GLOBAL

GLOBAL SUMMIT

REAL ESTATE INC.

Condensed Consolidated Interim Financial Statements

(Unaudited)

Nine months ended February 29, 2012

MANAGEMENT'S COMMENTS ON UNAUDITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Global Summit Real Estate Inc. for the nine months ended February 29, 2012, have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

Global Summit Real Estate Inc.

Condensed Consolidated Interim Statement of Financial Position
(Unaudited)

	February 29, 2012	May 31, 2011	June 1, 2010
Assets			
Non-current assets:			
Properties held for development and sale (note 3)	$ 46,828,494	$ 103,518,885	$ 61,050,036
Investments in joint ventures (note 4)	18,120,294	16,877,462	-
Investment tax credits receivable	6,830,606	6,830,606	6,830,606
Deferred tax asset	-	6,885,476	30,752,183
	71,779,394	134,112,429	98,632,825
Current assets:			
Restricted cash (note 5)	2,246,186	6,379,936	11,773,769
Prepaid expenses	17,943	1,549,837	613,330
Amounts receivable	3,180,789	1,396,413	1,241,028
Cash and cash equivalents	24,428,817	678,348	13,739
	29,873,735	10,004,534	13,641,866
Total assets	**$ 101,653,129**	**$ 144,116,963**	**$ 112,274,691**
Liabilities			
Non-current liabilities:			
Deferred tax liability	$ 1,753,260	$ 3,554,571	$ 22,247,018
Current liabilities:			
Due to related party (note 6)	14,976,247	6,364,912	837,273
Debt on properties (note 7)	-	43,665,917	-
Sales deposits	2,651,664	22,527,995	11,763,070
Amounts payable and accrued liabilities (note 7)	4,863,867	5,823,539	1,971,780
	22,491,778	78,382,363	14,572,123
Total liabilities	24,245,038	81,936,934	36,819,141
Shareholders' Equity			
Share capital (note 8)	18,100,000	18,100,000	1,200,000
Retained earnings	59,290,093	44,072,962	74,248,742
Equity attributable to shareholders	77,390,093	62,172,962	75,448,742
Non-controlling interest	17,998	7,067	6,808
Total shareholders' equity	77,408,091	62,180,029	75,455,550
Total liabilities and shareholders' equity	**$ 101,653,129**	**$ 144,116,963**	**$ 112,274,691**

See accompanying notes to condensed consolidated interim financial statements

Global Summit Real Estate Inc.

Condensed Consolidated Interim Statement of Earnings (Loss) and Comprehensive Income (Loss)
For the three months and nine months ended February 29, 2012 and February 28, 2011
(Unaudited)

	Three months ended		Nine months ended	
	February 29, 2012	**February 28, 2011**	**February 29, 2012**	**February 28, 2011**
Revenue				
Condominium sales	$ 195,975,482	$ 875,617	$ 211,373,235	$ 6,912,146
Cost of condominiums sold	(87,267,235)	(374,315)	(94,758,509)	(3,642,571)
Commissions and closing costs	(4,931,271)	(51,920)	(5,448,254)	(406,845)
	103,776,976	449,382	111,166,472	2,862,730
Investment income (loss)	(82,317)	5,154	1,242,832	5,154
Interest income	77,886	1,315	84,470	14,244
	(4,431)	6,469	1,327,302	19,398
	103,772,545	455,851	112,493,774	2,882,128
Operating Expenses				
General and administrative	824,793	308,383	1,499,721	1,303,446
Legal and professional	239,025	26,544	328,997	162,458
Sales and marketing	98,039	101,187	335,832	244,182
Interest	10,172	-	10,172	-
Ontario capital tax	-	188,592	-	188,592
	1,172,029	624,706	2,174,722	1,898,678
Earnings (loss) before income taxes	102,600,516	(168,855)	110,319,052	983,450
Provision of income taxes				
Current	-	-	(6,825)	-
Deferred income taxes	(4,984,259)	-	(5,084,165)	-
	(4,984,259)	-	(5,090,990)	-
Net earnings (loss) and comprehensive income (loss)	$ 97,616,257	$ (168,855)	$ 105,228,062	$ 983,450
Net earnings (loss) and comprehensive income (loss) attributable to:				
Shareholders of the Company	$ 97,605,980	$ (168,858)	$ 105,217,131	$ 983,302
Non-controlling interest	10,277	3	10,931	148
	$ 97,616,257	$ (168,855)	$ 105,228,062	$ 983,450
Basic and diluted earnings (loss) per share	$ 0.0405	$ (0.0001)	$ 0.0437	$ 0.0004

See accompanying notes to condensed consolidated interim financial statements

Global Summit Real Estate Inc.

Condensed Consolidated Interim Statement of Changes in Equity
For the nine months ended February 29, 2012 and February 28, 2011
(Unaudited)

	Share Capital	Retained Earnings	Total	Non-controlling interests	Total Equity
Balance at June 1, 2011	$ 18,100,000	$ 44,072,962	$ 62,172,962	$ 7,067	$ 62,180,029
Earnings for the period	-	105,217,131	105,217,131	10,931	105,228,062
Dividends	-	(90,000,000)	(90,000,000)	-	(90,000,000)
Balance at February 29, 2012	$ 18,100,000	$ 59,290,093	$ 77,390,093	$ 17,998	$ 77,408,091
Balance at June 1, 2010	$ 1,200,000	$ 74,248,742	$ 75,448,742	$ 6,808	$ 75,455,550
Earnings for the period	-	983,302	983,302	148	983,450
Dividends	-	(27,000,000)	(27,000,000)	-	(27,000,000)
New shares issued	16,900,000	-	16,900,000	-	16,900,000
Balance at February 28, 2011	$ 18,100,000	$ 48,232,044	$ 66,332,044	$ 6,956	$ 66,339,000

See accompanying notes to condensed consolidated interim financial statements

Global Summit Real Estate Inc.

Condensed Consolidated Interim Statement of Cash Flows
For the nine months ended February 29, 2012 and February 28, 2011
(Unaudited)

	February 29, 2012	February 28, 2011
Cash flows from (used in) operating activities:		
Net earnings and comprehensive income	$ 105,228,062	$ 983,450
Adjustments for:		
Deferred income taxes	5,084,165	-
Recovery of costs through condominium sales	94,758,509	3,642,571
Additions to properties held for development and sale	(17,290,548)	(34,433,392)
Acquisition of land	(20,777,570)	-
	167,002,618	(29,807,371)
Change in:		
Restricted cash	4,133,750	4,569,399
Prepaid expenses	1,531,894	(742,508)
Amounts receivable	(1,784,376)	32,511
Amounts payable and accrued liabilities	(959,672)	2,429,803
Net cash from (used in) operating activities	169,924,214	(23,518,166)
Cash flows from investing activities:		
Sales deposits	(19,876,331)	7,630,133
Investment in joint ventures	(1,242,832)	(5,154)
Net cash from (used in) investing activities	(21,119,163)	7,624,979
Cash flows from (used in) financing activities:		
Proceeds from debt on properties	-	35,656,542
Repayment of debt on properties	(43,665,917)	-
Proceeds from related party	8,611,335	7,810,271
Dividends paid	(90,000,000)	(27,000,000)
Net cash from (used in) financing activites	(125,054,582)	16,466,813
Increase in cash and cash equivalents	23,750,469	573,626
Cash and cash equivalents, beginning of period	678,348	13,739
Cash and cash equivalents, end of period	$ 24,428,817	$ 587,365
Supplementary cash flow information:		
Interest paid in cash	$ 1,343,000	$ 735,620

See accompanying notes to condensed consolidated interim financial statements

1 Reporting Entity

Global Summit Real Estate Inc. ("Global") is incorporated under the *Business Corporations Act* (British Columbia). The registered office is located at Suite 300, 911 Homer Street, Vancouver, BC, V6B 2W6, Canada.

These condensed consolidated interim financial statements as at and for the nine months ended February 29, 2012 comprise Global Summit Real Estate Inc. and its subsidiaries (together referred to as the "Company"), and the Company's interests in joint ventures.

The Company's subsidiaries, Pinnacle Centre Three Limited Partnership (“Pinnacle LP III”) and Pinnacle Centre Four Limited Partnership (“Pinnacle LP IV”), focus its activities on the development of two residential towers in downtown Toronto, Ontario (referred to as “Tower III” and “Tower IV”, respectively).

Construction work for Tower III, for which Pinnacle LP III is the developer, completed in October 2009. As of February 29, 2012, total sales of 425 units have been closed and the related proceeds have been collected. Construction work for Tower IV, for which Pinnacle LP IV is the developer, completed in December 2011. As of February 29, 2012, total sales of 510 units have been closed and the related proceeds have been collected.

The Company's 50% interests in its joint ventures, Ritz Commercial Partnership (“Ritz”) and New Haven Industrial Lands Development Partnership (“New Haven”), focuses its activities on the acquisition of commercial land for development and development of commercial properties for leasing.

Ritz owns the retail and office component of a residential condominium in Vancouver, BC. New Haven owns a multi tenant industrial/office business park development and undeveloped land in Burnaby, BC.

2 Significant Accounting Policies and Changes in Accounting Policies

Statement of compliance

These condensed consolidated interim financial statements for the nine months ended February 29, 2012 have been prepared by, and are the responsibility of, the Company's management.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). For the purposes of these condensed consolidated interim financial statements, the term "Canadian GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS.

These are the Company's third quarter IFRS condensed consolidated interim financial statements relating to the first IFRS consolidated annual financial statements for the years ending May 31, 2012 and 2011 and they are covered by IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The Company has consistently applied the same accounting policies in its opening IFRS consolidated balance sheet as at June 1, 2010 and throughout all periods presented, as if these policies had always been in effect. An explanation of how the transition of IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 12. This note includes a reconciliation of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods and at the date of transition under IFRS.

These condensed interim consolidated financial statements may not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the Company's consolidated annual financial statements for the year ended May 31, 2011 prepared in accordance with Canadian GAAP.

These financial statements were approved and authorized for issue by the Board of Directors on April 30, 2012.

Basis of measurement

These condensed consolidated interim financial statements are presented in Canadian dollars and have been prepared on the historical cost basis.

Basis of consolidation

Subsidiaries

These condensed consolidated interim financial statements comprise the assets and liabilities of all subsidiaries and the results of all subsidiaries. Subsidiaries are entities controlled directly or indirectly by Global. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether Global controls another entity.

Joint Ventures

Global has interests in a number of properties through joint ventures. These investments are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the post-acquisition of profits or losses and movements in other comprehensive income in the income statement and in other comprehensive income respectively. When the group's share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Transactions eliminated on consolidation

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

Property acquisition

Upon acquisition, the Company performs an assessment of the property being acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business, being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the shareholders.

Whether the acquisition is accounted for as an asset acquisition or a business combination, the Company accounts for assets acquired and liabilities assumed, including land, buildings, intangibles such as above-and below-market rate leases, in-place operating leases and non-contractual customer relationships at fair value. The Company charges transaction costs incurred for business combinations to expense.

Properties under development and sale

Properties under development include properties being constructed or developed for resale.

The cost of properties under development includes direct development costs, realty taxes and borrowing costs directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development or redevelopment are capitalized.

The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings, and is capitalized from the commencement of the development until the date of completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

The Company considers the date of completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits.

Properties held for sale are recorded at the lower of cost and net realizable value. Determination of net realizable value is based on management's best estimate regarding future selling prices. The Company makes an impairment provision where the carrying value of its properties exceeds its estimated net realizable value.

Restricted cash

Restricted cash consists of funds not available for immediate use. Included in restricted cash are funds withheld from payments to construction contractors pending approval of services provided to the Company. Also included are sales deposits received from purchasers of condominium units which become available for use once certain deposit financing criteria are met.

Prepaid expenses

Sales commissions paid relating to sales of condominium units are recorded as prepaid expenses until the period in which the related revenue is recognized, at which time the prepaid sales commissions are charged to commissions and closing costs.

Cash and cash equivalents

Cash and cash equivalents consists of deposits with banks and highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less and excludes restricted cash.

Sales deposits

The Company receives sales deposits from purchasers of condominium units in the ordinary course of business. Sales deposits are non-refundable to the purchaser and are recognized as revenue upon completion of the sale.

Revenue recognition

Revenue is generated from the sale of condominium units, and is recognized when purchasers are entitled to occupy their units, and when there is persuasive evidence of an arrangement, when the proceeds are fixed and determinable, when collection of the sale proceeds is reasonably assured, and when the purchaser has received an undertaking from the Company to assign legal title.

Interest income

The Company earns interest income from purchasers for the period between occupancy closing and final closing. Occupancy closing happens when the residential units are ready for occupancy but the registration of legal title to the land and building of each unit is still pending.

Until final closing, when purchasers must pay the remaining purchase price and receive legal title, purchasers pay interest on a deemed loan calculated based on the sales price less any sales deposits received.

Cost of condominiums sold

Cost of condominiums sold is determined using the net yield method whereby the cost of condominiums sold for the period is a pro-rated amount of total estimated costs for the development based on revenue for the period versus development revenue for the entire development.

Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of shares outstanding during the period.

Income taxes

Current income taxes are the expected amount of income taxes payable to the taxation authorities, using applicable income tax rates and any adjustment to income taxes payable in respect of previous years.

Deferred income taxes are recognized using the liability method based on temporary differences between the income tax bases of assets and liabilities and their carrying amounts in the condensed consolidated interim financial statements. Deferred income tax assets are the result of recognizing the benefit associated with deductible temporary differences, unused tax credits, and tax loss carry forwards. The carrying amount of deferred income tax liabilities and assets is determined on a non-discounted basis using income tax rates and laws that have been enacted, or substantively enacted, at the reporting date and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

Investment tax credits are receivable from the Government of Canada as an incentive to conduct research and development in Canada, and are recorded when their realization is believed to be reasonably assured.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on this classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

Financial assets are classified as one of the following: held-for-trading, held-to-maturity investments, loans and receivables or available-for-sale financial assets. Financial liabilities are classified as held-for-trading or other financial liabilities.

The Company has applied the following classifications to each of its significant categories of financial instruments:

Cash and cash equivalents	Held-for-trading
Restricted cash	Held-for-trading
Amounts receivable	Loans and receivables
Amounts payable and accrued liabilities	Other financial liabilities
Sales deposits	Other financial liabilities
Debt on properties	Other financial liabilities
Due to related party	Other financial liabilities

Held-for-trading financial instruments are subsequently measured at fair value. All gains and losses resulting from changes in their fair value are included in net earnings in the period they arise.

Held-to-maturity investments, loans and receivables and other financial liabilities are subsequently measured at amortized cost.

Available-for-sale financial instruments are subsequently measured at fair value. Unrealized holding gains and losses are included in other comprehensive income until realized.

Transaction costs are expensed as incurred for held-for-trading financial instruments and added to the initial fair value of other than held-for-trading financial instruments.

Fair value of financial instruments

The fair value of market traded financial instruments is the estimated amount for which an instrument could be exchanged, or a liability settled, by the Company and a knowledgeable, willing party in an arm's length transaction.

The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions.

Statement of cash flows

The Company uses the indirect method of reporting cash flows, under which the net cash flow from operating activities is reported by adjusting net earnings for the effects of non-cash items and net changes in non-cash working capital balances.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the time value of money is material. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions reflect the Company's best estimate at the reporting date.

The Company does not have any material provision that is separately disclosed on the balance sheet.

Use of estimates and judgments

The preparation of condensed consolidated interim financial statements, in conformity with IAS 34, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates and assumptions are based on historical experience and management's best assessment of current events and actions that the Company may undertake in the future. Actual results could differ from those as assessed by management.

The key judgement made in applying accounting policies that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements relate to the net realizable value of properties under development and sale.

In the process of applying the Company's accounting policies, management has made the following estimates and assumptions which have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements:

Deferred income taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

The Company recognizes expected liabilities for tax based on an estimate of the taxes due, which requires significant judgment as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on the income tax and deferred tax balances in the period when such determination is made.

Cost of sales

The Company estimates the net realizable value of its properties under development and sale using estimates and assumptions about future selling prices and future development costs. Estimates of future development costs are also used to allocate current development costs to cost of sales when revenue from sale of properties under development are recognized.

Future changes in accounting policies

The following IFRSs have been issued or revised by the IASB, however they are not yet effective and as such have not been applied to these condensed consolidated interim financial statements:

Financial instruments

IFRS 9 – Financial Instruments (IFRS 9) was issued by the IASB in October of 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is currently evaluating the impact of this policy.

Consolidated financial statements

IFRS 10 – Consolidated Financial Statements (IFRS 10) was issued by the IASB in June 2011 to replace Standing Interpretations Committee 12 – Consolidation – Special Purpose Entities and the new consolidation requirements of IAS 27 – Consolidated and Separate Financial Statements (IAS 27) (discussed below). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding or potential voting rights. This standard is required to be applied for accounting periods beginning on or after January 1, 2013. IAS 27 was revised in May 2011 to eliminate the principles of consolidation from IAS 27 (as they are now included in IFRS 10) and focus on requirements related to disclose requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Company is currently evaluating the impact of this policy.

Joint arrangements

IFRS 11 – Joint Arrangements (IFRS 11) was issued in June 2011 and is the result of the IASB's project to replace IAS 31 – Interest in Joint Ventures (IAS 31). The new standard redefines joint operations and joint ventures and requires joint operations to be proportionally consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. IAS 28 – Investments in Associates and Joint Ventures (IAS 28) was revised in May 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Company is currently evaluating the impact of this policy.

Disclosure of interests in other entities

IFRS 12 – Disclose of Interests in Other Entities (IFRS 12) was issued in June 2011 and outlines the required disclosures for interest in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Company is currently evaluating the impact of this policy.

Fair value measurements

IFRS 13 – Fair Value Measurements (IFRS 13) was issued in June 2011 and provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Company is currently evaluating the impact of this policy.

3 Properties Held for Development and Sale

	February 29, 2012	May 31, 2011	June 1, 2010
Land option	$ -	$ 10	$ 10
Properties under development	-	70,607,751	23,772,089
Land and properties held for sale	218,016,546	109,340,667	109,024,432
Accumulative cost of condominium sales	(171,188,052)	(76,429,543)	(71,746,495)
	$ 46,828,494	$ 103,518,885	$ 61,050,036

As at February 29, 2012, land and properties held for sale relate to both Tower III and Tower IV projects. Upon completion of Tower IV in December 2011, Tower IV was reclassified to land and properties for sale.

Pinnacle LP IV entered into a ground lease with Pinnacle International (Bay St.) Ltd. (“PIB”) whereby Pinnacle LP IV paid $10 for an option expiring February 15, 2016, to acquire the beneficial interest in the lands of Pinnacle Bay Street Development Partnership (“PBSDP”), excluding the portion of the Tower designated as retail, office and hotel use and commercial parking facilities attributable to the Tower, for $20,700,000. PIB and PBSDP are related parties as they are under common control with the Company. On December 27, 2011, Pinnacle LP IV exercised the option.

In accordance with the terms of the ground lease agreement, the Company was committed to pay rent of 105% of the aggregate of (a) the total interest charges payable by Pinnacle International (Bay St.) Ltd. incurred in connection with its acquisition of the leased land and (b) the operating costs and taxes (as defined in the lease agreement) incurred by Pinnacle International (Bay St.) Ltd. during the lease term. Upon commencing construction of Development (as defined in the ground lease agreement), the rent on the leased land was reduced to $120 per annum.

4 Investments in Joint Ventures

The following amounts represent the Company's 50% interests in two joint ventures, Ritz and New Haven, accounted for using the equity method.

	February 29, 2012	May 31, 2011	June 1, 2010
Assets			
Non-current assets	$ 22,275,839	$ 19,906,885	$ -
Current assets	5,050,118	10,556,010	-
	27,325,957	30,462,895	-
Liabilities			
Non-current liabilities	15,230,964	11,186,422	-
Current liabilites	6,535,352	15,054,401	-
	21,766,316	26,240,823	-
Net assets	$ 5,559,641	$ 4,222,072	$ -
Revenue	$ 2,945,557	$ 343,988	$ -
Expenses	(1,620,356)	(366,526)	-
Net earnings (loss) and comprensive earnings (loss)	$ 1,325,201	$ (22,538)	$ -

The Company is contingently liable with respect to the co-venturer's' shares of liabilities of $21,766,316 (May 31, 2011- $26,240,823) and would be able to utilize the co-venturer's' share of assets to meet such liabilities.

5 Restricted Cash

	February 29, 2012	May 31, 2011	June 1, 2010
Sales deposits held in trust	$ 637,419	$ 2,450,540	$ 11,773,769
Holdback accounts	1,608,767	3,929,396	-
	$ 2,246,186	$ 6,379,936	$ 11,773,769

6 Related Party Disclosures

Amount due to related party, a corporation under common control, is non-interest bearing, unsecured and has no fixed terms of repayment.

During the period ended February 29, 2012, the Company incurred construction management fees for the construction and development of Tower III and Tower IV of $446,401 for a total of $4,505,165 to a corporation controlled by a significant shareholder and director. The Company has capitalized these construction management fees to properties held for development and sale. Included in amounts payable and accrued liabilities at February 29, 2012 are $1,451,912 (May 31, 2011 - $1,005,511) due in respect of these construction management fees.

The Company receives continuous support from related parties for ordinary business operations. Given the substantial amount of transactions, the Company is considered to be economically dependent on its related parties. These transactions are conducted in the normal course of business and amounts are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7 Debt on Properties

Land acquisition and construction financing

Pinnacle LP IV has secured syndicated financing with three lenders to provide construction financing for Tower IV. On May 28, 2010, a commitment letter was signed to confirm construction financing in the aggregate amount of $85,000,000 (the "Tower IV Construction Loan") that bears interest at prime plus 1.50% or bankers' acceptance rate plus 3.00%, repayable on the earlier of demand or July 31, 2012. Prior to repayment of loan on December 29, 2011, $60,040,674 was funded under the Tower IV Construction Loan. As of February 29, 2012, the Tower IV Construction Loan was fully paid off and reduced to $nil (May 31, 2011 - $43,665,917).

Lead lender has made available on their portion an overdraft account of up to $1,000,000 to cover costs arising prior to the monthly progress draw. As at February 29, 2012, $nil had been advanced. This lender has also made available on their portion an amount of up to $3,000,000 to be used for issuance of letters of credit in favour of the City of Toronto as part of the construction requirement. As at February 29, 2012, $282,378 (May 31, 2011 - $323,111) (refer to note 11) had been advanced.

Security for the Tower IV Construction Loan is provided by way of a first charge on the property, general security agreements, and guarantee of a director and related companies to the indebtedness to the lenders.

Deposit financing

Concurrent with the Tower IV Construction Loan, Pinnacle LP IV has arranged a deposit financing facility. It provides Pinnacle LP IV with the ability to utilize up to $22,000,000 of purchaser deposits ("Tower IV Insured Deposits") to be used as construction financing and is secured with a second mortgage on the property. The construction financing will be reduced by the amount by which the aggregate of the insured deposits exceeds the sum of $15,000,000 to a maximum of $22,000,000. As at February 29, 2012, Pinnacle LP IV held $69,150 (May 31, 2011 - $ 19,990,701) in Insured Deposits.

8 Share Capital

The Company has authorized an unlimited number of voting shares and an unlimited number of non-voting common shares.

	Number of voting common shares		Amount
Balance - February 29, 2012 and May 31, 2011 (without par value)	20,230,378	$	-

	Number of non-voting common shares		Amount
Without par value	2,373,169,023	$	1,200,000
With par value of $1	16,900,000		16,900,000
Balance February 29, 2012 and May 31, 2011	2,390,069,023	$	18,100,000

9 Capital Management

The Company defines capital as the aggregate of land acquisition and construction and deposit financing, due to related party, and share capital as follows:

		February 29, 2012		May 31, 2011		June 1, 2010
Land acquisition and construction financing	$	-	$	43,665,917	$	-
Deposit financing		69,150		19,990,701		-
Due to related party		14,976,247		6,364,912		837,273
Share capital		18,100,000		18,100,000		1,200,000
	$	33,145,397	$	88,121,530	$	2,037,273

The Company's objectives when managing capital are to comply with all requirements imposed by its lenders and to ensure that the Company will continue as a going concern so that it can complete the development of the properties, and any future properties, and provide long term returns to the shareholders.

The Company has complied with all requirements imposed by the lenders of its construction and deposit financing.

10 Financial Instruments

Fair values

The carrying values of cash and cash equivalents, restricted cash, amounts receivable, the amount due to related party, amounts payable and accrued liabilities and sales deposits approximate their fair values due to the short-term nature of these financial assets and financial liabilities.

The carrying value of debt on properties approximate fair value as the debt bears interest at market rates of interest.

Financial risk management objectives and policies

The risks associated with financial instruments and the policies regarding their management are discussed below. Management monitors these risks exposures to ensure appropriate measures are implemented in a timely and effective manner.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due, or can only do so at excessive cost. This risk is managed by maintaining adequate levels of cash from deposit financing, construction financing and advances from related parties. Monitoring of the cash reserves is undertaken by the Company in its monthly review of a detailed cash flow analysis. All amounts receivable were subsequently received within 60 days of February 29, 2012. Amounts payable and accrued liabilities include $1,608,767 of holdbacks payable.

Credit risk exposures

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash and cash equivalents and restricted cash is believed to be minimal as cash is on deposit with Canadian banks that are believed to be creditworthy. Amounts receivable is comprised of amounts due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

11 Commitments

The Company has outstanding letters of credit totalling $282,378 (May 31, 2011 - $323,111) provided for development activities.

12 Explanation of transition to IFRS

As stated in note 2, these are the Company's third quarter condensed consolidated interim financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the condensed consolidated interim financial statements for the nine months ended February 29, 2012, the nine months ended February 28, 2011, and year ended May 31, 2011, and in the preparation of an opening IFRS statement of financial position at June 1, 2010 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

IFRS 1 *First Time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retroactively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings or, if appropriate, another category of equity. However, the standard provides certain mandatory exceptions and allows specific exemptions from this general retrospective application. The Company has applied the following options to its opening statement of financial position dated June 1, 2010:

- IAS 23 *Borrowing costs* – Under this standard, an entity is required to capitalize the borrowing costs related to all qualifying assets. IFRS 1 allows an entity to apply the requirements of borrowing costs related to qualifying assets on the later of January 1, 2009 and the transition date or an earlier date chosen by the first-time adopter. The Company has elected to apply IAS 23 prospectively from June 1, 2010.

- IAS 40 *Investment property* – The Company has elected to apply the cost model for its investment properties.

Reconciliation of Assets, Liabilities and Equity

	Note	June 1, 2010 Canadian GAAP	June 1, 2010 Effect of transition to IFRS	June 1, 2010 IFRS	February 28, 2011 Canadian GAAP	February 28, 2011 Effect of transition to IFRS	February 28, 2011 IFRS	May 31, 2011 Canadian GAAP	May 31, 2011 Effect of transition to IFRS	May 31, 2011 IFRS
Assets										
Non-current assets:										
Income producing properties	4	$ -	$ -	$ -	$ 15,410,131	$ (15,410,131)	$ -	$ 15,327,017	$ (15,327,017)	$ -
Properties under development	2	23,769,722	(23,769,722)	-	62,096,444	(62,096,444)	-	75,199,739	(75,199,739)	-
Properties held for sale	2	37,274,209	(37,274,209)	-	34,249,159	(34,249,159)	-	32,907,832	(32,907,832)	-
Properties held for development and sale	2	-	61,050,036	61,050,036	-	91,840,857	91,840,857	-	103,518,885	103,518,885
Investment in joint ventures	4	-	-	-	-	16,905,154	16,905,154	-	16,877,462	16,877,462
Due from related parties		-	-	-	-	-	-	8,017,109	(8,017,109)	-
Investment tax credits receivable		6,830,606	-	6,830,606	6,830,606	-	6,830,606	6,830,606	-	6,830,606
Deferred tax asset		30,752,183	-	30,752,183	30,752,183	-	30,752,183	6,885,476	-	6,885,476
		98,626,720	6,105	98,632,825	149,338,523	(3,009,723)	146,328,800	145,167,779	(11,055,350)	134,112,429
Current assets:										
Restricted cash		11,772,592	1,177	11,773,769	7,203,650	720	7,204,370	6,379,298	638	6,379,936
Prepaid expenses		613,269	61	613,330	1,809,007	(453,169)	1,355,838	1,927,925	(378,088)	1,549,837
Amounts receivable		1,240,904	124	1,241,028	1,432,752	(224,235)	1,208,517	1,691,788	(295,375)	1,396,413
Cash and cash equivalents		13,741	(2)	13,739	714,320	(126,955)	587,365	742,168	(63,820)	678,348
		13,640,506	1,360	13,641,866	11,159,729	(803,639)	10,356,090	10,741,179	(736,645)	10,004,534
Total assets		$ 112,267,226	$ 7,465	$ 112,274,691	$ 160,498,252	$ (3,813,362)	$ 156,684,890	$ 155,908,958	$ (11,791,995)	$ 144,116,963
Liabilities										
Non-current liabilities:										
Deferred tax liability	6	$ 22,247,018	$ -	$ 22,247,018	$ 22,247,018	$ -	$ 22,247,018	$ 1,957,571	$ 1,597,000	$ 3,554,571
Current liabilities:										
Due to related parties		837,983	(710)	837,273	19,158,192	(10,510,648)	8,647,544	18,973,409	(12,608,497)	6,364,912
Debt on properties		-	-	-	41,086,937	(5,430,395)	35,656,542	54,847,972	(11,182,055)	43,665,917
Sales deposits		11,761,894	1,176	11,763,070	19,391,264	1,939	19,393,203	22,525,742	2,253	22,527,995
Unearned revenue and tenant deposits		-	-	-	236,151	(236,151)	-	233,832	(233,832)	-
Amounts payable and accrued liabilities		1,971,589	191	1,971,780	4,703,360	(301,777)	4,401,583	6,236,691	(413,152)	5,823,539
		14,571,466	657	14,572,123	84,575,904	(16,477,032)	68,098,872	102,817,646	(24,435,283)	78,382,363
Total liabilities		36,818,484	657	36,819,141	106,822,922	(16,477,032)	90,345,890	104,775,217	(22,838,283)	81,936,934
Shareholders' Equity										
Share capital		1,200,000	-	1,200,000	18,100,000	-	18,100,000	18,100,000	-	18,100,000
Retained earnings	3	74,248,742	-	74,248,742	35,575,330	12,656,714	48,232,044	33,033,741	11,039,221	44,072,962
Equity attributable to shareholders		75,448,742	-	75,448,742	53,675,330	12,656,714	66,332,044	51,133,741	11,039,221	62,172,962
Non-controlling interest	5	-	6,808	6,808	-	6,956	6,956	-	7,067	7,067
Total shareholders' equity		75,448,742	6,808	75,455,550	53,675,330	12,663,670	66,339,000	51,133,741	11,046,288	62,180,029
Total liabilities and shareholders' equity		$ 112,267,226	$ 7,465	$ 112,274,691	$ 160,498,252	$ (3,813,362)	$ 156,684,890	$ 155,908,958	$ (11,791,995)	$ 144,116,963

Reconciliation of Comprehensive Income

		Three months ended February 28, 2011			Nine months ended February 28, 2011		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue							
Condominium sales		$ 875,530	$ 87	$ 875,617	$ 6,911,455	$ 691	$ 6,912,146
Cost of condominiums sold		(374,278)	(37)	(374,315)	(3,642,207)	(364)	(3,642,571)
Commissions and closing costs		(51,914)	(6)	(51,920)	(406,804)	(41)	(406,845)
		449,338	44	449,382	2,862,444	286	2,862,730
Rental and parking income		57,927	(57,927)	-	57,927	(57,927)	-
Rental and parking costs		(22,350)	22,350	-	(22,350)	22,350	-
		35,577	(35,577)	-	35,577	(35,577)	-
Investment income		-	5,154	5,154	-	5,154	5,154
Interest income		1,352	(37)	1,315	14,280	(36)	14,244
		1,352	5,117	6,469	14,280	5,118	19,398
		486,267	(30,416)	455,851	2,912,301	(30,173)	2,882,128
Operating Expenses							
General and administrative		308,440	(57)	308,383	1,303,418	28	1,303,446
Interest		6,694	(6,694)	-	6,694	(6,694)	-
Legal and professional		26,658	(114)	26,544	162,572	(114)	162,458
Sales and marketing		101,178	9	101,187	244,158	24	244,182
Amortization		21,743	(21,743)	-	21,743	(21,743)	-
Ontario capital tax		188,592	-	188,592	188,592	-	188,592
		653,305	(28,599)	624,706	1,927,177	(28,499)	1,898,678
Earnings (loss) before income taxes and investment tax credits		(167,038)	(1,817)	(168,855)	985,124	(1,674)	983,450
Deferred income taxes	6	-	-	-	-	-	-
Net earnings (loss) and comprehensive income (loss)		$ (167,038)	$ (1,817)	$ (168,855)	$ 985,124	$ (1,674)	$ 983,450
Net earnings (loss) and comprehensive income (loss) attributable to:							
Shareholders of the Company		$ (167,038)	$ (1,820)	$ (168,858)	$ 985,124	$ (1,822)	$ 983,302
Non-controlling interest	5	-	3	3	-	148	148
		$ (167,038)	$ (1,817)	$ (168,855)	$ 985,124	$ (1,674)	$ 983,450
Basic and diluted earnings (loss) per share				$ (0.0001)			$ 0.0004

12 Explanation of transition to IFRS (continued):

Notes to reconciliations

1. Current and non-current classification

Under IFRS, the consolidated financial position has been classified between the current portion and non-current portion of each asset and liability. As a result, each asset and liability line item that is expected to be recovered or settled within no more than 12 months after the date of the consolidated statement of financial position is classified as current and that which is expected to be recovered or settled more than 12 months thereafter is classified as non-current. The change in presentation of the consolidated statement of financial position had no financial effect on the Company's operating results.

2. Properties under development and sale

Under Canadian GAAP, the Company separately distinguished between properties held for sale, being completed condominium units ready for sale, and properties under development, being condominium unit developments under construction.

Under IFRS, the Company has combined these two categories into a single line item within the statement of financial position as they present two stages of the Company's inventory.

3. Related party transaction – Acquisition of interests in joint ventures

Under Canadian GAAP, the Company accounted for the acquisition of its two interests in joint ventures at the cost amount of the vendor. Canadian GAAP requires transfers to assets between related parties to be accounted for at the vendor's cost amount, unless certain criteria, not present in these transfers, are satisfied. The difference between the fair value of the consideration given up and the cost amount of the assets acquired is charged to retained earnings. During the year ended May 31, 2011, the Company charged $12,658,534 to retained earnings in respect of these transactions.

IFRS does not provide guidance on the measurement of related party transactions, therefore related party transactions are recognized in the same manner as all other transactions, generally being at the agreed-upon sales price.

As a result of adopting IFRS, the Company has re-measured the acquisition of its interests in joint ventures as follows:

	Canadian GAAP	IFRS
New Haven	$ 3,759,607	$ 14,500,000
Ritz	481,859	2,400,000

4. Interests in joint ventures

Under Canadian GAAP, the Company account for its interests in joint ventures using the proportionate consolidation method. Under this method, the Company recorded its share, on a line-by-line basis, of each joint venture's assets, liabilities, revenue and expenses.

Upon transition to IFRS, the Company has chosen to account for its interests in joint ventures using the equity method of accounting. Under the equity method, the Company records its initial investment in each joint venture at cost and recognizes its share of the net income or loss of each joint venture as incurred. Distributions by each joint venture decrease the carrying value of the investment in joint venture when received.

5. Consolidation of interests in limited partnerships

Under Canadian GAAP, the Company accounted for its 99.99% interest in two limited partnerships under the proportionate consolidation method.

Under IFRS, the Company consolidates both of these subsidiaries, and provides for the 0.01% non-controlling interest within the equity section of its statement of financial position.

6. Deferred tax liability

The deferred income tax liability under IFRS compared to Canadian GAAP has increased due to the increase in the measurement amount of the acquisition of its interests in joint ventures.