

GRAVITAS FINANCIAL INC.

*Interim condensed consolidated financial report (unaudited)*

Periods of three months and six months ended on June 30, 2014 and 2013

# GRAVITAS FINANCIAL INC.

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## INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

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## **Notice to Reader**

The accompanying unaudited interim condensed consolidated financial statements of GRAVITAS FINANCIAL INC. (the "Company") for the periods of three months and six months ended on June 30, 2014 and 2013 have been prepared by management and are its responsibility. These unaudited interim condensed consolidated financial statements, together with the accompanying notes, have been reviewed and approved by the members of the Company's audit committee. These unaudited interim condensed consolidated financial statements have not been reviewed by the Company's auditors.

## GRAVITAS FINANCIAL INC.

### INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of	(Unaudited - in Canadian dollars)		
	Notes	June 30, 2014	December 31, 2013
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		20,953,676	26,215,133
Guaranteed investments certificates		15,000,000	15,020,000
Trade and other receivables		1,253,089	693,572
Prepaid expenses		44,001	46,347
Loans receivable	6	1,005,000	3,447,033
Convertible debentures	7	2,892,332	1,761,084
		<u>41,148,098</u>	<u>47,183,169</u>
<b>Non-current assets</b>			
Property and equipment		149,604	148,215
Investments	5	7,881,386	2,774,715
Loans receivable	6	300,000	100,000
Convertible debentures	7	2,424,966	1,859,650
Intangible assets	8	1,086,100	1,264,066
		<u>11,842,056</u>	<u>6,146,646</u>
<b>Total assets</b>		<u><u>52,990,154</u></u>	<u><u>53,329,815</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		571,457	795,930
Customer deposits		472,800	26,210
Due to directors, non interest bearing , due on demand		23,639	91,238
Due to a related company, non interest bearing, due on demand		24,109	75,839
Loans payable to companies controlled by shareholders, non interest bearing, due on demand		20,750	54,650
Income taxes payable		58,919	58,919
		<u>1,171,674</u>	<u>1,102,786</u>
<b>Non-current liabilities</b>			
Lease inducement		34,288	37,609
Debentures	9	52,963,770	52,921,091
		<u>52,998,058</u>	<u>52,958,700</u>
<b>Total liabilities</b>		<u><u>54,169,732</u></u>	<u><u>54,061,486</u></u>
<b>EQUITY (DEFICIENCY)</b>			
Share capital	10	1,400,600	1,400,600
Contributed surplus		86,000	86,000
Deficit		(3,256,024)	(2,126,227)
Accumulated other comprehensive income (loss)		591,392	(92,044)
<b>Total equity attributable to owners of the parent company</b>		<u>(1,178,032)</u>	<u>(731,671)</u>
Non-controlling interest		(1,546)	-
<b>Total equity</b>		<u><u>(1,179,578)</u></u>	<u><u>(731,671)</u></u>
<b>Total liabilities and equity (deficiency)</b>		<u><u>52,990,154</u></u>	<u><u>53,329,815</u></u>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## GRAVITAS FINANCIAL INC.

### INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Periods of three months and six months ended on

(Unaudited - in Canadian dollars)

Notes	June 30, 2014 (3 months)	June 30, 2013 (3 months)	June 30, 2014 (6 months)	June 30, 2013 (6 months)
	\$	\$	\$	\$
<b>Revenue</b>				
Listing and research	12	153,855	344,725	245,610
Advisory services		6,600	4,300	53,349
Consulting services		70,281	-	91,763
Royalties		60,293	5,243	136,234
Interest	13	632,362	37,340	1,471,340
Dividend		40,000	-	80,000
Management fees		2,500	-	5,385
		<u>965,891</u>	<u>391,608</u>	<u>2,083,681</u>
				<u>616,318</u>
<b>Expenses</b>				
Salaries and management fees		204,717	91,800	386,171
Consulting and professional fees		398,566	246,228	844,959
General and administrative		437,603	92,765	746,113
Regulatory fees		5,418	14,648	7,768
Interest expense	14	437,665	47,492	871,487
Stock exchange listing expense		-	1,525,097	-
Transaction expenses		-	1,158,005	-
Impairment on investments		-	20,000	-
Loss on disposal of investments		78,817	187,274	116,817
Loss (gain) on settlement of trade and other receivables		-	-	(10,324)
Gain on settlement of a loan payable to a company controlled by shareholders		(33,900)	-	(33,900)
Unrealized change in fair value of debentures - convertible components		49,739	-	66,730
Unrealized change in fair value of investments		80,531	-	209,203
		<u>1,659,156</u>	<u>3,383,309</u>	<u>3,205,024</u>
		<u>(693,265)</u>	<u>(2,991,701)</u>	<u>(1,121,343)</u>
				<u>(3,013,777)</u>
<b>Loss before income taxes</b>				
<b>Income taxes</b>				
Current income taxes		-	(40)	-
Deferred income taxes		-	(1,318)	-
		<u>-</u>	<u>(1,358)</u>	<u>-</u>
		<u>(693,265)</u>	<u>(2,990,343)</u>	<u>(1,121,343)</u>
				<u>(3,012,862)</u>
<b>Other comprehensive loss (income)</b>				
Items that will be reclassified subsequently to net earnings (loss)				
Available-for-sale-financial assets				
Net change in fair value		544,715	(257,374)	645,436
Reclassification to net loss		-	187,247	38,000
		<u>544,715</u>	<u>(70,127)</u>	<u>683,436</u>
				<u>(71,356)</u>
<b>Total comprehensive loss (income)</b>				
		<u>(148,550)</u>	<u>(3,060,470)</u>	<u>(437,907)</u>
				<u>(3,084,218)</u>
<b>Net loss attributable to:</b>				
Shareholders of Gravitas Financial Inc.		(692,045)	-	(1,119,797)
Non-controlling interest		(1,220)	-	(1,546)
		<u>(693,265)</u>	<u>-</u>	<u>(1,121,343)</u>
				<u>-</u>
<b>Basic and diluted net loss per share</b>				
		<u>(0.010)</u>	<u>(0.072)</u>	<u>(0.017)</u>
				<u>(0.080)</u>
<b>Weighted average number of common shares outstanding</b>				
		<u>66,601,305</u>	<u>41,655,131</u>	<u>66,601,305</u>
				<u>37,807,598</u>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## GRAVITAS FINANCIAL INC.

### INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Periods of six months ended on June 30, 2014 and 2013

(Unaudited - in Canadian dollars)

Notes	Share Capital		Accumulated Other Comprehensive Income (Loss)	Contributed surplus	Retained Earnings (Deficit)	Total attributable to owners of the parent company	Non-controlling interest	Total Equity	
	Number	\$	\$	\$	\$	\$	\$	\$	
<b>Balance on January 1st, 2013</b>		32,891,305	2,000	(74,212)	-	347,820	-	-	275,608
Dividend		-	-	-	-	(389,718)	-	-	(389,718)
Repurchase of shares	12	(1,240,000)	(400)	-	-	(135,422)	-	-	(135,822)
Reverse takeover	12	35,000,000	1,400,000	-	86,000	-	-	-	1,486,000
Net loss		-	-	-	-	(3,012,862)	-	-	(3,012,862)
		<u>33,760,000</u>	<u>1,399,600</u>	<u>-</u>	<u>86,000</u>	<u>(3,538,002)</u>	<u>-</u>	<u>-</u>	<u>(2,052,402)</u>
<b>Other comprehensive loss</b>									
Available-for-sale financial assets									
Net change in fair value		-	-	(281,714)	-	-	-	-	(281,714)
Reclassification to net earnings		-	-	210,358	-	-	-	-	210,358
		<u>-</u>	<u>-</u>	<u>(71,356)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,356)</u>
<b>Balance on June 30, 2013</b>		<u>66,651,305</u>	<u>1,401,600</u>	<u>(145,568)</u>	<u>86,000</u>	<u>(3,190,182)</u>	<u>-</u>	<u>-</u>	<u>(1,848,150)</u>
<b>Balance on January 1st, 2014</b>		66,601,305	1,400,600	(92,044)	86,000	(2,126,227)	(731,671)	-	(731,671)
Dividend	10	-	-	-	-	(10,000)	(10,000)	-	(10,000)
Net loss		-	-	-	-	(1,119,797)	(1,119,797)	(1,546)	(1,121,343)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,129,797)</u>	<u>(1,129,797)</u>	<u>(1,546)</u>	<u>(1,131,343)</u>
<b>Other comprehensive income</b>									
Available-for-sale financial assets									
Net change in fair value		-	-	645,436	-	-	645,436	-	645,436
Reclassification to net loss		-	-	38,000	-	-	38,000	-	38,000
		<u>-</u>	<u>-</u>	<u>683,436</u>	<u>-</u>	<u>-</u>	<u>683,436</u>	<u>-</u>	<u>683,436</u>
<b>Balance on June 30, 2014</b>		<u>66,601,305</u>	<u>1,400,600</u>	<u>591,392</u>	<u>86,000</u>	<u>(3,256,024)</u>	<u>(1,178,032)</u>	<u>(1,546)</u>	<u>(1,179,578)</u>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## GRAVITAS FINANCIAL INC.

### INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods of three months and six months ended on

(Unaudited - in Canadian dollars)

Notes	June 30, 2014 (3 months)	June 30, 2013 (3 months)	June 30, 2014 (6 months)	June 30, 2013 (6 months)
			\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	(693,265)	(2,990,343)	(1,121,343)	(3,012,862)
Adjustments				
Deferred income taxes	-	(1,318)	-	(875)
Bad debt expense	-	63,934	-	65,934
Amortization - Property and equipment	8,975	351	19,910	711
Amortization - Intangible assets	88,983	-	177,966	-
Lease inducement	(1,660)	-	(3,321)	-
Accreted interest on convertible debentures	7 (31,216)	-	(73,307)	-
Accreted interest on debentures	9 23,772	-	42,679	-
Impairment on investments	-	20,000	-	20,000
Investments received for services	-	(36,612)	-	(103,959)
Loss (gain) on settlement of trade and other receivables	-	-	(10,324)	15,880
Gain on settlement of a loan payable to a company controlled by shareholders	(33,900)	-	(33,900)	-
Loss on disposal of investments	78,817	187,274	116,817	218,717
Unrealized change in fair value of debentures - convertible components	49,739	-	66,730	-
Unrealized change in fair value of investments	80,531	-	209,203	-
Stock exchange listing expense	-	1,525,097	-	1,525,097
	(429,224)	(1,231,617)	(608,890)	(1,271,357)
Change in working capital items	15 337,164	(205,132)	(335,054)	(243,166)
Cash flows from operating activities	(92,060)	(1,436,749)	(943,944)	(1,514,523)
<b>INVESTING ACTIVITIES</b>				
Cash acquired through the reverse takeover	-	15,716	-	15,716
Guaranteed investment certificate	20,000	-	20,000	-
Loan to a shareholder company	-	-	-	-
Additions to property and equipment	(4,116)	(332)	(21,299)	(332)
Purchase of investments	5 (560,483)	(35,645)	(4,748,931)	(35,645)
Loan to a related company	-	(350,000)	-	(350,000)
Loans receivable	6 (2,882,787)	-	(5,317,333)	-
Reimbursement of loans receivable	6 7,559,366	-	7,559,366	-
Convertible debentures	7 (551,067)	-	(1,689,987)	-
Cash flows from investing activities	3,580,913	(370,261)	(4,198,184)	(370,261)
<b>FINANCING ACTIVITIES</b>				
Advances from line of credit	-	-	-	34,251
Repayment of line of credit	-	(113,184)	-	(113,184)
Due to directors	-	33,345	(67,599)	76,868
Due to a related company	-	-	(51,730)	-
Loans payable to related companies	-	-	-	-
Loans	-	563,250	-	563,250
Repayment of loans	-	(8,100)	-	(8,100)
Issuance of debentures	9 -	54,022,000	-	54,022,000
Repurchase of shares	10 -	(45,000)	-	(45,000)
Cash flows from financing activities	-	54,452,311	(119,329)	54,530,085
<b>Net change in cash</b>	3,488,853	52,645,301	(5,261,457)	52,645,301
<b>Cash, beginning of period</b>	17,464,823	-	26,215,133	-
<b>Cash, end of period</b>	20,953,676	52,645,301	20,953,676	52,645,301

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# GRAVITAS FINANCIAL INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2014 and 2013 and December 31, 2013

(Unaudited - in Canadian dollars)

### NOTE 1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

Gravitas Financial Inc. and its subsidiaries (hereinafter the "Company" or "Gravitas") specializes in investment research and capital market services in Toronto and Vancouver.

Gravitas shares are listed on the Canadian National Stock Exchange (CNSX) under symbol GFI.

Gravitas Financial Inc. is incorporated under the Canada Business Corporations Act. The new address of Gravitas registered offices and its principal place of business is 333 Bay St., suite 650, Toronto, Ontario, M5H 2R2.

These interim condensed consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), have been approved by the Board of Directors on August 26, 2014 in preparation of their filing.

### NOTE 2. STATEMENT OF COMPLIANCE

These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with IAS 34 Interim Financial Reporting. The unaudited interim condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, as they follow the same accounting policies and methods of application, unless otherwise indicated.

### NOTE 3. REVERSE TAKEOVER

On June 25, 2013, the Company acquired all shares of Ubika Corporation ("Ubika") in exchange for the issuance of 35,000,000 common shares of the Company at a price of \$0.04 per share for a total amount of \$1,400,000.

Following this transaction, Ubika's shareholders controlled the Company and this transaction was considered to be a reverse takeover of the Company by Ubika. Since the Company was not a business as defined by IFRS 3 (Revised) *Business Combinations*, this transaction was accounted for as the purchase by Ubika of the Company's net assets. The purchase of the Company's net assets was an equity-settled share-based payment under IFRS 2 *Share-based Payment*.

In accordance with IFRS 2, equity instruments from this transaction were recognized at fair value of net assets acquired and services received. Services received from the Company consists in the listing of Ubika as a publicly listed Company and are measured at the amount of the difference between the fair value of equity instruments of the Company outstanding before the transaction and the net assets acquired from the Company. This transaction is recognized in substance as if Ubika had proceeded to the issuance of the Company's shares, options and warrants outstanding before the transaction in exchange for the net assets acquired and services received from the Company.

The issuance of 35,000,000 common shares by the Company resulted in a reverse acquisition that made Ubika a publicly listed Company. The Company's financial statements are the continuation of Ubika's activities.

The net assets acquired are as follows:

\$

Cash	15,716
Guaranteed investment certificate	20,000
Trade and other receivables	103,790
Prepaid expenses	11,778
Investments	317,668
Intangible asset (Note 8)	1,245,760
Trade and other payables	(508,049)
Stock exchange listing expense	279,337
	1,486,000



# GRAVITAS FINANCIAL INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2014 and 2013 and December 31, 2013

(Unaudited - in Canadian dollars)

### NOTE 3. REVERSE TAKEOVER (Continued)

The breakdown of the consideration in equity instruments was as follows:

	Number	\$
Outstanding common shares of the Company	35,000,000	1,400,000
Outstanding share options of the Company	250,000	-
Outstanding warrants of the Company	4,300,000	86,000
		<u>1,486,000</u>

The amounts for options and warrants were determined by measuring the fair value of options and warrants outstanding at the time of the qualifying transaction. Outstanding options had no fair value since these options were cancelled at the closing date as disclosed in Note 11.

Outstanding warrants had a fair value of \$86,000 and this fair value was estimated using the Black & Scholes valuation model using as assumptions a useful life of 17 months, a volatility of 130%, a risk-free interest rate of 1.09%, an exercise price of \$0.10 and a share price of \$0.05. The expected volatility was determined using the historical data of public companies from the same sector according to the expected life of the warrants.

### NOTE 4. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at June 30, 2014. The interim condensed consolidated financial statements reflect the consolidated financial position and results of operations of the Company and its active subsidiaries as follows:

Subsidiary	Jurisdiction of Incorporation	% of Ownership
Ubika Corp.	Canada	100%
SmallCapPower	Canada	100%
SearchGold Guinée SARL	Africa	100%
Gravitas Select Flow-Through GP Inc.	Canada	100%
Gravitas Financial Services Holdings Inc.	Canada	100%
Gravitas Corporate Services Inc. (a)	Canada	100%
Gravitas Global GP Inc. (a)	Canada	100%
Gravitas Venture Inc. (a)	Canada	100%
Branson Corporate Services Inc. (a)	Canada	51%

(a) Incorporated in 2014

All transactions and balances between the parent company and its subsidiaries are eliminated upon consolidation, including unrealized gains and losses on transactions between the companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Net earnings (loss) of a subsidiary acquired or disposed of during the reporting period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

# GRAVITAS FINANCIAL INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2014 and 2013 and December 31, 2013

(Unaudited - in Canadian dollars)

**NOTE 5. INVESTMENTS**

	June 30, 2014	December 31, 2013
	\$	\$
Common shares in quoted companies	1,571,783	448,136
Common shares in private companies (a)	4,163,773	81,000
Preferred shares in a private company, 8%, payable annually, convertible at \$0.15 per share (a)	1,000,000	1,000,000
Options	55,154	71,520
Warrants	242,403	325,786
Debentures, 12%, reimbursable in May 2014 (b)	848,272	848,272
Mining properties	1	1
	<u>7,881,386</u>	<u>2,774,715</u>

(a) The above investments are carried at cost, as they do not have a quoted market price in an active market (private company investments), and their fair value cannot be reliably measured due to the significant variability in the range of reasonable fair values for these instruments and the inability to assign probabilities to a range of fair value estimates. The market for these financial instruments is a private equity market. The entity intends to dispose of these financial instruments when these companies' shares are in an active market.

During the six months period ended June 30, 2014, the Company acquired a 40% interest in Portfolio Analysts Inc., the parent company of Portfolio Strategies Securities Inc., a leading Canadian independent mutual fund dealer for a total consideration of \$4,027,098.

(b) These debentures were redeemed in July 2014.

**NOTE 6. LOANS RECEIVABLE**

	June 30, 2014	December 31, 2013
	\$	\$
Loans to a public company, secured, interest bearing at 18% per annum, reimbursed in May 2014	-	3,427,033
Loan to a company where a director has a minority interest, unsecured, interest bearing at 6% per annum, reimbursable in October 2018	300,000	100,000
Loans to a public companies, unsecured, interest bearing from 8% to 10% per annum, reimbursable in August and September 2014	530,000	-
Loans to private companies, unsecured, interest bearing from 12% to 20% per annum, reimbursable in September and December 2014	450,000	20,000
Loan to an individual, unsecured, interest bearing at 8% per annum, due on demand	25,000	-
	<u>1,305,000</u>	<u>3,547,033</u>
Less: Current portion	<u>(1,005,000)</u>	<u>(3,447,033)</u>
	<u>300,000</u>	<u>100,000</u>

**NOTE 7. CONVERTIBLE DEBENTURES**

	June 30, 2014	December 31, 2013
	\$	\$
<b>Loan components</b>		
Convertible debenture with a face value of US\$275,000, 12%, maturing on January 31, 2016 or convertible at any time at the Company's option at \$0.07 per share	273,468	268,071
Convertible debenture with a face value of \$1,250,000, 9%, maturing on July 16, 2016 or convertible at any time at the Company's option at \$0.18 per share	1,232,928	1,228,831
Convertible debenture with a face value of \$250,000, 12%, maturing on December 17, 2014 or convertible at any time at the Company's option at \$0.05 per share	250,000	250,000

## GRAVITAS FINANCIAL INC.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2014 and 2013 and December 31, 2013

(Unaudited - in Canadian dollars)

**NOTE 7. CONVERTIBLE DEBENTURES (Continued)**

	June 30, 2014	December 31, 2013
	\$	\$
Convertible debenture with a face value of \$120,000, 12%, maturing on December 20, 2015 or convertible at any time at the Company's option at \$0.20 per share	107,804	103,739
Convertible debenture with a face value of \$1,500,000, 12%, maturing on November 22, 2014 or convertible at any time at the Company's option at \$0.05 per share	1,488,912	1,473,695
Convertible debenture with a face value of \$150,000, 12%, maturing on November 20, 2015 or convertible at any time at the Company's option at \$0.10 per share	147,674	146,827
Convertible debenture with a face value of \$1,121,920, 12%, maturing on November 22, 2014 or convertible at any time at the Company's option at \$0.055 per share	1,094,277	-
Convertible debenture with a face value of US\$350,000, 12%, maturing on April 29, 2015 or convertible at any time at the Company's option at \$0.125 per share	373,135	-
Convertible debenture with a face value of \$17,000, 12%, maturing on March 31, 2017 or convertible at any time at the Company's option at \$0.15 per share	17,000	-
Convertible debenture with a face value of \$88,000, 14%, maturing on June 30, 2017 or convertible at any time at the Company's option at \$0.10 per share	82,777	-
Convertible debenture with a face value of \$100,000, 14%, maturing on June 30, 2019 or convertible at any time at the Company's option at \$1.14 per share	43,749	-
	5,111,724	3,471,163
<b>Convertible components</b>	205,574	149,571
	5,317,298	3,620,734
Less: Current portion	(2,892,332)	(1,761,084)
	2,424,966	1,859,650

The initial value of the convertible component is determined by measuring the equity conversion feature and assigning the residual value to the loan component. The loan component is not remeasured subsequent to initial recognition.

The Company determined that at issuance, the fair value of the loan and convertible components were as follows:

	June 30, 2014	December 31, 2013
	\$	\$
<b>Loan components</b>		
Balance, beginning of period	3,457,296	-
Invested amount of convertible debentures	1,567,254	3,457,296
Balance, end of period	5,024,550	3,457,296
<b>Convertible components</b>		
Balance, beginning of period	102,392	-
Invested amount of convertible debentures	122,733	102,392
Balance, end of period	225,125	102,392
Total fair value of the invested amount of convertible debentures, at issuance	5,249,675	3,559,688

## GRAVITAS FINANCIAL INC.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2014 and 2013 and December 31, 2013

(Unaudited - in Canadian dollars)

**NOTE 7. CONVERTIBLE DEBENTURES (Continued)**

The fair value of convertible components at issuance was estimated using the Black & Scholes valuation model based on the following weighted average assumptions:

	June 30, 2014	December 31, 2013
Weighted average conversion price	\$0.14	\$ 0.10
Expected dividend	- %	- %
Expected average volatility	326%	200%
Risk-free average interest rate	1.13%	1.16%
Expected average life (years)	1.35	2.32
Weighted average fair value	\$0.09	\$ 0.03

The following table shows the changes in the fair value of convertible components:

	June 30, 2014	December 31, 2013
	\$	\$
Fair value of convertible components, beginning of period	149,571	-
Fair value of convertible components at issuance	122,733	102,392
Unrealized change in fair value of debentures - convertible components	(66,730)	47,179
Fair value of convertible components, end of period	<u>205,574</u>	<u>149,571</u>

The fair value of convertible components was estimated using the Black & Scholes valuation model based on the following weighted average assumptions:

	June 30, 2014	December 31, 2013
Weighted average conversion price	\$0.11	\$ 0.10
Expected dividend	- %	- %
Expected average volatility	179%	216%
Risk-free average interest rate	1.04%	1.07%
Expected average life (years)	1.10	2.08
Weighted average fair value	\$0.05	\$ 0.04

For the six months period ended June 30, 2014, an amount of \$73,307 (\$13,867 for the year ended December 31, 2013) was recorded as interest income and accreted back to loan components, which are classified as loans and receivable.

	June 30, 2014	December 31, 2013
	\$	\$
Balance of loan components, beginning of period	3,471,163	-
Loan components at issuance	1,567,254	3,457,296
Accretion of interest	73,307	13,867
Balance of loan components, end of period	5,111,724	3,471,163
Convertible components	<u>205,574</u>	<u>149,571</u>
Total value of convertible debentures	<u>5,317,298</u>	<u>3,620,734</u>

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#### NOTE 8. INTANGIBLE ASSETS

	Net smelter royalty (Note 3)	Brand Name	Total
	\$	\$	\$
<b>Cost</b>			
Balance as at January 1st, 2013	-	-	-
Acquisitions	1,245,760	196,272	1,442,032
Balance as at December 31, 2013	1,245,760	196,272	1,442,032
Acquisitions	-	-	-
Balance as at June 30, 2014	1,245,760	196,272	1,442,032
<b>Accumulated amortization</b>			
Balance as at January 1st, 2013	-	-	-
Amortization	177,966	-	177,966
Balance as at December 31, 2013	177,966	-	177,966
Amortization	177,966	-	177,966
Balance as at June 30, 2014	355,932	-	355,932
<b>Carrying amount</b>			
Balance as at December 31, 2013	1,067,794	196,272	1,264,066
Balance as at June 30, 2014	889,828	196,272	1,086,100

#### NOTE 9. DEBENTURE

The debentures mature on June 25, 2023 and bears interest at a rate as is equal to the greater of : i) three percent (3%) per annum; or ii) an amount as is equal to eighty percent (80%) of the earnings before interest expense and tax (EBIT) on a consolidated basis, subject to an aggregate maximum amount of eight percent (8%) per annum. The base three percent (3%) interest payment shall be payable quarterly, commencing June 30, 2013, with the annual adjustment made based on the aforementioned net earnings calculation annually and paid out on April 30 of each year. For the year ended December 31, 2013, the Company paid an interest of 3%.

The term of the debentures is ten (10) years, renewable for an additional ten (10) year period upon the payment of a renewal fee equal to one (1%) percent of the principal amount of the debentures outstanding at the date of renewal. Upon any such renewal, the rate of interest on the debentures shall be adjusted such minimum interest rate shall be equal to Government of Canada 10-year bond rate, plus five percent (5%).

	June 30, 2014	December 31, 2013
	\$	\$
Balance, beginning of period	52,921,091	-
Issued	-	54,022,000
Issue costs	-	(1,158,215)
	52,921,091	52,863,785
Accretion of interest	42,679	57,306
Balance, end of period	52,963,770	52,921,091

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#### NOTE 10. SHARE CAPITAL

##### Share capital

The share capital of the company consists only of fully paid ordinary shares.

##### Authorized

Unlimited number of common shares voting and participating

##### Dividend paid

In connection with the reverse takeover transaction described in Note 3, the Company agreed to transfer, to the previous shareholders of Ubika, all investments owned by Ubika prior to the reverse takeover. The Company recorded a dividend of \$10,000 for the six months period ended June 30, 2014 (\$316,106 for the year ended December 31, 2013) representing the fair value of the investments at the time of transfer.

##### Warrants

The following table shows the changes in warrants:

	June 30, 2014		December 31, 2013	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding on January 1st	4,300,000	0.10	-	-
Assumed as part of the reverse takeover (Note 3)	<u>-</u>	-	<u>4,300,000</u>	0.10
Outstanding and exercisable	<u>4,300,000</u>	0.10	<u>4,300,000</u>	0.10

The number of outstanding warrants that could be exercised for an equal number of common shares is as follows:

Expiration date	Exercise price	Number of warrants outstanding	Number of warrants exercisable
November 5, 2014	\$0.10	<u>4,300,000</u>	<u>4,300,000</u>

#### NOTE 11. EMPLOYEE REMUNERATION

##### Share option plan

The Company has adopted a stock-based compensation plan under which members of the Board of Directors may award options for common shares to directors, officers, employees and consultants. The maximum number of common shares issuable pursuant to the share option plan must not exceed 10% of the total number of common shares outstanding from time to time.

The exercise price of each option is determined by the Board of Directors and cannot be less than the discounted market value of the common shares on the eve of the award and the term of the options cannot be more than five years. The options are exercisable immediately.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

The Company's share options are as follows for the reporting periods presented:

	June 30, 2014		December 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding on January 1st	-	-	-	-
Assumed as part of the reverse takeover (Note 3)	-	-	250,000	0.10
Cancelled	<u>-</u>	-	<u>(250,000)</u>	0.10
Outstanding and exercisable	<u>-</u>	-	<u>-</u>	-

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#### NOTE 12. LISTING AND RESEARCH

	June 30, 2014 (3 months)	June 30, 2013 (3 months)	June 30, 2014 (6 months)	June 30, 2013 (6 months)
	\$	\$	\$	\$
Amount to be settled in cash	153,855	308,113	245,610	463,976
Amount settled in options	-	10,612	-	56,459
Amount settled in shares	-	26,000	-	47,500
	<u>153,855</u>	<u>344,725</u>	<u>245,610</u>	<u>567,935</u>

#### NOTE 13. INTEREST REVENUE

	June 30, 2014 (3 months)	June 30, 2013 (3 months)	June 30, 2014 (6 months)	June 30, 2013 (6 months)
	\$	\$	\$	\$
Interest on bank	56,555	37,340	127,584	37,340
Interest on guaranteed investments certificates	74,794	-	149,009	-
Interest on loans receivable	114,274	-	303,655	-
Interest on convertible debentures	162,498	-	329,273	-
Interest on debentures	224,241	-	561,819	-
	<u>632,362</u>	<u>37,340</u>	<u>1,471,340</u>	<u>37,340</u>

#### NOTE 14. INTEREST EXPENSES

	June 30, 2014 (3 months)	June 30, 2013 (3 months)	June 30, 2014 (6 months)	June 30, 2013 (6 months)
	\$	\$	\$	\$
Interest on loans	-	18,809	-	21,000
Interest on debentures	428,937	22,201	853,009	22,201
Interest on current liabilities and bank charges	8,728	6,482	18,478	6,482
	<u>437,665</u>	<u>47,492</u>	<u>871,487</u>	<u>49,683</u>

#### NOTE 15. ADDITIONAL INFORMATIONS – CASH FLOWS

The changes in working capital items are detailed as follows:

	June 30, 2014 (3 months)	June 30, 2013 (3 months)	June 30, 2014 (6 months)	June 30, 2013 (6 months)
	\$	\$	\$	\$
Trade and other receivables	249,705	35,354	(559,517)	(35,237)
Prepaid expenses	14,372	2,856	2,346	2,856
Advances to related parties	-	(61,571)	-	3,729
Trade and other payables	(291,959)	(173,908)	(224,473)	(198,788)
Customer deposits	365,046	(7,863)	446,590	(15,726)
	<u>337,164</u>	<u>(205,132)</u>	<u>(335,054)</u>	<u>(243,166)</u>

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#### NOTE 15. ADDITIONAL INFORMATIONS – CASH FLOWS (Continued)

Additional disclosures regarding cash flows that did not result in a cash outflow:

	June 30, 2014 (3 months)	June 30, 2013 (3 months)	June 30, 2014 (6 months)	June 30, 2013 (6 months)
	\$	\$	\$	\$
Trade and other receivables				
Investments received as a settlement	-	(36,612)	-	103,959
Investments				
Dividend paid in kind	-	-	(10,000)	-
Investments received as a settlement		36,612		(103,959)
Convertible debentures				
Accretion of interest	(31,216)	-	(73,307)	-
Debentures				
Accretion of interest	23,772	-	42,679	-

Cash flows from interest and income taxes

	June 30, 2014 (3 months)	June 30, 2013 (3 months)	June 30, 2014 (6 months)	June 30, 2013 (6 months)
	\$	\$	\$	\$
Interest paid	413,893	(3,848)	828,808	(1,657)
Interest received	(711,689)	-	(788,521)	-
Income taxes received	-	(40)	-	(40)

#### NOTE 16. RELATED PARTIES

The Company's related parties include its joint key management and other related parties, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Remuneration of the key management personnel, that is, the President, the Vice-President Finance and the directors, includes the following expenses:

	June 30, 2014 (3 months)	June 30, 2013 (3 months)	June 30, 2014 (6 months)	June 30, 2013 (6 months)
	\$	\$	\$	\$
<b>Transactions with key management personnel</b>				
Salaries and management fees	135,000	70,000	246,000	121,000
Consulting and professional fees	33,502	-	69,468	-
General and administrative	37,940	-	77,000	-
	<u>206,442</u>	<u>70,000</u>	<u>392,468</u>	<u>121,000</u>
<b>Transactions with companies controlled by key management</b>				
Advisory services	-	-	-	1,500
Consulting and professional fees	165,120	-	338,135	-
General and administrative	-	9,900	-	19,800
	<u>165,120</u>	<u>9,900</u>	<u>338,135</u>	<u>21,300</u>
	<u><u>371,562</u></u>	<u><u>79,900</u></u>	<u><u>730,603</u></u>	<u><u>142,300</u></u>



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#### NOTE 17. COMMITMENTS

The Company has entered into several future commitments related to services for the operations of the Company. The combined future minimum payments, aggregate to \$60,200 and include the following payments for the next years:

	\$
Less than 1 year	60,200
1-5 years	-

The Company also entered into an agreement for the lease of premises expiring in August 30, 2019. Future minimum lease payments, aggregate to \$1,280,656 and include the following payments for the next years:

	\$
Less than 1 year	307,442
1-5 years	973,214

#### NOTE 18. SUBSEQUENT EVENT

On July 31, 2014, the Company converted an amount of \$295,412 in the 12% convertible subordinate secured debenture with The Mint Corporation ("Mint") at a conversion price of \$0.05 per share. As a result of this conversion, Mint issued 5,908,240 common shares to the Company representing 18% of the issued and outstanding common shares of Mint.