



**Global Development Resources, Inc.**

**Consolidated Financial Statements**

**December 31, 2006 and 2005**  
(expressed in United States dollars)

## **Management's Responsibility for Financial Reporting**

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

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

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

(signed Kent Smith)

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Kent Smith  
CEO

Toronto, Ontario  
April 26, 2007

(signed Chris Carmichael)

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Chris Carmichael  
Chief Financial Officer

## **Auditors' Report**

### **To the Shareholders of Global Development Resources, Inc.**

We have audited the consolidated balance sheets of Global Development Resources, Inc. as at December 31, 2006 and December 31, 2005 and the consolidated statements of operations, retained earnings 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 audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and December 31, 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Danziger Hochman Partners LLP"

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Licensed Public Accountants

Toronto, Ontario  
April 26, 2007

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**Global Development Resources, Inc.**

Consolidated Balance Sheets

**As at December 31, 2006 and 2005**(expressed in United States dollars)

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	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Cash	\$ 360,882	\$ 1,645,816
Interest, fees and dividends receivable	351,718	260,171
Investments (note 5)	-	97,618
Prepaid expenses and other assets	80,486	67,308
Note receivable (note 5 and 6)	-	257,954
Bridge loans (note 5 and 7)	8,823,595	5,650,000
Development properties (note 8)	7,588,270	6,735,652
Rental properties (note 14)	3,712,734	-
Property & equipment (note 15)	33,915	-
	<hr/>	<hr/>
	\$ 20,951,600	\$ 14,714,519
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 161,209	\$ 226,384
Income taxes payable	180,606	-
Due to participants (notes 17 and 21(f))	6,188,106	2,756,063
Due on closing of development properties (note 13)	-	2,552,000
Mortgages payable (note 16)	5,223,277	350,000
	<hr/>	<hr/>
	11,753,198	5,884,447
<b>Shareholders' Equity</b>		
Share capital (note 18)	17,229,128	16,998,835
Contributed surplus (note 18)	142,057	142,057
Deficit	(8,509,217)	(8,647,254)
Currency Translation Adjustment (note 19)	336,434	336,434
	<hr/>	<hr/>
	9,198,402	8,830,072
	<hr/>	<hr/>
	\$ 20,951,600	\$ 14,714,519

On behalf of the Board

(signed Kent Smith)

(signed Gordon Ewart)

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Director

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Director

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

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**Global Development Resources, Inc.**  
Consolidated Statements of Deficit  
**For the years ended December 31, 2006 and 2005**  
(expressed in United States dollars)

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	<b>2006</b>	<b>2005</b>
<b>Deficit – Beginning of year</b>	\$ (8,647,254)	\$ (8,354,138)
Net income (loss) for the year	<u>138,037</u>	<u>(293,116)</u>
<b>Deficit – End of year</b>	<u>\$ (8,509,217)</u>	<u>\$ (8,647,254)</u>

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

**Global Development Resources, Inc.**  
Consolidated Statements of Operations  
**For the years ended December 31, 2006 and 2005**  
(expressed in United States dollars)

	<b>2006</b>	<b>2005</b>
<b>Revenue</b>		
Interest and fees	\$ 1,884,139	\$ 381,113
Rental	92,839	-
Gain on sale of portfolio investments	723	85,771
	<u>1,977,701</u>	<u>466,884</u>
<b>Expenses</b>		
General office and administration (note 21)	1,209,176	631,631
Mortgage interest	281,890	-
Rental	32,390	-
Amortization	87,600	-
Stock based compensation	-	113,101
Foreign exchange loss (gain)	8,608	(16,552)
	<u>1,619,664</u>	<u>728,180</u>
<b>Net income (loss) from continuing operations</b>	<u>358,037</u>	<u>(261,296)</u>
Net loss from discontinued operations (note 4)	-	(31,820)
<b>Net income (loss) before taxes</b>	<u>358,037</u>	<u>(293,116)</u>
Income taxes	220,000	-
<b>Net income (loss)</b>	<u>138,037</u>	<u>(293,116)</u>
<b>Basic and diluted net income (loss) per share</b>		
<b>from Continuing Operations</b>	<u>\$ 0.00</u>	<u>\$ (0.02)</u>
<b>Basic and diluted net loss per share</b>		
<b>from Discontinued Operations</b>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
<b>Weighted average number of shares</b>		
<b>outstanding</b>	30,667,821	17,229,210

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

**Global Development Resources, Inc.**  
Consolidated Statements of Cash Flows  
**For the years ended December 31, 2006 and 2005**  
(expresses in United States dollars)

	2006	2005
<b>Operating activities</b>		
Net income (loss)	\$ 138,037	\$ (293,116)
Adjustments to determine net cash flows relating to operating items		
Marketable securities trading gains	(723)	(85,771)
Amortization	87,600	-
Development property received in lieu of fees	(264,300)	-
Stock based compensation	-	113,101
Activity in marketable securities held for trading		
Purchases	-	(233,324)
Proceeds on sales	98,342	548,718
Changes in accounts payable	(65,175)	286
Changes in income taxes payable	180,606	-
Changes in interest, fees and dividends receivable	(91,547)	(260,171)
Changes in prepaid expenses and other assets	(13,178)	772,744
Net cash flows from operating activities	<u>69,662</u>	<u>562,467</u>
<b>Investing activities</b>		
Advances on bridge loans	(3,923,595)	(5,650,000)
Purchase of development properties	(398,172)	(2,553,652)
Purchase of rental properties	(603,734)	-
Repayment of notes receivable	257,954	-
Purchase of property & equipment	(40,515)	-
Net cash flows (used in) investing activities	<u>(4,708,062)</u>	<u>(8,203,652)</u>
<b>Financing activities</b>		
Issue of share capital	230,293	6,030,000
Share issue costs	-	(420,830)
Advances of mortgages payable	3,200,000	-
Repayment of mortgages payable	(692,570)	-
Repayment of due on closing of development properties	(2,552,000)	-
Due to participants	3,167,743	2,756,063
Net cash flows from financing activities	<u>3,353,466</u>	<u>8,365,233</u>
Cash flows used in discontinued operations	-	31,820
Effect of exchange rate changes on cash	-	(1,976)
<b>Increase (decrease) in cash</b>	<u>(1,284,934)</u>	<u>753,892</u>
<b>Cash, beginning of period</b>	<u>1,645,816</u>	<u>891,924</u>
<b>Cash, end of period</b>	<u>360,882</u>	<u>1,645,816</u>
<b>Supplemental cash flow information (note 22)</b>		

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

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## **Global Development Resources, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**

(expressed in United States dollars)

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### **1. Nature of Business**

Global Development Resources, Inc. ("the Company") is a merchant bank that assumes the role of participating lender in the acquisition, development, sales and management of real estate properties that meet a predetermined set of guidelines within the North American markets.

### **2. Change in Accounting Policies**

Effective January 1, 2007, the Company will adopt Canadian Institute of Chartered Accountants (CICA) Section 3855 Financial Instruments – Recognition and Measurement, Section 3865 Hedges and Section 1530 Comprehensive Income (the "Financial Instrument Standards"). Prior to January 1, 2007, the principal accounting policies affecting the Company's financial instruments were as follows: portfolio 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 are stated net of an allowance for credit losses on impaired loans; and other monetary assets were valued at their net realizable value.

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

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

Effective January 1, 2005, the Company adopted Accounting Guideline 15 (AcG-15) "Consolidation of Variable Interest Entities". The standard establishes when a company should consolidate a variable entity in its financial statements. AcG-15 provides the definition of a variable interest entity and requires a variable interest entity to be consolidated if a company is at risk of absorbing the majority of the variable interest entity's losses, or is entitled to receive a majority of the variable interest entity's residual returns, or both. Adoption of this standard did not have a material effect on the Company for the years ended December 31, 2006 and 2005.

### **3. Significant Accounting Policies**

#### **Generally Accepted Accounting Principles**

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

#### **Basis of Presentation**

These consolidated financial statements include the accounts of Global Development Resources, Inc. (formerly ELI Eco Logic Inc.) and its wholly-owned subsidiaries; Global Development Resources, Inc. (USA), Eco Logic Chemical Technologies Inc. and Eco Logic Solutions Inc. All significant intercompany transactions and balances have been eliminated.

Certain comparative figures have been reclassified to conform to the current period's presentation.

#### **Use of Estimates**

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

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**Global Development Resources, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**(expressed in United States dollars)

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**Loans**

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

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

**Development Properties**

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

**Investments**

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

**Foreign Currency Translation**

The Company translates foreign currency denominated transactions and the financial statements of integrated foreign operations using the temporal method. Monetary assets and liabilities denominated in currencies other than United States dollars are translated into United States dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the transaction exchange rate, with the exception of amortization, which is translated at historic rates. Foreign currency gains and losses resulting from the translation of assets and liabilities are reflected in net income of the period.

**Revenue Recognition**

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

Trading revenue and sale of investments are recognized on a settlement basis.

**Stock-Based Compensation Plan**

The Company has a stock option plan for Directors, Officers and key employees which is described in Note 18. In 2002, the Company elected to apply the fair value method of accounting for stock options granted to directors, officers and employees on a prospective basis in accordance with the recommendations of the CICA. Accordingly, effective January 1, 2002, the fair value of all stock options granted is recorded as a charge to operations and a credit to contributed surplus over the period the stock options vest. It has been the Company's policy for options to vest upon issuance. Consideration received on exercise of stock options is credited to share capital and at this time the value attributed to the exercised options is transferred to share capital.

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**Global Development Resources, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**(expressed in United States dollars)

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**Property and Equipment**

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

Furniture & equipment    30%       declining balance

**Income Taxes**

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

**Earnings (loss) per Share**

Basic earnings (loss) per share is calculated based on the weighted average number of common shares issued and outstanding during the year.

Diluted earnings or loss per share is calculated using the treasury stock method, if dilutive.

**Financial Instruments**

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

**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.

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**Global Development Resources, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**(expressed in United States dollars)

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**4. Discontinued Operations**

The Company wrote off patents in 2005 in the amount of \$31,820 related to discontinued operations.

**5. Financial Instruments**

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

The carrying values and fair values of the Company's note receivable, bridge loans and portfolio investments are as follows:

	<b>2006 Carrying Value</b>	<b>2006 Fair Value</b>	<b>2005 Carrying Value</b>	<b>2005 Fair Value</b>
Investments	\$ -	\$ -	\$ 97,618	\$ 90,714
Note receivable (note 6)	-	-	257,954	257,954
Bridge loans (note 7)	8,823,595	8,823,595	5,650,000	5,650,000
	<u>\$ 8,823,595</u>	<u>\$ 8,823,595</u>	<u>\$ 6,005,572</u>	<u>\$ 5,998,868</u>

Investments represent shares in publicly traded companies. The fair value represents the quoted trading price of the shares. The fair value of loans is estimated to be approximately the equivalent of carrying value due to the relatively short term of these loans.

**6. Note Receivable**

The note arose on the sale of a subsidiary in 2003. The note was non-interest bearing, unsecured and was due on December 1, 2005. The note was repaid in the second quarter of 2006.

**7. Bridge Loans**

a) The Company, in the normal course of operations, lends funds to entities in various phases of the acquisition, development, sales and management of real estate properties. As at December 31, 2006, the Company had bridge loans outstanding of \$8,823,595. The bridge loans have stated interest rates of 12%. The bridge loans, that are not in default (note 7 (b)), mature on dates ranging from February 28, 2007 to December 31, 2007. The Company also receives participating interest in addition to basic interest which is payable upon completed lot sales within the development projects. The underlying real estate assets have been provided as security for the loans.

Included in bridge loans is a promissory note of \$650,000 to a related party (see note 21).

b) The Company monitors the repayment ability of borrowers and the value of underlying security.

As of December 31, 2006, \$508,000 of the bridge loans to one individual were in arrears. The Company is in the process of restructuring these bridge loans. Security, in the form of real estate, was pledged as collateral on these bridge loans.

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**Global Development Resources, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**(expressed in United States dollars)

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**8. Development Properties**

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

	2006	2005
Carrabelle property (note 9)	\$ 3,148,747	\$ -
Big Creek Lodge (note 10 and 16)	3,089,027	2,941,100
Lots at the Cliffs of Walnut Cove (note 11)	624,552	3,794,552
Lots at the Briar Rose (note 12)	528,600	-
Other	197,344	-
	<u>\$ 7,588,270</u>	<u>\$ 6,735,652</u>

**9. Carrabelle Property**

The Company foreclosed on a property located in the State of Florida, United States that was security for a loan to an individual as the loan was in default. The loan had a principal amount of \$750,000. The Company assumed a first mortgage on the property in the amount of \$2,365,847 and made payments totaling \$622,570 on the mortgage (see note 16). The Company capitalized costs of \$32,901 to foreclose on the property.

**10. Big Creek Lodge**

The Company acquired an initial investment of 40% in this property for \$965,000 in 2005, through a related party transaction (see note 21) by the issuance of common shares. The Company then acquired the remaining 60% interest in the property for a cash consideration of \$1,552,000. They subsequently entered into an agreement with a related party (see note 21) to share the profits and losses on a 60 – 40 split for a participants' contribution of \$1,000,000.

The Company capitalized costs of \$147,927 during 2006.

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**Global Development Resources, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**(expressed in United States dollars)

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**11. Lots at the Cliffs of Walnut Cove**

The Company owns one (2005 – three) unit at a total cost of \$624,552 (2005 - \$3,794,552).

- a) The first unit was acquired in 2005 for \$604,522 and has a cost of \$624,552 as of December 31, 2006;
- b) The second unit was purchased for \$1,995,000 in 2005 and was converted to a rental property in 2006 (note 13).
- c) The third unit was purchased for \$1,195,000 in 2005 and was converted to a rental property in 2006 (note 13).

**12. Lots at the Briar Rose**

The Company received two lots at the Briar Rose as compensation for providing a series of bridge loans to the Briar Rose Land Company. One of the lots at the Briar Rose is due to a Participant of the bridge loans (note 17).

**13. Due on Closing of Development Properties**

On May 10, 2005, the Company entered into two real estate purchase contracts (“the contracts”) with an unrelated company to purchase two units in a real estate development project for a total consideration of \$3,190,000. Pursuant to the contracts, of the total purchase price, \$2,552,000 was due on closing. The closings occurred during 2006.

**14. Rental Properties**

- a) On May 10, 2006, the Company entered into a lease agreement for a property located at the Cliffs of Walnut Cove (“Walnut Cove A Property”) with an unrelated company. The term of the lease is one year and the property is being used as a model home unit. The property was purchased for \$1,995,000, \$322,347 in costs were capitalized during 2006 and \$70,400 was recorded as amortization for a net cost of \$2,246,947. As at December 31, 2006, there was a mortgage of \$1,875,000 on the property (note 16).
- b) On October 25, 2006, the Company entered into a lease agreement for a property located at the Cliffs of Walnut Cove (“Walnut Cove B Property”) with an unrelated company. The term of the lease is one year and the property is being used as a model home unit. The property was purchased for \$1,195,000, \$281,387 in costs were capitalized during 2006 and \$10,600 was recorded as amortization for a net cost of \$1,465,787. As at December 31, 2006, there was a mortgage of \$1,325,000 on the property (note 16)

**15. Property & Equipment**

	Cost	Accumulated Amortization	2006 Net book Value	2005 Net book Value
Furniture & fixtures	\$ 2,800	\$ 300	\$ 2,500	-
Equipment	37,715	6,300	31,415	-
	<u>\$ 40,515</u>	<u>\$ 6,600</u>	<u>\$ 33,915</u>	<u>-</u>

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**Global Development Resources, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**(expressed in United States dollars)

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**16. Mortgages Payable**

## a) Carrabelle Property

The mortgage payable is \$1,743,277 (2005 – \$nil) with an interest rate of prime plus 1/2% per annum. Principal payments of \$3,000 are due monthly with a final payment due October 31, 2007. The mortgage is secured by the Carrabelle property.

## b) Big Creek Lodge Property

The mortgage payable is \$280,000 (2005 - \$350,000) with an interest rate of 8% per annum. The Company makes \$70,000 annual principal payments with the final payment due on January 3, 2011. The mortgage is secured by the Big Creek Lodge property.

## c) Rental Properties

i) The mortgage payable on the Walnut Cove A Property is \$1,875,000 with an interest rate of 9% per annum and a maturity date of August 1, 2007. The mortgage is secured by the Walnut Cove A Property.

ii) The mortgage payable on the Walnut Cove B Property is \$1,325,000 with an interest rate of prime plus 1/4% per annum and a maturity date of January 25, 2008. The mortgage is secured by the Walnut Cove B Property.

**17. Due to Participants – Related Parties**

These amounts are due to participants, who are companies with common directors, shareholders and management, in several of the bridge loans and a development property. The participants receive interest and bonus interest based on their proportionate share of the project. The bridge loans have stated interest rates of 12%. The bridge loans that are not in default (note 7 (b)) mature on dates ranging from February 28, 2007 to December 31, 2007. The underlying real estate assets have been provided as security for the loans.

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**Global Development Resources, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**(expressed in United States dollars)

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**18. Share Capital**

## a) Authorized

Unlimited (2005 – unlimited) common shares

Unlimited (2005 – unlimited) preferred shares

## b) Shares issued and outstanding

	2006		2005	
	Number of Shares	Amount	Number of Shares	Amount
<b>Common shares</b>				
Opening balance	30,411,505	\$16,998,835	35,682,527	\$10,109,665
Issued for cash	444,444	200,000	17,941,667	6,030,000
Issued on exercise of warrants	83,333	30,293	-	-
Share issue costs	-	-	-	(420,830)
Issued for property (note 21)	-	-	4,020,833	965,000
Issued against secured loan (note 21)	-	-	1,312,500	315,000
Stock consolidation	-	-	(28,546,022)	-
Closing balance	<u>30,939,282</u>	<u>\$17,229,128</u>	<u>30,411,505</u>	<u>\$16,998,835</u>

On May 30, 2006, 83,333 warrants were exercised at \$0.36 for gross proceeds of \$30,293.

On July 14, 2006, the Company issued 444,444 common shares at \$0.45 per share for gross proceeds of \$200,000. The common shares were subject to a four-month hold period.

On May 19, 2005, the Company consolidated its common shares on a 5:1 basis, resulting in the Company having 7,136,505 issued and outstanding common shares.

On May 19, 2005, the Company issued 10,000,000 units at \$0.24 per unit for gross proceeds of \$2,400,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company at a price of \$0.32 (\$0.40 in Canadian Funds) until May 19, 2007. Gross consideration included \$1,360,000 in cash, \$965,000 in property (see note 21 (d)) and \$75,000 as a secured loan (see note 21 (e)).

On June 27, 2005, the Company issued 2,500,000 units at \$0.24 per unit for gross proceeds of \$600,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company at a price of \$0.40 until June 27, 2007. The common shares and warrants were subject to a four-month hold period. Gross consideration included \$360,000 in cash and \$240,000 as a secured loan (see note 21 (e)).

On July 25, 2005, the Company issued 3,562,500 common shares at \$0.40 per share for gross proceeds of \$1,425,000. The common shares were subject to a four-month hold period.

On September 23, 2005, the Company issued 2,125,000 common shares at \$0.40 per share for gross proceeds of \$850,000. The common shares were subject to a four-month hold period.

On November 14, 2005, the Company issued 2,250,000 common shares at \$0.40 per share for gross proceeds of \$900,000. The common shares were subject to a four-month hold period.

On December 5, 2005, the Company issued 2,837,500 common shares at \$0.40 per share for gross proceeds of \$1,135,000. The common shares were subject to a four-month hold period.

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**Global Development Resources, Inc.**

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**December 31, 2006 and 2005**(expressed in United States dollars)

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On May 19, 2005, the Company's insiders placed 9,956,366 common shares and 7,666,666 warrants into a Tier 2 Value Escrow arrangement imposed by the TSX Venture Exchange. During 2006, 2,986,910 (2005 – 2,489,091) common shares and 2,300,000 (2005 – 1,916,666) warrants were released from escrow. The remaining shares and warrants will be released semi-annually until May 19, 2008.

## c) Warrants issued and outstanding

	<b>Number of Warrants</b>	<b>Exercise Price Per Warrant</b>	<b>Expiry Date</b>
Opening balance – January 1, 2005	-	-	
Issued pursuant to private placement	10,000,000	\$ 0.36	May 19, 2007
Issued pursuant to private placement	<u>2,500,000</u>	\$ 0.36	June 27, 2007
Closing balance – December 31, 2005	12,500,000		
Exercised	<u>(83,333)</u>	\$ 0.36	
Closing balance – December 31, 2006	<u>12,416,667</u>		

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**Global Development Resources, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**(expressed in United States dollars)

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## d) Stock Options Outstanding

The Company has a stock option plan, which was approved by the Directors in May 2005, under which the Company is authorized to issue stock options to Directors, Officers and key employees. Under the terms of the plan, the maximum number of common shares for which options may be issued is fixed at 1,300,000.

Prior to May 2005, under the 1994 long term incentive plan, amended May 22, 2001, the Company was authorized to issue up to 700,000 stock options to Directors, Officers and key employees. In May 2005, the plan was terminated and the existing stock options were cancelled.

During the years ended December 31, 2006 and 2005, the change in stock options outstanding was as follows (stock options prior to May 19, 2005 have been adjusted for a 5:1 consolidation on that date):

		<b>2006</b>		<b>2005</b>
		<b>Weighted</b>		<b>Weighted</b>
		<b>Average</b>		<b>Average</b>
	<b>Number of</b>	<b>Share</b>	<b>Number of</b>	<b>Share</b>
	<b>Shares</b>	<b>Price</b>	<b>Shares</b>	<b>Price</b>
<b>Common shares</b>				
Opening balance	1,300,000	\$ 0.27	230,000	\$ 1.18
Granted	-	-	1,300,000	0.24
Expired	-	-	(30,000)	6.40
Cancelled	-	-	(200,000)	0.40
Closing balance	<u>1,300,000</u>	<u>\$ 0.27</u>	<u>1,300,000</u>	<u>\$ 0.24</u>

The following table summarizes information about stock options outstanding and exercisable at December 31, 2006:

Ranges of exercise prices	Options outstanding	Options Outstanding		Options Exercisable	
		Weighted average remaining contracted life (years)	Weighted average exercise price	Options exercisable	Weighted Average Exercise price
\$ 0.27	1,300,000	3.6	\$ 0.27	1,300,000	\$ 0.27
	<u>1,300,000</u>	<u>3.6</u>	<u>\$ 0.27</u>	<u>1,300,000</u>	<u>\$ 0.27</u>

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**Global Development Resources, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**(expressed in United States dollars)

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## e) Contributed Surplus

	<b>2006</b>	<b>2005</b>
Opening balance	\$ 142,057	\$ 28,956
Stock-based compensation	-	113,101
Closing balance	<u>\$ 142,057</u>	<u>\$ 142,057</u>

The fair values of options for 2005 have been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model are as follows:

	<b>2005</b>
Risk-free interest rate	2.75%
Expected life of options	5.0 years
Expected stock price volatility	40.0%
Expected dividend yield	0%
Weighted average fair value of options	<u>\$ 0.09</u>

**19. Currency Translation Adjustment**

This adjustment represents the net foreign currency translation adjustment (CTA) on the Company's net investment in integrated foreign operations.

	<b>2006</b>	<b>2005</b>
Opening balance	\$ 336,434	\$ 336,434
Unrealized loss from change in exchange rates	-	-
Closing balance	<u>\$ 336,434</u>	<u>\$ 336,434</u>

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**20. Income Taxes**

The following is a reconciliation comparing income taxes calculated at statutory rates to the amounts provided in the accompanying financial statements.

	2006	2006	2005	2005
	US entities	CDN entities	US entities	CDN entities
Net income (loss) for the year	\$ 597,537	\$ (239,500)	\$ (33,578)	\$ (259,538)
Permanent differences	(19,953)	-	20,097	141,376
Amounts not subject to tax	(13,481)	-	-	-
Net income (loss) for income taxes	564,103	(239,500)	(13,481)	(118,162)
Effective income tax rate	39%	34%	36%	36%
Income tax (recovery) at effective rate	220,000	(81,430)	(4,853)	(42,538)
Change in valuation allowance	-	81,430	4,853	42,538
	220,000	-	-	-
Components of the Company's net future income taxes are:				
Non-capital loss carryforward	-	357,662	13,481	118,162
Valuation allowance	-	(357,662)	(13,481)	(118,162)
	\$ -	\$ -	\$ -	\$ -

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Management has provided for a valuation allowance on all of its losses as there is no assurance that future tax benefits will be realized.

**21. Related Party Transactions**

- a) General office and administration expenses include management fees in the amount of \$108,813 (2005 - \$41,667) paid to a companies controlled by current Directors of the Company.
- b) Rent in the amount of \$ nil (2005 - \$26,187) was paid to GC-Global Capital Corp., a company with common directors, shareholders and management.
- c) The Company secured a mortgage of \$1,600,000 to finance one of the real estate purchase contracts (note 11). Interest of \$52,800 and fees of \$79,200 was paid on the mortgage. The mortgage was provided in the normal course of business by a related company with common directors, shareholders and management. During the third quarter of 2006, the mortgage was repaid.
- d) In May, 2005, the Company received as proceeds for the issuance of 4,020,833 common shares to the Company's Chief Executive Officer, Kent Smith, a 40% interest in the Big Creek Lodge Development Joint Venture (BCL JV) with an agreed value of \$965,000. In October, 2005, the Company paid \$1,522,500 for the remaining 60% interest in the BCL JV. In November, 2005, the Company received \$1,000,000 from GC-Global Capital Corp., a shareholder of the Company and a company with common Directors and Officers, for a 40% interest in the BCL JV. Big Creek Lodge LLC, a company owned by Kent Smith, has title to the Big Creek Lodge property. Big Creek Lodge LLC, has a 0% interest in the BCL JV. During 2006, GC-Global Capital Corp. sold its interest in the property to two Directors of the Company.
- e) In May and June, 2005, the Company issued 1,315,000 common shares to the Company's CEO, Kent Smith, for a \$315,000 promissory note secured against a development property. In November 2005, the

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Notes to Consolidated Financial Statements

**December 31, 2006 and 2005**(expressed in United States dollars)

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Company purchased the development property from Kent Smith for \$604,552. The purchase price was settled through the payment of \$289,552 and a retirement of the promissory note.

- f) As at December 31, 2006, the Company provided \$6,952,342 (2005 – \$4,100,000) in bridge loans of which \$4,641,585 (2005 - \$1,540,000) was syndicated to GC-Global Capital Corp., a company with common Directors, shareholders and management. The amount received is included in Due to Participants.
- g) The Company provided a \$650,000 bridge loan to Blackhawk Properties LLC, a company controlled by a family member of the Company's Chief Executive Officer. Interest of \$87,595 (2005 - \$nil) was paid to the Company for the period. The bridge loan was repaid subsequent to December 31, 2006.

**22. Supplemental Cash Flow Information**

	2006	2005
<b>Interest paid</b>	\$ 251,562	\$ 951
<b>Income taxes paid</b>	\$ 19,240	\$ -
<b><u>Non-cash activity</u></b>		
<b>Investing activities</b>		
Repayment of bridge loans	\$ 750,000	\$ -
Purchase of development properties	(454,447)	(4,182,000)
Purchase of rental property (note 14)	(3,190,000)	-
	<u>2,813,447</u>	<u>(4,182,000)</u>
<b>Financing activities</b>		
Shares issued for development properties (note 21)	-	965,000
Shares issued for promissory note (note 21)	-	315,000
Due on closing of development properties	-	2,552,000
Mortgage payable	2,365,847	350,000
Due to participants	264,300	-
	<u>\$ 2,101,547</u>	<u>\$ 4,182,000</u>

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**23. Financial Instruments**Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates.

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, interest, fees and dividends receivable, note receivable, bridge loans, accounts payable and accrued liabilities, due to participants and mortgages payable. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.