GLOBAL

GLOBAL SUMMIT
REAL ESTATE INC.

Condensed Consolidated Interim Financial Statements
(Unaudited)

Nine months ended February 28, 2013 and February 29, 2012

(Expressed in Canadian dollars)

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 28, 2013 and February 29, 2012 have been prepared by, and are the responsibility of, the Company's management. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

Global Summit Real Estate Inc.

Condensed Consolidated Interim Statement of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	February 28, 2013	May 31, 2012
Assets		
Non-current assets:		
Properties held for development and sale (note 4)	$ 26,483,443	$ 40,722,454
Investments in joint ventures (note 5)	16,090,214	16,118,615
Investment tax credits receivable	6,950,537	6,830,606
Deferred income tax asset	4,756,000	6,540,000
	54,280,194	70,211,675
Current assets:		
Restricted cash (note 6)	299,927	1,542,258
Prepaid expenses	41,318	29,425
Amounts receivable	190,261	652,340
Cash	16,307,623	26,518,971
	16,839,129	28,742,994
Total assets	**$ 71,119,323**	**$ 98,954,669**
Liabilities		
Non-current liability:		
Deferred income tax liability	$ 36,661,000	$ 32,483,000
Current liabilities:		
Due to related party (note 7)	-	3,458,750
Deposits	883,526	2,829,544
Amounts payable and accrued liabilities (note 7)	634,687	2,056,179
	1,518,213	8,344,473
Total liabilities	38,179,213	40,827,473
Shareholders' Equity		
Share capital (note 8)	18,100,000	18,100,000
Retained earnings (note 9)	14,820,226	40,008,892
Equity attributable to shareholders	32,920,226	58,108,892
Non-controlling interest	19,884	18,304
Total shareholders' equity	32,940,110	58,127,196
Total liabilities and shareholders' equity	**$ 71,119,323**	**$ 98,954,669**

Approved by the Board of Directors

"Michael De Cotiis" Director   "David Tong" Director

See accompanying notes to condensed consolidated interim financial statements

Global Summit Real Estate Inc.

Condensed Consolidated Interim Statements of Earnings and Comprehensive Income
For the three months and nine months ended February 28, 2013 and February 29, 2012
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
Revenue				
Condominium sales	$ 6,667,110	$ 195,975,482	$ 37,322,341	$ 211,373,235
Cost of condominiums sold	(2,900,888)	(87,267,235)	(16,120,167)	(94,758,509)
Commissions and closing costs	(328,190)	(4,931,271)	(1,386,739)	(5,448,254)
	3,438,032	103,776,976	19,815,435	111,166,472
Equity in income (loss) of joint ventures	(25,787)	(82,317)	(28,401)	1,242,832
Interest income	31,772	77,886	141,434	84,470
	5,985	(4,431)	113,033	1,327,302
	3,444,017	103,772,545	19,928,468	112,493,774
Expenses				
Loss from securities trading	-	-	2,261,209	-
General and administrative	561,076	922,832	1,900,501	1,835,553
Professional	12,868	239,025	111,775	328,997
Interest	-	10,172	-	10,172
Ontario capital tax	-	-	-	6,825
	573,944	1,172,029	4,273,485	2,181,547
Earnings before income taxes	2,870,073	102,600,516	15,654,983	110,312,227
Provision for income taxes				
Deferred	761,000	4,984,259	5,842,069	5,084,165
Net earnings and comprehensive income	$ 2,109,073	$ 97,616,257	$ 9,812,914	$ 105,228,062
Net earnings and comprehensive income attributable to:				
Shareholders of the Company	$ 2,108,783	$ 97,605,980	$ 9,811,334	$ 105,217,131
Non-controlling interest	290	10,277	1,580	10,931
	$ 2,109,073	$ 97,616,257	$ 9,812,914	$ 105,228,062
Basic and diluted earnings per share	$ 0.0009	$ 0.0405	$ 0.0041	$ 0.0437

See accompanying notes to condensed consolidated interim financial statements

Global Summit Real Estate Inc.

Condensed Consolidated Interim Statements of Changes in Equity
For the nine months ended February 28, 2013 and February 29, 2012
(Unaudited)
(Expressed in Canadian dollars)

	Share Capital	Retained Earnings	Total	Non-controlling interest	Total Equity
Balance at June 1, 2011	$ 18,100,000	$ 44,072,962	$ 62,172,962	$ 7,067	$ 62,180,029
Net earnings for the period	-	105,217,131	105,217,131	10,931	105,228,062
Dividends paid	-	(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, 2012	$ 18,100,000	$ 40,008,892	$ 58,108,892	$ 18,304	$ 58,127,196
Net earnings for the period	-	9,811,334	9,811,334	1,580	9,812,914
Dividends paid	-	(35,000,000)	(35,000,000)	-	(35,000,000)
Balance at February 28, 2013	$ 18,100,000	$ 14,820,226	$ 32,920,226	$ 19,884	$ 32,940,110

See accompanying notes to condensed consolidated interim financial statements

Global Summit Real Estate Inc.

Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended February 28, 2013 and February 29, 2012
(Unaudited)
(Expressed in Canadian dollars)

	February 28, 2013	February 29, 2012
Cash flows from operating activities:		
Net earnings	$ 9,812,914	$ 105,228,062
Adjustments for:		
Deferred income taxes	5,842,069	5,084,165
Recovery of costs through condominium sales	16,120,167	94,758,509
Additions to properties held for development and sale	(1,881,156)	(17,290,548)
Acquisition of land	-	(20,777,570)
	29,893,994	167,002,618
Change in:		
Restricted cash	1,242,331	4,133,750
Prepaid expenses	(11,893)	1,531,894
Amounts receivable	462,079	(1,784,376)
Deposits	(1,946,018)	(19,876,331)
Amounts payable and accrued liabilities	(1,421,492)	(959,672)
Net cash from operating activities	28,219,001	150,047,883
Cash flows from (used in) investing activity:		
Investments in joint ventures	28,401	(1,242,832)
Net cash from (used in) investing activity	28,401	(1,242,832)
Cash flows used in financing activities:		
Debt on properties	-	(43,665,917)
Repayment to related party	(3,458,750)	-
Proceeds from related party	-	8,611,335
Dividends paid	(35,000,000)	(90,000,000)
Net cash used in financing activities	(38,458,750)	(125,054,582)
Increase (decrease) in cash	(10,211,348)	23,750,469
Cash, beginning of period	26,518,971	678,348
Cash, end of period	$ 16,307,623	$ 24,428,817
Supplemental cash flow information:		
Interest paid in cash	$ -	$ 1,343,000

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 28, 2013 and 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 their activities on development of two residential towers in downtown Toronto, Ontario (referred to as “Tower III” and “Tower IV”, respectively) and, from time to time, securities trading.

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 condensed consolidated interim financial statements were approved, and authorized for issue, by the Board of Directors on April 29, 2013.

2 Basis of Presentation

Statement of compliance

These condensed consolidated interim financial statements and the notes thereto have been prepared in accordance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s consolidated financial statements for the years ended May 31, 2012 and 2011, which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). For the nine months ended February 28, 2013 and February 29, 2012, there have been no changes to the Company’s accounting policies from those disclosed in the Company’s consolidated financial statements for the years ended May 31, 2012 and 2011.

Basis of measurement

These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements.

Use of estimates and application of judgments

The preparation of condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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, when 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 nine months ended February 28, 2013 and February 29, 2012.

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 condensed consolidated interim 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.

(Expressed in Canadian dollars)

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.

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
Deposits	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 condensed consolidated interim 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 fiscal years 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 fiscal years 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 disclosure 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 fiscal years 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 fiscal years 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 fiscal years 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 fiscal years 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 fiscal years 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

	February 28, 2013	May 31, 2012
Land and properties held for sale	$ 220,119,652	$ 218,238,496
Accumulated cost of condominiums sold	(193,636,209)	(177,516,042)
	$ 26,483,443	$ 40,722,454

Land and properties held for sale relate to Tower III and Tower IV.

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.

	February 28, 2013	May 31, 2012
Assets		
Non-current assets	$ 30,495,627	$ 24,952,785
Current assets	1,963,577	1,824,736
	32,459,204	26,777,521
Liabilities		
Non-current liabilities	21,928,006	18,165,975
Current liabilities	7,071,628	5,132,229
	28,999,634	23,298,204
Net assets	$ 3,459,570	$ 3,479,317
Revenue	$ 1,458,338	$ 5,321,436
Expenses	(1,486,739)	(2,122,212)
Net earnings and comprehensive earnings	$ (28,401)	$ 3,199,224

The Company is contingently liable with respect to the co-venturer's' share of the joint ventures' liabilities of $28,999,634 (May 31, 2012 - $23,298,204) and would be able to utilize the co-venturer's' share of the joint ventures' assets to satisfy these liabilities.

(Expressed in Canadian dollars)

6 Restricted Cash

		February 28, 2013		May 31, 2012
Sales deposits	$	159,673	$	836,981
Holdbacks		140,254		705,277
	$	299,927	$	1,542,258

7 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 period ended February 28, 2013, the Company incurred construction management fees, based on 3% of construction costs incurred, of $46,326 for a total of $4,583,841 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 28, 2013 is $78,677 (May 31, 2012 - $32,351) due in respect of these construction management fees.

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 $27,450 (February 29, 2012 - $29,250).

8 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 February 28, 2013 and May 31, 2012 (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 at February 28, 2013 and May 31, 2012	2,390,069,023	$	18,100,000

(Expressed in Canadian dollars)

9 Dividends

During the period ended February 28, 2013, the Company paid cash dividends of $35,000,000 ($0.014521 per share) (February 29, 2012 - $90,000,000, $0.037340 per share), with $293,765 (February 29, 2012 - $760,723) paid to the holders of voting common shares and $34,706,235 (February 29, 2012 - $89,239,277) paid to the holders of non-voting common shares.

10 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 due to related party and share capital as follows:

	February 28, 2013	May 31, 2012
Due to related party	$ -	$ 3,458,750
Share capital	18,100,000	18,100,000
	$ 18,100,000	$ 21,558,750

The Company complied with all requirements imposed by its lenders during the year ended May 31, 2012 and to date.

11 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 amounts of cash and other current assets and by having adequate access to credit facilities when needed. All amounts receivable were collected after February 28, 2013. Amounts payable and accrued liabilities includes $140,254 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 deposits approximate their fair values due to the short-term nature of these financial assets and financial liabilities.

12 Commitments

The Company has outstanding letters of credit of $82,747 (May 31, 2012 - $282,378) provided for development activities.