

Unaudited Interim Condensed Consolidated Financial Statements

**Gravitas Financial Inc.**

For the three and nine month periods  
ended  
September 30, 2016 and 2015

# Gravitas Financial Inc.

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**Notice of Disclosure of Non-Auditor Review of Interim Condensed Consolidated Financial  
Statements for the three and nine months periods ended  
September 30, 2016 and September 30, 2015.**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Gravitas Financial Inc. and its subsidiaries (the “Company”) for the three and nine months periods ended September 30, 2016 and 2015, have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company’s management.

The Corporation’s independent auditors, MNP LLP, have not performed a review of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2016 and 2015 in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

**MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying interim condensed consolidated financial statements of the Gravitas Financial Inc. (the “Company”) have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities.

“Vikas Ranjan”  
\_\_\_\_\_  
**Chief Executive Officer**

“Rishi Tibriwal”  
\_\_\_\_\_  
**Chief Financial Officer**

**Gravitas Financial Inc.**  
**UNAUDITED INTERIM CONDENSED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Presented in Canadian Dollars)

As at:	Notes	September 30, 2016 \$	December 31, 2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		25,538,101	34,427,311
Guaranteed investment certificates	9	11,906,624	20,089,000
Trade and other receivables	10 and 27	3,258,460	2,542,079
Prepaid		126,086	249,768
Inventory		187,496	146,655
Loan receivables	14	1,741,412	1,089,421
Convertible debentures	15	1,782,368	319,376
Assets held for sale	6	7,879,946	8,229,765
<b>Current assets</b>		<b>52,420,493</b>	<b>67,093,375</b>
<b>Non-current assets</b>			
Property and equipment	11	235,688	148,710
Equity investments and other	12	9,153,702	6,437,240
Investments in associates	13	7,605,531	7,606,423
Loan receivables	14	8,895,254	5,444,590
Convertible debentures	15	2,046,412	2,290,626
Intangible assets	16	88,981	602,201
Goodwill	7	1,920,003	-
<b>Non-current assets</b>		<b>29,945,571</b>	<b>22,529,790</b>
<b>Total assets</b>		<b>82,366,064</b>	<b>89,623,165</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	17	2,098,485	3,007,921
Customer deposits		216,605	270,329
Business acquisition cost payable	7	782,592	-
Convertible debenture of subsidiary to be issued	7	970,000	-
Liabilities held for sale	6 and 18	4,826,309	5,178,167
Debentures	19	3,487,034	-
<b>Current liabilities</b>		<b>12,381,025</b>	<b>8,456,417</b>
<b>Non-current liabilities</b>			
Lease inducement		41,719	47,943
Debentures	19	140,864,361	140,347,586
<b>Non-current liabilities</b>		<b>140,906,080</b>	<b>140,395,529</b>
<b>Total liabilities</b>		<b>153,287,105</b>	<b>148,851,946</b>
<b>EQUITY (DEFICIENCY)</b>			
Share capital	20	2,000,600	1,400,600
Contributed surplus		471,685	471,685
Deficit		(76,083,510)	(65,398,513)
Accumulated other comprehensive income		1,455,176	1,602,815
<b>Total equity deficiency attributable to owners of the parent company</b>		<b>(72,156,049)</b>	<b>(61,923,413)</b>
Non-controlling interest	8	1,235,008	2,694,632
<b>Total equity deficiency</b>		<b>(70,921,041)</b>	<b>(59,228,781)</b>
<b>Total equity deficiency and liabilities</b>		<b>82,366,064</b>	<b>89,623,165</b>

*Commitments and contingency [Note 31]*

On behalf of the Board:

/s/ Vikas Ranjan

Director

/s/ Gerry Goldberg

Director

See accompanying notes to the interim condensed consolidated financial statements.

**Gravitas Financial Inc.**  
**UNAUDITED INTERIM CONDENSED**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Presented in Canadian Dollars)

	Notes	For the three months period ended September 30,		For the nine months periods Ended September 30,	
		2016	2015	2016	2015
		\$	\$	\$	\$
			<i>(Restated Note 5)</i>		<i>(Restated Note 5)</i>
<b>Revenue</b>					
Listing and research fees		314,188	115,050	916,296	489,050
Consulting		131,068	122,011	353,085	364,164
Royalties		93,041	145,148	294,091	309,663
Interest	22	492,809	439,341	1,442,597	1,357,830
Other		210,417	49,425	273,081	132,267
		<b>1,241,523</b>	<b>870,975</b>	<b>3,279,150</b>	<b>2,652,974</b>
<b>Expenses</b>					
Salaries and management fees		539,821	341,286	1,585,583	916,926
Consulting and professional fees		835,965	695,852	2,351,544	2,041,168
General and administrative		908,740	657,797	2,000,328	2,113,270
Interest expense	23	1,792,325	2,393,803	5,350,976	6,512,985
Exchange loss (gain)		(115,211)	(647,554)	466,712	(700,600)
Loss (gain) on settlements	24	11,450	343,825	(573,464)	353,807
Gain on disposal of available-for-sale investments		(174,389)	(243,445)	(355,844)	(633,352)
Change in fair value of convertible debentures - conversion feature	15	(116,728)	(71,987)	(785,036)	61,136
Change in fair value of FVTPL investments	12	47,211	(567,118)	6,111	(860,562)
Change in fair value of derivative warrant liability		-	-	-	(44,423)
Impairment	15, 25 and 27	146,402	1,054,435	1,126,566	1,503,825
Debenture restructuring fee	19 (b)	-	-	3,583,429	-
Share of results of associates	13	386,450	360,559	1,088,302	971,209
		<b>4,262,036</b>	<b>4,317,453</b>	<b>15,845,207</b>	<b>12,235,389</b>
Net loss from continuing operations		(3,020,513)	(3,446,478)	(12,566,057)	(9,582,415)
Net (loss) earnings from discontinued operations	6	(16,649)	-	206,047	-
<b>Loss before income taxes</b>		<b>(3,037,162)</b>	<b>(3,446,478)</b>	<b>(12,360,010)</b>	<b>(9,582,415)</b>
Current income taxes		-	-	-	1,157
<b>Net loss</b>		<b>(3,037,162)</b>	<b>(3,446,478)</b>	<b>(12,360,010)</b>	<b>(9,583,572)</b>
<b>Other comprehensive income (loss)</b>					
Items that will be reclassified subsequently to net loss					
Available-for-sale-financial assets					
Net change in fair value, net of tax effect		(238,339)	290,935	167,179	(543,415)
Reclassification of impairment to net loss		-	508,217	-	508,217
Reclassification to net loss, net of tax effect		(174,389)	(244,257)	(355,844)	(634,164)
		<b>(412,728)</b>	<b>554,895</b>	<b>(188,665)</b>	<b>(669,362)</b>
Foreign currency translation					
Cumulative translation adjustment, net of tax effect		(14,305)	40,967	41,026	-
<b>Total other comprehensive income (loss)</b>		<b>(427,033)</b>	<b>595,862</b>	<b>(147,639)</b>	<b>(669,362)</b>
<b>Net loss and comprehensive loss</b>		<b>(3,447,546)</b>	<b>(2,850,616)</b>	<b>(12,713,696)</b>	<b>(10,252,934)</b>
<b>Net loss attributable to:</b>					
Shareholders of the Company		(2,231,992)	(2,601,753)	(8,833,188)	(6,737,710)
Non-controlling interest	8	(805,170)	(844,725)	(3,526,822)	(2,845,862)
		<b>(3,037,162)</b>	<b>(3,446,478)</b>	<b>(12,360,010)</b>	<b>(9,583,572)</b>
<b>Net comprehensive loss attributable to:</b>					
Shareholders of the Company		(2,642,376)	(1,993,748)	(9,186,874)	(7,378,533)
Non-controlling interest		(805,170)	(856,868)	(3,526,822)	(2,874,401)
		<b>(3,447,546)</b>	<b>(2,850,616)</b>	<b>(12,713,696)</b>	<b>(10,252,934)</b>
<b>Loss per common share, basic and diluted</b>					
- Continuing operations		(0.045)	(0.052)	(0.185)	(0.144)
- Discontinued operations		-	-	0.003	-
		<b>(0.045)</b>	<b>(0.052)</b>	<b>(0.182)</b>	<b>(0.144)</b>
<b>Weighted average number of common shares outstanding</b>		<b>70,449,131</b>	<b>66,601,305</b>	<b>67,893,276</b>	<b>66,601,305</b>

See accompanying notes to the interim condensed consolidated financial statements.

**Gravitas Financial Inc.**  
**UNAUDITED INTERIM CONDENSED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**

(Presented in Canadian Dollars)

For the three and nine months periods ended September 30, 2016 and 2015

	Notes	Number of common shares	Share capital	Accumulated other comprehensive (loss) income		Contributed surplus	Deficit	Non- controlling interest	Total
				Available- for-sale financial assets	Foreign currency translation				
			\$	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2015</b>		<b>66,601,305</b>	<b>1,400,600</b>	<b>1,664,881</b>	<b>(62,066)</b>	<b>471,685</b>	<b>(65,398,513)</b>	<b>2,694,632</b>	<b>(59,228,781)</b>
Non-controlling interest	8	-	-	-	-	-	(1,851,809)	2,067,198	215,389
Net loss for the period		-	-	-	-	-	(6,601,196)	(2,721,652)	(9,322,848)
							(8,453,005)	(654,454)	(9,107,459)
Other comprehensive loss									
Net change in fair value, net of tax effects		-	-	405,518	22,540	-	-	-	428,058
Reclassification to net loss, net of tax effect		-	-	(181,455)	32,791	-	-	-	(148,664)
Total other comprehensive (loss) income		-	-	224,063	55,331	-	-	-	279,394
<b>Balance, June 30, 2016</b>		<b>66,601,305</b>	<b>1,400,600</b>	<b>1,888,944</b>	<b>(6,735)</b>	<b>471,685</b>	<b>(73,851,518)</b>	<b>2,040,178</b>	<b>(68,056,846)</b>
Non-brokered private placement	20	6,000,000	600,000	-	-	-	-	-	600,000
Net loss for the period		-	-	-	-	-	(2,231,992)	(805,170)	(3,037,162)
Other comprehensive loss									
Net change in fair value, net of tax effects		-	-	(238,339)	(14,305)	-	-	-	(252,644)
Reclassification to net loss, net of tax effect		-	-	(174,389)	-	-	-	-	(174,389)
Total other comprehensive income (loss)		-	-	(412,728)	(14,305)	-	-	-	(427,033)
<b>Balance, September 30, 2016</b>		<b>72,601,305</b>	<b>2,000,600</b>	<b>1,476,216</b>	<b>(21,040)</b>	<b>471,685</b>	<b>(76,083,510)</b>	<b>1,235,008</b>	<b>(70,921,041)</b>

See accompanying notes to the interim condensed consolidated financial statements.

**Gravitas Financial Inc.**  
**UNAUDITED INTERIM CONDENSED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**

(Presented in Canadian Dollars)

For the three and nine months periods ended September 30, 2015

Notes	Number of common shares	Share capital	Accumulated other comprehensive income (loss)		Contributed surplus	Deficit	Non-controlling interest	Total
			Available-for-sale financial assets	Foreign currency translation				
		\$	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2014 (restated Note 5)</b>	<b>66,601,305</b>	<b>1,400,600</b>	<b>1,691,796</b>	<b>-</b>	<b>86,738</b>	<b>(53,932,642)</b>	<b>(75,400)</b>	<b>(50,828,908)</b>
Change in functional currency	-	-	-	-	365,788	-	-	365,788
Broker warrants issued as part of Series C debentures	-	-	-	-	18,650	-	-	18,650
Stock-based compensation	21	-	-	-	509	-	-	509
Non-controlling interest	-	-	-	-	-	(555,520)	555,520	-
Net loss for the period	-	-	-	-	-	(4,135,957)	(2,001,137)	(6,137,094)
Other comprehensive loss								
Net change in fair value, net of tax effects	-	-	(834,350)	(40,967)	-	-	-	(875,317)
Reclassification to net loss, net of tax effect	-	-	(389,257)	-	-	-	-	(389,907)
Total other comprehensive loss	-	-	(1,224,257)	(40,967)	-	-	-	(1,265,224)
<b>Balance, June 30, 2015 (restated Note 5)</b>	<b>66,601,305</b>	<b>1,400,600</b>	<b>467,539</b>	<b>(40,967)</b>	<b>471,685</b>	<b>(58,624,119)</b>	<b>(1,521,017)</b>	<b>(57,846,279)</b>
Non-controlling interest	-	-	-	-	-	(815,370)	1,792,066	976,696
Net loss for the period	-	-	-	-	-	(2,601,753)	(844,725)	(3,446,478)
Other comprehensive income (loss)								
Net change in fair value, net of tax effects	-	-	290,935	(16,110)	-	-	-	274,825
Reclassification of impairment to net loss, net of tax effect	-	-	508,217	-	-	-	-	508,217
Reclassification to net loss, net of tax effect	-	-	(244,257)	-	-	-	-	(244,257)
Total other comprehensive income (loss)	-	-	554,895	(16,110)	-	-	-	538,785
<b>Balance, September 30, 2015 (restated Note 5)</b>	<b>66,601,305</b>	<b>1,400,600</b>	<b>1,102,434</b>	<b>(57,077)</b>	<b>471,685</b>	<b>(61,485,722)</b>	<b>(1,129,196)</b>	<b>(59,777,276)</b>

See accompanying notes to the interim condensed consolidated financial statements.

**Gravitas Financial Inc.**
**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

For the nine months periods ended September 30, 2016 and 2015:

	Notes	September 30, 2016	September 30, 2015
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss from continuing operations		(12,566,057)	(9,583,572)
Adjustments:			
Stock based compensation		-	509
Amortization of equipment	11	32,166	36,230
Amortization - intangible assets	16	266,948	266,949
Interest accretion	5, 22 and 23	1,094,039	1,223,249
Lease inducement		(6,224)	(4,981)
Loss (gain) on settlement		(573,464)	353,810
Gain on disposal of available-for-sale investments		(355,844)	(633,352)
Change in fair value of convertible debentures - conversion feature		(785,036)	61,136
Change in fair value of FVTPL		6,111	(860,562)
Change in fair value of warrant liability		-	(44,423)
Common shares and warrants received as an incentive for early conversion of convertible debenture		-	(47,909)
Impairment	25	1,126,566	1,503,825
Debenture restructuring fee	19	3,583,429	-
Share of results in associates		1,088,302	971,209
Unrealized exchange loss		46,653	-
		(7,032,411)	(6,757,882)
Change in working capital	26	(2,470,649)	203,406
Cash flows used in operating activities of continuing operations		(9,503,060)	(6,554,476)
Cash flows generated from operating activities of discontinued operations	6	252,171	-
<b>Net cash used in operating activities</b>		<b>(9,250,889)</b>	<b>(6,554,476)</b>
<b>INVESTING ACTIVITIES</b>			
Investment in restricted cash		-	(7,090,032)
Cash acquired through business acquisition	7	6,822	80,656
Cash consideration for business acquisition	7	(291,000)	-
Guaranteed investment certificates		8,182,376	16,911,000
Additions to property and equipment	11	(15,893)	(20,966)
Purchase of equity investments and other	12	(3,343,625)	(2,503,762)
Proceeds from disposal of investments		986,610	1,341,432
Additional investments in associates	13	(1,327,410)	(2,619,755)
Dividends received on investment in associates	13	240,000	313,600
Loan receivable	14	(4,616,853)	(4,003,470)
Repayment of loan receivables	14	324,070	360,000
Convertible debentures		(328,850)	-
Repayment of convertible debentures		239,180	(652,361)
<b>Net cash generated (used) from (in) investing activities</b>		<b>55,427</b>	<b>2,116,342</b>
<b>FINANCING ACTIVITIES</b>			
Issuance on non-brokered private placement	20	600,000	-
Issuance of debenture	19	-	9,632,203
Re-purchase of debentures	19	(502,000)	(24,105)
Non-controlling interest		215,389	-
<b>Net cash generated from financing activities</b>		<b>313,389</b>	<b>9,600,098</b>
<b>Cash flows used in financing activities of discontinued operations</b>	<b>6</b>	<b>(48,163)</b>	<b>-</b>
<b>Translation effect on cash</b>		<b>41,026</b>	<b>(57,077)</b>
<b>Net change in cash during the period</b>		<b>(8,889,210)</b>	<b>5,104,887</b>
Cash, beginning of period		34,427,311	20,106,400
<b>Cash, end of period</b>		<b>25,538,101</b>	<b>25,211,287</b>

*Supplemental cash flow information [Note 26]*
*See accompanying notes to interim condensed the consolidated financial statements.*



## **Gravitas Financial Inc.**

# **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2016 and 2015 and December 31, 2015**

(Expressed in Canadian Dollars)

### **NOTE 1. NATURE OF OPERATIONS**

Gravitas Financial Inc. (the “Company” or “Gravitas”) is a publicly listed company on the Canada Securities Exchange (“CSE”) and trades under the symbol, GFI. The Company was incorporated under the Canada Business Corporation Act and has its registered office and its principal place of business is 333 Bay Street, Suite 1700, Toronto, Ontario M5H 2R2.

Gravitas is an integrated financial and advisory services firm providing services in financial and capital markets. Gravitas also acquires significant long term interest in and develops businesses that have a high potential to value addition through the Company’s key strategic inputs and management support. In addition, the Company operates a venture capital arm that invests in meaningful interests in fast growing companies in both the public and private markets.

These unaudited interim condensed consolidated financial statements have been approved by the Board of Directors on November 16, 2016 in preparation of their filing.

### **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries.

#### **Subsidiaries**

Subsidiaries are all entities over which the Company has power over decisions about relevant activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Company. The purchase method of account is used to account for the acquisition of subsidiaries by the Company. Results of operations are consolidated since the date of acquisition. The purchase consideration is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The transaction costs directly attributable to the acquisition is expensed. Identifiable assets acquired, as well as liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the purchase consideration over the fair value of the Company’s share of the identifiable net assets acquire is recorded as goodwill. If the purchase consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of loss and comprehensive loss. Intercompany transactions, balances and unrealized gains or losses on transactions between subsidiaries are eliminated.

## Gravitas Financial Inc.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at September 30, 2016 and 2015 and December 31, 2015

(Expressed in Canadian Dollars)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsidiaries	Jurisdiction of incorporation	Percentage of ownership (%)
Ubika Corp	Canada	100%
Gravitas Select Flow- Through GP Inc.	Canada	100%
Gravitas Financial Services Holdings Inc.	Canada	100%
Gravitas Corporate Services Inc.	Canada	100%
Gravitas Global GP Inc. (inactive)	Canada	100%
Gravitas Venture Inc.	Canada	100%
Gravitas Consolidated Corp. (a) (b)	Canada	100%
Foregrowth Inc. (formerly Gravitas Investor Platform Inc.) (a)	Canada	50%
Gravitas Ilium Corporation (formerly Gravitas International Corporation)	Canada	50%
New India Investment Corporation	Canada	100%
Luxury Quotient International Inc.	Canada	100%
Global Compliance Network Inc. (a)	Canada	100%
Gravitas Investment Inc. (formerly Foundation Investment Management Inc.)	Canada	100%
The Mint Corporation ("Mint")	Canada	74.9%
Claxton Capital Management (b) ("Claxton" or "CCM")	Canada	100%
Branson Corporate Services Inc.	Canada	51%
Luxury Quotient India Private Ltd.	India	100%
SearchGold Guinea SARL (inactive)	Africa	100%
Claxton Real Estate Company Ltd. (b) ("CREC")	USA	42%
Gravitas Special Situation GP Inc. (c)	Canada	80%
Foregrowth Holdco Inc. (c)	Canada	100%
Gravitas Mining Corporation (c)	Canada	100%

(a) Incorporated in 2015

(b) Discontinued in 2015

(c) Incorporated in 2016

Investment in associates	Jurisdiction of incorporation	Percentage of ownership (%)
Portfolio Analysts Inc. ("PAI")	Canada	40%
Mint United Arab Emirates ("UAE") Operations	Canada	51%
Prime City One Capital Corp.	Canada	18%

### NOTE 3. STATEMENT OF COMPLIANCE

These unaudited interim consolidated financial statements have been prepared using accounting policies consistent with 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 audited annual consolidated financial statements for the year ended December 31, 2015, as they follow the same accounting policies and methods of application, unless otherwise indicated.

## Gravitas Financial Inc.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at September 30, 2016 and 2015 and December 31, 2015

(Expressed in Canadian Dollars)

### NOTE 4. CHANGES IN ACCOUNTING POLICIES

**(a) The Company has adopted the following standards, effective January 1, 2016. There was no consequential impact upon adoption.**

#### *IFRS 11 – Joint Arrangements*

In May 2014, the IASB amended IFRS 11 – Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activities constitutes a business, as defined in IFRS 3 – Business Combinations. The amended standard requires the acquirer to apply all of the principles on accounting for business acquisitions occurring in annual periods beginning on or after January 1, 2016.

#### *IAS 1 – Presentation of Financial Statements*

In December 2014, the IASB amended IAS 1, Presentation of Financial Statements to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments are effective January 1, 2016 with early adoption permitted.

#### *IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets*

In May 2014, the IASB amended IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets to clarify that a revenue-based approach to calculate depreciation and amortization generally is not appropriate as it does not reflect the consumption of the economic benefits embodied in the related asset. These amendments must be applied prospectively for annual periods beginning on or after January 1, 2016.

**(b) Standards issued but not yet effective.**

#### *IFRS 15 – Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of IFRS 15 on the Company's consolidated financial statements along with the planned timing of our adoption of IFRS 15.

#### *IFRS 16 – Leases*

In January 2016, the IASB issued IFRS 16 Lease, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company is currently assessing the impact of IFRS 16 on the Company's consolidated financial statements along with the planned timing of our adoption of IFRS 16.

#### *IFRS 9 – Financial Instruments*

The IASB previously published versions of IFRS 9 – Financial instruments that introduced new classification and measurement requirements in 2009 and 2010 and a new hedge accounting model in 2013. In July 2014, the IASB released the final version of IFRS 9 which replaces the earlier versions of IFRS 9 issued and completed IAS's project to replace IAS 39 – Financial Instruments: Recognition and Measurements. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with certain exceptions. Early adoption is permitted. The restatement for the classification and assessment presented for prior periods, particularly with respect to impairment is not required.

**Gravitas Financial Inc.**

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**NOTE 5. RESTATEMENT**

Subsequent to the issuance of the Company's consolidated financial statements for the year ended December 31, 2014, it was determined that the calculations of the accretion and interest on Mint Series A and Mint Series B debentures were incorrect and that the carrying value of the debentures and trade and other payables were overstated. The effects of the restatement on the consolidated statement of loss and comprehensive loss for the three and nine months ended September 30, 2015 and consolidated statement of financial position as at are summarized below. The adjustments between amounts previously reported and amounts restated had no effect on the consolidated statement of cash flows.

	For the three months ended September 30, 2015		
	Previously reported \$	Adjustments \$	Restated \$
<b>Revenues</b>	870,975	-	870,975
<b>Expenses</b>			
Salaries and management fees	341,286	-	341,286
Consulting and professional fees	695,852	-	695,852
General and administrative	657,797	-	657,797
Interest expense	1,681,886	711,917	2,393,803
Exchange gain	(647,554)	-	(647,554)
Loss on settlement	343,825	-	343,825
Gain on disposal of available-for-sale investments	(243,445)	-	(243,445)
Change in fair value of convertible debentures – conversion feature	(71,987)	-	(71,987)
Change in fair value of FVTPL investments	(567,118)	-	(567,118)
Impairment of investments	1,054,435	-	1,054,435
Share of results of associates	360,559	-	360,559
	<b>3,605,536</b>	<b>711,917</b>	<b>4,317,453</b>
<b>Loss before income taxes</b>	<b>(2,734,561)</b>	<b>(711,917)</b>	<b>(3,446,478)</b>
Current income taxes	-	-	-
<b>Net loss</b>	<b>(2,734,561)</b>	<b>(711,917)</b>	<b>(3,446,478)</b>
Other comprehensive loss	595,862	-	595,862
<b>Net loss and comprehensive loss</b>	<b>(2,138,699)</b>	<b>(711,917)</b>	<b>(2,850,616)</b>
<b>Net loss attributable to:</b>			
Shareholders of the Company	(2,149,686)	(452,067)	(2,601,753)
Non-controlling interest	(584,875)	(259,850)	(844,725)
	<b>(2,734,561)</b>	<b>(711,917)</b>	<b>(3,446,478)</b>
<b>Comprehensive loss attributable to:</b>			
Shareholders of the Company	(1,541,681)	(452,067)	(1,993,748)
Non-controlling interest	(597,018)	(259,850)	(856,868)
	<b>(2,138,699)</b>	<b>(711,917)</b>	<b>(2,850,616)</b>
<b>Loss per common share, basic and diluted</b>	<b>(0.041)</b>	<b>(0.011)</b>	<b>(0.052)</b>

**Gravitas Financial Inc.**

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**NOTE 5. RESTATEMENT - CONTINUED**

	For the nine months ended September 30, 2015		
	Previously reported \$	Adjustments \$	Restated \$
<b>Revenues</b>	<b>2,652,974</b>	-	<b>2,652,974</b>
<b>Expenses</b>			
Salaries and management fees	916,926	-	916,926
Consulting and professional fees	2,041,168	-	2,041,168
General and administrative	2,113,270	-	2,113,270
Interest expense	7,213,601	(700,616)	6,512,985
Exchange gain	(700,600)	-	(700,600)
Loss on settlement	353,807	-	353,807
Gain on disposal of available-for-sale investments	(633,352)	-	(633,352)
Change in fair value of convertible debentures – conversion feature	61,136	-	61,136
Change in fair value of FVTPL investments	(860,562)	-	(860,562)
Change in fair value of derivative warrant liability	(44,423)	-	(44,423)
Impairment of investments	1,503,825	-	1,503,825
Share of results of associates	971,209	-	971,209
	<b>12,936,005</b>	<b>(700,616)</b>	<b>12,235,389</b>
<b>Loss before income taxes</b>	<b>(10,283,031)</b>	<b>700,616</b>	<b>(9,582,415)</b>
Current income taxes	1,157	-	1,157
<b>Net loss</b>	<b>(10,284,188)</b>	<b>700,616</b>	<b>(9,583,572)</b>
Other comprehensive loss	(669,362)	-	(669,362)
<b>Net loss and comprehensive loss</b>	<b>(10,953,550)</b>	<b>700,616</b>	<b>(10,252,934)</b>
<b>Net loss attributable to:</b>			
Shareholders of the Company	(6,991,909)	254,199	(6,737,710)
Non-controlling interest	(3,292,279)	446,417	(2,845,862)
	<b>(10,284,188)</b>	<b>700,616</b>	<b>(9,583,572)</b>
<b>Comprehensive loss attributable to:</b>			
Shareholders of the Company	(7,632,732)	254,199	(7,378,533)
Non-controlling interest	(3,320,818)	446,417	(2,874,401)
	<b>(10,953,550)</b>	<b>700,616</b>	<b>(10,252,934)</b>
<b>Loss per common share, basic and diluted</b>	<b>(0.154)</b>	<b>0.001</b>	<b>(0.144)</b>

**Gravitas Financial Inc.**

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**NOTE 5. RESTATEMENT - CONTINUED**

	As at September 30, 2015		
	Previously reported \$	Adjustments \$	Restated \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	25,211,287	-	25,211,287
Restricted cash	7,090,032	-	7,090,032
Guaranteed investment certificates	25,089,000	-	25,089,000
Trade and other receivables	2,400,259	-	2,400,259
Prepaid	296,640	-	296,640
Inventory	253,266	-	253,266
Loan receivables	2,059,090	-	2,059,090
Convertible debentures	1,367,336	-	1,367,336
<b>Current assets</b>	<b>63,766,910</b>	<b>-</b>	<b>63,766,910</b>
<b>Non-current assets</b>			
Property and equipment	6,937,655	-	6,937,655
Equity investments and other	5,623,719	-	5,623,719
Investments in associates	6,865,850	-	6,865,850
Loan receivables	4,318,855	-	4,318,855
Convertible debentures	1,079,832	-	1,079,832
Intangible assets	691,185	-	691,185
<b>Non-current assets</b>	<b>25,217,096</b>	<b>-</b>	<b>25,217,096</b>
<b>Total assets</b>	<b>88,984,006</b>	<b>-</b>	<b>88,984,006</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	4,107,170	(732,099)	3,375,071
Customer deposits	119,000	-	119,000
Debentures	478,910	-	478,910
<b>Current liabilities</b>	<b>4,705,080</b>	<b>(732,099)</b>	<b>3,972,981</b>
<b>Non-current liabilities</b>			
Lease inducement	25,987	-	25,987
Loan	4,586,677	-	4,586,677
Debentures	142,494,035	(2,318,398)	140,175,637
<b>Non-current liabilities</b>	<b>147,106,699</b>	<b>(2,318,398)</b>	<b>144,788,301</b>
<b>Total liabilities</b>	<b>151,811,779</b>	<b>(3,050,497)</b>	<b>148,761,282</b>
<b>EQUITY (DEFICIENCY)</b>			
Share capital	1,400,600	-	1,400,600
Contributed surplus	471,685	-	471,685
Deficit	(63,890,207)	2,404,485	(61,485,722)
Accumulated other comprehensive loss	965,357	-	965,357
<b>Total equity deficiency attributable to owners of the parent company</b>	<b>(61,052,565)</b>	<b>2,404,485</b>	<b>(58,648,080)</b>
Non-controlling interest	(1,775,208)	646,012	(1,129,196)
<b>Total equity deficiency</b>	<b>(62,827,773)</b>	<b>3,050,497</b>	<b>(59,777,276)</b>
<b>Total equity deficiency and liabilities</b>	<b>88,984,006</b>	<b>-</b>	<b>88,984,006</b>

**Gravitas Financial Inc.**

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**NOTE 6. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

**Loss from discontinued operations**

	For the three months ended September 30,		For the nine months ended September 30,	
	2016 \$	2015 \$	2016 \$	2015 \$
Gain (loss) from Claxton (a)	(16,649)	-	(88,964)	-
Gain on wind-up of subsidiary (b)	-	-	295,011	-
<b>Net gain (loss)</b>	<b>(16,649)</b>	<b>-</b>	<b>206,047</b>	<b>-</b>

- a) Subsequent to December 31, 2015, the Company commenced discussions with listing brokers to list, for sale, the Palm Valley property. The Company has listed the Palm Valley property for sale, and as a result, the operations of Claxton have been presented as “discontinued operations” in the consolidated statement of loss and comprehensive loss.

The following table shows the statement of loss and comprehensive loss for the discontinued operations for the three and nine months ended September 30, 2016:

	For the three months ended September 30, 2016 \$	For the nine months ended September 30, 2016 \$
<b>Rent revenues</b>	82,186	599,517
<b>Expenses</b>		
Consulting and professional fees	3,000	29,000
Rental expenses	43,011	448,749
Change in fair value less cost to sell	-	450,000
Exchange loss	52,824	(239,268)
	<b>98,835</b>	<b>688,481</b>
<b>Net income (loss)</b>	<b>(16,649)</b>	<b>(88,964)</b>

On June 23, 2016, the Company entered into a conditional agreement for the sale of the Palm Valley property for gross proceeds of USD\$5,825,000. The purchaser will also assume the mortgage loan secured against this property (see Note 18). The conditions on this agreement were waived on July 5, 2016 and purchaser is in the process of completing the assumption of the mortgage loan. This transaction is expected to close in November 2016.

**Gravitas Financial Inc.**

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**NOTE 6. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS - CONTINUED**

b) During the three months ended March 31, 2016, the Company completed the winding up of Mint Technology Inc. ("MTI"), an inactive 100% subsidiary of Mint based in the United States. Accordingly, the Company deconsolidated the operations and balance sheet of MTI. The net gain from discontinued operations of MTI was determined as follows:

Foreign exchange translation differences relating to MTI	(32,791)
Carrying value of MTI liabilities	327,802
Proceeds	-
<b>Net gain on wind-up</b>	<b>295,011</b>

The following table shows the statement of financial position for the discontinued operations of Claxton as at September 30, 2016 and December 31, 2015:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	\$	\$
<b>ASSETS</b>		
Cash	291,034	220,270
Trade and other receivables	273,040	240,308
Prepaid	26,052	51,703
Property and equipment	7,289,820	7,717,484
	<b>7,879,946</b>	<b>8,229,765</b>
<b>LIABILITIES</b>		
Trade and other payables	449,948	515,303
Loan payable (Note 18)	4,438,500	4,662,862
	<b>4,888,448</b>	<b>5,178,165</b>
<b>Net assets directly associated with the discontinued operations</b>	<b>2,991,498</b>	<b>3,051,600</b>

The following table shows the statement of cash flow for Claxton for the nine months ended September 30, 2016:

	\$
Cash flows from operating activities of discontinued operations	252,171
Cash flows from investing activities of discontinued operations	-
Cash flow from financing activities of discontinued operations	(48,163)
	<b>204,008</b>



## Gravitas Financial Inc.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 7. ACQUISITION

On July 21, 2016, Luxury Quotient India Private Limited, a 100% subsidiary of the Company, acquired on-line retail business operations, and certain assets and assumed certain liabilities from Lavidia Luxe Lifestyle Solutions Private Limited for gross consideration of approximately \$2 million (“the Elitify Acquisition”).

Elitify is an on-line marketing platform for branded luxury goods to customers in India and is expected to be a natural supplement to Luxury Quotient’s business activities.

The Company accounted for this purchase using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in the consolidated financial statements from the date of the acquisition.

The Company recorded an allocation of the purchase price to tangible assets acquired and liabilities assumed, based on their fair values as of the July 21, 2016 acquisition date. The preliminary purchase price allocation is as follows:

	\$
<b>ASSETS</b>	
Cash	6,822
Trade and other receivables	11,899
Inventory	1,912
Property and equipment	102,956
<b>Assets acquired</b>	<b>123,589</b>
<b>Consideration paid</b>	
Cash payment	291,000
Acquisition cost payable	782,592
Unsecured compulsorily convertible debenture (“CCD”) to be issued	970,000
	<b>2,043,592</b>
<b>Unallocated value representing intangible assets and goodwill</b>	<b>1,920,003</b>

As at September 30, 2016, the allocation of the purchase price allocation has not been finalized and is still based on preliminary estimates in regards to the fair value of the assets acquired and consideration paid. The actual fair value of the consideration may differ from the amount disclosed in the preliminary purchase price allocation and is subject to change. It is expected that the unallocated purchase price will be allocated between goodwill and certain intangible assets (customer lists, software infrastructure) upon completion of the valuation of the acquisition with the remaining value representing goodwill.

**Gravitas Financial Inc.**

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**NOTE 8. INTERESTS IN SUBSIDIARIES**

Name	Proportion of ownership interest and voting rights held by NCI		Total Comprehensive (loss) income allocated to NCI	
	September 30, 2016	December 31, 2015	For the three months ended September 30,	
			\$ 2016	\$ 2015
The Mint Corporation	25.1%	36.5%	(451,286)	(864,263)
Branson Corporate Services	49%	49%	20,789	19,538
Claxton Real Estate Company Ltd.	58%	58%	(9,657)	-
Gravitas International Corp.	50%	50%	(365,016)	-
			<b>(805,170)</b>	<b>(844,725)</b>

Name	Total Comprehensive (loss) income allocated to NCI		Accumulated NCI	
	For the nine months ended September 30,		September 30,	December 31,
	\$ 2016	\$ 2015	\$ 2016	\$ 2015
The Mint Corporation	(3,231,023)	(2,901,754)	(4,313,673)	(3,149,848)
Branson Corporate Services	44,850	55,892	9,666	(35,184)
Claxton Real Estate Company Ltd.	209,401	-	2,144,101	1,934,700
Gravitas International Corp.	(550,050)	-	3,394,914	3,944,964
	<b>(3,526,822)</b>	<b>(2,845,862)</b>	<b>1,235,008</b>	<b>2,694,632</b>

No dividends were paid to the NCI during the three and nine months ended September 30, 2016 and 2015.

On June 30, 2016, the Mint Corporation issued 51,379,998 common shares for aggregate gross proceeds of \$2,568,998 as a rights offering wherein shareholders of the Mint Corporation were entitled to subscribe for one common share at \$0.05 per share for each share held as of June 3, 2016. The company subscribed for 46,815,277 of additional shares for an investment of \$2,340,764. Non-controlling shareholders subscribed for the remaining 4,564,721 shares for net proceeds of \$215,389. As a result, the Company's ownership interest in the Mint Corporation increased from 63.5% to 74.9% of the issued and outstanding shares of Mint. The incremental investment in Mint resulted in a decrease in the equity deficit attributable to the non-controlling shareholders and as required under IFRS 10, Consolidated Financial Statements, an adjustment of \$1,851,809 has been recorded in the consolidated statement of changes in equity to reduce the non-controlling interest.

**Gravitas Financial Inc.**

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**NOTE 8. INTERESTS IN SUBSIDIARIES - CONTINUED**

	For the three months ended		For the nine months	
	September 30,		ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Revenues</b>				
The Mint Corporation	-	5,957	26,702	11,297
Branson Corporate Services	137,268	122,011	359,285	364,164
Claxton Real Estate Company Ltd.	82,186	-	599,517	-
Gravitas International Corp.	142,344	-	227,249	-
<b>Total revenue</b>	<b>361,798</b>	<b>127,968</b>	<b>1,212,753</b>	<b>375,461</b>
<b>Net loss attributable to shareholder of the parent</b>	<b>(2,231,992)</b>	<b>(2,601,753)</b>	<b>(8,833,188)</b>	<b>(6,737,710)</b>
<b>Net loss attributable to NCI:</b>				
The Mint Corporation	(451,286)	(864,263)	(3,231,023)	(2,901,754)
Branson Corporate Services	20,789	19,538	44,850	55,892
Claxton Real Estate Company Ltd.	(9,656)	-	209,401	-
Gravitas International Corp.	(365,017)	-	(550,050)	-
	<b>(805,170)</b>	<b>(844,725)</b>	<b>(3,526,822)</b>	<b>(2,845,862)</b>
<b>Net loss</b>	<b>(3,037,162)</b>	<b>(3,446,478)</b>	<b>(12,360,010)</b>	<b>(9,582,572)</b>
<b>Other comprehensive income (loss) attributable to shareholder of the parent</b>	<b>(427,033)</b>	<b>608,005</b>	<b>(147,639)</b>	<b>(640,823)</b>
<b>Other comprehensive income (loss) attributable to NCI</b>				
The Mint Corporation	-	(12,143)	-	(28,539)
<b>Other comprehensive income (loss)</b>	<b>(427,033)</b>	<b>595,532</b>	<b>(147,639)</b>	<b>(669,362)</b>
<b>Net earnings (loss) and comprehensive income (loss) attributable to shareholder of the parent</b>	<b>(2,642,376)</b>	<b>(1,993,748)</b>	<b>(9,186,874)</b>	<b>(7,378,533)</b>
<b>Net earnings (loss) and comprehensive income (loss) attributable to NCI</b>				
The Mint Corporation	(451,286)	(876,406)	(3,231,023)	(2,930,293)
Branson Corporate Services	20,789	19,538	44,850	55,892
Claxton Real Estate Company Ltd.	(9,656)	-	209,401	-
Gravitas International Corp.	(365,017)	-	(550,050)	-
	<b>(805,170)</b>	<b>(856,868)</b>	<b>(3,526,822)</b>	<b>(2,874,401)</b>
<b>Net loss and total comprehensive loss</b>	<b>(3,447,546)</b>	<b>(2,850,616)</b>	<b>(12,713,696)</b>	<b>(10,252,934)</b>

Gravitas Financial Inc.

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**NOTE 8. INTERESTS IN SUBSIDIARIES - CONTINUED**

	September 30, 2016			
	Gravitas International Corp. \$	Claxton Real Estate Company Ltd. \$	Branson Corporate Services Inc. \$	The Mint Corporation \$
Current assets	7,296,463	590,126	147,449	1,776,675
Non-current assets	113,334	7,289,820	96,166	4,100,871
<b>Total assets</b>	<b>7,409,797</b>	<b>7,879,946</b>	<b>243,615</b>	<b>5,877,546</b>
Current liabilities	345,523	449,948	167,722	6,942,281
Non-current liabilities	22,373	4,438,500	-	58,261,940
<b>Total liabilities</b>	<b>367,896</b>	<b>4,888,448</b>	<b>167,722</b>	<b>65,204,221</b>
<b>Equity attributable to shareholder of the parent</b>	<b>3,394,914</b>	<b>1,533,967</b>	<b>10,061</b>	<b>(13,729,716)</b>
<b>Non-controlling interests</b>	<b>3,394,914</b>	<b>2,144,101</b>	<b>9,666</b>	<b>(4,313,674)</b>
	December 31, 2015			
	Gravitas International Corp. \$	Claxton Real Estate Company Ltd. \$	Branson Corporate Services Inc. \$	The Mint Corporation \$
Current assets	7,807,881	512,281	101,669	4,022,492
Non-current assets	382,832	7,779,623	10,000	3,964,342
<b>Total assets</b>	<b>8,190,713</b>	<b>8,291,904</b>	<b>111,669</b>	<b>7,986,834</b>
Current liabilities	171,202	577,444	67,977	4,016,723
Non-current liabilities	129,582	4,438,500	115,496	58,131,759
<b>Total liabilities</b>	<b>300,784</b>	<b>5,240,306</b>	<b>183,473</b>	<b>62,148,482</b>
<b>Equity attributable to shareholder of the parent</b>	<b>(3,944,940)</b>	<b>(1,382,331)</b>	<b>(36,620)</b>	<b>(5,479,870)</b>
<b>Non-controlling interests</b>	<b>(3,944,940)</b>	<b>(1,934,700)</b>	<b>(35,184)</b>	<b>(3,149,847)</b>

**Gravitas Financial Inc.**

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**NOTE 8. INTERESTS IN SUBSIDIARIES - CONTINUED**

	For the nine months ended September 30, 2016			
	Gravitas International Corp. \$	Claxton Real Estate Company Ltd. \$	Branson Corporate Services Inc. \$	The Mint Corporation \$
Net cash from (used) in operating activities	(1,171,866)	252,171	(108,292)	(2,985,027)
Net cash from (used) in investing activities	(2,566,666)	(48,163)	(30,000)	1,862,622
Net cash from (used) financing activities	156,810	-	8,074	2,054,153
Translation effect on cash	-	-	-	-
<b>Net cash inflow (outflow)</b>	<b>(3,581,722)</b>	<b>204,008</b>	<b>(130,218)</b>	<b>931,748</b>
	For the nine months ended September 30, 2015			
	Gravitas International Corp. \$	Claxton Real Estate Company Ltd. \$	Branson Corporate Services Inc. \$	The Mint Corporation \$
Net cash from (used) in operating activities	-	-	(153,861)	(2,211,899)
Net cash from (used) in investing activities	-	-	17,475	(9,609,787)
Net cash from (used) financing activities	-	-	8,866	11,100,097
Translation effect on cash	-	-	-	(32,791)
<b>Net cash inflow (outflow)</b>	<b>-</b>	<b>-</b>	<b>(127,520)</b>	<b>(754,380)</b>

**Gravitas Financial Inc.**

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**NOTE 9. GUARANTEED INVESTMENT CERTIFICATES**

	September 30, 2016 \$	December 31, 2015 \$
Guaranteed investment certificate, 1.41%, maturing on January 2016	-	89,000
Guaranteed investment certificate, 1.35%, maturing on February 2016	-	5,000,000
Guaranteed investment certificate, 1.15%, maturing on October 2016	3,498,124	15,000,000
Guaranteed investment certificate, 1.30%, maturing on March 2017	7,700,000	-
Guaranteed investment certificate, 1.05%, maturing on April 2017	508,500	-
Guaranteed investment certificate, 1.05%, maturing on May 2017	200,000	-
	<b>11,906,624</b>	<b>20,089,000</b>

**NOTE 10. TRADE AND OTHER RECEIVABLES**

	September 30, 2016 \$	December 31, 2015 \$
Trade receivables	1,184,742	730,179
Less: Allowance for doubtful accounts	(308,935)	(251,697)
	<b>875,807</b>	<b>478,482</b>
Royalty receivables	294,091	238,686
Interest receivable	945,685	473,030
Harmonized sales tax receivables	505,440	393,233
Advances to related companies, non-interest bearing, due on demand	1,338,415	943,331
Less: Allowance for doubtful receivables	(749,641)	-
Other	48,663	15,317
	<b>3,258,460</b>	<b>2,542,079</b>

The advances to related companies comprises of a demand loan of \$749,641 (December 31, 2015 - \$189,426) to a company controlled by the Chief Executive Officer ("CEO"). This loan is non-interest bearing and has no repayment terms.

During the period ended September 30, 2016 this advance has been impaired and an impairment charge has been recorded of \$188,402 and \$749,641 in the consolidated statement of loss and comprehensive loss for the three and nine months ended September 30, 2016, respectively. See also Note 25 and 27.

In addition, the Company has advanced \$555,902 (December 31, 2015 - \$753,905) to the Limited Partnerships managed by two of the Company's subsidiaries.

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**NOTE 11. PROPERTY AND EQUIPMENT**

	Equipment \$	Leasehold improvement \$	Building \$	Land \$	Total \$
<b>Cost</b>					
Balance December as at 31, 2014	212,583	31,405	-	-	243,988
Additions	23,525	-	-	-	23,525
Acquisition through business acquisition	-	-	7,346,988	370,496	7,717,484
Transferred to discontinued operations (Note 6)	-	-	(7,346,988)	(370,496)	(7,717,484)
Disposals	(974)	-	-	-	(974)
<b>Balance as at December 31, 2015</b>	<b>235,134</b>	<b>31,405</b>	<b>-</b>	<b>-</b>	<b>266,539</b>
Additions	119,144	-	-	-	119,144
<b>Balance as at September 30, 2016</b>	<b>354,278</b>	<b>31,405</b>	<b>-</b>	<b>-</b>	<b>385,683</b>
<b>Accumulated amortization</b>					
Balance December as at 31, 2014	64,317	5,337	-	-	69,654
Amortization	43,196	4,979	-	-	48,175
Balance as at December 31, 2015	107,513	10,316	-	-	117,829
Amortization	27,821	4,345	-	-	32,166
<b>Balance as at September 30, 2016</b>	<b>135,334</b>	<b>14,661</b>	<b>-</b>	<b>-</b>	<b>149,995</b>
<b>Carrying amount</b>					
Balance as at December 31, 2015	127,621	21,089	-	-	148,710
<b>Balance as at September 30, 2016</b>	<b>218,944</b>	<b>16,744</b>	<b>-</b>	<b>-</b>	<b>235,688</b>

Gravitas Financial Inc.

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**NOTE 12. EQUITY INVESTMENTS AND OTHER**

	Investments in quoted companies					Investment in private companies, at cost		Other		Total
	Common shares	Options	Warrants	Debentures	Subscription receipts	Common shares	Preferred shares	Investment fund	Mining properties	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Balance, December 31, 2015</b>	<b>3,528,722</b>	<b>19,998</b>	<b>1,081,775</b>	<b>370,393</b>	<b>-</b>	<b>218,292</b>	<b>1,218,059</b>	<b>-</b>	<b>1</b>	<b>6,437,240</b>
Acquired through cash payments	1,488,470	-	-	17,000	250,000	-	588,733	999,422	-	3,343,625
Acquired as part of a settlement	165,397	-	-	-	-	-	-	-	-	165,397
Fair value allocated to warrants	(182,034)	-	188,473	-	-	-	-	-	-	6,439
Disposal and /or redemption	(630,766)	-	-	-	-	-	-	-	-	(630,766)
Change in fair value of FVTPL investments	-	(17,603)	19,612	-	-	(8,120)	-	-	-	(6,111)
Change in fair value recognized in other comprehensive income	(188,668)	-	-	-	-	-	-	-	-	(188,668)
Accretion of interest	-	-	-	26,546	-	-	-	-	-	26,546
Transfer	250,000	-	-	-	(250,000)	-	-	-	-	-
	<b>902,399</b>	<b>(17,603)</b>	<b>208,085</b>	<b>43,546</b>	<b>-</b>	<b>(8,120)</b>	<b>588,733</b>	<b>999,422</b>	<b>-</b>	<b>2,716,462</b>
<b>Balance, September 30, 2016</b>	<b>4,431,121</b>	<b>2,395</b>	<b>1,289,860</b>	<b>413,939</b>	<b>-</b>	<b>210,172</b>	<b>1,806,792</b>	<b>999,422</b>	<b>1</b>	<b>9,153,702</b>

Investment Funds are investments in the Limited partnerships set up, where the Company controls the general partner and are valued at cost.



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**NOTE 12. EQUITY INVESTMENTS AND OTHER - CONTINUED**

	Investments in quoted companies					Investment in private companies, at cost		Other	Total
	Common shares	Options	Warrants	Debentures	Subscription receipts	Common shares	Preferred shares	Mining properties	
	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Balance, December 31, 2014</b>	<b>3,080,161</b>	<b>21,959</b>	<b>105,047</b>	<b>150,000</b>	<b>163,185</b>	<b>136,675</b>	<b>1,000,000</b>	<b>1</b>	<b>4,657,028</b>
Acquired through cash payments	638,050	-	90,000	476,000	160,000	124,119	1,218,059	-	2,706,228
Acquired through the conversion of a convertible debenture	150,000	-	-	-	-	-	-	-	150,000
Acquired as part of an investment	-	-	354,370	-	-	69,604	-	-	423,974
Acquired as part of a settlement	182,451	-	5,576	-	-	-	-	-	188,027
Acquired through exercise of warrants	567,570	-	(137,157)	-	-	-	-	-	430,413
Received as an incentive	10,872	-	40,709	-	-	-	-	-	51,581
Reclassification due to acquisition of significant influence	(68,229)	-	-	-	-	-	-	-	(68,229)
Reclassification due to acquisition of control	-	-	-	-	-	(144,119)	(1,000,000)	-	(1,144,119)
Fair value allocated to warrants	(223,922)	-	340,135	(69,923)	-	(46,290)	-	-	-
Fair value allocated to equity components	53,360	-	-	(53,360)	-	-	-	-	-
Disposal and /or redemption	(1,259,843)	-	-	(100,000)	(163,185)	(1,000)	-	-	(1,524,028)
Change in fair value of FVTPL investments	229,619	(1,961)	283,095	-	-	69,303	-	-	580,056
Change in fair value recognized in other comprehensive income	18,633	-	-	-	-	-	-	-	18,633
Accretion of interest	-	-	-	17,676	-	-	-	-	17,676
Loss on settlement of investments	-	-	-	(50,000)	-	-	-	-	(50,000)
Transfer	150,000	-	-	-	(160,000)	10,000	-	-	-
	448,561	(1,961)	976,728	220,393	(163,185)	81,617	218,059	-	1,780,212
<b>Balance, December 31, 2015</b>	<b>3,528,722</b>	<b>19,998</b>	<b>1,081,775</b>	<b>370,393</b>	<b>-</b>	<b>218,292</b>	<b>1,218,059</b>	<b>1</b>	<b>6,437,240</b>

## Gravitas Financial Inc.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 12. EQUITY INVESTMENTS AND OTHER - CONTINUED

### Common shares

The fair value of the common shares in quoted companies was based on closing prices ranging from \$0.01 to \$2.13 per share as at September 30, 2016 (\$0.01 to \$0.73 per share as at December 31, 2015). The fair value of investments in common shares of private companies are valued at cost. Investments in common shares are classified as available for sale ("AFS").

### Options and warrants

The fair value of the options as at September 30, 2016 and December 31, 2015 was estimated using the Black Scholes pricing model and was based on the following assumptions:

	September 30, 2016		December 31, 2015	
	Options	Warrants	Options	Warrants
Weighted average conversion price	\$0.10	\$0.24	\$0.35	\$0.27
Expected dividend yield	0%	0%	0%	0%
Expected average volatility	89%	112%	190%	173%
Risk-free average interest rate	0.53%	0.52%	0.48%	0.50%
Expected average life (years)	0.41	2.78	0.75	3.67
Weighted average fair value	\$0.01	\$0.07	\$0.04	\$0.09

### Debentures

During the three months ended March 31, 2016, the Company repurchased an amount of \$17,000 of its debentures. The Company intends to re-sell this debenture in the market.

In February 2015, the Company invested in a secured non-convertible debenture in SQI Diagnostic Inc. ("SQD"), an unrelated, publicly listed company in Canada, for an amount of \$186,000. The debentures bear an interest rate of 10% payable annually and mature on February 20, 2020. As part of the investment, the Company received 186,000 warrants of SQD. Each warrant entitles the holder to acquire one common share of SQD at an exercise price of \$0.60 per share until February 20, 2020. The initial value of the debenture is determined by measuring the fair value of the warrants and assigning the residual value to the debenture component. Subsequently, the debenture component is measured at amortized cost using the effective interest method over the term of the debenture. The debenture component will be accreted to the face value of the debenture by the recording of additional interest income using an effective interest rate of 22.77%. The fair value of the warrant of \$69,923 was estimated using the Black Scholes pricing model with the following assumptions: an expected volatility of 107%; a risk free interest rate of 0.057%; an expected unit life of five years; no expected dividend yield; and a share price of \$0.50. As at September 30, 2016, the carrying value of the debenture component is \$130,860 (December 31, 2015 - \$123,317).

## **Gravitas Financial Inc.**

# **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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## **NOTE 12. EQUITY INVESTMENTS AND OTHER – CONTINUED**

In February 2015, the Company invested in a secured non-convertible debenture in Energynamic Hybrid Technologie Corporation (“EHT”), an unrelated publicly listed company in Canada, for an amount of \$290,000. The debenture bears an interest rate of 18% payable annually and mature on July 3, 2017. As part of the investment, the Company received 116,000 common shares of EHT. The initial value of the debenture is determined by measuring the fair value of the common shares and assigning the residual value to the debenture component. Subsequently, the debenture component is measured at amortized cost using the effective interest method over the term of the debenture. The debenture component will be accreted to the fair value of the debenture by recording of additional interest income using an effective interest rate of 30.63%. The fair value of the common shares of \$53,360 was determined using the share price of \$0.46 at the time of issuance. At September 30, 2016, the carrying value of the debenture component is \$266,079 (December 31, 2015 - \$247,076).

### **Subscription receipts**

In August 2015, the Company acquired 1,600,000 subscription receipts at a price of \$0.10 per subscription for a total of \$160,000. Each subscription receipt is exercisable, subject to certain circumstances and without any further action on the part of the holder, into one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of \$0.15 per share for a period of two years from the date of the completion of the proposed business combination. On October 5, 2015, these subscription receipts were exercised.

In January 2016, the Company acquired 454,545 subscription receipts at a price of \$0.55 per subscription receipt for a total of \$250,000. Each subscription receipt is exercisable into one common share of the issuer, subject to certain conditions. On June 6, 2016 these subscription receipts were converted to common shares.

### **Preferred shares**

On June 12, 2015, New India Investment Corporation (“NIC”), a wholly owned subsidiary of the Company, made a \$1,218,059 (US\$981,000) investment in Innoviti Payments Solutions Private Limited (formerly Innoviti Embedded Solutions PV Limited), a private company incorporated in Bengaluru, India under the Indian Companies Act. The Company acquired 452,061 Series C Preferred shares, representing a 6.1% interest. These preferred shares are compulsorily convertible into common shares on a 1:1 basis within three years and carried a cumulative dividend at 0.1%. NIC has the right to acquire, at its option within twelve months after first closing, an additional 226,030 Series C Preferred shares and exercised this right on April 21, 2016 with an additional investment of \$588,733 (approximately US\$475,000) on May 16, 2016.

### **Investment Fund**

The Company has invested \$999,422 in the Gravitas Special Situations Fund, an unconsolidated limited partnership. Gravitas Special Situations GP Inc., a 80% subsidiary is the general partner of this limited partnership.

## Gravitas Financial Inc.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 13. INVESTMENTS IN ASSOCIATES

	September 30, 2016 \$	December 31, 2015 \$
Balance, beginning of the period	7,606,423	5,528,607
Additional working capital funds invested in Mint UAE Operations	1,327,410	4,236,850
Reclassification due to acquisition of significant influence	-	418,229
Dividends received	(240,000)	(373,600)
Share of results in associates	(1,088,302)	(1,787,731)
Impairment	-	(415,932)
<b>Balance, end of period</b>	<b>7,605,531</b>	<b>7,606,423</b>

### Portfolio Analysts Inc.

The Company acquired 40% interest in the issued and outstanding shares of Portfolio Analysts Inc. ("PAI"), giving it significant influence over PAI's operations for a total consideration of \$4,032,682. Management does not have the current ability to control the key operating activities of PAI, therefore, it does not have control and does not consolidate the results of PAI. The Company accounts for its investment in PAI using the equity method.

PAI is a Canadian controlled private corporation and is incorporated under the Alberta Business Corporations Act. PAI is a holding company for Portfolio Strategies Corporation ("PSC"), which is a dealer in mutual funds and exempt securities in the provinces of Alberta, British Columbia, Saskatchewan, Manitoba and Ontario. PSC, a 100% owned subsidiary of PAI, is a registered member of the Mutual Fund Dealers Association of Canada (MFDA). Its registered office and principal place of business is 1850 - 14 Street S.W., Calgary, Alberta, T2T 3S9. The fiscal year end of PAI is September 30.

### Mint UAE Operations

Mint UAE Operations comprises of four entities; Mint Middle East LLC ("MME LLC"); Mint Electronic Payment Services Limited ("MEPS"); Mint Capital LLC ("MCO"); and Mint Gateway for Electronic Payment Services ("MGEPS"). Mint Middle East LLC is 51% owned by Mint. MEPS is 49% owned by MME LLC, but is fully controlled subsidiary of MME LLC by virtue of a nominee agreement which provides the Board and management control MME LLC, as well as a 100% commercial interest in the operations MEPS. MCO is a 100% subsidiary of Mint. MGEPS is 49% owned by MCO and Global Business Services for Multimedia ("GBS") owns the remaining 51%. Under the terms of a Nominee Agreement, dated June 28, 2015, GBS has nominated a two percent share of its ownership and commercial interest in favor of MCO. Accordingly, MCO beneficially owns 51% of MGEPS. As at March 31, 2016, MEPS LLC and MCO had no significant operations.

MME is 51% owned by Mint and 49% by GBS. MME and its affiliates operate through their registered office is G02, CBD Building, Sheikh Zayed Road, Dubai, UAE. MME LLC and its affiliates focus on payroll cards, merchant network solutions and micro finance loans to existing payroll card holders.

MME LLC manages the issuance, administration, customer support, payment processing and set up and reporting of payroll cards and related activities. MCO provides micro finance loans to payroll card holders.

During the nine months ended September 30, 2016, the Company invested additional working capital funds of \$1,327,410 (\$2,619,755 for the nine months ended September 30, 2015) in the Mint UAE Operations.

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**NOTE 13. INVESTMENTS IN ASSOCIATES - CONTINUED**

**Prime City One Capital Corporation**

The Company acquired 18% interest in the issued and outstanding shares of Prime City One Capital Corporation ("Prime"), giving it significant influence over Prime's operations following the execution of a purchase and assignment of a debt agreement, under which GFI assigned 50% of its rights, interests and obligation in a loan representing an amount of \$125,000 in exchange of 13,645,825 common shares in the capital of Prime valued at \$68,229. At September 30, 2015, the Company also owns an investment in a loan for \$100,000 and a convertible debenture for \$250,000 in Prime. These investments were reclassified under investments in associates and are recognized at equity value. Following this transaction, the Company recorded a loss on settlement of \$56,771. Management does not have the current ability to control the key operating activities of Prime, therefore, it does not have control and does not consolidate the results of Prime. The Company accounts for its investment in Prime using the equity method.

Prime was incorporated under the Business Corporation Act (Ontario) on September 2, 2004 and is currently reviewing several alternative business plans and fully intends to pursue a change of business. Prime's shares are currently listed on the NEX under the symbol "PMO.H". The address of its registered office is 141 Adelaide Street West, Suite 110, Toronto, Ontario, M5H 3L5.

As at September 30, 2015, the Company evaluated the recoverability of its investment in Prime and determined that as a result of the financial conditions and results of operations at Prime, the Company's entire investment value of \$415,293 was impaired and recognized a loss in the consolidated statement of loss and comprehensive loss.

During the nine months ended September 30, 2016, the Company advanced an additional \$20,000 to Prime and has recorded an impairment loss of \$20,000 in the consolidated statement of loss and comprehensive loss for this period.



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**NOTE 14. LOAN RECEIVABLE**

	September 30, 2016 \$	December 31, 2015 \$
Balance, beginning of period	6,534,011	3,446,270
Additional loan advanced	4,616,853	4,815,070
Amount redeemed	(324,070)	(535,000)
Amount redeemed as part of a settlement in shares	-	(125,000)
Convertible debenture converted into a loan	-	422,520
Loans converted into a convertible debenture (a) (Note 15)	(150,000)	(1,052,680)
Reclassification due to acquisition of significant influence	-	(100,000)
Fair value allocated to the equity components (b)	-	(127,943)
Accretion of interest	39,634	82,364
Loss on settlement of a loan	-	(200,000)
Impairment	(20,000)	(590,415)
Foreign exchange differences	(59,762)	498,825
<b>Balance, end of period</b>	<b>10,636,666</b>	<b>6,534,011</b>
Less: current portion	(1,741,412)	(1,089,421)
<b>Non-current portion</b>	<b>8,895,254</b>	<b>5,444,590</b>

(a) One loan was converted into a convertible debenture with a face value of \$150,000 (2015 - three loans were converted into convertible debentures with a face value of US\$400,000 (\$542,680), \$210,000 and \$300,000).

(b) In January 2015, the Company invested in a secured loan for an amount of \$260,000. As part of the investment, the Company received a total of 100,000 warrants. Each warrant entitles the holder to acquire one common share at an exercise price of \$1.00 per share until January 19, 2017. The initial fair value of the loan is determined by measuring the fair value of the warrants and assigning the residual value to the loan component. Subsequently, the loan component is measured at amortized cost using the effective interest method over the term of the loan. The loan component will be accreted to the face value by the recording of an additional interest income. The fair value of the warrant of \$76,350 was estimated using the Black & Scholes pricing model with the following assumptions: an expected volatility of 100%, a risk free interest rate of 1.00%; an expected life of 2 year, no expected dividend yield and a share price of \$1.30. On April 8, 2015, this loan was repaid.

These loans bear interest from 4.5% to 12.0% per annum and mature from October 2016 to April 2019. Loans totaling \$5,934,200 (\$3,683,590 as at December 31, 2015) are secured under general security agreements.

During the year ended December 31, 2015, the Company advanced US\$700,000 (\$970,830) to MGEPS, an associate of the Company. During the nine months period ended September 30, 2016, the Company advanced an additional US\$1,200,000 (\$1,578,482) to MGEPS. This loan bears interest at 4.5% and matures on October 23, 2018. (also see Note 27)

As at December 31, 2015, the Company had advanced \$2,786,000 to 2242257 Ontario Inc., a company where a former director has a significant interest. During the nine months ended September 30, 2016, the Company advanced and additional \$1,990,371 to 22422257 Ontario Inc. This advance bears interest at 6% and matures on October 31, 2018. (See also Note 27).

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During the nine months period ended September 30, 2016, an impairment loss of \$20,000 (for the year ended December 31, 2015 - \$590,415) was recorded against loans to companies that had defaulted on repayment terms and /or on interest payments.

**NOTE 15. CONVERTIBLE DEBENTURES**

	September 30, 2016 \$	December 31, 2015 \$
<b>Loan component of convertible debentures:</b>		
Secured, 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 (a) (c)	1,058,000	1,221,209
Secured, with a face value of \$250,000, 12% matured on December 17, 2015 or convertible at any time at the Company's option at \$0.05 per share	-	250,000
Unsecured, 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 (a)	17,000	17,000
Secured, 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 (b)	-	59,707
Unsecured, with a face value of \$85,000, 12% maturing on November 24, 2016 or convertible at any time at the Company's option at \$0.15 per share (a)	81,567	63,894
Unsecured, with a face value of \$100,000, 7.5% maturing on March 30, 2018 or convertible at any time at the Company's option at \$0.80 per share	71,214	61,121
Secured, with a face value of \$800,000, 6% maturing on July 7, 2017 or convertible at any time at the Company's option at \$1.00 per share (including \$150,000 reclassified from loans)	607,124	408,237
Unsecured, with a face value of \$250,000, 12% maturing on August 14, 2019 or convertible at any time at the Company's option at \$0.075 per share until the 34th month, \$0.10 until the 36 <sup>th</sup> month and \$0.15 until the 48 <sup>th</sup> month	182,530	171,492
Unsecured, with a face value of \$250,000, 6% maturing on December 9, 2017 or convertible at any time at the Company's option at \$0.10 per share	157,325	120,368
Secured, with a face value of US\$227,000, 8% maturing on January 31, 2018 or convertible at any time at the Company's option at US\$0.10 per share	134,670	97,114
Secured, with a face value of US\$400,000, 6% maturing on December 9, 2018 or convertible at any time at the Company's option at US\$0.82 per share	334,791	272,245
Secured, with a face value of US\$100,000, 10% maturing on March 17, 2017 or convertible at any time at the Company's option at US\$1.60 per share	117,244	-
Secured, with a face value of \$200,000, 10.5% maturing on June 1, 2021 or convertible at any time at the Company's option at \$0.40 per share	113,893	-
	<b>2,875,358</b>	<b>2,742,387</b>
Conversion feature	<b>2,108,700</b>	<b>1,162,238</b>
	<b>4,984,058</b>	<b>3,904,625</b>



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**NOTE 15. CONVERTIBLE DEBENTURES - CONTINUED**

	September 30, 2016	December 31, 2015
	\$	\$
	4,984,058	3,904,625
Less: reclassification due to acquisition of significant influence	-	(250,000)
Less impairment	(1,155,278)	(1,044,623)
<b>Balance, end of the period</b>	<b>3,828,780</b>	<b>2,610,002</b>
Less: current portion	(1,782,368)	(319,376)
<b>Non-current portion</b>	<b>2,046,412</b>	<b>2,290,626</b>

- (a) The Company recorded an impairment on these investments as a result of financial difficulties faced by these companies.
- (b) The Company settled the convertible debenture for an amount of \$47,180. A loss on settlement of \$52,820 was recognized in the consolidated statement of loss and comprehensive loss.
- (c) This loan is currently in default and the Company has recorded a provision for impairment of \$1,058,000. On July 5, 2016, the Company received \$150,000 as partial repayment against this loan and accrued interest and during the third quarter received an additional \$42,000 as a partial repayment. Subsequent to September 30, 2016, the Company received an additional \$48,000. Amounts received in the current year are treated as bad debt recoveries and recorded as a reduction of impairments (see also Note 25).

The fair value of the conversion feature and the carrying value of the loan components are as follows:

	September 30, 2016			December 31, 2015		
	Conversion feature \$	Loan component \$	Total \$	Conversion feature \$	Loan component \$	Total \$
Fair value, beginning of period	1,162,238	1,447,764	2,610,002	215,827	2,123,484	2,339,311
Amount invested	109,004	213,407	322,411	759,561	295,266	1,054,827
Amount converted	-	-	-	-	(208,000)	(208,000)
Amount converted into a loan	-	-	-	-	(422,520)	(422,520)
Amount reimbursed	-	(239,180)	(239,180)	-	(150,000)	(150,000)
Loan converted into a convertible debenture	61,575	88,425	150,000	-	1,052,680	1,052,680
Fair value allocated to the equity components	-	(6,439)	(6,439)	-	(296,031)	(296,031)
Reclassification due to acquisition of significant influence	-	-	-	-	(250,000)	(250,000)
Accretion of interest	-	377,995	377,995	-	329,338	329,338
Change in fair value of convertible debentures						
- conversion feature	785,036	-	775,883	186,850	-	186,850
Exchange gain (loss)	(9,153)	1,583	(7,570)	-	18,170	18,170
Loss on settlement	-	(52,820)	(52,820)	-	-	-
Impairment	-	(110,655)	(110,655)	(47,822)	(996,801)	(1,044,623)
<b>Balance, end of period</b>	<b>2,108,700</b>	<b>1,720,080</b>	<b>3,828,780</b>	<b>1,114,410</b>	<b>1,495,586</b>	<b>2,610,002</b>

**Gravitas Financial Inc.**

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**NOTE 15. CONVERTIBLE DEBENTURES - CONTINUED**

The initial value of the loan component is determined by measuring the conversion features and assigning the residual value to the loan component. The loan component is not re-measured subsequent to initial recognition.

The change in the fair value of the conversion feature comprises of an increase of \$785,036 recognized in the consolidated statement of loss and comprehensive loss.

The fair values of the conversion feature at issuance of \$170,579 for the period ended September 30, 2016 (December 31, 2015 - \$759,561) was estimated using the Black & Scholes option pricing model based on the following assumptions:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Weighted average conversion price	\$0.85	\$0.65
Expected dividend yield	0%	0%
Expected average volatility	190%	188%
Risk-free average interest rate	0.54%	0.51%
Expected average life (years)	2.68	2.58
Weighted average fair value	\$0.37	\$0.38

The fair value of the conversion feature of \$2,108,700 as at September 30, 2016 (December 31, 2015 - \$1,162,238) was estimated using the Black Scholes option pricing model based on the following assumptions:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Weighted average conversion price	\$0.64	\$0.55
Expected dividend yield	0%	0%
Expected average volatility	179%	222%
Risk-free average interest rate	0.54%	0.56%
Expected average life (years)	2.12	1.88
Weighted average fair value	\$0.30	\$0.23

**Gravitas Financial Inc.**

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**NOTE 16. INTANGIBLE ASSETS**

	Net smelter royalty \$	Brand names \$	Total \$
<b>Balance, December 31, 2015</b>	<b>1,245,760</b>	<b>246,272</b>	<b>1,492,032</b>
Impairment	-	(246,272)	(246,272)
<b>Balance, September 30, 2016</b>	<b>1,245,760</b>	<b>-</b>	<b>1,245,760</b>
<b>Accumulated amortization</b>			
Balance, December 31, 2014	533,898	-	533,898
Amortization	355,933	-	355,933
<b>Balance, December 31, 2015</b>	<b>889,831</b>	<b>-</b>	<b>889,831</b>
Amortization	266,948	-	266,948
<b>Balance, September 30, 2016</b>	<b>1,156,779</b>	<b>-</b>	<b>1,156,779</b>
<b>Carrying amount</b>			
<b>Balance, December 31, 2015</b>	<b>355,929</b>	<b>246,272</b>	<b>602,201</b>
<b>Balance, September 30, 2016</b>	<b>88,981</b>	<b>-</b>	<b>88,981</b>

As a result of the continuing losses at the Company and its subsidiaries, at September 30, 2016, the Company impaired the value of its non-amortizing intangible brand name and recognized an impairment loss of \$246,272 during the nine months ended September 30, 2016.

**NOTE 17. TRADE AND OTHER PAYABLES**

	September 30, 2016 \$	December 31, 2015 \$
Trade payables	1,115,688	1,555,128
Interest payables	954,961	1,393,755
Due to related companies, non-interest bearing, due on demand	11,635	42,837
Due to non-controlling interest, non-interest bearing, due on demand	16,201	16,201
	<b>2,098,485</b>	<b>3,007,921</b>

Dues to related companies are payables to companies in which directors are also directors of the Company.

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**NOTE 18. LOAN**

As part of the acquisition of control of CCM and CREC on August 31, 2015, the Company assumed the liability for a loan payable to Ladder Capital Finance I LLC. On October 2, 2013, CREC entered into a loan agreement with Ladder Capital Finance I LLC, a Delaware limited liability company, for a principal amount of US\$3,510,000 at an interest rate of 5.517% per annum. The loan requires monthly debt service payments of US\$19,966, including interest and matures on October 6, 2023 with the balance outstanding payable on that date and is subject to a cash sweep arrangement, where funds in excess of operating costs are used to reduce the principal outstanding under the loan. Under the terms of the loan agreement, all gross revenues of CREC are deposited directly with the lender or their assignee and are held in escrow for debt service. Funds required for day to day operations at Palm Valley are released from escrow as requested by a Property Manager based on an annual budget approved by the lender each year.

The loan is secured by a promissory note and a mortgage on Palm Valley and is subject to normal course covenants.

As at September 30, 2016, the principal balance outstanding on this loan was US\$3,374,021 (\$4,438,500) and was reclassified to liabilities held for sale. The Company was in compliance with all covenants. (See also Note 6).

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**NOTE 19. DEBENTURES**

	Mint	Mint	Mint	Mint	Gravitas	Gravitas	Total deficit
	Series VII	Series A	Series B	Series C	#1	#2	
	(a)	(b)	(c)	(d)	(e)	(f)	
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2014	421,002	41,571,693	4,165,109	-	29,717,404	53,021,365	128,896,573
Issued	-	-	-	10,000,000	-	-	10,000,000
Issuance costs	-	-	-	(367,250)	-	-	(367,250)
Fair value of broker warrants issued	-	-	-	(18,650)	-	-	(18,650)
Repayment/settlement of debentures	(497,700)	-	(209,340)	-	-	-	(707,040)
Gain on repayment/settlement of debentures	-	-	(105,004)	-	-	-	(105,004)
Accretion of interest	76,698	1,984,905	309,399	74,097	100,284	103,574	2,648,957
	(421,002)	1,984,905	(4,945)	9,688,197	100,284	103,574	11,451,013
<b>Balance, December 31, 2015</b>	<b>-</b>	<b>43,556,598</b>	<b>4,160,164</b>	<b>9,688,197</b>	<b>29,817,688</b>	<b>53,124,939</b>	<b>140,347,586</b>
Debenture restructuring	-	3,583,429	-	-	-	-	3,583,429
Repayment/settlement of debentures	-	-	(502,000)	-	-	-	(502,000)
Gain on settlement of debentures	-	-	(615,834)	-	-	-	(615,834)
Accretion of interest	-	846,090	444,704	87,626	78,632	81,162	1,538,214
	-	4,429,519	(673,130)	87,626	78,632	81,162	4,003,809
<b>Balance, September 30, 2016</b>	<b>-</b>	<b>47,986,117</b>	<b>3,487,034</b>	<b>9,775,823</b>	<b>29,896,320</b>	<b>53,206,101</b>	<b>144,351,395</b>
Less: Current portion	-	-	(3,487,034)	-	-	-	(3,487,034)
<b>Non-current portion</b>	<b>-</b>	<b>47,986,117</b>	<b>-</b>	<b>9,775,823</b>	<b>29,896,320</b>	<b>53,206,101</b>	<b>140,864,361</b>

## Gravitas Financial Inc.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 19. DEBENTURES - CONTINUED

- (a) In October of 2015, the Corporation redeemed, at face value, the remaining Series VII debentures together with interest.
- (b) Series A debentures have a face value of \$49,019,962 and carrying a simple interest at 3% per annum to January 17, 2017 and 5% per annum thereafter, payable quarterly on March 31, June 31, September 30 and December 31. Series A debentures were restructured in January 2016 and are redeemable at par on December 15, 2019. Series A debentures are guaranteed by MME LLC and secured against the assets of Mint and MME LLC.

On January 8, 2016, Mint re-structured the outstanding Series A debentures. Subsequent to the re-structuring, the terms of Series A debentures were extended from May 16, 2019 to December 15, 2019 and interest payable on the Series A debenture was reduced to 3% per annum to January 7, 2017 and thereafter 5%, payable quarterly on March 31, June 30, September 30 and December 31. In consideration, the Company issued additional debentures of \$3,953,506, increasing the face value of the outstanding Series A debenture to \$49,019,962. The debenture restructuring requires an additional payment of cash fee of 2.5% of the principal outstanding if certain "active Card" target are not met during the term of the debentures. Since the terms of the Series A debentures were substantially modified, the transaction has been accounted for as an extinguishment of the original liability and the recognition of the revised liability that will be accreted to the face value of the debentures at an effective rate of 5.5% per annum. As a result, a debenture restructuring expense of \$3,583,429 has been recorded in the consolidated statement of loss and comprehensive loss.

- (c) Series B debentures have a face value of \$3,903,000 and carrying a simple interest at 2% per annum payable quarterly on March 7, June 7, September 7 and December 7 each year in cash. Series B debentures were issued in March 2014 and can be redeemed at any date subject to paying a "bonus interest", such that the interest paid and payable on the redeemed amounts aggregates to 12% per annum for the period outstanding. Series B debentures can be extended for an additional two (2) years at the Company's option at an interest rate of 12% per annum. These debentures are secured by Mint's assets and are subordinated to the Series A debenture and guaranteed by MME LLC.

During 2015, the Company purchased \$329,000 of face value for cash payments of \$209,340 and recognized a gain on settlement of \$105,004.

During the period ended September 30, 2016, the Company purchased and cancelled Series B debentures of face value of \$1,004,000 for a cash payment of \$502,000 and recognized a gain on settlement of \$615,834.

- (d) Series C debentures have a face value of \$10,000,000 and a carry a simple interest at 5.5% payable quarterly in March, June, September and December each year. The Series C debentures were issued on June 23, 2015 and are redeemable on June 23, 2018. These debentures are secured by Mint's assets.

On June 23, 2015, Mint issued 500,000 broker warrants and incurred \$367,250 in directly attributable issuance costs. The fair value of the broker warrants of \$18,650, determined using the Black Scholes model using the following assumptions: an expected volatility of 217%; a risk free interest rate of 0.62%; an expected unit life of 3.0 years; no expected dividend yield; and a share price of \$0.04, has been recorded as a separate component of equity. The fair value of the broker warrants and the issuance costs were reduced from the gross proceeds and will be accreted over the term of the debentures.

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### **NOTE 19. DEBENTURES - CONTINUED**

- (e) Debentures #1 have a face value of \$30,023,000 and carry a simple interest at 3.5% payable quarterly, commencing December 31, 2014. The debentures are redeemable on December 3, 2017. The Company has the option to extend the maturity date for a further term of three (3) years upon written notice and the payment of a renewal fee equal to one (1%) percent of the outstanding principal amount due as of the maturity date under the same conditions. These debentures are secured by a first ranking lien over the collateral assets of Gravitas, subject to; (i) the security interest previously granted and registered in respect to the debenture of \$54,022,000 issued in June 2013; and (ii) any specified priority encumbrances that may be incurred during the term of the indenture and the debenture.
  
- (f) Debentures #2 have a face value of \$54,022,000 and carry a simple interest at a rate 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 payable 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. The debentures are redeemable at par value on June 23, 2023. 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 percent (1%) of the principal amount of the debentures outstanding at the date of the renewal. Upon any such renewal, the rate of interest on the debentures shall be adjusted such that the minimum interest rate shall be equal to the Government of Canada ten (10) year bond rate, plus five percent (5%). For the six months ended June 30, 2016, the Company paid an interest rate of three percent (3%). These debentures are secured by Gravitas' assets.

### **NOTE 20. SHARE CAPITAL**

#### **Share capital**

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

On August 3, 2016, the Company closed a non-brokered private placement for gross proceeds of \$600,000 under which 6,000,000 common shares were issued at a price of \$0.10 per common share.

#### **Share capital**

Unlimited number of common shares voting and participating.

#### **Restricted shares**

As required by the applicable securities commission and those of the CSE, and under an agreement entered with a transfer agent from Computershare Investors Services Inc., a total of 36,649,958 common shares have been placed in escrow and deposited with a trustee under an escrow agreement before the completion of the Qualifying Transaction in June 2013. On July 8, 2013, ten percent (10%) of the escrowed shares were released. The balance of the restricted shares will be released at a rate of fifteen percent (15%) in each of the anniversaries of 6, 12, 18, 24, 30 and 36 months following the initial release. At September 30, 2016, the balance of the escrowed shares is 5,497,494 (December 31, 2015 - 16,492,482).

## Gravitas Financial Inc.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 20. SHARE CAPITAL - CONTINUED

### Warrants

Mint's warrants outstanding as of December 31, 2015 and September 30, 2016 are summarized below:

Warrants issued	Number of warrants	Grant date	Expiry date	Exercise price (\$)
Issued on 07/03/2014	7,106,041	07/03/2014	07/03/2017	0.25
Issued on 16/05/2014	3,000,000	16/05/2014	16/05/2018	0.15
Issued on 16/05/2014	150,000	16/05/2014	16/05/2017	0.25
Issued on 30/05/2014	520,888	30/05/2014	07/03/2017	0.25
Broker warrants issued on 23/06/2015	500,000	23/06/2015	23/06/2018	0.05
Issued on 23/06/2015	10,000,000	23/06/2015	23/06/2018	0.05
	<b>21,276,929</b>			<b>0.14</b>

On June 30, 2016, The Mint Corporation issued 51,379,998 common shares for an aggregate gross proceed of \$2,568,998 as a rights offering, wherein Mint shareholders were entitled to subscribe for one common share at \$0.05 per share for each share held. The Company subscribed for 46,815,277 shares of Mint for \$2,340,764 and as a result increased its ownership interest in Mint from 63.5% to 74.9%.

The Mint's rights offering triggered the adjustment provisions of the outstanding share purchase warrants. These provisions operate by adjusting the number of common shares to be issued upon exercise of the warrant. The number of common shares that will have to be issued upon exercise of the outstanding share purchase warrant is now 122.06% of the number which would have been issued if those warrants were exercised prior to the rights offering. This adjustment does not apply to the 10,000,000 warrants Held by the Company or the 500,000 broker warrants issued on June 23, 2015.

## NOTE 21. SHARE-BASED PAYMENT

### Share option plan

The Company has adopted a stock-based compensation plan under which the 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. As at September 30, 2016, the Company has no stock options outstanding.



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**NOTE 22. INTEREST REVENUE**

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Interest on bank	50,276	62,220	164,736	181,612
Interest on guaranteed investment certificates	53,509	104,017	133,549	364,890
Interest on loan receivables	152,107	96,961	427,408	264,844
Interest on debentures	17,973	18,131	53,194	24,807
Interest on convertible debentures	79,981	46,772	219,575	167,927
Accretion on convertible debentures	114,436	104,124	377,955	267,513
Accretion on loans	15,967	-	39,634	76,350
Accretion on debentures	8,560	7,116	26,546	9,887
	<b>492,809</b>	<b>439,341</b>	<b>1,442,597</b>	<b>1,357,830</b>

**NOTE 23. INTEREST EXPENSE**

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Interest on debentures	1,290,533	2,065,572	3,764,801	3,548,917
Accretion of interest	474,131	320,705	1,538,214	544,377
Interest on current liabilities and bank charges	27,661	7,526	47,961	25,888
	<b>1,792,325</b>	<b>2,393,803</b>	<b>5,350,976</b>	<b>4,119,182</b>

**NOTE 24. LOSS (GAIN) ON SETTLEMENT**

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Loss (gain) on settlement of receivables	11,450	29,054	(10,450)	11,931
Loss on settlement of loan	-	200,000	-	200,000
Gain on settlement of debenture	-	-	(615,834)	(22,895)
Loss on settlement of debenture	-	114,771	-	164,771
Loss on settlement of convertible debentures	-	-	52,820	-
<b>Loss (gain) for the period</b>	<b>11,450</b>	<b>343,825</b>	<b>(573,464)</b>	<b>353,807</b>

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**NOTE 25. IMPAIRMENT**

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Impairment on investments in associates	-	415,932	20,000	415,932
Impairment on loans	-	49,925	-	499,315
Impairment (recovery) on convertible debenture (Note 15)	(42,000)	80,361	110,653	80,361
Reclassification of impairment to net loss	-	508,217	-	508,217
Impairment on brand name	-	-	246,272	-
Impairment of loan to a company controlled by the CEO (Note 10 and 27)	188,402	-	749,641	-
	<b>146,402</b>	<b>1,054,435</b>	<b>1,126,566</b>	<b>1,503,825</b>

**NOTE 26. ADDITIONAL INFORMATION - CASH FLOWS**

The changes in working capital items are detailed as follows:

	For the nine months ended September 30,	
	2016	2015
	\$	\$
Trade and other receivables	(1,594,097)	(931,609)
Prepaid expenses	125,537	237,253
Inventory	(38,929)	(296,640)
Trade and other payables	(909,436)	1,232,402
Customer deposits	(53,724)	(38,000)
	<b>(2,470,649)</b>	<b>203,406</b>

Cash from interest and income taxes are as follows:

	For the nine months ended September 30,	
	2016	2015
	\$	\$
Interest paid	(4,418,691)	(3,555,294)
Interest received	484,247	550,565
Income taxes paid	-	(1,157)

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## NOTE 27. RELATED PARTY TRANSACTIONS

The Company's related parties include its 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.

### Transactions with key management personnel

Remuneration of the key management personnel, that is, the President and Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and Executive Vice Presidents and the directors, are included in the following expenses:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Transactions with key management personnel				
Salaries and management fees	246,504	180,954	723,212	555,205
Consulting and professional fees	-	50,003	-	214,512
General and administrative	25,500	47,000	122,000	139,000
	<b>272,004</b>	<b>277,957</b>	<b>845,212</b>	<b>908,717</b>
Transactions with companies controlled by key management				
Consulting and professional fees	147,000	217,486	431,500	656,486
	<b>147,000</b>	<b>217,486</b>	<b>431,500</b>	<b>656,486</b>
<b>Total</b>	<b>419,004</b>	<b>495,443</b>	<b>1,276,712</b>	<b>1,565,203</b>

As at September 30, 2016, the Company has advanced \$749,641 (December 31, 2015 - \$189,425) to a company ("2474184 Ontario Inc.") controlled by the Chief Executive Officer ("CEO"). This loan is non-interest bearing and has no repayment terms. This amount is recorded in trade and other receivables in the Company's consolidated statement of financial position. This amount has been impaired and impairment charges of \$188,402 and \$749,641 for the three and the nine months ended September 30, 2016 have been recorded in the consolidated statement of loss and comprehensive loss. Subsequent to September 30, 2016, the Company has advanced an additional \$238,188 to 2474184 Ontario Inc.

On November 8, 2016, Gravitas Venture Inc., a 100% subsidiary of the Company, and 2474184 Ontario Inc. entered into a debt conversion agreement, effective October 26, 2016, wherein Gravitas Ventures Inc. received an aggregate of 2,701,354 common shares of 247184 Ontario Inc. in exchange for the previously written off loans due from 2474184 Ontario Inc. In addition, Gravitas Venture Inc. received 1,218,367 shares of 2474184 Ontario Inc. for loan and management fees of \$278,000 charged to 2474184 Ontario Inc.

The Company has also assigned its previously impaired convertible debenture and loan receivable (including accrued interest) of \$434,232, due from Revenue.com to 2474184 Ontario Inc. In consideration, the Company received 1,062,559 preferred shares of 2474184 Ontario Inc. These preferred shares carry the same benefits and rights as common shares.

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### NOTE 27. RELATED PARTIES NOTE - CONTINUED

For the three and nine months ended September 30, 2016, the Company incurred legal fees of \$2,280 and \$27,169 respectively (September 30, 2015 - \$38,288 and \$80,110, respectively) from a legal firm in which the former Chief Executive Officer ("CEO") and current director is a partner.

As at September 30, 2016, an amount of \$424,999 is payable to GBS, representing the remaining amount due under the terms of a Management agreement entered into between Mint and GBS under which GBS assumed all responsibility for the day-to-day activities of Mint UAE Operations. The Management agreement entitles GBS to a fixed monthly fee of AED 120,000 and a variable fee of 20% of the net income of Mint UAE Operations and was effective December 31, 2014. This amount is included under trade and other payables in the Company's consolidated statement of financial position.

During the three and nine months ended September 30, 2016, management and consulting charges paid to Global Business Services ("GBS"), the owner of the remaining 49% interest in Mint UAE Operations in connection with the Management Agreement, aggregated to \$119,685 (UAE Dirham 360,000) and \$388,795 (UAE Dirham 1,080,000, respectively) (September 30, 2015 - \$122,256 (UAE Dirham 360,000) and \$370,342 (UAE Dirham 1,080,000, respectively)). These amounts were incurred and recorded in Mint UAE Operations and are included in the Company's share of losses of associates on the consolidated statement of loss and comprehensive loss.

As at September 30, the Company has advanced \$2,461,640 (US\$1,900,000) to MGEPS. This loan bears interest at 4.5% and matures on October 23, 2018 (balance as at December 31, 2015 - \$970,830). This amount has been recorded in loan receivable in the Company's consolidated statement of financial position.

As at September 30, 2016, the Company has advanced an aggregate of \$4,776,371 (December 31, 2015 - \$2,786,000) to a company ("2242257 Ontario Inc.") in which a former director and a director of Mint have a significant interest. This loan bears interest at 6% and matures on October 31, 2018. Interest is payable at maturity and the accrued interest receivable at September 30, 2016 aggregated to \$344,324 (December 31, 2015 - \$134,225). This amount is recorded in loan receivables in the Company's consolidated statement of financial position.

During the three and nine months ended September 30, 2016, the Company has paid \$30,000 and \$225,000, respectively to Gravitas Securities Inc., a subsidiary of 2242257 Ontario Inc. In addition, the Company also pays rent of \$33,825 per month to 2242257 Ontario Inc. and for the three and nine months ended September 30, 2016 \$94,227 are included in general and administrative expense relating to this rent.

During the three and nine months ended September 30, 2016, the Company and its subsidiaries paid \$8,250 and \$37,000 respectively (for the three and nine months ended September 30, 2015 - \$10,060) to a company ("Soigne Technologies Inc."), in which an employee has an interest.

The Company has advanced \$555,902 (December 31, 2015 - \$753,905) to Limited Partnerships managed by two of the Company's subsidiaries. The amount receivable is recorded in trade and other receivables in the Company's consolidated statement of financial position.

As at September 30, 2016, the Company had dues to related companies that are payables to companies in which directors are also directors of the Company of \$42,837 (as at December 31, 2015 - \$42,837).

During the current year, the Company advanced \$85,000 to a director and officer of Gravitas International Corporation, a 50% subsidiary of the Company and \$175,000 to an officer of Gravitas Securities Inc. Interest at 4% and 6%, respectively per annum on these loans aggregated to \$3,849 at September 30, 2016 and is payable at maturity.

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The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

## NOTE 28. FINANCIAL INSTRUMENTS

### Fair value

The carrying value of cash, trade and other receivables and trade and other payables are considered to be a reasonable approximation of the fair value due to the short-term maturity of these instruments.

The carrying value of guaranteed investment certificates is considered to be a reasonable approximation of the fair value since these instruments are redeemable at any time.

The equity interests in a private company are measured at cost less any impairment loss because the fair value could not be reasonably determined.

The carrying value of loan receivables and debentures is also considered to be a reasonable approximation of the fair value since they are measured at amortized cost and bear interest at market rates. The fair value of the debenture payables is approximate to the face value.

The following presents the financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement and are as follows:

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Common shares in quoted companies	4,431,121	-	-	4,431,121
Options	-	2,395	-	2,395
Warrants	-	1,289,860	-	1,289,860
Conversion feature of debentures	-	2,108,700	-	2,108,700
Investment property (Note 6)	-	-	7,289,820	7,289,820
	<b>4,431,121</b>	<b>3,400,955</b>	<b>7,289,820</b>	<b>15,121,896</b>

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**NOTE 28. FINANCIAL INSTRUMENTS - CONTINUED**

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Common shares in quoted companies	3,528,722	-	-	3,528,722
Options	-	19,998	-	19,998
Warrants	-	1,081,775	-	1,081,775
Conversion feature of debentures	-	1,162,238	-	1,162,238
Investment property	-	-	7,779,623	7,779,623
	<b>3,528,722</b>	<b>2,264,011</b>	<b>7,779,512</b>	<b>13,572,356</b>

The Company's option, warrants and conversion feature on convertible debentures are classified within Level 2 of the fair value hierarchy since the fair value is determined using a model that includes the volatility and price of the companies in which the Company invested.

There have been no transfers between Level 1 and 2 in the nine months ended September 30, 2016.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods, except for the decrease in the value of the investment property which has been adjusted to reflect the exchange rate movements and commissions payable to the real estate agent.

**NOTE 29. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments related to changes in the economic environment and the underlying risks of its assets. In its definition of capital, the Company includes debentures and equity (deficiency). The following table shows the items included in the definition of capital:

	September 30, 2016	December 31, 2015
	\$	\$
Debentures	144,351,395	140,347,586
Equity deficiency	(70,894,526)	(59,228,781)
	<b>73,456,869</b>	<b>81,118,805</b>

There has been no change with respect to the overall capital management strategy during the nine months ended September 30, 2016.

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### NOTE 30. FINANCIAL RISKS

The Company is exposed to various risks through its financial instruments and the following analysis provides a measure of these risks.

#### Credit risk

Credit risk refers to the risk that one party to a financial instrument fails to perform any of its obligations and leads, therefore, the Company to incur a financial loss. Credit risk is primarily related to trade and other receivables, debentures, loans and convertible debentures.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	September 30, 2016 \$	December 31, 2015 \$
Cash	25,538,101	34,427,311
Guaranteed investment certificates	11,906,624	20,089,000
Trade and other receivables	3,308,687	2,542,079
Debenture (Note 12)	413,939	370,393
Loans receivable (Note 14)	10,636,666	6,534,011
Convertible debentures (Note 15)	3,828,780	2,610,002
	<b>55,632,797</b>	<b>66,572,796</b>

The Company evaluates the financial condition of its customers and investees on an ongoing basis and reviews the credit history of each new customer. The Company establishes an allowance of doubtful accounts taking into account the credit risk of specific customers, historical trends and other information.

As at September 30, 2016, an amount of \$6,062,240 (December 31, 2015 - \$3,683,590) in loans receivables and \$2,365,722 (December 31, 2016 - \$2,201,094) in convertible debentures were secured by collateral or other credit enhancements.

The Company invests in fixed income debentures that are subject to credit risk. The value of these securities depends, in part, upon the ability of the borrowers to pay all amounts owed to their lenders.

The credit risk regarding cash and guaranteed investment certificates are considered to be negligible since the counterparties are reputable banks with an investment grade external credit rating.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations with financial liabilities that would be settled either by delivering cash or another financial asset.

The Company has current assets of \$52,470,720 which will be used to cover all operating and investing activities.

## Gravitas Financial Inc.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### NOTE 30. FINANCIAL RISKS - CONTINUED

The expected timing of cash flows relating to financial liabilities as at September 30, 2016 are as follows:

	Less than 1 year	1-5 years	6-10 years	Total
	\$	\$	\$	\$
Trade and other payables	2,098,485	-	-	2,098,485
Business acquisition cost payable	782,592	-	-	782,592
Convertible debenture	970,000	-	-	970,000
Loans	-	-	4,349,704	4,349,704
Debentures	4,830,800	89,042,962	54,022,000	147,895,762
	<b>8,681,877</b>	<b>89,042,962</b>	<b>58,371,704</b>	<b>156,096,543</b>

Also see the Company's commitments as disclosed in Note 31.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to the following three types of market risk: currency risk, interest rate risk and other price risk.

##### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Company is exposed to currency risk as a result of its transactions denominated in foreign currencies. The Company has the following balances denominated in foreign currencies:

	September 30, 2016	December 31, 2015
	\$	\$
USD		
Cash	3,539,854	6,120,800
Royalty receivables	325,925	237,398
Equity investments and other	1,145,193	1,698,863
Loan receivables	2,628,240	1,051,296
Convertible debentures	955,365	823,953
Loan payable	(4,438,500)	(6,127,560)
	<b>4,156,077</b>	<b>2,895,284</b>

The Company does not enter into arrangements to hedge its foreign exchange risk. A ten percent (10%) change in the United States dollar exchange rate would have increased the net loss by \$316,616 (\$380,475 for the year ended December 31, 2015).



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**NOTE 30. FINANCIAL RISKS - CONTINUED**

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk since some of the Company's debentures bear interest at a variable rate based on the earnings before interest expense and tax ("EBIT"). Had the interest rate been one percent (1%) higher throughout the nine months ended September 30, 2016, the net loss would have increased by \$1,478,958 (\$1,438,555 for the year ended December 31, 2015).

*Other price risk*

The Company is exposed to fluctuations in the market prices of its investments in quoted companies. The fair value of the investments in quoted companies represents the maximum exposure to price risk.

As at September 30, 2016, a 10% decrease (increase) in the closing price of common shares held by the Company on the stock market would have increased the total comprehensive loss by \$443,112 (\$352,872 for the year ended December 31, 2015).

**NOTE 31. COMMITMENTS**

The Company has entered into agreement for the lease of premises. Future minimum lease payments aggregate to \$377,922 and include the following future payments for the next year:

	<b>September 30, 2016 \$</b>
Less than 1 year	34,934
1 to 5 years	342,988

The Company has committed to invest an aggregate of US\$6 million in the Mint UAE Operations to facilitate the completion of the IT infrastructure. As at September 30, 2016, Mint has advanced \$6,977,937 (US\$4,200,000) and Gravitas has advanced \$2,461,640 (US\$1,900,000) against this commitment.

**Gravitas Financial Inc.**

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**NOTE 32. SEGMENTED INFORMATION**

The Company operates in four segments as follows:

**Services**

The Company's objective is to build and acquire businesses that can service the capital markets, advisory, regulatory, compliance and technology needs of publicly listed corporations.

**Financial services**

Financial services are operations in financial products and financial products distribution businesses. Financial services are operated independently with their own management teams and require high levels of compliance and governance.

**Strategic investments**

Strategic investments are operations where the Company acquires significant long term interests in companies that have a high potential for value addition and where the Company provides key strategic inputs and management support either directly or through Board representation.

**Fast growing investments**

Fast growing investments are operations where the Company acquires meaningful ownership interests in fast growing companies in both the public and private markets. The Company will offer strategic guidance and access to its strong network to investee to accelerate their strategic growth plans.

**Corporate**

Corporate results primarily represent the cost of corporate overhead expenses not allocated to a segment.

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**NOTE 32. SEGMENTED INFORMATION - CONTINUED**

For the three months ended September 30, 2016	Services \$	Financial services \$	Strategic investments \$	Fast growing investments \$	Corporate \$	Intercompany transactions \$	Total \$
<b>Revenues</b>	496,243	152,041	80,488	188,765	371,417	(47,431)	1,241,523
<b>Expenses</b>							
Salaries and management fees	73,499	53,714	63,777	-	348,831	-	539,821
Consulting and professional fees	174,334	216,299	149,016	-	296,316	-	835,965
General and administrative	74,754	213,845	275,218	-	344,923	-	908,740
Interest expense	5,857	385	1,101,730	14	731,770	(47,431)	1,792,325
Exchange loss (gain)	-	920	(14,081)	(11,224)	(90,826)	-	(115,211)
Loss or (gain) on settlement	11,450	-	-	-	-	-	11,450
Gain on disposal of available for sale investments	(174,389)	-	-	-	-	-	(174,389)
Change in fair value of convertible debentures - conversion feature	10,227	-	-	(126,955)	-	-	(116,728)
Change in fair value of FVTPL	(55,066)	598	-	101,679	-	-	47,211
Impairment	-	-	-	111,242	35,160	-	146,402
Share of results in associates	-	(52,391)	438,841	-	-	-	386,450
	120,666	433,370	2,014,501	74,756	1,666,174	(47,431)	4,262,036
<b>Net earnings (loss) from continuing operations</b>	<b>375,577</b>	<b>(281,329)</b>	<b>(1,934,013)</b>	<b>114,009</b>	<b>(1,294,757)</b>	<b>-</b>	<b>(3,020,513)</b>
<b>Net earnings from discontinuing operations</b>	<b>-</b>	<b>-</b>	<b>(16,649)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,649)</b>
<b>Net earnings (loss)</b>	<b>375,577</b>	<b>(281,329)</b>	<b>(1,950,662)</b>	<b>114,009</b>	<b>(1,294,757)</b>	<b>-</b>	<b>(3,037,162)</b>

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**NOTE 32. SEGMENTED INFORMATION - CONTINUED**

For the nine months ended September 30, 2016	Services \$	Financial services \$	Strategic investments \$	Fast growing investments \$	Corporate \$	Intercompany transactions \$	Total \$
<b>Revenues</b>	1,393,608	246,255	129,082	509,988	1,141,387	(141,170)	3,279,150
<b>Expenses</b>							
Salaries and management fees	266,391	115,043	239,302	-	964,847	-	1,585,583
Consulting and professional fees	474,185	543,919	335,636	-	997,804	-	2,351,544
General and administrative	261,968	418,613	465,219	-	854,528	-	2,000,328
Interest expense	13,489	1,298	3,298,472	169	2,178,718	(141,170)	5,350,976
Exchange loss	-	920	40,088	8,136	417,568	-	466,712
Loss (gain) on settlement	42,370	-	(615,834)	-	-	-	(573,464)
Gain on disposal of available for sale investments	(355,844)	-	-	-	-	-	(355,844)
Change in fair value of convertible debentures - conversion feature	18,340	-	-	(859,671)	56,295	-	(785,036)
Change in fair value of FVTPL	(233,921)	1,741	-	238,291	-	-	6,111
Impairment	-	-	50,000	683,263	393,303	-	1,126,566
Debenture restructuring fee	-	-	3,583,429	-	-	-	3,583,429
Share of results in associates	-	(102,579)	1,190,881	-	-	-	1,088,302
	486,978	978,955	8,587,193	70,188	5,863,063	(141,170)	15,845,207
<b>Net earnings (loss) from continuing operations</b>	<b>906,630</b>	<b>(732,700)</b>	<b>(8,458,111)</b>	<b>439,800</b>	<b>(4,721,676)</b>	<b>-</b>	<b>(12,566,057)</b>
<b>Net earnings from discontinuing operations</b>	<b>-</b>	<b>-</b>	<b>206,047</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>206,047</b>
<b>Net earnings (loss)</b>	<b>906,630</b>	<b>(732,700)</b>	<b>(8,252,064)</b>	<b>439,800</b>	<b>(4,721,676)</b>	<b>-</b>	<b>(12,360,010)</b>

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**NOTE 32. SEGMENTED INFORMATION - CONTINUED**

	Services \$	Financial services \$	Strategic investments \$	Fast growing investments \$	Corporate \$	Intercompany transactions \$	Total \$
<b>As at September 30, 2016</b>							
Total assets	5,894,946	7,627,849	14,498,827	9,631,267	73,846,747	(29,133,572)	82,366,064
Total liabilities	6,404,286	4,420,760	75,45,476	8,578,284	84,243,132	(25,810,833)	153,287,105
Investment in associates	-	3,504,660	4,100,871	-	-	-	7,605,531
<b>As at December 31, 2015</b>							
Total assets	3,466,083	12,758,559	18,155,813	6,499,320	77,828,076	(29,084,686)	89,623,165
Total liabilities	5,530,913	4,997,978	69,606,971	5,317,839	84,031,181	(20,632,936)	148,851,946
Investment in associates	-	3,642,081	3,964,342	-	-	-	7,606,423

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**NOTE 32. SEGMENTED INFORMATION - CONTINUED**

For the three months ended September 30, 2015	Services \$	Financial services \$	Strategic investments \$	Fast growing investments \$	Corporate \$	Intercompany transactions \$	Total \$
<b>Revenues</b>	293,538	-	19,628	91,569	514,164	(47,924)	870,975
<b>Expenses</b>							
Salaries and management fees	73,985	-	44,340	-	222,961	-	341,286
Consulting and professional fees	99,274	34,172	37,450	-	524,956	-	695,852
General and administrative	(42,493)	15,000	158,019	5,151	522,120	-	657,797
Interest expense	2,148	34	1,708,811	357	730,377	(47,924)	2,393,803
Exchange loss (gain)	(14)	-	(19,974)	(21,838)	(605,728)	-	(647,554)
Gain on settlement	70,792	-	50,000	209,637	13,396	-	343,825
Gain on disposal of available for sale investments	(21,429)	-	812	(222,828)	-	-	(243,445)
Change in fair value of convertible debentures - conversion feature	12,432	-	-	513	(84,932)	-	(71,987)
Change in fair value of FVTPL	(60,796)	-	-	(506,322)	-	-	(567,118)
Impairment	212,037	-	-	389,541	452,857	-	1,054,435
Share of results in associates	-	(117,782)	476,044	-	2,297	-	360,559
	345,936	(68,576)	2,455,502	(145,789)	1,778,304	(47,924)	4,317,453
<b>Net earnings (loss) before income taxes</b>	<b>(52,398)</b>	<b>68,576</b>	<b>(2,435,874)</b>	<b>237,358</b>	<b>(1,264,140)</b>	<b>-</b>	<b>(3,446,478)</b>
Current income taxes	-	-	-	-	-	-	-
<b>Net earnings (loss)</b>	<b>(52,398)</b>	<b>68,576</b>	<b>(2,435,874)</b>	<b>237,358</b>	<b>(1,264,140)</b>	<b>-</b>	<b>(3,446,478)</b>

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**NOTE 32. SEGMENTED INFORMATION - CONTINUED**

For the nine months ended September 30, 2015	Services	Financial services	Strategic investments	Fast growing investments	Corporate	Intercompany transactions	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>	936,381	-	35,961	243,911	1,566,803	(130,082)	2,652,974
<b>Expenses</b>							
Salaries and management fees	293,182	-	107,736	-	516,008	-	916,926
Consulting and professional fees	448,134	98,024	103,335	11,619	1,380,056	-	2,041,168
General and administrative	261,577	49,510	751,064	9,421	1,041,698	-	2,113,270
Interest expense	6,669	274	4,473,720	1,045	2,161,359	(130,082)	6,512,985
Exchange loss (gain)	65	-	(37,271)	(44,015)	(619,379)	-	(700,600)
Loss (gain) on settlement	53,669	-	27,105	209,637	63,396	-	353,807
Gain on disposal of available for sale investments	(411,336)	-	812	(222,828)	-	-	(633,352)
Change in fair value of convertible debentures - conversion feature	20,128	-	-	37,363	3,645	-	61,136
Change in fair value of FVTPL	(93,844)	-	-	(484,428)	(282,290)	-	(860,562)
Change in fair value of derivative warrant liability	-	-	(44,423)	-	-	-	(44,423)
Impairment	229,037	-	-	389,541	885,247	-	1,503,825
Share of results in associates	-	(437,214)	1,406,126	-	2,297	-	971,209
	807,281	(289,406)	6,788,204	(92,645)	5,152,037	(130,082)	12,235,389
<b>Net earnings (loss) before income taxes</b>	<b>129,100</b>	<b>289,406</b>	<b>(6,752,243)</b>	<b>336,556</b>	<b>(3,585,234)</b>	<b>-</b>	<b>(9,582,415)</b>
Current income taxes	-	-	-	1,157	-	-	1,157
<b>Net earnings (loss)</b>	<b>129,100</b>	<b>289,406</b>	<b>(6,752,243)</b>	<b>335,399</b>	<b>(3,585,234)</b>	<b>-</b>	<b>(9,583,572)</b>

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#### NOTE 32. SEGMENTED INFORMATION - CONTINUED

The Company has operations in four geographical sectors. The following tables presents the Company's revenue and non-current assets by geographic areas. The allocation of revenue between geographic areas was determined by the location where the income was earned. The revenues earned in Africa are related to the net smelter return of 0.75% that the company holds on an exploration project in Gabon, Africa.

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Revenues</b>				
Canada	1,061,795	725,827	2,876,480	2,343,311
Africa	93,041	145,148	294,091	309,663
India	80,488	-	102,380	-
	<b>1,235,324</b>	<b>870,975</b>	<b>3,272,951</b>	<b>2,652,974</b>

  

	September 30,	December
	2016	31, 2015
	\$	\$
<b>Non-current assets</b>		
Canada	23,719,916	18,209,519
Africa	88,981	355,929
UAE	4,100,871	3,964,342
India	2,035,743	-
	<b>29,945,511</b>	<b>22,529,790</b>

#### NOTE 33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

#### NOTE 34. SUBSEQUENT EVENTS

- Subsequent to September 30, 2016, the Company has advanced an additional \$238,188 to 2474184 Ontario Inc., a company controlled by the CEO. See Note 27.
- On November 8, 2016, Gravitas Ventures Inc, a 100% subsidiary of the Company, and 2474184 Ontario Inc. entered into a debt conversion agreement, effective October 26, 2016, wherein Gravitas Ventures Inc. received an aggregate of 2,701,354 common shares of 2474184 Ontario Inc. in exchange for the previously written off loans due from 2474184 Ontario Inc. In addition, Gravitas Ventures Inc. received 1,218,367 shares of 2474184 Ontario Inc. for loan and management fees of \$278,000 charged to 2474184 Ontario Inc.

The Company also assigned convertible debentures of Revenue.com of \$434,232, that were previously fully impaired, to 2474184 Ontario Inc in exchange for 1,062,559 preferred shares of 2474184 Ontario Inc. The preferred shares have certain preferred rights and are convertible into common shares on the occurrence of specific events.



## Gravitas Financial Inc.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at September 30, 2016 and 2015 and December 31, 2015

(Expressed in Canadian Dollars)

As at the date of these financial statements, the Company owns approximately 51.2% equity interest in 2474184 Ontario Inc. The Company is currently evaluating this acquisition and will reflect the transactions during the fourth quarter of 2016.

- (c) In November 2016, the Company incorporated Gravitas Mining Inc., an 83.33% owned subsidiary that will invest in mining related opportunities. Yuhua International Capital Inc., an unrelated company, owns the remaining 16.67% of Gravitas Mining Inc.
- (d) On October 18, 2016, the Company, indirectly through its 50% owned subsidiary, Foregrowth Holdco. Inc. and Grenville Strategic Royalty Corp ("Grenville") formed a joint venture Foregrowth-Grenville Royalty I Limited Partnership ("Foregrowth LP"). Foregrowth LP will have a right to co-invest in each new royalty investment made by Grenville and expects to raise capital through its online investment platform that provides investors with access to pre-vetted investment opportunities.
- (e) On November 15, 2016, Gravitas Ilium Corporation, a 50% owned subsidiary of the Company, entered into an agreement with 2242257 Ontario Inc. and converted \$750,000 of the \$4,776,371 advanced to 2242257 Ontario Inc. into 4,079 common shares representing 50.99% of the issued capital of 2242257 Ontario Inc., effective October 1, 2016. A former director of the Company and a director of Mint are also significant shareholders of 2242257 Ontario Inc. PAI, a 40% owned associate of the Company, holds approximately 12.5% of 2242257 Ontario Inc.

The Company is currently evaluating this acquisition and will reflect the transactions during the fourth quarter of 2016.

- (f) On October 3, 2016, the Company, through its 50% indirectly owned subsidiary, Foregrowth Inc, issued a notice to Privest to convert \$650,000 of convertible debentures of Privest into 1,048,387 common shares that will result in the Company owning approximately 54.5% of the issued capital of Privest. PAI currently owns approximately 6.5% of Privest. Since Privest is a regulated exempt market dealer, the conversion is subject to regulatory approval and is expected to be finalized during the fourth quarter.

Subsequent to the conversion of the convertible debentures, the Company will own approximately 54.53% interest in Privest directly and 2.6% indirectly through its 40% owned associate, PAI.

The Company is currently evaluating this acquisition and will reflect the transactions during the fourth quarter of 2016.