by equity bonuses which the Company receives as part of its financial packages. A significant downturn in markets for junior equities could reduce the Company's gains on sale of these investments and, thus, adversely affect net earnings.
3. **Industry Conditions:** The Company is currently benefiting from relatively strong loan demand. If there were to be a significant reduction in the need for financings for junior companies because of a severe economic downturn, the Company's level of activity could be negatively impacted. However, this impact could be reduced by a possible increase in companies seeking loans from Global Capital if they cannot raise capital elsewhere.
4. **Real Estate:** The U.S. real estate market remains a significant and profitable area of the Company's activities. While a prolonged downturn in the U.S. market could have some negative impact on the Company, it is largely insulated from the general industry problems because of its concentration on selected high value recreational properties in still buoyant areas such as North Carolina and Georgia.

COMMENT: *We believe the small management team is the most significant area of risk in the Company. The loss of any one of the management team would have a significant negative impact on the Company. However, as the Company continues to grow, we would expect it to build the team through additional hiring, thus reducing this risk.*

VALUATION

There are relatively few publicly-traded companies in Canada which operate in the same specialized market segment as GC-Global Capital Corp. We have selected three Canadian listed companies involved in arranging financings for a variety of companies. All are larger than Global Capital in terms of market capitalization. Following are brief descriptions of the three companies.

Quest Capital Corp: ("Quest Capital") (TSX: QC) is a publicly-traded merchant banking organization that focuses on providing financial services, specifically bridge loans, to small- and mid-cap companies in North America. Quest's primary expertise is providing asset-backed bridge loans of between \$500,000 and \$35,000,000 to publicly-listed companies, generally operating in mining, oil and gas, manufacturing, and real estate. Quest complements its bridge-loan business by making equity investments in emerging companies as well as providing corporate financial services.

Although much larger than Global Capital, Quest is the most similar to Global Capital in terms of operations. This probably reflects the fact that Global Capital's Chairman was a co-founder of Quest Investment Corporation, which was reorganized and is now a part of Quest Capital Corp. Global Capital's CEO was also employed there.

Accord Financial Corp: ("Accord") (TSX: ACD) is a publicly-traded financial services company that provides factoring and asset-based lending services to small and midsize companies in a wide range of industries. The company operates through three subsidiaries and provides accounts receivable funding, inventory financing and equipment loans. Accord's clients come from a wide range of industries, including aerospace, food, energy, automotive, industrial supply and transportation.

Pacific & Western Credit Corp: ("Pacific & Western") (TSX: PWC), through its subsidiary Pacific & Western Bank of Canada, is a branchless Schedule 1 chartered bank specializing in providing financing to public-sector and corporate entities. Pacific & Western operates through a broker network, providing investment-grade corporate and public-sector financing packages in the \$1 million to \$100 million range.

Table 3: Peer Group Valuation

Company	Shr Price	ShrsOut (SMM)	MktCap (SMM)	bv	p/bv	EPS		P /E		Div Yield
						2007e	2008e	2007e	2008e	
Quest Capital Corp (QC)	\$2.55	146	\$373	\$1.97	1.3x	0.23	0.27	11.1x	9.4x	4.0%
Accord Financial Corp (ACD)	\$8.00	10	\$76	\$4.15	1.9x	0.72	0.73	11.1x	11.0x	2.8%
Pacific & Western (PWC)	\$7.50	14	\$105	\$4.18	1.8x	0.14	0.58	53.6x	12.9x	0.00%
Average					1.7x			25.3x	11.1x	
GC-Global Capital (GDE.A)	\$1.01	21	\$21	\$1.13	0.9x	0.13	0.18	7.8x	5.6x	4.8%

Source: eResearch

As shown above, Global Capital shares trade at only 5.6 times estimated 2008 earnings compared with an average p/e multiple of 11.1 times estimated earnings for the shares of the three companies we have used as our comparables. If we assume that over the next year investors become more familiar with the Company and are willing to pay a multiple of 80% of that for our three comparable companies, the stock would trade at 8.8 times estimated earnings thus generating a Target Price of \$1.58.

Another approach is to value the stock on a price/book value multiple. Again, at the present time Global Capital is trading at 0.9 times current book value, well below the 1.7 times book value multiple of the three comparable companies. If we again assume that investors are willing to pay 80% of this multiple as they become more aware of the Company's growth potential, then Global Capital's stock could be valued at 1.4 times the estimated book value of \$1.20 calculated 12 months hence, which equals \$1.68.

Since the Target Price set out in our Initiating Report of November 20, 2006 on Global Capital was \$1.65, and since this statistic lies between the two values derived above, we are maintaining it as our price objective over the ensuing twelve months.

APPENDIX 1: FINANCIAL STATEMENTS

Table 4: Income Statement (\$000s)

	Six months ended June 30			Year ended December 31			
	2006	2007	2004	2005	2006	2007e	2008e
Revenue							
Gain on sale of investments	828	232	1,700	3,581	1,025	731	1,000
Gain on sale of development properties					1,052		
Interest & dividend income	576	643	1,205	981	1,007	1,684	2,496
Structuring fees and bonuses	736	1,435	280	729	1,378	2,135	3,120
Foreign exchange and other loss	(27)	(353)	(92)	(144)	(60)	(250)	0
	2,113	1,957	3,093	5,147	4,402	4,300	6,616
Expenses							
Management and consulting fees	566	564	643	970	1,116	1,060	1,484
Other fees	81	139	193	345	150	150	150
Interest	132	18	155	127	217	34	35
Office and promotion	73	73	151	134	241	240	265
Rent	14	32	46	39	39	64	64
Amortization	3	5	5	5	8	9	9
Writedown on bridge loan					398		
Share compensation expense	66		53		66		
Forgiveness of debt					(195)		
	935	831	1,246	1,620	2,040	1,557	2,007
Pretax income	1,178	1,126	1,847	3,527	2,362	2,743	4,609
Income taxes							
Current			(41)	107	(22)		
Future	124	246		(1,469)	106	548	921
Net Income	1,054	880	1,888	4,889	2,278	2,195	3,688
EPS (\$)	0	0	0	0	0	0	0
Average shares outstanding (million)	15	17	14	14	16	17	21

Source: eResearch

Table 5: Balance Sheet (\$000s)

	As At June 30			As at December 31			
	2006	2007	2004	2005	2006	2007e	2008e
Assets							
Cash & short term investments	7,589	650	2,148	2,777	1,533	1,657	2,547
Notes receivable, bridge loans etc	6,691	16,457	5,432	6,783	11,621	17,000	22,000
Portfolio investments	5,326	4,960	7,738	5,161	4,560	5,000	5,000
Capital assets	31	26	12	9	30	24	20
Other assets	3,456	1,762	315	3,308	2,214	2,058	2,000
	23,093	23,855	15,645	18,038	19,958	25,739	31,567
Liabilities							
Debt	4,690				600		
Other liabilities	1,087	619	4,742	1,212	859	1,188	998
Shareholders equity	17,316	23,236	10,903	16,826	18,499	24,551	30,569
	23,093	23,855	15,645	18,038	19,958	25,739	31,567

Source: eResearch

Table 6: Cash Flow Statement (\$000s)

	Six mos ended		For Year ended December 31				
	June 30		2004	2005	2006	2007e	2008e
	2006	2007					
Net Income e	1,054	880	1,888	4,889	2,278	2,195	3,688
Add: Amortization	3	5	5	5	8	9	9
Gain on sale of investments	(828)	(232)	(1,700)	(3,581)	(1,025)	(731)	(1,000)
Gain on sale of development property					(1,052)		
Other	212	346	53		216	548	921
Cash flow from operations	441	999	246	(156)	425	2,021	3,618
Less: Capex or net investing	80	5,519	(3,433)	(3,709)	1,152	5,510	5,000
Dividends	630	779	(13)	445	630	779	1,170
Free Cash Flow before WC changes	(269)	(5,299)	3,200	3,108	(1,357)	(4,268)	(2,552)
Changes in WC	391	(28)	(40)	59	96	(56)	(58)
Free Cash Flow	122	(5,327)	3,160	3,167	(1,261)	(4,324)	(2,610)
Net asset dispositions	0	0	0	0	0	0	0
Equity issued	0	5,048	(658)	(175)	(42)	5,048	3,500
Debt issued	0	(600)	(2,000)	(2,363)	59	(600)	0
Increase (decrease) in cash	122	(879)	502	629	(1,244)	124	890
Cash at beginning of year	2,777	1,533	1,647	2,148	2,777	1,533	1,657
Cash of end of year	2,899	654	2,148	2,777	1,533	1,657	2,547

Source: eResearch

APPENDIX 2: MANAGEMENT & OWNERSHIP

1. DIRECTORS

Gordon D. Ewart - Chairman, GC-Global Capital Corp.

Gordon Ewart was a co-founder of Quest Investment Corporation, which was reorganized and is now part of Quest Capital Corp. Quest Capital Corp. is a TSX-listed Canadian merchant bank with approximately \$250 million in assets. Mr. Ewart has accumulated over 30 years' experience in the investment industry. During this time he co-founded three merchant banks - Paramount Funding Corp and Grafc0 Ltd., based in Toronto, and Resources Capital International Ltd., based in Bermuda.

Jason G. Ewart - CEO, GC-Global Capital Corp.

Jason Ewart has been the Chief Executive Officer of the Company since June 2004, as well as Director and Chief Operating Officer since July 2003. Mr. Ewart was a market analyst with A&E Capital Funding Inc. and Bradstone Equity Partners Inc. between 1998 and 2002, and Vice-President of Quest Investment Corporation between 2002 and 2003. He has experience with bridge financing, financial analysis, quantitative modeling, equities trading and mergers and acquisitions.

Cyril McLean – Director

Cyril McLean is currently the Director of Security for Telus Corporation, the largest telecommunications company in western Canada and the second-largest in the country. Mr. McLean also served in various positions for the Royal Canadian Mounted Police (RCMP), including Senior Advisor, Security and Intelligence at the Privy Council Office.

Phil Marleau – Director

Phil Marleau is the CEO, President and founder of IOU Central, a Montreal-based peer-to-peer lending site. He is also a Principal and Director of Palos Capital, a Canadian investment management firm, with seven funds and over \$150 million of assets under management. Prior to this, Mr. Marleau was employed at Merrill Lynch as a Vice President in the gaming, lodging and leisure activity equity research team.

William Atkinson - President, Abode Mortgage Corporation

William Atkinson is the President and Director of Battery & Wireless Solutions Inc, the largest battery and accessories distributor in Canada. His previous senior management experience includes Chairman and CEO of Wildcard Wireless Solutions Inc. from 1999 to 2002, Senior VP of Streamscape Technologies Inc. in 1998, Chairman, CEO and Founder of Caring Products International from 1994 to 1998 and President of Mercer International from 1987 to 1994.

2. OTHER MANAGEMENT

Chris Carmichael - Chief Financial Officer, GC-Global Capital Corp.

Chris Carmichael has been the CFO of the Company since November 2003. Mr. Carmichael is a Certified General Accountant and has held analyst and financial reporting positions with A&E Capital Funding Inc., Bradstone Equity Partners Inc. and the Prime Restaurants Royalty Income Fund, and was Chief Financial Officer of Canadian Benefits Consulting Group.

Jennifer Robb - Corporate Secretary, GC-Global Capital Corp.

Jennifer Robb has over 30 years' experience in the Canadian investment industry. Other merchant bank experience includes Paramount Funding Corp., Bradstone Equity Partners Inc. and A & E Capital Funding Inc.

APPENDIX 3: MAJOR SHAREHOLDERS

As of June 30, 2007, the Company had 1,062,662 Multiple Voting Shares and 19,461,170 Subordinate Voting Shares outstanding. Each Multiple Voting Share has four votes, while each Subordinate Voting Share has one vote. As of June 30, 2007, the only persons with over 10% of the Multiple Voting Shares were:

Jason Ewart	309,574	29.1%
Gordon Ewart	146,610	13.8%
Jana Ewart	180,209	16.9%
Jesse Ewart	138,074	13.0%

The only person with over 10% of the Subordinate Voting Shares was Lucas Ewart, with 2,090,113 shares (14.3%) .

Other major shareholders were:

AGF	13% Subordinate Voting Shares
Other institutions	17% Subordinate Voting Shares.

ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that: (1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and (2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

eResearch analysts on this report: Bill Campbell, Senior Analyst, B.Comm.: Bill Campbell has 38 years of experience as a research analyst including over 20 years as a senior analyst at Burns Fry, Maralor Investments, Equity Value Service, Majendie Securities, and Pineridge Financial. His analytical experience extends to industrial products, steels, auto parts, transportation, and aerospace. He was ranked the number one "special situations" analyst by Brendan Woods in 1988.

Bob Weir, B. Comm, B.Sc., CFA. Bob Weir has 40 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined eResearch in 2004.

eRESEARCH ANALYST GROUP

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Ross Deep

Nigel Heath

Amy Stephenson

Bob Weir

Chief Economist

Beverly Brooks

eResearch Recommendation System

Strong Buy:	Expected total return within the next 12 months is at least 40%.
Buy:	Expected total return within the next 12 months is between 10% and 40%.
Speculative Buy:	Expected total return within the next 12 months is substantial, but Risk is High (see below).
Hold:	Expected total return within the next 12 months is between 0% and 10%.
Sell:	Expected total return within the next 12 months is negative.

eResearch Risk Rating System

A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

High Risk:	<i>Financial</i> - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends. <i>Operational</i> - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.
Medium Risk:	<i>Financial</i> - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend. <i>Operational</i> - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry
Low Risk:	<i>Financial</i> - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock. <i>Operational</i> - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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GC-Global Capital Corp. paid eResearch a fee of \$17,500 + GST to conduct research on the Company on an Annual Continual Basis.

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