

# **GRAVITAS FINANCIAL INC.**

## **Management's Discussion and Analysis**

**For the three-month periods ended March 31, 2019 and 2018**

**As of June 24, 2019**

*(expressed in Canadian dollars)*

# Gravitas Financial Inc.

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## GENERAL

The following discussion of performance, financial condition and prospects should be read in conjunction with the audited consolidated financial statements (the "Financial Statements") of Gravitas Financial Inc. (the "Company" or "Gravitas") as of December 31, 2018 and for the three-month periods ended March 31, 2019 and 2018 and the accompanying notes thereto. The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Financial Statements and the Management Discussion and Analysis ("MD&A") have been reviewed by the Audit Committee and approved by the Company's Board of Directors on June 24, 2019. The Canadian dollar is the functional and reporting currency of Gravitas. Unless otherwise noted, all dollar amounts within this report are expressed in Canadian dollars. In addition to reviewing this report, readers are encouraged to read the Company's public filings, including the audited consolidated financial statements for the year ended December 31, 2018, on SEDAR at [www.sedar.com](http://www.sedar.com).

## CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" for the purpose of applicable Canadian securities legislation. These statements reflect our management's expectations with respect to future events, the Company's financial performance and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of the words "anticipate", "believe", "continue", "could", "estimate", "expect", "intends", "may", "might", "plan", "possible", "potential", "predict", "project", "should", "would", and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated or implied in such forward-looking statements. The forward-looking information contained in this MD&A is presented to assist shareholders in understanding the Company's strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. Circumstances affecting the Company may change rapidly. Except as may be required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise. Unless otherwise indicated, these statements speak only as of the date of this MD&A. Actual results could differ materially from those anticipated in forward-looking statements stated within the MD&A.

## CORPORATE OVERVIEW

Gravitas is a platform company that creates businesses in key traditional and emerging sectors with strong industry partners. Our industry focus includes financial services, fintech and Sino-Canadian mining. We leverage our unique platform to develop a continuous pipeline of new ventures with significant blue-sky potential. Our platform is complimented by strong investment research and digital investment media groups.

### Financial Services

The financial service divisions generate revenue from: commissions charged for trading securities; fees charged to clients for the administration of their accounts and fees received from public or private companies, for investment banking as well as other corporate services.

Gravitas has a significant ownership interest in Gravitas Securities Inc. ("GSI"), an IIROC investment dealer and wealth manager, with offices in Toronto and Vancouver, Gravitas Capital International Inc. ("Gravitas Capital"), a United States Broker Dealer and Portfolio Strategies Corp., a mutual fund dealer based in Calgary. These platforms have over \$3 billion in assets under administration.

GSI recently entered into a strategic partnership agreement with Central China International Financial Holdings Limited ("Central China"), an investment banking firm based out of Hong Kong, by way of Central China purchasing an initial equity position in GSI's holding company. Gravitas Capital is a U.S. broker-dealer specializing in public and private equity and debt offerings, and M&A advisory. Gravitas Capital is a FINRA member and a member of the SIPC. The wealth management division of GSI is currently targeting higher net worth clients and moving to more fee-based accounts. Gravitas' investment banking practice presently has numerous mandates in progress focused on small cap public and private companies in the areas of technology, financial technology, mining and real-estate.

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Gravitas is launching several funds to capitalize on its captive distribution channels. In 2017 and 2018, Gravitas launched several efficient flow-through funds and is in the process of launching new ones in 2019. In 2016, Gravitas launched its Gravitas Special Situations Fund LP and in 2018 launched Gravitas Special Situations Fund (Trust). Both investment products invests in small cap public companies in Canada across numerous industries.

Along with GIC, Gravitas created Foregrowth Inc. ("Foregrowth"), which focuses on designing institutional quality investment products distributed through registered dealers to high-net worth retail investors. Foregrowth presently has over \$30 million in assets under management. In addition, several other limited partnerships are currently in the pipeline to be launched over the next twelve months.

Gravitas also provides investor exposure, investment research, media services and corporate secretarial services through Ubika Research, Smallcappower, and Capital Ideas Media Inc.

## **The Mint Corporation**

Mint was founded in 2004 and is a publicly listed Corporation with common shares on the Toronto Venture Stock Exchange (TSX Venture Exchange TSX-V: MIT-V.). The registered office of the Corporation is at 1700-333 Bay Street, Toronto, Ontario, M5H 2R2. The Corporation's primary business activities are through its subsidiaries and non-controlling interest entities in Dubai, United Arab Emirates ("UAE"). The Corporation is a 54% subsidiary controlled by Gravitas Financial Inc. ("Gravitas") (2017 – 68%), a publicly listed Corporation on the Canadian Stock Exchange ("CSE").

The Corporation's UAE Operations are a vertically integrated prepaid card and payroll services provider with its own ATM network, payment processing platform and branded card products. In April, 2018 the Corporation's subsidiary Mint Middle East ("MME") signed licensing agreements with Interac Corp, Canada's domestic debit card network, granting MME exclusive rights in the UAE to use Interac's contactless specifications and payments software products. In October, 2018 the Mint UAE Operations launched a mobile app with mobile top-up, bill payment and account management functionality for payroll cardholders. At year end 2018 the Mint UAE Operations were awaiting funding for a bank guarantee for the UAE Insurance Authority as a prerequisite to commencing its insurance brokerage operations. Also at year-end final preparations were being made on the salary advance product to be offered initially to payroll existing cardholders. Mint UAE is also preparing the launch of a range of services targeting small and mid-sized merchants including a Point-of-Sale (POS) system, inventory management, payroll services and accounting software.

## **Investment Portfolio**

Gravitas has focused its investment efforts on high growth companies in both the private and public markets. These investments span various sectors and geographies. When required, Gravitas will provide strategic guidance and management support. Returns will be generated mainly from the capital gains received on dispositions that are associated with the growth in its investments, and partially from income on its debt and convertible debt. Gravitas intends to focus on supporting existing investee companies and on monetizing certain holdings.

## **Gravitas' Unique Chinese Focus**

Gravitas believes that it and its affiliates are well suited to take advantage of opportunities with Chinese Canadians and with companies doing business in China and Canada. GIC can facilitate transactions and capital flows between China and Canada. Gravitas continues to leverage deep connections into the Chinese business community both in Canada and in China to facilitate mandates of large Chinese multinationals looking to acquire or invest in assets in Canada. Gravitas also works with Canadian companies looking to gain exposure to the Chinese market. In addition, Gravitas is looking at creative ways to give Canadians direct market exposure in Chinese companies.

## **Going Concern**

The Financial Statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company incurred a net loss of \$6,434,891 during the three-month period ended March 31, 2019 and, as of that date, the Company's current liabilities exceed current assets by \$2,925,981. The Company has incurred several years of losses and as of March 31, 2019, has a cumulative deficit of \$108,615,464 (December 31, 2018: \$104,109,150); negative cash flows from operations for the three-month period ended March 31, 2019 of \$742,281 (for

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the year ended December 31, 2018 - \$16,848,445); and has a shareholder deficiency of \$99,452,699 as at March 31, 2019 (December 31, 2018: \$95,531,215). These conditions raise a material uncertainty that causes significant doubt about the Company's ability to continue as a going concern.

A material portion of the Company's historical losses relate to one of the Company's subsidiaries, the Mint Corporation ("Mint") with its cumulative deficit of \$71,505,891 as at March 31, 2019 (December 31, 2018: \$69,626,553). During the year ended December 31, 2018, Mint renegotiated its \$58,562,040 short-term debentures reducing the debt to \$20,000,000 and extended the term of the debenture to December 31, 2021 as well raised additional capital of \$3 million during the year. The subsidiary is also working on specific plan to achieve profitable operations.

On May 28, 2019, the Company announced that it has entered into an accommodation agreement with the majority holder of its debentures to implement a sale and investment solicitation process, the purpose of which is to seek proposals for a debt financing or refinancing and/or equity financing for a restructuring transaction, and/or a sale of all or a portion of the business and property of the Company and to subsequently implement one or more non-overlapping transactions. The Company's ability to continue as a going concern will depend on the outcome of these initiatives which cannot be predicted at this time.

On June 11, 2019, as part of this process, the Company has entered into a sale of its shares in its subsidiary, Principle Capital Partners Corp., formerly known as Gravitas Mining Corp., as well as certain receivables for cash proceeds of \$1,150,000. The proceeds will be used in accordance with the accommodation agreement and will permit the Company to obtain the needed working capital in order to continue operations in the short term as well as to further the sale process.

The circumstances lead to a material uncertainty that causes significant doubt as to the ability of the Company to meet its obligations as they become due and, accordingly, the ultimate statements do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

## SELECTED FINANCIAL INFORMATION

As at March 31, 2019, the total liabilities of the Company were \$151.9 million compared to \$134.9 million at December 31, 2018, an increase of \$17 million. The primary reason for increase was due to higher payables to brokers and clients by \$13.7 million, and the recognition of lease liability of \$2.6 million in the adoption of IFRS 16 by the Company. The total equity deficiency of the Company was \$79.2 million compared to \$74.6 million at December 31, 2018, an increase of the deficit by \$4.5 million.

## SELECTED QUARTERLY RESULTS AND TRENDS (EXPRESSED IN THOUSANDS)

	2019	2018				2017		
	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$
Revenue		(11,608)	7,022	5,528	9,875	1,926	2,795	3,418
Net loss		(10,130)	(5,956)	37,236	(7,291)	(18,155)	(1,217)	(5,552)
Basic & diluted net loss per share		(0.14)	0.08	0.52	(0.10)	(0.25)	(0.02)	(0.07)

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## INCOME STATEMENT ANALYSIS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018

Net loss for the three-month period ended March 31, 2019, was \$6.1 million (loss of \$0.09 per share) compared to a net loss of \$7.0 million (loss of \$0.10 per share) for the same period in 2018.

	2019	2018	Variation
	\$	\$	\$
<b>Revenues</b>			
Investment banking and wealth management	1,422,815	7,093,318	(5,670,503)
Recruitment services fees	-	1,404,217	(1,404,217)
Listing and research fees	597,674	670,730	(73,056)
Consulting and management fees	431,629	235,698	195,931
Interest earned	118,136	128,794	(10,658)
Product sales, royalties and other	15,045	342,166	(327,121)
<b>Total Revenues</b>	<b>2,585,299</b>	<b>9,874,923</b>	<b>(7,289,624)</b>
Expenses (discussed below)	8,731,969	16,879,682	8,147,713
<b>Net loss before income taxes</b>	<b>(6,146,671)</b>	<b>(7,004,759)</b>	<b>858,088</b>

For the three-month period ended March 31, 2019, revenues totalled \$2.6 million compared to \$9.9 million for the same period in 2018, a decrease of 7.3 million. Investment banking and wealth management revenue earned by 2242 and its regulated subsidiaries decreased by \$5.7 million, due to lower mandate fees earned in 2019. In addition, no revenue was earned from recruitment services fees as compared to \$1.4 million in 2018, due to the deconsolidation of the subsidiary Bay Talent Group during 2018.

	2019	2018	Variation
	\$	\$	\$
<b>Expenses</b>			
Professional fees and transaction costs (a)	2,540,782	3,641,606	1,100,824
Recruitment services expense (b)	-	1,051,699	1,051,699
Compensation and management fees (a)	1,773,340	4,179,413	2,406,073
General and administrative (a)	266,078	2,354,883	2,128,805
Interest expense	1,701,762	1,582,910	(118,852)
Impairment expense	563,770	959,980	396,210
Stock-based compensation	573,251	1,462,360	889,109
Share of results in associates	241,490	(274,401)	(515,891)
Amortization	307,341	73,045	(234,296)
Loss (gain) on disposal of investments	353,333	(224,964)	(578,297)
Gain on disposal of subsidiary	940,193	-	(940,193)
Foreign exchange gain	(14,144)	(99,743)	(85,599)
Share of joint venture profit, net of tax	-	(60,614)	(60,614)
Change in fair value of investments (c)	(475,227)	2,233,508	2,708,755
<b>Total Expenses, net of gains</b>	<b>8,731,969</b>	<b>16,879,682</b>	<b>8,147,713</b>

For the three-month period ended March 31, 2019, expenses, net of gains registered a loss of \$8.7 million, compared to \$16.9 million in expenses for the same period in 2018, a reduction of \$8.1 million. Significant reasons for the decrease are as follow:

- (a) Total compensation and management fees, professional fees and transaction costs, and general and administrative fees decreased by \$5.6 million. The decrease is in line with the lower investment banking and wealth management revenue earned by 2242 and its regulated subsidiaries.
- (b) No recruitment services expenses incurred for the activities of its previous subsidiary Bay Talent Group which was deconsolidated during 2018.
- (c) Decrease in the fair market value of investments held by \$2.7 million.

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## ACQUISITIONS AND DISPOSALS

The Company has determined that the acquisitions below are business combinations under IFRS 3, Business Combinations. Each are accounted for by applying the acquisition method, 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 these Financial Statements from the date of the acquisition. Any goodwill recognized is attributed based on CGUs.

### (a) Loss of control of GICMB

The Company owns a 32.7% interest in GICMB. During the year, due to additional issuances of shares by GICMB, the Company's ownership interest decreased from 42.86% to 32.7%. The Company determined that as of February 2, 2018, it no longer had control of GICMB as it no longer had a majority on the board of directors of GICMB and therefore it does not have the practical ability to direct the relevant activities of GICMB. However, the Company retains significant influence over GICMB and has therefore recorded an investment in associate. The Company recognized a gain on deconsolidation of \$942,010 (See note 10).

### (b) Loss of control of Claxton

Claxton was dissolved in 2018. Analysis of assets and liabilities over which the Company lost control are as follows:

	\$
Cash and cash equivalents	1,306
Trade, prepaid and other receivables	3,246
Trade and other payables	(252,929)
<b>Net liabilities disposed</b>	<b>(248,377)</b>
<b>Consideration received</b>	
Fair value of investment retained	-
Non-controlling interest	(1,352,033)
<b>Gain on disposition of subsidiaries</b>	<b>1,600,409</b>

### (c) Loss of control of Branson

In February 2019, the shareholders of Branson entered into a series of transactions by which the shareholders acquired their proportionate share of the assets of Branson and also redeemed their interests in the company. On February 23, 2019, the Company, through its subsidiary, no longer holds an interest in Branson (2018: 51%).

Analysis of assets and liabilities over which the Company lost control are as follows, and recognized a loss on deconsolidation of \$940,195:

	\$
Cash and cash equivalents	20,718
Trade, prepaid and other receivables	62,564
Equity investments	574,234
<b>Net assets disposed</b>	<b>657,515</b>
<b>Consideration received</b>	
Fair value of assets received	(335,334)
Non-controlling interest	618,012
<b>Loss on disposition of subsidiary</b>	<b>(940,193)</b>

### (d) Acquisition of Prime City One Capital Corporation ("Prime City").

On January 16, 2019, the Company acquired Prime City through a conversion of its convertible debenture held in Prime City. The Company accounted for this purchase using IFRS 3, Business Combinations. Operating results have been included in the Financial Statements from the date of the acquisition.

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The allocated purchase price calculation is as follows:

	\$
<b>Fair Value of Identifiable Net Assets</b>	
Cash and cash equivalents	88,212
Trade and other receivable	11,011
Trade and other payable	(30,059)
<b>Net assets acquired</b>	<b>69,164</b>
<b>Consideration paid</b>	
Shares received	506,986
Fair value of previously held equity interest	21,833
Non-controlling interest	33,485
<b>Total consideration paid</b>	<b>562,304</b>
<b>Total goodwill (a)</b>	<b>493,141</b>

(a) The goodwill was impaired subsequently due to the uncertainty of the future cash flows of the business.

Had the above noted business combination occurred on January 1, 2019, revenues and net loss for the three months ended March 31, 2019 would have been \$Nil and \$21,970 respectively. Prime City's revenue and net loss for the period from the date of acquisition to March 31, 2019 are \$Nil and \$24,848 respectively.

## SELECTED BALANCE SHEET INFORMATION

Selected balance sheet (assets) information as at March 31, 2019 and December 31, 2018 are as follows:

Assets	Mar 31, 2019	Dec 31, 2018	Variation
	\$	\$	\$
Receivables from brokers and clients (with a partially offsetting related liability of \$37,280,783)	38,031,351	25,416,704	12,614,647
Equity investments and other investments	16,275,320	18,760,902	(2,485,582)
Investments in associates	3,583,411	4,003,777	(420,366)
Property and equipment	2,787,980	287,629	2,500,351
Trade and other receivables	1,314,428	1,918,005	(576,577)
Loan receivable (current and non-current)	887,261	906,569	(19,308)
Guaranteed investment certificates	1,086,969	1,278,283	(191,314)

### Receivable from and payable to brokers and clients

The Company's partially-owned subsidiary, Gravitas Securities Inc. ("GSI") is required to carry clients' accounts and accordingly, receives, delivers or holds cash or securities in connection with such clients. Balances due from the carrying brokers relate to GSI's share of client balances. In addition, GSI is required to indemnify the carrying brokers for any liabilities, damages, costs or expenses incurred by reason of failure of clients to make payment or delivery with respect to client accounts. To secure the payment of any amount due under this agreement, GSI is required to maintain a minimum deposit of \$250,000 with its carrying brokers. The Company's liability under these arrangements is not quantifiable. However, GSI considers the potential to be remote for the Company to be required to make payments under these agreements. Accordingly, no contingent liability is carried on the statement of financial position related to these transactions.

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## Equity investments and other investments

	March 31, 2019	December 31, 2018
	\$	\$
<b>Fair value through profit and loss ("FVTPL")</b>		
Investments in public companies:		
Common shares	3,791,855	5,133,590
Investment in private companies:		
Common shares	2,713,236	3,099,986
Preferred shares	2,101,188	2,101,188
Options	42,993	84,300
Warrants	2,838,725	2,786,924
<b>Other investments</b>		
Investments in funds and related joint venture	4,787,322	5,554,913
Mining properties	1	1
	<b>16,275,320</b>	<b>18,760,902</b>

### Preferred shares

Through its wholly owned subsidiary, New India Investment Corporation, the Company invested a total of \$1,806,792 in Innoviti Payments Solutions Private Limited ("Innoviti"), a private company incorporated in India under the Indian Companies Act. The Company acquired Series C Preferred shares of Innoviti, which are compulsorily convertible into common shares on a one-for-one basis within three years and carry a cumulative dividend of 0.1%. During 2017, Innoviti raised additional funds from third parties, diluting the Company's interest to approximately 3.7%. As at March 31, 2019, the Company valued this investment at \$1,851,188 (December 31, 2018: \$1,851,188) based on the per share value of recent private placements into Innoviti.

During 2018, the Company's subsidiary Gravitas Ilium Corporation invested \$250,000 in preferred shares in GICMB. The preferred shares carry no voting rights. While the preferred shares are outstanding, the common shareholders cannot be paid any dividends that would result in the company having insufficient assets to redeem the preferred shares at their redemption amount.

### Warrants

The fair value of the warrants the Company holds in equity investments was estimated using the Black-Scholes pricing model and was based on the following assumptions:

	March 31, 2019		December 31, 2018	
	Range	Weighted Average	Range	Weighted Average
Fair value of warrant	\$0.00 to \$4.23	\$0.06	\$0.00 to \$4.35	\$0.07
Stock price	\$0.01 to \$5.75	\$0.15	\$0.01 to \$6.25	\$0.17
Expected life (in years)	0.12 to 9.75	1.96	0.05 to 10.01	2.05
Volatility	21.5% to 340.64%	117.13%	21.5% to 295.01%	115.94%
Risk free rate	1.88% to 2.41%	2.25%	1.88% to 2.41%	2.23%

### Investment in joint venture

On October 17, 2016, a subsidiary of the Company, FGI created a joint venture with Grenville Strategic Royalty Corp ("GSRC"), called Foregrowth-Grenville Investments Inc. ("FGII"). FGII has the right to co-invest new royalty investments made by GSRC. FGI holds 85% of the shares of FGII but does not control FGII. Under the license agreement with FGII, GSRC is entitled to a license fee based on 1% of the amount invested and 1% on the total outstanding invested amount. The joint venture was concluded during the year.



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The Company has accounted for its investment under the equity method. The following table summarizes the financial information of FGII:

	March 31, 2019	December 31, 2018
	\$	\$
<b>Percentage ownership interest (owned by FGII)</b>	-	85%
Royalty agreement acquired	-	-
Current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	-	-
<b>Companies share of net assets and carrying amount of interest</b>	-	-
Revenue	-	112,447
Operating expenses	-	(108,875)
Interest expense	-	-
Income tax	-	-
Profit (loss) and comprehensive income	-	3,572
<b>Companies share of profit and comprehensive income</b>	-	3,036
<b>Dividends received</b>	-	-

## Investment Funds

PCPC, a partially owned subsidiary of the Company has invested in the following funds, which make up the majority of the investment fund balance. These are classified as a FVTPL investment on the statements of financial position: (i) 90,550 Class O units of an unconsolidated limited partnership called Gravitas Special Situations Limited Partnership or ("GSSLP"). As of March 31, 2019, the value of this investment was \$1,242,345 (December 31, 2018: \$1,430,690). Gravitas Special Situations GP Inc., an 80% subsidiary is the general partner of GSSLP. As per the confidential information memorandum, 99.99% of the net income or net loss is allocated to Limited Partners of GSSLP. The manager of GSSLP is Gravitas Securities Inc. (a subsidiary of the Company). The Limited Partners in GSSLP are not entitled to participate in the control of GSSLP. The Company is the promoter of GSSLP; and (ii) 320,421 units of an unconsolidated fund called Gravitas Zhaojin Gold Industry Fund. As of March 31, 2019, the value of this investment was \$Nil (December 31, 2018: \$3,079,246). (iii) investment in Zijin Midas Exploration Fund LLC. As of March 31, 2019, the value of this investment was \$1,044,977 (December 31, 2018: \$1,044,977). (iv) investment in Gold Miner Split Corp. As of March 31, 2019, the value of this investment was \$2,500,000 (December 31, 2018: \$Nil).

## Investments in associates

	March 31, 2019	December 31, 2018
	\$	\$
Balance, beginning of the year	4,003,777	8,959,733
Advances to Mint UAE (a)	265,385	2,401,995
Net (repayments) advances to Hafed Holdings Inc. (b)	-	(5,486,325)
Net (repayments) advances to associates	-	(137,322)
Investment held in deconsolidated subsidiary	-	900,000
Investment held in subsidiary Prime City (note 4(d))	(444,261)	-
Less: Dividends received	-	(240,000)
Less: Share of results in associates	(241,490)	(2,138,720)
Less: Impairment	-	(255,583)
<b>Balance, end of year</b>	<b>3,583,411</b>	<b>4,003,777</b>

- (a) During the three-month period ended March 31, 2019, the Company and Mint advanced \$265,385 (year ended December 31, 2018: \$2,401,995) to Mint UAE. This loan bears interest at 4.5% and matured on October 23, 2018. As at December 31, 2018, the Company has recognized a full provision on the investments in Mint UAE, which has been recorded in the statement of income (loss).
- (b) In March 2017, the Company announced that through Hafed Holdings LLC, it had advanced \$7.2 million to a third party in the UAE as a deposit to secure the right to acquire an UAE Central Bank licensed financial company. As the conditions of the transaction were not satisfied, the advance was to be refunded to the Company, through Hafed, through 13 monthly instalments. As at March 31, 2019 and December 31, 2018, Hafed has a receivable from a third party and a payable to the Company of 1,333,337 UAE Dirham (\$493,978) on its Balance Sheet [December 31, 2018 – 1,333,337 UAE Dirham (\$493,978)]. The amount owing had been impaired.

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## Mint UAE and MGEPS

Mint UAE comprises five primary entities: Mint Middle East LLC ("MME"); Mint Electronic Payment Services Limited ("MEPS"); Mint Capital LLC ("MCO"); Mint Gateway for Electronic Payment Services ("MGEPS"); and Hafed Holding LLC ("Hafed"); MME is 51% owned by Mint, and 49% owned by Global Business Systems for Multimedia ("GBS"). MME and its affiliates focus on payroll cards, merchant network solutions and micro finance loans to existing payroll card holders. MME 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. MEPS is 49% owned by MME but is a fully controlled subsidiary of MME by virtue of a nominee agreement which provides for Board and management control, as well as a 100% commercial interest in the operations of MEPS. MCO is a 100% subsidiary of Mint. MGEPS is 49% owned by MCO and GBS owns the remaining 51%. Under the terms of a nominee agreement, GBS has nominated a two percent share of its ownership and commercial interest in MGEPS in favor of MCO. Accordingly, MCO beneficially owns 51% of MGEPS. MGEPS owns 10% of Hafed's shares, with 49% commercial interest.

These Financial Statements include the accounts of the Corporation, 2417624 Ontario Inc. ("OIC") (100%), and Mint Block Corp. (100%). The Corporation's share in gains or losses of associates is recognized on the equity basis of accounting in the consolidated statements of gain/(loss) and comprehensive gain/(loss). Associates include MME (51%), MGEPS (51%, through an ownership of 49% and a nominee agreement for 2%), MCO (100%), MEPS (49% but is a fully controlled subsidiary of MME by virtue of a nominee agreement, which provides for Board of Directors and management control to MME, plus a 100% commercial interest in the operations of MEPS, thus consolidated as a fully owned subsidiary of MME) and Hafed (25%, through a 49% commercial interest by MGEPS, which is 51% owned by the Corporation). All inter-company balances and transactions are eliminated on consolidation.

As at March 31, 2019, the carrying value of the investment in Mint UAE Operations is as follows:

	December 31, 2018
	\$
Balance, January 1, 2018	-
Add: Additional working capital funds invested	2,042,661
Share of results of associates for the year	(2,042,661)
Balance, December 31, 2018	-
<b>Add: Additional working capital funds invested</b>	<b>265,385</b>
Share of results of associates for the period	(265,385)
<b>Balance, March 31, 2019</b>	<b>-</b>

A summary of financial information of Mint UAE is as follows:

Balance sheet at March 31, 2019						
	MME	MEPS	MCO	MGEPS	Hafed	Total
Current assets	4,344,913	41,196	10,063	308,121	18,547	1,722,840
Non-current assets	794,076	-	54,617	4,209,733	102,853	5,161,280
Current liabilities	4,066,199	65,778	8,345	1,429,651	-	5,569,973
Non-current liabilities	488,163	15,146	-	-	-	503,309
<i>Liabilities exclude intercompany balances and due to Mint Corp and the Company</i>						

Balance sheet at December 31, 2018						
	MME	MEPS	MCO	MGEPS	Hafed	Total
Current assets	1,453,675	42,056	14,372	(67,853)	18,934	1,461,184
Non-current assets	896,324	-	55,757	4,449,900	105,001	5,506,983
Current liabilities	3,489,691	67,151	6,660	965,205	-	4,528,707
Non-current liabilities	511,158	15,463	-	-	-	526,620
<i>Liabilities exclude intercompany balances and due to Mint Corp and the Company</i>						

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Statement of loss for the three-month period ended March 31, 2019						
	MME	MEPS	MCO	MGEPS	Hafed	Total
Revenues	875,983	-	-	-	-	875,983
Other operating income	-	-	-	-	-	-
Staff costs	(797,004)	-	-	-	-	(797,004)
Impairment of financial assets	-	-	-	-	-	-
Finance costs	(954)	-	-	(4,898)	(706)	(6,558)
Other operating expenses	(754,428)	-	(5,804)	(321,340)	-	(1,081,572)
Depreciation and Amortization	(87,462)	-	-	(240,876)	-	(328,338)
<b>Net loss</b>	<b>(763,865)</b>	<b>-</b>	<b>(5,804)</b>	<b>(567,114)</b>	<b>(706)</b>	<b>(1,337,489)</b>
Statement of loss for the three-month period ended March 31, 2018						
	MME	MEPS	MCO	MGEPS	Hafed	Total
Revenues	1,362,007	-	-	-	-	1,362,007
Other operating income	-	-	-	-	-	-
Staff costs	(759,627)	-	-	-	-	(759,627)
Impairment of financial assets	-	-	-	-	-	-
Finance costs	-	-	-	(74,681)	-	(74,681)
Other operating expenses	(825,849)	-	(4,775)	(111,157)	(58,899)	(1,100,680)
Depreciation and Amortization	(54,041)	-	-	(158,727)	-	(212,768)
<b>Net loss</b>	<b>(277,510)</b>	<b>-</b>	<b>(4,775)</b>	<b>(344,566)</b>	<b>(58,899)</b>	<b>(785,749)</b>

In 2018, the Mint UAE entities implemented International Financial Reporting Standards (IFRS) 9 whereby each Mint UAE company assessed the value ascribed to their financial assets, including the value recorded of receivables from other Mint UAE companies on an individual company basis rather than on Mint UAE Operations basis. Based on the financial condition of each Mint UAE company, each company made a provision for the intercompany receivable and the provisions are reflected in the impairment of financial assets shown in the table above. For the three months ended March 31, 2019, Mint's share of losses of affiliates was limited to the amount of working capital invested of \$265,385.

## GIC Merchant Banking Corporation ("GICMB")

The Company owns a 32.7% interest in GICMB. In 2018, due to additional issuances of shares by GICMB, the Company's ownership interest decreased from 42.86% to 32.7%. The Company determined that as of February 2, 2018, it no longer had control of GICMB as it no longer had a majority on the board of directors of GICMB and therefore it does not have the practical ability to direct the relevant activities of GICMB. On February 2, 2018, as a result of deconsolidation, an equity investment was recorded based on the fair value of the shares held at that date, and a gain on deconsolidation of \$942,010 was recognized in 2018. During the period from February 3 to December 31, 2018 the Company's share of the loss of GICMB of \$151,297 has been recorded in the statement of loss.

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Analysis of assets and liabilities over which the Company lost control are as follows:

	\$
Cash and cash equivalents	1,433,969
Trade, prepaid and other receivables	1,412,909
Due from related parties	(168,210)
Guaranteed investment certificate	20,000
Property and equipment	77,477
Loans receivable	245,266
Trade and other payables	(2,943,455)
Loans payable	(100,000)
Equity investments	1,196,611
<b>Net assets disposed</b>	<b>1,174,567</b>
<b>Consideration received</b>	
Fair value of investment retained	(800,000)
Non-controlling interest	(1,316,577)
<b>Gain on disposition of subsidiaries recognized in 2018</b>	<b>942,010</b>

## Portfolio Analysts Inc.

The Company owns a 40% interest in Portfolio Analysts Inc. ("PAI") giving it significant influence over PAI's operations. 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. As the Company does not have the current ability to control the key operating activities of PAI, it is accounted for using the equity method.

A summary of the assets, liabilities and operations of associates are presented below:

As at	March 31, 2019				December 31, 2018			
	GICMB	Prime City	Mint UAE	PAI	GICMB	Prime City	Mint UAE	PAI
All amounts expressed in thousands	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial position</b>								
Current assets	1,038	-	1,722	5,491	2,385	102	2,011	5,197
Non-current assets	2,448	-	5,161	12,474	1,275	-	5,453	13,774
Current liabilities	447	-	5,570	2,500	521	533	22,795	2,512
Non-current liabilities	-	-	503	11,024	-	-	8,624	12,333
<b>For the three-month period ended</b>								
<b>Statement of earnings (loss)</b>								
Revenue	107	-	875	7,323	-	-	1,362	7,839
Expenses	222	-	2,212	7,008	-	25	2,048	6,017
Operating income (loss)	(115)	-	(1,337)	315	-	(25)	(686)	1,822
Net earnings (loss)	(115)	-	(1,337)	315	-	(25)	(686)	1,822
<b>Cash flows</b>								
Dividends paid	-	-	-	-	-	-	-	-

The Company's share of the net (income) loss is as follows:

All amounts expressed in thousands	March 31, 2019	March 31, 2018
	\$	\$
Mint UAE	265	424
PAI	(126)	(698)
Prime City	-	-
GICMB	102	-
<b>Total share of (income) loss in associates</b>	<b>241</b>	<b>(274)</b>

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## Property and equipment

	Leased office equipment *	Lease of office premise *	Office and Computer equipment	Leasehold improvement	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance as at January 1, 2018	-	-	460,844	301,403	762,247
Additions	-	-	14,056	-	14,056
Disposals	-	-	(62,330)	(15,147)	(77,477)
<b>Balance as at December 31, 2018</b>	-	-	<b>412,570</b>	<b>286,256</b>	<b>698,826</b>
Additions	35,071	2,753,830	18,791	-	2,807,692
<b>Balance as at March 31, 2019</b>	<b>35,071</b>	<b>2,753,830</b>	<b>431,362</b>	<b>286,256</b>	<b>3,506,518</b>
<b>Accumulated amortization</b>					
Balance as at January 1, 2018	-	-	226,995	73,595	300,590
Amortization	-	-	48,253	62,354	110,607
<b>Balance as at December 31, 2018</b>	-	-	<b>275,248</b>	<b>135,949</b>	<b>411,197</b>
Amortization	1,948	284,879	9,271	11,243	307,341
<b>Balance as at March 31, 2019</b>	<b>1,948</b>	<b>284,879</b>	<b>284,519</b>	<b>147,192</b>	<b>718,538</b>
<b>Carrying amount</b>					
Balance as at December 31, 2018	-	-	137,322	150,307	287,629
<b>Balance as at March 31, 2019</b>	<b>33,123</b>	<b>2,468,951</b>	<b>146,843</b>	<b>139,064</b>	<b>2,787,980</b>

\* Reflects leases previously classified as operating leases, for which lease assets were recognized on January 1, 2019.

## Trade and other receivables

	March 31, 2019	December 31, 2018
	\$	\$
Trade receivables	891,020	1,349,535
Less: Expected credit losses	(38,008)	(222,043)
Interest receivable (a)	41,198	55,147
Harmonized sales tax receivables ("HST")	223,746	392,311
Advances to related companies (b)	17,491	138,447
Advances to related companies, at 8% per annum, due on demand	176,492	176,492
Other	29,489	28,115
	<b>1,341,428</b>	<b>1,918,005</b>

(a) Interest income accrued on impaired loan receivables amount to \$Nil.

(b) The Company had advances to the Limited Partnerships managed by the Company's subsidiaries. Advances are interest bearing and are due on demand.

## Loans and receivables

	March 31, 2019	December 31, 2018
	\$	\$
Secured loans	250,000	250,000
Unsecured loans	275,752	242,078
Employee forgivable loans	443,769	496,751
Less: Expected credit losses	(82,260)	(82,260)
Balance, end of the year	887,261	906,569
Less: current portion	(393,132)	(434,259)
Non-current portion	<b>494,129</b>	<b>472,310</b>

### Secured loans and unsecured loans

These loan receivables bear interest rates ranging from Nil% to 12% per annum with maturity dates of up to February 2020. Secured loans are secured under general security agreements.

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## Employee forgivable loans

Certain employees of 2242257 Ontario Inc, a partially owned subsidiary of the Company, have interest-free loans. The Company will forgive 14.3% (one-seventh) of the principal amount annually. Loan recipients would be required to repay their outstanding loan balance immediately upon ending their employment. The Company amortizes the loan on a straight-line basis over seven years. As of March 31, 2019, loans totaled \$415,771 (net of ECL) (December 31, 2018: \$468,753 (net of ECL)).

## Guaranteed investment certificates

As at March 31, 2019, \$1,086,969 (December 31, 2018: \$1,278,284) was invested in guaranteed investment certificates.

## SELECTED BALANCE SHEET (LIABILITIES)

Selected balance sheet (liabilities) information as at March 31, 2019 and December 31, 2018 are as follows:

Liabilities	Mar 31, 2019 \$	Dec 31, 2018 \$	Variation \$
Debentures	96,743,156	95,951,421	791,735
Trade and other payables	7,274,562	7,564,937	(290,375)
Loans payable and accrued liabilities (current and non-current)	5,620,524	2,872,578	2,916,750

## Debentures

A summary of the Company's and Mint's debentures is as follows:

	Gravitas Series #1 (a)	Gravitas Series #2 (b)	Mint Series A (c)	Mint Series C (c)	Total
	\$	\$	\$	\$	\$
<b>Balance, January 1, 2018</b>	<b>30,023,000</b>	<b>53,347,426</b>	<b>48,535,156</b>	<b>9,935,500</b>	<b>141,841,082</b>
Accretion of interest (c)	-	114,299	1,753,021	55,526	1,922,846
Reduction of liability on debentures (c)	-	-	(48,631,844)	(9,991,026)	(58,622,870)
Present value of Series A debentures (c)	-	-	10,810,363	-	10,810,363
<b>Balance, December 31, 2018</b>	<b>30,023,000</b>	<b>53,461,725</b>	<b>12,466,698</b>	<b>-</b>	<b>95,951,421</b>
Accretion of interest (c)	-	23,240	768,495	-	791,735
<b>Balance, March 31, 2019</b>	<b>30,023,000</b>	<b>53,484,965</b>	<b>13,235,191</b>	<b>-</b>	<b>96,743,156</b>

## Company's Debentures

- (a) The Company's Debentures #1 have a face value of \$30,023,000 with an interest rate of 3.5% payable quarterly. These debentures are secured by a first ranking lien over the collateral assets of the Company, 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. During May 2017, the Company, for a fee of \$300,230, extended the maturity date of this debenture to December 3, 2020. This amount is included within interest expense.
- (b) The Company's Debentures #2 have a face value of \$54,022,000 with an interest rate to the greater of: (i) 3% per annum; or (ii) an amount as is equal to 80% of the earnings before interest expense and tax ("EBT") on a consolidated basis, subject to an aggregate maximum amount of 8% per annum. The base 3% interest amount shall be payable quarterly, with the annual adjustment made based on the 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 debentures are renewable for an additional ten-year period upon the payment of a renewal fee equal to 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-year bond rate, plus 5%. This debenture is secured by Gravitas' assets.

In May 2019, the Company entered into an accommodation agreement with the majority holder of the Company's debentures. See notes 32(a) and 32(b) for subsequent events on the Company's Debentures.

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## Mint's Debentures

- (c) On May 31, 2018, Mint completed a transaction to restructure its Series A and Series C debentures having an aggregate value of principal and accrued interest of \$64,062,727. Substantially all of the Series A debentures were held by two holders ("the majority Series A holders") with all of the Series C debentures being held by one of the majority Series A holders. As part of the transaction, Mint acquired for cancellation Series A debentures with an aggregated value of principal and accrued interest of \$40,449 for \$8,084, thereby leaving the majority Series A holders as the sole holders of the Series A debentures at closing.

Under the transaction, Mint acquired for cancellation \$28,979,520 principal amount of the outstanding Series A debentures and all claims for interest and other amounts owing under the Series A debentures, thereby reducing the amount owing to \$20,000,000. The Series A debentures were amended to provide that they mature on December 31, 2021 and, commencing on October 1, 2019, will bear cash interest at 10% per annum, payable quarterly.

If Mint does not have sufficient funds to pay cash interest when required, the shortfall will be paid by the issuance of subscription receipts convertible into common shares of Mint priced at the greater of 95% of the 10-day volume weighted average price of the common shares and the minimum price permitted by the TSX Venture Exchange. Each subscription receipt will convert, for no additional consideration, into one common share of Mint at the election of the holder within one year from the date of issuance.

The Series C debentures in the principal amount of \$10,000,000 were amended to postpone that debt in favour of the Series A debentures and to provide that the Series C debentures would be cancelled and deemed to be repaid upon payment of the Series A debentures. This amendment retained the security under the Series C debentures but limited the total debt under the Series A and Series C debentures to \$20,000,000 owing under the Series A debentures. This \$20,000,000 owing under the Series A debentures was the agreed total settlement of the principal and accrued interest on the Series A and Series C debentures. The Series A debentures are secured by a first position security in assets of Mint and MME. The Series C debentures are secured by security in the assets of Mint and MCO.

In consideration of the settlement, the Series A holders received at no additional cost: (a) 17,300,000 common shares of Mint, (b) 11,700,000 common share purchase warrants of Mint, and (c) subscription receipts to acquire a total of 16,000,000 common shares of Mint. Each warrant is exercisable for one common share at any time on or before January 1, 2019 and on or before December 31, 2021 at an exercise price of \$0.10. The subscription receipts are exercisable on or after the respective exercise date until December 31, 2022.

As of March 31, 2019, 12,000,000 subscription receipts (Series 1, 2, 3, 4, 5 and 6) were exercisable but had not been exercised. Subscription receipts for Series 7 and 8 are exercisable on or after June 30, 2019; and September 30, 2019, respectively (the "Subscription Receipt Date"). All subscription receipts are subject to a one-year hold from the date of their respective Subscription Receipt Date. All subscription receipts that are not exercised and converted on or prior to December 31, 2022 expire automatically.

### Gain on Restructuring of Series A and Series C Debentures

For the year ended December 31, 2018, Mint has recognized a gain of \$45,831,643 arising from the restructuring of the Series A and Series C debentures. At the time of the restructuring transaction the principal and accrued interest owing on all Series A debentures held by the "majority" and "minority" holders, and the Series C debentures was \$64,062,727. On May 31, 2018, Mint common shares were trading at a price of \$0.20 per share.

Mint has estimated the fair value of consideration granted, in accordance with accounting standards, as follows:

- (i) \$10,810,363 being the present value of the \$20,000,000 principal amount of the Series A debentures, discounted at an assumed interest rate of 25% per annum. This discount rate reflects the timing and amount of interest coupon payments, and retirement of the principal at its December 31, 2021 maturity date. In accordance with accounting standards, Mint is required to use an interest rate that assumes a debt obligation on an unsecured basis without any adjustment to reflect the security granted for that debt, or the value of the additional securities granted at no cost as part of the transaction (i.e. common

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- shares, warrants and subscription receipts). On this basis, a 25% interest rate has been used as the rate on unsecured debt that a company in Mint's comparable condition would incur on unsecured debt;
- (ii) \$3,460,000 being the value of the 17,300,000 common shares granted at the May 31, 2018 share price of \$0.20 per common share;
  - (iii) \$2,275,977 being the estimated fair value of the 11,700,000 warrants granted at the closing date using the Black-Scholes pricing model;
  - (iv) \$932,474 being the estimated fair value of the 16,000,000 subscription receipts granted at the closing date using the Black-Scholes pricing model; and
  - (v) \$8,084 being the purchase price paid by Mint to acquire for cancellation the Series A debentures not held by the "majority" holders valued at \$40,449.

Transaction costs of \$744,186 comprising of \$417,265 of legal fee and \$326,921 of investor warrants, were incurred as part of the transaction and have been expensed. The grant date fair value of the warrants issued was determined using the Black-Scholes model with the following assumptions: an expected volatility of 218%; a risk-free rate of 1.75%; an expected life of 2.8 years; no expected dividends; and a share price of \$0.13.

## Trade and Other Payables

A summary of trade and other payables of the Company is as follows:

	March 31, 2019	December 31, 2018
	\$	\$
Trade payables	3,523,307	4,750,368
Interest payables (a)	863,456	180,285
Option and put derivative liability regarding FGI (note 25)	537,537	537,537
Due to related parties, non-interest bearing, due on demand	18,160	18,160
Accrued compensation (b)	2,332,102	2,078,587
	<b>7,274,562</b>	<b>7,564,937</b>

- (a) Included in this amount is the interest for the quarter ended March 31, 2019 of \$667,866 outstanding for Gravitas' Debenture Series #1 and Series #2 (note 16, note 32(a) and 32(b)).
- (b) Amount represents shares and warrants due as compensation for investment banking services provided to third parties by a subsidiary of the Company.

## Loans payable and other liabilities

	March 31, 2019	December 31, 2018
	\$	\$
Bridge loans, due by PCPC (a)	1,955,649	1,777,533
Lease liability (b)	2,561,689	-
Preferred share liability, due by PCPC (c)	760,000	760,000
Promissory notes, due by Mint (d)	343,186	335,481
Other (e)	168,804	(436)
<b>Balance, end of the period</b>	<b>5,789,328</b>	<b>2,872,578</b>
<b>Less: current portion</b>	<b>(1,682,295)</b>	<b>(1,813,014)</b>
<b>Non-current portion</b>	<b>4,107,033</b>	<b>1,059,564</b>

- (a) PCPC has bridge loans totaling \$1,955,649 (December 31, 2018: \$1,777,533). One of the loans of \$1,655,649 matures on June 14, 2019 and carries an interest rate of 15% per annum. The other loan of \$300,000 matures on July 31, 2020 and carries an interest rate of 8% per annum.
- (b) This reflects the lease liability recognized on January 1, 2019 as a result of adopting IFRS 16 as detailed in Note 4.
- (c) PCPC issued Class A preferred shares of \$360,000 during the year ended December 31, 2017, which carry an interest rate of 8% and are redeemable at the option of the holder, either four or five years from the date of issuance. PCPC also issued Class B preferred shares of \$400,000 during the year ended December 31, 2018, which carry an interest rate of 10% and are redeemable at the option of the holder, either four or five years from the date of issuance.
- (d) On August 30, 2018, Mint issued \$305,000 principal amount of Series 2018N unsecured promissory notes with a maturity twelve months from the first closing of the offering. Mint also issued a total of 610,000 investor warrants (two bonus nontransferable warrants for every \$1 principal amount of the promissory notes. Each warrant is exercisable for one common shares of Mint at any time during the 12 months following the first closing at an exercise price of \$0.20. If the common shares trade at a price that closes



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at or above \$0.40 per share for 10 consecutive trading days, Mint may accelerate the expiration date of the warrants to a date that not less than 30 days from the date Mint provides the notice of such acceleration, provided such accelerated expiration date may not be earlier than four months plus one day after the last closing of the offering. Mint will pay the entire principal and accrued interest on the maturity date. The promissory notes bear interest at 15% per annum which accrues and is payable at maturity. Overdue principal and interest bears interest at 18% per annum from maturity date until paid. Mint may prepay all or a portion of the promissory notes, plus accrued interest, at any time, provided that a minimum of six months interest is paid. On November 12, 2018, Mint conducted a second closing of the Series 2018N financing with net proceeds of \$50,000. Mint issued 100,000 investor warrants and 4,000 finder warrants in conjunction with the second closing.

The holders of the promissory notes are entitled to participate in any equity private placement (a "Subsequent Offering") closed by Mint prior to the repayment of the notes, in the case of each note holder up to an amount equal to the principal plus interest payable on the holder's note at the time of the Subsequent Offering. The price payable by note holders who elect to participate in a Subsequent Offering will be the greater of (i) a 15% discount to the price payable by subscribers who are not note holders, and (ii) the minimum price permitted by the TSX Venture Exchange. If a note holder elects to participate in a Subsequent Offering, the holder's note will be exchanged for securities under the Subsequent Offering.

The above promissory notes were determined to be compound financial instruments comprising a host debt component and a residual equity component representing the warrants. The host or liability component of the promissory note was recognized initially at the fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate of 25% per annum for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated warrant. The carrying amount of the warrants was estimated using the residual method, comprising the difference between the principal amount and the initial carrying value of host debt component and is included as a reserve in shareholders' deficiency.

Below is the movement in Mint's promissory notes:

	\$
Proceeds from issuance of promissory notes	355,000
Amount allocated to equity/warrants on issuance	(28,400)
Accretion expense	8,881
Balance, December 31, 2018	335,481
Accretion expense	7,705
Balance, March 31, 2019	343,186

- (e) In January 2019, GIC issued \$250,000 of Special Notes that have a two-year term from date of issuance with a minimum of 10% annual return. The Special Notes are repayable two years from the date of issuance, but GIC has the option to repay the Special Notes at any time.

## RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Parties are considered related if the party has the ability, either directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's and their subsidiaries' senior management. Parties are also related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties. The following are the related party transactions during the three-month period ended March 31, 2019. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Usually outstanding balances are settled in cash.

During the three-month period ended March 31, 2019, the Company:

- Incurred \$969,931 (March 31, 2018: \$1,336,249) to directors and senior officers of the Company and its subsidiaries, including the Chief Executive Officer, its Chief Financial Officer, its former Chief Financial Officer, and Executive Vice Presidents or Vice Presidents of the Company and/or its subsidiary companies. This amount has been included in compensation and management fees, professional fees and general and administrative fees. \$Nil (March 31, 2018: \$Nil) was outstanding at March 31, 2019.
- Incurred legal fees of \$Nil (March 31, 2018: \$10,265) from a legal firm in which former director, David Carbonaro, is a partner.

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- Expensed \$8,675 (March 31, 2018: \$Nil) to Soigne Technologies Inc., a company in which an employee has an interest.
- Through Mint UAE, paid \$131,120 (March 31, 2018: \$124,457) to Global Business Systems ("GBS") management and consulting fee in connection with the management agreement for the Mint UAE operations. The amount form part of the Company's share of losses of associates.
- Charged rent of \$37,155 (March 31, 2018: \$24,348) to associated companies which had offices within the Company's premise.
- Expensed \$Nil (March 31, 2018: \$15,000) of management fees to a shareholder of one of its subsidiaries

As of March 31, 2019, amounts due from and due to related parties are as follows:

- \$424,999 (December 31, 2018: \$424,999) represents the interest-free amount outstanding and payable to GBS by Mint. GBS is the operator of the day-to-day activities of Mint UAE operations. Additionally, Mint had a loan receivable from GBS for \$1,750,927, which was impaired during 2017. These amounts are unsecured and due on demand.
- Parties related to the Company purchased \$Nil (December 31, 2018: \$100,000) of Mint's promissory notes described in Note 17(c).
- Loan and interests of \$314,644 (December 31, 2018: \$310,945) is due from a director of an associated company. The loan was disbursed in 2014.

## STOCK-BASED COMPENSATION

The Company has adopted a stock-based option plan under which 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 the Company's outstanding. 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. The term of the options cannot exceed five years. On February 28, 2018, the Company issued a total of 6,250,000 stock options to directors and officers. Each option expires on February 28, 2021 and has an exercise price of \$0.10, subject to certain vesting provisions over two years. The Company valued these options at \$366,875 using the Black-Scholes option valuation model. Due to the vesting provisions, this amount will be expensed to stock-based compensation over a two-year period. During 2018, a total of 750,000 options were cancelled as result of employees' resignations. During the three-months period ended March 31, 2019, a total of \$12,841 (March 31, 2018: \$199,948) has been expensed.

The fair value of the stock options granted was estimated with the following assumptions:

	December 31, 2018
Expected dividend yield	0%
Expected average volatility (a)	171%
Risk-free average interest rate	2.01%
Expected option life (years)	3.0
Share price	\$0.07
Exercise price	\$0.10

(a) Volatility was determined based on various valuation model and inputs from comparable companies, as appropriate.

### Option on Mint Shares Held by Gravitas

During November 2017, to incentivize the directors and officers of the Company to enhance the value of its investment in Mint, the Company agreed to grant a total of 16,250,000 options. These three-year options, subject to certain conditions including the requirement that the stock price of Mint trade over \$0.50 for a consecutive ten-day period, entitle the holder to acquire one share of Mint's shares held by the Company for each option granted. For the three-month period ended March 31, 2019, a total of \$Nil (December 31, 2018: \$256,717) has been expensed.

### Stock Options of Subsidiaries

During the three-month period ended March 31, 2019, a total of 3,000,000 options (Year ended December 31, 2018: 5,025,000) were issued by Mint. No stock options were forfeited and cancelled for Mint during the three-month period ended March 31, 2019 (December 31, 2018: 650,000), and a total of 400,000 options expired during the three-month period (year ended December 31, 2018: Nil). No stock options were exercised during the three-month period ended

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March 31, 2019 (December 31, 2018: Nil). A total of 14,525,000 options are outstanding as at March 31, 2019 (December 31, 2018: 11,925,000).

Using the fair value method, the recorded expense of the noted stock options for the three-month period ended March 31, 2019 was \$478,517 (three months ended March 31, 2018: \$1,005,697). The fair value of the stock options granted was estimated using the various valuation models with the following assumptions:

	March 31, 2019	December 31, 2018
Expected dividend yield	0%	0%
Expected average volatility (a)	184%	112% - 209%
Risk-free average interest rate	1.77%	1.75% - 2.26%
Expected option life (years)	3.0	0.6 - 3.0
Share price	\$0.14	\$0.12 - \$0.46
Exercise price	\$0.13	\$0.10 - \$0.25

(a) Volatility was determined based on various valuation model and inputs from comparable companies, as appropriate.

During the three-month period ended March 31, 2019, a total of Nil (December 31, 2018: 1,677,872) options were issued by FGI. Using the fair value method, the recorded expense of the noted stock options was \$81,893 (December 31, 2018: \$156,775). The fair value of the stock options granted was estimated using the various valuation models with the following assumptions:

	December 31, 2018
Expected dividend yield	0%
Expected average volatility (a)	100%
Risk-free average interest rate	1.93%
Expected option life (years)	4
Share price	\$0.60
Exercise price	\$0.60

(b) Volatility was determined based on various valuation model and inputs from comparable companies, as appropriate.

## Option and Put Agreement of Subsidiary

On December 22, 2017, FGI entered into option and put agreements with certain officers. These agreements offered an option to acquire 5,896,304 shares of FGI, which would represent 25% of the issued and outstanding shares of FGI. In addition, a grant of a put right was issued. This put right allows the officers the right to force FGI to re-purchase for cancellation the same shares on exercise of those options. The Company has treated these options as compensation expense for the services provided by these officers in the amount of \$496,720 as cash and equity settled with corresponding credits to liability of \$324,725 and contributed surplus of \$171,995. Fair value change in the liability component for the three-month period ended March 31, 2019 was \$Nil (December 31, 2018: \$212,812). The following assumptions were used to value the liability: risk free interest rate: 1.93%, volatility: 100%, dividend yield: \$Nil, expected life: 9 years and stock price: \$0.60.

## SUMMARY OF SHARES OUTSTANDING

As at June 24, 2019, the Company's authorized share capital consists in an unlimited number of common shares of which 72,601,305 are currently outstanding. In addition, 5,500,000 stock options are outstanding. The fully diluted outstanding number of shares of the Company was 72,601,305 as at March 31, 2019 (December 31, 2018: 72,601,305) as the outstanding options were antidilutive.

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## SEGMENTED INFORMATION

The entire senior management team of the Company, which includes the Chief Executive Officer, the Chief Financial Officer, senior Vice Presidents and the Board of Directors have been identified as the chief operating decision makers with respect to segmented information disclosures. As the Company's senior officers are operational in function, management believes that they represent the appropriate level of management to analyze and determine the distinct operating segments of the Company. The Company operates in two distinct operating segments plus a corporate segment. In some instances, prior period segment information has been amended to be consistent with the current period. The segments are as follows:

1. **Financial Services:** This group of entities operate in financial product and distribution businesses and require high levels of compliance and governance as well as capital markets, advisory, regulatory and compliance needs of private and publicly listed corporations.
2. **Portfolio Investments:** This group of entities acquires long-term interests in companies that have high potential for value additions and where the Company provides key strategic inputs and management support either directly or through board representations.
3. **Corporate:** This group primarily represents the cost of the corporate overhead expenses not allocated to other segment and is comprised of Gravitas Financial Inc.

### Segmented Information – Income Statement

For the three-months ended	March 31, 2019				March 31, 2018			
	Financial Services	Portfolio Investments	Corporate	Total	Financial Services	Portfolio Investments	Corporate	Total
(expressed in thousands)	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	1,520	1,058	7	2,585	8,116	1,729	30	9,875
Expenses, net of gains, excluding the undernoted	(262)	1,632	1,346	2,716	(278)	5,765	938	6,425
Interest expense	146	909	647	1,702	139	884	560	1,583
Compensation & management fees	654	812	308	1,773	3,404	323	452	4,179
Professional fees and recruitment	1,460	1,137	(56)	2,541	3,658	894	141	4,693
<b>Net income (loss) before income tax</b>	<b>(478)</b>	<b>(3,432)</b>	<b>(2,237)</b>	<b>(6,147)</b>	<b>1,193</b>	<b>(6,137)</b>	<b>(2,061)</b>	<b>(7,005)</b>

### Segmented Information – Statement of Financial Position

As at	March 31, 2019				December 31, 2018			
	Financial Services	Portfolio Investments	Corporate	Total	Financial Services	Portfolio Investments	Corporate	Total
(expressed in thousands)	\$	\$	\$	\$	\$	\$	\$	\$
Total assets	40,943	3,431	28,431	72,804	30,543	918	28,752	60,213
Total liabilities	42,376	27,197	82,348	151,922	28,115	23,169	83,567	134,851
Investment in associates <sup>1</sup>	515	2,637	431	3,583	(34)	3,302	735	4,004

(1) The amount noted within investment in associates is included within total assets.

### Segmented Information – Geographic Locations

The Company presently has operations in Canada only.

# Gravitas Financial Inc.

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## **BASIS OF CONSOLIDATION OF THE COMPANY'S FINANCIAL STATEMENTS**

The Financial Statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities 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 control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Entities are deconsolidated from the date on which control ceases. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the Company's policies. The purchase method of accounting is used to account for the acquisition of subsidiaries. Purchase consideration is measured as the fair value of the assets given, equity instruments issued, and liabilities assumed at the date of exchange. The transaction costs directly attributable to the acquisition are expensed.

## **CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT ACCOUNTING POLICIES**

The preparation of the Financial Statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. Judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net income or loss, and related disclosure. Estimates are based on various assumptions that the Company believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of items in net earnings or loss that are not apparent from other sources. The Company evaluates its estimates on an ongoing basis. Actual results may differ from the Company's estimates.

## **STANDARDS, AMENDMENTS, AND INTERPRETATIONS ISSUED AND ADOPTED**

### *IFRS 16, Leases*

In January 2016, the International Accounting Standards Board (IASB) issued IFRS 16, Leases, to set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease agreement. The standard supersedes IAS 17, Leases and other lease related interpretations, eliminates the classification of leases as either operating lease or finance leases and introduces a single lessee accounting model.

At the commencement date of a lease, a lessee recognizes a liability to make lease payments and an asset representing the right to use the underlying asset. The standard includes two recognition exemptions – leases of "low value" assets and short-term leases (i.e. leases with a lease term of 12 months or less). Lessees will be required to recognize an interest expense element on the lease liability and a depreciation expense on the lease right-of-use (ROU) asset. Upon occurrence of certain events, such as a change in the lease term or a change in future lease payments resulting from a change in an index or rate, the lessee is required to remeasure the lease liability and will generally recognize the impact as an adjustment to the lease ROU asset. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

### **Initial application of IFRS 16**

The Company has applied IFRS 16 from January 1, 2019 using the modified retrospective approach. Accordingly, comparative information was not restated. The Company elected to utilize practical expedients available under the modified retrospective approach in order to:

- i) Not reassess whether a contract is, or contains, a lease at the date of initial application, resulting in the Company only applying IFRS 16 to existing contracts previously identified as leases under IAS 17 and IFRIC 4;
- ii) Apply a single discount rate to leases with reasonably similar characteristics; and
- iii) Not apply the requirements of IFRS 16 to short term leases and leases for which the underlying asset is of low value.

For leases previously classified as operating leases under IAS 17, the Company recognized a lease liability under IFRS 16 equal to the present value of remaining lease payments discounted at the lessee's incremental borrowing rate and chose to recognize a lease ROU asset in an amount equal to the lease liability. As of January 1, 2019, the Company recognized an increase in lease assets and liabilities of \$2,788,902 on the consolidated balance sheets. The lease ROU

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asset balance is included in "property and equipment" in the consolidated balance sheets. The long-term portion of the lease liability balance is included in "loan payable and other liabilities – non-current" and the current portion is included in "loan payable and other liabilities – current" in the consolidated balance sheets.

The table below reconciles the lease commitments disclosed in the 2018 annual audited consolidated financial statements to the lease liability recognized on January 1, 2019:

	<b>2,019</b>
Lease commitments disclosed as at December 31, 2018	1,856,874
Discounted using the lessee's incremental borrowing rate	1,205,514
Add: adjustments relating to changes in the lease rate affecting variable payments	1,599,795
Less: short-term lease recognised on straight-line basis	(16,407)
<b>Lease liability recognized as at January 1, 2019</b>	<b>2,788,902</b>
Current lease liabilities	989,288
Non-current	1,799,614
<b>Lease liability recognized as at 31 March 2019</b>	<b>2,561,689</b>
Current lease liabilities	1,039,109
Non-current	1,522,580

As a result of initial adoption of IFRS 16, general and administrative decreased while depreciation expense and interest expense increased on the consolidated statement of income (loss).

## Accounting policy for leases under IFRS 16

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease that conveys to the Company the right to control the use of an underlying asset in return for payment. If the contract meets the definition of a lease, the lease liability is recognized in an amount equal to the present value of the unpaid lease payments discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Lease payments include: (i) all fixed payments; (ii) variable payments that depend on an index or rate; and (iii) any purchase option or termination penalty reasonably certain to be incurred. A lease ROU asset is recognized in an amount equal to the lease liability less any lease incentives received and plus: (i) any payments made prior to the start of the lease; (ii) any initial direct costs incurred; and (iii) an estimate of the cost to restore the asset as required by the lease contract. The Company remeasures the lease liability in response to changes in future lease payments, such as consumer price index (CPI) escalations or changes in lease term, adjusting the lease asset by an equivalent amount. Depreciation starts at the commencement date of the lease.

The Company applies the cost model to subsequently measure lease ROU assets and applies same impairment policy as other property and equipment. Lease ROU assets are depreciated over the period of the lease term.

## Standards, amendments, and interpretations Issued but not yet adopted

The Company assesses each new IFRS or amendment to determine whether it may have a material impact on its consolidated financial statements. As at March 31, 2019, there have been no accounting pronouncements by the IASB that would materially affect the Company's consolidated financial statements.

## RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company is exposed to the following risks through its financial instruments.

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has two types of financial assets that are subject to the expected credit loss model:

1. Trade and other receivables from wealth management, recruitment, listing and research fees
2. Loans and receivables carried at AMC

While cash and cash equivalents, guaranteed investments certificates and receivable from brokers and clients are also subject to the impairment requirements of IFRS 9, the identified credit risk and impairment loss is not significant.

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The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables and receivables from brokers and clients, while ECL calculation based on stage assessment has been performed for loan receivables.

The loss allowance at March 31, 2019 determined under IFRS 9 was as follows.

	Current or less than 30 days past due	31-90 days past due	Greater than 90 days past due	Total
<b>As of March 31, 2019</b>	\$	\$	\$	\$
<u>Trade and other receivables</u>				
Projected loss rate	1.00%	1.30%	1.50%	
Gross carrying amount	15,359	1,470	1,022,168	1,038,996
Loss allowance	154	19	25,554	25,727

The loss allowance at January 1, 2018 and December 31, 2018 determined under IFRS 9 was as follows.

	Current or less than 30 days past due	31-90 days past due	Greater than 90 days past due	Total
<b>As of December 31, 2018</b>	\$	\$	\$	\$
<u>Trade and other receivables</u>				
Projected loss rate	1.00%	1.30%	1.50%	
Gross carrying amount	48,935	4,683	1,821,709	1,875,327
Loss allowance	489	61	45,543	46,093
<b>As of January 1, 2018</b>				
<u>Trade and other receivables</u>				
Projected loss rate	0.75%	1.09%	9.44%	
Gross carrying amount	700,906	122,883	3,559,423	4,383,212
Loss allowance	5,280	1,339	335,848	342,468

## Stage continuity for the allowance for credit losses

	Stage 1	Stage 2	Stage 3	Total
<u>Loans receivable</u>				
Balance at December 31, 2018 (net of loss allowance)	469,839	405,324	31,405	906,568
Repayments	(26,070)	-	-	(26,070)
Accretion Income	-	6,763	-	6,763
Projected loss rate	5.42%	10.84%	16.25%	
Balance at March 31, 2019	443,769	412,087	31,405	887,261
<u>Loans receivable</u>				
Balance at January 1, 2018	2,028,461	146,708	1,331,529	3,359,990
IFRS 9 – Transition adjustment	-	-	-	(120,815)
Transfer from / (to) Stage 2	(250,000)	250,000	-	-
Loan origination	-	50,000	960,776	1,010,776
Repayments	(616,480)	-	(24,500)	(640,980)
Accretion Income	-	18,207	-	18,207
De-recognition of financial asset	(665,230)	-	-	(665,230)
Impairment	-	-	(2,230,305)	(2,230,305)
Premium on issuance	-	(10,337)	-	(10,337)
Loss allowance on loans receivables	(26,912)	(49,254)	(6,095)	(82,260)
Projected loss rate	5.42%	10.84%	16.25%	
Balance December 31, 2018	469,839	405,324	31,405	906,568

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## Allowance for credit losses

	Allowance for Trade receivables	Allowance for Loans receivables	Total loss allowance
Allowance for credit losses, December 31, 2018	37,235	82,260	119,495
Increase (decrease) in loan allowances recognised in profit or loss	-	-	-
Allowance for credit losses, March 31, 2019	37,235	82,260	119,495

## 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 \$45,966,502 which will be used to cover all operating and investing activities. The expected timing of consolidated cash flows relating to financial liabilities as at March 31, 2019, are as follows:

	Less than 1 year \$	1-5 years \$	6-10 years \$	Total \$
Current liabilities	48,892,483	-	--	48,892,483
Debentures	-	96,743,156	-	96,743,156
Non-current loan payable and accrued	-	4,107,033	-	4,107,033
	<b>48,892,483</b>	<b>100,850,189</b>	-	<b>149,742,672</b>

See also note 2 Going Concern.

## 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: interest rate risk, currency risk and other price risk.

*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 1% higher throughout the three-month period ended March 31, 2019, the net income would have decreased by \$1,040,450 (March 31, 2018: \$1,669,481).

*Currency risk* - Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates relative to the Company's functional currency, the Canadian dollar. The Company does not hedge its foreign exchange risk. A 10% change in either direction of the United States dollar exchange rate would have changed the net income by \$USD135,268 (March 31, 2018: USD445,988).

*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 and private companies represents the maximum exposure to price risk. As at March 31, 2019, a 10% change in the closing price of common shares held by the Company on the stock market would have changed the net income by \$379,186 (March 31, 2018: \$809,893).

## COMMITMENTS AND CONTINGENCIES

### Contingencies

A partially-owned subsidiary of the Company was named as one of several defendants in legal actions relating to the sale of a specific investment product. The claims made by one of the plaintiffs totals \$1,000,000. The subsidiary's management has evaluated this claim and believes the claims is without merit and intends to vigorously defend itself. The second claim approximates \$454,000. The claim has been evaluated by the subsidiary's management and a provision has been made for a portion of it.



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In addition, the subsidiary received two claims for damages relating to the termination of the sponsorship of the registration for two past Investment Advisors who acted as an Agent for the subsidiary. The claim made by one of the plaintiffs totals \$700,000. Management has evaluated this claim and believes the claim is without merit and intends to vigorously defend itself. The second claim totals \$100,000. The claim has been evaluated by management and a provision has been made for a portion of it. A third investment advisor filed a counterclaim against the subsidiary in the amount of approximately \$30,000 after the subsidiary took action to collect an outstanding loan balance. The subsidiary's management has evaluated the counterclaim and believes that it is without merit and intends to defend itself.

## SUBSEQUENT EVENTS

- a) On April 15, 2019, the Company announced that its Board of Directors is undertaking, in conjunction with the majority holder of its debentures, a strategic review of its investment holdings with a view to streamline and strengthen its core holdings. This could involve dispositions, new investors and other restructurings. As part of this exercise, for a period ending May 17, 2019, the Company was exempted from making the debenture interest payment for Gravitas Series #1 and Series #2 (see note 16) due on March 31, 2019.
- b) On May 28, 2019, the Company announced that it had entered into an accommodation agreement with the majority holder of its secured debt ("Accommodation Agreement"). Under the Accommodation Agreement, the debtholder have agreed to continue to waive the payment of interest due on March 31, 2019 and June 30, 2019 and will continue until the earlier of July 12, 2019 and such later date as is agreed to with the debtholder, unless earlier terminated.
- c) Under the Accommodation Agreement, the Company has agreed to implement a sale and investment solicitation process ("SISP"), the purpose of which is to seek proposals for a debt financing or refinancing and/or equity financing for a restructuring transaction, and/or a sale of all or a portion of the business and property of the Company and to subsequently implement one or more non-overlapping transactions. The sale and investment solicitation process include the Company's equity interests in various portfolio companies and in certain circumstances may include the assets of certain operating entities in which the Company has an equity interest.
- d) On June 11, 2019, the Company has entered into, and subsequently closed on an agreement with Yuhua International Capital Inc. ("Yuhua") pursuant to which Yuhua acquired the Company's shares of Principle Capital Partners Corp. (formerly Gravitas Mining Corp.) as well as certain receivables for cash proceeds of \$1,150,000. The proceeds will be used in accordance with the Accommodation Agreement and will permit the Company to obtain the needed working capital in order to continue operations in the short term as well as to further the SISP.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

# Gravitas Financial Inc.

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## DISCLOSURE CONTROLS AND PROCEDURES

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## MANAGING RISK

Except as otherwise disclosed in this MD&A and in the Company's Financial Statements, there have been no significant changes to the nature and scope of the risks faced by the Company. Readers are referred to the more detailed information described in other disclosure documents filed with the applicable Canadian securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com).

Dated: Toronto, Ontario, Canada,

June 24, 2019