

GRAVITAS FINANCIAL INC.
Unaudited Condensed Interim Consolidated Financial Statements
For the three-month and six-month periods ended June 30, 2020 and 2019

Notice of Disclosure of Non-Auditor Review of Condensed Interim Consolidated Financial Statements

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 financial statements, they must be accompanied by a notice indicating that these financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Gravitax Financial Inc. (the “Company”) and its subsidiaries have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company’s management.

The Company’s independent auditors have not performed a review of the condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants Canada for a review of interim condensed consolidated financial statements by an entity’s auditor.

Gravitas Financial Inc.

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2020 and December 31, 2019

(Expressed in Canadian dollars)

	Notes	June 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		185,522	2,010,390
Trade and other receivables		98,996	944,697
Total current assets		284,518	2,955,087
Equity investment and other investments		-	69
Total assets		284,518	2,955,156
Liabilities			
Current liabilities			
Trade and other payables		174,437	3,315,482
Debentures	7	-	83,569,333
Total current liabilities		174,437	86,884,815
Loan payable	16	40,000	-
Deferred income tax liability		267,566	267,566
Total liabilities		482,003	87,152,381
Equity			
Share capital		2,000,600	2,000,600
Contributed surplus		4,373,695	4,373,695
Accumulated other comprehensive income		(184,272)	(184,272)
Deficit		(6,387,508)	(90,387,248)
Equity attributable to shareholders		(197,485)	(84,197,225)
Non-controlling interests		-	-
Total equity		(197,485)	(84,197,225)
Total liabilities and equity		284,518	2,955,156

Going concern (Note 2)

Related party transactions (Note 10)

Commitments and contingencies (Note 15)

Signed: "Vikas Ranjan", Director

Signed: "Winfield Ding", Director

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Gravitas Financial Inc.

Unaudited Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Income For the three-month and six-month periods ended June 30, 2020 and 2019

(Expressed in Canadian dollars, except for per share amount)

		(Note 17)		(Note 17)
	3 months ended June 30, 2020	3 months ended June 30, 2019	6 months ended June 30, 2020	6 months ended June 30, 2019
CONTINUING OPERATIONS	\$	\$	\$	\$
Revenues				
Listing and research fees	27,666	141,971	55,593	198,645
Consulting and management fees	-	35,000	-	90,580
Interest earned	2,637	150,707	11,539	284,385
Product sales, royalties and other	15,000	55,082	15,000	55,082
	<u>45,303</u>	<u>382,760</u>	<u>82,132</u>	<u>628,692</u>
Expenses				
Professional fees and transaction costs	53,116	1,691,483	573,531	1,783,515
Compensation and management fees	142,978	336,742	344,585	657,793
General and administrative expenses	135,854	168,149	218,911	279,329
Interest expense	9,792	772,777	9,792	1,547,441
Impairment expense	-	(466,605)	-	685,998
Stock-based compensation	-	12,841	-	25,682
Share of results of associates	-	(115,346)	-	(241,244)
Amortization	-	193,241	-	386,482
Gain on restructuring of debentures	(85,064,496)	-	(85,064,496)	-
Foreign exchange (gain) loss	-	-	-	3,356
Change in fair value of investments	69	150,235	69	(228,299)
	<u>(84,722,687)</u>	<u>2,743,517</u>	<u>(83,917,608)</u>	<u>4,900,053</u>
Income (Loss) before income taxes	84,767,990	(2,360,757)	83,999,740	(4,271,361)
Income taxes	-	-	-	-
Income (Loss) from continuing operations	84,767,990	(2,360,757)	83,999,740	(4,271,361)
Loss from discontinuing operations	-	(2,487,178)	-	(9,339,398)
Net income (loss)	<u>84,767,990</u>	<u>(4,847,935)</u>	<u>83,999,740</u>	<u>(13,610,759)</u>
Other comprehensive income (loss)				
Cumulative translation adjustment	-	-	-	(218,530)
Total other comprehensive income (loss) for the period	-	-	-	(218,530)
Total comprehensive income (loss) for the period	<u>84,767,990</u>	<u>(4,847,935)</u>	<u>83,999,740</u>	<u>(13,829,289)</u>
Net income (loss) attributed to				
Non-controlling interests	-	(789,878)	-	(2,499,925)
Shareholders of the Company	84,767,990	(4,058,057)	83,999,740	(11,110,834)
	<u>84,767,990</u>	<u>(4,847,935)</u>	<u>83,999,740</u>	<u>(13,610,759)</u>
Total comprehensive income (loss) attributed to				
Non-controlling interests	-	(789,878)	-	(2,499,925)
Shareholders of the Company	-	(4,058,057)	83,999,740	(11,329,364)
	<u>-</u>	<u>(4,847,935)</u>	<u>83,999,740</u>	<u>(13,829,289)</u>
Net income (loss) per share, basic and diluted				
Continuing operations	1.17	(0.03)	1.16	(0.06)
Discontinued operations	-	(0.03)	-	(0.13)
	<u>1.17</u>	<u>(0.07)</u>	<u>1.16</u>	<u>(0.19)</u>
Weighted average number of shares outstanding				
Basic and diluted	72,601,305	72,601,305	72,601,305	72,601,305

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Gravitas Financial Inc.

Unaudited Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars, except shares)

Notes	Common shares		Contributed surplus	Accumulated other comprehensive Income (loss)	Deficit	Subtotal shareholders' equity	Non-controlling interests	Total equity
	Shares	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2018	72,601,305	2,000,600	6,778,324	(200,989)	(104,109,150)	(95,531,215)	20,893,552	(74,637,663)
Net loss for the period	-	-	-	-	(11,110,834)	(11,110,834)	(2,499,925)	(13,610,759)
Stock-based compensation	-	-	663,648	-	-	663,648	-	663,648
Additional non-controlling interest	-	-	-	-	-	-	602,928	602,928
Disposal of distinquing operations	-	-	-	-	-	-	(718,178)	(718,178)
Translation of foreign operations	-	-	-	218,530	-	218,530	-	218,530
Balance at June 30, 2019	72,601,305	2,000,600	7,441,972	17,541	(115,219,984)	(105,759,871)	18,278,377	(87,481,494)
Net loss for the period	-	-	-	-	25,302,443	25,302,443	(3,264,879)	22,037,564
Stock-based compensation	-	-	27,577	-	-	27,577	-	27,577
Non-controlling interest - adjustment to change in ownership	-	-	-	-	(469,707)	(469,707)	469,707	-
Disposal of distinquing operations	-	-	(3,095,854)	-	-	(3,095,854)	(14,913,762)	(18,009,616)
Translation of foreign operations	-	-	-	(201,813)	-	(201,813)	-	(201,813)
Balance at December 31, 2019	72,601,305	2,000,600	4,373,695	(184,272)	(90,387,248)	(84,197,225)	-	(84,197,225)
Net income for the period	-	-	-	-	83,999,740	83,999,740	-	83,999,740
Translation of foreign operations	-	-	-	-	-	-	-	-
Balance at June 30, 2020	72,601,305	2,000,600	4,373,695	(184,272)	(6,387,508)	(197,485)	-	(197,485)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Gravitas Financial Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows For the six-month periods ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

Notes	6 months ended June 30, 2020	6 months ended June 30, 2019
	\$	\$
Operating activities		
Net income (loss)	83,999,740	(13,610,759)
Items not involving cash		
Share based payments	-	663,648
Amortization of property, plant and equipment	-	620,723
Lease inducement	-	(6,640)
Accrued interest expense	-	1,650,433
Loss on disposal of subsidiary	-	2,942,388
Change in fair value of FVTPL investments	69	(1,096,568)
Impairment	-	97,365
Gain on debentures retired	7 (85,064,496)	-
Debenture interest payable	2,684,557	-
Share of results in associates	-	220,153
Foreign exchange loss	-	-
Accretion on loans receivables	-	(1,591)
Interest and dividends	-	26,408
	1,619,870	(8,494,440)
Changes in non-cash working capital	(2,615,383)	5,107,628
	(995,513)	(3,386,812)
Investing activities		
Proceeds from guaranteed investment certificates	246,039	213,368
Payment for lease deposit	(226,000)	-
Net cash disposed on loss of control of subsidiaries	-	(39,020)
Net cash acquired in asset acquisition	-	88,212
Proceeds from disposal of equity investments	-	986,572
Proceeds from loan receivables	-	153,171
Purchased of property and equipment	-	(28,710)
Proceeds from disposal of subsidiaries	300,000	810,598
Additional investment in associates	-	(288,718)
	320,039	1,895,473
Financing activities		
Proceeds from issuance of shares of subsidiary	-	500,000
Lease payments - ROU assets	-	(465,256)
Proceeds from issuing promissory notes	-	260,000
Proceeds from loan payable	40,000	-
Payments for debentures restructuring	7 (1,189,394)	-
Proceeds from issuing debentures	-	500,000
	(1,149,394)	794,744
Effect of exchange rate changes	-	23,491
(Decrease) increase in cash	(1,824,868)	(673,104)
Cash, beginning of period	2,010,390	3,630,378
Cash, end of period	185,522	2,957,274

Gravitas Financial Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2020 and 2019

(Presented in Canadian dollars unless otherwise noted)

1. NATURE OF OPERATIONS

Gravitas Financial Inc. (the “Company” or “Gravitas”) is an investment holding firm. On May 28, 2019, the Company announced that it has entered into an accommodation agreement (the “Accommodation Agreement”) with the majority holder of its debentures to implement a sale and investment solicitation process (“SISP”) for all or a portion of the business and property of the Company. As part of the Accommodation Agreement, on April 21, 2020 the Company closed the Debt Repurchase Agreement and retired all the debentures and accrued interest payable (\$83,569,333 principal and \$2,684,557 interest payable as of March 31 2020) (note 7).

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 with its registered office and principal place of business at 100 Wellington Street West, Suite 1240, Toronto, Ontario, M5K 1B7.

These Unaudited Condensed Interim Consolidated Financial Statements (“Financial Statements”) were approved by the Board of Directors on August 28, 2020.

2. STATEMENT OF COMPLIANCE, BASIS OF PRESENTATION AND GOING CONCERN

These Condensed Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and with interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CAP Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These Financial Statements should be read in conjunction with the Company’s audited financial statements as at and for the year ended December 31, 2019, which were prepared in accordance with IFRS as applicable for the annual financial statements. These Financial Statements have been prepared on a going concern basis, under the historical cost convention, modified to include the fair valuation of certain financial instruments to the extent required or permitted under accounting standards as set out in the relevant accounting policies.

Going Concern

These 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. As of June 30, 2020, the Company reported a working capital of \$110,081 (December 31, 2019 – working capital deficit of \$83,929,728). The Company has incurred several periods of losses and as of June 30, 2020, has a cumulative deficit of \$6,387,508 (December 31, 2019: \$90,387,248); negative cash flows from operations for the period ended June 30, 2020 total \$995,513 ; and had a shareholder deficiency of \$197,485 as at June 30, 2020 (December 31, 2019: \$84,197,225). These conditions raise a material uncertainty that causes significant doubt about the Company’s ability to continue as a going concern. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern. The Unaudited Condensed Interim Consolidated financial 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.

Gravitas Financial Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2020 and 2019

(Presented in Canadian dollars unless otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are the same as those applied as at and for the year ended December 31, 2019 as described in Note 3 of the Company's December 31, 2019 audited consolidated financial statements and are consistently applied to all the periods presented unless otherwise noted below. They do not include all of the information and disclosures required for annual financial statements. For further information, see the Company's audited consolidated financial statements for the year ended December 31, 2019.

Use of Estimates, Judgements and Assumptions

The preparation of these 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 income 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.

The following are significant management judgments and estimates in applying the accounting policies of the Company that have the most significant effect on these financial statements.

Loss of control - An investee is de-consolidated from the date control is lost. This assessment requires significant judgment based on the characteristics of the investee, and timing of the transaction.

Fair value of financial assets and financial liabilities - Fair value of financial assets and financial liabilities on the statement of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Income taxes - The estimate of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions, the Company assesses whether it is probable that some or all of the deferred income tax assets will not be realized the ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. If changes were made to the Company's assessment regarding its ability to use future tax deductions, the Company may be required to recognize more or fewer deferred tax assets and future income tax provisions or recoveries could be affected.

Expected credit losses - Management must exercise judgment to estimate the expected credit losses related to various financial assets. The evaluation of the expected credit losses is established considering the specific credit risk to its counterparties, historical trends and economic conditions.

Share-based compensation - The determination of the share-based compensation expense resulting from the Company granting stock options or options to certain of the Company's assets depends on the use of option pricing and probability weighted models, which are subject to measurement uncertainty. Subjective assumptions are required for these models, including expected stock price volatility and the use of historical data points which may or may not be indicative of future performance.

Provisions - The Company and its subsidiaries from time to time are subject to legal proceedings. Contingent loss provisions are recorded by the Company when it is probable that loss will occur and it can be estimated.

Contingencies - See Note 15.

Gravitas Financial Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2020 and 2019

(Presented in Canadian dollars unless otherwise noted)

Basis of consolidation

These 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 Unaudited Condensed Interim Consolidated from the date on which control is transferred to the Company. Entities are de-consolidated 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 acquisition 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.

Consolidated subsidiaries	Jurisdiction of incorporation	Direct or Indirect Percentage Ownership (a)
Gravitas Financial Services Holdings Inc. ("GFSHI")	Canada	100%
Capital Ideas Media Inc.	Canada	100%
Revenue.com US Corporation	USA	55%
Gravitas Siraj Holdco Inc.	Canada	100%
Gravitas Global GP Inc.	Canada	100%
Siraj Ontario Corporation	Canada	100%
Gravitas Select Flow-Through GP Inc. ("GSFT")	Canada	100%
SearchGold Guinee SARL	Guinee, Africa	100%
Global Compliance Network Inc.	Canada	100%

(a) Unless otherwise noted, the percentage noted in the table are as of June 30, 2020 and December 31, 2019.

4. STANDARDS, AMENDMENTS, AND INTERPRETATIONS ISSUED AND ADOPTED

The Company has adopted the following new standards and policies on January 1, 2020:

Amendments to IFRS 3 Definition of a business, effective for business combinations and asset acquisitions for which the acquisition is on or after the beginning of the first annual period beginning on or after January 1 2020.

Amendments to IAS 1 Classification of Liabilities as Current or Non-Current, effective for annual period beginning on or after January 1, 2020. The adoptions of the above new standards have no impact on the Company's financial statements.

Standards, amendments, and interpretations Issued but not yet adopted

New and amendments to IFRSs in issue but not yet effective except for the above, the Company has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 Insurance Contracts¹

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²

Amendments to IAS 1 and IAS 8 Definition of Material²

Amendments to IFRS 9, IAS 29 and IFRS 7 1 Interest Rate Benchmark Reform³

¹ Effective for annual periods beginning on or after January 1, 2021

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after January 1, 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2019. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after January 1, 2020. The management is currently assessing its impact of adopting these amendments and don't expect material impact on the Consolidated financial statements in the foreseeable future.

Gravitas Financial Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2020 and 2019

(Presented in Canadian dollars unless otherwise noted)

5. INVESTMENTS IN ASSOCIATES

	June 30, 2020	December 31, 2019
	\$	\$
Balance, beginning of the period	-	4,003,777
Advances to Mint UAE (a)	-	288,718
Investment held in subsidiary Prime City	-	(444,261)
Investment transferred to equity investments	-	(198,655)
Investment disposed of	-	(3,920,930)
Dividends received	-	(220,153)
Share of results in associates	-	491,504
Balance, end of period	-	

(a) During the year ended December 31, 2019, the Company and Mint advanced \$288,718 to Mint UAE. This loan bears interest at 4.5% and matured on October 23, 2019. As at December 31, 2019, the Company has recognized a full provision on the investments in Mint UAE, which has been recorded in the statement of income (loss). The investment was disposed of with the disposal of MINT at December 31, 2019.

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 2% 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. All assets and liabilities of the Mint Corporation and its primary entities were disposed at December 31, 2019 (Note 6)

GIC Merchant Banking Corporation (“GICMB”)

On July 13, 2019, as part of the sale and investment solicitation process (the “SISP”), the Company entered into an Accommodation Agreement and closed the sale of the associate investment in GICMB. The net assets disposed and gain on disposal analysis is as follows:

	\$
Investment in associate disposed	576,024
Loans and other receivables disposed	263,601
Net assets disposed	839,625
Consideration received	450,000
Loss on disposition of investment	(389,625)

Portfolio Analysts Inc.

The Company owned 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 did have the ability to control the key operating activities of PAI, it was accounted for using the equity method. As of December 31, 2019, investment in PAI has been disposed of:

	\$
Investment in associate assets disposed	1,124,512
Consideration received	2,480,000
Gain on disposition of investment	1,355,488

Gravitas Financial Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2020 and 2019

(Presented in Canadian dollars unless otherwise noted)

6. SALE OF ASSETS AND DISCONTINUED OPERATIONS

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. Effective February 23, 2019, the Company, through its subsidiary, no longer holds an interest in Branson (2019: 51%) and the Company recognized a loss of \$940,193 on deconsolidation during the year ended December 31, 2019.

Disposal of PCPC

In June 2019, the Company entered into a sale and purchase agreement with Yuhua International Capital Inc. ("Yuhua") whereby Yuhua will acquire the Company's shares of PCPC as well as certain receivables for cash consideration. The sale of PCPC shares closed on June 13, 2019 and the Company recognized a loss on deconsolidation of \$1,893,923 during the year ended December 31, 2019.

Sales and Investment Solicitation Process ("SISP")

In May 2019 the Company executed a sales and investment solicitation process ("SISP") with the major debenture holder to facilitate the sale of all or substantially all of the assets of the Company. Shareholders voted in majority to sell all or substantially all of the subsidiaries and assets of the Company in the annual general and special meeting held on October 29, 2019.

In connection with the SISP the following events have occurred:

- a. On September 24, 2019, the Company entered into an agreement to dispose of all the shares it owned in Prime City for cash consideration of \$100,000, and closed the transaction on December 20, 2019. The Company recorded a loss on disposal of subsidiary of \$361,632 on the statement of income for this transaction.
- b. On September 26, 2019, the Company entered into an agreement to sell the common shares of The Mint Corporation registered and beneficially owned by the Company and certain outstanding loans and other indebtedness owed to the Company by Mint and certain of its affiliates. The agreement was amended October 7, 2019 and December 31, 2019 and the transaction closed on December 31, 2019 for aggregate cash consideration of \$1,098,099. The Company also forgave debt and payables in total of \$5,261,931. A gain of \$36,377,915 was recorded on disposal of subsidiary on the Consolidated statement of income for this transaction.
- c. On October 8, 2019 the Company sold all of the issued and outstanding shares in Ubika Corp. and certain loans and indebtedness, but excluding Capital Ideas Media Inc. a subsidiary of Ubika Corp., for cash consideration of \$150,000. \$3,886,229 debt and payables were forgiven. A \$13,000 loss on disposal of subsidiary was recorded on the statement of income for this transaction.
- d. On October 8, 2019 the Company sold all the issued and outstanding shares in Gravitas Ventures Inc. ("GVI") and various other assets for cash consideration of \$250,000. \$6,395,682 debt and payables were forgiven. \$2,141,376 loss on disposal of subsidiary was recorded for this transaction.
- e. On November 5, 2019 Gravitas Financial Services Holdings Inc., a wholly owned subsidiary of Gravitas Financial Inc., sold all of its interest in Portfolio Analyst Inc. for consideration of \$2,480,000 (note 9).
- f. On November 12, 2019 the Company sold all of the issued and outstanding shares in New India Investment Corp. ("NIIC") and certain debt owed to NIIC to the Company \$1,262,423 for cash consideration of \$900,000. A \$304,989 loss on disposal of subsidiary was recorded.
- g. On April 28, 2020 the Company closed the transaction relating to the sale of all of its interest in Gravitas Ilium Corporation ("GIC") and all claims by the Company for indebtedness owed by GIC and its subsidiary, Foregrowth

Gravitas Financial Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2020 and 2019

(Presented in Canadian dollars unless otherwise noted)

Inc., to the Company pursuant to a share purchase agreement with Ilium Capital Corp. dated October 11, 2019 (as initially amended on December 30, 2019) and for an amended aggregate consideration of \$300,000. A debt of \$699,698 was settled. The transaction was recorded effective December 31, 2019. A gain on disposal of \$3,450,017 was recorded for this transaction.

The major classes of assets and liabilities of the entities disposed and the gain or loss on disposal were as follows:

2019	GIC	PCOC	NIIC	Mint	GVI	UBIKA	Branson	PCPC	Total
Total assets	41,962,881	57,284	1,851,237	126,446	3,069,860	776,877	657,515	6,344,224	54,846,324
Total liabilities	(45,565,650)	(60,587)	(1,908,671)	(23,373,674)	(7,074,166)	(4,500,106)	-	(2,195,241)	(84,678,095)
Net carrying value of the disposal group	(3,602,769)	(3,303)	(57,434)	(23,247,228)	(4,004,306)	(3,723,229)	657,515	4,148,983	(29,831,771)
Non-controlling interest	891,842	(1,570)	-	(15,702,122)	-	-	618,012	(1,444,462)	(15,638,300)
Derecognition of reserves	(1,138,788)	(364,669)	-	(1,592,397)	-	-	-	-	(3,095,854)
Cash consideration	(300,000)	(100,000)	(900,000)	(1,098,099)	(250,000)	(150,000)	-	(1,150,000)	(3,948,099)
Other consideration	-	-	-	-	-	-	(335,334)	-	(335,334)
Debts and payables settled	699,698	107,910	1,262,423	5,261,931	6,395,682	3,886,229	-	339,402	17,953,275
Gain (loss) on disposal	3,450,017	361,632	(304,989)	36,377,915	(2,141,376)	(13,000)	(940,193)	(1,893,923)	34,896,083

The discontinued operations of the subsidiaries disposed of for the year ended December 31, 2019 is as follows:

2019	GIC Group	Prime City	NIIC	Mint	GVI	UBIKA	Branson	PCPC	Total
Revenues	15,423,664	-	-	-	-	1,457,272	1,936	744,626	17,627,498
Expenses	(13,712,879)	(534,305)	-	(1,998,510)	(19,103)	(990,456)	-	(773,860)	(18,029,113)
Interest expenses	(24,982)	-	-	(3,694,694)	-	-	-	(146,563)	(3,866,239)
Investment and other income (expense)	(2,839,363)	-	1,229	-	(1,521,659)	(936,555)	-	(188,422)	(5,484,770)
Income (loss) before taxes	(1,153,560)	(534,305)	1,229	(5,693,204)	(1,540,762)	(469,739)	1,936	(364,219)	(9,752,624)
Income taxes	-	-	-	-	(1,901)	-	-	-	(1,901)
Income (loss) after taxes	(1,153,560)	(534,305)	1,229	(5,693,204)	(1,542,663)	(469,739)	1,936	(364,219)	(9,754,525)
Gain (loss) on disposal of subsidiary	3,450,017	361,632	304,989	36,377,915	2,141,376	13,000	940,193	1,893,923	34,896,083
Net income (loss) from discontinued operations	2,296,457	(172,673)	(303,760)	30,684,711	(3,684,039)	(482,739)	(938,257)	(2,258,142)	25,141,558

Cashflows from discontinued operations

2019	GIC	PCOC	NIIC	Mint	GVI	UBIKA	Branson	PCPC	Total
Cashflows from operations	(727,782)	29,910	(3,447)	(80,310)	(1,357,259)	(296,614)	9,209	(792,802)	(3,219,095)
Cashflows from investing	-	-	-	-	800,529	282,190	-	1,103,856	2,186,575
Cashflows from financing	500,000	-	-	-	-	-	-	(668,150)	(168,150)
Cash beginning	1,500,728	11,509	3,496	174,068	638,927	21,375	11,509	375,396	2,737,008
Cash ending	1,272,946	41,419	49	93,758	82,197	6,951	20,718	18,300	1,536,338

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7. DEBENTURES

Summary of the debentures are as follows:

	Gravitas Series #1 (a)	Gravitas Series #2 (b)	Mint Series A (c)	Mint Series C (c)	FGI Convertible unsecured (d)	Total
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2018	30,023,000	53,461,725	12,466,696	-	-	95,951,421
Accretion of interest (c)	-	84,608	3,925,328	-	13,945	4,011,330
Issuance of debentures	-	-	-	-	500,000	500,000
Liabilities disposed (Note 7)	-	-	(16,392,024)	-	(513,945)	(16,905,969)
Balance, December 31, 2019	30,023,000	53,546,333	-	-	-	83,569,333
Liabilities disposed (Note 7)	(30,023,000)	(53,546,333)	-	-	-	(83,569,333)
Balance, June 30, 2020	-	-	-	-	-	-

Company's Debentures

- (a) The Company's Debentures Series#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 was included within interest expense.
- (b) The Company's Debentures Series#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 Unaudited Condensed Interim 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. 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 includes 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. On April 21, 2020, the Company completed the SISP and repurchased the Debentures Series#1 and Series#2 with interest accrued to that date for cash consideration of \$1,189,394. A gain of \$85,044,496 was reported for the transaction.

Mint's Debentures

- (c) At December 31, 2019, the Mint Debentures were disposed with the disposal of Mint.

FGI's Debentures

- (d) These debentures had been disposed of with the disposal of FGI by the Company as at December 31, 2019.

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8. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares. As at June 30, 2020, outstanding shares were 72,601,305 (December 31, 2019: 72,601,305). Share capital totals \$2,000,600 (December 31, 2019: \$2,000,600).

9. INCOME (LOSS) PER SHARE

Income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants. The weighted average number of shares outstanding for the period ended June 30, 2020 are 72,601,305 (2019: 72,601,305). In addition, 5,500,000 (December 31, 2019: 5,500,000) stock options are outstanding. No warrants were outstanding as of June 30, 2020 and December 31, 2019. The diluted outstanding number of shares of the Company was 72,601,305 for the period ended June 30, 2020 (2019: 72,601,305) as the outstanding options were antidilutive.

Basic and diluted net income per share for the six-month period ended June 30, 2020 totaled \$1.16 (2019 – net loss of \$0.19), of which \$1.16 net income (2019: net loss of \$0.06) was from continuing operations and \$nil (2019: \$013 loss) was from discontinuing operations.

10. 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 six-month periods ended June 30, 2020 and 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 six-month period ended June 30, 2020, the Company:

- Incurred \$315,000(2019: \$1,652,702) 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. \$53,475 (December 2019 - \$82,692) was outstanding at June 30, 2020.
- Expensed \$nil (2019: \$29,895) to Soigne Technologies Inc., a company in which an employee has an interest.
- Through Mint UAE, paid \$nil (2019: \$252,221) to Global Business Systems (“GBS”) for management and consulting fees in connection with the management agreement for the Mint UAE operations. The amount forms part of the Company's share of losses of associates.
- Charged rent of \$nil (2019: \$74,310) to associated companies which had offices within the Company's premise.
- Incurred rent expense of \$16,746 (2019 - \$nil) plus HST for office shared with tenant controlled by directors of the Company, of which \$5,650 was payable as of June 30, 2020 (December 31, 2019 - \$nil).

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During the year ended December 31, 2019, the Company also:

- Disposed of its interest in an associate, GICMB, to purchasers connected with key management and directors of GICMB (note 5).
- Disposed of its interest in an associate PAI to a purchaser who is connected to a subsidiary of the Company (note 5).
- Disposed of its interest in Branson to purchasers connected to key management and a minority shareholder of Branson (note 6).
- Disposed of its interest in PCPC and certain loan receivable to a company controlled by one of its independent directors (note 6).
- Disposed of its interest in Prime City to a company controlled by a director of a subsidiary (note 6).
- Disposed of its interest in MINT to purchasers who were minority shareholders of MINT (note 6).
- Disposed of its interest in Ubika and certain loans and indebtedness to a company controlled by three of the Company's directors and a director of a subsidiary (note 6).
- Disposed of its interest in Gravitas Ventures Inc. and various other assets to a company controlled by three directors of the Company and a director of a subsidiary (note 6).
- Disposed of its interests in New India Investment Corp. to a company controlled by three directors of the Company and a director of a subsidiary (note 6).
- Disposed of its interest in GIC and all claims by the Company for indebtedness owed by GIC and its subsidiary to the Company, to a purchaser who is connected with two of the directors of the Company and key management and directors of a subsidiary (note 6).

11. STOCK OPTION PLAN AND 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 the year ended December 31, 2019 1,750,000 options were cancelled due to resignation of one of the Directors. During the period ended June 30, 2020, a total of \$nil (2019: \$25,682) has been expensed. As of June 30, 2020, there were 3,750,000 stock options outstanding with an exercise price of \$0.10 expiring February 28, 2021.

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. As a result of disposition of MINT, these options are no longer in these financial statements as at December 31, 2019.

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Stock Options of Subsidiaries Disposed

During the year ended December 31, 2019, a total of 3,100,000 options were issued by Mint. 4,350,000 options were forfeited and cancelled for Mint during the year ended December 31, 2019 and a total of 400,000 options expired during the year ended December 31, 2019. No stock options were exercised during the year ended December 31, 2019. A total of 10,275,000 options are outstanding as at December 31, 2019 that were disposed of with MINT.

Using the fair value method, the recorded expense of the noted stock options for the year ended December 31, 2019 was \$547,466. The fair value of the stock options granted was estimated using the various valuation models with the following assumptions:

	December 31, 2019
Expected dividend yield	0%
Expected average volatility (a)	177%-184%
Risk-free average interest rate	1.61%-1.77%
Expected option life (years)	3.0
Share price	\$0.03 - 0.14
Exercise price	\$0.05 - 0.13

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

12. FINANCIAL INSTRUMENTS

Fair value

The carrying value of cash and cash equivalents, 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 are considered to be reasonable approximate of the fair value since these instruments are redeemable at any time, except the guaranteed investment certificates used as deposit collateral for the office lease disposed are considered to impaired with a fair value of \$nil due to estimate of no recoverability. Equity interests in private entities are measured at fair value using subjective measures, including recent share transactions, prices for comparable entities, review of cash flow projections and the company prospects, financial ratios and other discounted cash flow techniques.

The table below summarizes the assets and liabilities that are included at their fair values in the Company's statement of financial position as at June 30, 2020 and December 31, 2019. These assets and liabilities have been categorized into hierarchical levels, according to the significance and reliability of the inputs used in determining fair value measurements.

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).

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Common shares in quoted companies	69	-	-	69
Equity investments and other	69	-	-	69

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13. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts related to changes in the economic environment and the underlying risks of its assets. In its definition of capital, the Company includes long term debentures and equity (deficiency). The following table shows the items included in the definition of capital. There has been no change with respect to the overall capital management strategy during the period ended June 30, 2020.

	June 30, 2020	December 31, 2019
	\$	\$
Long term loan	40,000	-
Deficiency	(6,387,508)	(84,197,225)
	(6,347,508)	(84,197,225)

14. FINANCIAL RISKS

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 listing and research fees
2. Loans and receivables carried at AMC

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified credit risk and impairment loss is not significant.

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. See Note 2 for Going Concern uncertainty. The Company has current assets of \$284,518 which will be used to cover its operating and investing activities. The expected timing of consolidated cash flows relating to financial liabilities as at June 30, 2020, are as follows:

	Less than 1 year	1-5 years	6-10 years	Total
	\$	\$	\$	\$
Current liabilities	284,518	-	-	284,518
	284,518	-	-	284,518

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

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interest rate been 1% higher throughout the year ended December 31, 2019, the net income would have decreased by \$835,693 for the year 2019.

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 not changed the net income materially.

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.

15. CONTINGENCIES

A disposed 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 disposed 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.

In addition, the disposed 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 acted 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.

With the disposal of the subsidiaries, management believes the above contingencies have no more impact on the Company.

16. LOAN PAYABLE

In June 2020, the Company was able to obtain a \$40,000 loan under the Canada Emergency Business Account (CEBA), that is an interest free unsecured loan provided by Canada government through the Company's RBC bank in response to the COVID 19 Pandemic. The loan is to be repaid on or before December 31, 2022 and if repaying so in full by that date will result into a loan forgiveness of up to 25% (\$10,000).

17. COMPARATIVE AMOUNTS

Consolidated statement of income and comprehensive income of the comparative period has been reclassified to match the current period presentation of discontinued operations. See Note 6 for details of discontinued operations.