GLOBAL

GLOBAL SUMMIT

REAL ESTATE INC.

Consolidated Financial Statements

Years ended May 31, 2012 and 2011

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GLOBAL SUMMIT REAL ESTATE INC.

We have audited the accompanying consolidated financial statements of Global Summit Real Estate Inc., which comprise the consolidated statements of financial position as at May 31, 2012, May 31, 2011 and June 1, 2010, and the consolidated statements of earnings (loss) and comprehensive income (loss), changes in equity and cash flows for the years ended May 31, 2012 and May 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Global Summit Real Estate Inc. as at May 31, 2012, May 31, 2011 and June 1, 2010, and its financial performance and its cash flows for the years ended May 31, 2012 and May 31, 2011 in accordance with International Financial Reporting Standards.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
September 25, 2012

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Global Summit Real Estate Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	May 31, 2012	May 31, 2011	June 1, 2010
Assets		(note 16)	(note 16)
Non-current assets:			
Properties held for development and sale (note 4)	$ 40,722,454	$ 103,518,885	$ 61,050,036
Investments in joint ventures (note 5)	16,118,615	16,877,462	-
Investment tax credits receivable	6,830,606	6,830,606	6,830,606
Deferred income tax asset (note 7)	6,540,000	6,885,476	30,752,183
	70,211,675	134,112,429	98,632,825
Current assets:			
Restricted cash (note 6)	1,542,258	6,379,936	11,773,769
Prepaid expenses	29,425	1,549,837	613,330
Amounts receivable	652,340	1,396,413	1,241,028
Cash	26,518,971	678,348	13,739
	28,742,994	10,004,534	13,641,866
Total assets	**$ 98,954,669**	**$ 144,116,963**	**$ 112,274,691**
Liabilities			
Non-current liability:			
Deferred income tax liability (note 7)	$ 32,483,000	$ 3,554,571	$ 22,247,018
Current liabilities:			
Due to related party (note 8)	3,458,750	6,364,912	837,273
Debt on properties (note 9)	-	43,665,917	-
Sales deposits	2,829,544	22,527,995	11,763,070
Amounts payable and accrued liabilities (note 9)	2,056,179	5,823,539	1,971,780
	8,344,473	78,382,363	14,572,123
Total liabilities	40,827,473	81,936,934	36,819,141
Shareholders' Equity			
Share capital (note 10)	18,100,000	18,100,000	1,200,000
Retained earnings (note 11)	40,008,892	44,072,962	74,248,742
Equity attributable to shareholders	58,108,892	62,172,962	75,448,742
Non-controlling interest	18,304	7,067	6,808
Total shareholders' equity	58,127,196	62,180,029	75,455,550
Total liabilities and shareholders' equity	**$ 98,954,669**	**$ 144,116,963**	**$ 112,274,691**

Approved by the Board of Directors

"Michael De Cotiis" Director   "David Tong" Director

See accompanying notes to consolidated financial statements

Global Summit Real Estate Inc.

Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)
For the years ended May 31, 2012 and 2011
(Expressed in Canadian dollars)

	May 31, 2012	May 31, 2011
Revenue		(note 16)
Condominium sales	$ 221,566,246	$ 9,474,522
Cost of condominiums sold	(101,086,499)	(4,683,048)
Commissions and closing costs	(6,127,691)	(508,447)
	114,352,056	4,283,027
Equity in income (loss) of joint ventures	3,199,224	(22,538)
Interest income	204,190	16,113
	3,403,414	(6,425)
	117,755,470	4,276,602
Operating Expenses		
General and administrative	1,687,320	1,573,903
Professional	430,063	215,861
Sales and marketing	400,018	299,506
Interest	10,172	-
Ontario capital tax	6,825	188,592
	2,534,398	2,277,862
Earnings before income taxes	115,221,072	1,998,740
Provision of income taxes		
Deferred	29,273,905	5,174,261
Net earnings (loss) and comprehensive income (loss)	$ 85,947,167	$ (3,175,521)
Net earnings (loss) and comprehensive income (loss) attributable to:		
Shareholders of the Company	$ 85,935,930	$ (3,175,780)
Non-controlling interest	11,237	259
	$ 85,947,167	$ (3,175,521)
Basic and diluted earnings (loss) per share	$ 0.0357	$ (0.0013)

See accompanying notes to consolidated financial statements

Global Summit Real Estate Inc.

Consolidated Statements of Changes in Equity
For the years ended May 31, 2012 and 2011
(Expressed in Canadian dollars)

	Share Capital	Retained Earnings	Total	Non-controlling interest	Total Equity
Balance at June 1, 2010	$ 1,200,000	$ 74,248,742	$ 75,448,742	$ 6,808	$ 75,455,550
Net earnings (loss) for the year	-	(3,175,780)	(3,175,780)	259	(3,175,521)
Dividends paid	-	(27,000,000)	(27,000,000)	-	(27,000,000)
Shares issued	16,900,000	-	16,900,000	-	16,900,000
Balance at May 31, 2011	$ 18,100,000	$ 44,072,962	$ 62,172,962	$ 7,067	$ 62,180,029
Net earnings for the year	-	85,935,930	85,935,930	11,237	85,947,167
Dividends paid	-	(90,000,000)	(90,000,000)	-	(90,000,000)
Balance at May 31, 2012	$ -	$ (4,064,070)	$ (4,064,070)	$ 11,237	$ (4,052,833)

See accompanying notes to consolidated financial statements

Global Summit Real Estate Inc.

Consolidated Statements of Cash Flows
For the years ended May 31, 2012 and 2011
(Expressed in Canadian dollars)

	May 31, 2012	May 31, 2011
Cash flows from (used in) operating activities:		
Net earnings (loss)	$ 85,947,167	$ (3,175,521)
Adjustments for:		
Deferred income taxes	29,273,905	5,174,261
Recovery of costs through condominium sales	101,086,499	4,683,048
Additions to properties held for development and sale	(17,512,498)	(47,151,898)
Acquisition of land	(20,777,570)	-
	178,017,503	(40,470,110)
Change in:		
Restricted cash	4,837,678	5,393,833
Prepaid expenses	1,520,412	(936,507)
Amounts receivable	744,073	(155,385)
Sales deposits	(19,698,451)	10,764,925
Amounts payable and accrued liabilities	(3,767,360)	3,851,759
Net cash from (used in) operating activities	161,653,855	(21,551,485)
Cash flows from investing activity:		
Investments in joint ventures	758,847	22,538
Net cash from investing activity	758,847	22,538
Cash flows from (used in) financing activities:		
Debt on properties	(43,665,917)	43,665,917
Proceeds from related party	-	5,527,639
Repayment to related party	(2,906,162)	-
Dividends paid	(90,000,000)	(27,000,000)
Net cash from (used in) financing activities	(136,572,079)	22,193,556
Increase in cash	25,840,623	664,609
Cash, beginning of year	678,348	13,739
Cash, end of year	$ 26,518,971	$ 678,348
Supplemental cash flow information:		
Interest paid in cash	$ 1,343,000	$ 1,138,543

See accompanying notes to consolidated 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 consolidated financial statements as at, and for the years ended, May 31, 2012 and 2011 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 their activities on development of two residential towers in downtown Toronto, Ontario (referred to as "Tower III" and "Tower IV", respectively).

The Company's joint ventures, Ritz Commercial Partnership ("Ritz") and New Haven Industrial Lands Development Partnership ("New Haven"), focus their 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 building in Vancouver, BC. New Haven owns a multi-tenant industrial/office business park development, and undeveloped land, in Burnaby, BC.

These consolidated financial statements were approved, and authorized for issue, by the Board of Directors on September 25, 2012.

2 Basis of Presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These are the Company's first annual consolidated financial statements prepared in accordance with IFRS, and IFRS 1 *First-time Adoption of International Financing Reporting Standards* has been applied.

In these consolidated financial statements, the term "Canadian GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS. The Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position 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 to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 16. Note 16 includes reconciliations of equity, net earnings (loss), and total comprehensive income for comparative periods reported under Canadian GAAP to those under IFRS.

Basis of measurement

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company, and have been prepared on the historical cost basis.

Basis of consolidation

Subsidiaries

These consolidated financial statements include the assets, liabilities and results of operations and cash flows 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

Investments in joint ventures are accounted for using the equity method. Under the equity method, interests in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Company's share of post-acquisition profits or losses and movements in other comprehensive income in the income statement and in other comprehensive income, respectively. When the Company’s share of losses in a joint venture equals or exceeds its interest 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 balances, revenues and expenses are eliminated in preparing the consolidated financial statements.

Use of estimates and application of judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses. These judgments, estimates and assumptions are based on historical experience and management’s assessment of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgments

The following are the critical judgments made in applying the Company’s accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Degree of significant influence

When determining the appropriate basis of accounting for the Company's investments in joint ventures, the Company considers the degree of control or influence that the Company exerts; the amount of potential voting rights which provide the Company or unrelated parties voting powers; the terms of shareholder or other contractual agreements; the ability to appoint directors; and the amount of benefits the Company receives relative to other investors.

Estimates

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 recognised in the consolidated financial statements:

Properties held for development and sale

The Company estimates the net realizable value of properties held for development and sale based on management's assessment of anticipated selling prices and costs to complete development and sale. Estimates of costs to complete development are also used to allocate current development costs to cost of sale when revenue is recognized.

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.

3 Significant Accounting Policies

Property acquisition

Where property is acquired, management considers the substance of the assets and/or activities of the acquired entity in determining whether the acquisition represents the acquisition of assets 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 fair values assets acquired and liabilities assumed including land, buildings, intangibles such as above and below-market leases, in-place operating leases and customer relationship value. The Company expenses transaction costs on business combinations.

Properties under development and sale

Properties under development and sale are accounted for at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less costs to complete development and sale. Costs include all direct development costs and capitalized carrying costs related to holding the property under development, including borrowing costs. The Company makes an impairment provision where the carrying value of a property exceeds its net realizable value.

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 development until the date of completion. Capitalization of borrowing costs is suspended during prolonged periods when development activity is interrupted.

The Company considers the date of completion to have occurred when construction is complete and upon receipt of all necessary occupancy and other material permits.

The cost of sale of a property or unit is allocated on the basis of the estimated total cost of the project prorated by the anticipated selling price of the property or unit over the anticipated selling price of the entire project.

Restricted cash

Restricted cash consists of cash over which the Company has legal ownership, but which is restricted by law or contract as to its availability or intended use, including funds held on behalf of purchasers and construction contractors.

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 from construction and sale of residential condominium units is recognized when the significant risks and rewards of ownership are transferred to the purchaser, when the Company no longer has any significant involvement with the unit, it is probable that the economic benefits from sale will flow to the Company and when the revenue and related costs of sale can be reliably measured.

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 (loss) per share is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of common shares outstanding during the period. Basic and diluted earnings (loss) per share are the same as the Company had no potentially dilutive securities outstanding during the years ended May 31, 2012 and 2011.

Income taxes

Current income taxes are the expected amount of income taxes payable to the taxation authorities, 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 consolidated financial statements.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are measured at the income tax rates that are expected to apply to the year when the asset is realized, based on the tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

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 recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument. The Company classified its financial assets as either fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity or available-for-sale. The classification depends on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at initial recognition. Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Held-to-maturity financial assets are non-derivative financial instruments that have fixed and determinable payments and the Company has the ability and intent to hold the asset until maturity. Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not classified in the other categories. For financial instruments classified as other than held-for-trading, transaction costs are added to the initial fair value of the related financial instrument. Financial assets and financial liabilities classified as held-for-trading are measured at FVTPL. Financial assets classified as held to maturity, loans and receivables or other financial liabilities are measured at amortized cost using the effective interest method.

(Expressed in Canadian dollars)

The Company has implemented the following classifications:

Cash	FVTPL
Restricted cash	FVTPL
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

Standards issued but not yet effective

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 consolidated financial statements:

Financial instruments

IFRS 9 – *Financial Instruments* (IFRS 9) was issued by the IASB in October 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, 2015, 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* (SIC-12) 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 consolidated. 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 – *Disclosure 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.

Presentation of financial statements

IAS 1 – *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (IAS 1) was issued in June 2011 and sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. 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.

(Expressed in Canadian dollars)

4 Properties Held for Development and Sale

	May 31, 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	218,238,496	109,340,667	109,024,432
Accumulated cost of condominiums sold	(177,516,042)	(76,429,543)	(71,746,495)
	$ 40,722,454	$ 103,518,885	$ 61,050,036

As at May 31, 2012, land and properties held for sale relate to Tower III and Tower IV. Upon completion of Tower IV in December 2011, Tower IV was reclassified from properties under development to land and properties held 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 on 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 PIB 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 PIB 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.

(Expressed in Canadian dollars)

5 Investments in Joint Ventures

The following amounts represent the Company's 50% interest in the assets, liabilities, revenue and expenses of two joint ventures, Ritz and New Haven.

	May 31, 2012	May 31, 2011	June 1, 2010
Assets			
Non-current assets	$ 24,952,785	$ 19,906,885	$ -
Current assets	1,824,736	10,556,010	-
	26,777,521	30,462,895	-
Liabilities			
Non-current liabilities	18,165,975	11,186,422	-
Current liabilities	5,132,229	15,054,401	-
	23,298,204	26,240,823	-
Net assets	$ 3,479,317	$ 4,222,072	$ -
Revenue	$ 5,321,436	$ 343,988	$ -
Expenses	(2,122,212)	(366,526)	-
Net earnings (loss) and comprehensive earnings (loss)	$ 3,199,224	$ (22,538)	$ -

The Company is contingently liable with respect to the co-venturer's' share of the joint ventures' liabilities of $23,298,204 (2011 - $26,240,823) and would be able to utilize the co-venturer's' share of the joint ventures' assets to satisfy these liabilities.

6 Restricted Cash

	May 31, 2012	May 31, 2011	June 1, 2010
Sales deposits	$ 836,981	$ 2,450,540	$ 11,773,769
Holdbacks	705,277	3,929,396	-
	$ 1,542,258	$ 6,379,936	$ 11,773,769

(Expressed in Canadian dollars)

7 Deferred Income Taxes

Income tax expense for the years differs from the amounts that would be expected by applying the combined federal and provincial statutory income tax rates of 27.42% (2011 - 29.54%) to earnings (loss) before income taxes, as a result of the following:

	May 31, 2012	May 31, 2011
Expected income tax expense	$ 31,591,351	$ 590,504
Partnership income	166,806	20,869,310
Utilization of losses and SRED	(962,355)	(21,459,815)
Expiring losses	-	2,516,710
Investment in joint ventures	-	1,597,000
Effect of income tax rate changes	(1,388,014)	(338,912)
Other permanent differences and reconciling items	(133,883)	1,399,464
Income tax expense	$ 29,273,905	$ 5,174,261

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and deferred income tax liabilities are presented below:

	May 31, 2012	May 31, 2011	June 1, 2010
Deferred income tax assests:			
Non-capital losses carried forward	$ -	$ -	$ 17,723,664
SRED expenditure carried forward	6,540,000	6,885,476	13,028,519
	$ 6,540,000	$ 6,885,476	$ 30,752,183
Deferred income tax liabilities:			
Partnership income	$ (29,056,000)	$ (166,806)	$ (20,468,260)
Investment tax credits receivable	(1,810,000)	(1,778,765)	(1,778,758)
Investments in joint ventures	(1,595,000)	(1,597,000)	-
Income producing properties	(22,000)	(12,000)	-
	$ (32,483,000)	$ (3,554,571)	$ (22,247,018)

As at May 31, 2012, the Company had Scientific Research and Experimental Development (“SRED”) of approximately $28,624,488 (2011 - $30,608,856), which are available to reduce taxable income in future years.

8 Related Party Disclosures

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

During the years ended May 31, 2012 and 2011, the Company incurred construction management fees, based on 3% of construction costs incurred, of $478,752 for a total of $4,537,515 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 May 31, 2012 is $32,351 (2011 - $1,005,511) due in respect of these construction management fees.

In relation to the ground lease with PIB (see note 4), PBSDP and the Company entered into a Cost Sharing Agreement under which PBSDP agreed to reimburse the Company for construction costs of retail and office areas and commercial parking areas. During the year ended May 31, 2012, the Company was reimbursed $2,489,045 for retail and office areas. Also, during the year ended May 31, 2012, the Company reacquired certain commercial parking areas, which were reimbursed to the Company by PBSDP during the year ended May 31, 2010, for $11,212,756.

Key management personnel are those people having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The compensation paid or payable to key management for employee services is $38,500 (2011- $38,500).

9 Debt on Properties

Land acquisition and construction financing

Pinnacle LP IV 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”) bearing 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 the loan on December 29, 2011, $60,040,674 was funded under the Tower IV Construction Loan. As of May 31, 2012, the Tower IV Construction Loan was fully repaid (2011 - $43,665,917 outstanding).

Lead lender has made available, on its portion, an overdraft account of up to $1,000,000 to cover costs arising prior to each monthly progress draw. As at May 31, 2012, $nil had been advanced. This lender has also made available, on its 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 May 31, 2012, $282,378 (2011 - $323,111) (refer to note 14) had been advanced.

Security for the Tower IV Construction Loan was provided by way of a first charge on the property, general security agreements, and guarantees of a director and related corporations.

(Expressed in Canadian dollars)

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 sales deposits ("Tower IV Insured Deposits") to be used as construction financing, 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 May 31, 2012, Pinnacle LP IV held $nil (2011 - $19,990,701) in Insured Deposits.

10 Share Capital

The Company's authorized share capital consists of an unlimited number of voting common shares and an unlimited number of non-voting common shares.

	Number of voting common shares		Amount
Balance at May 31, 2012, May 31, 2011 and June 1, 2010 (without par value)	20,230,378	$	-

	Number of non-voting common shares		Amount
Balance at June 1, 2010 (without par value)	2,373,169,023	$	1,200,000
Shares issued (with par value of $1)	16,900,000		16,900,000
Balance at May 31, 2012 and May 31, 2011	2,390,069,023	$	18,100,000

11 Dividends

During 2012 the Company paid cash dividends of $90,000,000 ($0.0376 per share) (2011 - $27,000,000, being $0.0113 per share), with $760,723 (2011 - $228,219) paid to the holders of voting common shares and $89,239,277 (2011 - $26,771,781) paid to the holders of non-voting common shares.

(Expressed in Canadian dollars)

12 Capital Management

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

	May 31, 2012	May 31, 2011	June 1, 2010
Land acquisition and construction financing	$ -	$ 43,665,917	$ -
Deposit financing	-	19,990,701	-
Due to related party	3,458,750	6,364,912	837,273
Share capital	18,100,000	18,100,000	1,200,000
	$ 21,558,750	$ 88,121,530	$ 2,037,273

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

13 Financial Instruments and Risk Management

Risk management

The Company is exposed to certain risks relating to its financial instruments. The Company does not use derivative financial instruments to manage these risk exposures.

Liquidity risk

Liquidity risk is the risk that the Company will not be 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. All amounts receivable were collected after May 31, 2012. Amounts payable and accrued liabilities includes $705,277 of holdbacks payable.

Credit risk

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 restricted cash is believed to be minimal as these balances are 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.

Fair values

The carrying values of cash, 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.

14 Commitments

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

15 Subsequent Events

Subsequent to May 31, 2012, the Company paid a dividend of $35,000,000 ($0.014521 per share), with $293,765 paid to the holders of voting common shares and $34,706,235 paid to the holders of non-voting common shares.

16 Explanation of Transition to IFRS

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

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the years ended May 31, 2012 and 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 sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the date of transition with all adjustments to assets and liabilities taken to retained earnings or, if appropriate, another category of equity. IFRS 1 provides certain mandatory exceptions and allows specific exemptions from this general retrospective application. The Company has applied the following optional exemptions 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.

(Expressed in Canadian dollars)

The following is a reconciliation of the Company's statement of financial position as at June 1, 2010:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Non-current assets:				
Income producing properties	4	$ -	$ -	$ -
Properties under development	2	23,769,722	(23,769,722)	-
Properties held for sale	2	37,274,209	(37,274,209)	-
Properties held for development and sale	2	-	61,050,036	61,050,036
Investment in joint ventures	4	-	-	-
Due from related parties		-	-	-
Investment tax credits receivable		6,830,606	-	6,830,606
Deferred tax asset		30,752,183	-	30,752,183
		98,626,720	6,105	98,632,825
Current assets:				
Restricted cash		11,772,592	1,177	11,773,769
Prepaid expenses		613,269	61	613,330
Amounts receivable		1,240,904	124	1,241,028
Cash and cash equivalents		13,741	(2)	13,739
		13,640,506	1,360	13,641,866
Total assets		$ 112,267,226	$ 7,465	$ 112,274,691
Liabilities				
Non-current liability:				
Deferred tax liability	6	$ 22,247,018	$ -	$ 22,247,018
Current liabilities:				
Due to related parties		837,983	(710)	837,273
Debt on properties		-	-	-
Sales deposits		11,761,894	1,176	11,763,070
Unearned revenue and tenant deposits		-	-	-
Amounts payable and accrued liabilities		1,971,589	191	1,971,780
		14,571,466	657	14,572,123
Total liabilities		36,818,484	657	36,819,141
Shareholders' Equity				
Share capital		1,200,000	-	1,200,000
Retained earnings	3	74,248,742	-	74,248,742
Equity attributable to shareholders		75,448,742	-	75,448,742
Non-controlling interest	5	-	6,808	6,808
Total shareholders' equity		75,448,742	6,808	75,455,550
Total liabilities and shareholders' equity		$ 112,267,226	$ 7,465	$ 112,274,691

(Expressed in Canadian dollars)

The following is a reconciliation of the Company's statement of financial position as at May 31, 2011:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Non-current assets:				
Income producing properties	4	$ 15,327,017	$ (15,327,017)	$ -
Properties under development	2	75,199,739	(75,199,739)	-
Properties held for sale	2	32,907,832	(32,907,832)	-
Properties held for development and sale	2	-	103,518,885	103,518,885
Investment in joint ventures	4	-	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
Deferred tax asset		6,885,476	-	6,885,476
		145,167,779	(11,055,350)	134,112,429
Current assets:				
Restricted cash		6,379,298	638	6,379,936
Prepaid expenses		1,927,925	(378,088)	1,549,837
Amounts receivable		1,691,788	(295,375)	1,396,413
Cash and cash equivalents		742,168	(63,820)	678,348
		10,741,179	(736,645)	10,004,534
Total assets		$ 155,908,958	$ (11,791,995)	$ 144,116,963
Liabilities				
Non-current liability:				
Deferred tax liability	6	$ 1,957,571	$ 1,597,000	$ 3,554,571
Current liabilities:				
Due to related parties		18,973,409	(12,608,497)	6,364,912
Debt on properties		54,847,972	(11,182,055)	43,665,917
Sales deposits		22,525,742	2,253	22,527,995
Unearned revenue and tenant deposits		233,832	(233,832)	-
Amounts payable and accrued liabilities		6,236,691	(413,152)	5,823,539
		102,817,646	(24,435,283)	78,382,363
Total liabilities		104,775,217	(22,838,283)	81,936,934
Shareholders' Equity				
Share capital		18,100,000	-	18,100,000
Retained earnings	3	33,033,741	11,039,221	44,072,962
Equity attributable to shareholders		51,133,741	11,039,221	62,172,962
Non-controlling interest	5	-	7,067	7,067
Total shareholders' equity		51,133,741	11,046,288	62,180,029
Total liabilities and shareholders' equity		$ 155,908,958	$ (11,791,995)	$ 144,116,963

(Expressed in Canadian dollars)

The following is a reconciliation of the Company's net and comprehensive loss for the year ended May 31, 2011:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Condominium sales		$ 9,473,575	$ 947	$ 9,474,522
Cost of condominiums sold		(4,682,580)	(468)	(4,683,048)
Commissions and closing costs		(508,396)	(51)	(508,447)
		4,282,599	428	4,283,027
Rental and parking income		373,727	(373,727)	-
Rental and parking costs		(84,928)	84,928	-
		288,799	(288,799)	-
Investment income		-	(22,538)	(22,538)
Interest income		16,393	(280)	16,113
		16,393	(22,818)	(6,425)
		4,587,791	(311,189)	4,276,602
Operating Expenses				
General and administrative		1,649,172	(75,269)	1,573,903
Interest		65,002	(65,002)	-
Legal and professional		215,975	(114)	215,861
Sales and marketing		299,476	30	299,506
Amortization		148,780	(148,780)	-
Ontario capital tax		188,592	-	188,592
		2,566,997	(289,135)	2,277,862
Earnings (loss) before income taxes and investment tax credits		2,020,794	(22,054)	1,998,740
Deferred income taxes	6	3,577,261	1,597,000	5,174,261
Net loss and comprehensive loss		$ (1,556,467)	$ (1,619,054)	$ (3,175,521)
Net loss and comprehensive loss attributable to:				
Shareholders of the Company		$ (1,556,467)	$ (1,619,313)	$ (3,175,780)
Non-controlling interest	5	-	259	259
		$ (1,556,467)	$ (1,619,054)	$ (3,175,521)
Basic and diluted loss per share		$ (0.0007)	$ (0.0006)	$ (0.0013)

(Expressed in Canadian dollars)

16 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 closely related 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 under Canadian GAAP.

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 accounted 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. 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 income 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.