

ADDED CAPITAL INC.
(FORMERLY NORTHERN FINANCIAL CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014, AND 2013
(Expressed in Canadian Dollars)
(Unaudited)

Added Capital Inc.

Notice of Non-Review of Interim Financial Statements

The attached financial statements, for the period ended September 30, 2014, have not been reviewed by the Company's auditors.

ADDED CAPITAL INC. (FORMERLY NORTHERN FINANCIAL CORPORATION)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)
As at

	September 30, 2014	March 31, 2014
ASSETS		
CURRENT		
Cash	\$ 11,133	\$ 3,928
Securities owned (Note 3)	57,844	6,162
Accounts receivable	69,985	-
Prepaid expenses and deposits	5,430	1,411
TOTAL CURRENT ASSETS	144,392	11,501
NON CURRENT ASSETS		
Investment in associated company (Note 5)	-	28,177
Property and equipment (Note 7)	12,914	12,914
	12,914	41,091
TOTAL ASSETS	\$ 157,306	\$ 52,592
LIABILITIES		
CURRENT		
Short-term loans payable (Note 8)	\$ 1,595,561	\$ 1,787,171
Accounts payable and accrued liabilities	1,606,006	1,592,764
Derivatives (Note 6)	14,865	-
Provisions (Note 12)	231,726	171,726
TOTAL LIABILITIES	3,448,158	3,551,661
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	3,767,056	3,710,033
Warrants (Note 9)	210,809	158,829
Contributed surplus (Note 9)	1,760,743	1,762,227
Deficit	(9,029,460)	(9,130,158)
TOTAL SHAREHOLDERS' DEFICIENCY	(3,290,852)	(3,449,069)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 157,306	\$ 52,592
GOING CONCERN (Note 1)		
CONTINGENCIES (Note 12)		
SUBSEQUENT EVENTS (Note 18)		

APPROVED BY THE BOARD

"Don Rogers"

Director

"Vic Alboini"

Director

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

ADDED CAPITAL INC. (FORMERLY NORTHERN FINANCIAL CORPORATION)
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)
(Unaudited)
For the three and six months ended September 30

	Three months ended		Six months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
REVENUES				
Investment banking and financial advisory	\$ 119,985	\$ 103,380	\$ 394,570	\$ 132,786
Broker warrants	(422)	(6,228)	(3,743)	(13,221)
Merchant banking	-	38,316	-	38,316
Other	561	126,972	890	135,362
Gain (loss) on investments	8,623	-	(500)	-
(Loss) gain on derivatives	(2,353)	-	135	-
TOTAL REVENUES	126,394	262,440	391,352	293,243
OPERATING EXPENSES				
General and administrative	125,525	7,798	209,778	567,919
Interest expense	9,972	(64,338)	19,959	(72,405)
TOTAL OPERATING EXPENSES	135,497	(56,540)	229,737	495,514
Net income (loss) before the undernoted	(9,103)	318,980	161,615	(202,271)
Gain on settlement of debt (Note 8)	-	506,204	-	954,156
Share of (loss) income of Jaguar Financial Corporation (Note 5)	-	(62,920)	2,338	(142,196)
(Loss) on sale of investment in Jaguar Financial Corporation (Note 5)	-	-	(3,255)	(10,541)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	(9,103)	762,264	160,698	599,148
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 17)	(60,000)	-	(60,000)	155,000
NET INCOME (LOSS) BEFORE INCOME TAXES	(69,103)	762,264	100,698	754,148
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (69,103)	\$ 762,264	\$ 100,698	\$ 754,148
EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS— Basic and diluted (Note 9(d))	\$ (0.00)	\$ 0.17	\$ 0.03	\$ 0.14
EARNINGS (LOSS) PER SHARE – Basic and diluted (Note 9 (d))	\$ (0.01)	\$ 0.17	\$ 0.02	\$ 0.17
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING – basic and diluted	6,394,686	4,428,206	5,418,743	4,425,422

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

ADDED CAPITAL INC. (FORMERLY NORTHERN FINANCIAL CORPORATION)
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)
(Unaudited)
For the six months ended September 30

	Common Shares #	Common Shares \$	Warrants \$	Contributed Surplus \$	Deficit \$	Shareholders' (Deficiency) \$
Balance, March 31, 2013	4,420,838	3,675,678	158,829	1,764,589	(10,259,227)	(4,660,131)
Employee share purchase plans	11,176	34,356	-	(8,823)	-	25,533
Net income and comprehensive income	-	-	-	-	754,148	754,148
Balance, September 30, 2013	4,432,014	3,710,034	158,829	1,755,766	(9,505,079)	(3,880,450)
Balance, March 31, 2014	4,432,014	3,710,033	158,829	1,762,227	(9,130,158)	(3,499,069)
Rounding on consolidation	63	-	-	-	-	-
Private placements	2,260,000	57,023	51,980	-	-	109,003
Employee share purchase plans	-	-	-	(1,484)	-	(1,484)
Net income and comprehensive income	-	-	-	-	100,698	100,698
Balance, September 30, 2014	6,692,077	3,767,056	210,809	1,760,743	(9,029,460)	(3,290,852)

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

ADDED CAPITAL INC. (FORMERLY NORTHERN FINANCIAL CORPORATION)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)
For the Six Months Ended September 30,

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM (USED) IN OPERATING ACTIVITIES		
Net income for the period	\$ 100,698	\$ 762,264
Items not affecting cash		
Loss on sale of shares of associated company	3,255	10,541
Non-cash settlement and provisions	60,000	(853,356)
Valuation deposit with carrying broker	-	(162,614)
Share of (gain) loss of associated company	(2,338)	142,196
Employee share purchase plans	<u>(1,484)</u>	<u>25,533</u>
	160,131	(75,436)
Changes in non-cash working capital balances		
Securities owned	(51,682)	12,649
Accounts receivable	(69,985)	(878)
Prepaid expenses, deposits, and forgivable loans	(4,020)	(2,997)
Accounts payable and accrued liabilities	13,244	(241,773)
Settlement liability	-	(100,800)
Derivatives	<u>14,865</u>	<u>-</u>
Cash flows from (used in) operating activities	<u>62,553</u>	<u>(409,235)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposition of investment in associated company	<u>27,260</u>	<u>177,000</u>
Cash flows from investing activities	<u>27,260</u>	<u>177,000</u>
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Proceeds from units issued	113,000	-
Share issue costs	(3,997)	-
Repayment of short term loans	(354,084)	-
Increase in short term loans	<u>162,473</u>	<u>243,034</u>
Cash flows (used in) from financing activities	<u>(82,608)</u>	<u>243,034</u>
CHANGE IN CASH	7,205	10,799
CASH, BEGINNING OF PERIOD	<u>3,928</u>	<u>41,198</u>
CASH, END OF PERIOD	<u>\$ 11,133</u>	<u>\$ 51,997</u>

SUPPLEMENTARY INFORMATION (Note 15)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Added Capital Inc. (formerly Northern Financial Corporation) ("Added" or the "Company") carries on a merchant banking business and a mergers and acquisitions advisory business. Prior to December 31, 2012, the Company carried on a traditional brokerage and investment banking business through Northern Securities Inc. ("NSI"), which was a member firm of the Investment Industry Regulatory Organization of Canada ("IIROC"). The Company is governed by the Business Corporations Act (Ontario) and its common shares are listed on the TSX Venture Exchange under the symbol "AAD". 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 September 30, 2014, including 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.

As at September 30, 2014, the Company's working capital deficiency is \$3,303,766. The Company also has certain loans that have matured and have not been repaid (Note 8).

NSI assigned its client accounts to other brokerage firms pursuant to a consent order, agreed upon with IIROC, issued by an IIROC Hearing Panel on December 14, 2012. On March 19, 2013, NSI and IIROC entered into a settlement agreement which provided for the suspension of NSI 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 is in the process of restructuring its debt and has obtained shareholder approval to provide lenders with an option of receiving cash or shares to restructure the loans owing to them. In July 2014, the Company consolidated its shares on the basis of one new common share for 10 old common shares. Despite the restructuring items that have taken place, the Company continues to have a need for further restructuring, profit from operations or additional financing. There is no assurance that these items will take place or be available to the Company. All information related to common shares and share purchase warrants in these consolidated financial statements reflect the share consolidation as though it had taken place as of March 31, 2013. The share consolidation has been reflected in these consolidated financial statements and all applicable references to the number of shares and warrants and their exercise price and per share information has been restated. 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 restructure or satisfy 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 income and the statement of financial position classifications used. Such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim financial statements, including comparative periods, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), including IAS 34, Interim Financial Reporting.

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 November 11, 2014.

ADDED CAPITAL INC. (FORMERLY NORTHERN FINANCIAL CORPORATION)
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
Unaudited
September 30, 2014 and 2013

Principles of consolidation

These consolidated financial statements include the accounts of the Company and all its subsidiaries with its principal subsidiary being NSI. 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 accounts receivable 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, accounts payable and accrued liabilities and derivatives 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 balance
Leasehold improvements	20% declining balance
Computer equipment	30% - 50% declining balance
Works 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. 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.

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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.

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 trading transactions

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

(b) Investment banking and financial advisory fees

Investment banking and financial 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 finder's 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.

(c) Interest income

Interest income is recorded when earned.

(d) Broker warrants

Broker warrants received by the Company in respect of underwriting activities 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.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

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.

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.

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(d) Provisions and contingencies

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. See note 12.

(e) Going concern

For further information regarding going concern refer to note 1.

(f) Significant influence in associated company

For further information regarding the Company's significant influence in an associated company see note 5.

Future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("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 rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

3. SECURITIES OWNED

Securities owned consist of the following:

	<u>September 30, 2014</u>	<u>March 31, 2014</u>
Common shares	\$ 55,425	\$ Nil
Broker warrants	2,419	6,162
Total	<u>\$ 57,844</u>	<u>\$ 6,162</u>

For the six months ended September 30, 2014 the Company had a realized loss of \$425 (September 30, 2013 - \$nil) and an unrealized loss of \$75 (September 30, 2013 - \$nil) for a net loss on investments of \$500 (September 30, 2013 - \$nil). For the three months ended September 30, 2014 the Company had a realized loss of \$nil (September 30, 2013 - \$nil) and an unrealized gain of \$8,623 (September 30, 2013 - \$nil) for a net gain on investments of \$8,623 (September 30, 2013 - \$nil). Included in common shares are shares held on behalf of outside investors under loan and equity arrangements (see notes 6 and 8). Included in broker warrants are warrants issued by 8 (March 31, 2014 – 10) public companies 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.

ADDED CAPITAL INC. (FORMERLY NORTHERN FINANCIAL CORPORATION)
Notes to the Consolidated Financial Statements
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Unaudited
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4. 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					
	Sept. 30, 2014	March 31, 2014	September 30, 2014			March 31, 2014		
			Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Securities owned	\$ 57,844	\$ 6,162	\$ 55,425	\$ 2,419	\$ -	\$ -	\$ 6,162	\$ -

The following is a summary of Level 3 financial instruments activity for the six months ended September 30, 2014 and 2013:

Balance, March 31, 2013	\$ 4,535
Expiry	(4,066)
Valuation adjustment	(469)
Balance, September 30, 2013	\$ -
Balance, March 31, 2014 and September 30, 2014	\$ -

5. INVESTMENT IN ASSOCIATED COMPANY

The Company's carrying value of its investment in Jaguar Financial Corporation ("Jaguar") for the six months ended September 30 is as follows:

	2014	2013
Balance, beginning of period	\$ 28,177	\$ 417,211
Equity income (loss)	2,338	(142,196)
Dispositions	(30,515)	(187,541)
Balance, end of period	\$ -	\$ 87,475

In May, 2014, the Company disposed of its position in Jaguar realizing a loss of \$3,255. Prior to the disposition the Company used the equity method to account for its investment in Jaguar. The Company's share of earnings or losses of Jaguar was included in the net loss. For the period up to the disposition date the Company's share of Jaguar's income was \$2,238 (2013 - loss of \$142,196).

The Company had determined that it exercised significant influence over the strategic operating, investing and financing policies of Jaguar due to the following factors: (i) the Company held a 1.5% equity interest in Jaguar as at March 31, 2014; (ii) Vic Alboini ("Alboini") held control or direction over a 23.2% equity interest in Jaguar; and (iii) Alboini is also the Chairman and CEO of Jaguar.

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Unaudited
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6. DERIVATIVES

During the period ended September 30, 2014 the Company has entered into agreements with individual lenders or investors (the "Investors") to invest in shares of a listed security, whereby on the sale of shares any profit would be shared on a pro-rata basis between the Investors and the Company. The fair value of the liability at September 30th, 2014 was \$14,865 based on the closing price of the listed security. The Company recorded a gain on derivatives of \$135 for the six months ended September 30, 2014 and a loss on derivatives of \$2,353 for the three months ended September 30, 2014.

7. PROPERTY AND EQUIPMENT

	Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Art	Total
<u>Cost</u>					
Balance, March 31, 2013	\$ -	\$ -	\$ -	\$ 12,914	\$ 12,914
Additions	\$ -	\$ -	\$ -	\$ -	\$ -
Disposals	\$ -	\$ -	\$ -	\$ -	\$ -
Balance, March 31, 2014	\$ -	\$ -	\$ -	\$ 12,914	\$ 12,914
Additions	\$ -	\$ -	\$ -	\$ -	\$ -
Disposals	\$ -	\$ -	\$ -	\$ -	\$ -
Balance, September 30, 2014	\$ -	\$ -	\$ -	\$ 12,914	\$ 12,914
<u>Accumulated Depreciation</u>					
Balance, March 31, 2013	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	\$ -	\$ -	\$ -	\$ -	\$ -
Disposals and impairment	\$ -	\$ -	\$ -	\$ -	\$ -
Balance, March 31, 2014	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	\$ -	\$ -	\$ -	\$ -	\$ -
Disposals and impairment	\$ -	\$ -	\$ -	\$ -	\$ -
Balance, September 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Net Book Value</u>					
March 31, 2014	\$ -	\$ -	\$ -	\$ 12,914	\$ 12,914
September 30, 2014	\$ -	\$ -	\$ -	\$ 12,914	\$ 12,914

Depreciation on property and equipment, including impairment charges, for the six months ended September 30, 2014 was \$nil (2013 – \$nil).

8. SHORT-TERM LOANS PAYABLE

The Company has available a credit facility with the Toronto Dominion Bank ("TD Bank") in the amount of \$300,000 at prime plus 1.75%, secured by a general security agreement covering all assets of the Company. As at September 30, 2014, the balance owing under the credit facility was \$300,000 (March 31, 2014 – \$300,000). On May 22, 2014 the Company announced that the TD Bank had demanded payment of the Company's approximately \$300,000 loan by June 20, 2014. The TD Bank has since commenced an action against the Company. The Company has counter-claimed against the Bank.

The Company has an unsecured term loan outstanding in the amount of \$200,000 (March 31, 2014 – \$200,000) owing to an arm's length lender. The loan bore interest at a rate of 12%, matured on March 31, 2013, and is unsecured. The lender agreed to waive all historical and future interest on the loan. There is no current repayment date on the loan.

The Company has a secured loan outstanding in the amount of \$155,000, since reduced to \$140,000 by a principal payment after September 30, 2014 (March 31, 2014 – \$250,000) owing to an arm's length lender. The loan initially

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had an interest rate of 12%, which was reduced to 10% effective October 1, 2013, and the maturity date was extended from April 9, 2013 to April 9, 2014. The loan is secured by a guarantee provided by Alboini and the guarantee is secured by certain collateral provided by Alboini. The Company made payments of \$35,000 during the six months ended September 30, 2014. While the loan is due on demand, the lender is cooperating with the Company on proposed payments of the balance owing.

The Company has unsecured loans outstanding with a former director of the Company in the amount of \$500,000 (March 31, 2014 – \$500,000). The lender agreed to waive all historic and future interest on the loans and there is no current repayment date on the loan.

The Company had unsecured loans outstanding in the amount of \$410,561 as at September 30, 2014 (March 31, 2014 – \$607,171) owing to Alboini and Stature. Alboini and Stature agreed to waive all historic and future interest on the loans. There is no current repayment date on the loans from Alboini and Stature.

The Company has unsecured demand loans in the amount of \$30,000 (March 31, 2014 - \$nil) owing to an arm's length lender. The loan was advanced for the purpose of investing in a listed security. The lender is entitled to interest at the rate of 2% plus a pro-rata portion of gains on the listed security. The Company made a principal payment of \$10,000 during the six months ended September 30, 2014.

The Company had promissory notes outstanding in the amount of \$nil (March 31, 2014 – \$nil) owing to Jaguar. During the quarter ended June 30, 2013, the Company settled, for \$108,266, a note in the amount of \$250,000, bearing interest at 15%, a note in the amount of \$140,181, bearing interest at 10% and a \$151,000 loan from Jaguar. The Company recorded a gain on debt settlement relating to the Jaguar loan of \$432,915 on its consolidated statements of operations and comprehensive income.

9. 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
 6,692,077 common shares \$3,767,056

Share capital activity for the six months ended September 30, 2014 and 2013, is summarized as follows:

	Shares #	Amount \$
Balance, March 31, 2013	4,420,838	3,675,678
Shares issued under employee purchase plan (c)	11,176	34,356
	4,432,014	3,710,033
Balance, March 31, 2014	4,432,014	3,710,033
Consolidation rounding	63	-
Units issued through private placements	2,260,000	61,020
Share issue costs	-	(3,997)
Balance, September 30, 2014	6,692,077	3,767,056

Note: The total cost of share based compensation for the six months ended September 30, 2014 was \$nil (2013 – \$25,533).

During the quarter ended September 30, 2014, the Company raised gross proceeds of \$113,000 by issuing 2,260,000 units ("Units") at a price of \$0.05 per unit. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.05 for five years from the closing date. Of the total proceeds, \$61,020 was ascribed to capital stock and \$51,980 was ascribed to warrants (Note 9(e)). The warrants were valued using the Black-Scholes pricing model with a volatility of 137.6% and a risk free rate of 1.56%-1.61%.

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(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 September 30, 2014, there are no common share purchase options outstanding.

There was no stock option activity for the six months ended September 30, 2014 and 2013.

(c) *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.

There were no purchases under the ESPP for the six months ended September 30, 2014 and 2013. The Company intends to satisfy its historic ESPP obligation of 195,094 shares which include matching shares by acquiring shares in the market on behalf of participants in the ESPP.

(d) *Income (Loss) per share data*

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

	Three months	Six months
September 30, 2013	4,428,206	4,425,422
September 30, 2014	6,394,686	5,418,743

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

(e) *Warrants:*

	Warrants #	Amount \$
Balance, March 31, 2013	191,348	158,829
Expired	(191,348)	-
	-	158,829
Balance, March 31, 2014	-	158,829
Units issued through private placements	2,260,000	51,980
Balance, September 30, 2014	2,260,000	210,809

(f) *Contributed surplus:*

Contributed surplus activity for the six months ended September 30, 2014 and 2013 is summarized as follows:

Balance, March 31, 2013	\$ 1,764,589
Employee share purchase plan	(8,823)
Balance, September 30, 2013	\$ 1,755,766
Balance, March 31, 2014	\$ 1,762,227
Employee share purchase plan	(1,484)
Balance, September 30, 2014	\$ 1,760,743

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10. 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:

	September 30, 2014	March 31, 2014
Short-term loans payable	\$ 1,595,561	\$ 1,787,171
Shareholders' deficiency comprised of:		
Share capital	3,767,056	3,710,033
Warrants	210,809	158,829
Contributed surplus	1,760,743	1,762,227
Deficit	(9,029,460)	(9,130,158)
	(\$ 1,695,291)	(\$ 1,711,898)

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, NSI, 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 September 30, 2014, the amount of this loan was \$8,600,000 (March 31, 2014 - \$8,600,000).

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.

11. INCOME TAXES

No income taxes have been recorded in the interim periods ended September 30, 2014 and 2013 because there are adequate tax losses available to offset taxable income.

The estimated taxable temporary difference valuation allowance will be adjusted in the period in which it is determined that it is more likely than not that some portion or all of the future tax assets or future tax liabilities will be realized.

For further information on the Company's actual losses for tax purposes, refer to the March 31, 2014 audited financial statements.

12. PROVISIONS AND CONTINGENCIES

- a) NSI indemnified its carrying broker, Penson Financial Services ("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, NSI had agreed to pay Penson an amount up to its "excess risk adjusted capital". Penson ceased active operations on December 31, 2012 and is in the process of being liquidated.
- b) In November 2012, an IIROC Hearing Panel imposed a fine of \$300,000 and costs of \$150,000 against NSI for alleged compliance deficiencies and therefore the Company had previously recorded a provision of \$450,000. The IIROC Hearing Panel also imposed sanctions on certain senior executives of NSI. The Ontario Securities Commission ("OSC") held a hearing and review of the Hearing Panel's decision in February 2013 and in December 2013 decided that "the IIROC Panel should have provided reasons on the merits prior to the sanctions and costs hearing in order to permit the Applicants to effectively make submissions." The OSC decided that "the conduct of the sanctions and costs hearing was procedurally unfair to the Applicants," constituted an error in law and the OSC "set aside the IIROC Panel's sanctions and costs imposed on the Applicants." The OSC also dismissed the alleged compliance failures. As a result of the OSC decision, the provision of \$450,000 was reversed during the fiscal year ended March 31, 2014. In June, 2014 the OSC held a new sanction hearing and imposed a fine of \$50,000 plus costs of \$10,000 on NSI. Accordingly a provision of \$60,000 was recorded as at September 30, 2014. In September 2014, the OSC issued an order staying the sanctions and costs for 90 days from the September 11, 2014 date the OSC issued its sanctions and costs order.
- c) The Company recorded a provision of \$nil as at September 30, 2014 (March 31, 2014 - \$nil) relating to a civil action against IPO Capital Inc., a former Dealer Member of IIROC which was acquired by the Company in 2003. IPO Capital has no net assets and the Company is not a party to the civil action by the plaintiff. In May of 2011 the plaintiff commenced a new action against the Company, NSI and Alboini. None of the Company, NSI and Alboini was involved in the dispute between IPO Capital and the plaintiff as the dispute occurred prior to the acquisition of IPO Capital by the Company and the Company did not assume any liability for the dispute as part of the acquisition of IPO Capital in 2003. The Company reduced the provision to \$nil as the outcome of the new action cannot be determined at this time.
- d) The Company recorded a provision of \$171,726 as at September 30, 2014 (2013 - \$171,726) relating to a penalty assessed by the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC"). The penalty relates to certain findings concerning compliance policies and procedures following a Compliance Examination that took place on November 2, 2012. A findings letter dated December 12, 2012 was received by the Company in June 2013 due to the termination of the Company's brokerage business on December 31, 2012 and the move to downsized offices. The Company appealed the penalty, which FINTRAC has stated was made after the period in which an appeal is permitted. The Company maintains it has properly appealed FINTRAC's decision.
- e) The Company had previously entered into a retainer agreement for certain services. During the year ended March 31, 2014 the Company failed to make certain of the scheduled payments. As at September 30, 2014 a total of \$285,498 has been included in accounts payables and accrued liabilities. Pursuant to the retainer agreement unbilled services may become due on a failure to make scheduled payments. The service provider has noted that these amounts may total an additional \$248,017 which is disputed by the Company. The Company is in discussions with the service provider on the amounts owing and has not provided for these additional amounts.

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- f) A summary of the change in provisions during the six months ended September 30, 2014 and 2013 is as follows:

Balance at March 31, 2013 and September 30, 2013	\$ 790,640
Balance at March 31, 2014	\$ 171,726
Additions during the period	60,000
Balance at September 30, 2014	\$ 231,726

13. 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. As at September 30, 2014, based on a 1% change in the fair value of the Company's securities, the estimated sensitivity of the Company's net loss was (\$578) (March 31, 2014 – (\$600)), based on a decrease and \$578 (March 31, 2014 – \$60), based on an increase.

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 September 30, 2014, based on a 1% change in interest rates, the estimated sensitivity of the Company's net loss was (\$4,850) (March 31, 2014 – (\$4,800)), based on an increase and \$4,850 (March 31, 2014 - \$4,800) 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 meet its current obligations. See note 1.

The Company has loans outstanding of \$1,595,561 as at September 30, 2014 (March 31, 2014 - \$1,787,171).

14. 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 settled an amount owing to Jaguar of \$541,181 by a payment to Jaguar of \$108,236 in the fiscal year ended March 31, 2013. See note 8.
- b) The Company entered into a management services agreement with Jaguar in April, 2014. For the six months ended September 30, 2014 the Company earned \$256,250 (September 30, 2013 - \$nil).
- c) During the six months ended September 30, 2014 the Company made net loan repayments to Alboini and Stature in the amount of \$196,611 (June 30, 2013 – advances of \$415,800). The balance owing to them was \$410,561 as at September 30, 2014 (March 31, 2014 - \$607,171). During the year ended March 31, 2014 Alboini and Stature waived all historical and future interest on their total loans to the Company. There is no current repayment date on the loans.
- d) As at September 30, 2014 the Company had \$500,000 (March 31, 2014 - \$500,000) in loans payable to a former director of the Company.
- e) 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. For the six months ended September 30, 2014 the Company received fees in the amount of \$138,320 (September 30, 2013 - \$66,286) pertaining to certain investments by Jaguar.
- f) Accounts payable includes \$2,158 due to Jaguar as at September 30, 2014 (March 31, 2014 - \$15,696).
- g) Accounts payable includes \$30,844 in fees due to officers and directors as at September 30, 2014 (March 31, 2014 - \$12,250).

Compensation to key management personnel

Compensation paid or payable during the six month periods ended September 30 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors is as follows:

	2014	2013
Compensation	\$42,750	\$39,183

15. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

	September 30, 2014	September 30, 2013
Interest paid	\$ 3,013	\$4,661

16. OPERATING SEGMENT INFORMATION

The 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 where applicable.

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 the six months ended September 30, 2014 and 2013 other than the discontinuance of certain operations.

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 result 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:

Six Months Ended	September 30 2014	September 30 2013
	\$	\$
Impact on statement of operations and comprehensive loss:		
Revenues	-	-
Operating expenses	-	-
Loss from operations before tax	-	-
Income tax expense	-	-
Provisions and recoveries	(60,000)	155,000
Net (income) loss from discontinued operations	(60,000)	155,000
(INCOME) LOSS PER SHARE FROM DISCONTINUED OPERATIONS— Basic and diluted	(0.01)	0.03

18. SUBSEQUENT EVENTS

There were no subsequent events that would have a material impact on these financial statements.