NORTHERN FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2013
(Expressed in Canadian Dollars)

(Unaudited)

NORTHERN FINANCIAL CORPORATION
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at June 30, 2013 and March 31, 2013

	June 30, 2013	March 31, 2013
ASSETS		
CURRENT		
Cash and cash equivalents	$ 4,227	$ 41,198
Deposit with carrying broker (Note 3)	-	-
Securities owned (Note 4)	30,199	37,192
Accounts receivable	1,330	452
Prepaid expenses and deposits	2,997	-
TOTAL CURRENT ASSETS	38,753	78,842
NON CURRENT ASSETS		
Investment in associated company (Note 6)	150,394	417,211
Other assets	-	-
Property and equipment (Note 7)	12,914	12,914
	163,308	430,125
TOTAL ASSETS	$ 202,061	$ 508,967
LIABILITIES		
CURRENT		
Short-term loans payable (Note 8)	$1,800,435	$2,183,640
Accounts payable and accrued liabilities	1,762,467	1,690,818
Provisions (Note 14)	790,640	790,640
Settlement liability (Note 9)	504,000	504,000
TOTAL CURRENT LIABILITIES	4,857,542	5,169,098
TOTAL LIABILITIES	4,857,542	5,169,098
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 10)	3,675,678	3,675,678
Warrants (Note 10)	158,829	158,829
Contributed surplus (Note 10)	1,777,355	1,764,589
Deficit	(10,267,343)	(10,259,227)
TOTAL SHAREHOLDERS’ EQUTY (DEFICIENCY)	(4,655,481)	(4,660,131)
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUTY (DEFICIENCY)	$ 202,061	$ 508,967

GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 13 and 14)
SUBSEQUENT EVENTS (Note 20)

APPROVED BY THE BOARD

”Bill Grant”

Director

“Vic Alboini”

Director

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

NORTHERN FINANCIAL CORPORATION
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
For the Three Months Ended June 30, 2013 and 2012

	June 30, 2013	**June 30, 2012**
		(Note 17)
REVENUES		
Underwriting and advisory	29,406	$300,293
Broker warrants	(6,993)	(237,737)
Other	456,342	440
Trading	-	1,713
TOTAL REVENUES	478,755	64,709
OPERATING EXPENSES		
General and administrative	405,121	410,609
Interest expense	(8,067)	91,745
Depreciation and amortization	-	33,258
TOTAL OPERATING EXPENSES	397,054	535,612
Net loss before the undernoted	(81,701)	(470,903)
Share of loss of Jaguar Financial Corporation (Note 6)	(79,276)	(202,487)
Gain (Loss) on investment in Jaguar Financial Corporation (Note 6)	(10,541)	20,329
NET LOSS FROM CONTINUING OPERATIONS	(8,116)	(653,061)
NET LOSS FROM DISCONTINUED OPERATIONS (Note 17)	-	(773,703)
LOSS BEFORE INCOME TAXES	(8,116)	(1,426,764)
Income taxes (Note 12)	-	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(8,116)	(1,426,764)
LOSS PER SHARE FROM CONTINUING OPERATIONS– Basic and diluted (Note 10(f))	($0.00)	$(0.02)
LOSS PER SHARE – Basic and diluted (Note 10(f))	($0.00)	$(0.04)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	44,208,375	32,452,798

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

NORTHERN FINANCIAL CORPORATION
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
For the Three Months Ended June 30, 2013 and 2012

	Common Shares #	Common Shares $	Warrants $	Contributed Surplus $	Deficit $	Shareholders' Equity (Deficiency) $
Balance, March 31, 2012	**32,184,127**	**2,807,960**	**158,829**	**1,973,623**	**(4,200,895)**	**730,517**
Private Placements	10,000,000	492,023	-	-	-	492,023
Employee equity incentive / purchase plans	2,024,248	375,695	-	(209,034)	-	166,661
Net loss and comprehensive loss	-	-	-	-	(6,049,332)	(6,049,332)
Balance, March 31, 2013	**44,208,375**	**3,675,678**	**158,829**	**1,764,589**	**(10,259,227)**	**(4,660,131)**
Employee equity incentive / purchase plans				12,766		12,766
Net loss and comprehensive loss	-	-	-	-	(8,116)	(8,116)
Balance, June 30, 2013	**44,208,375**	**3,675,678**	**158,829**	**1,777,355**	**(10,267,343)**	**(4,655,481)**

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

NORTHERN FINANCIAL CORPORATION
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the Three Months ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	$(8,116)	$(1,426,764)
Items not affecting cash		
Depreciation and amortization	-	33,258
Loss on sale of property and equipment	-	-
Loss (Gain) on sale of associated company	10,541	(20,329)
Write-down of deposit with carrying broker	-	-
Debt settlement	(432,915)	-
Share of loss of associated company	79,276	202,487
Receipt of shares in associated company	-	(65,000)
Equity incentive / employee share purchase plans	12,766	69,313
Compensation warrants issued	-	
	(338,448)	(1,207,035)
Changes in non-cash working capital balances		
Securities owned and sold short	6,993	454,380
Accounts receivable	(878)	(26,560)
Prepaid expenses, deposits, and forgivable loans	(2,997)	(22,531)
Commodity taxes recoverable	-	(46,294)
Accounts payable and accrued liabilities	71,649	(144,759)
Settlement liability	-	(9,287)
Cash flows from operating activities	(263,681)	(986,682)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(28,645)
Disposition of investment in associated company	177,000	214,906
Dividend from associated company	-	7,702
Acquisition of investment in associated company	-	-
Deposit with carrying broker	-	540,787
Cash flows from investing activities	177,000	734,750
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from financings	-	198,023
Share issue costs	-	
Proceeds from employee share purchase plan	-	
Repurchase of shares for reissue	-	
Increase (decrease) in short term loans	49,710	389,254
Cash flows from financing activities	49,710	587,277
CHANGE IN CASH	(36,971)	319,941
CASH, BEGINNING OF PERIOD	41,198	362,015
CASH, END OF PERIOD	$ 4,227	$ 681,956

SUPPLEMENTARY INFORMATION (Note 18)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Northern Financial Corporation (the “Company”) wholly owns Northern Securities Inc. (“Northern Securities”). Prior to December 31, 2012 the Company carried on a traditional brokerage and investment banking business through Northern Securities, which is a member firm of the Investment Industry Regulatory Organization of Canada (“IIROC”). The Company continues to carry on a merchant banking business as well as a mergers and acquisitions advisory business. The Company is governed by the *Business Corporations Act (Ontario)* and its common shares are listed on the TSX Venture Exchange under the symbol “NFC”. The address of its registered office is Commerce Court North, 25 King Street West, Suite 1450, Toronto, Ontario, Canada, M5L 1E8.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Certain matters existing as at June 30, 2013, including continued losses, a working capital deficiency, matured loans and discontinued operations, represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

During the three month period ended June 30, 2013, the Company incurred a net loss of $8,116. The Company’s working capital deficiency at June 30, 2013 is $4,818,789. The Company also has certain loans that have matured and have not been repaid (Note 9).

Northern Securities assigned its client accounts to other brokerage firms pursuant to a consent order, agreed upon by IIROC and Northern Securities, issued by an IIROC Hearing Panel on December 14, 2012. On March 19, 2013, Northern Securities and IIROC entered into a settlement agreement which provided for the suspension of Northern Securities as an IIROC member. The suspension from IIROC and assignment of client accounts to other brokerage firms resulted in certain operations of the Company being recorded as discontinued.

The Company intends to seek regulatory and shareholder approval for the restructuring of its debt by providing certain primary lenders with an option to receive cash or shares to restructure the amounts owing to them. The financial restructuring of the Company is voluntary and informal. It requires the cooperation of its creditors. There is no guarantee that any of the creditors in an informal restructuring will accept either the cash option or the share option. If any creditor does not accept the cash or the share option, the Company may not be able to continue as a going concern. Subsequent to June 30, 2013, the Company entered agreements with creditors owed $504,000, $200,000 and $570,759 (see “Subsequent Events”).

Management has considered expectations for future profitability and believes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business, and accordingly, it is appropriate to prepare these financial statements on a going concern basis. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss and the statement of financial position classifications used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

These financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency. These financial statements are presented on a historical cost basis unless an item is reported at fair value, and is presented on an accrual basis, except for cash flow information.

These consolidated financial statements were authorized for issuance by the Company’s Board of Directors on August 29, 2013.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and all its subsidiaries with its principal subsidiary, Northern Securities. Intercompany accounts and balances are eliminated upon consolidation.

Investments in associated companies

The equity method is used to account for investments in associated companies where the Company has significant influence. The share of earnings, gains and losses, realized dispositions and write downs to reflect other than temporary impairment are recognized in income. The loss in value of an investment in an associated company is considered to be other than a temporary decline when there is significant or prolonged decline in the fair value of an investment below its carrying value. The Company's proportion of dividends paid by the associated company reduces the carrying value of the investment.

Cash and cash equivalents

The Company considers all highly liquid debt instruments with an original maturity date of three months or less to be cash equivalents.

Financial instruments – recognition and measurement

All financial instruments are classified into one of five categories: fair value through profit and loss, held to maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. Financial instruments are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as ''fair value through profit and loss'', directly attributable transaction costs.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows:

- Fair value through profit and loss financial instruments are measured at fair value with changes in fair value recognized through profit or loss;
- Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the financial asset is derecognized or impaired at which time the amounts would be recorded in profit or loss; or
- Loans and receivables, held to maturity investments, and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Cash and cash equivalents, accounts receivable, and forgivable loans are classified as loans and receivables. Securities owned and deposits with carrying brokers are classified as fair value through profit and loss. Short-term loans payable, and accounts payable and accrued liabilities and settlement liability are classified as other financial liabilities.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses recorded. Depreciation is provided using the following annual rates and methods:

Furniture and fixtures	20% declining balanceLeasehold
improvements	20% declining balanceComputer
equipment	30% - 50% declining balanceWorks of art
	Not amortized

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, such as property and equipment, to determine whether there is an indication of an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss (if any). The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the assets is increased to the revised estimate of its recoverable amount to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized.

Forgivable loans

Forgivable loans are extended to investment advisors and capital markets professionals as a hiring and retention incentive. These loans are non-interest bearing and are initially recorded at fair value using a discounted cash flow approach using the prevailing prime interest rate on the date recorded. The difference between the fair value of these loans and the cash consideration is recorded as compensation expense and is included as operating expenses on the consolidated statement of operations and comprehensive loss. These loans are forgiven on a straight-line basis over the period of the individual employment contract, which vary in length from six months to four years. Employees that leave the Company prior to the end of the contractual term are required to repay any loan amount not yet forgiven.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(a) Securities transactions

Securities transactions, commissions and related clearing expenses are recorded on a trade date basis when the services are performed.

(b) Corporate finance and advisory fees

Corporate finance and advisory fees include fees earned from new issue and private placements, and corporate finance activities. New issue and private placements revenue consists of finder's fees and commissions earned on public offerings and private placements of securities. Revenue from finders fees and commissions earned on public offerings and private placements of securities are recorded when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable and collectible. Corporate finance revenue consists of underwriting fees, management and advisory fees, and commissions earned on corporate finance activities. Revenue from underwritings, mergers and acquisitions and other corporate finance activities are recorded when the underlying transaction is substantially completed and collection of funds is reasonable assured under the engagement terms and the related revenue is reasonably determinable. Management and advisory fees are recognized on an accrual basis.

(b) Interest income

Interest income is recorded when earned.

Broker warrants

Warrants received by the Company in respect of underwriting are initially measured at fair value using the Black-Scholes model. Broker warrants are classified as fair value through profit and loss and subsequent changes in fair value are recorded as revenue.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in the same statement in which the related item is recognized.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustments to tax payable in respect to previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and enacted and substantively enacted law by the reporting date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and related to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding. Diluted earnings (loss) per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Comparative figures

Certain comparative figures have been reclassified to conform with presentation adopted in the current period.

Significant judgments, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(a) Valuation of financial instruments

The financial instruments of the Company are measured at fair value or amortized cost. Fair value is determined on the basis of market prices from independent sources, if available. If there is no available market price, fair value is determined using the Black-Scholes model. The inputs to the Black-Scholes model are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair value. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value when observable data is not available.

(b) Income tax

Accruals for tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Deferred tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered. Deferred tax assets and liabilities are recorded using substantively enacted future tax rates. Accordingly, the actual income tax liabilities and deferred tax assets may differ significantly from that estimated and recorded.

(c) Impairment

The carrying value of investment in associated company, and property and equipment is reviewed each reporting period to determine whether there is an indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in net income. The assessment of recoverable amount requires the use of estimates and assumptions for discount rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of the assets could impact the impairment analysis.

Provisions

Provisions are recorded by the Company when it has determined that it has a present obligation, whether legal or constructive, and that it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are recorded based on management's best estimates of timing, and quantum of future outflows.

Future Accounting Policies

(a) Presentation of Financial Statements: IAS 1 was amended to improve the consistency and clarity of the presentation of items of other comprehensive income. A requirement has been added to present items in other comprehensive income grouped on the basis of whether they may be reclassified subsequently to profit or loss. This amendment makes clearer the effects items of other comprehensive income may have on profit or loss in the future. Consistent with this requirement, income tax on items presented in other comprehensive income is required to be allocated between items that will not be reclassified subsequently to profit or loss and those that might be reclassified, if the items in other comprehensive income are presented before tax. IAS 1 is effective for annual years beginning on or after July 1, 2012. The Company is currently evaluating the impact of IAS 1 on its financial statements.

(b) Financial Instruments disclosure: The IASB amended IFRS 7 Financial Instruments: Disclosures for Disclosures – Transfers of Financial Assets. The amendments require additional disclosure to allow users of the financial statements to evaluate the effect or potential effect of netting arrangements. IFRS 7 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 7 on its financial statements.

(c) Financial Instruments: IFRS 9 is the first of a multi-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and derecognition of financial assets and financial liabilities.

IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortized cost and those measured at fair value. Classification is made at the time the financial asset is initially recognized when the entity becomes a party to the contractual provisions of the instrument. The transition guidance is complex and mainly requires retrospective application.

Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing entity's own credit risk to be presented in other comprehensive income. An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss.

The requirements in IAS 39 related to derecognition of financial assets and financial liabilities have been incorporated unchanged into the new version of IFRS 9. IFRS 9 is effective for annual years beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

(d) Consolidated Financial Statements: IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in consolidated financial statements. IFRS 10 supersedes SIC-12 Consolidation—Special Purpose Entities and the requirements relating to consolidated financial statements in IAS 27 Consolidated and Separate Financial Statements (as amended in 2008). IFRS 10 is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its financial statements.

(e) Joint Arrangements: IFRS 11 establishes principles that are applicable to the accounting for all joint arrangements. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Ventures. IFRS 11 is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its financial statements.

(f) Disclosure of Interests in Other Entities: IFRS 12 provides enhanced disclosures about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard requires an entity to disclose information that enables users of financial statements to evaluate the judgments and assumptions made by a reporting entity when deciding how to classify its involvement with another entity; the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on its financial statements.

(g) Separate Financial Statements: IAS 27 was amended as a result of issuing IFRS 10. Requirements relating to consolidated financial statements have been removed. Requirements from IAS 28 Investments in Associates (as revised in 2003) and IAS 31have been relocated to IAS 27 to create one standard that deals with separate financial statements. The amended standard supersedes IAS 27 (as amended in 2008) and the requirements related to separate financial statements in IAS 28 (as revised in 2013) and replaces/eliminates

IAS 31. IAS 27 (as amended in 2011) is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IAS 27 (as amended in 2011) on its financial statements.

(h) Investments in Associates and Joint Ventures: IAS 28 was amended to incorporate the accounting for joint ventures because the equity method is now applicable to both joint ventures and associates. The disclosure requirements from IAS 28 (as revised in 2003) have been included in IFRS 12. The amended standard supersedes IAS 28 (as revised in 2003). IAS 28 (as amended in 2011) is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IAS 28 (as amended in 2011) on its financial statements.

(i) Fair Value Measurement: IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its financial statements.

3. DEPOSIT WITH CARRYING BROKER

Northern Securities had contracted Penson Financial Services Canada Inc. ("Penson") to perform certain trading and clearing activities for the clients of Northern Securities, according to the Introducing Broker Agreement (the "Agreement") between Penson and Northern Securities. As a Type 2 Introducing Broker, Northern Securities did not carry client accounts, nor receive, deliver or hold cash and securities in connection with such clients.

At June 30, 2013, Northern Securities maintained a deposit with Penson in the amount of $162,171 (2012 - $1,040,787), which cannot be used in the normal course of operations. Effective December 31, 2012, Penson discontinued its carrying broker business in Canada. The liquidator of Penson has, to date, not permitted a return of the deposit to Northern Securities. As the likelihood of recovering the remaining deposit with Penson at June 30, 2013, cannot be determined, the Company has recorded an allowance against the deposit equal to the amount of the deposit (2012 – no allowance recorded).

4. SECURITIES OWNED

Securities owned consist of the following:

	June 30, 2013	March 31, 2013
Publicly traded equities	$ -	$ -
Broker warrants	30,199	37,192
	$30,199	$37,192

Included in broker warrants are warrants issued by 31 (March 31, 2013 – 36) public companies and 1 (March 31, 2012– 2) private company with expiry dates to October 2017. Broker warrants are valued, at the valuation date, using a Black-Scholes model using the quoted closing bid price of the underlying security at valuation date in active markets where available, a calculated volatility, and the Government of Canada Treasury bill rate for equivalent maturity dates. When quoted prices in active markets are not available, determination of the fair value of the underlying security is based on reference to the issue price and consideration of other observable market data.

5. **FINANCIAL INSTRUMENTS**

The fair value hierarchy presented distinguishes between the inputs used in determining the fair value of the Company's various financial instruments. The hierarchy levels are defined as:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

	Carrying Value		Estimated Fair Value					
			June 30, 2013			March 31, 2013		
	June 30 2013	March 31 2013	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Deposit with carrying broker	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Securities owned	30,199	37,192	-	29,729	470	$ -	32,657	4,535

The following is a summary of Level 3 financial instruments activity for the period ended June 30, 2013:

Balance, March 31, 2012	$ 17,303
Expiry / exercise of broker warrants	
Transfer out of Level 3	(1,122)
New broker warrants received	8,233
Valuation adjustment	(19,879)
Balance, March 31, 2013	$ 4,535
Expiry	(4,066)
Valuation adjustment	1
Balance, June 30, 2013	$ 470

6. INVESTMENT IN ASSOCIATED COMPANY

The Company's carrying value of its investment in Jaguar Financial Corporation ("Jaguar") is as follows:

	2014	2013
Balance, beginning of year	$417,211	$735,272
Equity (loss) earnings	(79,276)	(76,227)
Dividends received	-	(7,702)
Partial disposition	(187,541)	(214,906)
Purchase of shares	-	23,644
Impairment	-	(107,870)
Receipt of shares	-	65,000
Balance, end of year	$150,394	$417,211

The investment in Jaguar represents 5.5% (2012 – 10.9%) of the outstanding common shares of Jaguar. The quoted market value of the investment as at June 30, 2013, was $210,711 (March 31, 2013 - $417,211).

In the quarter ended June 30, 2012, the Company received 1,300,000 common shares of Jaguar under Jaguar's Equity Incentive Plan. The shares were recorded at their fair value in the consolidated statement of operations and comprehensive loss. The Company does not anticipate receiving further shares from Jaguar's Equity Incentive Plan. In the quarter ended June 30, 2013, the Company sold 5,900,000 shares of Jaguar for proceeds of $177,000, generating a loss on the sale of $10,541.

The Company has determined that it exercises significant influence over the strategic operating, investing and financing policies of Jaguar due to the following factors: the Company holds a 5.5% equity interest in Jaguar; (ii) the Chairman and Chief Executive Officer of the Company holds or has control or direction over an 16.2% equity interest in Jaguar; (iii) the Chairman and Chief Executive Officer of the Company is also the Chairman and Chief Executive Officer of Jaguar; and (iv) the Chairman and Chief Executive Officer of the Company owns or has control or direction over a 31.1% equity interest in the Company.

The equity method is used to account for the Company's investment in Jaguar. The Company's share of earnings or losses of Jaguar is included in the net loss.

The unaudited condensed statements of financial position of Jaguar are as follows:

(in thousands of dollars)	June 30, 2013	December 31, 2012
CURRENT ASSETS		
Cash and cash equivalents	$ 19	$ 340
Investments	5,637	5,747
Other assets	-	-
TOTAL CURRENT ASSETS	5,656	6,087
Equipment	3	4
TOTAL ASSETS	$ 5,660	$ 6,092
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 184	$ 208
Loans payable	32	-
TOTAL LIABILITIES	215	208
TOTAL SHAREHOLDERS' EQUITY	5,444	5,884
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 5,660	$ 6,092

7. PROPERTY AND EQUIPMENT

Balance, March 31, 2012	$	931,038	$	1,631,028	$	1,760,160	$	12,914	$	4,335,140
Additions	$	-	$	16,061	$	29,907	$	-	$	45,968
Disposals	-$	931,038	-$	1,647,089	-$	1,790,067			-$	4,368,194
Balance, March 31, 2013	$	-	$	-	$	-	$	12,914	$	12,914
Additions	$	-	$	-	$	-	$	-	$	-
Disposals	$	-	$	-	$	-	$	-	$	-
Balance, June 30, 2013	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**12,914**	**$**	**12,914**
Accumulated Depreciation										
Balance, March 31, 2012	$	810,550	$	1,239,877	$	1,678,135	$	-	$	3,728,562
Additions	$	120,488	$	407,212	$	111,932			$	639,632
Disposals and impairment	-$	931,038	-$	1,647,089	-$	1,790,067			-$	4,368,194
Balance, March 31, 2013	$	-	$	-	$	-	$	-	$	-
Additions	$	-	$	-	$	-	$	-	$	-
Disposals and impairment	$	-	$	-	$	-	$	-	$	-
Balance, June 30, 2013	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Net Book Value										
March 31, 2013	$	-	$	-	$	-	$	12,914	$	12,914
June 30, 2013	$	-	$	-	$	-	$	12,914	$	12,914

Depreciation on property and equipment, including impairment charges, for the period ended June 30, 2013 was $nil (2012 – $33,258). This expense has been included in depreciation and amortization as it relates to continuing operations and in net loss from discontinued operations.

8. SHORT-TERM LOANS PAYABLE

The Company has available a credit facility in the amount of $300,000 at prime plus 1.75%, secured by a general security agreement covering all assets of the Company and certain guarantees provided personally by Vic Alboini, the Chairman and Chief Executive Officer of the Company, and Stature Inc., his personal investment company. As at June 30, 2013, the balance owing under the credit facility was $300,000 (March 31, 2013 – $300,000).

The Company paid Jaguar approximately $108,000 during the quarter ended June 30, 2013 to settle a debt owing of approximately $543,000 which was reduced to nil (March 31, 2013 – $541,181.

The Company has a term loan outstanding in the amount of $200,000 (March 31, 2013 – $nil) owing to an arm's length lender. The loan bears interest at a rate of 12%, matured on March 31, 2013, and is unsecured. Subsequent to the end of the first quarter of fiscal 2014, the lender agreed to waive all interest on the loan (see "Subsequent Event").

The Company has a term loan outstanding in the amount of $240,000 (2012 – $nil) owing to an arm's length lender. The loan bears interest at a rate of 12%, matures on April 9, 2013, and is secured by a guarantee provided by Vic Alboini, the Chairman and Chief Executive Officer of the Company. Subsequent to the end of the first quarter of fiscal 2014, the loan was reduced to $200,000 and the lender agreed to restructure the debt (see "Subsequent Event").

The Company has term loans outstanding in the amount of $400,000 and a demand loan outstanding in the amount of $100,000 (March 31, 2013 – $400,000 and $100,000, respectively). The loans bear interest at a rate of 10% and are unsecured. $200,000 of the loans matured on May 6, 2013, $100,000 matured on May 29, 2013, and $100,000 matured on June 12, 2013. The demand loan is payable within 5 days' notice. The loans were provided by John Reid, a former director of the Company.

The Company has demand loans outstanding in the amount of $372,459 (March 31, 2013 – $372,459). The loans bear interest at a rate of 10% and are payable within 5 days of notice. The loans are unsecured and were provided by Stature Inc., an investment company owned by Vic Alboini, the Chairman and Chief Executive Officer of the Company. Subsequent to the quarter, Mr. Alboini agreed to restructure the loan (see "Subsequent Event").

The Company has a promissory note outstanding in the amount of $20,000 (March 31, 2013 - $20,000) owing to a former officer of Northern Securities. The loan bears interest at 10% and is payable within 5 days of notice. The loan is unsecured. The loan was repaid subsequent to June 30, 2013.

9. SETTLEMENT LIABILITY

In the year ending March 31, 2010, the Company settled a legal dispute requiring it to pay a total of $800,000 over a period of 108 months beginning in March 2010.

The settlement liability was initially recorded at the discounted cash flow value using the effective interest method with $43,367 due within one year. A rate of 12% was used to discount future cash payments. Total interest expense calculated under the effective interest method was $296,911 of which $5,030 was recorded in interest expense in fiscal 2010, $54,882 recorded in 2011, $49,504 in 2012, and $41,548 in fiscal 2013. The remaining $145,947 interest will be recorded in future years as cash payments are made. See Note 16 for a schedule of future cash payments.

The Company ceased making monthly payments in March 2013. On May 6, 2013, the plaintiff obtained a judgment against the Company from the Supreme Court of British Columbia for the remaining settlement amount of $504,000. As a result, the carrying value of the settlement liability has been increased to $504,000 as at March 31, 2013.

On August 28, 2013, the Company announced a payment of $100,800 to settle the previous settlement amount owing of $504,000 (see "Subsequent Event"). The settlement payment to the creditor was financed by a loan of $100,800 provided to the Company by Vic Alboini, Chairman and CEO.

10. CAPITAL STOCK

(a) *Share capital*

Authorized
Unlimited number of common shares with no par value
2,000,000 voting, convertible, redeemable, preference shares

Issued and outstanding	
44,208,375 common shares	$3,675,678

Share capital activity for the period ended June 30, 2013 is summarized as follows:

	Shares #	Amount $
Balance, March 31, 2012	32,184,127	2,807,960
Shares issued under equity incentive plan (c)	380,301	133,333
Private placement (e)	4,000,000	198,023
Balance, March 31, 2013	44,208,375	3,675,678
Balance, June 30, 2013	44,208,375	3,675,678

Note: The total cost of share based compensation for the quarter ended June 30, 2013 was $154,473 (2012 – $476,205). As at June 30, 2013, the Company had an accrual of $108,379 (2012 – $317,413) related to share based compensation.

(b) *Stock options*

Effective August 28, 2003, the Company discontinued the stock option plan (the "Plan"), whereby no further options will be granted pursuant to the Plan and all options outstanding will remain in effect until either exercised or cancelled.

As at June 30, 2013, there are no common share purchase options outstanding.

(c) *Employee equity incentive plan*

On September 30, 2004, the shareholders of the Company approved the establishment of an equity incentive plan whereby up to 6% of the outstanding common shares of the Company may be issued annually to certain new or existing employees of the Company as a means of attracting and retaining exceptional employees.

In connection with listing the Company's common shares on the TSX Venture Exchange, the Company terminated its Equity Incentive Plan. Awards under the EIP which were outstanding and unvested as of March 15, 2012, continued to vest in accordance with the terms of the respective awards and the terms of the EIP, subject to a maximum aggregate of 1,546,063 common shares. No new awards may be granted under the EIP.

(d) *Employee share purchase plan*

On September 25, 2006, the shareholders of the Company approved the establishment of an employee share purchase plan ("ESPP"). The ESPP allows qualifying employees to purchase common shares of the Company equal to 8% of their annual compensation to a maximum amount of $8,000 per year, unless the Board of Directors waives the individual maximum. The Company matches the number of shares purchased at no additional cost to the employee over a three-year vesting period or such other period determined by the Board of Directors. As at June 30, 2013, there were no remaining matching shares issuable under the ESPP.

(e) *Financings*

During the quarter ended December 31, 2012, the Company raised gross proceeds of $100,000 by issuing 2,000,000 common shares at $0.05 per share upon the completion of a private placement.

During the quarter ended September 30, 2012, the Company raised gross proceeds of $200,000 by issuing 4,000,000 common shares at $0.05 per share upon the completion of a private placement.

(f) *Loss per share data*

The weighted average number of common shares outstanding, used in computing basic loss per common share for the respective quarters were:

June 30, 2012	32,452,798
June 30, 2013	44,208,375

The effect of outstanding common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

(g) *Warrants:*

Warrant activity for the period ended June 30, 2013 is summarized as follows:

	#	$
Balance, March 31, 2012	719,467	158,829
Expired	(528,119)	-
Balance, March 31, 2013	191,348	158,829
Expired	191,348	158,829
Balance, June 30, 2013	-	-

(h) *Contributed surplus:*

Contributed surplus activity for the period ended June 30, 2013 is summarized as follows:

Balance, March 31, 2012	$ 1,973,623
Employee equity incentive plan	(188,694)
Employee share purchase plan	(20,340)
Balance, March 31, 2013	1,764,589
Employee share purchase plan	12,766
Balance, June 30, 2013	$ 1,777,355

11. CAPITAL MANAGEMENT

The Company requires capital to fund existing and future operations and meet regulatory capital requirements. The Company's policy is to maintain adequate levels of capital at all times.

The Company's capital structure includes the following:

	June 30, 2013	March 31, 2013
Short-term loans payable	$ 1,726,762	$ 2,032,640
Shareholders' deficiency comprised of:		
Share capital	3,675,678	3,675,678
Warrants	158,829	158,829
Contributed surplus	1,777,355	1,764,589
Deficit	(10,267,343)	(9,822,227)
	($ 2,928,719)	($ 2,190,491)

The Company's objectives when managing capital are to (i) provide financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern; (ii) maintain a capital structure which allows the Company to respond to changes in economic and marketplace conditions and affords the Company the ability to participate in new investments; (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders equal with the level of risk; and (iv) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by: (i) realizing proceeds from the disposition of its investments; (ii) utilizing leverage in the form of margin loans on its investments; (iii) raising capital through loans from third party investors who seek to participate in investment opportunities; and (iv) raising capital through the issuance of securities.

The Company's subsidiary, Northern Securities, was required to maintain a certain level of regulatory capital under the IIROC rules. IIROC Dealer Member Rule 17.1 sets a minimum capital requirement for each firm based on its size and business model to ensure that the investment dealer not only has capital available to cover known risks but also excess capital to cover unforeseen risks. IIROC's minimum capital requirements are aimed at ensuring that investment dealers do not assume excessive leverage or engage in business practices which expose them to too much risk. This capital was provided by the Company and is eliminated upon consolidation as a loan between the parent and subsidiary. As at June 30, 2013, the amount of this loan was $8,600,000 (2012 - $12,000,000).

To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis.

12. INCOME TAXES

The Company's income taxes are calculated and filed on a yearly basis. No income taxes have been recorded in the interim periods for 2012 and 2013 because there are adequate tax losses available to offset any taxable income.

13. COMMITMENTS

The future minimum annual payments for each fiscal year on equipment and office premises under existing operating leases approximate the following:

Less than 1 year	$ 44,700
1 to 2 years	21,578
2 to 3 years	19,478
3 to 4 years	19,478
4 to 5 years	12,985
	$118,198

14. PROVISIONS AND CONTINGENCIES

a) Northern Securities indemnified Penson for all obligations to pay for securities purchased and to deliver securities sold by clients. In the event of default by any of its clients on payments due on delivery of securities to Penson, Northern Securities had agreed to pay Penson an amount up to its "excess risk adjusted capital". Penson ceased active operations on December 31, 2012.

b) The Company has recorded a provision as at June 30, 2013 of $450,000 (2012 - $75,000) as a result of a decision of an IIROC Hearing Panel on November 10, 2012 on an IIROC enforcement proceeding regarding failures to correct deficiencies and an incorrect recording of leasehold improvements. The Hearing Panel imposed a fine of $300,000 on Northern Securities and costs of $150,000. The Hearing Panel also imposed sanctions on Vic Alboini, Chief Executive Officer of Northern Securities, Fred Vance, the former Chief Compliance Officer and Doug Chornoboy, the former Chief Financial Officer ("individual respondents"). On application by Northern Securities and the individual respondents, the Ontario Securities Commission ("OSC") held a hearing and review of the Hearing Panel's decision in February 2013. The OSC has stayed the Hearing Panel's sanctions and penalties pending the OSC decision and reasons on the appeal. The hearing and review was held before the OSC on February 14, 15 and 20, 2013. The OSC's decision is pending.

c) The Company has recorded a provision as June 30, 2013 of $164,640 relating to a penalty assessed by the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC"). The penalty relates to the findings of non-compliance during a Compliance Examination that took place on November 2, 2012. Subsequent to year end, the Company submitted an appeal of the penalty, which FINTRAC has stated was made after the period in which an appeal is permitted.

d) The Company has recorded a provision as at June 30, 2013 of $790,000 (2012 - $251,000) relating to certain actions to which the Company is defendant. A summary of the change in provisions during the period ended June 30, 2013 is as follows:

Balance at June 30, 2012	$ 251,000
Additions during the period	539,640
Balance at March 31, 2013	$ 790,640
Balance at June 30, 2013	$790,640

e) The Company is party to legal proceedings in the ordinary course of its operations. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision has been recorded in its financial statements, where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of these matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of these legal actions, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

15. RISK MANAGEMENT

Fair value of financial assets and financial liabilities

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. The fair values of the Company's financial assets and financial liabilities approximate their carrying amounts due to their imminent or short-term maturity.

Market risk

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. The Company is exposed to market risk as a result of its principal trading in equity securities and fixed income securities. Securities held for trading are valued at market and as such, changes in market value affect earnings (losses) as they occur. The Company mitigates its market risk exposure through controls to limit concentration levels and capital usage within its inventory trading accounts. As at June 30, 2013, based on a 1% change in the fair value of the Company's securities, the estimated sensitivity of the Company's net loss was ($300) (March 31, 2013 – ($400)), based on a decrease and $300 (March 31, 2013 - $400), based on an increase.

Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of the counterparty on its obligation to the Company. The primary source of credit risk is related to the extension of credit to clients, through the use of margin loans, to purchase securities. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. The Company faces potential financial loss if a client does not meet a margin call when the value of securities held as collateral declines and the Company is not able to recover sufficient value from the collateral.

Credit risk is managed by applying credit standards to the counterparties the Company transacts business with, applying limits to client transactions and requiring settlements of security transactions on a cash basis or delivery against payments. The Company also regularly monitors credit exposure. Margin transactions are collateralized by securities in the client's accounts in accordance with limits established by the Company and applicable regulatory requirements. During the period ended June 30, 2013, the Company did not incur any material loss from counterparty default.

As at June 30, 2013, Northern Securities maintained a cash balance from Penson in the amount of $3,523 (2012 – $29,931) included in cash on the Consolidated Statement of Financial Position. It is management's opinion that the Company will collect the amounts due at June 30, 2013, however, given uncertainties related to collectability, due to Penson's cessation of operations, management has fully allowed for the amounts outstanding at June 30, 2013.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and fixed income securities held by the Company. The Company holds minimal fixed income securities and does not hedge its exposure to interest rates since the risk is very low. The Company also has issued borrowings that are interest bearing. As at June 30, 2013, based on a 1% change in interest rates, the estimated sensitivity of the Company's net loss was ($18,000), based on an increase and $18,000, based on a decrease.

Foreign exchange risk

Foreign exchange risk is the risk that the market value of financial instruments and the associated revenues will fluctuate due to changes in exchange rates. The Company does not use derivatives to modify the foreign exchange risk. The Company holds minimal financial instruments in foreign currencies.

Liquidity risk

Liquidity risk is the risk that results from the Company's potential inability to meet its financial obligations as they come due. The Company generates cash flow primarily from its commission and fee based businesses as well as its investments.

The Company manages liquidity risk by reviewing the amount of cash available, on a daily basis, to ensure that it can meet its current obligations. There is no guarantee that the Company will be able to continue to meets its current obligations. See Note 1.

The contractual maturities of the Company's significant financial liabilities and contractual commitments as at June 30, 2013, on an undiscounted basis are shown in the following table:

		Payments Due by Period				
Contractual Obligations	**Total**	**Less than 3 months**	**3 months to 6 months**	**6 months to 1 year**	**1 to 3 years**	**More than 3 years**
Short-term loans	$1,726,762	$1,726,762	-	-	-	-
Settlement Liability	$ 504,000	$ 504,000	-	-	-	-
Operating Leases	$ 118,300	$11,200	$ 11,200	$ 22,300	$ 41,100	32,500
Total	$2,349,062	$2,241,962	$ 11,200	$ 22,300	$ 41,100	32,500

16. RELATED PARTY TRANSACTIONS

The Company had related party transactions with directors or officers of the Company, or companies with which they were associated, as follows:

a) The Company repaid amounts owing to Jaguar of $541,181 through a payment to Jaguar of $108,236.20.

b) Northern Securities also recovered certain operating expenses from Jaguar during the period ended June 30, 2013, in the amount of $3,272 (2012 - $113,080).

c) During the period ended June 30, 2013, Northern Securities paid Stature Inc., the personal investment company owned by Vic Alboini, CEO of the Company, $7,500 in substitution for Mr. Alboini's salary (2012 - $9,040).

As at June 30, 2013, the Company had a $20,000 (2012 - $20,000) promissory note payable to Fred Vance, a former officer of Northern Securities, $500,000 in loans payable to John Reid, a former director of the Company, and $372,459 in demand loans payable to Stature Inc., Mr. Alboini's personal investment company. The promissory notes are recorded in short-term loans payable in the consolidated statement of financial position.

Under the governance terms and conditions of transactions with Jaguar, the Company may receive, at the discretion of Jaguar, certain override payments of up to 25% on any realized gains from any investment made by Jaguar, such decisions to be approved by the Compensation Committee of the Board of Directors of Jaguar consisting of independent directors of Jaguar.

17. DISCONTINUED OPERATIONS

As described in Note 1, on March 19, 2013, the suspension from IIROC and assignment of client accounts to other brokerage firms resulted in certain operations of the Company being recorded as discontinued. The results of these operations have been reclassified and presented as a single line item called net loss from discontinued operations on the statement of operations and comprehensive loss. The following represent the amounts reclassified to net loss from discontinued operations:

	Three months ended June 30, 2012
	$
Impact on statement of operations and comprehensive loss:	
Revenues	727,531
Operating expenses	(1,617,105)

Loss from operations before tax	773,703
Income tax expense	-
Net loss from discontinued operations	773,703
LOSS PER SHARE FROM DISCONTINUED OPERATIONS– Basic and diluted	0.020

	Three months ended June 30, 2012
	$
Impact on statement of cash flows:	
Cash flows from operating activities	192,369
Cash flows from investing activities	(577,090)
Cash flows from financing activities	-
Net cash flows from discontinued operations	(384,721)

18. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

	June 30, 2013	June 30, 2012
Interest paid	$4,124.37	$69,854
Cash consists of the following		
Cash	$704	$405,110
Cash at carrying broker	3,523	276,846
Total	$ 4,227	$681,956

19. OPERATING SEGMENT INFORMATION

Management of the Company is responsible for the entire operations of the Company and considers the business to have a single operating segment. Certain operations within the single operating segment were discontinued during 2013 and presented as discontinued operations within the consolidated statement of operations and comprehensive loss.

The internal reporting provided to the management of the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during 2013 and 2012 other than the discontinuance of certain operations.

20. SUBSEQUENT EVENTS

a) On July 5, 2013, the Company repaid the $20,000 loan, plus accrued interest, to Fred Vance, a former senior officer.

b) On August 28, 2013, the Company made a payment of $100,800 to settle a debt of $504,000 owing to a judgment creditor, which payment represented 20% of the amount of the debt. The settlement payment to the creditor was financed by a loan of $100,800 provided to the Company by Vic Alboini, Chairman and CEO.

c) On August 28, 2013, the Company agreed with the lender of a $200,000 secured loan (which loan had been $250,000 as at June 30, 2013, and has since been repaid as to $50,000): the maturity date of the loan was extended to April 6, 2014; the interest rate was reduced to 10% effective October 6, 2013; and the accrued interest owing will be payable on October 6, 2014, but the lender has agreed that once the principal amount is fully paid, no interest will be payable on the amount of the accrued interest outstanding as long as the accrued interest is paid by October 6, 2014.

d) On August 28, 2013, the Company announced that the unsecured lenders who are owed $200,000 and $570,759 have agreed to waive all historical and future accrued interest so that the amounts owing are limited to the respective principal amounts; the lender of the $570,759 is Mr. Alboini.